



What Trade Policy and Aid for Trade Support for Cambodia after LDC Graduation?

National Research and Policy Dialogue Workshop

Background

Despite the remarkable economic achievements, the Least Developed Countries (LDCs) of the Association of Southeast Asian Nations (ASEAN) face several common challenges in the immediate future. With graduation prospects and the changing trade-policy landscape, ASEAN LDCs' successful export-led growth, supported by generous preferential market access and rules of origin based on their LDC status, may not be sustained in the long run.

The trade policy landscape marked by a proliferation of FTA generates preference erosion of the margin of preferences that Cambodia is benefitting over and above other Asian countries thanks to the different Duty-Free Quota Free (DFQF) initiatives. In fact, the ambitious trade and investment policies of ASEAN non-LDC neighbors seeking new market access opportunities are reducing the preferential margins and favorable rules of origin granted to LDCs through unilateral trade preference schemes. For example, the entering into force of FTAs between the EU and other ASEAN partners, such as Vietnam, could progressively reduce Cambodia's market access advantage granted under EBA that has been one of the major factors of the success of Cambodia export-led growth. In particular, the exclusion of Vietnam from ASEAN cumulation may curtail the opportunities for building up regional value chains.

In addition, graduation from LDC status means that trade preferences granted to Cambodia under DFQF initiatives and favorable rules of origin as well as other special and differential treatments under different WTO agreements, are going to be phased out.

Cambodia met the graduation criteria for the first time in 2021 and could graduate as early as 2027, depending on the country's assessment by the Committee for Development Policy (CDP) in 2024.

The loss of LDC trade preferences for Cambodia may hurt competitiveness and export performance as major exports, essentially of garments, are sensible to profit margins. This holds particularly true given the strong export concentration (in terms of product and destination markets) and a high reliance on unilateral trade preferences.

Further, the unfolding of the regional trade integration agenda in Asia and the Pacific through the implementation of the Regional Comprehensive Economic Partnership Agreement (RCEP), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and other bilateral FTA presents both opportunities and challenges for Cambodia.

The issue at stake for Cambodia is how to leverage these new FTAs, including the recently concluded FTAs with the People's Republic of China (PRC) and the Republic of Korea, to become part of more mature and deeper regional value chains. A series of questions might be asked to policymakers and private sectors as a result.

Are these megaregional FTAs providing incremental value over and above the existing web of ASEAN+1 FTAs? If so, how to practically take advantage of the new opportunities? Should Cambodia, with possibly their ASEAN LDC counterparts, play a proactive role in designing a tailored negotiating agenda? How to negotiate digital economic agreements and provisions in e-commerce and digital services that could help Cambodia's insertion into new and mature value chains?

The trade scenario is also becoming increasingly complex given the expansion of the trade agenda to new areas such as e-commerce and digital services, as outlined in the ADB Aid for Trade Report of 2022. The services commitments and provisions on e-commerce under RCEP are expected to give fresh momentum to digital services trade in the region. However, the persisting digital divide among ASEAN countries may lead to varying degrees of liberalization and uneven distribution of digital trade gains.

Infrastructure and access to technology may limit the benefits of removing market access and national treatment restrictions for cross-border services (Mode 1) in developing economies. Understanding the degree of readiness to embrace opportunities arising from the digital economy and addressing domestic constraints will be critical in the 12-year transition period granted to ASEAN LDCs to adopt a negative list approach under RCEP.

Another relevant question relates to how economies can use this transitional policy space to enter into preparatory domestic reforms and regulations.

As the elaboration of a schedule of non-conforming measures can be challenging for negotiators, development partners should stand ready to provide expertise, and technical and practical support to carry out this daunting task while complementing facilitating investments in human and physical capital for the digital economy (Crivelli et al., 2022).

Against this background, this workshop builds on a series of ongoing activities and research publications of ADB and UNCTAD to support ASEAN LDCs.

The main objective of the workshop is to begin a policy dialogue among supporting institutions such as ADB and UNCTAD and the trade policymakers and regulators of Cambodia to identify the trade policy options and related aid for trade assistance to address the challenges faced by Cambodia.

More specifically, the workshop aims to discuss with policymakers and the private sector the most suitable policy tools and strategies in both traditional and new trade policy areas, including market access, rules of origin and SPS, trade in services, e-commerce, and digital service.

The workshop will also serve to identify new aid for trade needs to orient research and capacity-building assistance required to support Cambodia in:

- 1) implementing their commitment under RCEP and other FTAs and increasing their utilization rates,
- 2) efficiently negotiating new FTAs or updating commitments under existing ones,
- 3) identifying trade policy strategies to maintain and improve market access in main preference-giving countries after their graduation and seeking alternative markets.

Target Audience: 60 to 80 participants

Dates: 15-16 March 2023



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Programme

Venue: Rosewood Phnom Penh, Cambodia

DAY 1: 15 MARCH 2023

Opening

- Emcee Mr. Hanz Tso Teerra
- 09:00 to 09:02 *National Anthem*
- Welcome Remarks**
- 09:02 to 09:07 Ms. Jyotsana Varma, Country Director, ADB Cambodia Resident Mission
- 09:07 to 09:12 Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
- 09:12 to 09:17 Ms. Pramila Crivelli, Economist, ADB
- 09:17 to 09:30 H.E. Sok Sopheak, Secretary of State, Ministry of Commerce
- 09:30 to 09:35 *Photo Session (Welcome Speakers only)*
- 09:35 to 09:40 *Photo Session (All Participants)*
- 09:40 to 10:15 **A Renewed Aid for Trade Agenda Tailored to ASEAN LDCs' Needs - Excerpts from ADB Aid for Trade Report 2022**
Ms. Pramila Crivelli, Economist, ADB
- 10:15 to 10:45 *Coffee Break*

Addressing Preference Erosion and Graduation Challenges through Trade Policy and Regional Cooperation

- 10:45 to 11:15 **How to Remedy to Loss and Erosion of Trade Preferences? A Trade Performance Perspective**
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
- 11:15 to 12:00 **What is the best FTA for Cambodia trade in goods? RCEP, CPTPP, ASEAN+1 FTAs with Dialogue Partners, bilateral FTAs, or the next ones?**
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
Ms. Pramila Crivelli, Economist, ADB
- 12:00 to 12:15 **Smooth and Sustainable Graduation from the LDC Category: Cambodia's Journey Towards Graduation with a Momentum**
Mr. Taffere Tesfachew, Member of the CDP and Acting Managing Director of the UN Technology Bank for LDC (*Virtual*)

- 12:15 to 13:45 *Lunch break*
- 13:45 to 14:45 **Cambodia as Leaders of Convergence on Market Access and Rules of Origin: A Possible Roadmap to Promote a Positive Agenda?**
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
Ms. Pramila Crivelli, Economist, ADB
- 14:45 to 15:00 **ADB Trade-related Country-specific Assistance: Trade and Competitiveness Program - Policy Based Loan (PBL)**
Mr. Anthony Gill, Principal Portfolio Management Specialist, ADB Cambodia Resident Mission
- 15:00 to 15:30 **Trade and Supply Chain Finance Program Cambodia (TSCFP)**
Mr. Roberto Leva, Investment Specialist, Trade and Supply Chain Finance, PSOD, ADB (*Virtual*)
Ms. Aparna Soni Bhalla, Consultant, Trade and Supply Chain Finance, PSOD, ADB (*Virtual*)
- 15:30 to 15:45 *Coffee Break*
- 15:45 to 16:10 **Introduction to UNCTAD GSP Database**
Mr. Egbert Amoncio, UNCTAD
- 16:10 to 16:40 **The Role of the WTO in Addressing SPS Trade Tensions**
Ms. Camille Flechet, Dispute Settlement Lawyer, Agriculture and Commodities Division, SPS Section, WTO (*Virtual*)
- 16:40 to 17:00 **Are SPS Provision in RCEP and ASEAN+1 FTAs Good Enough to Create New Trade Opportunities for Cambodia?**
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD



DAY 2: 16 MARCH 2023

Beyond Trade in Goods: (Digital) Services, E-commerce and Domestic Regulations

- 09:20 to 09:45 **(Digital) Services Commitments in RCEP and Other Trade Agreements**
Ms. Pramila Crivelli, Economist, ADB
Mr. Gerald G. Pascua, Consultant, ADB
- 09:45 to 10:30 **Digital Trade Regulations in Cambodia**
Ms. Martina Ferracane, European University Institute
- 10:30 to 11:00 *Coffee Break*
- 11:00 to 11:45 **A Domestic (Digital) Services Regulatory Framework and Negotiating Challenges in E-commerce and Digital Services**
Mr. Sam Chetra, Deputy Director, Legal Affairs Department, Ministry of Commerce
- 11:45-12:30 **ASEAN LDC E-Commerce Policy Assessment of Cambodia: Where We Are and Where Cambodia May Wish to Go**
Prof. Henry Gao, Singapore Management University
- 12:30 to 14:00 *Lunch Break*
- 14:00 to 15:30 **How to Negotiate Trade Agreements on E-commerce and Digital Services: Guidelines and Policy Options for ASEAN LDCs**
Prof. Henry Gao, Singapore Management University
- 15:30 to 15:45 *Coffee Break*

Moving Forward

- 15:45 to 16:45 **Work Ahead and Policy Options to Address Identified Challenges and Trade Opportunities: A Panel Discussion**
H.E. Sok Sopheak, Secretary of State, Ministry of Commerce
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
Ms. Pramila Crivelli, Economist, ADB
Prof. Henry Gao, Singapore Management University
Ms. Martina Ferracane, European University Institute
- 16:45 to 17:00 **Closing Remarks**
Mr. Stefano Inama, Inter-regional Adviser, Regional Advisory Programme Division for ALDC, UNCTAD
Ms. Pramila Crivelli, Economist, ADB
H.E. Sok Sopheak, Secretary of State, Ministry of Commerce