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**TRADE-RELATED TECHNICAL ASSISTANCE NEEDS ASSESSMENT
SUBMITTED BY THE KINGDOM OF CAMBODIA**

**INTEGRATED RESPONSES BY THE IMF, ITC, UNCTAD, UNDP,
WORLD BANK, AND WTO¹**

THE KINGDOM OF CAMBODIA

¹ Published in accordance with the provisions of paragraph 5(e) of the Integrated Framework for Trade -Related Technical Assistance (WT/LDC/HL/1/Rev.1)

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The Royal Government of the Kingdom of Cambodia is actively seeking the rapid integration of Cambodia into the regional and global economies. It considers international trade and investment as important instruments for achieving its broad social and developmental objectives. Trade and investment create jobs, alleviate poverty, and bring to Cambodia the skills and disciplines necessary to increase the earning power of its citizens. The Royal Government understands that the liberalization of trade and investment throughout the world economy is creating opportunities that Cambodia must be able to seize.

The Royal Government has at present a limited capacity to play its role in ensuring that these opportunities are indeed seized. Under the Pol Pot regime all educated Cambodians were either killed or left the country. During the decade after that Regime, Cambodia remained wracked by civil war, and isolated from most of the world economy and from the operation of world markets. Although much has been accomplished during the 1990's, Cambodia remains woefully short of the skills necessary to grasp the opportunities for growth and development that have resulted from the liberalization of trade and investment. The Royal Government has urgent need for technical assistance and training in all aspects of policy formulation and execution related to trade and investment.

For these reasons the Royal Government welcomes the results of the High Level Meeting on LDC's Trade Development and in particular the endorsement by that Meeting of the Integrated Framework. It attaches great importance to situating its own discussions with donors within the context of the Integrated Framework. To begin that process, the Ministry of Commerce -- in consultation with other Ministries and interested entities and organizations, including those in the private sector -- has prepared the following assessment of Cambodia's technical assistance needs². The assessment is organized according to the "Check-list for Conducting Trade-Related Technical Cooperation Needs Assessment" (WT/LDC/HL/1/Rev.1)

A. TRADE POLICY

(a) What are the sectors that you believe have unexploited or underexploited export potential?

Cambodia is internationally competitive in three broad areas: tourism; agricultural and natural-resource-based products; and certain light manufactures requiring for their production relatively large amounts of cheap and unskilled labour. In each of these broad areas, competitive exports already exist. However, they could be greatly expanded. In addition, Cambodia could be competitive in new export products falling within these broad categories.

Tourism is presently centered on visits to Angkor Wat and surrounding temples. The capacity of the tourist industry in Siem Reap, the nearest town, has been growing rapidly, but further expansion is both feasible and consistent with maintaining the archeological sites. Cambodia also has an attractive seacoast, and possibilities for eco-tourism in the Northeast part of the country. These have not yet been developed for international tourism.

² Assistance in preparing this assessment was provided through a Mission coordinated by WTO and made up of staff from ITC, UNCTAD, UNDP and WTO. The Mission visited Cambodia in March 1998.

Cambodian agriculture is not significantly protected from international competition nor subject to any special support measures. Exports of rice, soybeans and rubber take place on a modest scale. Expansion of these exports depends heavily on improved grading and quality control. In addition, recent investment in palm oil and cashew nuts has occurred with the intent to export. Agro-industries and aqua-processing are other areas that have not yet been exploited. Developing export capacities in the countryside would help promote rural development, expand human capacities and reduce rural poverty.

Light, labour-intensive manufacturing began some four years ago with the garment industry. While every effort is being made to ensure that this industry prospers, the impact on the Cambodian textile industry of membership in WTO and the implementation of the Agreement on Textiles and Clothing (ATC) is difficult to forecast. Assembly of electronic products has also begun, and could be expanded. Export of handicraft and silk products needs to be explored.

(b) Could you please define your country's perspective of the reasons for any changes in the structure and direction of exports and imports?

Since 1989 when Cambodia began to re-orient its economy away from a socialist command system toward a market economy, the structure and direction of trade has changed dramatically. Previously, trade was heavily concentrated toward the Soviet bloc countries, both for imports and exports. State trading and barter trade were prevalent. These practices have now entirely disappeared.

Over the past eight years, imports of materials related to industrial activity have grown. For example, in 1996, petroleum, capital equipment and raw materials constituted a large proportion of imports. Specifically, petroleum products, road vehicles, textile yarn and fibers, machines for special industries, electric and general industrial machinery, power generating equipment, nonmetal minerals, iron and steel, and telecommunications equipment comprised approximately 60% of total imports. ASEAN countries and markets represent a substantial proportion of Cambodia's total trade in both imports and exports, though much of this is entrepot trade through Singapore. However, garment exports flow chiefly to the United States and the European Union. Cambodia has MFN and GSP status with both of these important trading partners.

Cambodia's export profile for goods has two main components: crude materials (wood and rubber) and garments. The former represents traditional exports for Cambodia while the latter represents a new and rapidly expanding industry in Cambodia. In addition to garments, the expansion of exports of basic manufactures also includes some growth in the export of wood manufactured products.

(c) What have been the objectives of trade policy in the most recent period, compared to, say, two decades ago?

As is the case with its trade profile, Cambodia's trade policies have undergone enormous changes in the past 20 years. From 1979 to 1989, trade policies were designed to support a socialist command economy. In addition, industrial development was stagnant. Soviet bloc countries represented Cambodia's major trading partners. Trade was effectively controlled through quantitative restrictions and state-owned trading entities. In addition, private ownership of property was not permitted. The transition to a market economy began in 1989 and accelerated with the adoption in 1993 of the new Constitution stipulating a market economy and the formation of the Royal Government of Cambodia.

The goals of trade policy since 1993 have been to establish a liberal trade regime; increase integration with the regional and global trading system (entry into ASEAN and WTO are important components of this strategy); promote investment; support the development of export-oriented industries; expand employment opportunities; and spur economic growth to reduce poverty.

Restrictions limiting the ability of companies and individuals to engage in international trade were lifted. Providing tariff protection to import-competing industries has generally not been an objective of trade policy. However, the sharp depreciations in the exchange rates of major trading partners that occurred in 1997-98 was countered by limited and temporary increases in some import tariffs.

(d) What are the Ministries in charge of trade policy matters, including formulation, implementation, enforcement and monitoring? How is coordination made? What are the respective roles of the relevant Ministries (give particular attention to tariff policies and other policies directly affecting exports and imports of goods and services)?

The following ministries and agencies are most directly involved in trade policy matters: Ministry of Commerce (MoC), Ministry of Economy & Finance (MEF), Ministry of Industry, Mines & Energy (MIME), Ministry of Agriculture (MoA), Ministry of Planning (MoP), National Bank of Cambodia (NBC) and the Council for the Development of Cambodia (CDC). Inter-ministerial coordination is pursued through various formal and informal mechanisms. Examples would include the Council of Ministers (with representation from every ministry), various issue/sector-specific working groups addressing matters such as trade in services and non-tariff barriers, a National AFTA Unit that addresses issues related to the ASEAN Free Trade Area, an inter-ministerial coordinating committee on WTO accession, and other ad hoc bodies. Interministerial coordination still requires further strengthening so as to improve the coherence and consistency of policy, and avoid overlapping functions among Ministries.

Among these ministries, MEF has chief responsibility for fiscal and financial policy, including tax, customs and tariff policies; MoC is involved in international trade policy (including tariff policy) and is responsible for the registration of companies doing business in Cambodia; MIME is responsible for industrial policy; MoA addresses agriculture, forestry and fisheries; MoP manages socioeconomic development planning and statistics; the NBC oversees monetary policy; and CDC is designed to act as a “one-stop shop” for investment in Cambodia. Through its Cambodia Rehabilitation and Development Board, CDC handles international assistance and public investment, and through its Cambodian Investment Board (CIB), CDC manages private investment in Cambodia. In addition, the Ministry of Health is responsible for regulating the import and sale of drugs and pharmaceutical products.

(e) How are the private sector and academic institutions associated with the formulation and conduct of trade policy?

For the most part, private sector and academic institutions have not been heavily involved in the formulation and conduct of Cambodia’s trade policy. One notable exception is the Cambodian Garment Manufacturers Association with which the Ministry of Commerce regularly consults with respect to garment and textile-related issues of trade policy. While there also exist a Phnom Penh Chamber of Commerce, a Faculty of Business, Faculty of Economics and Faculty of Law within the university system, these latter groups have not yet been drawn into dialogue with the government on trade-policy matters. There are also three research institutions located in Phnom Penh that have been involved to varying degrees in promoting public discussion of trade-related policy issues.

(f) What are the institutions in your country that can play a role in implementation of a trade-related project at the local level? State their respective roles.

Except for the various national institutions of the Royal Government of Cambodia, there are few institutions at the local level that might play a role in the implementation of trade-related projects. The Ministry of Commerce, the Ministry of Industry, Mines and Energy and the Ministry of Agriculture have offices in the provinces and municipalities and, depending upon the nature of the project, the research institutions noted above that are involved in trade-related activities may have some capacity to be involved at the local level. Numerous NGOs have experience with project

implementation in the provinces. In addition, local village development committees (VDCs) have been formed in many provinces to exercise responsibility for development planning within their localities. Similar committees also exist at the district level in some provinces. Their capacity to play a role would have to be gauged for any specific trade-related project.

(g) What are the main laws and regulations dealing with trade policy on exports and imports? Please provide a short description of each.

The legal system in Cambodia is in the midst of a substantial and difficult transition. The goal is to establish a coherent, transparent and predictable legal framework that will support the development of a modern market economy. While a number of important economic-related laws have been enacted since 1993, there remain major gaps in the legal framework. There have also been serious difficulties in securing adequate implementation and enforcement of laws, owing, among other things, to the low levels of legal understanding and generally low capacities of persons working within the legal system. The following laws and regulations are relevant to Cambodia's trade policy:

Customs Law: The present legal basis for the administration of Customs dates from the State of Cambodia,³ and is badly out of date. A new Customs Code is being drafted, and assistance is required in ensuring that it meets current international standards. Reforms in 1993 created a cascading, five-band system of tariffs ranging from 0% to 50% which covers the vast majority of products (though a limited number of products retain other tariff levels). A tariff rate of 7% applies to inputs for domestic production, a 15% rate applies to capital goods, a 35% rate applies to products related to industries with "infant industry" potential, and a 50% tariff for certain key consumer goods. The tariff nomenclature, which conforms to the Harmonized System, is presently being updated to ensure conformity with ASEAN and HS 96.

1. Law on Taxation (1997): In addition to establishing a transparent, well-defined system of income tax, the 1997 law also includes a VAT tax to be implemented beginning in 1999.
2. Law on Registration of Companies (1995): requires the registration of all companies, foreign and domestic, with the MoC.
3. Law on Investment (1994): provides various incentives to foreign and local investors on a non-discriminatory basis including: a 9% corporate income tax; tax holidays up to 8 years; full import duty exemptions for export-oriented projects (defined as export enterprises that export at least 80% of their output); free repatriation of profits; guarantees against nationalization and price controls; no withholding tax on dividends; and a five-year loss carry-forward. The law also lays out basic procedures for investment approvals and resolution of disputes.
4. Sub-decree on Implementation of the Investment Law (1998): provides more detailed procedures for investment applications and approval including rules on application fee and deposits, feasibility studies, the revocation of investment privileges and incentives, the formation of joint ventures and taxation. The Sub-Decree also provides a more extensive list of suggested areas of investment and a criteria matrix for incentives.
5. Chamber of Commerce Law (1995): in addition to creating a Chamber of Commerce in Phnom Penh, the law states that the Chamber of Commerce has a responsibility to

³ The State of Cambodia and its predecessor, the People's Republic of Cambodia, administered most of Cambodian territory between 1980 and 1993.

play a role in the resolution of business disputes, but no such role has been played to date.

In addition, draft laws in the following areas exist: contract, bankruptcy, business organizations, arbitration, trademarks, products liability, (prepared by the Ministry of Commerce); establishment of a commercial tribunal (prepared by the Ministry of Justice); insurance and customs code (prepared by the Ministry of Economy and Finance); factories, industrial zones authority, and patents and industrial design (prepared by the Ministry of Industry, Mines and Energy); copyright (prepared by the Ministry of Culture).

(h) What are the main instruments of trade policy on exports and imports? Please elaborate.

The main instruments of trade policy affecting import/export activity in Cambodia are as follows:

- Tariffs: as noted above, the Cambodia's present tariff schedule was promulgated in 1993 and follows the harmonized system of tariffs. There are 5 main tariff bands which cover the vast majority of items (though technically 8 bands exist). The highest tariff rate is 50% and applies to selected consumer goods. In fact, 3 tariff bands -- the 7, 15 and 35 percent rates -- cover over 90% of Cambodia's tariff lines. All duties are applied on an *ad valorem* basis. The import-weighted average of duties is 16% (19% if gold and silver are excluded). All imports are subject to a 4 per cent consumption tax. In addition, some items (beer, wine and spirits, motorcycles, cigarettes, petroleum) are subject to special consumption taxes. Identical rates of taxation are applied to domestically-produced products. There are no tariff quotas, and tariff exemptions exist for certain categories of importers including diplomatic missions, projects qualifying for import exemptions under the Investment Law (requires written permission of CDC or Council of Ministers) and recipients of exemptions granted on an ad hoc basis. Reliable information on the incidence of these exemptions is not available. Customs valuation is based on transaction values on a CIF basis. For all imports so covered, customs agents are required to accept the values determined by pre-shipment inspection (see below).
- Pre-shipment Inspection: since 1995, pre-shipment inspections (PSI) have been required for imports with a declared total value or actual value of US\$5,000 or more. Certain exceptions apply covering precious stones and precious metals, objects of art, live animals, explosives, current newspapers/periodicals, household and personal effects and cigarettes (however, require approval from MEF). In addition, garment export industries are exempted from PSI without limitation, and imports of all CDC approved investors are temporarily exempt.
- Import Restrictions: In general, no import licenses exist (they were abolished in 1993), and import restrictions only exist for weapons, explosives, munitions, military machinery, gold and silver (requires a permit from National Bank of Cambodia), drugs and poisonous substances.
- Registration Requirements: All commercial enterprises operating in Cambodia are required to register with the Ministry of Commerce whether or not they engage in international trade. Companies that are 51% Cambodian owned are permitted to freely engage in all export and import activities. Foreign-owned enterprises--those that are less than 51% Cambodian-owned--are not permitted to engage in purely trading activities, i.e. they cannot import goods for the sole purpose of re-selling them without transformation. Foreign enterprises registered with MoC and CDC can

engage in those import and export activities required by their business. Representative offices are not permitted to engage in commercial activities. A branch or subsidiary of a foreign company, upon registration with MoC, is permitted to conduct commercial activities in Cambodia.

- Export Restrictions: Exporters organized as Cambodian companies are permitted to operate without restriction, except as regards the following items: antiques (absolutely prohibited); round logs (absolutely prohibited); and narcotic drugs and poisonous substances (absolutely prohibited).
- Export Licenses: Rice, wood and wood products are subject to export licensing requirements.
- Export Credits, Guarantees and Government Insurance Programs: do not exist in Cambodia.
- Sanitary and Phytosanitary Measures: licenses from the Ministry of Health are required for imports and sale of medicine. In addition imported live animals must be certified regarding proper vaccinations, and imported plants must have a phytosanitary certificate. Otherwise, there are normally no special quarantines or restrictions.
- Privatization of State Enterprises: has been ongoing since 1991. An inter-ministerial privatization committee led by MEF was established in July 1995 and is charged with preparing a privatization program to include a list of all remaining state enterprises, strategies for their privatization and procedures for monitoring the process. The Committee drafted privatization regulations in September 1995. Of the 157 State Owned Enterprises that existed in the late 1980s, 99 have been privatized and one has been closed. Of the 57 remaining State Enterprises, current plans of the inter-ministerial committee call for 18 to be privatized, 5 to remain as joint ventures, 17 to be closed, and 17 to remain as State Enterprises.

(i) In case you are a WTO Member or are in the process of acceding, how is your country preparing itself to comply with the WTO Agreements?

Cambodia has already undertaken major steps towards trade liberalization, and in the process has dismantled a number of features of its previous trading regime that would raise issues in terms of the WTO Agreements. For example, customs valuation now takes place normally on the basis of invoice values, rather than on the basis of an indicative price list; quantitative restrictions on imports have been abolished; licensing of imports is restricted to the usual list of sensitive items, and is not designed to restrict the volume of imports; Cambodia no longer has any state trading as defined by ART. XVII of GATT 94 and the WTO Understanding on ART. XVII; subsidies to the agricultural sector have been discontinued; taxation policy has been reformed to observe the principle of national treatment; all policies regarding trade in goods are applied on an MFN basis, etc.

Cambodia is putting in place the legal framework necessary for a market economy. Again, in the process it is acquiring the capacity to implement obligations it will take on when it becomes a member of WTO. For example, draft legislation on protection of trademarks is under preparation in the Ministry of Commerce, and draft legislation dealing with other aspects of protection of intellectual property rights is being prepared in other Ministries.

(j) What is the state of familiarity with the WTO framework: among government and government-related agencies; in the private sector?

Familiarity with the WTO framework is still rudimentary. A small number of officials in the Ministry of Commerce have received repeated training from WTO and others. A broad spectrum of government officials received training at a recent WTO national seminar. This same spectrum has been dealing with the country memorandum required by the accession process. A few officials outside the Ministry of Commerce have thus come into contact with those aspects of the WTO framework that impinge on their responsibilities.

Private research institutes dealing with economics have so far focused on the implications for Cambodia of ASEAN membership, which, during the past two years, has been the main topic of public discussion in the field of trade.

In the enterprise sector, manufactures exporters are generally well aware of WTO issues relevant to their business. For example, garment exporters, all of whom are foreign investors, are familiar with the ATC. There is no evidence that smaller exporters, exporters of primary commodities or importers are familiar with WTO.

(k) What are your technical assistance requirements with regard to your compliance with the WTO Agreements?

Technical assistance needs are concentrated in two areas: the WTO accession process and the creation of a satisfactory legal framework.

There is need for ongoing support to the accession process, which would include help with the mechanics of accession (preparation of the country memorandum, advice on negotiating strategies, etc.); further training and familiarization for various audiences; and assistance with eventual compliance issues.

There is also need for ongoing support for the drafting of laws relevant to a market economy and in particular to compliance with WTO obligations. This needs to be supplemented by assistance designed to facilitate the prompt implementation and enforcement of these laws.

(l) In which specific areas of the WTO Agreements do you have technical assistance needs?

Cambodia needs assistance in the following specific areas: ATC, market access, rules of origin, safeguards and services (initially as regards choice of sector in which to make a market access offer), technical standards, protection of patents and copyrights.

(m) What is your assessment of your existing trade analysis and negotiating capacities, both multilateral and bilateral, in areas already covered by the WTO Agreements and other trade-related areas, e.g. competition policy and trade and environment?

The capacity for trade policy analysis is not sufficiently deep or widespread within the government. Further training is required in a number of areas, in particular the interfaces between trade policy and industrial policies, and between trade policy and public revenue policy. The relevance to trade and industrial policies of concepts such as comparative advantage and effective protection needs to be more broadly understood. Also, techniques need to be developed for evaluating the revenue consequences of tariff reductions, both on a preferential and MFN basis. The techniques for processing the raw trade data generated by Customs and presenting the data in a way that allows them to be used for trade policy purposes are lacking and are urgently required. Because of the interfaces between trade policy and other aspects of economic policy, there is need for assistance in creating mechanisms to bring about better coordination of the policies of the various economic

ministries and agencies. At the same time, support to help reinforce existing institutional mechanisms for addressing trade policy is essential. For example, a National AFTA Unit exists to prepare for and implement AFTA once Cambodia joins ASEAN. However, few members of the Unit possess the necessary understanding and experience in cataloguing non-tariff barriers (NTBs) and monitoring the dismantling of unduly obstructive NTBs, a requirement of AFTA. Training on NTBs would be highly useful. This is just one example of the kind of training needed to build up trade-related institutional mechanisms and inter-ministerial bodies. In addition, sector-specific studies and needs assessments targeting key sectors of the Cambodian economy would be highly useful. Such sectors might include: agriculture and agro-industry, the informal sector and services sectors, in particular as regards the policies required in the light of prospective membership in WTO and ASEAN.

Information on services is often not available, and the capacity to analyze services issues in a WTO framework has not been developed.

Cambodia has no analytic capacities in the areas of competition policy and trade and environment.

Negotiating capacities in a bilateral setting exist at the senior level; there has been no experience in multilateral negotiations.

(n) How is your country preparing itself for ASEAN membership?

Since 1996, Cambodia has been actively preparing for integration with ASEAN. Institutional mechanisms and entities have been established with specific responsibilities for ASEAN matters including ASEAN departments in key ministries such as MEF and MoC and inter-ministerial bodies such as the National AFTA Unit. ASEAN departments in the three lead ministries received some limited budgetary resources in 1997 for ASEAN preparations. Officials in these entities have received orientations on ASEAN and specific introductory training on AFTA, cooperation in services and commercial law reform. In mid-1997, the Council of Ministers formally forwarded a set of 21 ASEAN agreements to the National Assembly for approval of an instrument of accession in anticipation of ASEAN entry. The National Assembly has not yet taken action on these agreements.

The National AFTA Unit prepared an initial draft Inclusion List (IL) for AFTA/CEPT in July 1997. It is currently considering revisions to the IL and is compiling initial drafts of the Temporary Inclusion, Sensitive and General Exceptions Lists. The National AFTA Unit has also discussed an initial macro-economic assessment of AFTA's implications for Cambodia prepared by two outside consultants. In addition, as mentioned earlier, MEF is preparing a draft of a new customs code and updated tariff nomenclature for Cambodia are being prepared by MEF. An informal, inter-ministerial working group has also compiled an initial list of non-tariff barriers for review and comment by the ASEAN Secretariat.

Activities to educate officials and the public about ASEAN and the implications of membership have been conducted, including: the presentation of two public forums on ASEAN (to live audiences and on national TV), the publication of books on ASEAN in the Khmer language for distribution to officials, university faculties and the public. One publication includes the first Khmer translations of all key ASEAN agreements. This book will be used by the National Assembly for its eventual consideration of accession to these agreements.

Most of these preparatory activities have been supported by UNDP Cambodia's ASEAN Project, which is currently scheduled to terminate in July 1998 (mainly for budgetary reasons). Two research institutions have also organized various conferences and events related to Cambodia's integration into ASEAN. There is currently no commitment by any donor to launch a long-term program of in-country, ASEAN-related assistance, despite the fact that such assistance has proven highly effective (and cost effective) and useful as Cambodia prepares for ASEAN integration.

(o) What is the state of familiarity with the ASEAN framework: among government and government-related agencies; in the private sector?

There is a relatively small core of officials who have a strong familiarity with ASEAN's history, structure and cooperative framework, and these officials are largely within MFA, MEF and MoC. On technical matters -- especially with regard to ASEAN economic initiatives -- the number of officials fully understanding the substance, requirements and direction of such matters is even more limited. For example, there may be a few as 4-6 officials with a clear understanding of AFTA and the issues involved in its implementation. Among the various line ministries, familiarity with ASEAN is very limited, even among officials designated as the ASEAN focal points for ministries. It is clear that an ongoing comprehensive program of training, especially on economic matters, will be required over the medium term.

Certain independent research institutions have had substantial exposure to ASEAN and have organized a wide variety of ASEAN-related activities such as workshops, conferences and publications on ASEAN topics for officials, the private sector and other entities such as university faculties. Though often very informative, such activities typically do not address ASEAN cooperation at a technical or operational level, instead focusing on larger questions of policy and directions within ASEAN and their implications for Cambodia.

The private sector has had very little exposure to ASEAN and hence familiarity is generally very low. To the extent that representatives of the private sector were involved in the Second Public Forum mentioned above or watched the televised broadcasts of the forums, they would have received some basic information on ASEAN. However, no sustained set of activities has been created to fully engage the Cambodian private sector in the ASEAN dialogue in Cambodia or help the private sector understand some of the business implications of ASEAN cooperation.

(p) What are your technical assistance requirements with regard to your compliance with ASEAN agreements?

Since Cambodia is not currently a member of ASEAN, there are immediate technical assistance needs leading up to entry and vital technical assistance needs in the immediate post-entry period, in addition to important medium-term needs for support. Concerning compliance with ASEAN agreements, technical assistance needs would include training and advice in areas such as: customs procedures (including systematic enforcement), regularized application of tariff nomenclature, rules of origin, valuation systems, non-tariff barriers (NTBs), intellectual property issues, ASEAN initiatives on investment cooperation, and the application of ASEAN agreements on services including key sectors such as financial services. Difficulties are being encountered in developing approaches to services within the context of ASEAN.

There is a critical need to receive ongoing technical assistance with regard to the legal implications of negotiating, acceding to and implementing ASEAN agreements. Although each of the three lead ministries for ASEAN integration—MFA, MEF and MoC—has a legal department, the legal capacity of officials is especially limited. And no officials have the experience and training to evaluate and advise these ministries on the legal implications of their ASEAN work. This places Cambodia in a very difficult position with regard to negotiating and complying with the large number of ASEAN agreements to which it will accede or which it will ratify in the near future. In sum, there are significant needs with respect to creating a legal framework consistent with the obligations of an ASEAN member.

Technical assistance needs also include training and input with regard to the mechanics of acceding to and implementing ASEAN agreements such as: the preparation of the country memorandums, position papers and legal evaluations; advice on negotiating strategies and

preparations; and dispute settlement. Training and familiarization with compliance issues for specific, more technical ASEAN agreements will also be necessary.

(q) In which specific areas of the ASEAN Agreements do you have technical assistance needs?

With regard to most ASEAN agreements, assistance in conducting national level analysis of requirements, commitments and implementation is needed. In relation to this, assistance in understanding the legal implications of accession to various ASEAN agreements—e.g., how domestic legislation will need to be reformed—would be beneficial.

Concerning ASEAN's AFTA/CEPT Agreement, training and other assistance is required to ensure that the mechanics of implementation—e.g., setting up a "green lane" system, applying ASEAN rules of origin and procedures to remove NTBs—are well understood.

In addition, there is a serious need to assess the sectoral implications of AFTA for Cambodia. To follow up on the initial macro-economic assessment conducted, a set of sector-specific studies are needed to provide a greater understanding of AFTA's potential impact and opportunities for: agriculture, small and medium-sized enterprises, industry, investment (particularly in light of ASEAN's creation of the ASEAN Investment Area), the informal sectors and light manufacturing. More substantial assessments of how to design Cambodia's product lists for CEPT to maximize export growth, promote industrial development and ensure adequate revenues are also needed. Moreover, AFTA's potential impact on Cambodia's employment profile is another key issue that has thus far received little attention or study, despite its importance for Cambodia's larger development objective to reduce poverty. In addition, no serious studies have been conducted on the budget revenue and balance of payments implications of AFTA. In order to understand the potential gains in market access, it is also important that the CEPT lists are formulated taking into account the CEPT lists of other ASEAN members to which Cambodia hopes to increase exports for specific goods. Cambodia would benefit from assistance in carrying out a study that focuses on the connection between Cambodia's CEPT lists, market access and the export potential for specific goods.

With regard to investment and intellectual property, there is a need for greater conceptual understanding of these areas including basic terminology, policy developments and options, and practical implications (regulatory or operational). With regard to services, training focused on the seven key services sectors for ASEAN cooperation, formulating and evaluating services regimes and related information, and services negotiations would be highly useful. In addition, training on the ASEAN Dispute Settlement Mechanism will help familiarize officials with this new agreement.

(r) What is your assessment of your existing trade analysis and negotiating capacities in areas already covered by ASEAN Agreements?

Given the very limited experiences that Cambodian officials have had in international negotiations, especially on matters of trade and economic cooperation, current negotiating capacities among officials is severely limited. This is particularly true with regard to multilateral negotiations such as those conducted by ASEAN. This situation is compounded by the fact that relevant trade and economic data can be difficult to obtain, and few officials have been trained in trade analysis and the use of such data in formulating trade strategies and conducting trade negotiations. In general, capacities to address technical issues—in terms of basic understanding, policy and data analysis, negotiations—require major strengthening in nearly every area of ASEAN cooperation.

B. OBSTACLES TO TRADE EXPANSIONSupply Constraints, including Institutional Bottlenecks**(a) What are the main bottlenecks inhibiting the development of sustained export capacity of goods and services?**

Cambodia faces numerous problems inhibiting the development of a sustained export capacity. Such constraints fall into two categories: (1) those related to the private sector's domain and (2) those more governmental in nature. Clearly, the main obstacle to export development (and Cambodia's development generally) is the low level of human resources and skills; this constraint applies with equal significance to both the public and private sectors. As a result, there are too few people with strong educational backgrounds and experiences, there are high rates of illiteracy, low vocational skills and weak systems of formal and informal education.

Constraints implicating governmental responsibilities would include the lack of physical infrastructure in Cambodia. Roads, power supplies, water systems and telecommunications systems are relatively weak. Transport, power and communications costs are all high by international standards. A port exists at Sihanoukville on the Gulf of Thailand with a sealed road connecting the port city to the capital Phnom Penh, which also has port facilities on the Tonle Sap River and a dry port located 10 kilometres from Phnom Penh. Other roads connecting Cambodia's major cities and border crossings are in a poor state. An oil terminal controlled by the Excise Dept. exists on the Mekong River.

Other public sector-oriented constraints to developing export capacity include: (i) problems with institutional coordination and cooperation among government ministries and agencies involved in trade; (ii) problems related to customs and tax administration (this issue has been highlighted by the private sector); (iii) continuing security problems; (iv) an incomplete legal framework and difficulties in the application of laws; and (v) an inadequate capacity to promote industrial sector development and to attract foreign direct investment. All these problems have been specifically noted by the private sector. The government is striving to loosen the constraints that fall within its areas of responsibility.

Private sector-oriented constraints include: (i) the lack of quality management; (ii) the lack of access to current market and trade-related information both from within and outside Cambodia; (iii) lack of access to modern communications for most Cambodians outside the capital (80% of the country's population lives in the countryside); (iv) scarcity and prohibitive cost of credit from the financial sector, especially for rural and small-scale industries and enterprises; (vi) lack of product marketing support services and information;

(b) Are there any institutional bottlenecks which may impede the efficient conduct of your country's trade policies? Provide details. For example, what are the problems perceived by the different actors, e.g. exporters, producers, service providers, professional associations and Ministries? Are problems mainly perceived in the area of: human resources; management of the institution; financial and material resources; communication?

There are three major institutional constraints which impede the efficient conduct of trade policy in Cambodia: (i) insufficient strong, consistent, transparent and regularized coordination and communication among government ministries and agencies; (ii) the low skill levels among public officials; and (iii) various weaknesses in trade facilitation.

Officials involved in trade policy-making and implementation lack sufficient skills, training and experience to effectively carry out their duties, or often even understand their role in the development and implementation of trade policy. The training needs for the civil service are

enormous and require the development of a systematic, comprehensive training program designed for the key ministries involved in trade policy. Due to the lack of strong inter-ministerial coordination, policy-making is often not fully coherent, fully informed or completely consistent. In addition, the organizational structure of some ministries is inefficient and they are therefore not fully adapted to their role in a market-oriented economy. The lack of adequate financial and material resources within the government only exacerbates these problems. Insufficient public resources are currently made available to the ministries to pay a living salary, provide adequate training opportunities to officials and provide supplies and equipment to support their daily work (including sufficient, reliable and efficient communications equipment to ensure easy contact among public institutions and the outside world). Over the medium term, it is expected that the government will have difficulty generating domestic income to finance such human resources development, institution building, improved infrastructure and trade promotion/facilitation activities. This only underscores the crucial link between trade, development and investment in Cambodia.

(c) What are the main bottlenecks to export diversification?

The major bottlenecks to export diversification are similar in nature to the constraints to export development discussed in (a) and (b) above. Key bottlenecks include the unskilled and inexperienced work force, low levels of capitalization, limited access to credit, technology and market information, incomplete legal framework, poor physical infrastructure, inadequate system for ensuring technical quality and safety standards, high energy and communication costs, and low capacities to promote industrial development and attract foreign direct investment. Many of these bottlenecks become particularly severe in the countryside, and thus weigh especially heavily on the development of export production in rural areas. As this list of constraints demonstrates, the development and diversification of Cambodia's exports will require massive, new private and public investment in Cambodia. In the short to medium term, most of this investment will have to be foreign investment.

(d) If investment in the production of goods and services is inadequate, what are the main reasons? Please elaborate.

Among the issues noted above, the main reasons for inadequate investment in Cambodia are: security concerns and perceived political instability; incomplete legal framework (including a legally uncertain land tenure system); weak human resources; poor physical infrastructure; outdated technology; limited enterprise development; difficulty meeting quality standards; the high costs of energy and communications; difficulties in securing transparent and consistent government decision-making; and a weak financial sector.

(e) Is there a national policy to encourage export-related investment opportunities? Please elaborate. What arrangements are in place for reviewing, drafting and negotiating contractual arrangements with foreign investors?

Cambodia has a policy to promote export-related investment opportunities that is effected through its Investment Law. As detailed above, the Investment Law provides substantial incentives to investors in export-oriented ventures (i.e., projects that will export at least 80% of their output). Contractual and other arrangements with foreign investors are primarily finalized with the CIB within the CDC, though certain ministries and the Council of Ministers are sometimes directly involved in negotiating and drafting contractual arrangements for specific foreign investment projects.

(f) What are the main obstacles to the transfer, development and acquisition of technology? Is there any national policy/strategy in this area? Please elaborate.

One major problem in attracting and acquiring technology in Cambodia is the low level of human resources available to use and apply new technology. Cambodia has no formal policy or strategy with regard to technology transfer.

(g) What are your technical assistance or other assistance needs with respect to supply constraints?

Technical assistance needs are substantial with respect to addressing supply constraints.

Assistance is required in formulating appropriate strategies for promoting industrial development. Assistance is needed in such tasks as: preparing draft laws, decrees and regulations to implement an appropriate strategy; formulating concrete programs for constructing and managing industrial estates and for organizing an Industrial Zone Authority; formulating appropriate policies for the promotion of small and medium sized enterprises, and translating these policies into necessary laws and regulations; formulating a strategy for entrepreneurship development and making it operational; devising specific programs to foster small-and medium-scale agricultural production for export; strengthening capacities as regards industrial standards activities and the establishment of an Industrial Standards Institute; and establishing certification schemes as regards ISO 9000 and ISO 14000.

Assistance is also required in the development of essential infrastructure. As regards energy, there is need for assistance in basic energy development planning and in power project management. There is also need for assistance in developing strategies, institutions and mechanisms for the management of petroleum resources. Training should be a major component of this assistance. As regards transport, assistance is needed in establishing an appropriate legal and regulatory framework in line with international principles; in acceding to appropriate international conventions in the area of transport and transit facilitation, and the negotiation of bilateral and sub-regional transit agreements; and in the simplification of procedures and documentation and the facilitation of transport formalities. As regards, telecommunications, there is need for training in management skills, international regulations and new telecommunications technologies.

Support for a comprehensive review of investment policy, mechanisms and administration would be highly useful. The CDC needs assistance in evaluating the effectiveness of current policies; in developing information systems for monitoring investment activities and the use of incentives; and in improving its capacities to attract investment, including through the identification of specific investment opportunities in Cambodia.

Finally, assistance is required in putting in place mechanisms to improve the coordination and cooperation among government ministries and agencies involved in economic policy, and in particular trade policy. Associated with this is a need for human resources development allowing inter-relationships between various aspects of economic and trade policy to be better understood and evaluated.

Trade Promotion and Trade Support Services

(h)-(p) Except for foreign investment firms, Cambodian enterprises, especially small and medium enterprises, experience a variety of difficulties in entering export markets and in expanding exports. Familiarity with modern data and information sources is low and sometimes non-existent. Small and medium enterprises are not able to inform themselves on the design and quality requirements of foreign markets. International trade finance activities carried out by banks in Cambodia tend to be limited to payment and collections and letters of credit. Pre-and post-shipment finance is not easily available from banks in Cambodia. Insurance is not well developed. and factories and the transport of merchandise within Cambodia are rarely insured. Firms are frequently faced with delays in clearing imported inputs through customs, thereby jeopardizing their production schedules and ability to meet the delivery dates required by their clients abroad.

The role of the Cambodian government in trade promotion and trade support services is in its infancy. At present, the Cambodian government does not effectively promote trade or provide trade support services. Though the MoC has recently established a trade promotion department, it is not yet operational. Developing effective mechanisms and trained officials for trade promotion and trade support services is clearly an area of great need and importance for Cambodia. Thus far, the Phnom Penh Chamber of Commerce has not actively promoted trade among its members or the Cambodian private sector at large.

(q) Assistance is needed in all aspects of creating an effective export promotion mechanism, including the elaboration of an export promotion strategy, developing and managing the necessary national and international data bases, and training on techniques for organizing a trade fair. Particular attention needs to be given to promoting the exports of small and medium enterprises.

Assistance is also required in completing the task of putting in place an appropriate legal and regulatory framework for the financial sector. Training on trade finance and trade insurance is required for both the private sector and government officials (in particular those dealing with export promotion). Help is needed in setting up proper mechanisms to supervise the implementation of the forthcoming legislation on insurance.

In the area of business information, training on international marketing is required for both those involved in export promotion and private traders associations. Assistance is also needed in establishing a Trade Point to facilitate the exchange of information needed by exporters and importers.

Assistance is required in putting in place more effective customs procedures, allowing Cambodia to benefit fully from customs automation through ASYCUDA. In addition to allowing more efficient customs clearance for traders, automation will enhance the capacity of the Customs Department to generate timely trade data, and improve revenue collection.

Market Access

(r) What are your main market access problems?

Market access problems follow a familiar pattern: on items where Cambodia has supply capabilities there are significant import constraints - actual and potential - on its exports; where there are no - or lesser - import impediments Cambodia, with a few exceptions, has no supply capabilities.

One complication in analyzing market access is that the larger part of Cambodia's exports are to Singapore and Thailand. In both cases it is believed that a large proportion of imports from Cambodia are resold to third countries. The actual destination of Cambodia's exports is thus not always known to Cambodians.

There are problems involving barriers in markets to which Cambodia is exporting. These are taken up in the next section. But market access problems also take the form of unfamiliarity with markets. For example, there is very little export by Cambodia to Japan, China and Australia, and the export that does take place is mainly of unprocessed raw materials. The techniques for overcoming this unfamiliarity, and of identifying potential markets have not yet been developed.

(s) What specific problems or barriers, and in which countries, are most troublesome for your exporters?

Cambodia's exports of manufactures are made up mostly of garments. The Cambodian garment industry is only three years old. Canada has imposed quotas on exports of clothing from

Cambodia since 1995. In 1998 the United States imposed a quota on Cambodian exports of gloves. There are no quantitative restraints in other markets.

Despite rapid growth in garment exports to the United States, the member states of the European Union remain the most important market for Cambodian garments. There are no indications that the EU intends to put any part of these exports under restraint in the near future.

Cambodia was not a member of the Multifiber Arrangements and is not a member of WTO. It therefore lacks any agreed framework within which to undertake discussions with its trading partners on garment exports. The Cambodian authorities see this as a significant problem.

The Ministry of Commerce is concerned to ensure that garments entering foreign markets and claiming to be Cambodian are indeed of Cambodian origin. It has recently taken steps to revise procedures for issuing certificates of origin to make irregular transactions more difficult, and to lighten the burden of securing such certificates on the industry. It has received technical assistance on this from ESCAP. The management of Cambodia's rapidly-growing garment trade remains a significant challenge for the Cambodian authorities.

(t) Regional and sub-regional trading arrangements (RTAs): please list RTAs to which your country belongs. Are you satisfied with the performance with these RTAs? Please state the problems of each. Do you have suggestions on how to solve these?

Cambodia participates in several regional and sub-regional fora related to trade including the Greater Mekong Sub-region (an ADB-supported initiative), the Mekong River Commission, and the CLMV Working Group (supported by Japan). Most importantly, Cambodia expects to join the Association of Southeast Asian Nations (ASEAN) in 1998. In this regard, Cambodia has committed substantial resources and effort in its preparations for ASEAN admission (See above).

(u) Are there any problems in utilizing the existing market access preferences, such as GSP, GSTP? Please state the nature of problems relating to each of these.

Problems in utilizing GSP reflect the fact that garments are Cambodia's main export of manufactures.

The US GSP scheme does not include garments in its coverage.

The EU GSP scheme includes garments in its coverage, but specifies origin requirements that Cambodia cannot meet. In September 1997 the EC granted a derogation from these origin requirements that allow fabrics produced in a number of neighbouring countries to be considered as Cambodian for purposes of determining the origin of garments manufactured in Cambodia. However, Cambodian exports under the derogation are subject to quantitative limits set at about the level of past exports. GSP access will therefore not in itself generate any increase in the export of goods presently exported. Further, the derogation expires at the end of 1998. It is thus unlikely to affect investment in Cambodia's garment industry. To date the Cambodian industry has made only limited use of this derogation.

The Cambodian authorities are not familiar with GSTP.

(v) What are your technical assistance needs with respect to market access?

Cambodia requires continuous assistance in managing its garment trade.

Other technical assistance needs occur in three overlapping and inter-linked areas. How to take full advantage of preferential access: GSP, GSTP and, in due course, AFTA; how to expand and

diversify the range of export products Cambodia offers; how to expand and diversify the range of its export markets. A first step might consist of exploring export possibilities in new markets for goods presently exported. For example export possibilities for garments in Canada, Norway, Eastern Europe, Japan and Australia.

C. TECHNICAL ASSISTANCE

(a) To the extent this kind of information is easily available, could you please briefly describe what trade-related assistance you have received over the past five years from bilateral and multilateral sources and what projects/programs are presently under consideration in this area?

Over the past five years, Cambodia has received various forms of technical assistance related to trade from institutions such as ADB, ESCAP, FAO, UNCTAD, UNDP, WIPO, the World Bank, and WTO. Assistance has also been received from Australia, the European Commission, New Zealand and the United States. Technical assistance on the garment trade has been funded by the Cambodian Garment Manufacturers Association. In May 1998, assistance from UNCTAD, UNDP, and the World Bank was ongoing. Most assistance had an important training component.

At present, there are advisers assisting Cambodia with its preparations for accession to the World Trade Organization, improving the legal framework for business and trade (World Bank) and tax reform (IMF/UNDP). There is a UNDP project assisting the government with preparations to join the Association of Southeast Asian Nations (ASEAN) which will end in July 1998. There is ongoing World Bank technical assistance to MEF on budget formulation. As a result of nine months of work by advisers supported by the Asian Development Bank (ADB) with MoC and MIME, a 1997 report has been submitted to the government on developing the instruments for trade and industrialization policies. A second ADB-sponsored study--which included a two-week mission to Cambodia -- is being finalized on the impact of the ASEAN Free Trade Area on trade and economic development in Cambodia. In addition, assistance related to technical standards, managing garment exports, and certificates of origin for Cambodian garments has been or is being provided.

Previously, some technical assistance has been provided in the areas of customs reform (UNDP), development of a chamber of commerce (EU), GSP status (EU) and reform of Cambodia's investment regime (World Bank). Prior assistance supported by UNDP was also provided to the NBC. UNCTAD has signed a memorandum of understanding with the Cambodian government related to trade and investment. As part of this program, UNCTAD is seeking support for a sub-component to install and train officials to use the ASYCUDA trade data system.

(b) Please summarize your technical assistance needs as well as other needs reflected in this check-list.

Assistance is needed in the following areas:

- developing comprehensive, accessible trade data management systems
- training on trade analysis and its relationship to industrial incentives
- support for regional and global integration efforts related to ASEAN and WTO
- taking full advantage of GSP, GSTP, AFTA and other ASEAN economic initiatives
- support for strengthening institutional mechanisms for trade policy
- putting in place a transparent and predictable legal framework
- managing garment trade
- improving data on industry and formulating an industrial strategy
- reviewing investment policy, mechanisms and administration
- enhancing infrastructure in the areas of energy, transport and telecommunications

- trade facilitation, in particular customs and tax reform and administration and automation
- training on multilateral negotiation skills
- development/promotion of services sectors and other key sectors of Cambodian economy (agriculture, informal, SMEs, etc.)
- training related to trade promotion and expanding export opportunities in new markets.

(c) In the light of the information you have been able to provide so far in response to the questions in this check-list, what types of information are, in your view, still missing or could be improved upon? In order to assist you in providing this missing information, would you need technical assistance?

There are several areas in which more complete information is needed, including the services sectors (with the possible exception of the tourism sector); industrial data, especially with respect to SMEs; and data related to the informal sectors. Technical assistance in filling in crucial gaps in trade-related information would be highly useful.

(d) Does your country have the technological and human resources to make use of new information/communication technology tools such as CD-ROM, the Internet, etc.? What assistance would you need to enable your country to use these tools in the context of training and, more generally, in the context of trade development?

There is a growing awareness among policy makers and officials of the benefits and opportunities offered by new information/communication technology to assist in the work of both the public and private sectors. Tools such as CD-ROM and the Internet are beginning to penetrate Cambodia and to be accessible to officials and the private sector. The capacity of officials to access and use such tools in trade development is one potentially useful area of assistance. Support for training and increased access to new information/communication technology should be part of any such assistance.

**INTEGRATED RESPONSES BY THE IMF, ITC, UNCTAD, UNDP
WORLD BANK AND WTO¹**

CAMBODIA

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question A(k):</p> <p><u>Technical assistance requirements as regards compliance with WTO Agreements</u></p>		
<p>Technical assistance needs are concentrated in two areas: the WTO accession process and the creation of a satisfactory legal framework.</p> <p>There is need for ongoing support to the accession process, which would include help with the mechanics of accession (preparation of the country memorandum, advice on negotiating strategies, etc.); further training and familiarization for various audiences; and assistance with eventual compliance issues.</p>	UNCTAD	<p>Assistance has already been provided in this area in support of the World Bank Project. It could be continued.*</p>

¹ Subject to a request from the government, UNDP will support the Government of Cambodia with the formulation of a National Programme for Trade development to be presented to the Consultative Group meeting.

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
Question A(k) (cont'd):	WTO	<p>A national seminar on the WTO will be held in the week of 3 May 1999 in Cambodia for government officials as well as for the business community.</p> <p>Cambodian participants will be invited to regional seminars organized for Asian and Pacific least-Developed countries in 1998 and 1999.</p> <p>- Cambodian participants will be invited to the next Short Trade Policy courses for least-developed countries. A Cambodian official participated in the first Trade Policy course for least-developed countries held in April 1998.</p>
	World Bank	<p>There is an on-going technical assistance project which:</p> <ul style="list-style-type: none"> - provides analysis of WTO/GATT and other trade agreements; - provides an overview about experiences of other developing countries; - advises and assists in the preparation of submissions to WTO; and - advises on the implications for Cambodia of joining WTO.²
There is also need for ongoing support for the drafting of laws relevant to a market economy and in particular to compliance with WTO obligations. This needs to be supplemented by assistance designed to facilitate the prompt implementation and enforcement of these laws.	World Bank	An on-going technical assistance project assists the government to draft the commercial codes.

² If additional resources are made available the World Bank may consider expanding its assistance.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question A(l):</p> <p><u>Technical assistance needs as regards specific WTO Agreements</u></p>		
Agreement on Textiles and Clothing	WTO	See A(k).
Market Access	WTO	See A(k).
Rules of Origin	WTO	See A(k).
Safeguards	WTO	See A(k).
Services (initially as regards choice of sector in which to make a market access offer)	WTO	See A(k).
Technical Standards	WTO	See A(k).
Protection of Patents and Copyrights	WTO	See A(k).

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question A(m):</p> <p><u>Assessment of the existing trade analysis and negotiating capacities</u></p>		
<p>The capacity for trade policy analysis is not sufficiently deep or widespread within the government. Further training is required in a number of areas, in particular the interfaces between trade policy and industrial policies, and between trade policy and public revenue policy. The relevance to trade and industrial policies of concepts such as comparative advantage and effective protection needs to be more broadly understood. Also, techniques need to be developed for evaluating the revenue consequences of tariff reductions, both on a preferential and MFN basis. The techniques for processing the raw trade data generated by Customs and presenting the data in a way that allows them to be used for trade policy purposes are lacking and are urgently required.</p>	IMF	<p>The Fiscal Affairs had a resident tax advisor in Cambodia until quite recently. The Fund is currently contacting him to request more specific information on the state of trade tax policy and additional need for assistance.</p> <p>The Fund stands ready to provide advice to address the following concerns: it is understood that with the onset of economic crisis in Asia the authorities have introduced higher tariffs for certain products in order to protect local producers/"infant industries". The Fund would advise that the authorities need to make efforts to reduce maximum and average tariffs, eliminate export and import duty exemptions, adopt and enhance effective forestry policy and eliminate export taxes and the remaining NTBs.</p>
	UNCTAD	<p>Further trade-policy support could be provided to complement the World Bank project below. The introduction of ASYCUDA (see B(q) below) would assist in trade data processing from customs.</p>
	World Bank	<p>An ongoing technical assistance project provides training of government staff on trade policy issues. (See A(k)).</p>
<p>Because of the interfaces between trade policy and other aspects of economic policy, there is need for assistance in creating mechanisms to bring about better coordination of the policies of the various economic ministries and agencies.</p>		

Technical assistance needs identified in the questionnaire	Organization	Response
<p>Question A(m) (cont'd):</p> <p>At the same time, support to help reinforce existing institutional mechanisms for addressing trade policy is essential. For example, a National AFTA Unit exists to prepare for and implement AFTA once Cambodia joins ASEAN. However, few members of the Unit possess the necessary understanding and experience in cataloguing non-tariff barriers (NTBs) and monitoring the dismantling of unduly obstructive NTBs, a requirement of AFTA. Training on NTBs would be highly useful. This is just one example of the kind of training needed to build up trade-related institutional mechanisms and inter-ministerial bodies.</p>	UNDP	<p>Through project CMB/96/006, UNDP is currently supporting the Cambodian Government on preparations for integration into ASEAN. This project which began in August 1996, focuses on training, public education, institutional strengthening, production of Kmer language materials on ASEAN and support for a macroeconomic study related to AFTA.</p> <p>This project is running out of funding. Additional sources are sought to continue the project.</p>
	UNCTAD	This could be covered by the complementary assistance mentioned under A(m) above.
<p>In addition, sector-specific studies and needs assessments targeting key sectors of the Cambodian economy would be highly useful. Such sectors might include: agriculture and agro-industry, the informal sector and services sectors, in particular as regards the policies required in the light of prospective membership in WTO and ASEAN.</p>	UNDP	See above.
<p>Information on services is often not available, and the capacity to analyze services issues in a WTO framework has not been developed.</p>		
<p>Cambodia has no analytic capacities in the areas of competition policy and trade and environment.</p>	UNCTAD	This could be covered by the complementary assistance mentioned under A(m) above.
<p>Negotiating capacities in a bilateral setting exist at the senior level; there has been no experience in multilateral negotiations.</p>	UNCTAD	This could be covered by the complementary assistance mentioned under A(m) above.
	WTO	A module on multilateral negotiating techniques will be part of the next Short Trade Policy Course for least-developed countries.

Technical assistance needs identified in the questionnaire	Organization	Response
Question A(m) (cont'd):	World Bank	An ongoing technical assistance project provides - assistance in contacts with the WTO Secretariat and - assistance in bilateral trade negotiations.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question B(g):</p> <p><u>Technical assistance needs as regards supply constraints</u></p>		
<p>Technical assistance needs are substantial with respect to addressing supply constraints.</p> <p>Assistance is required in formulating appropriate strategies for promoting industrial development.</p>	UNCTAD	This could be covered by the complementary assistance mentioned under A(m) above.
<p>Assistance is needed in such tasks as:</p> <p>preparing draft laws, decrees and regulations to implement an appropriate strategy;</p>	UNCTAD	Assistance in investment legislation may be provided.*
<p>formulating concrete programs for constructing and managing industrial estates and for organizing an Industrial Zone Authority;</p>		
<p>formulating appropriate policies for the promotion of small and medium sized enterprises, and translating these policies into necessary laws and regulations;</p>	World Bank	The World Bank under IFC's MPDF (Mekong Projets Development Facility) is organizing seminars on small and medium size enterprises and training for owners of small and medium size enterprises.
<p>formulating a strategy for entrepreneurship development and making it operational;</p>	UNCTAD	Assistance may be provided.*
	World Bank	See World Bank entry immediately above.
<p>devising specific programs to foster small- and medium scale agricultural production for export;</p>		

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>Question B(g) (cont'd):</p> <p>strengthening capacities as regards industrial standards activities and the establishment of an Industrial Standards Institute; and establishing certification schemes as regards ISO 9000 and ISO 14000.</p>	ITC	<p>Within the frame of a new ITC technical cooperation programme for Cambodia * which is presently being prepared, specific assistance to the Ministry of Industry is foreseen for the establishment of a certification system, including finalization of its draft law.</p>
<p>Assistance is also required in the development of essential infrastructure. As regards <u>energy</u>, there is need for assistance in basic energy development planning and in power project management. There is also need for assistance in developing strategies, institutions and mechanisms for the management of petroleum resources. Training should be a major component of this assistance. As regards <u>transport</u>, assistance is needed in establishing an appropriate legal and regulatory framework in line with international principles; in acceding to appropriate international conventions in the area of transport and transit facilitation, and the negotiation of bilateral and sub-regional transit agreements; and in the simplification of procedures and documentation and the facilitation of transport formalities. As regards <u>telecommunications</u>, there is need for training in management skills, international regulations and new telecommunications technologies.</p>	UNCTAD	<p>Assistance may be provided in transit agreements and simplification of trade related procedures and documentation.*</p>

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
Question B(g) (cont'd):	World Bank	Two World Bank projects: 1. The Active Phnom Penh Power rehabilitation project, and 2. The Road Rehabilitation Project will address some of the needs identified.
Support for a comprehensive review of investment policy, mechanisms and administration would be highly useful. The CDC needs assistance in evaluating the effectiveness of current policies; in developing information systems for monitoring investment activities and the use of incentives; and in improving its capacities to attract investment, including through the identification of specific investment opportunities in Cambodia.	UNCTAD	UNCTAD has prepared a project document in consultation with the CDC to address this issue.*
Finally, assistance is required in putting in place mechanisms to improve the coordination and cooperation among government ministries and agencies involved in economic policy, and in particular trade policy. Associated with this is a need for human resources development allowing inter-relationships between various aspects of economic and trade policy to be better understood and evaluated.	ITC	See the ITC entry above. Under the above mentioned technical assistance programme* human resource development of concerned ministries' staff will receive the highest consideration. Specific modules aimed at improving knowledge of business practices will be developed.
	UNCTAD	This could be covered by the complementary assistance mentioned under A(m) above.
	World Bank	The existing technical assistance project by its very nature addresses this need.

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question B(q):</p> <p><u>Technical assistance needs in the area of trade promotion and support services</u></p>		
<p>Assistance is needed in all aspects of creating an effective export promotion mechanism, including the elaboration of an export promotion strategy, developing and managing the necessary national and international data bases, and training on techniques for organizing a trade fair. Particular attention needs to be given to promoting the exports of small and medium enterprises.</p>	ITC	<p>See B(g). Under the new technical cooperation programme * assistance will be provided to strengthen the Export Promotion Department of the Ministry of Commerce, through training and advice on trade information, participation in trade fairs and the formulation of an export promotion strategy.</p> <p>In addition, ITC will explore the possibility of adapting ITC's ongoing global competitiveness curriculum to Cambodia.</p>
	World Bank	<p>An on-going technical assistance project:</p> <ul style="list-style-type: none"> - provides advise and assistance to the Ministry of Commerce in formulating an overall trade strategy, and - compiles and systemizes information on Cambodia's trade policies.

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>Question B(q) (cont'd):</p> <p>Assistance is also required in completing the task of putting in place an appropriate legal and regulatory framework for the financial sector. Training on trade finance and trade insurance is required for both the private sector and government officials (in particular those dealing with export promotion). Help is needed in setting up proper mechanisms to supervise the implementation of the forthcoming legislation on insurance.</p>	UNCTAD	An UNCTAD mission has identified specific needs in this sector. A project may be developed.*
<p>In the area of business information, training on international marketing is required for both those involved in export promotion and private traders associations. Assistance is also needed in establishing a Trade Point to facilitate the exchange of information needed by exporters and importers.</p>	ITC	See B(g). Under the new ITC technical cooperation programme for Cambodia* business information elaboration and dissemination will receive attention. Selected ITC databases and documentation will be made available to participating organizations.
	UNCTAD	A feasibility study for the Trade Point may be undertaken in cooperation with the ITC activities mentioned above.*
<p>Assistance is required in putting in place more effective customs procedures, allowing Cambodia to benefit fully from customs automation through ASYCUDA. In addition to allowing more efficient customs clearance for traders, automation will enhance the capacity of the Customs Department to generate timely trade data, and improve revenue collection.</p>	UNCTAD	An ASYCUDA project document has been prepared. A preparatory assistance phase is advisable.*

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
In reply to question B(v): <u>Technical assistance as regards market access</u>		
Cambodia requires continuous assistance in managing its garment trade.	ITC	ITC is ready to explore this further.
Other technical assistance needs occur in three overlapping and inter-linked areas. How to take full advantage of preferential access: GSP, GSTP and, in due course, AFTA;	UNCTAD	A GSP seminar will be held in 1998. Other training activities may be organized.*
	UNDP	See A(m).
how to expand and diversify the range of export products Cambodia offers;	ITC	See B(q).
how to expand and diversify the range of its export markets. A first step might consist of exploring export possibilities in new markets for goods presently exported. For example export possibilities for garments in Canada, Norway, Eastern Europe, Japan and Australia.	ITC	ITC will provide the Ministry of Commerce with available information on export possibilities for the garment sector to selected target markets.

*Funds are requested.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question C(b):</p> <p><u>Summary of technical assistance needs according to priority</u></p>		
<p>Assistance is needed in the following areas:</p> <p>- developing comprehensive, accessible trade data management systems</p>	ITC	See B(q).
	UNCTAD	See A(m) and B(q).
<p>- training on trade analysis and its relationship to industrial incentives</p>	UNCTAD	See A(m).
<p>- support for regional and global integration efforts related to ASEAN and WTO</p>	UNCTAD	See A(k).
	UNDP	See A(m).
	World Bank	See A(k).
<p>- taking full advantage of GSP, GSTP, AFTA and other ASEAN economic initiatives</p>	UNCTAD	See B(v).
	UNDP	See A(m).
<p>- support for strengthening institutional mechanisms for trade policy</p>	IMF	See A(m).
	UNCTAD	See A(m).
	UNDP	See A(m).
<p>- putting in place a transparent and predictable legal framework</p>		
<p>- managing garment trade</p>	ITC	See B(v).
<p>- improving data on industry and formulating an industrial strategy</p>	UNCTAD	See B(g).
<p>- reviewing investment policy, mechanisms and administration</p>	UNCTAD	See B(g).

Technical assistance needs identified in the questionnaire	Organization	Response
Question C(b) (cont'd):	World Bank	Public Expenditure Reviews (PERs) 1998: - Allocation of public expenditures - Recommendation on administration and reforms in public finance.
- enhancing infrastructure in the areas of energy, transport and telecommunications	World Bank	See B(g).
- trade facilitation, in particular customs and tax reform and administration and automation	IMF	See A(m).
	UNCTAD	See B(g) and B(q).
	World Bank	See PER above. Public Expenditure Reviews (PERs) 1998: - Tax reform implications; - Recommendation on tax administration improvement.
- training on multilateral negotiation skills	UNCTAD	See A(k).
	World Bank	See A(k).
- development/promotion of services sectors and other key sectors of Cambodian economy (agriculture, informal, SMEs, etc.)	World Bank	An Agriculture Productivity Improvement Project will be undertaken.
- training related to trade promotion and expanding export opportunities in new markets.	ITC	See B(g) and B(q).

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question C(c):</p> <p><u>Additional information</u></p>		
<p>There are several areas in which more complete information is needed, including the services sectors (with the possible exception of the tourism sector); industrial data, especially with respect to SMEs; and data related to the informal sectors. Technical assistance in filling in crucial gaps in trade-related information would be highly useful.</p>	UNCTAD	TRAINS CD-Rom will continue to be provided.

Technical assistance needs identified in the questionnaire	Organization	Response
<p>In reply to question C(d):</p> <p><u>Technical assistance needs in the area of information technology including training of human resources</u></p>		
<p>There is a growing awareness among policy makers and officials of the benefits and opportunities offered by new information/communication technology to assist in the work of both the public and private sectors. Tools such as CD-ROM and the Internet are beginning to penetrate Cambodia and to be accessible to officials and the private sector. The capacity of officials to access and use such tools in trade development is one potentially useful area of assistance. Support for training and increased access to new information/communication technology should be part of any such assistance.</p>	UNCTAD	See B(q) Trade Points.
	WTO	Computer equipment and connection to the Internet will be provided by the WTO in October 1998. Training of users will also be provided.