

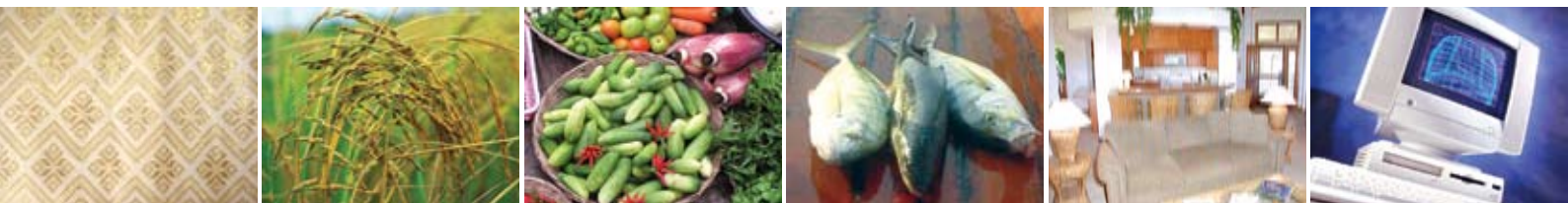


Kingdom of Cambodia



CAMBODIA'S 2007 Trade Integration Strategy

EXECUTIVE SUMMARY AND ACTION MATRIX



Prepared under the
Trade Related Assistance for Development and Equity (TRADE) Project of
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In 2000, Cambodia was designated as one of three pilot countries under the Integrated Framework (IF). Subsequently, Cambodia was the first country to complete a Trade Integration Strategy also known as Diagnostic Trade Integration Study or DTIS (Cambodia's DTIS 2002) under the IF.¹

The IF is a program of six multilateral agencies – the International Monetary Fund (IMF), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), World Bank, and World Trade Organization (WTO) – supported by a number of multilateral and bilateral development partners. The IF assists Least Developed Countries (LDCs) to integrate more effectively into global trade and turn trade into a driver of national development. The IF is the product of a commitment made by development partners under WTO agreements.

Cambodia's DTIS 2002 predates the country's accession to the WTO in 2004. As part of its accession, Cambodia has committed itself to a significant program of regulatory and legal reforms in trade governance that will have a significant impact on its competitiveness in the global economy. In addition, with the support of development partners, Cambodia has taken steps since 2002 to implement a number of actions identified in its first DTIS, notably in the areas of trade facilitation, Intellectual Property Rights (IPRs), Sanitary and Phyto-Sanitary Measures (SPS), and Technical Barriers to Trade (TBTs), as well as in some product sectors. Its performance in the trade sector has changed as a result. In view of such changes, Cambodia's Government determined that the time had come to update its earlier strategy.

In 2005, with the support of UNDP, the Ministry of Commerce (MoC) launched a new MoC-UNDP TRADE Project, a follow-up to an earlier programme. TRADE II focuses on strengthening MoC's capacity to manage trade reform and Cambodia's trade integration in the world economy. The programme is built around five major modules, including one focusing on updating DTIS 2002 and another on developing a Human Impact Development Assessment of Trade (HDIA) intended to sharpen Cambodia's ability to turn trade development into an instrument of poverty reduction and sustainable human development.

Meanwhile, other developments have helped build momentum around Cambodia's focus on trade. With initial support from the European Commission, MoC has taken steps to put into place a Trade Sector Wide Approach (Trade SWAp). Trade SWAp will be a key instrument for the successful implementation of Cambodia's trade sector strategy and the priorities identified by the Government as a result of the updated DTIS. A more effective use of limited human, institutional, and financial resources demands a shift from the project-by-project approach that characterized DTIS 2002, to a coordinated programme approach as advocated under Trade SWAp.

Finally, further to commitments made at the launch of the Doha Round (reinforced during the Hong Kong WTO Ministerial Conference) and as a follow-up to the debate on Aid-for-Trade launched during the Spring 2005 G8 Meeting, development partners have agreed to launch an Enhanced Integrated Framework (EIF) with new and expanded financial resources. The EIF places renewed emphasis on national capacity building for management of trade reform and trade sector development. It also points to the need for updating the DTIS and turning it into a true trade sector strategy. Many of the steps required under the EIF were anticipated under the MoC-UNDP Trade II programme and have already been taken up by the Ministry of Commerce.² Cambodia is well positioned to receive early support from the EIF.

¹ Cambodia: Integration and Competitiveness Study, Ministry of Commerce, 2002

² WTO, Enhanced Integrated Framework for LDCs, Compendium of Working Documents, Geneva: May 1, 2007



Main Focus and Underlying Principles

Work on Cambodia's 2007 Trade Integration Strategy – DTIS 2007 – was launched in mid-2006 by the Ministry of Commerce and UNDP in close consultation with other development partners supportive of Cambodia's efforts in trade development.

DTIS 2007 has four main objectives:

1. *Identify a set of possible priority product or service sectors to serve as a basis for strengthening and diversifying Cambodia's export basket. Strengthening exports may involve expanding sales into new import markets or capturing greater value added through more advanced processing; diversifying exports will require expanding existing, but smaller exports, or developing products or services not currently produced or exported;*
2. *Identify bottlenecks, either common to all priority sectors or specific to each, that need to be removed to promote development of those export sectors;*
3. *Link more clearly trade sector development with human development and poverty reduction (main streaming);*
4. *Serve as a basis for formulating clear trade sector development priorities shared by the Cambodian government, its development partners, and other concerned stakeholders to be implemented by all through a trade sector-wide approach (Trade SWAp).*

With respect to the fourth objective, DTIS 2007 is not an end in itself but part of a larger process. In particular:

- DTIS 2007 must be supported by much stronger structures and mechanisms for the formulation and implementation of trade policy and trade development strategy within the Royal Government of Cambodia (RGC). Implementation of DTIS 2007 has to go hand-in-hand with a clear emphasis on strengthening national capacity for management of trade reform and trade sector development;
- Implementation of DTIS 2007 will require the development of a series of tools that can assist the Government and its development partners in managing and monitoring results and effectiveness;
- Effective implementation of DTIS 2007 will require stronger funding coordination between the Government and its development partners, including more effective use of the PIP process and the Trade SWAp.



To develop a more strategic view of Cambodia's trade sector development, DTIS 2007 identifies an initial basket of 19 export potentials and examines them through a series of "filters" (Chapter 2). The 19 sectors are listed in Table 1 and their statistical analysis summarized in Table 2. The "filters" are meant to identify export potentials that may "mature" more quickly or that Cambodia may seek to encourage more rapidly based on their current competitiveness strengths and weaknesses, their market access conditions, or their poverty reduction impact.

Table 1: 19 Product and Service Export Potentials

List 1: Currently-Exported Products	Beer
	Cashew nuts
	Cassava
	Corn
	Fishery
	Footwear
	Garment
	Livestock
	Rice, including organic rice
	Rubber
	Silk, including silk handicraft
	Soybeans
List 2: Services and Non-Exported Products	Fruits and vegetables, including organic produce, mango, palm and soap products, and pepper.
	Wood products, including sustainable construction materials such as bamboo flooring, paneling, etc.
	Light manufacturing assembly, which might include bicycle and mopeds, light, electrical/ electronics (e.g. fans, TVs), sewing machines, etc.
	Tourism, including personal and business travel, and entertainment.
	Labour services, including construction services, household help, and farming.
	Transport and transport-related services
	Business processes/web-based services, which might include computer services, architecture, engineering, bookkeeping, accounting, etc.

To assess export development opportunities for each product or service sector, four indexes have been developed:

- Index 1 measures current export performance of Cambodia in the given product or service sector based on export value in 2005;
- Index 2 measures current demand conditions in world markets using a composite indicator including growth of international demand and Cambodia's access to international markets based on tariffs;
- Index 3 measures domestic supply capacity. The index is based on the results of a survey of over 150 Cambodian firms that were questioned about supply issues such as the quality of products, productivity, costs of production, and the efficiency of supporting industries;

- Index 4 measures the potential human development impact of each product or service sector on the Cambodian economy. The index is based on a rough estimate of 2005-2006 employment combined with other dimensions including employment creation, income generation, employment of women, poverty reduction, rural development, environmental sustainability, and the impact and extent of forward and backward linkages. Those dimensions were developed through interviews with companies, discussions with experts, and a literature review.

The first three indexes are combined into a single “Export Potential” index.

Table 2: Assessment of Export Development Opportunities for 19 Products and Services

	Export potential					Human development	
	Estimated exports in 2005 (\$ 1,000)	1. Export performance	2. World markets	3. Domestic supply conditions	Export potential assessment (average 3 indices)	Estimated employment	4. Human development assessment
<i>List 1:</i>							
Garments	2,610,766	H (5.0)	H (3.5)	H (3.8)	High (4.1)	360,000	High
Footwear	156,513	H (4.1)	M (3.1)	H (3.5)	High (3.6)	4,500	Medium
Cassava	13,000	L (1.2)	H (5.0)	H (3.5)	High (3.5)	4,000	Low
Rubber	9,095	L (1.2)	H (3.9)	H (4.5)	High (3.2)	40,000	Medium
Fishery	100,000	M (3.0)	M (2.7)	H (3.5)	Medium (3.1)	260,000	Medium-High
Rice	200,000	H (5.0)	L (1.2)	M (3.0)	Medium (3.1)	2,940,000	Medium-High
Soybeans	34,000	L (1.7)	H (3.4)	M (3.0)	Medium (2.7)	16,500	Low-Medium
Cashew nuts	50,000	L (2.0)	M (2.7)	M (3.0)	Low (2.6)	12,000	Medium
Silk	4,000	L (1.1)	M (2.7)	L (2.3)	Low (2.0)	20,500	Medium-High
Livestock	19,000	L (1.4)	M (3.1)	L (1.3)	Low (1.9)	400,000	Medium
Corn	25,000	L (1.5)	L (1.2)	L (2.5)	Low (1.7)	12,500	Low-Medium
Beer	975	L (1.0)	M (2.8)	L (1.0)	Low (1.6)	3,000	Low
<i>List 2:</i>							
Fruits and vegetables	269	L (1.0)	H (3.2)	Medium	Medium	..	Medium-High
Wood products	5,547	L (1.1)	M (2.9)	Medium	Medium	..	Medium
Light manufacturing	3,336	L (1.1)	H (3.3)	Medium	Medium	..	Medium
Tourism	..	High	High	Medium	High	..	High
Labour services	..	Medium	High	Medium	Medium	..	Medium
Web-based services	..	Low	High	Low	Low	..	Low
Transport services	..	Low	Medium	Low	Low	..	Low

Note: Indexes range from 1 (lowest ranking) to 5 (highest ranking). Product sectors rank “high” with an index of more than 3.1, medium with an index between 2.7 and 3.1, or low with an index of less than 2.7. “n.a.” = not applicable. The composite indexes for livestock and beer do not take into account domestic supply conditions and socio-economic impact due to lack of comparable data. They are not directly comparable with other products in List 1.

Source: ComTrade, TradeMap, Market Access Map, IMF Balance of Payments, field survey of Cambodian producers, literature review. ITC Methodology.



Table 3 compares the 19 products and services along the two dimensions of export potential and human development potential

Table 3: 19 Sectors Positioning According to their Export Potential and Human Development Impact

Human development impact	Export potential		
	Low	Medium	High
High			Garments Tourism
Medium-High	Silk	Fishery Rice Fruits and vegetables	
Medium	Livestock Cashew nuts	Wood products Light manufacturing Labour services	Footwear Rubber
Low-Medium	Corn	Soybeans	
Low	Beer Web-based services Transport services		Cassava

Source: Table 2

A main lesson from table 3 is that most product and service sectors identified in DTIS 2007 are attractive sectors for export development in Cambodia today, either because of their positive impact on human development, their strong potential for expansion, or both. The possible exceptions are the four product and service sectors in the shaded lower left-hand corner (corn, beer, transport services and web-based services).

Attractive Markets

for Cambodia's Export Potentials and Market Access Conditions



DTIS 2007 develops an Attractive Market Index for each product line in each of the 19 sectors and for each import market as a means to rank and identify where the most attractive new markets for expanded Cambodian exports might be found (Chapter 3). The Attractive Market Index combines:

- A measure of the strength of demand in the importing market (measured by the difference in the growth of that import in the given market and the growth of world imports for the same product);
- The size of import markets, as measured by their share in world imports of a given product;
- The openness of import markets for products from Cambodia, as measured by the ad valorem equivalent tariffs they apply to imports from Cambodia for a given product;
- The preferential access to import markets (measured by the tariff differential between tariffs faced by Cambodia and those faced by its five major competitors in each import market).

Findings from the Attractive Market Analysis include:

- Cambodia's current main export destinations include the United States (currently dominant due to the garment sector), Germany, the United Kingdom, France, Canada, Japan, Singapore, South Korea (leading country for tourism), China (PRC), Thailand and Viet Nam. Viet Nam and Thailand are either not represented or vastly underrepresented in many official statistics due to extensive informal trade but are clearly large importers of Cambodian goods;
- European Union countries are among the most attractive new or expanded markets, with the United Kingdom in the lead for many of the 19 export potentials, followed by France, Italy, Spain and Germany. Japan and Hong Kong also offer large numbers of promising new or expanded markets for most of the 19 sectors. Other interesting potential markets include: Singapore, Thailand, Indonesia, Malaysia and Viet Nam in Southeast Asia; China PRC, Taiwan (PoC), and South Korea in East Asia; Saudi Arabia and the United Arab Emirates in the Gulf countries; as well as Canada, Australia, Turkey, and Kazakhstan;
- Aside from the potential new or expanded export markets listed above, the analysis also suggests interesting opportunities for exports to a number of ex-Soviet Republics, the Russian Federation, as well as some African and Arab countries

Perhaps, the most interesting finding from the Attractive Market Analysis is that for a great majority of the 19 product and service sectors (and individual product lines within each sector), Cambodian exporters hold limited to no tariff advantage over their main competitors in the top five attractive markets. This is so either because their main competitors come from other LDCs and benefit from similar tariff preferences and/or because tariffs applied by importing countries are very low for everyone.

This finding is highlighted in Table 4 below.



Table 4: Percentage Distribution of Cambodia's Export Potentials by Product Line-Import Market Combinations for "All Markets" and for "Top 5 Attractive Markets Only" Showing Tariff Advantage or Disadvantage Enjoyed by Cambodian Exporters

	Garment Sector		List 1 Non-Garment Sectors		List 2 Sectors	
	All	Top 5	All	Top 5	All	Top 5
Import Markets						
Tariff advantage for Cambodian Exporters ($D \geq 5\%$)	20%	72%	8%	24%	2.5%	7.9%
Neither advantage nor disadvantage ($-5\% < D < 5\%$)	73%	28%	84%	76%	89.1%	92.1%
Tariff disadvantage for Cambodian Exporters ($D \leq -5\%$)	7%	0%	8%	0%	8.4%	0%
Number of Product Line-Import Market Combinations	17513	738	5109	215	17652	629

D: Difference between the (weighted) tariff applied the top five competitors in each market and the tariff applied to Cambodia.
No significant advantage/disadvantage in three-quarter or more of the cases highlighted in [blue](#)

In 75 percent or more of the cases, Cambodian exports enjoy no tariff advantage in either "All" Import Markets or in their "Top Five" Attractive Markets. Only in the case of garment product lines in Top 5 Attractive Markets do Cambodian exporters enjoy a significant tariff advantage (in 72 percent of the cases, mostly for product line exports to Cambodia's main current export markets – the US and several EU countries).

In sum, the Attractive Market Analysis presented in DTIS 2007 suggests that the ability of Cambodian exporters to compete on the basis of tariff preferences in the 19 sectors is increasingly limited. Where it still exists (garments for the most part) it may be shrinking rapidly. The implication of the disappearance of tariff-based competitive advantages is that there is growing pressure on current or potential Cambodian exporters to compete on a different basis, including by developing cost advantages through improved production practices at home, and through strengthening their ability to meet non-tariff requirements of importing countries.

And here seems to lie the main challenges for Cambodia's next phase in the development of its export sector: the need for its exporters to compete in import markets increasingly through improved product quality, productivity gains, and reduced transaction costs so as to lower their costs; through expanded processing to capture a greater share of value added; and through their improved ability to meet international standards. In many regards, the very large amount of current informal exports to both Thailand and Viet Nam crystallizes the very nature of this challenge, as it points to the current weak capacity of many Cambodian exporters in many sectors and markets to meet international competition head-on.



Chapter 4 of DTIS 2007 takes an in-depth look at competitiveness conditions in the 19 export potentials and seeks to identify constraints to their development that are either specific to the sector or shared across sectors.

The results are summarized in the 19 SWOT sector tables presented as Table AM-2 in the Action Matrix of the DTIS 2007 (see Appendix: Action Matrix). It is understood that those 19 SWOTs are starting points rather than end points for the formulation of sector-specific interventions. The agreed view is that further work beyond DTIS 2007, typically along a Value-Chain approach, will likely be required to lay down the proper foundations for project-based interventions in individual product sectors, especially those where little analytical work has been done thus far.

In general, the 19 detailed product and service sector analyses point to a number of shared challenges for Cambodian export potentials. They include:

- Insufficient cost competitiveness and low productivity. In most sectors, Cambodia's exports are hindered by high production costs and low productivity. Producers are confronted with inadequate and often expensive supporting domestic infrastructure (energy, roads and telecommunications) and high transaction costs, especially transportation and trade facilitation. Cambodia suffers from high shipping costs. Despite increasing competition among transportation companies, the costs of intra-regional transportation are still higher than those for international transportation. Supporting infrastructure such as storage and refrigeration, is insufficient for many agricultural commodities. Cambodia's telecommunications infrastructure is weak and costly;
- Limited value addition in many sectors due to strong import dependency for raw materials and intermediate inputs. In addition, many sectors suffer from limited processing capacity, and accordingly, limited ability to add value and diversify products. Products often are exported in crude or semi-processed form only, which limits the possibility to add value and diversify products. In various sectors, much of raw materials and intermediate inputs have to be imported, which drives up overall production costs;
- Low quality and little-differentiated products, limited access to technology, and low design and R&D capacity. Low quality and limited differentiation of products is not only linked to weak production technology, but also to limited know-how in design and marketing. Processing and harvesting technologies used in a number of sectors are outdated, partly because of insufficient financial resources at the enterprise level. In many sectors, enterprises have difficulty meeting exacting quality standards (non-tariff barriers) of various foreign markets;
- Limited knowledge of foreign markets and international trade issues. Many Cambodian firms have only limited knowledge of foreign markets and international trade issues and need intermediaries in a number of sectors. Sales management remains reactive, with enterprises often passively waiting for clients rather than actively exploring new opportunities;



- Limited ability to meet the requirements of foreign buyers. A main concern is the difficulty of Cambodian producers in meeting the time delivery requirements and the large quantities requested by foreign buyers due to small-scale production resulting from the small size of the domestic market. In many sectors, insufficient production capacity is mentioned by those interviewed as one of the major obstacles to export growth, mainly due to a lack of capital;
- Limited entrepreneurship;
- A legal and institutional framework for business export development that remains underdeveloped. There is evidence that Cambodian entrepreneurs lack basic skills for export business and a genuine entrepreneurship mentality.

Because of the diversity of the sectors analyzed, the 19 detailed sector analyses do not lend themselves to an easy overall summary of main issues, except perhaps in pointing to shared cross-cutting areas where improvements would clearly benefit a wide range of sectors including trade facilitation, investment facilitation, SPS capacity, TBT capacity and Intellectual Property Rights capacity (see below). In other respects, most of the 19 export potentials also confront sector-specific issues, including skill development of producers, strengthening of supply chains, strengthening of processing capacity, access to quality inputs, organization of producers and many others.



Mainstreaming

Exports in Cambodia's Development:
Human Development Issues in Five Sectors



DTIS
2007

DTIS 2007 lists as one of its objectives the need to link more clearly trade sector development with human development and poverty reduction in Cambodia (mainstreaming). The mainstreaming of trade into a national objective of poverty reduction is an issue much talked about since the late 1990s, and one that calls for much improved research and conceptualization that can then be translated into better policies and strategic decisions.

As noted previously, MoC and UNDP have launched a Human Development Impact Assessment of Trade research effort in parallel to the DTIS 2007, which overtime is expected to produce stronger analyses of the linkages between trade development and poverty reduction in Cambodia.

Chapter 5 of DTIS 2007 provides a very preliminary look at how human development issues might be looked at in the context of trade development, by examining five of the 19 product sectors: rice, fisheries, soybean, corn, and garment. Clearly, the five vignettes are only a start and far more detailed work will be required to pull out the policy implications of linking the two issues.

Two detailed studies are being finalized under HDIA that will amplify some of those early findings: (1) a study of the Garment sector and (2) a study of the fiscal implications of trade liberalization for public resources and investment. More studies are planned for the future.





Strengthening the ability of a growing number of product and service sectors to develop a competitive export capacity will require, as noted earlier, interventions both at the product or service sector level and in areas of legal and institutional support that cut across most sectors.

Chapter 6 of DTIS 2007 focuses on five such cross cutting areas

- Trade Facilitation
- Investment Facilitation
- Technical Barrier to Trade
- Sanitary and Phyto-Sanitary Measures
- Intellectual Property Rights

Each of these five main areas are looked at particularly from the perspective of identifying improvements that might have the most direct impact on the 19 export potentials. In turn, the “Work Programme of the Royal Government of Cambodia resulting from Cambodia’s Accession to the World Trade Organization” is looked at in Chapter 6 from the perspective of which areas of legal and institutional reform agreed to under the WTO accession might have a more immediate positive impact on resolving some of the bottlenecks identified in the five cross-cutting areas.

Trade Facilitation

Improvements in Trade Facilitation remain critical to the competitiveness of a broad range of export sectors. A recent reform programme of the Government and World Bank has helped reduce certain transaction costs, though they remain high compared to competitor countries. Areas for further action include: (1) implementation of the Risk-Management Strategy approved under sub-decree 21; (2) successful automation of CED under the ASYCUDA programme; (3) introduction of a WTO-compatible flat fee for service; and (4) design and implementation of a Single-Window process at a more aggressive pace than the one currently proposed under the ASEAN 2012 schedule.

Investment Facilitation

Improvements in Investment Facilitation focus on two main areas: (1) the deepening of legal reform for investment; and (2) accelerating the development of Special Economic Zones (SEZs).

The Achilles heel of the investment framework today remains the lack of a predictable and transparent set of rules that are enforced in a speedy, fair, and efficient manner by the appropriate government institutions. In most respects, the thrust of Cambodia’s investment framework currently in development compares favorably with the best anywhere. However, there remains significant work in the coming years to turn legal proposals and drafts into approved laws and fill in the regulatory details through sub-decrees and administrative instructions, as well as develop the institutional capacity to implement such laws and regulations.

Special Economic Zones (SEZs) are intended to provide a quick fix to some of these problems in the form of higher standards of regulatory administration and better infrastructure than currently available. Well developed, effective SEZs can be a key to attracting investment in a number of the export potential product sectors identified in DTIS 2007, including light manufacturing assembly and agri-processing. Accordingly, deepening the successful implementation of a number of Special Economic Zones should rank high on the list of Cambodia's priorities.

Technical Barriers to Trade

Cambodia's current draft Law on Standards does not comply with many of the provisions of the WTO Agreement on Technical Barriers to Trade, and for that matter, might create undue new barriers to Cambodian exporters. The draft law should be pulled out of the National Assembly, where it stands currently, and should be revisited and amended extensively so that it is made WTO-compliant and meets the needs of Cambodian producers.

At present, there are no Cambodian government accredited bodies. Certificates of conformity currently issued by Cambodian government conformity organizations have no value to the Cambodian exporter or to the importer of Cambodian goods or services. There are but very few private Cambodia-based organizations that are internationally accredited (e.g. Institut Pasteur du Cambodge, Chup Rubber Plantation Testing Lab, Rubber Research Institute of Cambodia testing lab). In addition, there is no Cambodian accreditation body.

So far, the very limited Cambodia-based infrastructure in the area of conformity compliance has had significant benefits. It has allowed for the development of a very flexible system whereby Cambodian exporters have been able to access technical compliance resources directly from regional or overseas organizations that are internationally recognized and can assist Cambodian producers in meeting the requirements of demanding importing countries.

As Cambodia seeks to promote the development of its own conformity assessment infrastructure, it must make sure that the infrastructure that develops meets international standards and does not develop into a monopoly, shutting out regional and overseas certification bodies and replacing them by "second-best" national bodies that do not meet international requirements.

Sanitary and Phyto-Sanitary Measures

Cambodia's current SPS institutional capacity for exports is very limited and, at times, characterized by a duplication of agencies whose controls do not even meet international conformity requirements.

There is a need for streamlining the current SPS control institutional framework and eliminating controls that have no value to the exporter. In addition, there is a need to develop the human and institutional resources required to support exporters in producing crops or foods that meet SPS requirements of importing countries.



SPS support activities covers three broad areas: plant safety, animal safety and food safety. Roughly speaking, the complexity of support activities increases as one proceeds from plant safety to animal and food safety. Given the 19 export potentials highlighted in this DTIS, the recommendation is to focus initially on developing SPS support capacity in the areas of plant health and selectively, animal health (fisheries in particular, and possibly selected livestock such as piglets and pigs).

Intellectual Property Rights

Enforcement of Intellectual Property Rights (IPRs) is important for Cambodia. This is not simply to meet its international obligations and project an image that strengthens the credibility and competitiveness of Cambodian producers to the outside world. Stronger IPR protection also offers opportunities for Cambodia to develop certain export products that may be subject to IPR protection (e.g. geographical indications) and, as a result, be endowed with a unique “Cambodian” competitive advantage.

A key priority bottleneck to address is the establishment of a commercial court system. Its absence is a serious bottleneck to a rules-based resolution of commercial disputes, including IPRs disputes. Linked to this is another bottleneck, namely the absence of intellectual property professionals. There is a need to strengthen human resources knowledgeable in IPRs issues and develop intellectual property education at the university level in Cambodia.

IPRs represent a major asset to developing higher value added products and services to benefit the economy as a whole. Two areas might call for priority attention. First, under Article 7 of the TRIPS Agreement, investigations can be undertaken to identify those areas of the Cambodian economy that would best benefit from IPR-based technology transfer. Second, Cambodia might want to focus efforts on developing a strong system of patents as well as join international conventions, such as the Patent Cooperation Treaty (PCT), to make it easier for Cambodian innovators and businesses to attract potential foreign investment and access information on technologies more easily.

Finally, the development of trademarks and geographical indications (GIs) are two areas that could strengthen Cambodia’s competitiveness in a number of the export potential products and services identified in this study, including agricultural and handicraft product sectors such as rice, pepper, silk and others.

The Royal Government of Cambodia’s Work Programme Resulting from Cambodia’s WTO Accession

Chapter 6 concludes by reviewing the 120 or so incomplete legal and institutional reforms and actions listed in the “Work Programme” through the lens of the aforementioned analyses of the five main cross-cutting areas. This, in turn, allows for the prioritization of those legal and institutional reforms that might have a more immediate impact on addressing issues and bottlenecks raised in the five cross-cutting areas. Priority actions identified through this lens are shown in blue in Table AM-3, shown in the Action Matrix appended to this Executive Summary.



As noted earlier, the last main objective for DTIS 2007 is to serve as the basis for formulating trade sector development priorities shared by the Government, its development partners, and other concerned stakeholders that will be implemented by all through a trade sector-wide approach.

While this study was being developed, Cambodia's Ministry of Commerce (MoC) took steps to put in place a new institutional infrastructure for consultation, management, resource mobilization and monitoring required for a successful implementation of DTIS 2007.

Key among those parallel development is the creation of the Sub-Steering Committee on Trade Development and Trade-Related Investment by Anukret of March 2007 and the formation of the MoC's Department for International Cooperation by Anukret of August 2007 (the latter focusing on the reorganization of the MoC).

Two factors will be critical in determining the effectiveness of the new implementing mechanisms: clear involvement of and good coordination with other key ministries in the work of the Sub-Committee and the Department for International Cooperation; and vigorous development of Human Resources in MoC and concerned line Ministries in many aspects of trade policy formulation and trade strategy implementation.

The DTIS 2007, with its detailed Action Matrix, will serve as the basis for formulating a trade sector development program to be implemented through a Trade SWAp. At its October 1, 2007 meeting, the Sub-Steering Committee on Trade Development and Trade-Related Investment, under the chairmanship of the Senior Minister of Commerce, proposed the formulation of three main sub-programs:

- Reforms and Cross-Cutting Issues for Trade Development
- Product and Service Sector Export Development
- Capacity-Building for Trade Development and for the Management of Trade Development

Work is under way to organize mixed Government-Development Partners design teams that will formulate the three sub-programs taking into account present Government efforts and resources, ongoing Technical Assistance, and current gaps. Once priorities are clearly identified for each, it will be possible to develop a three-year costing plan using the MTEF/PIP rolling plan approach. Monitoring tools and indicators will need to be developed. As work progresses, evaluation of programme results will need to be assessed and incorporated as a basis for updating objectives and priorities. Finally, additional HDIA studies are planned to help develop a closer fit between human development and poverty reduction on the one hand, and trade sector development on the other.

**Table AM-1:*****DTIS 2007 19 Product and Service Export Potentials*****Table AM-2:*****DTIS 2007 Key Development Issues and Priority Action Plan
For 19 Export Potentials*****Table AM-3:*****DTIS 2007 Trade-Related Legal and Institutional Action Plan*****Table AM-1: DTIS 2007****19 Product and Service Export Potentials**

List 1: Currently-Exported Products	Beer
	Cashew nuts
	Cassava
	Corn
	Fishery
	Footwear
	Garment
	Livestock
	Rice, including organic rice
	Rubber
	Silk, including silk handicraft
	Soybeans
List 2: Services and Non-Exported Products	Fruits and vegetables, including organic produce, mango, palm and soap products, and pepper.
	Wood products, including sustainable construction materials such as bamboo flooring, paneling, etc.
	Light manufacturing assembly, which might include bicycle and mopeds, light, electrical/electronics (e.g. fans, TVs), sewing machines, etc.
	Tourism, including personal and business travel, and entertainment.
	Labour services, including construction services, household help and farming
	Transport and transport-related services
	Business processes/web-based services, which might include computer services, architecture, engineering, bookkeeping, accounting, etc.

Table AM-2:**DTIS 2007 Key Development Issues and Priority Actions for 19 Export Potentials**

This table summarizes the findings of SWOT analyses carried out for the 19 products and services. It also identifies preliminary priority actions for each, based on analyses presented in Chapters 4 and 5 of the DTIS 2007. Further work on sector-specific priority actions will be done as part of the implementation of DTIS 2007.

Note: Indexes shown in the table range from 1 (lowest ranking) to 5 (highest ranking). Product sectors rank “high” with an index of 3.2 or more, medium with an index between 2.8 and 3.2, or low with an index 2.8 points or lower. “n.a.” = not applicable.

Table AM-2.1: Garments

Strengths/Opportunities	Weaknesses/Threats
High current export performance (Index 1 = 5.0)	
<p>The garment industry is by far the most important exporting industry in Cambodia, and export growth remains strong.</p> <p>Increasing exports over the last years despite the end of the quota system.</p>	<p>Strong geographic concentration of exports (mostly US and EU).</p>
High world markets index (Index 2 = 3.5)	
<p>Tariff preferences applied to some items owing to LDC status.</p> <p>Potential and better market access to EU market if accumulation rules for rules of origin are eased.</p> <p>Transitory advantage because of US quotas for Chinese textiles.</p> <p>No legal restrictions for investors, such as for repatriating earnings. Diversifying of export markets (e.g. Japan, Canada) could reduce reliance on US and EU markets.</p>	<p>High tariffs applied for some items in major markets (e.g. US).</p> <p>Stringent rules of origin limit the use of preferential access schemes (e.g. EBA). Preference erosion could become a threat in some markets (e.g. EU). US quotas for China will eventually run out, with more competition on Cambodia's main market.</p> <p>WTO accession by Viet Nam will increase its competitiveness, which may cause some suppliers to move there. Buyers can quickly switch to other supplying markets.</p>
High domestic supply index (Index 3 = 3.75)	
<p>High labour availability.</p> <p>Experienced foreign investors provide know-how.</p> <p>Buyers see relatively good working conditions and monitoring measures as advantageous.</p> <p>Better training measures could raise productivity and working conditions.</p>	<p>Most production is sub-contracted by foreign partners.</p> <p>High costs of electricity. High informal costs, especially for import/export procedures. Lack of skills due to lack of formal training.</p> <p>Weak productivity.</p> <p>No supplying industries, which means a heavy dependence on imports of raw materials.</p> <p>Industry is driven by FDI, with few local investors.</p> <p>No significant labour cost advantage compared to other low-cost suppliers.</p>
High human development impact	
<p>The garment sector provides most of the industrial employment in Cambodia (in 2006 it had a workforce of about 325,000 people), and is a major source of foreign revenue. Remittances help support households, many in rural areas. Workers are young (about 10 years younger on average compared to the employed labour force as a whole), mostly literate, with higher-than-average levels of education.</p> <p>Most workers are female and from rural areas, and they usually support their families with a part of their income. Significant source of wage employment for women. Accounts for 10% of all non-agricultural employment and over 20% of all non-agricultural wage employment in the country. Earnings of garment workers are somewhat higher on average compared to other non-agricultural activities.</p>	<p>High human development dependency on the sector:</p> <p>Withdrawal of investors could seriously harm rural families who rely on remittances of family members working in the garment industry.</p> <p>Limited human capital development, as companies provide little on-the-job training to employees.</p> <p>Work tends to be repetitive and provide few challenges or opportunities.</p> <p>High turnover, lack of long-term jobs, displaced older workers may not have access to other employment opportunities.</p>
Preliminary priority actions	
<p>Remittances help support households, many in rural areas. Workers are young (about 10 years younger on average compared to the employed labour force as a whole), mostly literate, with higher-than-average levels of education. Most workers are female and from rural areas, and they usually support their families with a part of their income.</p>	



Table AM-2.2: Footwear

Strengths/Opportunities	Weaknesses/Threats
High current export performance (Index 1 = 4.1)	
Footwear is the second most important export industry. Significant exports to EU and Japan.	Very high dependency on two markets: Japan and EU. Cambodia's only a minor producer compared to Viet Nam
Medium world markets index (Index 2 = 3.1)	
<p>Tariff preferences applied to some items owing to LDC status.</p> <p>Potential and better market access to EU market if Rules of Origin on accumulation rules are eased.</p> <p>Transitory advantage because of EU AD measures against China and Viet Nam.</p> <p>Diversifying export markets (e.g. US, Japan) could reduce reliance on Japanese and EU markets.</p>	<p>Stringent rules of origin limit use of preferential access schemes (e.g. Japan).</p> <p>Preference erosion could become a threat in some markets. EU AD tariffs for China and Viet Nam will run out in a few years.</p> <p>Buyers can quickly switch to other supplying markets.</p>
High domestic supply index (Index 3 = 3.5)	
<p>High labour availability.</p> <p>Labour costs similar to China.</p> <p>Some (experienced) foreign investors already there.</p> <p>Improvement of border procedures to facilitate trade.</p> <p>Reducing informal costs could bring competitiveness to Viet Nam's level.</p>	<p>Low value added, since assembly activities are limited to only one step in the production.</p> <p>No supplying industries, thereby high dependency on imported chemicals, machinery and components (upper parts, soles).</p> <p>Industry is driven by FDI, with no local investors. Footloose industry, which can easily move across the border if costs rise or problems arise.</p> <p>High informal costs, especially for import/export procedures and transportation, and corruption.</p> <p>Restrictive labour laws.</p>
Medium human development impact	
<p>Large source of foreign revenue for the country, as it is the second most important exporting industry.</p> <p>Strong employment creation, especially for women.</p>	<p>Production concentrated in urban centres, no regional development.</p> <p>Low-qualification jobs without investment in human capital.</p> <p>No strong foundation in footwear production. The structure of the industry in other countries is quite similar to the production of clothing and garments. Therefore, the human development impacts (and human resource demands) are likely to be similar. Unlike garment – which represents a truly global industry – footwear tends to be concentrated in fewer countries. Several of these countries (e.g. Indonesia) have characteristics similar to Cambodia. However, it is unclear whether, given the current lack of footwear production and the geographically concentrated nature of the industry, Cambodia can break into this sector.</p>
Preliminary priority actions	
<p>Improve the business environment to keep the industry in the country and possibly attract new investors.</p> <p>Consider the establishment of a Cambodian shoe design institute.</p> <p>Develop a comprehensive skill development plan for footwear Promote investments in backward linkage development including, possibly, through selective (but WTO-compatible) fiscal incentives or provision of development finance.</p> <p>Strengthen supply chains through closer regional integration.</p> <p>Implement a marketing plan (nation branding) to promote the Cambodian footwear label and carry out a sustained export promotion campaign.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for chemical dyes (TBT).</p>	

Table AM-2.3: Rice

Strengths/Opportunities	Weaknesses/Threats
High current export performance (Index 1 = 5.0)	
High exports of paddy rice to Thailand and Viet Nam, making rice the major agricultural export product (estimates are around USD 200 million).	Few exports of milled rice. High export-dependency on Thailand and Viet Nam.
Low world markets index (Index 2 = 1.2)	
<p>Cambodia will enjoy duty-free access to the EU from 2009 and enjoys duty-free access in a number of major importing countries.</p> <p>World market prices are currently very high.</p> <p>WTO negotiations could lead to less protection in agricultural trade in some countries, though the impact on rice will probably be rather low.</p> <p>There seems to be a market potential for fair trade and/or organic rice.</p> <p>Nigeria seems an interesting diversification market.</p>	<p>Relatively low growth of world imports.</p> <p>Many major consuming countries protect their markets (e.g. Japan, South Korea, some ASEAN countries).</p> <p>Few countries offer preferential market access for Cambodia.</p> <p>Share of potential markets in world imports is small.</p> <p>High informal export costs.</p> <p>Currently, exports largely rely on demand and milling facilities for paddy rice from Thailand and Viet Nam.</p> <p>Importing countries often require SPS certificates.</p>
Medium domestic supply index (Index 3 = 3.0)	
<p>High surplus production of paddy rice.</p> <p>Some high-value varieties are already being produced.</p> <p>Milling facilities would allow more direct exports to overseas markets and more added value in Cambodia. Also, market power of Thai and Vietnamese buyers would shrink.</p> <p>Potential in the production and export of organic and /or fair trade rice.</p>	<p>Lack of irrigation infrastructure and low technological level in farming, and processing.</p> <p>High electricity and transport costs.</p> <p>Low development stage, cultivation on subsistence-level.</p> <p>High input costs.</p> <p>Low quality and capacity of milling facility.</p> <p>Inadequate storage and grain silo.</p> <p>Lack of low-interest rate credit.</p>
Medium-high human development impact	
<p>Rice is by far the most important agricultural export product of Cambodia.</p> <p>Very high socio-economic impact in terms of job creation and poverty reduction, especially in rural areas.</p> <p>More milling facilities could lower dependence on Thai or Vietnamese millers.</p>	<p>Rice is a staple food for most Cambodians. Therefore, price changes (e.g. an increase due to increasing export demand) could harm vulnerable groups who are net-buyers of rice.</p>
Preliminary priority actions	
<p>Improve use of quality agriculture inputs (seed strains, fertilizers, insecticides/pesticides, etc.) by farmers. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful).</p> <p>Dissemination of information and technical advice on planting including use of high-yield seeds during dry season, use of suitable varieties for different soils, integrated pest management and crop management, and field maintenance, especially pre- and post-harvest.</p> <p>Encourage diversification in terms of aroma, flavour, chemical-free and organic varieties of rice. Improve post-harvest marketing, storage and milling capacity.</p> <p>Develop trademarks and geographical indications (Gis) that could strengthen Cambodia's competitiveness in a number of rice products (i.e. organic) and, as a result, be endowed with a unique "Cambodian" competitive advantage.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	

**Table AM-2.4: Cassava**

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.2)	
Growing exports over the last years, in line with an increase in production.	Exports are concentrated on Thailand and Viet Nam. Most exports are informal exports of raw material, with few processed products being exported.
High world markets index (Index 2 = 5.0)	
<p>High share of attractive markets, especially China. Strong demand from China.</p> <p>Favourable market access conditions for cassava starch (HS 110814) and chips and pellets (HS 071410), especially in the EU and ASEAN markets.</p> <p>Growing processing industry in Thailand and possibly in Viet Nam.</p> <p>Possible tariff reduction in Thailand.</p> <p>New usages of cassava (e.g. fuel).</p>	<p>Very high concentration of world demand (China, EU), with declining demand from the EU.</p> <p>High import tariffs in several potential markets (incl. Thailand).</p>
High domestic supply index (Index 3 = 3.5)	
<p>Low labour costs for labour intensive harvesting.</p> <p>The yield is similar to other Asian countries.</p> <p>Introduction of high-yield varieties: Cassava industry can be localized to attract investment into other industries such as; food processing, medicine, paper, glutamine, textiles, plastic, liquor, etc.</p> <p>Cassava can be used for many purposes and processed into a variety of final products (bio-ethanol factory is planned).</p> <p>Development of chips, pellets or starch industry.</p> <p>Growing feed demand from livestock sector.</p>	<p>High transport costs due to infrastructure problems.</p> <p>Few processing facilities.</p> <p>High costs of inputs for processing (fuel, materials).</p> <p>Low trade support compared with garment industry (e.g. VAT, SGS, taxation).</p> <p>Cassava, as a crop, does not itself generate significant value added.</p>
Low human development impact	
<p>About 2% of individuals who report being employed in agricultural production live in households where cassava is grown (possibly as one of several other crops).</p> <p>Most all cassava producers are self-employed (either own-account workers or unpaid family workers). Cassava growing is an entirely rural activity in Cambodia.</p>	<p>Industrial employment opportunities are currently scarce, as there is cassava processing.</p> <p>Child labour is relatively common.</p> <p>Individuals engaged in cassava production have limited educational attainment and relatively low literacy rates (around 55%). The value of food consumption per person in the households where cassava-producing workers live is well below average.</p> <p>Cassava, as a crop, does not itself generate significant value added.</p>
Preliminary priority actions	
<p>Strengthen farmers' knowledge of modern farming techniques. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful).</p> <p>Encourage investments in processing machinery / technology.</p> <p>Raise productivity and improve market access as a way of improving living standards among poor agricultural producers.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	



Table AM-2.5: Rubber

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.2)	
Good performance over the last years and high potential due to an expected increase in production.	Exports rely on demand from Viet Nam, with few direct exports to other countries.
High world markets index (Index 2 = 3.9)	
<p>Low tariff barriers in world market.</p> <p>Favourable location because neighbouring countries have rubber processing industries.</p> <p>Strong demand in world market (e.g. from China) probably keeps up prices in the short run.</p> <p>Increasing demand for clean and organic aquatic products in the Western markets.</p> <p>Chinese and Indian economic growth increases demand in the long term (but also competition).</p>	<p>No tariff advantage compared to other suppliers.</p> <p>Natural rubber demand highly dependent on a single industry (tire manufacturers).</p> <p>Possible threat of substitution by synthetic rubber.</p> <p>Volatile prices and no price security.</p>
High domestic supply index (Index 3 = 4.5)	
<p>Lower labour costs than in major producing countries.</p> <p>Modern processing facilities.</p> <p>Capacity reserves in processing plants.</p> <p>Quality of raw product is good.</p> <p>High potential for growth of planted area.</p> <p>Potential of future development of value added rubber industry.</p> <p>Privatization might help to improve productivity.</p>	<p>Many smallholdings use mediocre or poor quality trees, as they do not benefit from the technical support of projects led by the Directorate General of Rubber Plantations.</p> <p>Relatively low yield.</p> <p>No high value added rubber industry (e.g. for tires).</p> <p>Inefficiencies in SOEs, which still have to undergo privatization process.</p> <p>Theft of latex is an increasing problem for SOEs.</p> <p>Difficult to adapt production level on world demand and price level in the short-run.</p> <p>Countries such as EU, USA, Japan, Thailand, India, and China require certification by internationally accredited labs.</p>
Medium human development impact	
<p>The rubber sector is entirely concentrated in rural parts of the country. Compared to other types of agricultural production, earnings in rubber production are higher on average and human development outcomes are better. Rubber plantation is labour intensive and can provide ample employment opportunities.</p> <p>Less than 0.5% of all workers who report being employed in agricultural (and similar extractive activities) live in households where rubber is collected. Most individuals engaged in primary production of rubber are self-employed.</p> <p>About half of all workers in the rubber sector are women. Workers in the rubber sector are much more literate and better education compared to workers in other agricultural activities.</p>	<p>Impact is concentrated in few areas, notably Kampong Cham.</p> <p>Few industrial employment opportunities due to a lack of processing facilities.</p>
Preliminary priority actions	
<p>Stabilize land tenure to the benefit of smallholders, to avoid possible evictions.</p> <p>Provide selected plant material (hevea plants) to guarantee stable and high yields over the 25 years of production.</p> <p>Improve quality and productivity of small-holding output.</p> <p>Strengthen ability to meet international quality standards.</p> <p>Financially support the heavy investment associated with plantations, through a partial subsidy and/or credit for a restricted number of inputs and essential work, provided on a competitive basis.</p> <p>Develop and strengthen professional farmer organizations.</p> <p>Skills-strengthening program may be an essential part of the development of the sector since workers in the sector are much more literate and better educated compared to workers in other agricultural activities.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	


Table AM-2.6: Fishery

Strengths/Opportunities	Weaknesses/Threats
Medium current export performance (Index 1 = 3.0)	
Increasing exports over the last years, including exports to demanding markets, such as the US.	Most exports are informal and / or provide low value added.
Medium world markets index (Index 2 = 2.7)	
Low tariffs in many countries. High demand from Thailand. Diversifying export markets for freshwater fish. Improvement of border procedures to facilitate trade.	Severe non-tariff trade barriers (informal fees, etc.) Compliance with SPS requirements in industrial countries can be challenging. The EU prohibits imports of fish from Cambodia due to failure to comply with EU legislation regarding hygiene and sanitary conditions since 1997.
High domestic supply index (Index 3 = 3.5)	
Abundant freshwater and marine fish resources, if production is limited to a sustainable level. Strong demand for freshwater fish in domestic market. Fish is a staple food in Cambodia. Potential to increase downstream activities (processing).	Bad infrastructure (storage, transport). High costs for export to industrial markets. Low value added due to lack of processing facilities. Lower production if over-fishing is not tackled.
High human development impact	
Fishery sector has a very high human development impact as many Cambodians rely on fishery. Processing could provide additional employment opportunities.	Increasing export demand could further threaten sustainability of the sector due to over-fishing
Preliminary priority actions	
Manage fishery resources to avoid depletion and conserve biodiversity; Develop SPS capacity to ensure conformity with safety and sanitation guidelines, both for domestic and export markets. Build handling, storage, processing, and marketing capacity. Train fishermen in modern sanitary and phyto-sanitary handling and processing in conjunction with upgrading of handling and processing facilities. Improve trade facilitation (e.g. eliminate unnecessary government inspections). Accelerate process of fishery certification for EU market. Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).	

Table AM-2.7: Cashew Nuts

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.2)	
High and growing exports of raw cashew nuts. Estimates for exports are around USD 50 million per year.	Cashew nuts are mostly exported raw (in shells) and only very few are shelled (kernels). Strong reliance on Viet Nam for processing of raw cashew nuts.
High world markets index (Index 2 = 3.9)	
High recent world market prices. Mostly zero tariff in importing countries for processed cashew nuts. Low trade costs to Viet Nam compared to African exporters. Diversification of markets for raw cashew nuts (e.g. India). Shortage of raw cashew nuts for further processing in Viet Nam. High demand growth is expected.	Volatile prices. World market prices might drop if Viet Nam and other countries increase production further. Strong competition from exporters in Asia, Africa, and South America. Vietnamese production could increase above processing capacity level, thereby reducing demand for Cambodian raw cashew nuts.
High domestic supply index (Index 3 = 4.5)	
High land availability for increasing production; soil is usable for cashew nuts. High labour availability in rural areas. Low labour costs. High level of production already exists. Mostly "organic" production (by default). Higher prices if products are certified as "organic". Yield can be increased due to intensive farming. Development of a processing industry. Processing machinery is easily available from India or Viet Nam. Foreign investors (e.g. from India) could invest in processing facilities.	It takes 3-5 years until first harvest. Lack of processing facilities: Only 1 medium-sized processing facility, therefore low value added and high dependency on Viet Nam. Low access to capital to invest in processing facilities. Low yield due to low quality of variety and extensive farming. Lack of information systems. Underdevelopment of storage facilities, marketing service, and trade promotion. Very small domestic market. No brand name. No availability of collateral-based commodity lending system for purchase of raw cashew nuts by processing factories. Natural disasters (e.g. drought, flood, diseases).
Medium human development impact	
Cashew nuts have a high impact on rural employment and provide a good use of low resource land for farmers. Possible additional employment opportunities with a processing industry. There is substantial world demand for cashews and the lack of competitive processing capacity in the country represents an important foregone opportunity as well as a source of vulnerability from export shocks.	With large increases in processing capacity in Viet Nam, there has been a substantial increase in the production of cashew nuts in Cambodia, much of which is smuggled over the border. Despite this growth, only 2% of agricultural households report cultivating cashews. Production is also regionally concentrated with much production occurring in Kampong Chang. Agricultural households cultivating cashews appear to have average or below average indicators of poverty.
Preliminary priority actions	
Develop cashew nut processing facilities to increase value added in Cambodia, possibly by introducing study tours to Viet Nam or measures to attract foreign investment (e.g. from Viet Nam or India). Export processed nuts directly to consuming countries, possibly as organic and/or fair trade goods. This may include the development of branding for Cambodian cashew nuts. Expansion of processing capacity as well as assistance with increasing productivity and negotiating SPS provisions are critical if this important sector is to raise productivity and value added accruing to poor farmers. It may be that more research needs to be done of this sector. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful). Diversify export markets. Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT). Develop and apply technical standards for fertilizers and pesticides (TBT).	



Table AM-2.8: Silk

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.1)	
Tourism, which is the important channel for exports, is expected to grow.	Few direct exports, concentrated on the United States, Japan and Europe.
Medium world markets index (Index 2 = 2.7)	
<p>Tariff preferences applied to some items owing to LDC status (e.g. EU).</p> <p>Potential for better market access to EU market if accumulation rules concerning rules of origin are eased.</p> <p>Transitory advantage because of US quotas for Chinese textiles.</p> <p>Diversifying markets include United Arab Emirates and Saudi Arabia.</p>	<p>Rules of Origin, technical standards requiring azo-free dyes.</p> <p>Preference erosion could become a threat in some markets.</p> <p>US quotas for China will eventually run out, thus Cambodia will lose its tariff advantage.</p>
Low domestic supply index (Index 3 = 2.25)	
<p>High labour availability. Many young people entering labour market every year.</p> <p>Low labour costs.</p> <p>Strong national tradition of this product. Strong skills base of traditional product.</p> <p>Silk yarn is an opportunity for farmers to diversify production.</p> <p>Good potential for traditional Khmer Golden Silk production.</p> <p>Better training will raise productivity and working conditions.</p> <p>Silk yarn production provides future employment opportunities.</p>	<p>Insufficient domestic production of raw material.</p> <p>Inconsistent quality.</p> <p>Weavers lack formal training.</p> <p>Low technology levels due to outdated equipment and weak productivity.</p> <p>Lacking specialization in single production steps.</p> <p>Scattered industry. Mostly farmer families who do some weaving.</p> <p>Coordination is difficult.</p> <p>Inconsistent quality of imports.</p> <p>High probability that imported quantity will decrease.</p> <p>Inefficient organization of production process.</p> <p>Traditional production structures; not aimed at needs of world market.</p> <p>Scattered inefficient structure forecloses access to capital.</p> <p>Silk yarn production not yet profitable.</p>
Medium-high human development impact	
<p>High human development impact in terms of job creation, since activity is highly labour intensive. The silk sector in Cambodia employs around 19,000 weavers and 2,000 farmers.</p> <p>Strong backward and forward linkages.</p> <p>Silk manufacturing supports the preservation of Cambodian cultural heritage.</p>	<p>Lack of formal training.</p>
Preliminary priority actions	
<p>Diversify the sources of yarn imports and extend domestic sericulture to improve the quality of silk yarn, to reduce the reliance on Vietnamese silk yarn, and to enhance value addition.</p> <p>Establish and ensure commercially sustainable linkages between the farmers and processors involved in post-cocoon activities.</p> <p>Promote the creation of weaver communities and a weaver association to introduce and monitor quality standards.</p> <p>Develop training on entrepreneurship, quality, and design.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for chemical dyes (TBT).</p>	

Table AM-2.9: Soybeans

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.7)	
Increasing exports over the last years to Thailand and Viet Nam.	High dependency on the Thai and Vietnamese markets.
High world markets index (Index 2 = 3.4)	
Both Viet Nam and Thailand are importers of soybeans. Slightly better market access conditions for Cambodia in Thailand and Viet Nam. Strong demand from China. Growing poultry sectors in regional markets.	Prices are not expected to increase over the next years. Strong competition from US, Brazil and Argentina. World demand is concentrated in few countries. As of today, Cambodian exports depend on Thailand and Viet Nam exclusively, and depend indirectly on their processing industries and trade policy against major suppliers. If they reduce barriers for American soybeans, then demand for Cambodian soybeans might shrink.
Medium domestic supply index (Index 3 = 3.0)	
Soybeans are GMO-free Potential in regional markets because US/Brazil/Argentina cannot easily fulfil demand for GMO-free soy products.	Much lower yield than main producing countries. High transport costs due to infrastructure problems. No crushing facilities.
Low-medium human development impact	
Soybeans are the second crop after rice in terms of harvested areas. A processing industry might provide industrial employment.	Geographically concentrated impact, since most of the production is located in the Kampong Cham and Battambang region. Deforestation could be a substantial problem, since part of the expansion of soybean production was done at the expense of forest area.
Preliminary priority actions	
<p>Improve availability and accessibility of technical information on seed quality, production methods, fertilizers, insecticides, pesticides and equipment, and on market needs and export opportunities. Improve quality of inputs. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful).</p> <p>Facilitate agriculture extension service to enable farmers to meet international SPS regulations within the multilateral trading system.</p> <p>Develop processing capacity for bean curd.</p> <p>Promote the development of cold chain infrastructure and grain silo to reduce wastage and leakage post-harvest.</p> <p>Develop modern irrigation systems.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	


Table AM-2.10: Livestock

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.4)	
Some formal exports are currently taking place, despite serious problems with animal diseases in recent years.	Overall performance of formal exports is very weak, partly due to animal diseases. Little is known about current informal exports.
Medium world markets index (Index 2 = 3.1)	
Tariff barriers are low compared to meat exports. Short distances to some major importing Asian markets (e.g. Indonesia). Growing beef demand in Asia and high demand in the Middle East.	Formal exports are currently very difficult due to sanitary standards of importing countries. Lower tariff barriers for beef in potential markets could harm Cambodian exports.
Low domestic supply index (Index 3 = 1.25)	
Abundant land resources for cattle. Creation of an FMD-free zone. Sector could provide linkages to dairy and / or leather industry.	Sector is vulnerable, as animal diseases can immediately stop formal trade. Widespread animal diseases (e.g. FMD) and underdeveloped veterinary services. Lost value added (e.g. fattening abroad, weight loss because informal exports are slow). High transportation costs.
Medium human development impact	
Downstream activities (e.g. dairy) could provide employment opportunities. Cattle have high socio-economic impact for rural families. Over 70% of households, spread widely across the country, raise livestock. In rural areas this figure is over 80%.	Households that raise livestock display below average indicators of poverty. This suggests that simply expanding market access by itself may not significantly reduce poverty in this sector. At present the cattle trade is primarily through smuggling, which makes it difficult to improve incomes flowing to the poor.
Preliminary priority actions	
Improve veterinary standards and measures to eradicate diseases. Improve productivity. Increase the share of value added accruing to the poor through development of formal production and distribution channels. Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).	

Table AM-2.11: Corn

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.7)	
Increasing exports over the last years due to high demand (mostly from Thailand).	Strong dependency on only few markets (Thailand, Taiwan).
High world markets index (Index 2 = 3.4)	
<p>Cambodia currently enjoys much better access conditions in Thailand than major suppliers.</p> <p>Small preferential margin in Viet Nam.</p> <p>Growing demand in Thailand and Viet Nam.</p>	<p>Limited growth of world imports.</p> <p>Tariff disadvantage in major importing countries.</p> <p>Strong competition from US and Argentina.</p> <p>Cambodian exports depend so far on Thai demand, which may shrink if Thailand opens its market for main suppliers.</p> <p>Share of potential markets in world imports is small.</p> <p>Dependent on Thailand and Viet Nam market for export channel.</p> <p>GMO seeds could enter production supply chain.</p>
Medium domestic supply index (Index 3 = 3.0)	
<p>Strong demand growth due to growing livestock and poultry sector.</p> <p>Increase of production to at least 1 million tons seems possible.</p>	<p>Lower yield than main producing countries.</p> <p>Thai companies mostly drive the sector, with high dependency on their demand.</p> <p>High energy and transportation cost.</p> <p>Inadequate silos for drying and cleaning kernel.</p> <p>The vast majority of farmers are still illiterate and their knowledge in modern farming is very limited. For example most input materials (mostly deadly chemical substance) come from Thailand, are widely available in the market and carry no health warning and/or usage instructions in Khmer language.</p>
Low-medium human development impact	
Possible high human development impact in the western regions (Battambang, Pailin and Banteay Meanchey), where most of the production is located.	Positive impact would be geographically concentrated.
Preliminary priority actions	
<p>Improve availability and accessibility of technical information on seed quality, production methods, fertilizers, insecticides, pesticides and equipment, and on market needs and export opportunities. Improve quality of inputs. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful).</p> <p>Facilitate agriculture extension service to enable farmers to meet international SPS regulations within the multilateral trading system.</p> <p>Develop processing capacity for corn flour.</p> <p>Promote the development of cold chain infrastructure and grain silo to reduce wastage and leakage post-harvest.</p> <p>Develop modern irrigation systems.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	



Table AM-2.12: Beer

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.0)	
	<p>Cambodia is a very small exporter, with exports to only few markets (Thailand, Malaysia).</p> <p>Significant imports of beer from Thailand.</p> <p>No internationally known domestic brands.</p>
Medium world markets index (Index 2 = 2.8)	
<p>Low but increasing per capita consumption in Asia.</p> <p>Open US and EU markets.</p>	<p>Dominated by large brands.</p> <p>No reputation and image in the world market.</p> <p>Imports of foreign beers.</p> <p>High tariffs in neighbouring countries.</p>
Low domestic supply index (Index 3 = 1.0)	
<p>The industry has attracted foreign investors from major producers in the world market (e.g. Carlsberg, Heineken).</p> <p>Possibility of developing production by importing new technology from neighbouring countries.</p> <p>Per capita consumption is below regional average, but expected to grow through tourist arrivals and also local demand.</p>	<p>Lack of production capacity, which so far does not even meet domestic demand.</p> <p>High transportation costs.</p> <p>High energy costs.</p> <p>Most inputs have to be imported.</p>
Low human development impact	
	<p>Low potential for job creation.</p> <p>No backward and forward linkages.</p>
Preliminary priority actions	
<p>Implement a marketing plan (nation branding) to promote a Cambodian beer label.</p> <p>Address high energy cost issue.</p> <p>Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful).</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	

Table AM-2.13: Fruits and Vegetables

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.0)	
	<p>Limited current exports, consisting mainly of trans-border and regional exports.</p> <p>Fruits and vegetables of a consistently high quality for top hotels have to be imported from Thailand and Viet Nam.</p>
High world market index (Index 2 = 3.2)	
<p>Growing world demand for exotic fruits.</p> <p>High potential for organic fruits.</p> <p>Opportunities to diversify markets and develop direct exports to overseas markets.</p>	<p>Competition from other exporters (especially Thailand and Viet Nam) in both domestic and international markets.</p>
Medium domestic supply index	
<p>Nearly 20% of all agricultural households grow some fruits/vegetables. Production is spread across the country, suggesting that the benefits from trade expansion will be widespread.</p> <p>Large number of different kinds of fruits and vegetables.</p> <p>Some fruits/varieties with a reputation of high quality or taste.</p> <p>Generally limited use of fertilisers in Cambodia, which renders fruits and vegetables organic by default (but has a negative impact on yield and consistency of quality).</p> <p>Opportunities for processing include products based on palm sugar (e.g. juice, wine, sugar).</p>	<p>Low and inconsistent quality of fruits and vegetables.</p> <p>Small and fragmented farm land.</p> <p>Limited skills of farmers.</p> <p>Limited agro-processing capacities.</p> <p>Lack of experience and skills for long-term production plans.</p> <p>Potential SPS problem for many fruits and vegetables. Limited possibilities for a certified organic production.</p> <p>Difficulties in controlling the level of antibiotics, residues for some fruits. Problems to meet international standards of hygiene and safety regulations.</p> <p>Poor infrastructure (storage facilities, transportation network) leading to high transaction costs.</p> <p>Possibly high post-harvest losses.</p> <p>Poor technical monitoring and inspection systems.</p> <p>Lack of marketing skill and trade promotion.</p>
Medium-high human development impact	
<p>This sector could contribute to human development (skills to produce more value added products). Examination of the CSES shows that nearly 20% of all agricultural households grow some fruits and/or vegetables. The largest crops within this category are coconuts, bananas, mangoes, moong beans, watermelons and sugarcane. Production is spread across the country, suggesting that the benefits from trade expansion will be widespread. Households involved in the production tend to display better poverty outcomes (i.e. access to sanitation, electricity). Households that produce fruits and vegetables are more literate than average households in agriculture. Given the wide range of fruits and vegetables produced and the demand for specific crops in the ASEAN area, Cambodia possesses significant potential to expand its production and exports of fruits and vegetables.</p>	<p>The central constraints to expansion are compliance with SPS provisions and the lack of processing units. In addition, given land scarcity and irrigation requirements, there is concern about the environmental impacts of expanding crop production, especially with regard to encroaching on forest.</p>
Preliminary priority actions	
<p>Improve availability and accessibility of technical information on seed quality, production methods, fertilizers, insecticides, pesticides and equipment, and on market needs and export opportunities. Improve quality of inputs. Design plant pest and disease control program and develop capacity to undertake risk assessment (e.g. training in Integrated Pest Management would be helpful). Facilitate agriculture extension service to enable farmers to meet international SPS regulations within the multilateral trading system. Improve access to microfinance to enable small-scale farmers to expand and enhance operations. Favour investments in handling and processing machinery / technology. Develop trade marks and geographical indications (GIs) that could strengthen Cambodia's competitiveness in a number of fruits and vegetable products (i.e. organic) and, as a result, be endowed with a unique "Cambodian" competitive advantage.</p> <p>Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT).</p> <p>Develop and apply technical standards for fertilizers and pesticides (TBT).</p>	


Table AM-2.14: Wood Products

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.1)	
	Limited official exports. Wood products, including furniture and wooden handcrafts, are subject to export licensing.
Medium world markets index (Index 2 = 2.9)	
International demand for furniture remains strong. Very favourable market access condition; zero-duty rate or low tariff rates applied by major importing countries. Preferential tariffs include GSP and ASEAN Common Effective Preferential Tariff (CEPT).	Strong competition; countries like China and Indonesia provide consumer-friendly, low-cost furniture.
Medium domestic supply index	
Cambodia is well endowed with forests, accounting for about 60% of its land area.	Low value addition. Few companies have good quality machinery. Few companies are ready to export. Technicians and managers are often not well organized.
Medium human development impact	
This sector could contribute to human development (skills to produce more value added products). Has potential to create non-agricultural employment opportunities in rural areas. Currently accounts for approximately 3% of non-agricultural employment. Small-scale household enterprises are important. Self-employment (own account workers and unpaid workers on family enterprise) accounts for approximately two-thirds of total employment. The remaining one-third is employed as wage workers. Earnings are somewhat lower than other forms of non-agricultural employment, but higher than in agricultural employment. Workers are somewhat older on average and slightly more literate when compared to other non-agricultural forms of employment.	Concern related to the depletion of wood resources (a negative impact on environment). Less than 30% of workers in the industry are women.
Preliminary priority actions	
Attract investments in processing machinery / technology. Upgrade resources and knowledge for further market penetration. Invest in skill training and research and development to improve existing export capability. Develop support programs for small scale household enterprises. Draft Law on Industrial Standards and implementing regulations; compliance with Code of Good Practice. Review existing Prakas and Compulsory Standards and turn them into WTO-compliant Technical Regulations (TBT). Develop and apply technical standards for pesticides (TBT).	

Table AM-2.15: Light Manufacturing

Strengths/Opportunities	Weaknesses/Threats
Low current export performance (Index 1 = 1.1)	
	Limited current exports.
High world markets index (Index 2 = 3.3)	
<p>International demand for light manufacturing remains strong, especially for assembly-type work.</p> <p>Favourable market access condition; zero-duty rate or low tariff rates applied by major importing countries.</p> <p>Preferential tariffs include GSP and ASEAN Common Effective Preferential Tariff (CEPT).</p>	<p>Strong competition from Cambodia's neighbours (e.g. Viet Nam).</p>
Medium domestic supply index	
<p>Low labour cost compared to neighbouring countries.</p> <p>High labour availability.</p> <p>Some foreign investors already there or looking at investing</p>	<p>Small domestic market size; too small for big investors.</p> <p>Very high cost for infrastructure (e.g. water, oil, electricity, telecommunication, transportation).</p> <p>Skill level lower in Cambodia than in neighbouring countries.</p> <p>High cost for material inputs.</p> <p>Technology is very basic.</p> <p>Low quality of products.</p>
Medium human development impact	
<p>With appropriate trainings, high human development impact in terms of job creation, since activity is highly labour intensive.</p> <p>With appropriate improvements in infrastructure (telecommunications and transport), Cambodia may be able to become competitive in labour intensive assembly operations (e.g. electronics, light equipment, computers).</p> <p>In terms of employment structure and human development impact, the garment industry probably gives the best indication.</p>	<p>Lack of formal training.</p> <p>No strong presence in light manufacturing – with the exception of the garment industry.</p> <p>Because these export-oriented activities frequently import manufactured component parts, value added may be low (although potential may exist for up-grading).</p>
Preliminary priority actions	
<p>Support the development of infrastructure (telecommunication and transportation).</p> <p>Accelerate development of SEZs where access to better quality infrastructure can be provided.</p> <p>Develop vocational training.</p> <p>Strengthen the business legal framework environment to attract foreign investors.</p> <p>Draft Law on Industrial Standards and implementing regulations; compliance with Code of Good Practice. The draft law and sub-decree are not WTO-compliant and contains major conceptual problems.</p> <p>Review existing Prakas and Compulsory Standards to turn them into WTO-complaint Technical Regulations (TBT).</p>	

**Table AM-2.16: Tourism**

Strengths/Opportunities	Weaknesses/Threats
High current export performance	
<p>The tourism sector has grown significantly.</p> <p>1.7 million tourists arrived in Cambodia in 2006.</p> <p>Optimistic projections for the future: between 3.8 and 5.5 million tourists are expected to arrive in 2015.</p>	
High world markets index	
<p>Southeast Asia is one of the fastest growing tourist markets in the world.</p> <p>Fast economic growth in the region implies that regional tourism is likely to grow with rising income levels.</p> <p>Positive spillovers from major tourist destinations: Many tourists visit Cambodia on a side trip from Thailand or other countries in Asia.</p> <p>There are plans to facilitate travellers' movements within ASEAN. A common visa scheme is under consideration.</p>	
Medium domestic supply index	
<p>Unique sites, such as Angkor Wat, which is a World Heritage Site designated by UNESCO.</p> <p>Growing airline competition, with Asian low-cost airlines now flying to Cambodia.</p> <p>Projects to improve tourism-related infrastructure are being undertaken, funded by Asian Development Bank.</p>	<p>Tourism remains relatively concentrated in a few areas.</p> <p>Less developed infrastructure (e.g. roads) in Cambodia than in other regional countries such as Thailand.</p> <p>Average length of stay is shorter than in Viet Nam and Thailand.</p> <p>Cambodia lies far behind some of the neighbouring countries in the region (Thailand, Malaysia, Singapore and Indonesia) in terms of services, facilities for overseas tourists and active marketing.</p> <p>Internal transportation is still not well developed, and Phnom Penh is not a hub for international air traffic.</p>
High human development impact	
<p>The tourism sector is a major sector for Cambodia's economy, and is estimated to be second largest export sector after garments.</p> <p>High employment opportunities in a growing sector.</p>	Potential negative environmental and societal side effects.
Preliminary priority actions	
<p>Improve the quality and reliability of services.</p> <p>Introduce reliable official ratings for hotels and restaurants.</p> <p>Improve infrastructure that is key for the development of the tourism industry (roads, telecommunications, etc.)</p> <p>Diversify tourism investment in order to diversify products.</p> <p>Promote Cambodia's image as an attractive tourist destination and carry out a sustained export promotion campaign.</p>	

Table AM-2.17: Labour Services

Strengths/Opportunities	Weaknesses/Threats
Medium current export performance	
<p>An estimated \$160 million from remittances represents about 2.6% of GDP.</p> <p>Thailand is the most important receiving country for temporary Cambodian workers.</p>	<p>Concentrated in Thailand and very few migrants in other countries.</p>
High world markets index	
<p>Temporary work abroad seems favorable for Cambodians. Thailand and other ASEAN countries have attractive labour markets for Cambodians, and there seems to be an increasing labour shortage in Thailand and possibly other ASEAN countries.</p>	<p>Cambodians are not always able to get temporary working visas.</p>
Medium domestic supply index	
<p>The International Organization for Migration (IOM) is currently working with the Cambodian Ministry of Labour and Vocational Training to improve the institutional framework for migration.</p> <p>Providing training and a legal framework could possibly improve Cambodia's "export performance".</p>	<p>Concerns mainly low –skilled labour (lack of foreign language skills and workplace skills).</p>
Medium human development impact	
<p>The impact is currently limited, but has the potential to contribute to employment and poverty reduction.</p> <p>Helps Cambodians access well-paid jobs and support their relatives, consequently contributing to job creations and poverty reductions.</p> <p>Labour exports reduce the pressure on the domestic labour market; they are a major source for foreign exchange earnings through remittances, and are a source of technology transfer and skill upgrading, as returning workers tend to bring new skills and entrepreneurial habits.</p> <p>Currently accounts for just over 1% of non-agricultural employment, but may be of growing importance with the expansion of the tourist industry. Nearly 90% of this employment is wage employment.</p> <p>Employment in this sector is concentrated in urban areas (approximately 70% of employment is urban). Earnings are above average and the sector disproportionately provides wage employment to women – 60% of all workers are female. Unlike the garment industry, the average age is approximately equal to the average for all non-agricultural employment.</p> <p>Child labour is negligible.</p>	<p>Risk of exploiting workers with low payments, unfavourable working conditions or abuse.</p> <p>High possibility of losing trained/skilled Cambodians (no return).</p>
Preliminary priority actions	
<p>Encourage labour exports through formal channels.</p> <p>Negotiate labour exchange agreements with potential host countries and provide a clear legal framework (e.g. bilateral agreements).</p>	

**Table AM-2.18: Web-based services**

Strengths/Opportunities	Weaknesses/Threats
Low current export performance	
	Almost no export from Cambodia
High world markets index	
<p>India has moved up the technology and provided more high-tech services to its clients, consequently leaving opportunities for other developing countries.</p> <p>Possible spillovers from Cambodia's dynamic neighbouring countries, such as Viet Nam.</p>	
Low domestic supply index	
<p>A few firms are managed by foreigners or by Cambodians who have lived and worked abroad.</p>	<p>Limited number of engineers and programmers; limited ICT-literate workforce.</p> <p>Backward basic Information and Communication Technology (ICT) infrastructure. ASEAN ranked Cambodia 8th out of 10 member countries concerning e-society, e-commerce and e-government.</p> <p>Highest price and lowest Internet penetration among all ASEAN countries, due to the low number of fix telephone lines and an inefficient regulation from the government.</p> <p>Limited knowledge of English and technical problems in adapting the written Khmer language for uses of computers.</p> <p>Existing companies service mainly the domestic market, with limited prospects for large-scale exports.</p> <p>High electricity costs.</p> <p>Inadequate enforcement of laws and regulations, including Intellectual Property Rights (IPRs); does not attract foreign firms.</p>
Low human development impact	
<p>The ICT sector generally provides well-paid jobs compared to more traditional sectors due to higher added value, but their number is limited.</p> <p>Current impact is low, but it could be high in terms of human capital development, female employment (equal playing field), environmental sustainability (only uses electricity), and could help businesses become more efficient.</p> <p>It is unclear whether Cambodia can become a competitor in this industry at this time.</p>	<p>Currently limited employment in the sector.</p> <p>No strong base in providing computer services. Other countries have developed their computer and information technology sectors, with imported human development and more highly educated, relatively privileged workers.</p>
Preliminary priority actions	
<p>Improve infrastructure, especially the availability, cost, and reliability of electricity, telecommunication, and Internet access.</p> <p>Dismantle current monopoly on Internet Gateway.</p> <p>Require investment in specific skills and knowledge.</p> <p>Enforce legal frameworks (especially Intellectual Property Rights) to attract foreign investment.</p>	

Table AM-2.19: Transport and Transport-Related Services

Strengths/Opportunities	Weaknesses/Threats
Low current export performance	
	Transportation services play a minor role in Cambodia's exports, and Cambodia is a net importer of transport services. Most of Cambodia's imports consist of sea freight services, as there are only few vessels in Cambodia.
Medium world markets index	
Expected growth in this dynamic region should have a pull effect on the demand for transportation services, which grows with international trade (movement of goods) and tourism (movement of people).	
Low domestic supply index	
	Compared to regional competitors such as Thailand and Viet Nam, Cambodia faces major challenges due to bad road conditions and low standards for border procedures. Limited scope for important transshipment ports; Cambodian seaports are situated beside the main shipping routes from China, thus virtually no transshipment takes place.
Low human development impact	
<p>Transportation services currently account for 5.3% of non-agricultural employment. Transportation employment is important in both urban and rural areas. Self-employment, particularly as own-account workers, is very common in transport services. Therefore, efforts to promote this sector should be accompanied by support to small-scale enterprises.</p> <p>Workers in the transport industry tend to be more literate and a larger fraction has attended school compared to other non-agricultural workers. Earnings are comparable to other forms of non-agricultural employment.</p> <p>Transport workers tend to report better-than-average health outcomes, an indicator of human development.</p>	<p>Limited employment impact, since transportation services play a minor role in Cambodia's export.</p> <p>The sector is male-dominated. Women account for less than 10% of employment.</p> <p>Child labour is slightly more prevalent than in other non-agricultural sectors.</p>
Preliminary priority actions	
<p>Improve infrastructure that is key for the development of the transportation industry.</p> <p>Develop support programs for small-scale enterprises especially since self-employment is very common in this industry.</p>	



Table AM-3:

DTIS 2007 Trade-related Legal and Institutional Action Plan

Note: Blue Actions are priority Actions; Yellow Actions are completed Actions

Note: This table is a re-arrangement, update, and prioritization of three separate lists of legal and institutional actions undertaken by the Royal Government of Cambodia. The origin of each action listed in the table is indicated in the column “source” as follows:

WWP: The Work Program of the Royal Government of Cambodia resulting from Cambodia’s Accession to the World Trade Organization (adopted by the Council of Ministers on 27 February 2004)

TF: 12 point Action Plan on Trade Facilitation (2004)

BB: Blue Book on Best Practice in Investment Promotion and Facilitation (UNCTAD and JBIC, December 2004)

DTIS 2007: Indicates new Actions identified by the DTIS 2007 consultants

Abbreviations:

OCM: Office of the Council of Ministers

MOC: Ministry of Commerce

MEF: Ministry of Economy and Finance

MAFF: Ministry of Agriculture Forestry and Fisheries

MIME: Ministry of Industry Mines and Energy

MPTC: Ministry of Post and Telecommunication

MPTW: Ministry of Public Works and Transport

MLVT: Ministry of Labour and Vocational Training

MLUPC: Ministry of Land Management Urban Planning and Construction

MOJ: Ministry of Justice

MOT: Ministry of Tourism

MOH: Ministry of Health

NBC: National Bank of Cambodia

CDC: Council for the Development of Cambodia

CIB: Cambodian Investment Board



Topic	Source	Responsible Ministries/ Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TRADE REGIME: GENERAL								
Customs Valuation	WWP	MEF	Pass Customs Law and adopt implementing regulations	Early 2004		TA received from IMF. Further TA needed		Will be adopted by National Assembly by mid-2007. 37 implementing Prakas and Anukrets have been drafted, of which 23 have been finalized
Customs Valuation	WWP	MEF	Submit Customs Law and implementing regulations to WTO	ASAP after adoption of law and regulations		No TA needed		Awaits adoption of the Customs Law
Customs Valuation	WWP	MEF	Eliminate valuation of automobiles according to national origin	On date of accession		No TA needed		Done
Customs Valuation	WWP	MEF	Apply transactions value to large multinationals, firms importing identical or similar goods, and importers entitled to exemptions	December 2004		No TA needed		Being implemented gradually. For Importers entitled to exemptions, transactions value is fully applied
Customs Valuation	WWP	MEF	Establish database of compliant valuations to administer and monitor valuation issues	2005		Some TA received. More TA needed		Under preparation. Help will be provided through a database produced by BIVAC
Customs Valuation	WWP	MEF	Implement Post Clearance Audit program	2004		TA needed		Post Clearance Audit Office already established. Awaiting New Customs Law to start the implementation. Anukret on SEZ and Anukret on Trade Facilitation through Risk Management also make reference to it.
Customs Valuation	WWP	MEF	If PSI continues, adapt new contract to WTO rules	December 2003		No TA needed		BIVAC International has been accepted through a bidding process as the new PSI provider and a contract with them was signed in February 28, 2006 for two years. WTO rules fully taken into account.
Customs Valuation	WWP/ BB	MEF	Change the valuation practices of CDC so as to bring them into line with WTO requirements	?		No TA needed		?



Topic	Source	Responsible Ministries/Agencies	Task	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
Rules of Origin	WWP	MEF	Conform to WTO Rules of Origin	December 2004		TA needed (maybe from UNCTAD)		MoC, MEF to meet to work out the details to prepare a separate Law on Rules of Origin. Work has not yet begun.
Tariffs on Textile and Clothing	WWP	MEF	Apply all tariffs on an MFN basis	Date of accession		No TA needed		This issue, which arises for an extremely small number of tariff lines, is still under consideration.
Customs Valuation	WWP	MEF	Prepare Customs team and departmental plan to implement valuation transition plan	December 2003		Some TAs received. More TA required.		Done. Team is in place.
Customs Valuation	WWP	MEF	Complete the reform program	2004-2005		Additional TA needed		Ongoing.
Customs Valuation	WWP	MEF	Provide training on new Customs Law and valuation procedures	2004		TA needed. NZ Customs services, JICA		Ongoing.
Customs Valuation	WWP	MEF	Prepare and publish Manual on Law on Customs and related Regulations	2004-2005		IMF TA is in place, but more TA needed		Under preparation
Customs Valuation	WWP	MEF	Begin trade outreach program to inform private sector of changes in valuation procedures	2004		TA needed		Under preparation. A workshop needs to be organized for the private sector.
Customs Valuation	WWP/BB	MEF	Begin automated customs processing system project (to be completed by end 2005)	2004		TA needed		TA provided under World Bank Trade Facilitation and Competitive-Business Project. ASYCUDA project document was signed on 18 April 2006. Institutional arrangement has been established. The national project team, together with UNCTAD advisors, is working on the development of ASYCUDA prototype.
Smuggling	WWP/BB	MEF	Equip enforcement teams	ASAP		TA needed		Ongoing – Little progress due to lack of funds and TA.
Smuggling and Issues of Customs Administration	WWP/BB	MEF	Establish dispute settlement mechanism	December 2004		No TA needed		Draft Prakash has been prepared. Awaiting new Customs Law.

Topic	Source	Responsible Ministries/Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TRADE REGIME: TBT								
TBT	WWP	MIME	Draft Law on Industrial Standards and Implementing Regulations; compliance with Code of Good Practice	June 2004		TA is being provided. Further TA needed with respect to drafting regulations.		The draft law was approved by the Council of Ministers on 17 February 2006, and has been sent to the National Assembly. An implementing sub-decree has been drafted by MIME. DTIS 2007 comments: The June 2007 law and sub-decree are not WTO-compliant and contains major conceptual problems. They should be reviewed again by qualified consultant and amendments will be required.
TBT	DTIS 20007	MIME	Review existing Prakas and Compulsory Standards to turn them into Voluntary Standards and WTO-compliant Technical Regulations			TA needed		DTIS 2007 comments: Eight Ministerial regulations (Prakas) and 48 compulsory standards need to be reviewed for WTO compliance
TBT	WWP	MIME	Development of technical regulations and conformity assessment procedures	2004-2005		TA is being provided. Further TA needed		A regulation has been adopted on conformity assessment. Regulations have also been adopted on electrical equipment, bottled drinking water, chili sauce and vinegar. Need to notify the WTO.
TBT	WWP	MIME	Extend ASEAN conformity assessment agreements to all WTO members (with MOC)	2004		No TA needed		Cambodia cannot unilaterally extend ASEAN agreements to third parties. However, conformity assessment procedures should be the same for like goods, regardless of their origin. DTIS 2007 comment: At least one ASEAN member needs to notify WTO about 2002 ASEAN Sectoral Mutual Recognition Agreement for electrical and electronic equipment.
TBT	WWP	MAFF	Develop and apply technical standards for fertilizers and pesticides	2007		TA needed		MAFF has started to establish standards. A Laboratory for analyzing pesticides formulation and pesticide residues has been established and operated with WB loan. TA needed and could be sought from UNDP DTIS 2007 comments: same action for chemical dyes (important to silk and garment sectors)





Topic	Source	Responsible Ministries/Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TBT	WWP	MOC	Extend ASEAN conformity assessment agreements to all WTO Members (with MIME)	ASAP		No TA needed		ASEAN agreements cannot be extended to third parties by Cambodia, but conformity assessment procedures should be the same for like products, whatever their origin. It is not clear whether this equivalence exists at present. DTIS 2007 comments: At least one ASEAN member needs to notify WTO about 2002 ASEAN Sectoral Mutual Recognition Agreement for electrical and electronic equipment.
TBT	WWP	MIME	Submission of statement on implementation (per G/TBT/1)	Date of accession		TA needed		DTIS 2007 comment: Statement was sent to RGC Mission in Geneva in January 2006 but has not reached WTO. RGC should consider direct dispatch of notifications to expedite.
TBT	WWP	MIME	Participate in the meetings of the Committee	Ongoing		No TA needed		Ongoing
WTO Committee on TBT	WWP	Geneva Mission	Establish and make operational the TBT Enquiry Point	2004		Initial TA was provided by Multitrap. Additional TA will be needed		Enquiry point has been set up and is operational, although operations are not yet smooth. e-mail: camtbt@camshin.com.kh DTIS 2007 comment: A brochure on the TBT National Enquiry Point should be published. The ISC website contains useful information on TBT but still needs further work, including English translation and summaries of the documents. NEP should assume responsibility for notifications. A notification plan should be prepared and implemented
TBT	WWP	MIME	Staff training on TBT implementation	2004-2005		TA needed		Ongoing process. Training was supported by EC in the middle of 2005. Further "on-job" training is needed. DTIS 2007 comment: A TBT training program for government officers and private sector should be established.
TBT	WWP	MIME	Publication of Standards Bulletin	December 2004		Further TA needed		Website has been created by MIME. UNIDO is helping publish brochures. Standards bulletin has been published in Khmer, but is not yet available in English.

Topic	Source	Responsible Ministries/Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TRADE REGIME: SPS								
SPS	WWP	National Codex Committee	Prepare sub-decree on food hygiene and other legal provisions	2004				Adopted
SPS	WWP	MAFF	Design plant pest and disease control program and other measures	2004		More TA needed for implementing action plan and drafting the law		<p>NZAid II and AusAid are providing assistance in capacity building. Phytosanitary action plan has been prepared by MAFF. Some training in risk management has occurred. MAFF is planning to draft the Law on Plant Quarantine and NZAid is being requested for TA.</p> <p>The regulation under Sub-Decree No:15 (2003) has been drafted as follows:</p> <ol style="list-style-type: none"> 1. Cambodian quarantine pest list 2. Regulation (Prakas) on plant quarantine materials 3. Regulation (Prakas) on free charge for plant quarantine inspection 4. Regulation (Prakas) on plant quarantine inspection procedure 5. Regulation (Prakas) on award for plant quarantine officer and other expenses for their mission 6. Sub-decree on uniform for plant quarantine officer <p>The regulation under Sub-Decree No:16 (2003) on the control of animal hygiene and animal products has been drafted as follow:</p> <ol style="list-style-type: none"> 1. Direction on the implementation of the sub-decree No: 16 2. Regulation (Prakas) on infectious





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								<p>products has been drafted as follow:</p> <ol style="list-style-type: none"> 1. Direction on the implementation of the sub-decree No: 16 2. Regulation (Prakas) on infectious diseases list 3. Regulation (Prakas) on list of goods items which are subject of control as regards animal hygiene and animal products 4. Regulation (Prakas) on procedure of control of animal hygiene and animal products 5. Regulation (Prakas) on award for animal officer and other expenses for their mission 6. Regulation (Prakas) on uniform for plant quarantine officer 7. Regulation (Prakas) on service charge for the control of animal hygiene and animal products 8. Regulation (Prakas) on method of control of animal hygiene and animal products 9. Law on drug control <p>Sub-decree on trade facilitation through risk management</p>



Topic	Source	Responsible Ministries/Agencies	Task	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
SPS	DTIS 2007	MAFF	Fishery Certification			More TA needed		Accelerate process of Fishery certification for EU market. Current TA from EU and DFID.
SPS	WWP	National Codex Committee	Put in place necessary regulations on food safety; secure necessary training	2005		TA needed		Cambodia is going to adopt Codex standard that relevance to Cambodia. Reviewing Codex standard is needed to select the ones that suit to Cambodia for the adoption. TA is needed to do this task.
WTO Committee on SPS	WWP	Geneva Mission	Participate in the meetings of the Committee	Ongoing		No TA needed		Ongoing
Pesticides Risk Assessment	WWP	MAFF	Develop capacity to undertake risk assessment	June 2005		TA needed		A laboratory for analyzing pesticide formulation and pesticide residues has been established with a WB loan. DTIS 2007 comment: training in Integrated Pest Management would be helpful for a number of export crops included among the 19 export potentials
SPS	WWP	National Codex Committee	Establish Codex library; implement training;	2004		TA needed for training in librarian skills		Ongoing process
Inter-Ministerial machinery	WWP	MOC, COM	Re-define the Inter-Ministerial Coordinating Committee	ASAP		Not needed		A draft sub-decree has been prepared to establish a new Inter-Ministerial Committee to implement the WTO commitments. Its full function is expected soon. At the moment the previous Think Tank continues to carry out its duty.
Imports of Pharmaceuticals	WWP	MOH	Amend Law on Drug Management and Prakas No.82 of 31 March 1999 so as to allow any firm to engage in import activity	June 2005		TA needed		The draft law on drug management has been discussed and the Council of Jurists has no objection to it. The amendments take into consideration WTO requirements and allow all commercial companies in the commercial register to import pharmaceuticals.



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TRADE REGIME: TRADE FACILITATION								
Trade/Investment Interface	TF	SITF Ministries, Agencies	Establish a cross-agency trade facilitation/investment climate reform team	August, 2004		TA Needed		Team established. Further work required on formalizing working arrangements, communication protocols and detailed TORs
Overlaps and Unnecessary Approvals in Import/Export Requirements	TF	Reform Team and relevant government agencies	Undertake with external assistance a review and evaluation of current processes and documentation. Implement single declaration form for all import/export requirements. Review and amend legal framework if required. Initiate process to identify long-term IT requirements to further streamline procedures and facilitate the adoption of best practices approaches	February, 2005		EC assisted and funded the review of imports/exports documentation.		Good progress recorded in streamlining import/export procedures. Further streamlining expected as part of the implementation of the Trade Information Gateway (TIG), which is part of the World Bank Trade Facilitation Project
Risk Management	TF	Reform Team and relevant government agencies	Introduce an overall risk management strategy and use it to consolidate and rationalize all examination requirements of the different control agencies. Conduct training in risk management for Customs, Camcontrol and other relevant government officials	March, 2006		AusAID and World Bank assisted and funded the Risk Management Strategy work.		Sub-decree of the Risk Management of Strategy passed by the government on March 1, 2006. Implementation of the strategy is ongoing in parallel with ASYCUDA. DTIS 2007 comment: enforcement of IPR at the border should be made consistent with the role of CED as lead agency under the risk management strategy
Performance Evaluation	TF	Reform Team	Establish transparent system of performance measurement including private sector monitoring. To this end, commence dialogue with relevant private sector organizations and develop performance indicators and measurement methodologies.	July, 2005		World Bank assisted and funded the first Performance Measurement System Study.		Some progress made in reducing the cost and time of doing business in Cambodia. The second assessment is planned under the World Bank 2007 Invest ICA.
The Role of	TF	Reform	External specialists to conduct a	February,		EC assisted and		The reform team has recognized that

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Camcontrol		team, relevant government agencies and the Council of Ministers	comprehensive review of the role, operations and mandate of Camcontrol. Government to examine recommendations of the review and make any necessary decisions.	2005		funded the review of imports/ exports documentation.		CamControl needs to be modernized and updated in light of the maturity of the economy, the private sector's ability to determine quality and its trading relations. The Ministry of Commerce sent the report to the Council of Ministers with its recommendation. In June 2005, the council of Ministers decided to reinvigorate Camcontrol.
Trade Facilitation at the Port of Sihanoukville	TF	Reform team and Council of Ministers	Design and implement a 'single window' approach to trade facilitation in the port of Sihanoukville. To this end, review and amend the legal framework to remove any obstacles to adoption of a 'single window'; establish appropriate physical infrastructure and facilities to allow a 'single window' to operate; conduct training for border management agencies	December 2006	The component has been dropped	N/A		The RGC has decided to implement the National Single Window in CED, at a later time, in a gradual manner, using ASYCUDA as its platform, and following the ASEAN Single Window schedule. The ASEAN Single Window process requires Cambodia to complete implementation by 2012. The World Bank has re-allocated the funds to support other trade facilitation measures.
Border Fees	TF	Reform team and relevant ministries and agencies	Introduce a WTO-compatible flat fee for border services to rationalize and consolidate the various fees currently collected. To this end, review all current fees to determine compatibility with WTO provisions; design and implement new fee system and structure; design and implement website listing fees and relevant information.	December, 2008		TA required		A WTO-compatible flat fee for service has yet to be introduced.





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Registration in the Commercial Register	TF	Reform team and MOC	Streamline the process and reduce the cost of registry in the Commercial Register. To this end, reduce registration fees; decentralize the registration process; decrease the capital requirement to the minimum possible; introduce an electronic registration system; and conduct training for relevant officials	December 2005		December, 2008 (schedule to introduce an electronic registration system)	World Bank is assisting. Assistance from other donors needed	Ongoing.
Registration for Tax Purposes	TF	MEF[?]	Harmonize the registration for VAT, income tax and company registration, using the same form and resulting in the same unique identification number	?			?	?
Promoting Good Corporate Citizenship	TF	Reform team and MOC	Implement a national award for good corporate citizenship. To this end, establish an assessment committee; conduct seminars and workshops; implement and monitor. [Note: Activities associated with this initiative are currently being undertaken by the Ministry of Commerce]	February, 2005			TA needed	The first national award for good corporate citizenship was held in 2005. No plan yet to do the second one.
Monitoring and Reporting	TF	MOC and World Bank	Undertake monitoring and reporting	July, 2005			TA needed	First monitoring was done in July 2005 under the World Bank funded study. The second assessment is planned under the World Bank 2007 ICA.

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INVESTMENT CLIMATE: LEGAL FRAMEWORK								
Appeals Process	WWP	MOJ	Draft Law on Judicial Organization	December 2004		No TA needed		The final draft has been completed, discussed in the Working Group and examined by the Supreme Council of the Magistracy. The draft has been sent to the Council of Ministers and pending for debate at inter-ministerial meeting. The law allows special courts to be established.
Civil Law	WWP	MOJ	Draft and implement Civil Code	2004		TA is being provided.		Has been adopted by the Council of Ministers and submitted to the National Assembly. It is being debated by the legal department of the NA.
Civil Law	WWP	MOJ	Draft and implement Civil Procedural Code	2004		TA is being provided.		Promulgated in July 2006. Not yet implemented. Must be implemented within one year of promulgation.
Criminal Law	WWP	MOJ	Draft Criminal Code	2005		TA is being provided.		Has been submitted to the Council of Ministers. The Council of Jurists has no objection to the current draft. It is being discussed by the Inter-Ministerial Committee.
Criminal Law	WWP	MOJ	Draft Criminal Procedural Code	2005		TA is being provided.		The draft was on the agenda of Council of Minister's Plenary Meeting (Friday 25th August 2006) and has been adopted.
Commercial Court	WWP	MOC	Pass law establishing the commercial court	June, 2005		UNDP is funding one legal expert to review draft law. Starting February 2007, to last two months.		Being reviewed at MOC. There are different approaches by MOC and MOJ. MOJ intends to set up special chambers of regular courts dedicated to commercial issues. The draft Law on Judicial Organization allows for the establishment of special courts, so a commercial court could be established after this Law is adopted. The question is how the procedures in a commercial court would differ from those of a commercial chamber in a regular court. As of February 2007, RGC has taken the decision to allow commercial courts to be created as special courts. Draft law has been prepared and is being reviewed by MoC.





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Commercial Arbitration	WWP	MOC	Draft law on commercial arbitration	1 January 2005		No TA Needed		Adopted and promulgated on June 19, 2005. Action completed
Legal Framework for Business	WWP	MOC	Draft Law on Commercial Enterprises	Early 2004		No TA Needed		The draft law has been reviewed by the Council of Jurists.
Legal Framework for Business	WWP	MOC	Draft Insolvency Law	ASAP		No TA Needed		Being Reviewed by the 2 nd Commission of the National Assembly. Expected to pass in March 2007
Legal Framework for Business	WWP	MOC	Draft Secured Transaction Law	ASAP		TA is being provided		Being reviewed by MOC. Expected to pass in 2006
Legal Framework for Business	WWP	MOC	Draft Commercial Contracts Law	ASAP		No TA Needed		The draft has been completed by MOC
Legal Framework for Business	WWP	MOC	Draft Commercial Agency Law	2005		No TA Needed		Being drafted by National Bank of Cambodia
Legal Framework for Business	WWP	NBC	Draft Commercial Leasing Law	2005		No TA Needed		The sub-decree was adopted on 27 September 2005. Task completed.
Investment Law	WWP	CDC	Draft implementing sub-decree of the law on the amendment of the LOI, by increasing compliance with TRIMS	2004		TA needed		The sub-decree was adopted on 27 September 2005. Task completed.
Investment Law	WWP	CDC	Notify "subsidies" (waiver of customs duties for some investors) to WTO	Date of accession		TA needed		Work is underway.
Fishing	WWP	MAFF	Draft Fisheries Law	arbitration		No TA needed		The Fisheries Law was adopted by the National Assembly on 30 th March 2006 and promulgated by His Majesty the King on 21 May 2006.

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INVESTMENT CLIMATE: TRANSPARENCY AND COMPETITION								
Competition Policy	WWP	MOC	Draft law	ASAP		UNCTAD is providing TA		Economic mapping out by Multirap completed. Two workshops have been held. UNCTAD has assisted in the preparation of a draft law. The draft has been examined by a working group set up by MoC. Final draft is ready. MoC planning stakeholder workshop to obtain comments and inputs.
Trading Rights	WWP	MOC	Verify that all registered firms could engage in import and export of all types of goods	ASAP		Not needed		Issue arises with regard to pharmaceuticals, fertilizers and pesticides. See the relevant entries below.
Anti-dumping, Safeguards and Countervailing Measures	WWP	MOC	Draft legislation	1 January 2005		TA Needed		Drafting is underway in the MoC.
Anti-dumping, Safeguards and Countervailing Measures	WWP	MOC	Notify relevant legislation and regulations to WTO	ASAP after adoption of laws		No TA needed		Awaiting the law to be passed first.
QRs on Fertilizers, Pesticides and other Agricultural Inputs	WWP	MOC	Eliminate QRs and establish WTO-consistent methods for registration and review	June 2005		TA is needed to establish procedures for managing domestic distribution.		QRs have been eliminated by a ministerial circular in regards to both fertilizer and pesticides. However, pesticides in the extremely toxic category are banned, and another group of high toxic pesticides will be allowed only in emergency situations. A laboratory for the analysis of fertilizer and pesticides has been established and operates. Post registration measures have been monitored by MAFF/DAL. Importers of agriculture materials need to inform MAFF at least 10 days before the date of importation. MAFF shall inspect the imported agriculture materials at permanent warehouse, which shall be identified





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								<p>by the importers. Sample of agriculture materials shall be collected for laboratory test to ensure standard verification. Legal framework on agriculture materials management</p> <ol style="list-style-type: none"> 1. Sub-decree No: 69/28-10-1998 2. MAFF circular for implementation of sub-decree 69 No: 345 21-10-2002 Inspection at warehouse before sale and use are operated 3. Promulgation No: 589/15-12-2003 on the list of pesticides permitted, restricted and banned for use in Cambodia. 4. Promulgation No: 204/12-July-2004 format of application form for registration, importation and trade license. 5. Declaration No: 356/259-10-2002 on the organization and functioning of the department of agricultural legislation 6. Joint declaration No: 02/26-10-2004 between MAFF and MOJ on the creation and recognition of judicial police of agricultural materials. 7. Declaration No: 185/09-06-06 on the promulgation of new format for agriculture materials importation. 8. Other legal measures of MAFF 9. Circular on measure for strengthening management of agricultural inputs for trade have been drafted. 10. The Sub-decree on agricultural inputs materials management have been completed draft under ADB loan No:2022-CAM

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Transparency	BB	CDC, Parliament	Produce a complete set of official translations of business-related laws in cooperation with an international law firm in Cambodia	2007		TA needed		DTIS 2007 comment: Not feasible to provide full subscription service for English translations
Transparency	WWP	OCM	Publish proposed measures pertaining to trade and allow no less than 30 days for comment.	ASAP		TA needed. More TA Needed (NIDA-Korea)		Each Ministry to take the necessary steps. There will be an Anukret requiring this.
Transparency	WWP	OCM	Establish or designate official journal or website dedicated to the publication of regulations, etc., affecting trade	1 January 2004				Laws, Anukret and Prakas have been posted in Khmer. Need to include those judicial decisions available from the Supreme Court website. Need to include administrative decisions. Need COM decision requiring publication of all administrative decisions. 80% to 90% of work completed. All documents to be translated into English.
Transparency	WWP	All Ministries and Agencies	Publish draft laws and draft regulations for comment 30 days before they are adopted	2004		No TA needed		Sub-decree may be needed to ensure compliance by ministries.
INVESTMENT CLIMATE: PROMOTING INVESTMENT FOR TRADE								
Investment Promotion	BB	CDC	Implement a targeted investment promotion strategy, starting with light manufacturing, including agro-processing	2008		TA needed		DTIS 2007 comment: Should follow performance and needs assessment of CIB as a whole
Investment Promotion	DTIS 2007	CIB, CDC	Performance and needs assessment of CIB as a whole	2007		TA needed		DTIS 2007 comment: CIB presently lacks capacity to implement BB measures
Investment Promotion	BB	CIB, other relevant ministries and agencies	Train officials in government institutions in technical dealing with investors (client orientation)	2007		TA needed		





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Investment Promotion	BB	agencies CDC, CIB	Install an investor tracking system	2007		TA needed		DTIS 2007 comment: Computer equipment, system, and training required. World Bank assistance underway
Investment Promotion	BB	CDC and other relevant ministries and agencies	Initiate pilot programs in the garment and agro-processing sectors designed to build supplier relationships between foreign and domestic firms. As a first step, establish a Business Linkages Task Force	2008		TA needed		
Investment Promotion	BB	CIB	Develop facilitation and aftercare services units within CIB	2008		TA needed		
Investment Promotion	BB	CDC	Enhance the monitoring system to track problems raised by the Working Group of the Government-Private Sector Forum and the progress achieved in overcoming those problems	2007		TA needed		World Bank has developed prototype
Investment Promotion	BB	Phnom Penh Chamber of Commerce	Build up web-based information service of the Cambodian Chamber of Commerce to support SMEs and other businesses	2007		TA needed		DTIS 2007 comment: Financial problems have slowed work toward creating comprehensive database for members. Initial aim is to provide web-links and members directory
Investment Promotion	BB	Provincial Chambers of Commerce	Support establishment of provincial Chambers of Commerce	2007		TA needed		Provincial chambers are being established with UNESCAP assistance
Investment Promotion	DTIS 2007	CDC	Undertake review of FDI strategy	2009		TA needed		Comprehensive study of FDI mainstreaming and deepening to foster sustainability and development impact
Special Economic Zones (SEZs)	WWP	MOC, MIME, CDC	Draft Law on Export Processing Zones (with CDC and MIME)	ASAP		No TA needed		Sub-decree on SEZ adopted on 29 December 2005. A draft law on SEZ is under preparation by CDC.
SEZ Electricity	DTIS 2007	CDC, MIME	Enable large SEZ users to contract power directly from IPPs	2007		Include in IFC Bearing Point TA		Investigate if legal change is required. Pricing regime for use of EDC transmission is needed. Include in SEZ law

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SEZ Telecoms	DTIS 2007	CDC, Ministry of Post and Telecoms	Enable SEZs to provide international gateways for voice, data, and Internet	2007		Include in IFC Bearing Point TA		
FDI	DTIS 2007	CDC	Amend law on investment to make FDI treatment and protection available to all foreign investors	2007		No TA needed		Currently only FDI in Qualified Investment Projects are eligible
FDI	DTIS 2007	MoEF	Reduce rate of dividend with holding tax (DWT).	2007		No TA needed		Additional profit tax on dividends neutralizes incentives, especially when 14% DWT applied to non-residents. Reduce unilaterally or via double tax treaties.
FDI	DTIS 2007	MoEF	Negotiate Double Taxation Treaties (DTTs)	2007 and ongoing		TA needed		Cambodia has no DTTs. Network should be developed to encourage foreign investors
Import Duties	DTIS 2007	CDC, MoEF	Permit all SEZ suppliers and export producers to have duty incentives given to QIPs	2007		Include in IFC Bearing Point TA		Include in SEZ law
Value Added Tax	DTIS 2007	MoEF	Permit all SEZ suppliers and export producers to have VAT incentives given to QIPs	2007		Include in IFC Bearing Point TA		Include in SEZ law
SEZ Administrative Services	DTIS 2007	CDC, Ministries stationed in SEZ	Develop guidelines for salary top-ups, allowances, and benefits paid by developers to government officers stationed in SEZs	2007		No TA needed		Include as regulation to SEZ law
SEZ Review	DTIS 2007	CDC	Review of experience gained in SEZ development	2010		TA needed		Evaluation of policy design and developer obligations to meet objectives of SEZs
INVESTMENT CLIMATE: SERVICES								
Architecture	WWP	MLMUPC	Draft law setting out professional qualifications. Consider establishing a Board of Architects	2005		TA needed		Ongoing. TA is being provided by EU Multitrap. First drafts have been completed by EU experts and are being reviewed



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Construction	WWP	MLMUPC	Draft law establishing professional qualifications	2005		TA needed		
Engineering	WWP		Draft law establishing professional qualifications	2005		TA needed		
Insurance and Re-insurance	WWP	MEF	Revise law on Insurance and prepare regulations			TA needed		MEF decided to revise the Anukret, not the law. The Department received the approval from Senior Minister to revise the Anukret, but work has not yet begun. The Department of Financial Industry is currently drafting the Anukret on life insurance. A seminar on this topic will hold on 22nd Feb 07, before submission to CoM.
Telecommunication	WWP	MPTC	Draft law on Tele-communication that separates operations from regulation	2004		TA is being provided by ADB and WB		Sub-decree to establish Telecom of Cambodia (TC) as a public enterprise approved by SPM on 12 January 2005. Telecom Cambodia and MPTC became legally and physically distinct on 1 January 2006. A draft Royal Decree setting up a regulatory body within MPTC has been drafted. A sub-decree will spell out the structure, power and responsibility of the regulatory body. Draft Law on Telecom has been submitted to the Council of Ministers. Examination by Council of Jurists is finished. Is being discussed by OBSSES. TA to draft the law on telecom was completed.
Telecommunication	WWP	MPTC	Prepare plan of action containing steps necessary to meet commitment in 2008	2004-2005		TA is being provided		Action plan with clear timeframe for implementation was made. MPTC will submit this action plan to MoC.
Mobile Phones	WWP	MPTC	Develop objective and transparent criteria for issuing licenses in this area	2004		TA is being provided		The criteria for issuing licenses will be developed with assistance from ADB.
Road Transport	WWP	MPWT	Draft law on transport regulating sector	2004		TA needed		The draft Law on Road Traffic has been approved by the Council of Ministers and was sent to the National Assembly on 23 January 2006



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Access to Maritime Services	WWP	MPWT	Ensure that draft Law on Maritime Transport contains provisions covering "additional commitments"	2004		TA being provided by Belgium		Drafting of a Maritime Code is going forward in stages. As drafting is completed, it is sent to a Belgian maritime lawyer for review. Belgian expert has reviewed the full text of the draft. Work is expected to be completed by the Ministry by the end of 2006. A draft sub-decree on Management of Cargo and Passenger Transportation has been prepared.
Banking	WWP	NBC	Prepare and adopt Law on Negotiable Instruments and Payments Transactions	2004		No TA needed		The National Assembly adopted the law on 19 September 2005. Task completed, but TA needed for drafting the implementing sub-decree. Three prakash have been put into effect: 1- Prakash on Control of systematic risk of Payment System. 2- Prakash on Payment Clearing System. 3- Prakash on Operations of Settlement Accounts One is still being drafted: 4- Prakash on Licensing of Money Transmission
Banking	WWP	NBC	Consider preparing regulations covering mortgage credit, factoring, charge and debit cards and traveler's checks	2005		TA needed		ADB is supporting the preparation of the Financial Blueprint's Road Map. The comparative research is being conducted.
Banking	WWP	NBC	If Law on Financial Leasing is drafted, be aware that it will trigger WTO obligations	None		TA needed		The draft has been sent to COM. MOJ said that the draft contains some provisions contradictory to the existing laws. NBC and MoJ are now working on this issue.
Money and Capital Market	WWP	MEF	Draft laws on government securities and on non-governmental securities, bearing in mind that it will trigger commitments	2005		TA is being provided by ADB. Further TA needed on issuance procedures and trading.		The Law on Government Securities has been adopted and was promulgated on 10th Jan 2007. The Law on Issuances and Trading of Non-Government Securities passed the Inter-Ministerial Meeting and will be adopted by CoM in mid February 2007.



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Civil Aviation	WWP	State Secretariat of Civil Aviation	Pass Civil Aviation Law and draft implementing regulations	2004		TA Provided by ICAO		The draft law was submitted to the National Assembly on 23 December 2004. Implementing regulations have been drafted with regard to: 1. Airworthiness 2. Flight Operation 3. Air Transport Security
Selling of Air Transport Services	WWP	State Secretariat of Civil Aviation	Draft economic and technical regulations covering the selling and marketing of air transport services	2004-2005		TA needed		Seeking a continuation of ICAO TA SSCA requested TA from ICAO but received no response
Architecture	WWP	MLMUPC	Repeal provision in Royal Decree requiring "signature by Khmer architect for big projects".	2004		TA needed		Amendment to the Royal Decree has been drafted. Expected submission to the National Assembly in November 2006. A sub-decree has also been drafted. Revisions will also be needed in the urban planning law, land law and law on special economic zones. However, in practice the restriction has been lifted
Legal Services	WWP	Bar Association of the Kingdom of Cambodia	Draft amendments to paragraphs 5 and 6, and other articles if any, of the Law on Bar, to bring about conformity with the WTO commitment	2004		No TA needed		Redrafting of paragraphs 5 and 6 will be undertaken. It will also be confirmed that Khmer lawyers will be prohibited from advertising. If this is not the case, para 7 must be deleted. The Bar Association will meet in March 2006 to establish a technical team to undertake the necessary work.
Employment Agencies	WWP	MLVT	Amend Labour Law so as to allow for the operation of these companies in Cambodia	2004		No TA needed		The future amendment of the Labour Law will incorporate the operation of the service placement and supply services of personnel as Art. 258 of the Labour Law is silent in this respect
Hotel	WWP	MOT	Prepare sub-decree on hotel rating classification	2004		No TA needed		Sub-decree on hotel rating was approved and signed by SPM on 11 June 2004. Task completed
Travel Agency and Tour Operator	WWP	MOT	Amend present draft Law on Tourism to bring it into compliance with commitments	2004		No TA needed		Draft Law on Tourism was returned by the National Assembly and currently is being reviewed by the MOT to include other elements, possibly including 100% foreign equity participation for tour operator. Waiting further comments from private sector.



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Restaurants	WWP	MOT	Issue sub-decree or Prakas to establish the criteria for setting up restaurants	2004		No TA needed		Restaurant Associations have been formed, and MOT will recognize them. Detailed criteria for setting up restaurants related to area in the form of sub-decree has been drafted and will be submitted to the OCM.
Refuse Disposal	WWP	MPWT	Issue sub-decree requiring governors and mayors to observe non-discrimination in granting contracts	2004		Not needed		No action has been initiated. A sub-decree should be prepared to inform mayors and governors of their responsibilities.
Education	WWP	OCM	Establish independent accrediting process	ASAP		TA needed		(NIDA-Korea) PM has ruled to keep status-quo
INVESTMENT CLIMATE: PROTECTING IPR								
TRIPS	WWP	Ministry of Culture and Fine Arts	Draft regulations implementing the Law on Copyright	2004		TA needed		WIPO has stated that no implementing regulations are required. A more detailed request for assistance will be made to WIPO. A sub-decree on collective management will be prepared in the future. TA is needed for this.
TRIPS: Marks	WWP	MOC	Put in force sub-decree implementing the Law on Marks	2004		TA provided by WIPO		Adopted
TRIPS Border Measures	WWP	MOC	Draft sub-decree implementing special border measures contained in Law on Trade Marks (with MEF)	2004		TA needed		
TRIPS Border Measures	WWP	MEF	Draft sub-decree implementing special border measures contained in Law on Trade Marks (with MOC)	2004		TA needed		Draft sub-decree has been prepared. Implementation of border measures is to be based on a joint Prakas to be issued by MoC and MEF. Draft Law on Geographic Indicators also deals with border measures.
TRIPS	WWP	MIME	Draft sub-decree implementing the Law on Patents	2004		TA provided by WIPO		Draft sub-decree was completed and submitted to the CoM in September 2005. CoM refused to adopt the sub-decree, and instructed the Minister of Industry to issue the text as a Ministerial Declaration. The Implementing Prakas has been adopted; however, the issue of fee schedule is still being discussed with MEF.



Topic	Source	Responsible Ministries/ Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TRIPS	WWP	MIME	Implementing text for the Law on Patents must specify that computer programs and business methods may be eligible for patent protection	2004		TA provided by WIPO		The draft declaration incorporates the necessary language regarding computer programs. A separate Prakas is to be issued to protect business methods. TA is needed to do this task.
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Secure Cambodia's membership in Berne, Geneva Phonogram, and Brussels Satellite Conventions and the Patent Cooperation Treaty	2004-2005		No TA needed		Cambodia has requested membership in the PCT, and MIME will push for the ratification of PCT after issuing the declaration. The MCFA is currently working on the translation of the Berne and Geneva Phonogram Conventions. The application has been submitted to the OCM.
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Draft Law on Geographical Indications	2004		TA is being provided by France		Drafting completed. Currently being discussed at the ministerial level. Will be submitted to the Council of Ministers in early 2006.
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Draft Laws on Layout Designs, Undisclosed Information and Plant Variety Protection	2005		Further TA needed probably from Australia (CATAF).		Draft Law on Layout Design is completed in Khmer on basis of TA from WIPO. No further TA needed. (Expected date of enactment End 2006). TA needed for draft Law on Plant Variety Protection. Model laws are available for reference purposes. Debate is being held to make a distinction between the responsibility of MAFF and MIME on seed protection. On undisclosed information and trade secrets, TA is being provided by Canada. Work has begun.
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Put into force implementing regulations for laws on geographic indications and protection of undisclosed information and trade secrets	December, 2005		TA needed		The draft sub-decree for implementing the GI law is completed. It can be sent to the Council of Ministers once the GI law is promulgated. The draft sub-decree for implementing the GI law is completed. It can be sent to the Council of Ministers once the GI law is promulgated.

Topic	Source	Responsible Ministries/Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Put into force implementing regulations for the Law on Layout Design of Integrated Circuits	2006		TA needed		Awaits drafting of the Law
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Put into force implementing regulations for the Law on Plant Variety Protection	2006		TA needed		Awaits drafting of the Law.
TRIPS	WWP	Intellectual Property Rights Coordinating Committee	Join International Convention for the Protection of New Varieties of Plants	December, 2005		No TA needed		After the adoption of the above drafted law. However, Cambodia should inquire from the Convention whether having the laws in place is a prerequisite for membership. A decision needs to be taken regarding the Ministry that has authority in this area.
INVESTMENT CLIMATE: MOVEMENT OF PERSONNEL								
Residency Permit	WWP	Ministry of Interior	Develop and implement residency permits consistent with the horizontal commitments	2004		TA needed		Art 21 of Immigration Law allows 2-year residency permit. Permit can be extended every two years. A draft Anukret has been prepared amending Anukret 75, and allowing visa and work permit for two years renewable to a maximum of 5 years. The Ministry will also be working on classification of visas.
Movement of Foreign Labour	WWP	MLVT	Establish classifications for intra-corporate transferees	2004		TA to be sought from ILO and other donors		One ILO expert has been dispatched to the Ministry and is working on amending the Labour Law. The Ministry is seeking TA to draft the classifications for intra-corporate transferees and prepared to establish occupational categories.
Movement of Foreign Labour	WWP	MLVT	Amend Labour Law to allow work permits to be granted for 2 years	2004		No TA needed		The above mentioned ILO expert will also work on the drafting of the amendment of the Labour Law especially on Article 261 of the Law. Expected adoption by the National Assembly in late 2006.





Topic	Source	Responsible Ministries/ Agencies	ask	Original Deadline	Revised Deadline	TA	Benchmark Indicator	Status and Comments as of February 2007
								The law will specify the length of work permit. Existing joint Prakas no 56 of Ministry of Economy and Finance and the Ministry of Social Affairs, Labour and Youth Rehabilitation will be amended to specify a charge of USD 200 for the first two- year term and USD 100 for annual renewal.
Improving Processes	TF	?	Streamline the process for notification of the Ministry of Labour to start hiring employees	?		?		?
Visa	WWP	Ministry of Interior	Adapt visa requirements to make them consistent with horizontal commitments	2004		No TA needed		
Visa	WWP	Ministry of Interior	Issue Prakas on procedures for issuing 2-year visa	2004		No TA needed		
Permit for Foreign Workers	WWP	MEF	Change fee for work permit to reflect the fact that it will be issued for a period of two years	2004		No TA needed		Established in 2005.



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