Leveraging Trade for Economic Growth in Cambodia

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Presentation answers two questions

1) Why trade is crucial for Cambodia’s growth path?

2) What are policy priorities to leverage trade for growth?
Why trade is Important?
1. Successful trade policy transition

**Transition Period**
Late 1980s - early 1990s

- Introduced market economy
- Abolished state monopoly on foreign trade
- Lift all quantitative restriction
- Allow private sector to participate in foreign trade

**Re-integration**
Mid 1990s - late 1990s

- More liberal policy as a mean to promote growth
- Preparation and participation in sub-regional, regional and global economies
- More bilateral trade cooperation agreements
- Trade agreements on textiles and garment with US, EU

**Deeper Integration**
Early 2000s - Present

- ASEAN Plus framework, AEC, RCEP
- Preparing for WTO; further trade liberalization to comply with WTO commitment
- Foster export diversification, trade facilitation and competitiveness
- Trade as mean to develop industry and promote growth
2. Improved investment climate

- Doing business ranking: 145 in 2010; 135 in 2014
- Amore open and market-driven trade foster major domestic reforms i.e.:
  - Legal reforms in comply with WTO commitment
  - Custom reforms to better facilitate trade
  - Investment incentives for exports including SEZs
- Openness in the financial sector ➔ financial development
- Promoting private sector engagement in trade and integration process
3. A key driver of growth

- Economic growth was driven by trade sector i.e. garment, tourism
- trade and integration foster private investment and help development private sector—backbone of economy.
Policy Priorities to leverage trade for economic growth
1. Make the fundamental policies right

- Maintain sound macroeconomic management
- Improve investment climate
- Invest in human capital
- Invest in hard and soft infrastructure
2. Address trade-related constraints

- Improve logistics efficiency
- Simplify customs procedures
- Improve export market information services
- Improve standards compliance
- Trade policy as tool for industrial development
3. Make best use of regional cooperation frameworks

- Investment in long-term institutional capacity development
- Ensure effective coordination and communication among public institutions and between public and private institutions
- Raise awareness among private sector about FTAs and latter motivate them to actively engage in regional cooperation processes.
3 take-away messages

- Cambodia not only managed its economic transition successfully but also transformed trade into a driving force of economic growth;

- Despite remarkable progress, Cambodia’s trade sector remains constrained by regulatory, institutional and infrastructure and service bottlenecks. The key to enhancing the role of trade in the country’s growth is to remove these obstacles.

- Also, trade policy reforms need to gain political support from the leadership, receive momentum and impetus from stakeholders and be supported by effective and responsive institutions.
THANK YOU!