



A new trade policy and aid for trade support programme for Cambodia after LDC graduation: ADB/UNCTAD research and policy dialogue workshop

Background

This workshop is part of a research and capacity building program that has been developed as a follow up to the Cambodia Integration Strategy (CTIS) 2019-2023 and progressively implemented through a cooperation between the Asian Development Bank (ADB) and the United Nations Conference on Trade and Development (UNCTAD). Under this cooperation, funded by ADB technical assistance [project](#) (TA) *Regional : Raising the Value of Regional Trade Agreements—Key Factors for Successful Implementation and Positive Economic Impact*, a first workshop has been held on 15-16 March 2023 where issues related to market access for goods and services as well as e-commerce and digital trade have been discussed.

Successive rounds of consultations held with the Ministry of commerce and the Royal Government of Cambodia have been held to tailor and deepen the topics addressed during this present workshop. At the same time, a new TA [project](#) on trade and investment has been considered to respond to Cambodia needs to strengthen the ability and expertise of Cambodia's Trade and economic officials to draft and implement trade agreements and regulatory legal texts. The workshop will also serve to exchange with relevant national stakeholders and tailor the scope of the forthcoming activities under this new TA.

Objectives and scope of the workshop

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 upon graduation may hurt competitiveness and export performance as major exports, essentially garments but also bicycles and shoes that are placed in global value chains sensible to profit margins. Hence, how to manage trade preferences, trade contingency measures and rules of origin is a crucial issue for Cambodia that has recently promulgated a new law on rules of origin and has made substantial steps to maintain viable the utilization of trade preferences in the EU for its growing bicycle industry.

Furthermore, the unfolding of the deeper and more modern 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 represents opportunities and challenges for Cambodia. Given these developments, the issue at stake for Cambodia is how to leverage on new FTAs, including the recently concluded FTAs with China and South Korea, to further integrate Cambodia to mature and rentable regional value chains.

The conclusion of the papers and discussions of the March workshop highlighted a need to focus and deepen the design of a trade policy focusing on: (1) RCEP implementation and a possible roadmap for its full and effective implementation; (2) discussion on a possible FTA with Japan; (3) convergence on rules of origin and OCP across Asian FTAs; and (4) identification of best practices using utilization rates of trade preferences.

[The Cambodia Pentagonal Strategy](#)¹ reaffirms the focus of the RGC to *continuing to make a push for the establishment and implementation of free trade agreements—either bilateral, multilateral, or regional—to its highest efficiency, particularly strengthening inter-institutional coordination*. It also stresses the need to encourage and *enhance investment attractiveness into the industries with high values added and green industry through the implementation of sectoral strategies*² and investment law.

This workshop will provide an opportunity to make further reflections on the complex trade and investment scenario 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 may be expected to give fresh momentum to accelerating digital services trade in the region if implementation is taken seriously. 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) (Crivelli et. al 2022) 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 years transition period granted to ASEAN LDCs to adopt a negative list approach under RCEP. Is it really necessary and wise to wait such a long timeframe? Or is better to use this transitional policy space to enter into preparatory domestic reforms and regulations?

This workshop contains suggestions on developing a forward-looking, tailored research and capacity building program specifically addressed to Cambodia's needs. It has been the experience that participation to multilateral and regional trade initiatives geared towards liberalizing trade and investments require a capacity to evaluate proposals and draft legislation related to domestic regulatory framework which LDCs may not adequately possess. Thus, limited human and resource capacity may be an obstacle to Cambodia full participation in the Global economy.

For instance, the legal drafting of trade agreements demands an actual involvement of the national authorities based on substantive research carried out at national level to enhance ownership. Failing this could mean that implementation of commitments at national level could be frustrated by lack of technical capabilities. Ultimately, this lack of correct or insufficient implementation in the domestic regulatory framework of LDCs commitments undertaken in multilateral and regional initiatives may contribute to the lack of confidence of investors and trade policy makers on the genuine efforts to implement domestic reforms.

Starting from the new Cambodia Law on Rules of origin, the workshop aims to outline the modalities to progressively developed such capacity at national level. The main objective of the workshop is to continue and expand the policy dialogue among supporting institutions such as ADB and UNCTAD and the trade policy makers and regulators of Cambodia to identify the trade policy options and related Aid for trade assistance to address the challenges faced by Cambodia. Specifically, the workshop aims to identify new aid for trade needs to orient research and capacity-building assistance required to support Cambodia in:

¹ Cambodia Pentagonal Strategy (Phase I) for Growth, Employment, Equity, Efficiency and Sustainability, Pentagon 2: *Economic Diversification and Competitiveness Enhancement*, Side 1: *Development of Key Sectors and New Sources of Economic Growth*,

² Cambodia Automotive and Electronics Sectors Development Roadmap; Cambodia Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2020-2027.

- 1) implementing their commitment under RCEP and other FTAs and increase 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 market

Organizational arrangements

Venue: Raffles Hotel Le Royal

Target Audience: 50 to 80 participants (50% from the private sector; 50% are women)

Invited institutions: Annex A

Draft Programme

DAY 1: 26 OCTOBER 2023

Opening

MC	TBC
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 09:16	Ms. Pramila Crivelli, Economist, ADB
09:16 to 09:20	Ms. Christina Pak, Principal Counsel, ADB
09:20 to 09:40	H.E. Sok Sopheak, Secretary of State, Ministry of Commerce
09:40 to 09:45	<i>Photo Session (Welcome Speakers only)</i>
09:45 to 09:50	<i>Photo Session (All Participants)</i>
09:50 to 10:20	<i>Coffee break</i>

Addressing preference erosion and graduation challenges through trade policy and regional cooperation

10:20 to 11:00	A tailored Aid for Trade agenda for Cambodia addressing loss and erosion of trade preferences and other S/D provisions with a regional value chains perspective Pramila Crivelli
11:00 to 11:10	ADB Update on Trade related assistance in Cambodia CARM
11:10 to 12:00	Examining the potential value of RCEP: an analysis of the current text and implementation roadmap Stefano Inama – UNCTAD Pramila Crivelli – ADB
12:00 to 13:30	<i>Lunch break</i>

Rules of origin and utilization rates of trade preferences as tools to raise the benefits of trade agreements

13:30 to 14:00	Cambodia new Law on Rules of Origin TBC – MOC
14:00 to 15:00	ASEAN LDCs as leaders of convergence on PSROs: Findings of ADB studies and steps to be undertaken by Cambodia Pramila Crivelli – ADB Stefano Inama – UNCTAD

- 15:00 to 15:30 **Ongoing Study on operational certification procedures**
Stefano Inama – UNCTAD
Pramila Crivelli – ADB
- 15:30 to 16:00 *Coffee Break*
- 16:00 to 17:00 **The crucial importance of reading Utilization rates of trade agreements**
Stefano Inama – UNCTAD
Jonas Kasteng – Swedish Board of Trade (TBC)

DAY 2: 27 OCTOBER 2023

Beyond trade in goods: E-commerce, Services, and Foreign Direct Investments

- 9:15 to 10:45 **Towards a New E-commerce Negotiation Strategy for Cambodia**
Prof. Henry Gao
- 10:45 to 11:15 *Coffee break*
- 11:15 to 11:45 **Fostering FDI through Regional Agreements – Trade and Investment Nexus**
Dr. Pramila Crivelli, Mr. Gerald Pascua
- 11:45 to 12:00 **Introduction of ADB Technical Assistance on Strengthening Knowledge in Regional Trade Agreements and International Investment Agreements –**
Ms. Christina Pak, Principal Counsel, ADB

Beyond trade in goods: E-commerce, Services, and Foreign Direct Investments

- 13:30 to 15:00 **How to negotiate rules of origin in trade agreements: guidelines and policy options for ASEAN LDCs**
Stefano Inama
- 15:00 to 15:30 *Coffee Break*

Moving Forward

Panel discussion

Moderator: Pramila Crivelli – ADB

- 15:30 to 16:30 **Work Ahead and Policy options to develop a research and capacity building program on drafting international economic provisions in trade agreement**
H.E Sok Sopheak
Stefano Inama – UNCTAD
Ms. Christina Pak – ADB
Ms. Jyotsana Varma – ADB

ANNEX A: Invited Institutions

Line Ministry	
1	Ministry of Planning (MoP)
2	Ministry of Foreign Affairs and International Corporation-Cambodia (MFAIC)
3	Ministry of Economy and Finance (MEF)
4	General Department of Customs and Excise/MEF (GDCE)
5	Ministry of Agriculture, Forestry and Fisheries (MAFF)
6	Ministry of Industry, Science, Technology & Innovation (MISTI)
7	Ministry of Mines and Energy (MME)
8	Ministry of Health (MoH)
9	Ministry of Education, Youth and Sport (MoEYS)
10	Ministry of Rural Development (MoRD)
11	Cambodian Mine Action Centre (CMAC)
12	The Council for the Development of Cambodia (CDC)
13	National Bank of Cambodia (NBC)
14	State Secretariat of Civil Aviation (SSCA)
15	Ministry of Post and Telecommunications (MPTC)
Internal Ministry of Commerce	
1	His Excellency Sok Sopheak (Secretary of State)
2	His Excellency Rath Saravuth (Secretary of State)
3	His Excellency Bun Chanthy (Secretary of State)
4	His Excellency Tith Rithipol (Under Secretary of State)
5	Department of Asia and Pacific Department (DAP)
6	Department of International Corporation (DICO)
7	Department of Trade Policy
8	Department of Export and Import
9	Department of Business Registration
10	Department of Notification and Legal Compliance

11	Department of Europe Middle East and Africa
12	Department of Private Sector Development
13	Department of Legal Affairs
14	Assistant Secretary of State
Private Sectors	
1	Cambodia Chamber of Commerce
2	Bar Association of the Kingdom of Cambodia
3	Federation of Associations for Small and Medium Enterprises of Cambodia
4	Cambodia Rice Federation (CRF)
5	Textile, Apparel, Footwear, and Travel Goods Association in Cambodia (TAFTAC)
6	XDS BICYCLE (CAMBODIA) CO., Ltd
7	SMART TECH (CAMBODIA) CO., Ltd
8	EVERGRAND BICYCLE (CAMBODIA) CO., Ltd