

CAMBODIA: COMPANY PERSPECTIVES

AN ITC SERIES ON
NON-TARIFF MEASURES



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Country report, part of a series of publications assessing the impact of Non-Tariff Measures (NTMs) on the business sector, based on a large-scale survey conducted in Cambodia with companies directly reporting burdensome NTMs and the reasons why they consider them to be trade obstacles; analyses survey findings and compares them to other sources on NTMs to identify regulatory, procedural and infrastructural obstacles in Cambodia and its partner countries; gives trade and trade policy overview of Cambodia; covers food and agro-based products, including rice, rubber, tobacco and cassava, manufacturing sectors such as garment and footwear; outlines proposals policy options discussed at stakeholder meeting; includes NTM classification, and bibliographical references.

Descriptors: **Cambodia, non-tariff measures, procedural obstacles, SMEs, agricultural products, manufactured products, trade policy**

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English

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Acronyms

ACMECS	Chao Phraya – Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
CAMCONTROL	Cambodia Import-Export Inspection and Fraud Repression Directorate General
CEDEP	Cambodian Export Diversification and Expansion Program
CTIS	Cambodia Trade Integration Strategy
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms (European Union initiative)
EIF	Enhanced Integrated Framework
EU	European Union
FIA	Fisheries Administration (Cambodia)
FTA	Free Trade Agreement
GDCE	General Department of Customs and Excise
GDP	Gross domestic product
GSP	Generalized System of Preferences
HACCP	Hazard analysis and critical control points
HS	Harmonized System
ITC	International Trade Centre
LDC	Least developed country
MAFF	Ministry of Agriculture, Forestry and Fisheries
MIME	Ministry of Industry, Mines and Energy
MIH	Ministry of Industry and Handicraft
MFN	Most-favoured-nation
MOC	Ministry of Commerce
MOH	Ministry of Health
MPTC	Ministry of Post and Telecommunications
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
PO	Procedural obstacle
SEZ	Special economic zone
SME	Small and medium-size enterprise
SNEC	Supreme National Economic Council (Cambodia)
SPS	Sanitary and phytosanitary
STDF	Standards and Trade Development Facility
TBE	Trade-related business environment

TBT	Technical barriers to trade
TFA	Trade Facilitation Agreement (World Trade Organization)
Trade SWAp	Sector-wide approach to trade (Cambodian initiative)
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nation Industry Development Organization
UNDP	United Nation Development Programme
VAT	Value-added tax
WTO	World Trade Organization

Executive summary

Introduction

Compliance with NTMs at reasonable cost – a cornerstone of export success.

In the global context of increasing economic liberalization and a widespread tendency to eliminate or reduce tariffs, the importance of trade barriers resulting from non-tariff measures (NTMs) has risen in recent decades. Because consumers are demanding more information about products, importing countries are implementing more regulations. Most of these regulations do not have protectionist objectives, but are implemented to protect health or the environment. Compliance with these regulations may be beyond the reach of companies seeking to export, particularly those from emerging and least developed countries (LDCs).

Multilateral rules in the World Trade Organization (WTO) and most of the recent regional and bilateral trade agreements include provisions to avoid misusing NTMs for protectionist measures. Analyses of the commercial impact of NTMs as well as technical cooperation with developing countries to build government and business capacities are becoming increasingly important.

The International Trade Centre (ITC) is engaged in this research and cooperation. ITC is conducting comprehensive Non-Tariff Measure (NTM) Surveys of companies in developing and least developed countries. Gathering information about NTMs from companies engages business people who face trade impediments on a day-to-day basis.

ITC surveys analyse NTMs and POs.

NTMs cover a wide range of policies, such as rules of origin, sanitary and phytosanitary measures (SPS), conformity assessment, certification requirements, export inspection, permits to export and finance measures. The ITC Survey focuses on NTMs imposed by the government and on procedural obstacles (POs) that hamper compliance with the reported NTMs. Delays, institutional costs, excessive paperwork, numerous administrative windows and lack of testing facilities are among the most common POs. The survey also considers inefficiencies in the trade-related business environment (TBE).

ITC NTM Surveys in more than 20 countries to date.

In close collaboration with local partners, ITC has conducted the NTM Survey in more than 25 countries. Additional surveys are planned in the coming years in developing countries and LDCs. The survey in Cambodia was conducted between February 2012 and February 2013. Surveys conducted in other countries in the region include Thailand, Indonesia and the Philippines.

Country context

Trade – a vital source of growth and development.

With a gross domestic product (GDP) per capita of US\$ 945, Cambodia is a low-income country. Since the turn of the century Cambodia has witnessed strong economic growth. Between 2001 and 2008, the economy grew by an average of 9% per annum, peaking at 13.3% in 2005. Following the downturn in 2009, the growth rate has averaged 7% per annum. Garments, construction, tourism and agriculture largely drive growth. The government considers trade an important source of growth and has formulated trade policies designed to help achieve the country's development goals.

Services, agriculture and manufacturing – important contributors to trade and GDP.

Services, the largest sector, contributed to 40% of the country's GDP in 2012. In this sector, tourism was a particularly dynamic element, with estimated 2007 tourist expenditures 250% above their level in 2004. The importance of the agriculture and manufacturing sectors must not be understated, especially with regards to employment – the two sectors provide 18.6% and 51% of all formal employment, respectively.

The agriculture and manufacturing sectors are concentrated on a few commodities. In the agriculture sector, paddy rice production accounts for an estimated 55% of the value of all crops. Garments and footwear comprise about 70% of Cambodia's manufactures.

Cambodia's export portfolio and markets remain limited.

Cambodian exports have grown steadily in the last decade with sales reaching US\$ 7.8 billion in 2012. The country's export profile is limited to few commodities and relies heavily on exports to a few markets – United States; European Union; Hong Kong, China; and Association of Southeast Asian Nations (ASEAN) countries. The government has formulated policies to diversify products and markets for exports.

Global and regional integration as well as bilateral trade relations are paramount.

Today, Cambodia is a very open economy. It is the first LDC to become a WTO member following a full accession process in 2004. Cambodia is a member of ASEAN, which aims to achieve economic integration by 2015. Through ASEAN, Cambodia has trade agreements with several large economies, including Australia, New Zealand, Canada, the Republic of Korea, the People's Republic of China, India and Japan. As an LDC, Cambodia benefits from the Generalized System of Preferences (GSP) from a number of countries. A large proportion of Cambodia's exports to European Union (EU) markets are duty free and quota free under the Everything But Arms (EBA) initiative.

NTM Survey methodology and implementation in Cambodia

Sustaining Cambodia's economic success requires close attention to NTMs.

The ITC NTM Survey was conducted with the support of the Supreme National Economic Council (SNEC) of Cambodia. The general ITC methodology was adjusted to accommodate Cambodia's particular needs. The survey was implemented in collaboration with Cambodian partners. The survey was implemented by BMRS Asia (Cambodia) Ltd, on ITC's behalf

In Cambodia, 502 telephone interviews and 242 face-to-face interviews were conducted.

Interviews with representatives of importers and exporters were conducted in two stages. First, short telephone interviews collected essential information about company characteristics, and whether they were affected by burdensome regulations or procedures in the past 12 months. Out of 502 companies interviewed by telephone, 69% reported they were affected. Face-to-face interviews were conducted with 242 companies that experienced barriers to trade and were willing to participate. For every product and partner country, companies provided detailed information on the NTMs and POs they encountered.

The sample of companies corresponded to the Cambodia's export composition.

Most interviews were conducted with exporters of garments, processed food and fresh food, and agro-based products, which correspond to the country's export composition. Interviews with importers focused on the chemicals, processed food, basic manufacturing and non-electronic manufacturing sectors. Most companies interviewed were micro or small sized (72%); 19% were medium and large enterprises.

Aggregate results and cross-cutting issues

Of the companies interviewed by telephone, 69% reported to be affected by trade barriers.

Telephone interviews with 502 Cambodian enterprises revealed that 69% of them faced burdensome NTMs and other obstacles to trade. Among the exporting companies surveyed by ITC in the ASEAN region, Cambodia has the highest rate of companies affected by burdensome NTMs (82%). In comparison, the affected rate among exporters in Thailand and Indonesia is much lower at around 35% and 30%, respectively. The rate of affectedness in Cambodia is similar to that experienced in other LDCs: Malawi (80%), Rwanda (71%) and Madagascar (67%).

Exporters of agro-food products – the most affected group.

Exporters appear to be much more affected (82%) than importers (55%). Results indicate that agricultural exporters (89%) experience more impediments than manufacturing exporters (78%). This is usually because foodstuff must satisfy more standards and undergo multiple conformity assessments for the protection of human health. Among importers, companies importing manufactured goods were slightly more affected than those importing agricultural goods.

Partner country regulations and POs are the most difficult for exporters.

In Cambodia, 89% of trade impediments reported by companies were related to regulations of partner (importing) countries; 11% were related to Cambodian regulations. However, the root of most difficulties was hindrances in various procedures in Cambodia that exporters were required to comply with. Only 4% of NTM cases were reported to be difficult due to the measures themselves being too strict or difficult to comply with; 96% of the reported partner country NTMs being difficult related to POs, primarily in Cambodia.

Problems specific to exporters

EU regulations proved the most difficult.

The United States and the European Union are the two biggest export destinations for Cambodian products. Most difficulties encountered by Cambodian exporters related to regulations of these two markets. When the share of difficult regulations is compared to export share, exporting to EU countries seemed more problematic. The United States and European Union each import about 25% of Cambodian exports. However, 40% of the difficulties reported by exporters were related to EU regulations compared to 11% of the in the United States. Japan, People's Republic of China and the Republic of Korea were also fairly difficult for exporters. Cambodian exporters reported many fewer problems accessing the regional ASEAN market and Hong Kong, China.

Obtaining the certificate of origin was the main difficulty exporters faced.

To benefit from preferential schemes, Cambodian exporters must comply with the respective rules of origin of partner countries and obtain necessary certification to attest that the goods are produced or that adequate local value addition has taken place in Cambodia. During the time of the survey, the Ministry of Commerce (MOC) obliged all exporters to apply for a certificate of origin irrespective of whether it was demanded by importing country. The government eliminated this requirement following the NTM Survey results.

The majority of reported difficulties with partner country regulations concern rules of origin and accompanying certificates of origin (77%). Three separate departments under MOC issue the certificate. Exporters did not report problems complying with the various rules of origin, but with the procedures involved to obtain the certificates at MOC.

Time delays and corruption – the primary concerns for exporters.

More than 50% of the complaints reported by exporters with regards to certificates of origin were due time delays. MOC does not always fulfil its commitment to issue certificates of origin in less than 12 hours. On average,

an exporter had to wait 5.5 days for the certificate of origin to be issued.

Factors that contributed to these delays include lack of staff, lack of any automation, exporters not understanding the procedures, and confusion and mistakes due to three MOC departments being involved in issuing the certificates of origin.

Corruption comprised more than 19% of the hindrances reported when applying for certificates of origin. Exporters reported that they are willing pay bribes to expedite the process.

Conformity assessment requirements – the second most reported NTM by exporters.

Conformity assessment requirements, primarily testing and certification, are the second most reported type of NTM by exporters (19% of the reported burdensome partner country regulations). Exporters of agricultural commodities experienced the majority of these issues. This is due to weak SPS legislation and infrastructure.

A critical need for accredited SPS laboratories and a standards body.

Few agencies in Cambodia are capable of testing and certification of products for export. The survey results show that exporters were concerned by the delays in these agencies and some pay bribes to expedite the process.

The major issue with Cambodian agencies or laboratories, especially with regard to SPS issues, is the lack of accreditation. Many importing countries do not recognize Cambodian product certificates and tests results. In addition, Cambodia does not have a recognized standards body to oversee the accreditation of laboratories.

Using foreign laboratories – increased costs and delays.

As a consequence, exporters resort to sending samples to laboratories in other countries, usually Thailand or Viet Nam, or have foreign inspectors come to Cambodia for necessary testing and certification. This increases costs and delays.

Less time-consuming customs formalities and inspections needed.

Requirements of partner countries related to customs formalities, including pre-shipment inspection, were the source of 4% of exporters complaints. Exporters called for less time-consuming customs formalities and inspections conducted by private agencies or inspectors.

Applying for export licences and permits is tedious.

Around 11% of the burdensome regulations reported by exporters concerned requirements of Cambodian authorities for exports including licensing or permits (55%) and export inspections (23%). A variety of commodities require licences and permits prior to export, which are issued by the Ministry of Agriculture, Forestry and Fisheries (MAFF); MOC; the General Department of Customs and Excise (GDCE); and Camcontrol, among other agencies. (Camcontrol is the Cambodia Import-Export Inspection and Fraud Repression Directorate General.) Exporters applying for licences and permits require an extensive list of documentations and procedures. This process is time-consuming and results in duplication. This leads to higher costs for the companies. Depending upon the product, export licences are valid for a few months or up to a year and must be renewed regularly.

Unclear documentation requirements and inconsistent time frame for issuing licences and permits.

The waiting time to obtain the licences and permits is unclear. Exporters reported to have waited from a few days to more than two weeks. Exporters recommended that this uncertainty be reduced and that relevant authorities adhere to a strict time frame. Exporters reported that information regarding requirements is not transparent, which sometimes causes misunderstandings and errors in the documents.

Exporters pay bribes to expedite processes. Exporters did not report problems paying the required fees for permits and licences. The practice of informal payments in these agencies concerned exporters who admitted paying bribes occasionally to expedite the process when there are delays.

Multiple documents and forms make inspection complex. Close to 25% of the reported case relating to Cambodian requirements concerned export inspection. Inspection of paperwork and products is done by Camcontrol and GDCE. Inspections require the companies to submit the packing list, invoice, customs declaration, customs and excise permission letter, authorization letter if needed, export licence and certifications. Almost all issues related to export inspection concerned bribes paid by companies to cover any error or discrepancies in the paperwork or to avoid delays.

Problems specific to importers

Imports – important inputs for the growing garment industry. Cambodia imported US\$ 7.1 billion worth of goods in 2012, most of them originating from The People's Republic of China and ASEAN countries. The country imported petroleum worth close to US\$ 1 billion. However, the NTM Survey does not cover importers of petroleum, minerals and arms. Textiles and related commodities, used as inputs for the large garment manufacturing industry, are the main imports. Less than 9% of the country's imports were agricultural products (when imports of petroleum, minerals and arms are excluded).

Difficulties with Cambodian requirements and processes. Among the companies surveyed, 446 import or both import and export. Around 50% reported they faced obstacles during the import process. Almost all of the issues reported concerned Cambodian regulations or process. This does not necessarily mean that regulations of exporting (partner) countries do not pose difficulties. Typically, foreign suppliers to Cambodian companies deal with export regulations of their respective countries. As a result, the NTM Survey does not capture these issues.

Customs clearance – time-consuming and costly. The majority of importers' complaints related to time-consuming procedures to clear their products from customs. Importers require an import permit issued by the GDCE. A set of supporting documents including registration of inward manifest, custom declaration, invoices, licences, packing list and bill of landing must be submitted to apply for the permit. The customs authority reviews the documents and duties (if any) calculated must be paid. This is followed by a joint physical inspection of the shipment by customs and Camcontrol. Importers reportedly waited three-to-seven days for the entire process. In some instances, they had to wait for almost two weeks. Importers are required to pay storage fees for the duration of this process. As a result, longer customs clearance adds to higher costs for importers in addition to any hindrances to their production cycle.

Paying bribes and hiring private agents. Paying bribes to quickly unblock the shipment is fairly common and numerous companies resorted to hiring private agents to handle customs clearance.

Testing and registration requirements are time-consuming and costly. Conformity assessment requirements to prove the quality or safe use of imported products were the second most reported obstacle by importers. Commodities such as cosmetic products, food, medicines and medical equipment are required to satisfy certain standards that fall under the mandate of the Ministry of Health (MOH). The companies must also be registered with GDCE. These products must be tested and certified as safe for human use. MOH does not have adequate facilities to conduct all of the required tests, which then must be carried out in a third country, typically Thailand or Viet Nam.

Each brand of medicine must be registered and instructions on use and dosage must be translated into Khmer, which must also be approved by MOH. Importers agreed that regulations on pharmaceutical products are rightfully in place to protect human health. However, the time required for full clearance is too long, typically three to six months. Brand registration can be expensive costing US\$ 100 to US\$ 600, including official and informal payments.

Imports for the agriculture sector such as fertilizers and other chemicals may also require testing and registration with MAFF. Other products may require testing and registration at the Ministry of Industry, Mining and Energy; Camcontrol; or MOC.

Lengthy processing times and high costs for import licences.

Licensing and special authorization issued by MAFF, the Ministry of Industry and Handicraft (MIH) or MOC accounted for 11% of the reported burdensome Cambodian import regulations. Importers' concerns related to long waiting times up to a couple of months, and the high costs involved in terms of official and informal fees. Importers must also obtain an import permit, which takes an additional couple of days.

Disputes with customs on product valuation.

Importers must have the import price of goods validated by GDCE to calculate import duties. Cambodia has implemented customs reforms on the transaction value method for valuation of products in line with WTO commitments. However, importers reported disputes with customs officials regarding valuation of goods. According to importers, if the value of imports as presented in the invoice is lower than the minimum customs value, customs officials insist on using the minimum customs value as a basis to calculate import duty. Some importers reported that validating the import price took too much time.

Lengthy waiting times the main complaint of importers.

Similar to problems faced by exporters, procedural obstacles (POs) such as time delays, bribes and high fees were the leading concern among importers. More than 50% of the reported POs concerned the time companies had to wait for customs clearance and to receive the necessary licences and permits. Bribes appear to be common at most stages of the import process, especially for obtaining licences and during customs clearance. Lack of adequate SPS testing facilities in Cambodia was also a concern. Importers found the large amount of paperwork to be time-consuming. A large share of POs experienced by importers occurred in GDCE followed by MOH and MAFF.

Company perspectives on the business environment

The ITC NTM Survey identified aspects of the general business environment that affect the operations of Cambodian companies. The 242 companies who participated in the face-to-face interviews were asked if any given business conditions in the country – for example transportation infrastructure and security – were hindering their businesses.

Corruption, lack of information, transparency and computerized processes in agencies.

Corruption is a major hindrance in the business environment, according to 63% of the companies. Services in government agencies must be improved. More than half of the companies reported difficulties in obtaining information on trade related regulations and processes and complex customs clearance. Lack of computerized processes, automation, and quick information sources, as well as inadequate staff at public agencies, are some of the causes of inefficiencies. An estimated one-third of companies relied on the services of customs agents.

Inadequate infrastructure hinders trade. Inadequate infrastructure such as electricity supply, transportation and security was also of concern. Exporters reported that lack of SPS and other specialized accredited laboratories add to higher trade costs

Conclusion and recommendations

Difficulties with partner-country NTMs are rooted in domestic inefficiencies. Most of the NTMs Cambodian exporters found burdensome concerned partner country regulations. A closer inspection reveals the majority of the problems are rooted in the process of getting the necessary paperwork, inspections, testing and certification in Cambodian agencies. Long waiting times, corruption and lack of accredited laboratories in the country were the main causes of the difficulties reported by exporters in Cambodia.

Streamline the process for obtaining certificates of origin. Many exporters face difficulties in obtaining certificates of origin from MOC. Exporters require these certificates to benefit from preferential access granted by partner countries. During the period of the survey, Cambodian authorities required all exporters to obtain a certificate of origin even if the importing country did not require it. This is one of the pressing issues that must be addressed to facilitate trade in Cambodia. The government should continue to streamline the process. Recent steps to facilitate online applications should automate some processes, shorten waiting times and reduce mistakes.

A recognized standards body and accredited testing and certifying agencies are critical. Lack of an internationally recognized standards body and accredited testing and certifying agencies are hindering Cambodian agricultural and food exports. To address these issues, the government should formulate and implement standards, regulations and norms in compliance with international standards, especially for major and potential export sectors. An internationally recognized domestic agency that can accredit the various testing and certifying agencies in the country is needed. Services issuing SPS certificates at MAFF must be improved.

Export licences and permits need to be issued faster. The government must simplify and expedite the processes of issuing export licences and permits. Multiple and duplicate documentation, long processing times and corruption are the main issues that need to be addressed.

Streamlined procedures and adequately trained staff are necessary. Customs clearance procedures for exports and imports must be streamlined and an adequate number of staff must be trained to avoid bottlenecks and corruption.

Clear policies on customs valuation must be followed. Cambodia must follow clear guidelines on product valuation to reduce ambiguity and misuse of authority by field officials during imports. Cambodia should follow the WTO Customs Valuation Agreement and accept the transaction value as specified in Article VII, provided importers present the invoice documenting the price paid for the product.

Implement the WTO TFA. Given the high incidents of POs at the border, Cambodia should implement WTO's recently concluded Trade Facilitation Agreement (TFA). Cambodia should formulate projects and approach donors for support to implement TFA measures such as advance ruling, authorized economic operators, risk management and post-clearance audit. The private sector must also be made aware of the various aspects of TFA.

More information and transparency needed on trade rules and procedures.

Cambodia needs a reliable source and proper dissemination of information for exporters and importers. Many problems encountered during export and import procedures, such as errors, delays and misunderstandings, are due to companies not having a reliable source of information on the trade requirements of partner countries and Cambodia. Information is scattered and companies usually rely on word of mouth.

Establish an online reporting mechanism and NTM Monitoring Committee.

To monitor and address the various difficulties faced by exporters and importers, an online reporting mechanism should be established. This portal would allow users to report problems directly via text message or online. An NTM Monitoring Committee should be established to monitor complaints and follow up and correct these issues.

Capacity building of enterprises can facilitate and expand trade.

Cambodian enterprises must be made aware of regulations and procedures. Workshops should include training sessions, such as how to identify new markets, understanding market access conditions, marketing strategies, supply chain management and advocacy. Equally important is the need for capacity building of officers and staff incentives in government agencies to ensure effective and efficient services, eliminate corruption and reduce the reportedly high turnover of staff.

Business associations could deliver business development services.

Traders need business development services, including training in the regulations and procedures required by import markets and export procedures. Some services are offered by public institutions, but the private sector, in particular business associations, could offer business development services.

Cambodia should diversify its export portfolio and trading partners, and encourage value addition.

Over the years, Cambodia has made good progress in joining the international trading system. Both exports and imports have witnessed sustained growths. To further integrate with the international market and to reduce its vulnerability to external shocks Cambodia should diversify its export portfolio and its export markets.

To generate higher value for its products, the government must encourage processing to be done in Cambodia before export – especially for products such as rice and cassava. This step towards higher value added could reduce informal exports in favour of formal recorded exports and generate new revenue sources for the government.

Introduction to non-tariff measures

The growing role of non-tariff measures in trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

The misuse of non-tariff measures (NTMs) may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. NTMs have gained importance, with many practitioners considering they have surpassed tariffs in their trade-impeding effect.

Being ‘defined by what they are not’,¹ NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) who struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the opportunities created by globalization.

Non-tariff measures, their classification and other obstacles to trade

Because obstacles to trade are a complex and diverse subject, it is important to understand their terminology and classification.

The concept of non-tariff measure (NTM) is neutral and does not imply a direction of impact. They are defined as ‘policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’.²

The term non-tariff barrier implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that NTBs be a subset of NTMs with a ‘protectionist or discriminatory intent’.³

Given that legitimate reasons – including the protection of human, animal and plant health – may lead to NTMs, this report avoids making judgements on intentions and the term NTM is generally used. By design, the survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to ‘burdensome NTMs’.

¹ Deardorff and Stern (1998).

² Multi-Agency Support Team (2009).

³ Ibid.

The diversity of NTMs requires a classification system. The International Trade Centre (ITC) NTM Survey is based on an international classification developed by The Multi-Agency Support Team, incorporating minor adaptations to the ITC business survey approach.⁴ While the actual classification and data collection go into further detail, the following distinctions and terms are used in this report:

1. Technical measures refer to product-specific requirements such as tolerance limits of certain substances, labelling standards or transport conditions. They can be subdivided into two major categories:
 - Technical requirements – technical barriers to trade (TBT) or sanitary and phytosanitary measures (SPS);
 - Conformity assessment, such as certification or testing procedures needed to demonstrate compliance with underlying requirements.

2. Non-technical measures comprise the following categories:
 - Charges, taxes and other para-tariff measures, in addition to customs duties;
 - Quantity control measures such as non-automatic licences or quotas;
 - Pre-shipment inspections and other formalities such as automatic licences;
 - Rules of origin;
 - Finance measures such as terms of payment or exchange rate regulations;
 - Price control measures.

The measures applied by the exporting country constitute a separate category. It must be noted that NTMs vary widely even within these broad categories.

To provide a richer picture of the problems companies face, the survey looks at procedural obstacles (POs) and the trade-related business environment (TBE).⁵ POs refer to practical challenges directly related to the implementation of NTMs. For instance, problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the TBE may have similar effects, but occur unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at customs or ports.

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. For example, Laird and Yeats (1990) found a dramatic surge of NTM incidence in developed countries between 1966 and 1986 – a 36% increase for food products and an 82% increase for textiles. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updates irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are currently collecting data for a new, global NTM database with a focus on TBTs and sanitary and phytosanitary (SPS) standards. ITC Market Access Map features information about NTMs.⁶ However, as complete as such a database may be, it will reveal little about the impact of NTMs on the business sector nor will it provide information about related POs.

The two main approaches to evaluating the impact of NTMs include quantification techniques and direct assessment.

In the case of quantification techniques, several academic studies have quantitatively estimated the impact of NTMs on either trade quantities or prices. These studies have either focused on very specific measures and individual countries⁷ or have statistically estimated the average impact from large samples of countries

⁴ For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

⁵ For further details on the systematic classification of POs and inefficiencies in the trade-related business environment (TBE) used in the survey, refer to Appendix III.

⁶ ITC Market Access Map is available at <http://www.macmap.org>

⁷ Calvin and Krissoff (1998); Yue, Beghin and Jensen (2006).

and NTMs.⁸ Excellent overviews are provided by Deardorff and Stern (1998) as well as by Ferrantino (2006). These academic articles provide a valuable insight into the quantitative impacts of NTMs. However, these studies are too specific or too general to deliver a useful picture of NTM protection to the business sector and to national policymakers. Quantitative estimations of the effects of NTMs rarely allow for isolating the impact of NTM regulation itself from related POs or inefficiencies in the TBE.

The second approach to evaluating the impact of NTMs is direct assessment through surveys. The Organisation for Economic Co-operation and Development compiled the results of 23 previously conducted business surveys on NTMs.⁹ Overall, technical measures, additional charges and general customs procedures were identified as the most burdensome trade barriers. It is worth noting that of the 10 categories evaluated, quotas and other quantitative restrictions, an important trade policy instrument only a few decades ago, ranked fifth. While this survey-of-surveys gives a general indication of the business sector's concerns with NTMs, the majority of the surveys covered a restricted set of partner countries and products. The share of surveys from developing countries was generally low.

A business perspective is indispensable

The ITC programme on NTMs fills the gap left by the earlier studies by providing detailed qualitative impact analysis and directly addressing key stakeholders. Launched in 2010, the programme incorporates large-scale company surveys on NTMs, POs and inefficiencies in the TBE. The ITC NTM Surveys evaluate all major export sectors and all major importing partners. By 2016, ITC aspires to cover 30 developing countries. This report presents results of the survey in Cambodia.

The ITC NTM Survey allows companies to directly report the most burdensome NTMs and the way in which they impact their business. Exporters and importers face NTMs and other obstacles on a day-to-day basis. Because they know best the challenges they face, a business perspective on NTMs is indispensable. At the government level, an understanding of companies' key concerns with regard to NTMs, POs and TBEs can help define national strategies geared to overcome obstacles to trade.

Cambodia: Company Perspectives – An ITC Series on Non-Tariff Measures

Chapter 1 provides a snapshot of Cambodia's economy, focusing on trade and trade policy. Chapter 2 presents the methodology and implementation of the ITC NTM Survey. Chapter 3 analyses the results of the survey in four main sections. The first section presents aggregate and cross-cutting results; the second looks at the roles of agro-food and manufacturing sectors in the Cambodian economy; and the last two sections examine challenges faced by exporters and importers. Chapter 4 provides proposals and policy options.

⁸ Disdier, Fontagné and Mimouni (2008); Dean et al. (2009); Kee, Nicita and Olarreaga (2008); Kee, Nicita and Olarreaga (2009).

⁹ Organisation for Economic Co-operation and Development (2005).

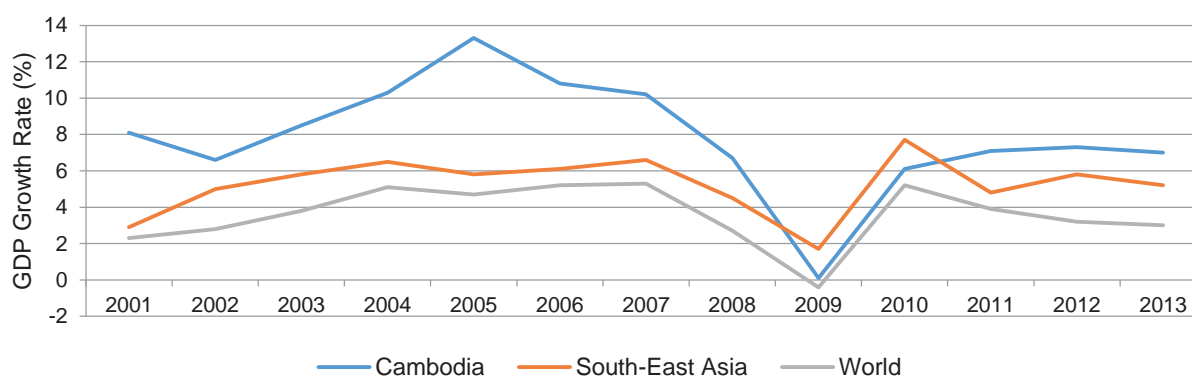
Chapter 1 Trade and trade policy overview

This chapter provides an overview of trade-related aspects of Cambodia's economy to put the International Trade Centre (ITC) NTM Survey results into context. After a brief general economic introduction in the first section, the second section outlines Cambodia's export and import trade patterns. The third section focuses on trade policy, trade agreements and tariffs. The fourth section looks at national trade and development strategies.

1. The economy

The Kingdom of Cambodia is located in South-East Asia and shares a border with Thailand, Viet Nam, and Lao People's Democratic Republic. The population was close to 15 million in 2012.¹⁰ With a gross domestic product (GDP) per capita of US\$ 945 in 2012, Cambodia is classified as a low-income country. Around 20% of the population lives below the national poverty line.¹¹ In 2012, Cambodia's GDP was valued at around US\$ 14 billion.¹² Over the last decade, Cambodia has witnessed strong economic growth only to be interrupted by the global downturn in 2009. Between 2001 and 2008, the real GDP growth rate averaged 9% per annum, peaking at 13.3% in 2005 (Figure 1). This growth slowed in 2009 because of the series of shocks in the world economy that began in 2007 and continued through 2009. These shocks exposed Cambodia's structural vulnerabilities of relying heavily on garment exports and tourism.¹³ The country has recovered quickly and since 2010 has witnessed growth averaging 7% per annum. For most of this period, Cambodia's growth has been well above the South-East Asia and world average (Figure 1).

Figure 1: Cambodia's real gross domestic product growth rate, 2001 to 2013



Source: International Monetary Fund, 2014.

Cambodia's rapid growth partly reflects the country's extremely low starting point in the early 1990s. But it also reflects some important policy choices, especially those related to macroeconomic management and openness. Cambodia's growth over the period 1998–2007 was arguably one of the fastest in the developing world (Guimbert 2010). To illustrate this, it is possible to compare the growth rates in GDP per capita by decade for all the developing East Asian economies and India since 1950. For the decade 2000–2010, Cambodia's growth rate of almost 7% was below only that of the People's Republic of China (1980s, 1990s, and 2000s), Singapore (1960s and 1970s), and Hong Kong, China (1960s and 1970s). Its growth rate also compares very favourably with that of its Mekong neighbours (Thailand, Lao People's Democratic Republic and Viet Nam), as well as other post-conflict countries, such as Uganda, Rwanda, and El Salvador.

¹⁰ World Bank (2014), World Development Indicators.

¹¹ Ibid.

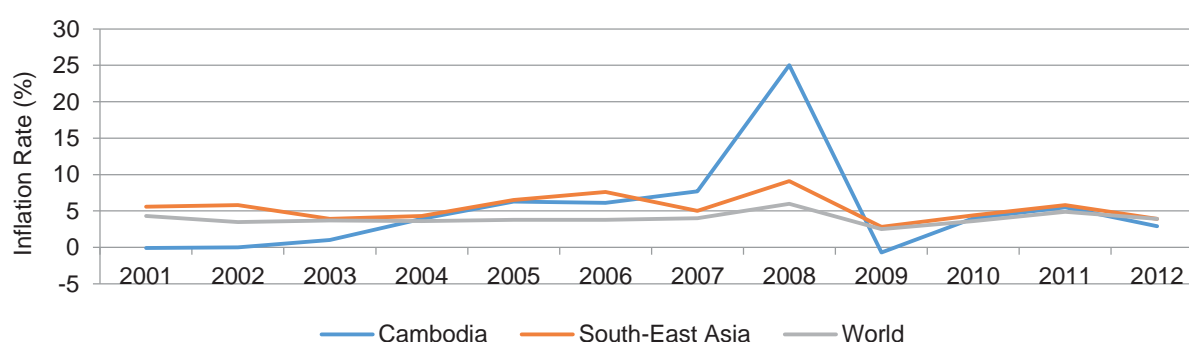
¹² Ibid.

¹³ WTO (2011), Trade Policy Review: Cambodia.

For most of the last decade, the inflation rate in Cambodia has remained stable and close to the world and South-East Asian average, except for the high fluctuations between 2007 and 2009 (Figure 2). Between 2004 and 2007, inflation rates averaged 6% per annum, but suddenly rose to 25% in 2008 only to fall back to -0.7% in 2009. As a small and open economy that is highly dollarized, Cambodia was immediately affected by the dramatic increase in the price of crude oil that began in early 2007 and culminated in the record level of US\$ 147 per barrel in July 2008.

At the same time, the price of rice in international markets doubled between the first quarter of 2007 and the beginning of 2008, and then doubled again in the first four months of 2008. This was immediately followed by a widespread international financial crisis and a sharp recession in a number of industrial countries.¹⁴ Since 2010, inflation rates have remained around 4% per annum. Overall, putting aside the turbulence in the early 1990s, and a couple of episodes characterized by external shocks, Cambodia has managed to keep inflation under control during periods rapid growth.¹⁵

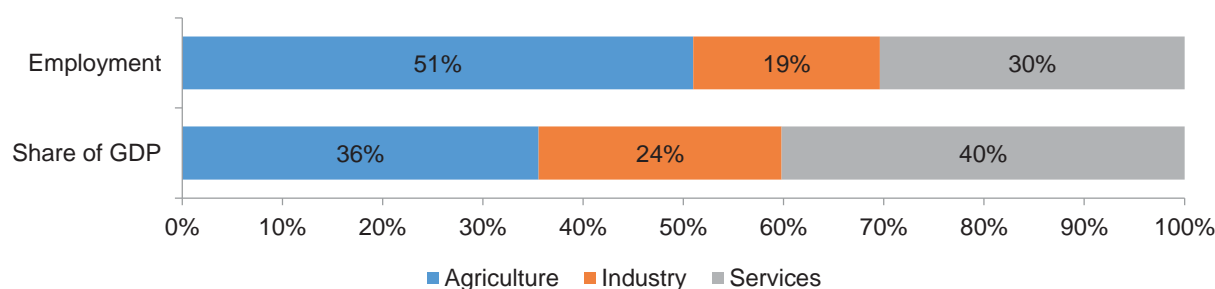
Figure 2: Inflation of consumer prices, 2001 to 2012



Source: International Monetary Fund (IMF), 2014.

Sector composition in Cambodia has remained relatively unchanged since 2000. Services are the largest sector, accounting for 40% of GDP in 2012 (Figure 3). Agriculture comprises 36% of GDP followed by the industrial sector with 24%. However, employment in these sectors has changed considerably since the turn of the century. Currently, agriculture is the biggest employer accounting for 51% of total formal employment, down from over 73% in 2000. Around 4 million hectares, or 23% of the land, in Cambodia is arable. Both the industrial and service sectors have gained more importance in employment. The industrial sector now employs 19% of the workforce, up from 8% in 2000. Employment in the services sector has increased from 18% in 2000 to over 30% (Figure 3).¹⁶

Figure 3: Sector contributions to GDP and employment, 2012



Source: World Bank (2014), World Development Indicators.

Note: Informal employment is not included in the statistics.

¹⁴ WTO (2011). Trade Policy Review: Cambodia.

¹⁵ Hill and Menon (2013.)

¹⁶ World Bank (2014), World Development Indicators.

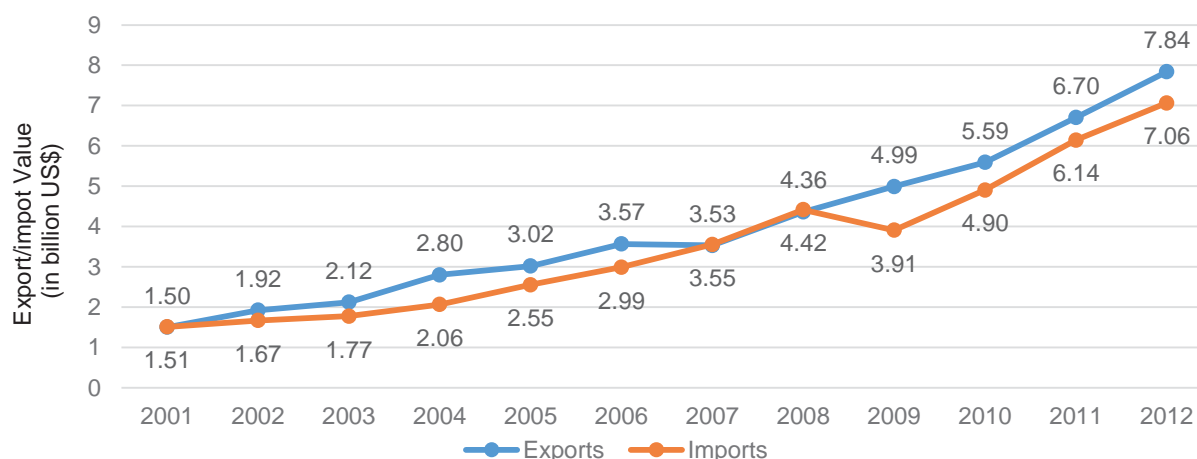
The agriculture, industry and service sectors have all contributed to the rapid growth of the Cambodian economy. Industrial output expanded at an average annual rate of 12.4% during 2010 to 2012, while services and agricultural output grew by average annual rates of 5.5% and 3.8%, respectively.¹⁷ All three sectors are highly concentrated on a few specific commodities. In the agriculture sector, paddy rice production accounts for roughly 55% of the value of all crops grown in Cambodia, and the value of paddy output in 2007 stood 87% above the level in 2004. Garments and footwear make up roughly 70% of Cambodia's output of manufactures, and the value of their output in 2007 stood 49% above the level reached in 2004. The activity level in 2007 of construction, which accounts for about 25% of industrial output, stood 80% above the value of output in 2004. In the services sector, tourism was a particularly dynamic sector, with estimated tourist expenditures in 2007 rising 250% above their level in 2004.

Phnom Penh is the largest city with a population of approximately 1.5 million people. It is also the capital and the main commercial centre. Around 11.9 million or 80% of the Cambodian population reside in rural areas. The unemployment rate in Cambodia in general has remained very low with the International Labour Organization (ILO) estimating it to be around 1.5%. This low unemployment rate can in part be attributed to the large number of people employed in the informal economy. The informal sector is composed of small-scale firms or individuals who are officially unregistered and have little or no access to organized markets or credit, and operate outside of the country's legal framework. Those employed in the informal sector are employed without contracts and lack social protection, rights and other amenities enjoyed by workers in the formal sector.¹⁸ The Cambodian economy is highly dependent on the informal sector although its size has been slowly declining. The informal sector accounted for 62% of the GDP and 85% of the workforce in 2003.¹⁹

2. International trade patterns in Cambodia

International trade is growing in importance to the Cambodian economy. In 2001, the value of merchandise trade amounted to 90% of GDP. This figure increased to 136% of the GDP by 2012.²⁰ Both exports and imports are growing at a very fast rate. The value of exports and imports was around US\$ 1.5 billion each in 2001. Exports have grown steadily by over fivefold since 2001 to US\$ 7.8 billion in 2012. The value of imports has grown significantly to reach US\$ 7 billion in the same time period (Figure 4).

Figure 4: Cambodian export and import figures, 2001 to 2012



Source: ITC Trade Map, 2013.

¹⁷ Simple annual average growth based on World Bank (2014), World Development Indicators.

¹⁸ ILO (2006). Handbook on Decent Work in the Informal Economy in Cambodia

¹⁹ Economic Institute of Cambodia (2005), Literature review on 'The Decent Work in the Informal Economy in Cambodia'

²⁰ World Bank (2014), WDI

2.1. Export destinations and diversification

Cambodian exports are highly concentrated on a few products and to few destination markets. Exports of garments in 2012 were valued US\$ 4.3 billion (Harmonized System [HS] 2-digit codes 61 and 62) or 55% of total exports, making it the largest export (Figure 5). Most of the garments are exported to the United States (US\$ 1.9 billion) and the European Union (US\$ 1.4 billion). Export of agricultural goods have remained very low and is valued at around US\$ 382 million or 5% of total exports.

The United States is the biggest buyer of Cambodian goods (26% exports, Figure 5). In 2012, the United States imported more than US\$ 2 billion of merchandise from Cambodia, most of which were garments and footwear. The European Union is the second largest market for Cambodia, importing 24% of total exports, also dominated by garment. Hong Kong, China, is Cambodia's third largest market, importing US\$ 1.68 billion of total exports (22%). The European Union imported more than US\$ 100 million of agricultural products. ASEAN is the fourth largest export market for Cambodia, accounting for 13% of exports (Figure 5). ASEAN is the largest importer of Cambodian agricultural products, with imports valued at US\$ 185 million. This does not take into account the large informal trade in agricultural goods between Cambodia and its neighbours, especially Thailand and Viet Nam. One estimate puts the value of informal exports of four agricultural commodities – rice, cassava, corn and soybeans – from Cambodia between US\$ 575 million and US\$ 1.2 billion.²¹ Most of these informal exports take place because of Cambodia's inadequate capacity to process the raw commodity into the final product fit for consumption.

Exports of manufactured goods from Cambodia are much more diversified compared to agricultural goods. In its three big markets for agricultural products (the European Union, Viet Nam and Thailand) between three and five products at HS 6-digit level accounted for 95% of the bilateral exports. In the three largest markets for manufactured goods (the United States, the European Union and Canada) between 64 and 85 products accounted for 95% of the bilateral exports (Table 1).²²

The Government of Cambodia understands the need to diversify exports and export markets and has identified a set of products with potential for export diversification. From the agricultural sector it has identified 12 products, which include rice, rubber, cassava, fishery products, fruits and vegetables, soybeans, silk, livestock, cashew nuts, corn and beer. In the manufacturing sector, it has identified wood products, light manufacturing assembly, footwear and garments for diversification.²³

2.2. Imports

Cambodian imports have grown steadily in the last decade. Imports fell by 11% during the global downturn in 2009 but have since achieved growth of more than 25% per year in 2010 and 2011, and 15% in 2012. Total import value stood at US\$ 7 billion in 2012 compared to US\$ 1.5 billion in 2001. Cambodian imports are dominated by manufactured commodities and petroleum (US\$ 6.5 billion) compared to agricultural commodities (US\$ 519 million). Textiles are the largest import commodity (20% of total imports) valued at US\$ 1.4 billion (HS 2-digit code 60, Figure 6). Much of the imported textiles come from the People's Republic of China (US\$ 750 million) and are primarily used as inputs for the country's large clothing industry. Other materials for the clothing industry such as staple fibres and filaments (HS 2-digit code 54 and 55) are major imports (US\$ 744 million, 10% of total imports).

As Cambodia does not have any substantial mineral resources, it must rely on imports of large quantities of petroleum from neighbouring Viet Nam and Thailand. Import of petroleum products is valued at US\$ 984 million or 13.4% total imports. Vehicles and machinery are other major Cambodian imports.

ASEAN countries are Cambodia's largest suppliers, comprising 35% of all Cambodian imports in 2012 (US\$ 2.5 billion, Figure 6), with Viet Nam and Thailand supplying more than US\$ 900 million each. Imports from ASEAN countries are dominated by petroleum and machinery in addition to the import of US\$ 396 million of agricultural commodities. Chinese exports to Cambodia are valued at US\$ 2.2 billion (31% of total Cambodian imports), most of which are textiles and other input products for the garment industry.

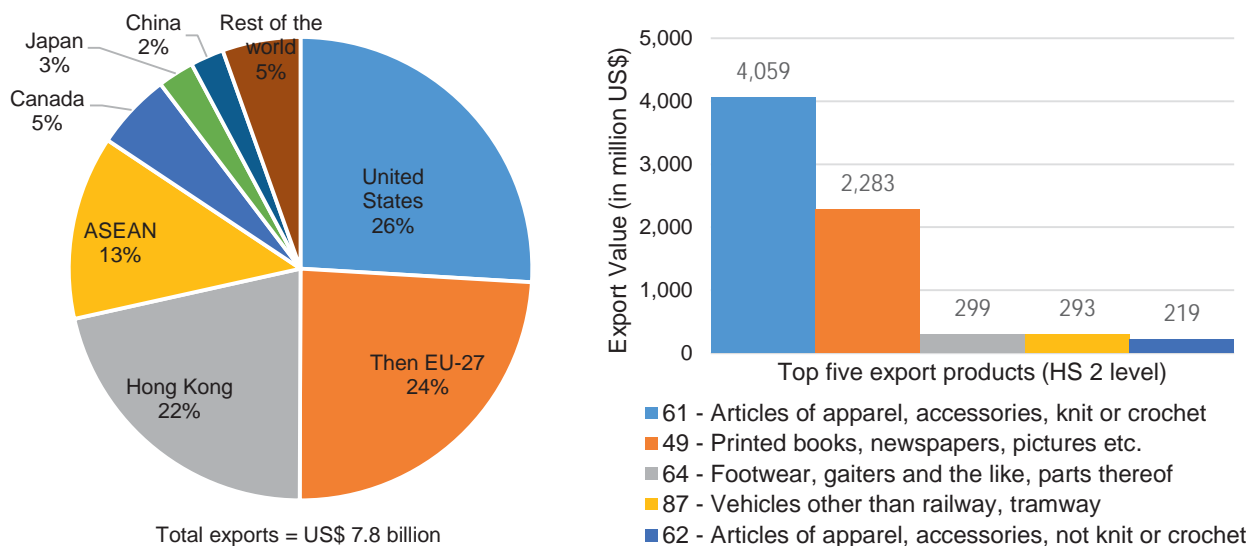
²¹ Cambodia Trade Integration Strategy (CTIS) 2014–2018.

²² World Tariff Profiles 2013.

²³ WTO (2011). Trade Policy Review: Cambodia.

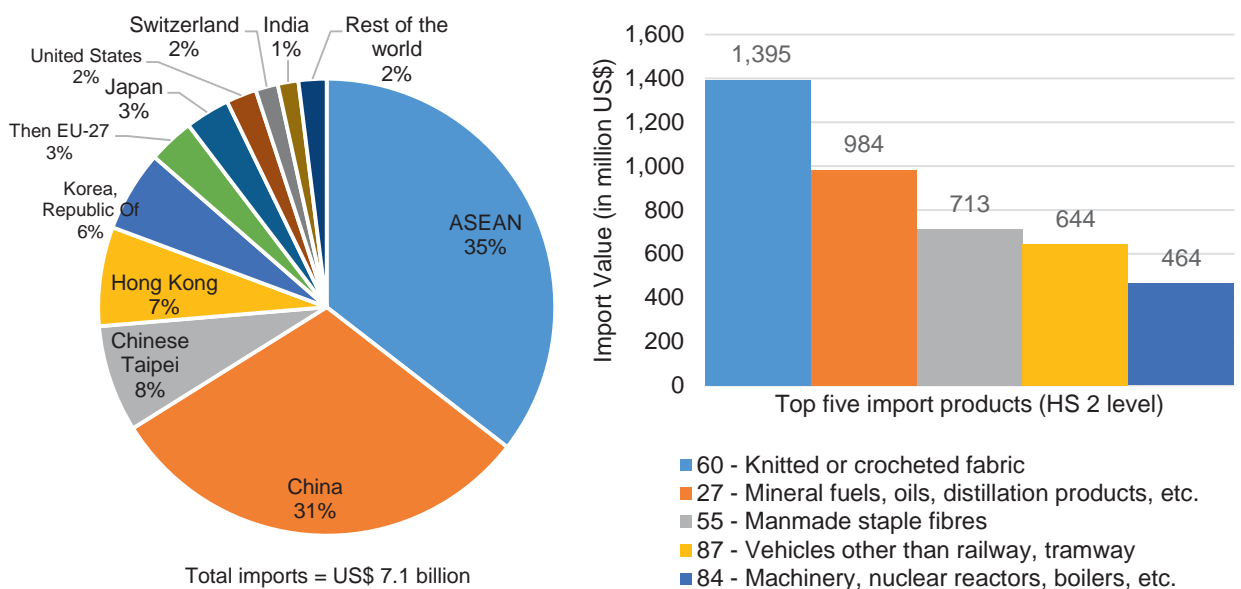
Chinese Taipei, Hong Kong, and the Republic of Korea are other major suppliers to Cambodia. Imports from Japan, the European Union and the United States are relatively small, amounting to a total of US\$ 605 million (8.5%). Imports from these developed countries are mostly transportation goods, machinery and chemicals.

Figure 5: Main markets for Cambodian exports and top five export products, 2012



Source: ITC Trade Map, 2013.

Figure 6: Supplying markets of Cambodian imports and top five import products, 2012



Source: ITC Trade Map, 2013.

3. Trade policy

International trade has driven Cambodia's recent economic growth and poverty reduction. It has linked the country more firmly to regional and global markets and is crucial for the country to achieve its goal of rapid and sustained socioeconomic development.²⁴ Following decades of social and economic instability, Cambodia made its transition towards an open market economy in the 1990s. Today, Cambodia is a highly open economy, which is due to its geography, regional and international commitments, and deliberate policy choices.²⁵ The value of the country's merchandise trade relative to GDP currently stands at 136%.²⁶

Cambodia was the first least developed country (LDC) to become a WTO member, following a full accession process in 2004. It has bound all of its tariff lines and has negotiated an average final bound tariff rate of 28.1% for agricultural goods and 17.7% for non-agricultural goods. Cambodia did not provide agricultural export subsidies during the relevant base period and bound these at zero in its schedule. The country was also given transition periods to implement various WTO Agreements in the areas of sanitary and phytosanitary (SPS) standards, TBTs, the Trade-Related Aspects of Intellectual Property Rights and customs valuation.²⁷

As a WTO member, Cambodia grants most-favoured-nation (MFN) treatment to all other members. Cambodia's gradually reduced reliance on trade and related taxes, such as tariffs and other duties on traded goods, has also facilitated its ongoing trade openness. In 2004, 70% of government revenue was generated by customs duties, value-added taxes, excise taxes and export taxes. By 2010 this figure had fallen to 56%.²⁸ It has reduced the number of tariff bands from 12 to just 4: 0%, 7%, 15% and 35%. The majority of the tariff lines (53.4%) are duty free or are subject to 7% duty. The highest tariff band (35%) is intended to protect semi-processed and consumer goods. The average applied MFN duty is 10.9%, with duty for agricultural goods (15.2%) being higher than for manufactured goods (10.3%).²⁹ In the global context, this rate is relatively high, but it reflects the fact that the tax structure is underdeveloped and that the country is still substantially reliant on trade taxes. The informal border trade and various tariff exemptions given to the export-oriented garments sector results in a much lower effective tariff rate.³⁰

Cambodia has a list of tariff lines that are subject to import prohibition or licensing for the purpose of human health protection, consumer interests, national security and environmental protection. Licensing in general is automatic without restriction on quantity or value of imports. For exports, Cambodia levies taxes on an MFN basis on certain unprocessed raw materials and products to encourage local processing and protection of human health. Overall, export taxes constitute a tiny fraction of revenue collected by the customs (0.5% in 2010). Some products, such as processed wood products and sand, require export permits or authorization. Cambodia does not provide export subsidies. Some products are prohibited to be exported on the grounds of health, ecological balance, security, archaeological value or to ensure adequate supply for the domestic market.³¹

Cambodia is one of the 10 members of ASEAN, which it joined in 1999. ASEAN has a goal of achieving an economic integration in the region by 2015. As an ASEAN member state, Cambodia has undertaken specific tariff reduction commitments in respect of the Common Effective Preferential Tariff Scheme of the ASEAN Free Trade Area. By 2010, tariff rates for all goods originating from ASEAN member countries were reduced to rates between 5% and 0%. Duties for all goods (except for 7% tariff lines or product codes) are expected to be eliminated by 2015, while duties for the remaining tariff lines are scheduled to be eliminated by 2018. In addition to tariff reductions, Cambodia is also working with other ASEAN members to harmonize trade and trade-related procedures, including post-clearance customs audit,

²⁴ WTO (2011). Trade Policy Review: Cambodia.

²⁵ Hill and Menon (2013).

²⁶ World Bank (2014), WDI.

²⁷ WTO (2011). Trade Policy Review: Cambodia.

²⁸ Ibid.

²⁹ WTO (2013). World Tariff Profiles.

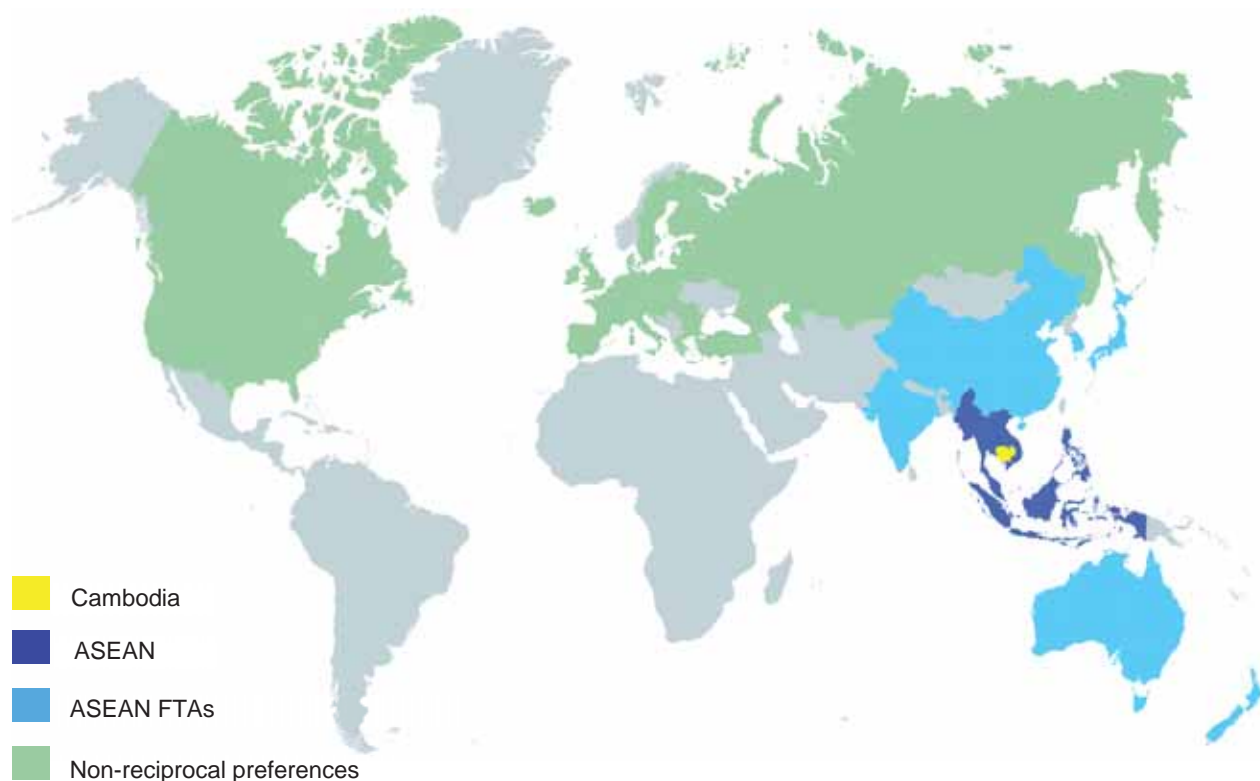
³⁰ Hill and Menon (2013).

³¹ WTO (2011). Trade Policy Review: Cambodia.

customs valuation, standards harmonization, mutual recognition of conformity certificates, and creating single window for customs clearance.³²

Cambodia is a member of the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), an intra-ASEAN cooperation framework, which includes the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam. One of ACMECS' objectives is to promote balanced development in the Mekong subregion. ACMECS acts as a mechanism to build upon existing regional cooperation programmes and bilateral frameworks of international trade with a view to transforming the border areas of member countries into areas of economic growth, social progress and welfare.

Figure 7: Cambodia's trade agreement and preference world map



Source: ITC illustration based on Market Access Map data, 2014.

Note: To the best of ITC's knowledge, this figure reflects the situation as of July 2014. Non-reciprocal preferences are granted to Cambodia in the framework of the Generalized System of Preferences schemes.

Note: In addition to the Free Trade Agreement, Australia, New Zealand, and Japan also grant GSP preferences to Cambodia.

ASEAN as a group has established trade relations with a number of external partners. It has negotiated free trade agreements with Australia, New Zealand, Canada, the People's Republic of China, India, Japan, and the Republic of Korea (Figure 7).

Cambodia is also a beneficiary of the Generalized System of Preferences (GSP) schemes operated by developed countries. Under the GSP, Cambodia benefits from duty reduction or exemption on specific products provided that the rules of origin requirements are met. Being a Least Developed Country (LDC), Cambodia can benefit from these concessions on additional products. Under the EU's Everything But Arms (EBA) initiative, Cambodia was granted duty-free and quota free access to the EU market. The GSP schemes of the United States and Japan grant concessions to Cambodia for 4,800 and 5,740 products, respectively.³³

³² WTO (2011). Trade Policy Review: Cambodia.

³³ Ibid.

3.1. Tariffs and preferences for agricultural commodities

Tariffs are not the focus of the NTM Survey, however, they are an important pillar of trade policy and market access. In general, importing countries apply non-discriminatory MFN tariffs to imports from WTO members. In addition, many Cambodian export commodities are eligible for tariff reductions under various trade agreements. Because preferential treatment for exports often depends on additional requirements such as rules of origin, not all potentially eligible exports from any one country necessarily benefit from preferential tariffs.

The basket of agricultural commodities Cambodia exports is not diverse, but it faces wide variation in tariffs across its major markets. Among the major importers within ASEAN, Viet Nam, Thailand and Malaysia apply MFN rates (simple average) of 13.8%, 23% and 29.1%, respectively. However, preferences granted by Thailand enabled Cambodia to fully export duty free (31.3% preference margin for 31.3% average trade weighted tariffs) while it benefited from partial preferences granted by Viet Nam (6.7% weighted preference margin for average trade weighted duty of 10.9%) (Table 1). Malaysia granted almost no preferences (0.3%). Only 51.3% and 28.1% of the agriculture tariff lines were granted duty-free concession by Viet Nam and Malaysia, respectively, in contrast to 100% by Thailand. However, these statistics do not take into account the large volume of informal trade that takes place between Cambodia and its neighbours.

In the European Union and the Russian Federation, Cambodian agricultural exports faced MFN duties of 15.6% and 200.4%. However, GSP preferences granted by these countries allowed the goods to be exported duty free. All agricultural tariff lines were granted duty-free concession by the European Union and Russian Federation (Table 1).

Table 1: Tariffs applied and preferences granted by major importing partners, agricultural and manufacturing products

Cambodia's major export markets (2011)	Diversification 95% trade in number of HS Chapters and Subheadings ^{d/}		Average MFN of traded tariff lines		Preference margin (eligible) ^{b/}	Duty-free imports	
	HS 2-digit	HS 6-digit	Simple	Weighted ^{a/}	Weighted ^{a/}	Tariff lines (% of total)	Value (% of total)
Agricultural products^{c/}							
European Union	2	3	15.6%	32.6%	32.6%	100.0%	100.0%
Viet Nam	5	5	13.8%	10.9%	6.7%	51.3%	48.3%
Thailand	6	6	23.0%	31.3%	31.3%	100.0%	100.0%
Malaysia	4	5	29.1%	28.4%	0.3%	28.1%	25.1%
Russian Federation	1	1	200.4%	206.9%	206.9%	100.0%	100.0%
Manufacturing products^{c/}							
United States	7	85	9.6%	16.5%	0.1%	33.6%	2.5%
European Union	5	64	7.2%	11.9%	11.9%	99.8%	100.0%
Canada	6	70	11.5%	17.7%	17.7%	100.0%	100.0%
Japan	4	36	15.7%	42.3%	42.2%	97.0%	98.5%
Viet Nam	6	10	11.1%	2.7%	0.5%	44.3%	30.4%

Source: World Tariff Profiles 2013.

a/ Weighted average tariff rates are calculated using actual bilateral trade values as reported by importing countries. Bilateral exports are based on data directly reported by Cambodia.

b/ Preferential margin calculations take into account potentially eligible tariff lines under relevant trade agreements, if any.

c/ Sector definitions based on the ITC classification are adapted for this report, see Appendix I. Under this classification, 'agro-based products, food, wood and paper' refers to sectors 1 and 2, while 'manufacturing' to sectors 3 through 13. Minerals, petroleum and arms are excluded.

d/ Number of HS Chapters (HS-2) and subheadings (HS-6) with trade flows after exclusion of 5% of smallest bilateral tariff line trade flows.

3.2. Tariffs and preferences for manufactured goods

A significantly large proportion of Cambodian exports are manufactured goods, the majority of which are garments to the United States and the European Union. Most of the major importers grant generous preferences to the Cambodian goods. In the European Union, Canada and Japan the average MFN duties range between 7.2% and 15.7%. However, the GSP granted by these countries enable Cambodia to export almost duty free. In Canada, all manufactured goods tariff lines qualify for duty-free concession; in the European Union and Japan 99.8% and 97% qualify (Table 1). In Viet Nam, the MFN rate is 11.1% and 44.3% of the tariff line qualifies for duty-free entry. On average, Cambodian exporters paid 2.2% duty while exporting manufactured goods to Viet Nam (Table 1).

Cambodia's biggest market, the United States, is a notable exception. The average MFN duty in the United States is 9.6%, but it provides duty-free concession to only 33.6% of the tariff lines. The United States grants GSP to Cambodia, but concessions do not apply for products such as textiles, garments, footwear and leather apparel – Cambodia's major exports to the United States. Only 2.5% of Cambodian exports (in terms of value) to the United States qualified for a duty-free concession, which means the preference margin in the United States was just 0.1%. On average (weighted) Cambodian manufactured goods were subject to 16.5% import duty in the United States (Table 1).

4. The agricultural and manufacturing sectors in Cambodia

This section presents an overview of the Cambodian agricultural and manufacturing sectors and their importance to the economy, followed by a detailed analysis of the burdensome regulations and obstacles to trade faced by Cambodian exporters.

4.1. The role of agro-food sector

The agricultural sector is an important contributor to the Cambodian economy and employment. The sector contributes to 36% of the country's GDP and employs 51% of total workforce in 2012 (Figure 3). Informal employment in this sector is also very large. The annual growth of the agricultural sector was between 3.1% and 5.7% from 2008 to 2012.³⁴ The government has identified the sector as the source of growth and employment. It is one of four priority areas in the Royal Government of the Fifth Legislature of the National Assembly (2013 to 2018). The government will focus on further developing and increasing value addition in the agricultural sector. It plans to do this through enhancing value addition in milled rice production and export, especially fragrant and organic rice. The government also wants to focus on value addition in rubber, cashew nuts, corn, mung beans, soybeans, sesame, pepper, silk, fruits, coffee, vegetables and flowers. The government is encouraging investment in agro-industry and is focusing on agricultural productivity, modernization and commercialization.³⁵

Exports of agricultural products have considerably increased and diversified to various markets since 2008. Exports grew from US\$ 44 million in 2003, to US\$ 60 million in 2008 and US\$ 383 million in 2012. Major agricultural exports include rubber (43.3% of total agro-food exports), rice (36.3%), tobacco (6.3%), sugar (2.7%) and vegetables (2.1%).³⁶ Export of rice grew faster than other products, while rubber exports declined in 2012 (Figure 8).

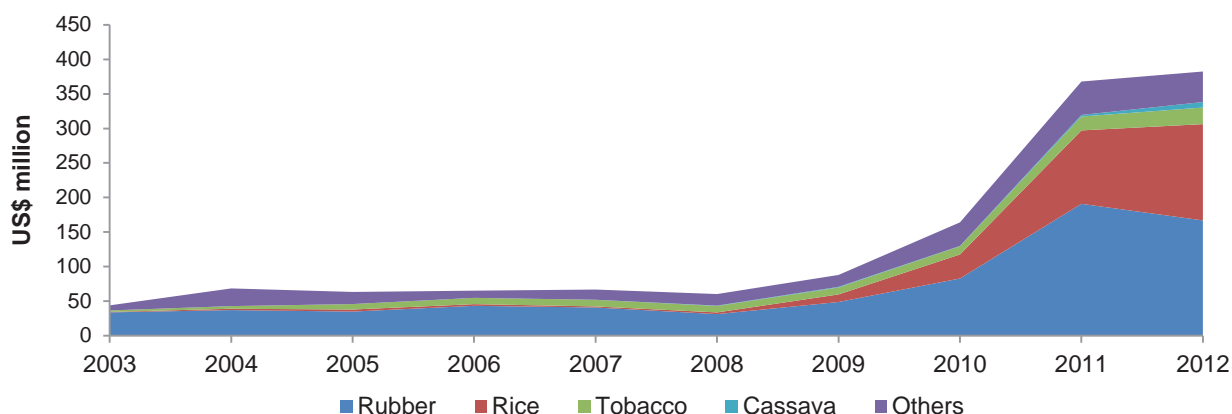
One of the challenges facing Cambodia is the large volume of informal trade with neighbouring countries such as Thailand and Viet Nam. Informal exports are unrecorded in national trade statistics and are prevalent in export of unprocessed agricultural products such as cassava and maize. Estimates of informal export from Cambodia to neighbouring countries is as high as US\$ 1.2 billion. This presents an opportunity to increase value addition if there is more investment in the sector with a focus on the processing of agricultural products before export.

³⁴ World Bank (2014), WDI

³⁵ The Royal Government of Cambodia (2013). Rectangular Strategy: Phase III

³⁶ According to ITC's calculation. Vegetables comprise (STC 054): Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried and (STC 422); fixed vegetable fats and oils, crude, refined or fractionated, other than 'soft'.

Figure 8: Cambodian export of agricultural commodities, 2003 to 2012



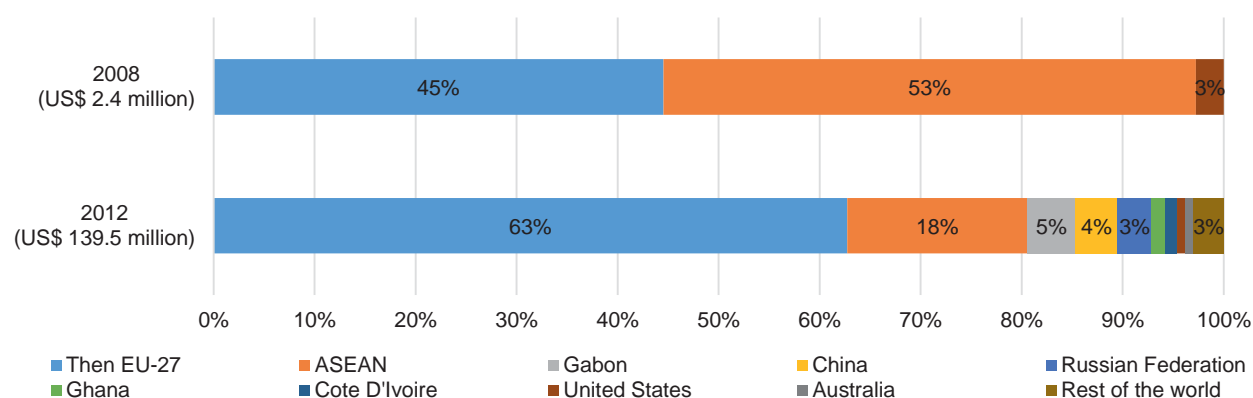
Source: ITC Trade Map, 2013.

4.1.1. Rice

Rice is Cambodia’s largest crop in terms of production, cultivated area and employment. According to MAFF, more than 2.9 million hectares of land were used for rice plantation and yielded 8.77 million tons in 2011. Rice production reached 9.2 million tons in 2012.³⁷ There are a few thousand jobs in milled rice and millions of farmers growing rice.³⁸

The cost of rice production in Cambodia is one of the lowest in the world, which give local millers an advantage over foreign competitors. Cambodian rice exports benefit from the EBA initiative in the EU market. To promote the export of rice, the Cambodian government launched the Policy for Promotion of Paddy Rice Production and Export of Milled Rice, which is commonly referred to as the Rice Policy 2010. The government has set 2015 as the target year to reach paddy rice surplus of more than 4 million tons, achieve milled rice export of at least 1 million tons and to ensure that Cambodian rice is internationally recognized.

Figure 9: Cambodian rice exports – major markets, 2008 and 2012



Source: ITC Trade Map, 2013.

The Rice Policy 2010 aims to implement measures to address key challenges in areas of paddy rice production, collection and processing, logistics and marketing. Key challenges to be addressed include, but are not limited to, access to finance, the cost of electricity, irrigation, transport, trade facilitation, a lack

³⁷ Ministry of Agriculture, Forestry and Fisheries.

³⁸ CTIS 2014–2018.

of modern techniques, the need for high yield seeds, poor quality standards and new market opportunities. Other challenges facing the sector include low productivity, limited modern milling capacity, inconsistent paddy quality and difficulties to meet rice specification and SPS requirements.³⁹

The policy has had a positive impact and resulted in a significant increase of rice exports, especially during the first two years after the policy was introduced. Cambodian premium jasmine rice won the World's Best Rice award in 2012 and 2013.

The One Window Service was established in November 2011 to facilitate rice exports from Cambodia. Its goal was to reduce bureaucratic obstacles and export costs to process export documents such as SPS certificates, certificates of origin, and Camcontrol⁴⁰ quantity and quality certificates.⁴¹ In March 2014, the government decided that rice exporters were no longer required to pay value-added tax (VAT). Previously, rice exporters were required to pay VAT and received rebates from the government. In April 2014, the government eliminated the charges relating to customs processing fees for rice exporters to reduce export cost and boost the industry.⁴²

The value of rice exports increased considerably between 2008 (US\$ 2.4 million) and 2012 (US\$ 139.5 million). Destination markets were also diversified during this period. ASEAN countries were the main destination (53%, mostly to Malaysia) in 2008 followed by the European Union (45%). By 2012, exports to ASEAN comprised only 18% of total exports. Large portions of paddy rice exports to Thailand and Viet Nam are still informal and not recorded. Estimates of informal exports to Viet Nam amount to 2.2 million tons of paddy rice while informal exports to Thailand amount to 450,000 tons of paddy and 150,000 tons of milled rice.⁴³ However, Cambodia's export of milled rice has been growing and has found new markets within the European Union, making it officially the largest market (63%). Other new markets include the People's Republic of China, Gabon, the Russian Federation, Cote d'Ivoire, the United States and Australia (Figure 9). Cambodia has benefited from duty-free access for rice in the European Union and the Russian Federation under the GSP scheme.

4.1.2. Natural rubber

The rubber industry in Cambodia can be traced back to the early 1920s when Cambodia was under French colonization. In 1953, rubber plantations covered around 30,000 hectares of land, and increased to 62,211 hectares in 1966.⁴⁴ The industry did not expand during the Indochina Wars and the civil wars, which lasted from 1975 to 1990. After the peace agreement in 1991, the Cambodian Rubber Research Institute was established with the objectives to develop the sector as well as upgrade yield and production.

Cambodia has about 225,000 hectares of immature rubber plantations coming into production in the next few years. An exponential growth in natural rubber production is expected when these trees mature.⁴⁵ In 2007, the sector employed 40,000 people, almost all in rural communities; this number possibly doubled in 2012.⁴⁶ The sector still faces challenges such as limited knowledge of cultivation techniques, lack of research and development, and limited access to finance. Cambodia's rubber standard is not trusted by international buyers, which frequently demand independent testing by a Singaporean laboratory.⁴⁷

More than 55,000 metric tons of natural rubber was exported in 2012. The government has set a national target of 290,000 metric tons of dry rubber production by 2020 with total areas planted to reach 400,000 hectares.⁴⁸

³⁹ CTIS 2014–2018.

⁴⁰ Camcontrol is the Cambodia Import-Export Inspection and Fraud Repression Directorate General.

⁴¹ Agrifood Consulting International (2014)

⁴² <http://www.phnompenhpost.com/business/rice-customs-fees-dropped>

⁴³ Agrifood Consulting International (2014)

⁴⁴ Saing (2009)

⁴⁵ CTIS 2014 – 2018.

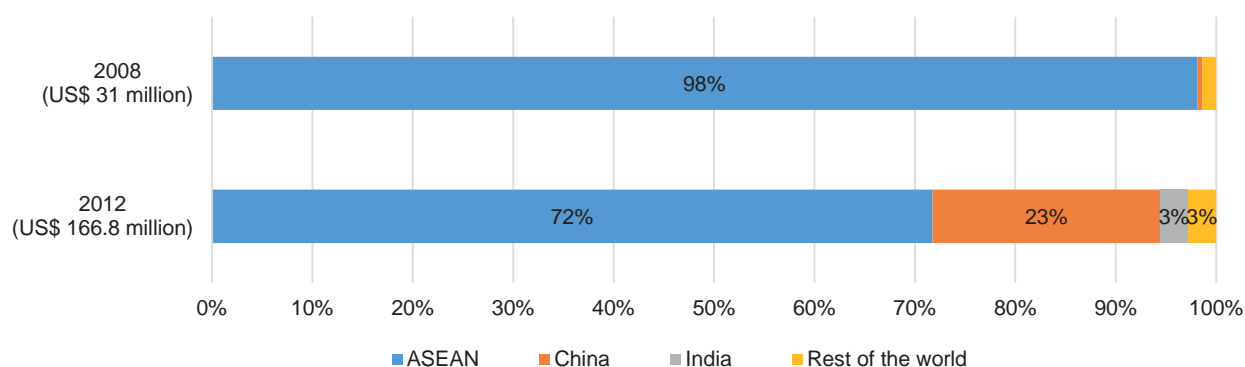
⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

The value of natural rubber exports grew from US\$ 31 million in 2008 to US\$ 167 million in 2012. During this period, exports have become less reliant on the ASEAN market and have diversified. In 2008, an estimated 98% of the natural rubber was exported to ASEAN countries, mainly Viet Nam. ASEAN is still the most important buyer of natural rubber from Cambodia, but sales to other countries have increased. Rubber sales to ASEAN countries now amount to 72% of the export. Within ASEAN, exports to Malaysia in particular have increased significantly. The People's Republic of China has also emerged as an important market, importing 23% of the total exports (Figure 10). Cambodia benefits from duty-free access to the European Union, the United States, Japan and the Republic of Korea, however, exports to these countries are still very low.

Figure 10: Cambodian natural rubber exports – major markets, 2008 and 2012



Source: ITC Trade Map, 2013.

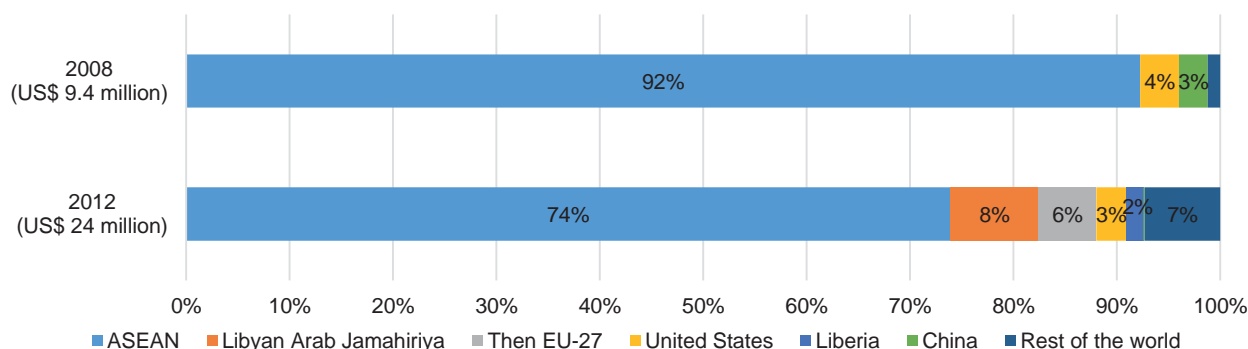
4.1.3. Tobacco

Tobacco was introduced in Cambodia during the era of French colonization, 1863 to 1954. Tobacco is cultivated during the October to May dry period along the Mekong River, and mainly in four provinces: Kratie, Kampong Cham, Kandal and Prey Veng.⁴⁹ Similar to most countries, tobacco faces restrictive regulations such as bans of advertising on television and on billboards due to its adverse effect on human health.

According to statistics from the Ministry of Agriculture, Forestry and Fishery, 8,987 metric tons of tobacco were cultivated on more than 5,947 hectares of land in 2005. More than 90% of the land used for tobacco cultivation is in the province of Kampong Cham, which produces 95% of the total tobacco in Cambodia.

Exports of tobacco have increased, from US\$ 9 million in 2008 to about US\$ 24 million in 2012. ASEAN is the main export destination. Singapore, Indonesia, Viet Nam and Thailand together imported 71% of the exports. Exports to Libyan Arab Jamahiriya (8%), the European Union (6%) and the United States (3%) have also increased (Figure 11).

⁴⁹ Samrech (2008).

Figure 11: Cambodian tobacco exports – major markets, 2008 and 2012

Source: ITC Trade Map, 2013.

4.1.4. Cassava

Cassava is adaptable to diverse climates and can be grown in soil with low fertility.⁵⁰ It is grown in most provinces in Cambodia. According to Ministry of Agriculture, Forestry and Fisheries (MAFF) statistics, Batambang, Kampong Cham and Banteay Meanchey are the largest provinces producing cassava. The three provinces together accounted for 35% and 51% of total cultivated area and production in 2012, respectively.

Cassava production has been expanding rapidly and has become an important sector in Cambodia. Production has increased from 3.7 million tons in 2008 to 7.6 million tons in 2012. The area under cultivation has almost doubled from 180,000 hectares to 337,800 hectares during the same period. Cambodia has some of the highest yields for cassava in the world, with an average of 40 tons per hectare and newly cultivated lands producing yields in excess of 40 tons per hectare.⁵¹

Better prices in the world market have encouraged more cassava cultivation in the country. Most cassava exports from Cambodia are in the form of fresh tubers or dried chips with most of the processing and value added taking place abroad. The cassava sector benefits from available and arable land as well as low labour costs. Cassava has many end uses and is widely used in global food, animal feed, bio-fuel and semi-industrial sectors.⁵² Cassava exports are eligible for preferential tariffs from the European Union, ASEAN and China.

However, there are numerous weakness in the sector such as low investment in processing facilities; lack of skilled labour to manage processing facilities; limited experience in marketing, supply chain and export; competition for raw cassava from Thailand and Viet Nam; and difficulties in meeting SPS requirements of importing countries such as China.⁵³

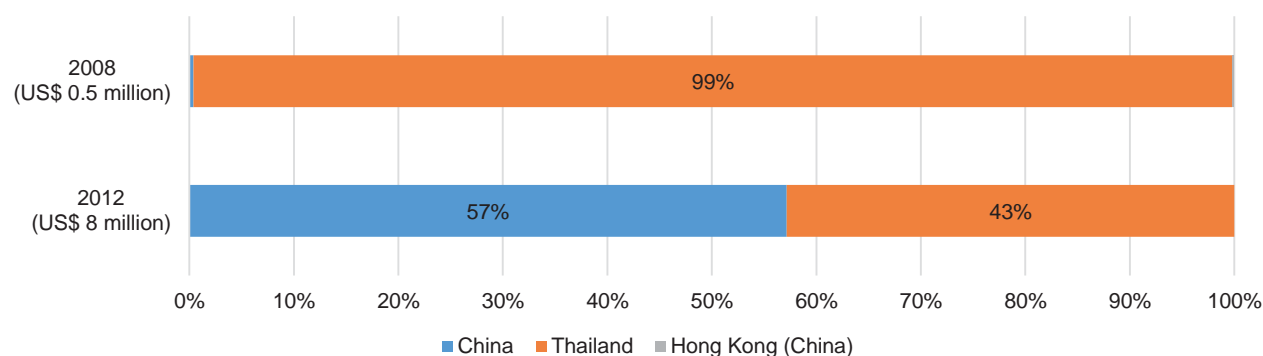
Formal exports have grown from US\$ 0.5 million in 2008 to US\$ 8 million in 2012. Almost all cassava exports in 2008 went to Thailand. Exports to the People's Republic of China increased significantly by 2012, accounting for 57% of total exports (Figure 12). However, most cassava is still informally exported to Thailand and Viet Nam. According to the United Nations Development Programme (UNDP), cassava could have generated between US \$200 million and US\$ 300 million worth of informal export revenues in 2010. Most informal exports are raw materials, which presents an opportunity to process and to convert the sector into formal exports, thus creating value addition in the country.

⁵⁰ Hing and Thun (2009).

⁵¹ CTIS 2014–2018.

⁵² Ibid.

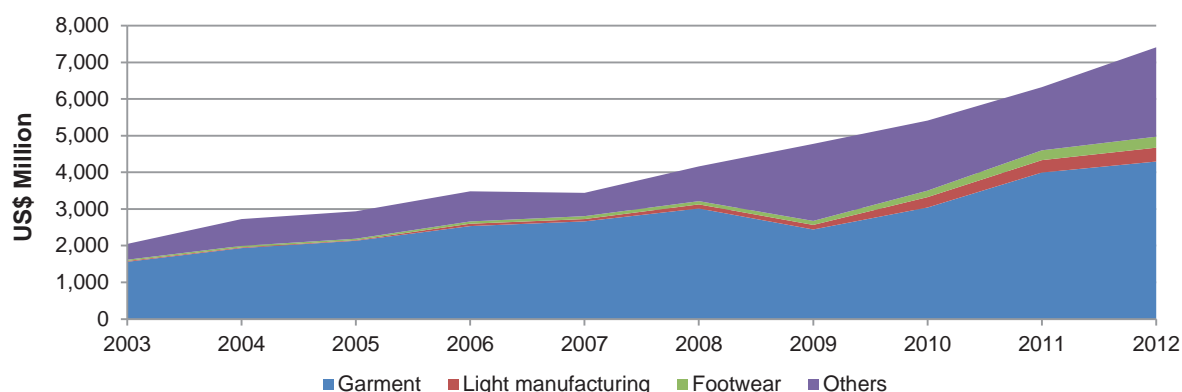
⁵³ Ibid.

Figure 12: Cambodian cassava exports – major markets, 2008 and 2012

Source: ITC, Trade Map, 2013.

4.2. The role of the manufacturing sector

The industrial sector has made a significant contribution to the Cambodian economy and accounts for 24.3% of the country's GDP (Figure 3), of which the manufacturing sector represents 16% of total GDP.⁵⁴ In 2012, the total value of manufactured exports was US\$ 7.4 billion, up from US\$ 2 billion in 2003 and US\$ 4.2 billion in 2008. Major export products include garments, footwear and light manufacturing assembly, which represented 58.1%, 4% and 5.1% of export value of manufacturing, respectively (Figure 13).

Figure 13: Cambodian export of manufacturing commodities, 2003 to 2012

Source: ITC Trade Map, 2013.

4.2.1. The garment industry

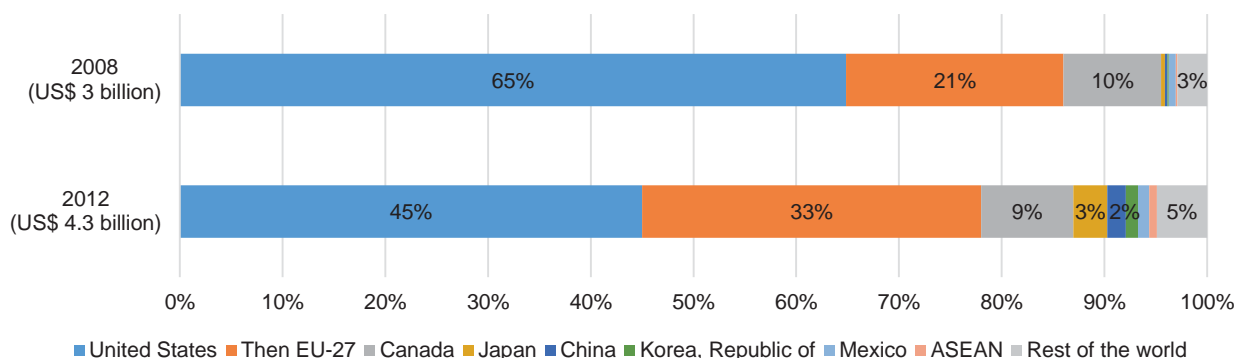
Development of Cambodia's garment industry started in the late 1990s when the economy transformed into a free-market regime. The United States and the European Union offered GSPs to Cambodia, which attracted foreign direct investment into the sector. Currently, the industry continues to enjoy EBA and GSP from several countries, but not the United States. The industry also benefits from the availability of low-cost labour, qualified investment projects, being located in special economic zones (SEZs) and its reputation as relatively 'ethical' as a result of the Better Factories Cambodia programme.

⁵⁴ World Bank (2014), WDI.

The industry is challenged by low productivity, weak transportation infrastructure, a ‘cut-make-trim’ production base, and the fact that most factories have minimal investments in fixed assets and can easily relocate if operating costs are no longer competitive.⁵⁵

The industry employed 370,000 workers in 2012; most are women from rural areas.⁵⁶

Figure 14: Cambodian garments exports – major markets, 2008 and 2012



Source: ITC Trade Map, 2013.

The garment industry is heavily dependent on exports to the United States. In 2008, Cambodia exported US\$ 3 billion of garments of which the United States imported 65%, the European Union 21% and Canada 10%. By 2012, exports had risen to US\$ 4.3 billion with increasingly more sales in the European Union, which now imports one-third of total exports. The United States remains the biggest market (45%) even if it does not offer any duty concessions to garments. Exports to ASEAN countries have remained very low (Figure 14).

4.2.2. Footwear

Cambodia’s footwear industry benefits from the EU’s EBA initiative and GSP from selected countries. The industry also benefits from its qualified investment project status or being located in SEZs. Cambodia’s low-cost workforce is particularly attractive for footwear production, which is labour intensive and not complex. However, the industry is challenged by a low-skilled workforce and unproductivity, the high price of electricity, weak transportation infrastructure and a lack of local materials.⁵⁷

The industry employed about 64,200 workers in 2012; more than 90% are women from rural areas.⁵⁸ Similar to the garment industry, the footwear industry also contributes indirectly to eradicating poverty because most of the workers send a portion of their salaries to their families in rural areas where poverty is concentrated.

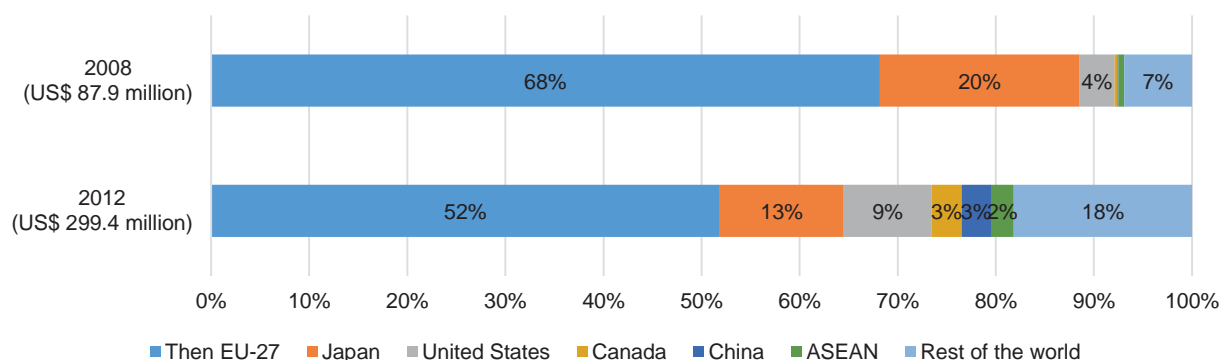
Footwear exports have increased from US\$ 88 million in 2008 to US\$ 300 million in 2012. The European Union remains the main destination, although its share has decreased from 68% to 52% over the same period. Export share to Japan also decreased. The share of exports to the United States, Canada, the People’s Republic of China and other countries has increased (Figure 15).

⁵⁵ CTIS 2014–2018.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Ibid.

Figure 15: Cambodian footwear exports – major markets, 2008 and 2012

Source: ITC Trade Map, 2013.

4.2.3. Light manufacturing assembly

Light manufacturing assembly⁵⁹ is mainly focused on exports and has grown over the last several years. Exports grew from just US\$ 65 million in 2006 to US\$ 378 million in 2012.⁶⁰ It is estimated that light manufacturing assembly employed as many as 10,000 workers in 2012; most of them from the provinces.⁶¹ It is a fast-growing industry, with annual growth of between 20% and 25% or more.⁶²

The production is concentrated on few products, mainly bicycles (total exports of US\$ 253 million in 2012), electrics and electronics assembly (exports of US\$ 40 million), together with a mix of other light manufacturing (exports of US\$ 85 million).⁶³ Light manufacturing factories are principally located in SEZs. The major export destinations are Germany, Thailand, the United Kingdom, the United States and Belgium.

Similar to garment and footwear, light manufacturing can access duty-free status in EU markets and other selected countries, enjoys favourable investments from the government and low labour costs. These factors have attracted recent investments from Japan to produce manufacturing products such as small motors and wire harnesses. However, the industry is constrained by low productivity, high electricity costs, and weak transportation infrastructure.

5. National trade and development strategies: Aid for Trade

Cambodia's efforts to develop trade as an instrument of development and poverty alleviation have been supported by its development partners. This support has increased progressively during the years since the country's WTO accession.

5.1. The Enhanced Integrated Framework

The Enhanced Integrated Framework (EIF)⁶⁴ has played an important role in stimulating this support. In 2002, Cambodia was the first country to complete an Integrated Framework Diagnostic Trade Integration Study (DTIS). The programme and procedures that followed the adoption of the DTIS were instrumental and moved the trade development agenda forward. DTIS also revealed human and institutional weaknesses within the government that were holding back progress.

⁵⁹ Light manufacturing covers from product code HS 71 to 79, and from code HS 81 to 83.

⁶⁰ ITC, Trade Map, 2013.

⁶¹ CTIS 2014–2018.

⁶² Ibid.

⁶³ ITC, Trade Map, 2013.

⁶⁴ The Enhanced Integrated Framework is a multi-donor programme that helps LDCs play a more active role in the global trading system.

The Accra Agenda for Action (2008), the Paris Declaration on Aid Effectiveness (March 2005) and the Aid for Trade initiative at the Hong Kong, China, WTO Ministerial Meeting (December 2005) made it clear that important changes were taking place in the way the donor community was addressing Aid for Trade, and that assistance could expand rapidly. This, together with lessons learned from the DTIS experience, encouraged the government to undertake a major revision of its institutions and procedures for dealing with trade-related assistance.

5.2. Sector-Wide Approach to trade (Trade SWAp)

In 2007, the government adopted a revised and updated DTIS, launched a Sector-Wide Approach to trade (Trade SWAp) initiative, and reorganized the Ministry of Commerce to allow it to better manage trade-related assistance. DTIS 2007 laid out a new agenda for trade development. It identified 19 products and services with export potential; examined the human development and poverty reduction potential of the 19 sectors; identified markets abroad that could be attractive to Cambodian exporters and services; and expanded and updated the agenda for legislative reform.

As a result, the government was able to coordinate actions with its development partners to implement the DTIS agenda. It established the Sub-Steering Committee on Trade Development and Trade-related Investment, whose members are representatives of all the ministries dealing with trade and trade-related issues, and all development partners providing Aid for Trade. Representatives of the private sector also participate in the Sub-Steering Committee's work when the topics under discussion are relevant to them.

The Sub-Steering Committee has three working groups, or 'pillars', charged with developing the DTIS agenda into specific projects suitable for support by development partners. The first pillar deals with legislative reform, and works to formulate projects for funding by development partners in this area; the second deals with the 19 products and services, and works to develop projects for funding with regard to those products and services; and the third develops proposals with regards to capacity development. This process is producing a steady stream of viable projects, many of which have found support among development partners. The pillars have developed roadmaps that define goals, strategic objectives and outcomes. Taken together, these roadmaps cover a large part of Cambodia's Aid for Trade strategy.

The Ministry of Commerce (MOC) has created a Department for International Cooperation, which is a focal point to coordinate the execution, monitoring and assessment of trade-related assistance. It provides the government with an important mechanism for ensuring that trade, development and poverty alleviation actions are properly integrated as regards policy formulation and execution, and with respect to relations between the government and its development partners. The government believes these changes have increased, and are continuing to increase, Cambodia's capacity to successfully use higher levels of Aid for Trade, and to ensure that trade realizes its full potential to reduce poverty and contribute to social development.

To support these efforts, some development partners have established a multi-donor trust fund, whose resources are available to directly support project proposals identified through the Trade SWAp process. Other development partners use their own delivery mechanisms to achieve the same results, under the coordination of the Sub-Steering Committee.

The Regional Technical Group on Aid for Trade, which is co-chaired by Cambodia and Japan, provides further support. The group is a forum for reviewing the flows of Aid for Trade to Asia-Pacific countries, and for exchanging information and experiences, particularly as regards the policy responses of individual countries in the area of Aid for Trade.⁶⁵

⁶⁵ This section is based on information from the first trade policy review undertaken of Cambodia by the WTO in 2011.

5.3. Cambodia Trade Integration Strategy 2014–2018

In early 2014, the government launched the Cambodia Trade Integration Strategy 2014-2018 (CTIS 2014–2018), which is the third generation of DTIS. Cambodia is the first country to update its original DTIS for the second time. CTIS 2014–2018 benefits funding from the EIF, the Asia Development Bank, UNDP and the World Bank.

Since the first DTIS 2001, the leadership of policy formulation process has changed, which reflects the growing capacity of the government to manage the Aid for Trade process. The first DTIS was an agency-driven process, with the World Bank leading a team of experts under EIF funding. The second DTIS 2007 was managed jointly by Cambodia’s Ministry of Commerce and UNDP. CTIS 2014–2018 is a fully government-led and government-owned process.

CTIS 2014–2018 benefits from technical inputs from the Inter-Ministerial Committee for Updating the Cambodia Trade Integration Strategy 2013–2018, which includes senior officials from Ministries of Commerce, Economy and Finance; Health; Tourism; Planning, Industry and Handicraft; Mines and Energy; Agriculture, Forestry and Fisheries; Rural Development; Women Affairs; Vocational Training; Public Works and Transport; Education, Youth and Sports; as well as the Council Ministers, the Council for the Development of Cambodia and the Royal School of Administration.

The Trade SWAp Roadmap 2014–2018 focuses on 20 outcomes organized around three pillars, which aim to have an impact on five development goals (Table 2).

Table 2: Development impacts and strategic outcomes, Trade SWAp 2014–2018

Development Impacts/Goals	
Impact/Goal 1	Improved competitiveness contributes to reducing poverty through better and new jobs
Impact/Goal 2	Significant increase in the contribution of the trade sector to GDP and deepening diversification of Cambodia's export base
Impact/Goal 3	Strengthened capacity of the government to formulate and implement trade policies and strategies
Impact/Goal 4	Responsiveness of the government to private sector needs increase as a result of better dialogue
Impact/Goal 5	Improved planning, implementation, and monitoring capacity of the government through implementing Trade SWAp
Strategic outcomes	
Pillar One	
Outcome 1	Trade policy reform and trade negotiations. Cambodia meets its trade legal reform obligations under WTO and ASEAN, strengthens its access to markets through trade negotiation, and enhances the transparency of its trade rules and laws.
Outcome 2	Trade facilitation. Cambodia increases its competitiveness through reduced import/export costs.
Outcome 3	Trade logistics. Cambodia increases its competitiveness through improved trade logistics.
Outcome 4	Technical standards and SPS requirements. The capacity of Cambodia exporters to meet technical and SPS requirements standards set by importers and importing countries increases.
Outcome 5	Investment environment for exports. The environment for investment in the 10 DTIS 2013 focus export sectors is strengthened.
Outcome 6	Intellectual property rights. A modern, trade-supportive intellectual property rights framework is established, implemented and enforced.
Pillar Two	
Outcome 7	Garments. Cambodia continues to grow and diversify its garment export sector through targeting new markets, increasing domestic inputs and expanding in higher value products.
Outcome 8	Footwear. Cambodia continues to grow and diversify its footwear export sector through targeting new markets and developing new market segments.
Outcome 9	SEZs. Cambodia SEZs increase their competitiveness and attract additional manufacturing investment.
	Light manufacturing assembly. Cambodia emerges as a node in regional production networks.
Outcome 10	Processed food. Cambodia continues to grow and diversify its processed food sector through new export markets, moving to higher-value products and expanding domestic inputs.
Outcome 11	Fisheries products. A sustainable fisheries sector sees Cambodian exports increase as a result of improved quality, growing production volumes and strengthened access to markets.
Outcome 12	Milled rice. Cambodia achieves the target set out under the Rice Policy 2010 for milled rice exports.
Outcome 13	Cassava. Cambodia consolidates its exports of cassava through direct exports to such countries as the People's Republic of China and the Republic of Korea and lessens its dependency on exports of unprocessed tubers to Thailand and Viet Nam.
Outcome 14	Rubber. Cambodia progresses towards becoming a key producer and exporter of rubber.
Outcome 15	Tourism. Cambodia progresses towards the government's 2020 target set for tourism: 8 million foreign visitors.
Outcome 16	High-value silk products. A small but growing number of Cambodian producers are able to design and export high-value silk products.
Pillar Three	
Outcome 17	Skills gap for exports. The government and Cambodian exporters bridge the skills gap through the formal education sector and increased public-private partnerships to develop vocational and technical education.
Outcome 18	Mainstreaming trade. Trade development objectives are fully mainstreamed in the national development strategy and in product and service sector strategies.
Outcome 19	Monitoring and mobilizing Aid for Trade. The government's ability to monitor and evaluate results of Trade SWAp is strengthened leading to stronger mobilization of Aid for Trade inside and outside Trade SWAp.
Outcome 20	Enhancing private sector participation in Aid for Trade. A better structured dialogue between the private sector and government contributes to efficient public-private partnerships for trade development based on Aid for Trade.

Source: Cambodia's Trade Integration Strategy 2014–2018.

Chapter 2 Non-Tariff Measure Survey methodology and implementation in Cambodia

In the framework of the ITC programme on NTMs and in cooperation with local partners in Cambodia, ITC conducted a large-scale company survey on NTMs and related obstacles to trade. The objectives of the NTM Survey were to increase transparency and create a better understanding of the trade impediments faced by the Cambodian business sector.

This chapter provides information on country-specific survey implementation, sampling methodology, basic characteristics of the survey sample and course of analysis. Appendices provide further details:

- Appendix I provides a thorough explanation of the global methodology, which is the core part of the analysis, identical in all surveyed countries.
- Appendix II explains the NTM classification.
- Appendix III lists POs and presents the taxonomy to arrange reported measures into an organized hierarchical system.
- Appendix IV presents the agenda of the stakeholders' consultation held in Phnom Penh, Cambodia in March 2013.

1. Survey implementation and sampling methodology

1.1. Timeline and principal counterparts

The ITC NTM Survey in Cambodia took place between February 2012 and February 2013, with the support of the Supreme National Economic Council (SNEC) of Cambodia. Prior to implementing the survey, the general methodology was adjusted to the needs and requirements of Cambodia in close collaboration with the government, business associations and other stakeholders. ITC project managers met with various stakeholders in January 2012 to adjust the general survey methodology that meets Cambodia's particular needs. Some of the organizations consulted included SNEC, MOC, the General Department of Customs and Excise (GDCE), the Phnom Penh Autonomous Port, the American Cambodian Business Council, the Cambodia Chamber of Commerce, the Federation of Association for Small and Medium Enterprises of Cambodia, the World Bank, and the Cambodia Development Resource Institute.

The survey was implemented by a Cambodian survey company, BMRS Asia (Cambodia) Ltd. In January 2012, ITC provided a week-long intensive training to the project managers and interviewers of BMRS Asia on NTMs, the survey methodology, questionnaires and interviewing techniques. The trained interviewers were then able to conduct telephone and face-to-face interviews with Cambodian companies, a process that lasted until February 2013.

Following the conclusion of the survey, ITC presented preliminary results during a stakeholders meeting held in Phnom Penh in March 2013. The objectives of the meeting were to validate the results, stimulate a public and private sector dialogue, and develop proposals and policy options to address the problems identified during the NTM Survey.

1.2. Survey process outline and modalities

As illustrated in Figure 16, the NTM Survey was conducted in two stages. The first step involved screening of exporting and importing companies through a telephone interview (Section 1.2.1). The aim of the telephone interviews was to confirm the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. The second step involved detailed face-to-face interviews with companies that reported experiencing obstacles to trade and were willing to participate (Section 1.2.2).

The Cambodian business registry contains information on the type of products exported or imported by companies together with contact details. It was compiled by the Cambodia Institute of Development Study from various sources, including MOC and business associations. The list was complemented by company details obtained from the Yellow Pages. The full list contained contact details of 2,037 exporting and

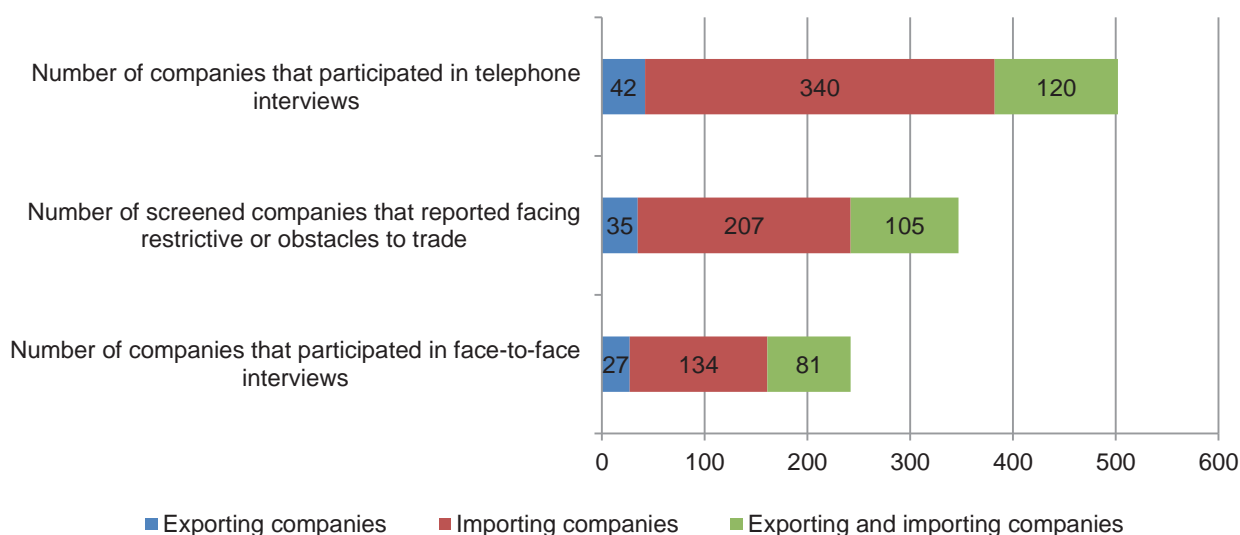
importing companies. This business registry was used to select a stratified random sample of 502 firms that were interviewed by telephone⁶⁶ to identify companies that experienced burdensome regulations that seriously affected their export or import operations. Subsequently, 242 companies reporting these challenges were interviewed face-to-face.

The NTM general survey methodology aims to cover all export sectors that account for at least 2% of a country's total export value⁶⁷ and the cumulative export value of the sectors covered account for at least 90% of the total export value (excluding minerals and arms). The survey does not cover companies trading arms, minerals and petroleum because the export of minerals and petroleum is generally not subject to trade barriers due to high demand and the specificities of trade undertaken by large multinational companies. The export of arms is out of the scope of ITC activities.

In Cambodia, the following sectors were included in the survey: fresh food and raw agro-based products; processed food and agro-based products; clothing; wood, wood products and paper; yarn, fabrics and textiles; chemicals; leather and leather products; metal and other basic manufacturing; transport equipment; clothing; and miscellaneous manufacturing.

The interviews with the companies were based on generic ITC NTM Survey questionnaires adjusted to meet Cambodia's particular needs and translated into Khmer. Typically, survey respondents were general managers or the company's employee responsible for export and import processes.

Figure 16: Number of companies interviewed by telephone and face-to-face



Source: ITC NTM Survey in Cambodia, 2013

1.2.1. Telephone interviews

A stratified random sampling method is used to calculate the sample size for the NTM Survey's telephone interview phase. This approach ensures that the samples required for each sector corresponds to the size of the sector. Of the 502 companies that participated in telephone interviews, 162 companies were exporters and 340 companies imported. The telephone interviews focus on key information such as the company's export and import sectors, company size, and whether the company was affected by burdensome regulations or procedures during the last 12 months. The telephone interviews identified 347 (69%) affected exporting and importing companies. Subsequently, 242 of the affected companies were interviewed in detailed face-to-face interviews to understand the exact nature of their problems (Figure 16).

⁶⁶ See Appendix I for more methodological details.

⁶⁷ Sectors are based on the ITC classification, which is composed of two agricultural and 11 manufacturing sectors. Minerals, petroleum and arms are generally excluded. See Appendix I for more information. A detailed list of products comprising the ITC classification of sectors is available upon request.

Most interviews with exporters focused on the manufacturing sector (65%), which included clothing (40%), leather products (10%) and miscellaneous manufacturing products (10%). This corresponded to the export composition of Cambodia. Companies covered in the agricultural sector included processed food (22%); and fresh food and agro-based products (13%) (Figure 18). On the importing side, 340 companies were interviewed with a focus on the chemicals, processed food, basic manufacturing and non-electronic manufacturing sectors.

Micro and small companies represented the majority of interviewed companies, with 31% and 41% of the sample, respectively (Figure 17). Medium-sized and large enterprises together represented 19% of the interviewed companies. The size of an estimated 9% of the interviewed companies could not be verified. The size of the company was determined by the number of employees. Companies were classified as micro if they employ fewer than 10 employees, small for 11 to 50 employees, medium for 51 to 100 employees, and large for more than 100 employees.

The majority of the surveyed companies were based in Phnom Penh.

1.2.2. Face-to-face interviews

The selection of companies for face-to-face interviews was based on the results of the telephone interviews. Only companies that reported to be facing burdensome NTMs in the telephone interviews and were willing to participate further were interviewed in detailed face-to-face interviews. These face-to-face interviews gathered detailed information on the causes and types of NTMs.

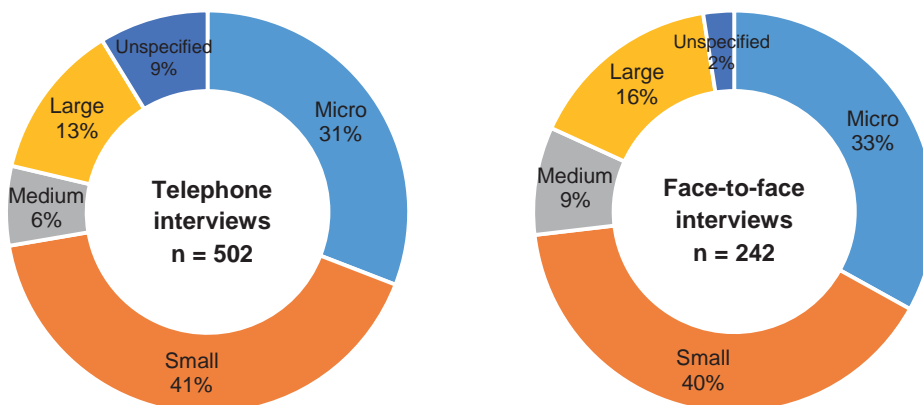
Out of the 242 companies that participated, 27 were exporting while 134 were exporting and importing; 81 companies engaged only in importing also participated (Figure 16). On average, face-to-face interviews lasted 45 to 60 minutes, depending on the number of challenges and barriers reported. The participation rate for companies (70%) in face-to-face interviews was relatively high. The participation rate of exporters was very high (77%). The interviews were conducted in Khmer.

1.3. Implementation challenges

Some of the challenges faced in carrying out the NTM Survey included:

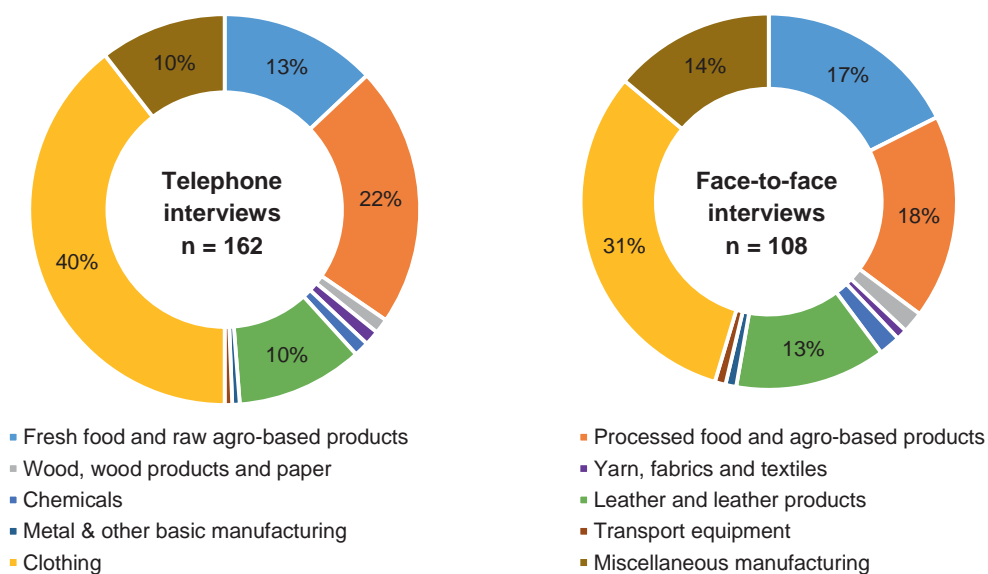
- Some companies refused to participate, even when interviewers explained the purposes and benefits of the survey.
- Some refused to participate due to time constraints.
- Some complained that the questionnaires were long and that they should be mailed, which was not possible. A guided discussion is necessary to ensure detailed and complete information on the difficulties faced is captured.
- Some companies were willing only to be interviewed by telephone, but did not want to participate in a face-to-face interview.
- Numerous companies refused to be interviewed because they did not want to create problems with government officials at the various ministries.
- There was mistrust that interviewers were working for the government or competing firms.
- Some complained about frequent changes in appointments for interviews.

Figure 17: Distribution of interviews by company size



Source: ITC NTM Survey in Cambodia, 2013.

Figure 18: Distribution of interviews by main export sector



Source: ITC NTM Survey in Cambodia, 2013.

Note: This figure includes only includes exporters.

2. Captured data and evaluation approach

In ITC NTM Surveys, interviewers collect information on the characteristics of firms, including size, operational age, foreign ownership and sector affiliation. Firms are classified as either ‘producing’ or ‘forwarding’ companies and as exporting or importing enterprises. Firms are also asked to provide information on their exports and imports at the product or Harmonized System (HS) 6-digit level,⁶⁸ the destination country of exports or their imports’ country of origin. Each pair of product and partner country is referred to as ‘product-partner trade flow’.

For each product-partner trade flow, company representatives are asked to provide detailed information on the NTMs they encounter. Interviewers then capture the category of the NTM as classified in Appendix II, the country applying the measure and the authorities causing POs. The survey distinguishes between POs associated with a reported NTM and general inefficiencies in the TBE that are posing challenges.

The final phase of data analysis consists in calculating frequency and coverage statistics along several dimensions, including product and sector, main NTM category (e.g. technical measures or quantity control measures) and company characteristics (e.g. size).

Most frequency and coverage statistics are based on ‘cases’. A case is the most disaggregated unit of analysis. Every company participating in face-to-face interviews reports at least one case of burdensome NTMs and, if relevant, POs and challenges associated with the TBE.

The type of NTM and the country applying it, the product affected and a company reporting the measure defines a ‘case’ of an NTM. For example, if one company reports that an NTM applied by a partner country affects three products, the results would include three NTM cases. If two different companies report the same problem for a given product and partner country, it would count as two cases.

However, the counting of cases differs depending on whether the NTM is applied by the exporting or importing country. The scenario where several importing partner countries apply the same type of measure to exports is recorded as several cases. The details of each case, including the actual name of government regulation and its strictness, may vary as regulations mandated by different countries are likely to differ.

When the exporting country applies an NTM to a product exported by one company to several countries, this is recorded as one NTM case because it is considered to be the result of one policy. Following the same logic, if a company imports the same product from several different countries and faces difficulties with NTMs imposed by Cambodian authorities, it would be counted as one case.

Cases of POs and problems with inefficiencies in the TBE are counted in the same way as NTMs. PO and TBE statistics are provided separately from those of NTMs, even though in certain instances they are closely related. For example, extended delays may result from pre-shipment inspection requirements. While POs are directly related to a given NTM, inefficiencies in the TBE occur irrespective of NTMs.

⁶⁸ In several cases, products were inaccurately reported at the HS 6-digit level, but may be traced to the HS 4-digit level.

Chapter 3 Survey results – companies’ experiences with non-tariff measures

This chapter provides a detailed analysis of the NTM Survey findings in Cambodia. It starts with an aggregated country-level overview of NTMs, focusing on affected sectors, major problems and locations where the problems occur (Section 1). Next, the major regulatory and procedural problems faced by exporters and importers are explained in detail (Sections 2 and 3). Concerns expressed by companies about the business environment are presented in Section 4. Section 5 provides a summary and new developments.

1. Aggregate results and cross-cutting issues

The share of companies that reported to be affected by burdensome regulations in Cambodia is very high. From a sample of 502 companies interviewed by telephone, 347 exporting or importing companies (69%) reported they were experiencing difficulties with regulations applied by partner countries or Cambodia. In general, exporting companies appear to be more much more affected (82%) compared to importing companies (55%, Table 3).

Companies exporting agro-food products appear to be more affected (89%) than those exporting manufactured goods (78%). Exporters of rice, one of the major agro-food exports, primarily faced difficulties with regulations and processes related to testing, product certification and rules of origin. In contrast, importers from the manufacturing sector were more affected (56%) than companies from the agro-food sector (50%, Table 3).

Table 3: Share of companies affected by burdensome non-tariff measures or other obstacles to trade, based on telephone interviews

	Main sectors	Total value in 2012 (US\$ '000)	Sector's share in total exports	Number of companies interviewed by telephone	Number of companies affected by NTMs or related obstacles	Share of affected companies
Export	Agro-food	382,497	4.9%	56	50	89%
	Manufacturing	7,410,099	95.1%	106	83	78%
	Subtotal	7,792,596	100%	162	133	82%
Import	Agro-food	519,478	8.8%	74	37	50%
	Manufacturing	5,356,593	91.2%	386	218	56%
	Subtotal	5,876,071	100%	446	247	55%
Total				608	380	63%

Source: ITC Trade Map, 2012; and ITC NTM Survey in Cambodia, 2013.

Note: Companies that both export and import were interviewed about both activities and are represented twice in the table. In the Cambodia survey, 120 companies were interviewed about both export and import processes. As a result, the sum of the subtotals in the table amounts to 608 instead of the actual 502 firms that participated in the telephone interviews. Similarly, while 380 companies are shown to be affected in the table, the actual number of affected companies is 347.

Among other countries ITC surveyed in the ASEAN region, Cambodia reports the highest rate of exporters (82%) affected by burdensome regulations. The share of exporters experiencing burdensome regulations in Thailand and Indonesia is much lower at around 35% and 30%, respectively. The affected rate in Cambodia is similar to the one experienced in other LDCs Malawi (80%), Rwanda (71%) and Madagascar (67%). In Egypt and Mauritius, significantly fewer companies reported to be affected by burdensome NTMs (37% and 31%, respectively). Relative to countries from other regions such as Jamaica (42%), Peru (42%), and Morocco (34%), Cambodian traders reported many more difficulties with regulations when exporting.

To have a better understanding of the nature of problems faced by Cambodian exporters and importers, ITC methodology for NTM Surveys uses three categories: burdensome NTMs, POs and inefficiencies in the TBE. NTMs are official regulations implemented by competent authorities in the exporting or importing country that traders must comply with. Appendix II describes the different types of NTMs. POs are hindrances that companies face due to the manner in which the regulation is applied or implemented. See Appendix III for examples. Inefficiencies in the TBE are generic problems unrelated to specific regulations, but that affect companies' ability to export or import.

In Cambodia, the majority of the surveyed companies were either micro or small sized.⁶⁹ However, larger enterprises tended to be more affected by burdensome NTMs compared to small and medium-sized enterprises (SMEs). Overall, micro and small enterprises seem to be the least affected with 63% and 67% of the companies facing difficulties with NTMs. The rate among larger enterprises is comparatively higher with 78% and 81% of medium and large enterprises reporting difficulties with NTMs (Table 4).

Table 4: Company size and participation

Company size	Company interviewed	Companies facing burdensome regulations	%
Micro	155	98	63%
Small	208	140	67%
Medium	32	25	78%
Large	63	51	81%
Unspecified	44	33	75%
Total	502	347	69%

Source: ITC NTM Survey in Cambodia, 2013.

According to the methodology, a company is considered to be affected by an NTM if at least one of its products is affected by a regulation applied by Cambodia or one of its partner countries. Given that larger companies tend to have bigger portfolio of goods and a larger number of trading partners compared to smaller companies, they are more likely to face impediments in at least one of these transactions. Smaller companies tend to trade a few products with fewer partners. This implies a lower likelihood to experience NTMs or POs.

Import-related measures are regulations applied by the importing country (either Cambodia or a partner country depending upon the trade flow) on products that are being imported into the country. Export-related measures are regulations applied by the exporting country on products being exported. Cases of NTMs for import-related measures are defined at the product and destination market level for each company, which means that a single type of NTM reported by an exporter may be counted multiple times depending upon the number of partner countries applying the same measure. NTM cases for export-related measures are defined only at the product level irrespective of the destination market. This is because the domestic authority applies the regulations and implementation is likely to be the same for products intended for any destination market.

Cambodian companies faced a variety of trade impediments due to regulations applied by partner countries as well as Cambodia. Companies may find compliance to any given NTM difficult for a variety of reasons. It could be that the conditions of a given regulation are simply too difficult to comply with or are intended to restrict trade. For example, companies may not be able to export due to authorities imposing export prohibitions or because of their inability to meet the high quality requirements. Any given regulation may be difficult for exporters because of the related POs rather than the regulation itself being difficult. These POs can occur either in Cambodia, transit countries or destination countries, irrespective of which country applies the NTM.

While most of the burdensome NTMs experienced by Cambodian exporters are partner country regulations, the root of most difficulties is the various procedures imposed by Cambodia. Only 4% of NTM cases were difficult reported to be difficult due to the measure itself being too strict or difficult to comply

⁶⁹ Company size is based on the number of employees. See Chapter 1, Section 2

with. In contrast, 96% of the reported NTM cases were difficult for the exporters due to related POs either in Cambodia, transit or destination countries (Figure 20). This figure is higher than all other countries surveyed by ITC to date.

The majority of the POs experienced by exporters occurred in Cambodia. Cambodian exporters reported a total of 860 cases of POs that made complying with the NTMs difficult. Among them, 827 POs (96%) occurred with various Cambodian authorities and only 33 (4%) in partner countries (Figure 20). Similarly, for importers most of the reported problems occurred in Cambodia.

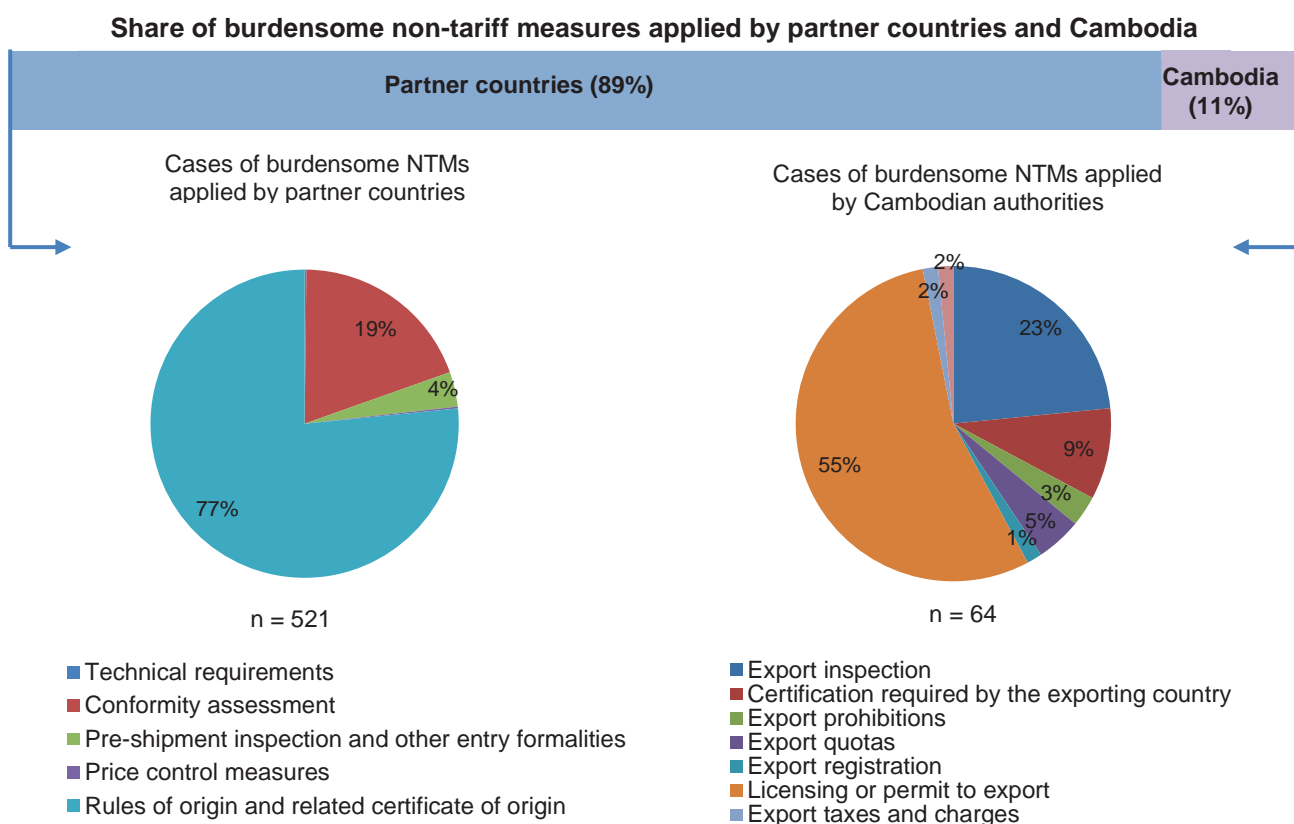
This suggests that improving export procedures and trade facilitation in Cambodia is necessary to stimulate Cambodian exports and imports.

2. Burdensome non-tariff measures and other obstacles faced by exporters

The ITC NTM Survey interviewed 162 exporting companies by telephone, which included 56 companies from the agricultural sector and 106 from the manufacturing sector. Around 40% of the surveyed exporters were exporting clothing, 22% exported processed foods and agro-based products, followed by 13% exporting fresh food and raw agro-based product; 10% of the exporters were from the metal and other basic manufacturing sector and 10% from leather and leather products sector (Figure 18), Chapter 2.

In total, 133 of the 162 companies (82%) reported to be affected by burdensome regulations applied by either partner countries or Cambodia. Among them, 50 were agricultural exporters (89% were affected) compared to 83 manufacturing exporters (78% were affected).

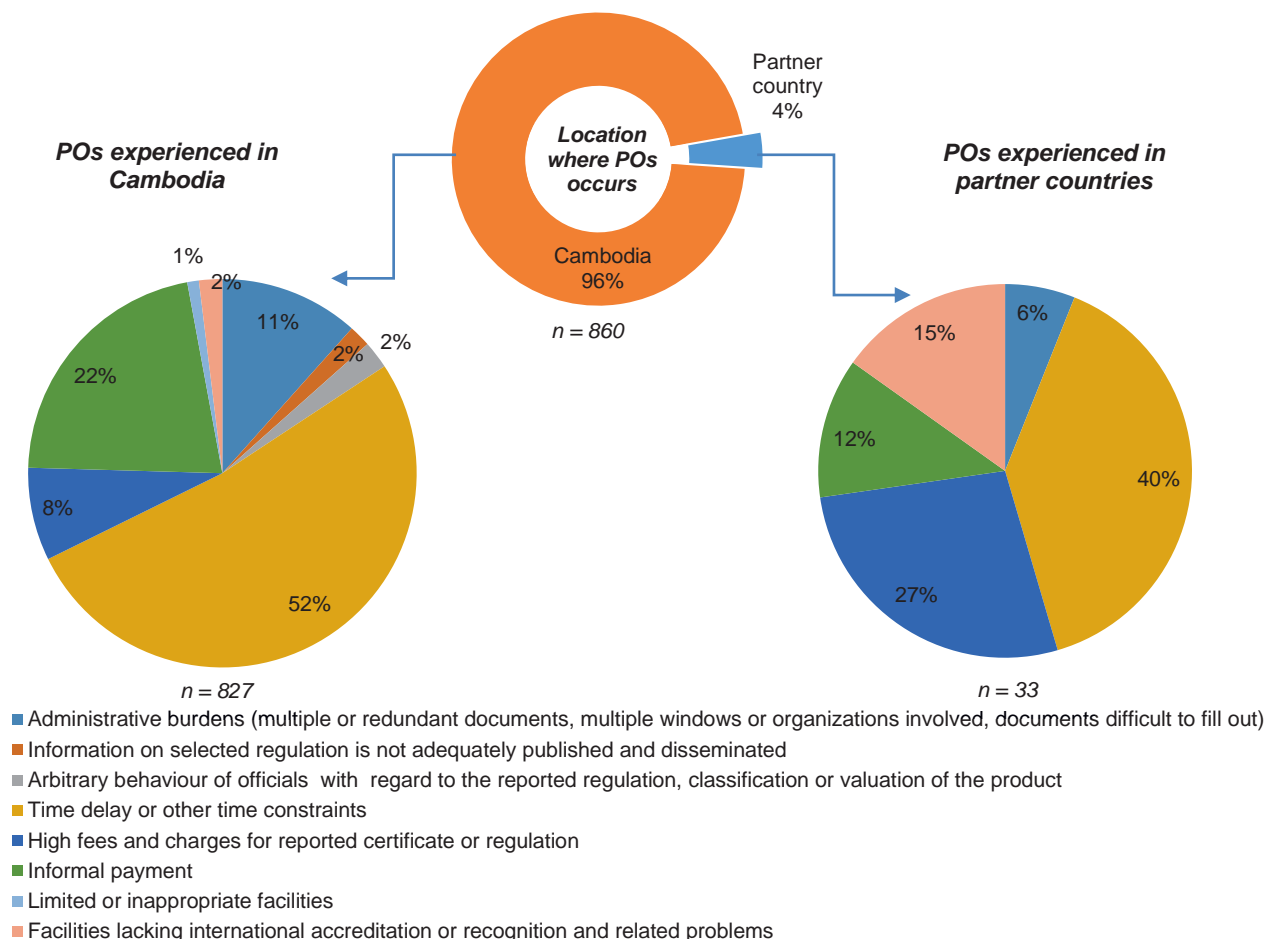
Figure 19: Survey results by main categories of non-tariff measures experienced by exporters



Source: ITC NTM Business Survey in Cambodia, 2013.

Subsequently, 108 affected companies participated in detailed face-to-face interviews. Around 31% of the exporters were from the clothing sector, followed by 18% in the foods and agro-based products, 17% in fresh food and raw agro based products, 14% in metal and other basic manufacturing, and 13% in leather and leather products (Figure 18, Chapter 2). These affected exporters reported 585 cases of burdensome NTMs, of which 521 NTM cases (89%) were applied by partner countries and 64 (11%) by Cambodian authorities (Figure 19).

Figure 20: Procedural obstacles experienced by exporters in Cambodia and partner countries



Source: ITC NTM Business Survey in Cambodia, 2013.

Among NTMs applied by partner countries, rules of origin (77%) and conformity assessment (19%) were the most frequently reported measures, while licensing or permit to export (55%) and export inspection (23%) were the most frequently reported measures applied by Cambodian authorities (Figure 19). The majority of the problems exporters faced with a given NTM were due to a variety of POs occurring in Cambodia. Time delays were the most reported type of PO (50%) occurring in Cambodian agencies, followed by incidents of bribes in public agencies (22%). High fees and charges for reported certificates or regulations (8%) and administrative hurdles (11%) were some of the other types of POs faced by exporters in Cambodia. The POs reported in partner countries included delays (40%), unusually high fees and charges for reported certificates or regulations (27%), bribes (12%), and facilities lacking international accreditation or recognition (9%).

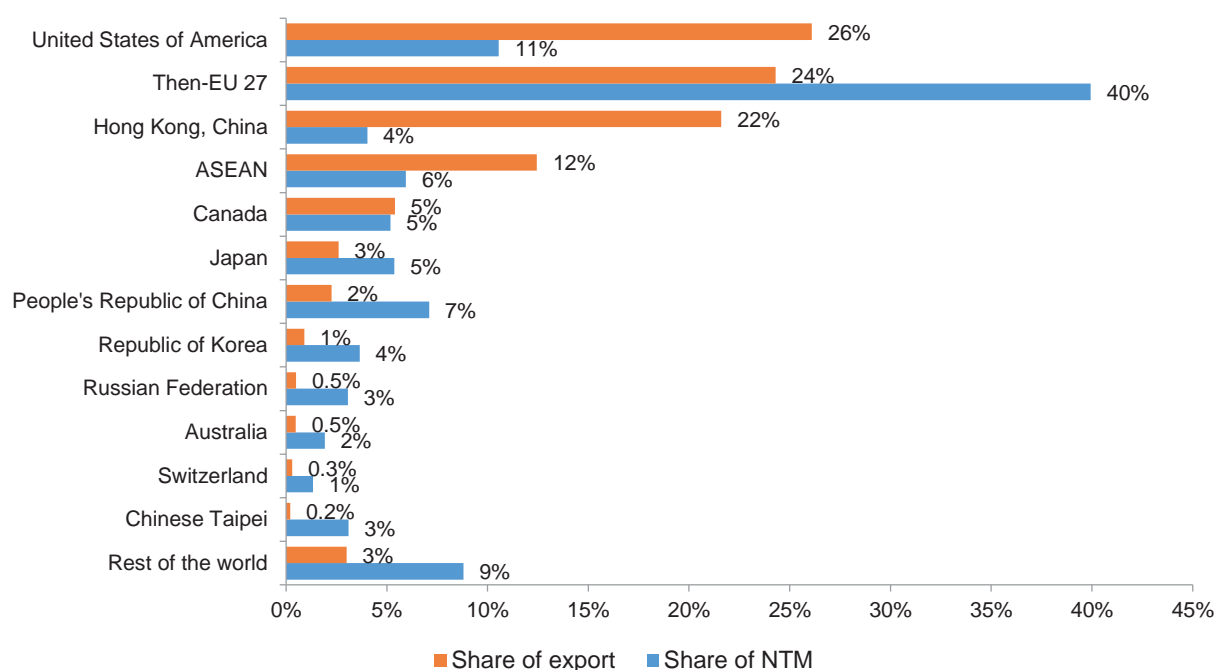
Table 5: Partner countries applying burdensome non-tariff measures on Cambodian exports

	Partner country or territory (export destination for Cambodian products)	Cambodia export value in 2012, US\$'000**	Share in total Cambodian export value	Number of companies that export to this country*	Share of affected companies among those exporting to this country	Number of NTM cases reported to be applied by this country	Share in total NTM cases
ASEAN	Singapore	684,061	8.8%	10	50%	11	2.1%
	Viet Nam	114,869	1.5%	8	25%	3	0.6%
	Malaysia	89,512	1.1%	8	62.5%	10	1.9%
	Thailand	74,253	1.0%	6	33.3%	2	0.4%
	Indonesia	8,063	0.1%	2	50%	2	0.4%
	Philippines	2,271	0.0%	3	66.7%	3	0.6%
	Lao PDR	2,066	0.0%	0	.	0	0.0%
	Myanmar	73	0.0%	0	.	0	0.0%
	Brunei Darussalam	12	0.0%	0	.	0	0.0%
	ASEAN subtotal	975,180	12.5%	37	45.9%	31	6.0%
European Union (then- EU27)	United Kingdom	528,020	6.8%	27	55.6%	30	5.8%
	Germany	469,456	6.0%	29	62.1%	29	5.6%
	Belgium	163,319	2.1%	8	50%	4	0.8%
	Spain	149,852	1.9%	13	76.9%	18	3.5%
	France	123,908	1.6%	37	67.6%	40	7.7%
	Netherlands	122,550	1.6%	13	76.9%	21	4.0%
	Italy	110,776	1.4%	18	72.2%	26	5.0%
	Poland	80,897	1.0%	12	58.3%	15	2.9%
	Sweden	32,769	0.4%	3	66.7%	2	0.4%
	Denmark	24,476	0.3%	3	100%	4	0.8%
	Austria	20,063	0.3%	3	100%	3	0.6%
	Czech Republic	8,757	0.1%	3	66.7%	5	1.0%
	Portugal	3,386	0.0%	6	50%	5	1.0%
	Bulgaria	566	0.0%	2	50%	3	0.6%
	Rest of EU-27	50933	0.7%	12	25%	3	0.6%
EU (then-27) subtotal	1,889,728	24.3%	189	63%	208	39.9%	
Rest of the world	United States	2,031,025	26.1%	48	66.7%	55	10.6%
	Hong Kong, China	1,681,747	21.6%	10	90%	21	4.0%
	Canada	417,021	5.4%	18	77.8%	27	5.2%
	Japan	199,135	2.6%	21	80.9%	28	5.4%
	People's Republic of China	179,032	2.3%	31	67.7%	37	7.1%
	Republic of Korea	71,232	0.9%	11	90.9%	19	3.7%
	Mexico	55,040	0.7%	2	100%	3	0.6%
	Russian Federation	37,668	0.5%	10	90%	16	3.1%
	Australia	36,763	0.5%	9	88.9%	10	1.9%
	United Arab Emirates	28,482	0.4%	2	50%	2	0.4%
	Switzerland	22,330	0.3%	5	80%	7	1.3%
	Chinese Taipei	16,543	0.2%	8	75%	16	3.1%
	Norway	15,172	0.2%	3	100%	7	1.3%
	Brazil	14,857	0.2%	2	100%	3	0.6%
	South Africa	13,577	0.2%	4	75%	3	0.6%
	Panama	13,024	0.2%	1	100%	1	0.2%
	Turkey	10,995	0.1%	2	100%	3	0.6%
	India	8,879	0.1%	3	66.7%	2	0.4%
	Other countries	75,166	1.0%	23	61%	22	4.2%
	Rest of the world subtotal	4,927,688	63.2%	213	75%	282	54.1%
Global Total	7,792,596	100%	439	67%	521	100%	

Source: ITC NTM Survey in Cambodia, 2013, and ITC calculations based on Trade Map data.

*Companies exporting to several destinations are counted once for every destination. Therefore, the total in this table is higher than the total number of companies interviewed.

**Excluding services, minerals and arms.

Figure 21: Share of non-tariff measure cases for measures applied by partner countries versus share of Cambodian exports destined to these countries

Source: ITC NTM Survey in Cambodia, 2013.

Table 6: Procedural obstacles occurring in Cambodian agencies

POs/TBE affecting exports			POs/TBE affecting imports		
Agency	Number of times the agency was reported in relation to POs	Share in total POs	Agency	Number of times the agency was reported in relation to POs	Share in total POs
MOC	620	74.8%	GDCE	306	70.0%
GDCE	74	9.0%	MOH	77	17.6%
MAFF	67	8.2%	MAFF	18	4.1%
Camcontrol	28	3.4%	MIME	12	2.7%
MOH	9	1.1%	Camcontrol	10	2.3%
MIME	6	0.7%	MOC	8	1.8%
Others	23	2.6%	MPTC	2	0.5%
			Others	4	0.9%
Total	827	100%	Total	437	100%

Source: ITC NTM Survey in Cambodia, 2013.

Note: The total number of times the agencies were reported in relation to POs can be higher than the total number of procedural obstacles because companies can report more than one agency involved in each case.

2.2. Non-tariff measures applied by partner countries on Cambodian exports

During the face-to-face interviews, two-thirds of the affected exporters reported to be experiencing problems with regulations of partner (importing) countries. These companies reported a total of 521 burdensome NTM cases applied by partner countries (89% of total reported cases). The following regions are some of Cambodia's biggest markets. The majority of the perceived difficulties were related to regulations of these regions and countries.

Association of South East Asian Nations (ASEAN): ASEAN countries are a major destination for Cambodian exports. Cambodia is an ASEAN member, which comprises 10 member countries. ASEAN has a goal of regional economic integration by 2015, the ASEAN Economic Community. In 2012, 12% of Cambodia's total exports were to ASEAN countries. Only 6% of the partner-country NTMs (31 cases, Figure 21) that surveyed companies found burdensome originated from ASEAN countries. Most of these NTM cases were applied by Singapore (11 cases), Cambodia's largest export destination in ASEAN, followed by Malaysia (10 cases). Fewer NTM cases were reported for Thailand (2 cases) and Viet Nam (3 cases), Cambodia's second and third largest export destinations in the region. The surveyed exporters also reported 3 cases of burdensome NTM applied by the Philippines and 2 cases applied by Indonesia. Regulations related to rules of origin and related certificates of origin accounted for 17 NTM cases, followed by 6 cases related to product certification, 4 to testing and 4 related to import monitoring and surveillance requirements and other automatic licensing requirements.

The United States: The United States is the largest market for Cambodian exports, accounting for 26% of total exports with garments being the main product; 11% of burdensome foreign regulations reported by exporters were US regulations (55 NTM cases, Figure 21), of which 50 cases were related to rules of origin reported by manufacturing exporters. Two of the cases were related to rules of origin on agricultural exports. Manufacturing exporters also reported two burdensome NTMs related to importing monitoring and surveillance requirements and other automatic licensing, and one NTM case related to pre-shipment inspection.

European Union (then-EU27): The European Union is Cambodia's second largest export destination, with export value amounting to US\$ 1.9 billion in 2012. Cambodia benefits from the preferences granted under the EBA initiative. Exporters reported 208 cases of burdensome NTMs applied by EU countries. Compared to the share of exports to the European Union (23% of total exports), exporters experienced a larger share of difficult NTMs (40% of total foreign NTMs, Figure 21), suggesting that it is a relatively difficult market for Cambodian exporters to access compared to the United States and ASEAN.

Among the 208 reported NTM cases applied by EU countries, 162 were related to rules of origin and certificates of origin (134 cases reported by manufacturing exporters and 34 cases by agricultural exporters). Garments dominate manufacturing exports to the European Union, while the main agricultural export is rice. Both products are required to meet rules of origin requirements and exporters are required to present certificates of origin to benefit from EBA preferential access in the EU market.

Exporters reported 46 cases related to conformity assessment requirements. Most of the 25 NTM cases concerning product certification were related to agricultural exports (22), compared to only three for manufacturing exports. The majority of NTMs related to product certification were applied on rice. The 21 NTM cases related to testing concerned agriculture exports.

The United Kingdom is the largest market for Cambodian products within the European Union, accounting for 6.8% of total exports. Survey results show that 30 burdensome NTM cases (5.8%, Table 5) experienced by exporters were applied by the United Kingdom. Other major EU markets include Germany, the Netherlands, Spain and Belgium, which were associated with 29, 26, 18 and 4 burdensome NTM cases, respectively. France, which imports only 1.6% of Cambodian exports, was associated with disproportionately large number of NTM cases (40 cases, 7.7%). Italy, which imports 1.4% of Cambodian exports, was associated with 26 NTM cases (5%). Other EU countries accounting for less than 0.5% of Cambodian exports each, are associated with 1 to 5 NTM cases (Table 5).

Hong Kong, China: Hong Kong, China, is one of the largest markets for Cambodian exports, accounting for 21.6% of exports. Exporters reported facing 21 burdensome NTM cases (4%, Table 5) in Hong Kong,

China, among which 8 were reported by agricultural exporters and 13 by manufacturing exporters. Most of these cases related to rules of origin (14), followed by product certification (3) and testing requirements (3).

Other partner countries: Canada imports 5.4% of Cambodia exports and is associated with 5.2% of the burdensome NTMs reported by Cambodian exporters (Table 5). Other countries, such as Japan and the People's Republic of China, import around 2.6% and 2.3% of Cambodian exports, respectively, but are associated with relatively more burdensome NTMs (5.4% and 7.1%, respectively). The Republic of Korea, the Russian Federation, Australia and Switzerland import a small share of Cambodian exports (less than 1% each), but the share of burdensome NTMs applied by them is relatively higher.

NTMs imposed by partner countries are a burden to Cambodian exporters because complying with those measures are challenged by POs occurring in both Cambodia and partner countries. POs are harmful to Cambodian exports. According to the survey, 521 reported NTM cases are linked to 860 PO cases. The numbers of POs occurring in Cambodia are far more frequent (827 cases) than those occurring in partner countries (33 cases, Figure 20).

Table 7: Non-tariff measures faced by Cambodian exporters in partner countries

Measure	NTM experienced by exporters from the		Subtotal
	agricultural sector	manufacturing sector	
Storage and transport conditions for plants, animals and food	1		1
Testing	38		38
Product certification	51	12	63
Pre-shipment inspection	3	3	6
Import monitoring and surveillance requirements and other automatic licensing measures	3	10	13
Reference prices and other price controls	1		1
Rules of origin and related certificate of origin	58	341	399
Total	155	366	521

Source: ITC NTM Survey in Cambodia, 2013.

The majority of the burdensome regulations experienced by Cambodian exporters were related to rules of origin (77%) with 399 reported cases, of which 58 cases were reported by agricultural companies and 341 cases by manufacturing exports (Table 7). Regulations on rules of origin require exporters to meet a given minimum level of local content and to obtain related documents or a certificate of origin. This type of obstacle mostly affects Cambodian garment exports, the largest foreign currency earning of Cambodian trade; and rice exports, the largest export of Cambodian agricultural products.

Conformity assessment requirements, which require products to be tested or certified for quality, were the second most reported type of NTM. A total of 101 cases (19%) were reported by exporters. Among them, 89 NTM cases were reported by agricultural exporters (mainly rice) and 12 cases by manufacturing exporters. Technical requirements themselves were not a major problem (one reported case) in Cambodia, as producers seem able to meet the quality and other technical requirements demanded by partner countries. Exporters must prove their products comply with the necessary technical regulations and face a variety of problems to prove compliance. This is highlighted by the numerous NTM cases reported by exporters related to conformity assessment requirements.

Almost all conformity assessment measures were related to product testing and product certification, which are applied by partner countries. Product testing was reportedly difficult because of the lack of accredited facilities and resulting delays and costs. Product certification was largely associated with delays and there were some instances of bribes used to speed up the process.

Surveyed companies reported 19 NTM cases (9%) related to pre-shipment inspections and customs formalities, of which 13 NTM cases were from agricultural exporters and six from manufacturing exporters.

The following section provides a detailed account of the type of partner country regulations that Cambodian exporters found burdensome and why.

2.2.1. Difficulties with rules of origin

As a WTO member, Cambodia is entitled to MFN rates from other member countries. As an ASEAN member, Cambodia benefits from the Common Effective Preferential Tariff that applies to ASEAN countries. Cambodia has also established Free Trade Agreements (FTAs) with ASEAN's trading partners, including the People's Republic of China, India, the Republic of Korea, Japan, Australia and New Zealand.⁷⁰ As an LDC, Cambodia is entitled to GSP schemes from most GSP donor countries.⁷¹ Cambodia also benefits from the EU's EBA initiative. These trading arrangements have contributed to promoting Cambodia's exports and economic development. (See Chapter 1, Section 3).

To benefit from these preferential schemes, Cambodian exporters are required to comply with the respective rules of origin of partner countries and obtain the necessary certification to attest that the goods are produced or that adequate local value addition has taken place in Cambodia. For example, prior to 2011 garments were required to undergo 'double transformation', i.e. garments had to be made in Cambodia from fabric woven or knitted in Cambodia to benefit from the EU's EBA initiative. Cambodia could not take advantage of this initiative because it does not produce fabric; its garment industry relies on imported fabrics. The EU's EBA rules of origin for garments have since changed and now allow duty-free entry for garments sewn using two or more pieces of fabric produced outside of the country.⁷²

Under ASEAN's rules of origin, products need to be wholly produced in Cambodia or be produced using materials from any ASEAN member with at least 40% of value added in Cambodia.⁷³ The rules of origin governing the FTA with the People's Republic of China stipulate that duty-free access will be granted to any garment manufactured by cutting and assembling the fabric into a complete article.

Through ASEAN Cambodia has an FTA with the Republic of Korea and Japan and benefits from duty-free and quota-free access under their GSP. Rules governing the FTA and GSP are different in both countries. To benefit from preferential access under the Republic of Korea's rules of origin, garments require a 'single transformation', i.e. garments cut and sewn in Cambodia from fabric produced elsewhere. Garments also qualify if the regional content is not less than 40% of the free on board value.

Rules of origin governing the Republic of Korea's GSP are more restrictive. Garments manufactured in Cambodia that contain imported materials cannot have inputs that exceed 50% of the free on board price of the final product. Japan's rules of origin allow duty-free access to garments manufactured in Cambodia with fabrics imported from any ASEAN country. Under Japan's duty-free and quota-free scheme a distinction is made between garments made from knitted fabric (HS Chapter 61) and those made from woven fabric (HS Chapter 62). Garments made from woven fabric qualify for GSP treatment irrespective of the source of fabric, while garments made from knitted fabric qualify only if the fabric is made in Cambodia.⁷⁴

The US GSP does not cover garments, Cambodia's main export to the United States. As a result, Cambodia has been unable to benefit from the US preferences.

⁷⁰ WTO (2011): Trade Policy Review: Cambodia.

⁷¹ UNCTAD (2011). Generalized System of Preferences.

⁷² CTIS 2014–2018.

⁷³ Dourng and Sok (2007).

⁷⁴ CTIS 2014–2018.

National authorities at MOC issue the certificate of origin. Issues related to rules of origin were a common problem reported by Cambodian exporters in the agro-food and manufacturing sectors. It is the most frequently reported NTM by exporters in both sectors, with a total of 399 cases. Agricultural exporters reported 58 cases and manufacturing exporters reported 341 (Table 7). During the period the ITC NTM Survey was conducted in 2012–2013, MOC obliged all exporters to apply for a certificate of origin irrespective of whether or not it was demanded by the importing country. This is one possible explanation for the high incidents of company concerns related to rules of origin and certificates of origin. This requirement was eliminated in late 2013.

Based on exporter testimonies, most companies appeared not to find the terms and conditions of rules of origins difficult to comply with. A majority of the exporters reported difficulties with various procedures in obtaining the appropriate certificate of origin from MOC in Cambodia. Exporters reported 598 POs in Cambodia that hindered the process to obtain certificates of origin (Table 8).

'We are required by MOC to apply for a certificate of origin. To apply and get the certificate, we must wait normally five-to-six days. The process takes longer because there are not enough government officials at the ministry to do the work.'

Garments exporter, ITC NTM Survey.

Exporters reported that the main obstacle they faced was delays at MOC to obtain the certificate of origin (51% of the reported obstacles, Table 8). The waiting time was reported to range from a few days to a few weeks. On average, exporters had to wait for 5.5 days to obtain the certificate.⁷⁵ According to the exporters, most of these delays occurred due to understaffing. Mistakes made in the application by the exporters and mistakes made by the ministry in issuing the certificates also contributed to delays. As a result of these delays and uncertainties, some exporters faced difficulties in arranging their shipments and sometimes missed their delivery targets, which led to financial penalties from their trading partners.

Delays in processing certificates of origin also contributed to bribery in Cambodian agencies. Prevalent

'We export cassava to the People's Republic of China. We are required to apply for a certificate of origin from the MOC [in Cambodia]. We usually have to wait for one-to-two weeks and pay about US\$ 1,000 to government officials to speed up the process. We export 4,000 tons of cassava, which requires us to wait a long time for the certificates. With one certificate of origin we can only export 25 tons of cassava.'

Cassava exporter, ITC NTM Survey.

bribery at public agencies was reported as major issue for exporters. Bribery was the second most frequent PO reported when applying for certificate of origin, with a total of 111 cases (19% of POs related to rules of origin, Table 8). Based on reports of 55 incidents, the average bribe paid to an official was US\$ 155. In a further 56 incidents, exporters reported having paid bribes at the ministry but refused to reveal the amount. The majority of the bribery cases stemmed from delays in obtaining certificates of origin. Exporters preferred to pay extra in bribes to expedite the process rather than face delays.

Other POs causing difficulties in obtaining certificates of origin included having to work with numerous administrative windows and redundant documents (8% of the cases), high fees and charges (7%), and numerous different documents required (6%).

All certificates of origin are issued by MOC, but there are separate departments within the ministry that issue specific certificates of origin, which caused confusion among exporters and further delays. Exporters are required to apply for certificates of origin from one of three different departments in the MOC, depending on the export destination and the trade agreement. The Bilateral Trade Department issues certificates of origin for exports to the European Union under the EBA scheme and the Russian Federation, while the Multilateral Trade Department issues certificates of origin for exports to ASEAN, Australia, New Zealand, the People's Republic of China, India, Japan and the Republic of Korea. The Trade Preference System Department issues certificates of origin for the GSPs in the United States, Canada, Mexico and

⁷⁵ ITC calculation based on 281 incidents of delays reported during the NTM Survey.

other countries.⁷⁶ A company exporting to multiple destinations may have to apply and follow up in more than one ministry department.

Exporters are required to use different application forms depending upon the destination and whether export products meet the rules of origin criteria, thus being eligible for the preferential tariff. For example, if the export product meets the rules of origin criteria and is eligible for duty-free import by countries, exporters need to request certificate of origin Form A. Certificate of origin Form N states that the export product is subject to duties in the importing country because the product does not comply with the rules of origin.⁷⁷ For exports to ASEAN, exporters need to apply for certificate of origin Form D. Certificate of origin Form E is issued for exports to the People's Republic of China.

In most cases, MOC claimed it is not responsible for the delays and is committed to issue the certificates of origin within 11 hours and 55 minutes if the exporter has submitted complete and correct documents. This time frame is a government regulation enacted by the Minister of Commerce during the Government-Public Sector Forum in 2004. MOC also noted that exporters may not be fully aware of the requirements and procedures to obtain certificates of origin and that submitting incomplete or inadequate documents results in delays. Sometimes, exporters were unsure which department to contact to submit their application for the certificate of origin, which also led to delays.

MOC claims it has made efforts to make exporters aware of the requirements through workshops, booklets and online information. When companies are invited to workshops, MOC claims exporters do not take the workshops seriously and send junior staff instead of managers responsible for the export process. As a result, exporters continue to make mistakes.

To promote trade facilitation, the Cambodian government decided in November 2013, after the completion of the NTM Survey, that Cambodian exporters are not required to request a certificate of origin if authorities of importing countries do not require it.⁷⁸ MOC allows exporters to prepare the certificate of origin themselves and provides facilities at the ministry to save time on data entry and printing documents.⁷⁹

In addition, MOC, with the assistance of the World Bank, has been developing an online platform for exporters to apply for a certificate of origin. This platform will enable exporters to submit an application for a certificate of origin online and eliminate the need to visit MOC for each application. This automated system forwards the application to the relevant MOC department and reduces confusion for exporters. Exporters can track the status of their application and are notified when the certificates are ready. Certificates must be collected and payment must be made at MOC. The system is expected to be operational by September 2014. The development of an e-payment system is also planned, which will enable companies to pay fees electronically. The online application and the e-payment system are expected to reduce mistakes in completing various forms, streamline procedures, save time for companies and potentially eliminate corruption.

2.2.2. Difficulties with conformity assessment

Conformity assessment requirements were the second most reported type of NTM. Conformity assessment is defined in the WTO agreement on TBT as 'any procedure used, directly and indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled'. These requirements include procedures for sampling, testing and inspection; evaluation, verification and assurance of conformity; and registration, accreditation and approvals.⁸⁰

⁷⁶ IFC (2008): Handbook on Export Procedures.

⁷⁷ Ibid.

⁷⁸ Inter-Ministerial Prakas on revision of procedures in fulfilling formalities for the export of goods (2013). Available at: <http://www.gmac-cambodia.org/document/data/2013/prakas/MOC/233/233-eng.pdf>

⁷⁹ <http://www.phnompenhpost.com/business/chanthol-reform-wages-politics>

⁸⁰ ITC (2005). An overview of conformity assessment in international trade.

SPS legislation in Cambodia is weak with ill-defined responsibilities among the various agencies, limited capacity to oversee responsibilities, weak compliance with WTO principles and delays in implementation. The country does not have modern food regulations and a draft phytosanitary law is currently pending. A draft law on animal health and production is in the process of approval. There is a 2007 law on fisheries. Efforts have been made to streamline mandates in food safety management by the 2010 Joint Prakas 868 and risk-based border management by the 2006 Sub-decree 21, but implementation is pending for both. Mandates for managing plant and animal quarantine are not yet streamlined. Cambodia has few national standards and maximum residue limits adopted through national legislation. The certification system in the country is not always backed by testing and is not accepted in all export markets. The country's laboratory capacity is inadequate and there is a shortage of skilled staff for testing because of limited budgets.⁸¹

Agro-food exporters found complying with conformity assessment requirements of partner countries burdensome. Among the reported 101 NTM cases on conformity assessment, 89 were reported by agricultural exporters (mainly rice) and 12 by manufacturing exporters. Difficulties with conformity assessment were primarily related to product certification (63 cases), and testing requirements (38 case, Table 7).

Product certifications and testing demanded by importing countries are required to demonstrate product compliance to specific technical requirements, for example with regards to safety or quality. The main obstacle faced by exporters is time delays in testing and obtaining the certificates. There are concerns that the certificates issued by Cambodian public institutions are not being recognized internationally. This has led exporters to use laboratories in other countries such as Thailand and Viet Nam, hence increasing the time and cost for exporters.

Obstacles related to product certification and testing were mainly reported by exporters of agro-foods, such as rice, cassava, corn and fish. Exporters of rice cited that importing countries, such as EU members, require certification on product quality, which must be issued by an internationally accredited laboratory. The European Union has high SPS requirements, which include testing for pesticide residues, aflatoxin, and salmonella, assurance of the absence of genetically modified organisms, fumigation to eliminate storage pests, and phytosanitary certificates.⁸² In addition to these SPS requirements, rice exports to the People's Republic of China also include traceability – indication of the rice variety, the place of production, the packinghouse and storage facilities.

'When exporting cassava to the People's Republic of China, we are required to obtain a Certificate of Product Quality from a Chinese inspection company, China Certificate & Inspection Group. We normally have to wait for five-to-seven days for the inspectors to travel to Cambodia. The inspection costs around US\$ 1,500 for 3,000 tons. The government must strengthen the capacity of Cambodian agencies on inspection and certification procedures because Cambodian certificates are not recognized internationally.'

Cassava exporter, ITC NTM Survey.

SPS requirements for Thailand and Viet Nam are less stringent and require only phytosanitary certificates.⁸³

For cassava exports to Thailand and Viet Nam, SPS requirements are limited. The People's Republic of China, a major importer, is more demanding. In addition to phytosanitary certificates, the country requires registration of production areas and producers, surveillance of cassava pests and pesticides, registration of cassava drying factories and storage plants, fumigation, and testing for residues of pesticides and heavy metals.

Phytosanitary certificates are only issued by the General Department of Agriculture at MAFF. Phytosanitary certificates can be requested at Phnom Penh and Kampong Cham. The facility at Kampong Cham only issues certificates for Viet Nam.⁸⁴ The main obstacle reported by exporters was time delays in

⁸¹ STDF (draft report, 2013) and WTO (2011): Trade Policy Review: Cambodia.

⁸² CTIS 2014–2018.

⁸³ Ibid.

⁸⁴ STDF (draft report, 2013)

obtaining the certificates. Exporters reported that Cambodian authorities do not have a consistent time frame and it can take up to seven-to-10 days to obtain certificates. In some instances, bribes must be paid to speed up the process. According to a company that exports cassava, the People's Republic of China requires a phytosanitary certificate from MAFF in Cambodia. To obtain the certificate, the company normally had to wait seven-to-10 days. The certificate, which costs US\$ 1,000, enables the company to export 5,000 tons of cassava.

Private companies could carry out other testing and certification requirements. There are no internationally accredited laboratories in Cambodia, which means exporters must hire specialized certifying companies from other countries. Typically, companies must spend around US\$ 300 on travel expenses for inspectors of the accredited companies in addition to the certificate fees. Rice exporters reported that food safety tests usually need to be carried out in internationally accredited laboratories in Singapore; Hong Kong, China; Thailand or Viet Nam for the certificates to be recognized.

For export of rice and cassava to the People's Republic of China, Chinese authorities require all necessary testing, inspection and certifications to be done by the China Certification and Inspection Company, which is related to the General Administration of Quality Supervision, Inspection and Quarantine – the Chinese public quarantine and inspection service. While the services offered are similar to those offers by other private companies, this Chinese company holds exclusive rights over imports. Exporters found this requirement expensive and time-consuming, as they must arrange for the inspectors' travel to Cambodia for inspections or testing in addition to the fees.

Cambodian fishery exports have remained low due to the limited capacity of the industry and strict SPS requirements. Cambodian exporters have been unable to export fish products to EU countries since 1997, when the European Union set out in Commission Decision 97/296/EC⁸⁵ a number of conditions to be met prior to obtaining approval for exporting fishery products. These conditions include compliance with European Commission legislation, such as sanitary conditions in the production of fish products/live shellfish; hygienic conditions in production areas and in product handling; controls such as physical inspection of Hazard Analysis and Critical Control Points (HACCP) systems; and laboratory checks carried out by competent authorities. The Fisheries Administration (FIA) is the designated competent authority, but for exports to the European Union, it is only recognized if it can demonstrate the capacity to control traceability through the supply chain from catch or cultivation to export.

For Cambodia, these conditions require establishing and amending legislation according to European Commission requirements. Existing laboratory capacity at FIA does not meet EU requirements, as it does not have equipment to test for maximum residue limits of heavy metals and antibiotics.⁸⁶ Exporters of fish filets to Hong Kong, China; and Japan reported they wait one-to-two weeks and spend US\$ 120 to bribe the government official to speed up the process when applying for quality certificates from FIA.

The Food and Agriculture Organization of the United Nations assessment of SPS capacity-building needs in Cambodia (STDF project 246) and the report – An Action Plan to Improve SPS Capacity in Cambodia⁸⁷ – emphasize the need for support to implement quality and food safety systems in the primary sector and the secondary processing industry. Primary and secondary producers need to build their capacity in quality assurance and food safety to increase compliance with food hygiene and safety requirements, boost productivity and improve their competitiveness in export markets. This will increase local and global demand for agro-processed products from these producers and accelerate sustainable national economic growth and development.

Enterprises in the agro-processed sector could become more competitive in the international market through implementing food safety systems. Today, international buyers are demanding a fully operational and well-managed Food Safety Management System to be in place (i.e. ISO 22000). ISO 22000 incorporates systematic food safety practices and HACCP principals, which are mandatory requirements in several markets.

⁸⁵ This decision provides the list of third countries from which the import of fishery products is authorized for human consumption.

⁸⁶ Dourng and Sok (2008) and CTIS 2014–2018.

⁸⁷ Report available at www.standardsfacility.org/files/Project_documents/Project_Grants/STDF_246_Final_Report_Jul-10.pdf

Time delays in conformity assessment were reported as the most difficult PO for exporters to comply with (66 cases); followed by unusually high fees and charges for the certificate (25 cases); facilities lacking international accreditation or recognition (17 cases by agricultural exporters, mainly rice); and bribes (14 cases) (Table 8).

2.2.3. Customs formalities and other issues

Exporters reported 19 NTM cases related to pre-shipment inspection and customs formalities. Among them, 13 cases were reported by manufacturing exporters (mainly in the garment sector) and six by agricultural exporters (mainly rice and cassava).

Exporters of photographic discharge lamps cited that Japan and the Republic of Korea require qualified private inspectors to issue the certificate of pre-shipment inspection, as they do not recognize the pre-inspection conducted by Camcontrol, the Cambodia Import-Export Inspection and Fraud Repression Directorate General at MOC. Hiring private inspectors is an additional procedure that resulted in delays. An exporter of plastic sacks and bags reported that the United States requires private inspectors from approved companies to conduct pre-shipment inspection and issue a certificate, which led to delays.

Exporters called for quicker, streamlined pre-shipment inspection procedures to avoid costly, lengthy waiting periods. Exporters of manufactured goods reported delays in agencies of partner countries in 10 incidents and in 7 incidents in Cambodian agencies. They also reported problems due to arbitrary behaviour of Cambodian officials when inspecting and issuing the certificates (3 cases).

Agricultural exporters faced difficulties with pre-shipment inspections due to time-consuming procedures, high fees paid to qualified private inspectors and bribes paid to Cambodian officials to help complete complicated documents and speed up the process. Certification by Cambodian public institutions is sometimes not recognized by importing countries.

Rice exporters reported that some Australian buyers require a specific the use of the pesticide methyl bromide in rice containers. This is not a common practice for Cambodian exporters. As a result, they do not have enough information on this requirement and the process is expensive. According to Australia's Department of Agriculture, imported goods must be fumigated close to where they enter Australia to ensure potential pests and diseases do not become established.⁸⁸ Generally, Cambodian rice exporters provide a certificate of fumigation to buyers that supply importing countries. There is only one fumigation plant for rice in Cambodia. Some additional fumigation plants are planned, which is expected to bring down the fumigation cost for the exporters.

Some exporters reported that information on regulations and procedures are inadequately published and disseminated.

⁸⁸ <http://www.daff.gov.au/biosecurity/import/general-info/pre-border/afas/methyl-bromide-questions-and-answers>

Table 8: Non-tariff measures applied by partner countries on Cambodian exports and reasons making them burdensome

Type of NTM	Number of NTMs	Why is the NTM difficult for the exporter? (Procedural obstacles)	Number of POs in	
			Cambodia	Partner country
All sectors				
Technical regulations	1	B1. Information on selected regulation is not adequately published and disseminated	1	
		F2. Limited/inappropriate facilities for sector-specific transport and storage	1	
Conformity assessment	101	D1. Delay related to reported regulation	60	6
		E1. Unusually high fees and charges for reported certificate/regulation	16	9
		E2. Informal payment	14	
		F1. Limited/inappropriate facilities for testing	7	
		G1. Facilities lacking international accreditation/recognition	14	3
		G2. Other problems with international recognition	1	
Pre-shipment inspection and other formalities	19	A1. Large number of different documents		1
		C2. Arbitrary behaviour of officials with regards to the reported regulation	3	
		D1. Delay related to reported regulation	6	7
		E1. Unusually high fees and charges for reported certificate/regulation	3	
		E2. Informal payment, e.g. bribes for reported certificate/regulation	2	
		G2. Other problems with international recognition	1	
Price control measures	1	GA1. NTM is too strict to comply with (1)		
Rules of origin	399	A1. Large number of different documents	35	
		A2. Documentation is difficult to complete	8	1
		A4. Numerous administrative windows/organizations involved, redundant documents	48	
		B1. Information on selected regulation is not adequately published and disseminated	13	
		C1. Arbitrary behaviour of officials regarding classification and valuation of the reported product	1	
		C2. Arbitrary behaviour of officials with regards to the reported regulation	12	
		D1. Delay related to reported regulation	313	
		D2. Deadlines set for completion of requirements are too short	16	
		E1. Unusually high fees and charges for reported certificate/regulation	41	
		E2. Informal payment	111	
		G2. Other problems with international recognition, e.g. lack of recognition of national certificates		2
Total	521		727	29

Source: ITC NTM Survey in Cambodia, 2013.

2.3. Non-tariff measures applied by Cambodia on exports

About 11% of the difficult regulations faced by exporters were applied by Cambodia on its exports. Exporters cited 64 NTM cases applied by Cambodian authorities, among which 55% were related to licensing or permits to export, followed by export inspections performed by various Cambodian government agencies (23%). Exporters also cited other barriers, including certification required by Cambodia, export quotas, export prohibition, export registration, export taxes and charges, and other technical measures (Figure 19).

The way an NTM case is defined and counted differs depending on whether the regulation is applied by Cambodia or the partner country. For export cases, if Cambodia applies the regulation, a case is defined at a company and product level. However, if the importing partner country applies the regulation, a case is defined at the company, product and partner country levels. More information on how NTM cases are determined can be found in Appendix I.

Among the reported NTM cases, 23 were related to agricultural exports and 41 related to manufacturing exports (Table 9). Similar to the cases of foreign regulations, most of the difficulties with Cambodian regulations occur because of related POs rather than the regulation itself being too strict. A total of 104 POs were reported that made compliance to the regulation difficult to Cambodian exporters, among which 100 occurred at domestic institutions and four in partner countries (Table 10).

Table 9: Type of non-tariff measures faced by Cambodian exporters in Cambodia

Measure	NTM experienced by exporters from the		Subtotal
	agricultural sector	manufacturing sector	
Export inspection	1	14	15
Certification requirement	6	0	6
Other export technical measures	1	0	1
Export prohibitions	2	0	2
Export quotas	1	2	3
Licensing or permit to export	11	24	35
Export registration	1	0	1
Export taxes and charges	0	1	
Total	23	41	64

Source: ITC NTM Survey in Cambodia, 2013.

2.3.1. Licensing or permit to export

Difficulties with licensing or permit to export were responsible for the majority of reported burdensome Cambodian regulations (35 cases, 55% of all burdensome Cambodian regulations). Agricultural exporters who reported difficulties with licensing or permits were mainly exporters of rice, cassava, corn, beans and pepper. Generally, exporters of agricultural products must apply for one or all of the following – an export licence from MOC and permit from GDCE, in addition to an SPS certificate from MAFF.⁸⁹

A number of other export documents issued by Cambodian authorities are required in the export process. These include certificates of origin, customs declaration, export permits and export licences.⁹⁰ Exports generally require an export permission letter from GDCE. The request for the permission letter must be accompanied by other documents such as the packing list, invoice, authorization letter if needed, export licence if required, and other certification or supporting documents for sensitive products. Customs then assesses export duty, if any, and issues the permission letter.⁹¹ The next phase includes a custom declaration and joint inspection by customs and Camcontrol.

⁸⁹ Dourng and Sok (2008)

⁹⁰ IFC (2008). Handbook on Export Procedures.

⁹¹ Ibid.

For example, rubber and horticulture products require an export licence or authorization from relevant government agencies for various purposes, including health, safety, security and protection of the environment. Export of unprocessed rubber requires an export licence from MOC, which is valid for 60 days. Raw fruit, vegetables, plants and agricultural inputs need an SPS certificate from MAFF. Pharmaceutical goods require a certificate from MOH, which is valid for five years.⁹²

Agricultural exporters cited that the difficulties to comply with these regulations are long waiting periods of two-to-seven days, bribes to speed up the process and complicated export documents. For example, cassava exporters reported they had to wait for up to one month to register and obtain a three-year export licence from MAFF. An exporter of pepper to Germany pointed out that the company normally had to wait three days for an export permit to be issued by GDCE and usually paid US\$ 110 in bribes to speed up the process. Some companies faced challenges in filling out and submitting the required documents as they struggled to find clear instructions.

Manufacturing exporters, mainly garments and footwear, reported 24 of the 35 NTM cases related to licensing and permits. Generally, the exporters of manufacturing products apply to GDCE for an export permit. Similar to problems faced by agricultural exporters, manufacturing exporters cited that most of the difficulties to comply with this regulation were related to delays (two-to-14 days), bribes to process documents faster, and complicated documents complete, which led to mistakes. An exporter of sport footwear and handbags to Ukraine and Japan reported a wait of one-to-two weeks for an export permit from GDCE, and the need to spend US\$ 250 in bribes to speed up the process.

Many of the difficult cases reported by exporters were caused by POs. Exporters' reported 67 POs associated with licensing or permit requirements occurring at Cambodian agencies. Most of the difficulties were due to time delays (28 reported incidents) and corruption at the agencies (29 reported incidents). In addition, exporters complained in four instances that it was difficult to complete and provide all the documentation for the permit or licence. Most of these POs occurred in Camcontrol, GDCE and MAFF.

2.3.2. Export inspection and other issues

The NTM Survey revealed that export inspections are the second most common Cambodian regulation that exporters found burdensome, with a total of 15 NTM cases (23%). Manufacturing exporters reported most of these cases. Export inspection is conducted at land borders, ports and airports. All documents such as the packing list, invoice, bill of landing, customs declaration, customs and excise permission letter, authorization letter if needed, and export licence and certification if needed, are submitted to border agencies, generally led by custom and excise officers together with Camcontrol.⁹³

At port of Sihanoukville, Camcontrol assigns an inspector to inspect the cargo. For goods already containerized and not inspected or missing a seal, Camcontrol may require a visual inspection of the goods. The container may also require scanning, depending on the type of goods and the risk management assessment. Camcontrol officials then inspect the cargo together with the Customs and Excise Sihanoukville Branch official. An Inspection Survey Report is completed, signed and stamped by Camcontrol. Next, exporters must go to the Camcontrol administrative office and pay an inspection fee of 0.1% of the value stated on the invoice, which is valued by the Customs and Excise Sihanoukville Branch, together with any scanning charges. A receipt for the inspection fee is issued.⁹⁴

Manufacturing exporters attributed difficulties to comply with export inspection to minor mistakes in complicated export documents. They reported having to pay bribes to Cambodian authorities to correct the documents; otherwise they needed to reapply. Exporters cited 14 POs caused export inspection; 13 POs were associated with bribes and one related to unusually high fees and charges (Table 10).

According to exporters, infrastructural issues also pose a challenge during inspections. For example, there is only one scanner at new Phnom Penh Autonomous Port. Most the shipments leave the port on the

⁹² IFC (2008). Handbook on Export Procedures.

⁹³ Ibid.

⁹⁴ Ibid.

weekend, which means cargo must be scanned by Friday. In March 2014, the scanner broke down and had to be repaired, which resulted in a pile up of shipments.

A few agricultural exporters faced difficulties with export registration at MAFF. These companies reportedly paid US\$ 100 to US\$ 150 in bribes to speed up the process, which took four-to-seven days. Another rice exporter pointed to the risk associated with the fumigation process as sometimes the shipment was rejected due to inappropriate fumigation at the General Directorate of Agriculture.

Exporters also indicated that it can be a challenge to transport rice in large quantities to Sihanoukville port. For instance, when companies need to ship 40 containers it can take up to 14 days to transport the containers and have them processed. Typically shipments are cleared and loaded into the ships when all containers arrive in the port. However, with such a large number of containers involved, not all arrive at the same time. The containers can only be stored in the port for five days. Any additional days spent waiting for the entire shipment to arrive and be processed costs US\$ 3 for storage per container per day.

Exporters were concerned about the current trade and transport infrastructure. The transport cost from Phnom Penh to Sihanoukville, a distance of 230 km, costs US\$ 7.8 per ton. From Phnom Penh to Battambang, a distance of 290 km, it costs US\$ 14 to US\$ 16 per ton. The price difference is considerable for two routes of almost the same distance. Because fewer goods are transported from Battambang to Phnom Penh, most trucks operate on a one-way basis. In addition, the terminal handling charges have increased from around US\$ 70 per container to US\$ 105 to US\$ 145.

Garment exporters are required to control 15–18% of the waste of imported material inputs, depending on the type of garment. Most companies found this limitation fair, but some garment factories have not monitored this properly and must pay duty taxes for the excess waste.

2.4. Exporters' experience with procedural obstacles

Most of the difficulties reported by Cambodian exporters are due to NTM-related POs experienced in Cambodian institutions rather than the regulation being too strict or difficult to comply with. In total, 860 cases of POs were reported out of which 827 (96%) occurred at domestic institutions and 33 (4%) in partner countries (Figure 20). Improving processes and procedures in domestic institutions is necessary to increase the competitiveness of Cambodian exports.

The majority of the reported POs occurred at MOC (620 or 74.8%); followed by GDCE (74 or 9%); and MAFF (67 or 8.1%). Camcontrol was reported responsible for 27 POs (3.3%). Other ministries, including the Ministry of Health (MOH) and the Ministry of Industry, Mines and Energy (MIME); and other private inspection companies accounted for the remaining POs (Table 6).

Delays accounted for 50% of all POs occurring in Cambodia and 40% of POs in partner countries. Exporters' primary concerns were with regulations for rules of origin, product certification and testing. MOC, MAFF and GDCE were the main agencies where exporters reported the most delays (Table 11). Exporters found it time-consuming to obtain the relevant certificates, which is typically due to understaffing and has led to bribery to speed up the process.

In partner countries such as the People's Republic of China, the Republic of Korea and some ASEAN countries (Table 11), delays were related to procedures involving import monitoring, automatic licensing measures and product certification. Exporters cited that authorities in partner countries sometimes found minor mistakes in the documents required to release goods from the port. Exporters are then asked to correct or resubmit the documents at Cambodian institutions, which can considerably delay the process. Exporters found the delays and extra costs burdensome. Exporters need access to information about the requirements of importing countries and Cambodian government agencies to avoid delays and extra costs.

Some buyers and partner countries require specific agencies to undertake product inspections for exports, which sometimes led to unnecessary delays due to scheduling the inspection.

Bribery was the second most reported type of PO, accounting for 22% of the POs. Exporters also reported a few cases of bribes paid in partner countries. Exporters reported that bribery occurred most frequently

when they requested certificates of origin and product certification. MOC, GDCE, Camcontrol and MAFF were the primary Cambodian institutions cited by exporters. Exporters reported they spent more money on bribes than on official fees to expedite the process of issuing certificates.

High fees and charges for certificates and complying with the relevant regulation was the third most reported PO, accounting for 8% (Table 11). At domestic institutions, exporters reported high fees for testing and product certification conducted by private companies in Cambodia, surcharges at customs, and in few cases, certificates of origin issued by MOC.

Rice exporters experienced high costs when dealing with private companies in partner countries such as Singapore, Hong Kong, Thailand and Viet Nam for undertaking testing and certifications.

Exporters, mainly of manufacturing products, reported numerous administrative windows and organizations involved, as well as numerous, inconsistent and redundant documents as the main POs, representing 6% and 4%, respectively, of total POs occurring in Cambodia. Most of these types of POs occurred at MOC, and included rules of origin and certificates of origin.

Exporters reported other POs that policymakers should address:

- Arbitrary behaviour of officials with regards to regulations;
- Information about regulations is inadequately published and disseminated;
- Facilities are not internationally accredited;
- POs applied by partner countries are the result of lack of recognition of Cambodian certificates internationally (Table 11) and the numerous documents required.

Table 10: Non-tariff measures applied by Cambodian authorities and reasons making them burdensome for exporters

Type of NTM	Number of NTMs	Why is the NTM difficult for the exporter? (Procedural obstacles)	Number of PO cases occurring in	
			Cambodia	Partner country
Export inspection	15	High fees and charges for reported certificate/regulation	1	
		Informal payment	14	
Certification required by the exporting country	6	Delay related to reported regulation	6	
		Informal payment	5	
Other export technical measures	1	Arbitrary behaviour of officials with regards to the reported regulation	1	
Export prohibitions	2	NTM is too strict to comply with (2)		
Export quotas	3	Large number of different documents	1	
		Informal payment	2	
Licensing or permit to export	35	Documentation is difficult to complete	4	
		Information on selected regulation is not adequately published and disseminated	1	
		Arbitrary behaviour of officials regarding classification and valuation of the reported product	2	
		Delay related to reported regulation	28	
		High fees and charges for reported certificate/regulation	3	
		Informal payment	29	4
Export registration	1	Delay related to reported regulation	1	
		Informal payment	1	
Export taxes and charges	1	Informal payment	1	
Total	64		100	4

Source: ITC NTM Survey in Cambodia, 2013.

Table 11: Procedural obstacles experienced by exporters at domestic institutions and in partner countries

Procedural obstacle	Number of PO cases that occurred in:			
		Cambodia (and agencies involved, if specified)		partner or transit countries
Export of agricultural commodities				
Large number of different documents	1	MAFF (1)	1	Russian Federation (1)
Documentation is difficult to complete	5	MOC (4), GDCE (1)	1	Russian Federation (1)
Information on selected regulation not adequately published or disseminated	1	MOC (1)		
Arbitrary behaviour of officials regarding classification and valuation	1	MOC (1)		
Arbitrary behaviour of officials with regards to the reported regulation	1	MOH (1)		
Delay related to reported regulation	125	MOC (59), MAFF (40), Camcontrol (11), GDCE (5), MOH (3), Others (7)	6	People's Republic of China (2), Indonesia (2), Republic of Korea (2)
High fees and charges for reported certificate/regulation	22	MOC (4), MOH (3), GDCE (1), MAFF (1), Others (13)	9	Czech Republic (1), France (1), Germany (1), Italy (1), The Netherlands (1), Poland (1), Russian Federation (1), Viet Nam (1), United Kingdom (1)
Informal payment, e.g. bribes for reported certificate/regulation	56	MOC (27), MAFF (17), GDCE (9), Camcontrol (3)		
Limited or inappropriate facilities for testing	1	Others (1)		
Limited or inappropriate facilities for sector-specific transport and storage	1	Others (1)		
Facilities lacking international accreditation or recognition	14	MAFF (7), MOC (7)	3	France (1), Republic of Korea (1), Saudi Arabia (1)
Other problems with international recognition	2	MAFF (1), Others (1)	2	The Netherlands (1), Spain (1)
Subtotal agricultural exporters	230		22	
Export of manufactured commodities				
Large number of different documents	35	MOC (35)		
Documentation is difficult to complete	7	MOC (4), GDCE (3)		
Numerous administrative windows/organizations involved, redundant documents	48	MOC (48)		
Information on selected regulation not adequately published or disseminated	14	MOC (13), GDCE (1)		
Arbitrary behaviour of officials regarding classification and valuation	2	GDCE (2)		
Arbitrary behaviour of officials with regards to the reported regulation	15	MOC (12), GDCE (3)		
Delay related to reported regulation	289	MOC (261), GDCE (21), MOH (2), Others (5)	7	People's Republic of China (1), Hong Kong, China (1), Japan (1), Malaysia (1), Chinese Taipei (1), Singapore (1), United States (1)
Deadlines set for completion of requirements are too short	16	MOC (16)		
High fees and charges for reported certificate/regulation	42	MOC (37), GDCE (2), Camcontrol (1), Others (2)		
Informal payment, e.g. bribes for reported certificate/regulation	123	MOC (84), GDCE (26), Camcontrol (13)	4	Japan (2), Ukraine (2)
Limited/inappropriate facilities for testing	6	MIME (6)		
Subtotal manufacturing exporters	597		11	
Total	827		33	

Source: ITC NTM Survey in Cambodia, 2013.

3. Burdensome non-tariff measures and procedural obstacles experienced by importers

In 2012, Cambodia imported goods valued at more than US\$ 7 billion, including close to US\$ 1 billion of petroleum, minerals, arms and ammunition that are not part of this survey. Textiles worth US\$ 1.4 billion were imported primarily as inputs to the country's clothing and apparel industry. The total import of manufactured goods was valued at US\$ 5.3 billion. Cambodia's agricultural import is low at US\$ 519 million. (See Chapter 1, Section 2.2)

Among the companies surveyed, 446 imported goods either as inputs for production or for direct sale. The majority of (386) imported manufactured goods and 74 imported agricultural products (Table 3). More than half of the importers from both sectors claimed to have faced restrictive regulations or other obstacles while importing. They reported 290 cases of NTMs occurring in Cambodia and five in partner or transit countries. The following sections describe the most common NTMs and POs on Cambodian imports applied by Cambodian agencies as well as partner and transit countries. The POs and inefficient TBE experienced by importers are also discussed.

3.2. Non-tariff measures applied by Cambodia on imports

The surveyed companies reported 290 cases of burdensome NTMs applied by Cambodian authorities (Figure 22). Among them, 31 NTM cases were experienced when importing agricultural products and 259 cases when importing manufactured products. The majority of reported NTMs were related to pre-shipment inspection and customs formalities (57%), followed by conformity assessment (16%), quantity control measures (11%), and price control measures (9%). Other reported NTMs included charges, taxes and para-tariff measures (4%), technical requirements (2%) and finance measures (1%).

According to the importers, compliance with the majority of these NTMs is difficult because of the related POs. They reported 437 cases of POs applied by various Cambodian agencies that made it difficult to comply with regulations. The most frequent PO in Cambodian institutions was delays related to reported regulation (57%), followed by bribes (19%), high fees and charges (9%), and documentation that is difficult to complete (5%). (Figure 23).

GDCE was reported to be responsible for 306 PO cases (70%), followed by MOH with 77 cases (17.6%). MAFF, MIME, Camcontrol and MOC were responsible for 18, 12, 10, and 8 PO cases, respectively (Table 13).

3.2.1. Customs formalities

The majority of NTM cases reported by importers concerned import monitoring and surveillance requirements and other automatic licensing measures under GDCE's mandate. A few of these cases concern MOH and the Ministry of Industry and Handicraft (MIH).

Following the arrival of the vessel and storing cargo in the port warehouse, the importer or broker submits import documents, including registration of inward manifest, customs declaration and supporting documents (invoice, packing list, bill of landing, import licence if required, and report of findings). A senior customs officer checks the customs declaration and supporting documents, and calculates any duty and tax that must be paid. If required, joint and physical inspection by customs and Camcontrol is performed prior to releasing the cargo from the port warehouse.⁹⁵

Importers reported a total of 164 import monitoring and surveillance requirements cases occurring in Cambodia, of which 145 cases were reported by importers of manufactured goods and 19 cases by agricultural importers. Importers of a variety of products reported this type of NTM, ranging from inputs for garment production to consumer products, cars, and equipment. The reports primarily concerned customs

⁹⁵ GDCE (2014). Cargo Import Procedures

clearance or custom permits to release goods from the point when importer submits the import documents until the imported goods are released.

Importers predominantly complained about time-consuming procedures and bribes for customs clearance and various other procedures, including customs declaration, valuation and duty payment, joint inspection and checks of supporting documents. Importers reported that it takes generally three-to-seven days to clear customs at the border and bribes of US\$100 to US\$ 300 to speed up the process. Importers also cited difficulties due to understaffing in customs and Camcontrol.

'We have to apply for permission to release goods from the port warehouse. We normally have to wait six-to-seven days due to the lack of government officials at GDCE. During our last import, we had to pay US\$ 300 for port warehouse storage due to delays at GDCE.'

Importer of energy drinks from Malaysia, ITC NTM Survey.

Importers commented about the numerous documents required, which are difficult to complete. An importer of trucks and tractors from the People's Republic of China explained that because of the number and complexity of documents required, it had to contract a broker to clear customs. The company had to pay bribes and wait approximately 10 days for clearance.

3.2.2. Conformity assessment

Difficulties related to conformity assessment regulations were the second most reported type of NTM by importers. Importers reported 47 NTM cases related to conformity assessment, 5 of which were reported by importers of agricultural products and 42 by importers of manufacturing products. POs related to conformity assessment included product registration (30 cases), testing (14 cases), and product certification (3 cases).

These POs were mainly faced by companies importing products such as equipment, food, medicines and cosmetics, which require registration with MOH. Importers of medicine are required to translate the information related to use and ingredients for each type of medicine into Khmer. The translation must be approved by MOH. Importers also need to apply for a certificate of product brand name. Medicine importers face long delays to obtain approval and reported that it typically takes three-to-six months, or in some cases, more than one year. The registration fee at MOH for each brand of medicine ranges between US\$ 100 and US\$ 600.

Importers reported that medicines must be tested for safety before import. Because MOH does not have adequate testing facilities, medicine samples must be sent abroad for testing and certification, which increases costs and causes delays. Importers of cosmetics must also have their products tested at MOH, which involves a delay of three-to-four weeks due to the lack of testing equipment.

Imports of agricultural inputs such as urea and equipment must be registered with MAFF, which takes two-to-three weeks and usually requires bribes to speed up the process.

3.2.3. Quantity control measures

Importers reported 32 cases of NTMs related to quantity control measures, of which four were reported by importers of agricultural products and 28 by importers of manufacturing products. Among others, importers cited three main types of quantity control measures that affect the imports.

First, importers are required to apply for licences that often have to be renewed annually. The government agencies that issue these licences do not provide transparent timeframes or official fees. For example, a company that imports fire extinguishers and digital cameras from Singapore, the Republic of Korea, United States, France, United Kingdom and Malaysia is required to obtain an import certificate from the Ministry of Interior on an annual basis. The importer paid US\$ 400 to US\$ 500 to a trading agency due to lack of knowledge about official fees and processes. The importer complained that the process takes about three months.

An importer of urea from Viet Nam cited that the company must apply annually to MAFF for an import licence. The company imports around US\$ 10,000 worth of urea and hires a broker to handle the process. The company pays the broker US\$ 3,500 to complete the necessary procedures, which takes two-to-three months. The company does not have access to information about the official fees. Importers of shrimps and steel also cited similar problems when trying to obtain an annual import licence from MAFF and MOH.

Second, some of the reported measures included licensing combined with other import authorization procedures. Importers of diverse products ranging from fertilizers and fabrics to medicines and agricultural equipment, cited difficulties with complying with this regulation, especially the delay of four-to-seven days to obtain a licence. Importers also needed to pay bribes of up to US\$ 1,500 to speed up the process.

Some reported NTMs are linked to local production in Cambodia. For example, an importer of coloured chalk reported that it has a licence from the Council for the Development of Cambodia that allows it to import duty free. In addition to the licence, the importer also needs to obtain a customs permit certifying that the product is to be used for local production. According to the importer, the process takes too much time.

The survey also captured a few incidents related to tariff rate quotas. An importer of tile from the People's Republic of China and Viet Nam reported that only a quantity amount of tile could be imported duty free.

3.2.4. Product valuation

Importers of diverse manufacturing products reported 27 NTM cases related to product valuation for import duties. At the customs clearance point, the importer must submit documents such as the invoice, bill of lading and packing list.⁹⁶ Importers are also required to validate the import price from GDCE to calculate import duties.

According to Cambodian authorities, customs reforms on the transaction value method for valuation of products are in line with WTO commitments.⁹⁷ Importers cited disputes with customs officials concerning the value of the goods even when invoices with purchased prices and other documents were presented. Importers explained that if the price on the invoice is above the minimum customs value, the invoice price is used to calculate the duty. However, if the price on the invoice is lower, customs officials use the minimum customs value as a basis to calculate duty.

As per the 2008 Praka⁹⁸ on Customs Valuation of Imported Goods, if proper invoices cannot be provided, customs uses the value of identical goods imported to Cambodia. When this is insufficient, customs uses the import prices of similar items for valuation.

Prior to full implementation of the WTO Customs Valuation Agreement in 2011, Cambodia was concerned that a move to the transaction value system could pose major risks to government revenue and proposed a gradual phase-out of minimum customs values. The government was also concerned about the low rate of voluntary compliance by importers, lack of sound accounting systems and record keeping, and the limited capacity of customs to administer transaction value provisions. To address this issue, Praka 32 of the Customs Valuation of Imported Goods allowed for temporary delay in the full implementation of the provisions of the legislation and allowed the use of price-list methods for the valuation of certain sensitive items and high-risk goods.⁹⁹

Since full implementation of WTO agreement in 2011, Cambodia has established the Transaction Value Management Unit to implement the transaction value on imports. The government also established the

⁹⁶ <http://www.customs.gov.kh/index.php/customs-procedures/import>

⁹⁷ <http://www.customs.gov.kh/images/files/law-regulations/regulations/SubDegreeEN/Prakas387EN.pdf>

⁹⁸ A Praka is a proclamation, i.e. a ministerial or inter-ministerial decision signed by the relevant minister(s). A proclamation must conform to the Constitution and to the law or sub-decree to which it refers.

⁹⁹ Praka on Customs Valuation of Imported Goods (2008).

Customs-Private Sector Partnership Mechanism to coordinate and improve mutual understanding between the customs administration and the private sector.¹⁰⁰

Importers also reported delays in validating the import price, bribes and inadequate information. Importers reported they had to wait two-to-seven days to have the import prices validated and pay US\$ 100 to US\$ 300 per container in bribes.

3.2.5. Other issues occurring in Cambodia

Importers of manufacturing products reported 11 NTM cases associated with charges, taxes and other para-tariff measures, specifically customs valuation and customs surcharge, conducted by GDCE and MOC. An importer of cranes and other heavy machines reported that GDCE required payment of US\$ 1.5 per kilogram, which resulted in excessive duty payments.

Several importers reported burdensome custom surcharges. An importer of elevator boxes from the People's Republic of China and Viet Nam was asked to pay more than 10% VAT. An importer of ceramic tile from Italy was asked to pay an import tax of 130% of the product value. According to these importers, they were asked by MOC to pay the surcharge tax and VAT to GDCE. An importer of machines for mixing fertilizer was required to pay above 10% VAT. The details of these surcharges need to be further investigated.

Importers reported seven NTM cases, one case in agriculture and six cases in manufacturing, related to technical requirements such as labelling and registration that occur in Cambodia. Importers of medicines and sanitary foods found it difficult to comply with regulations concerning translation and unusually high fees. An importer of medicine from Thailand, the People's Republic of China, and Russian Federation must translate the information for each specific type of medicine into Khmer, including instructions for use and ingredients. This is a challenging task and the importer must wait one-to-three months for MOH to approve the translation.

3.3. Non-tariff measures applied by partner or transit countries

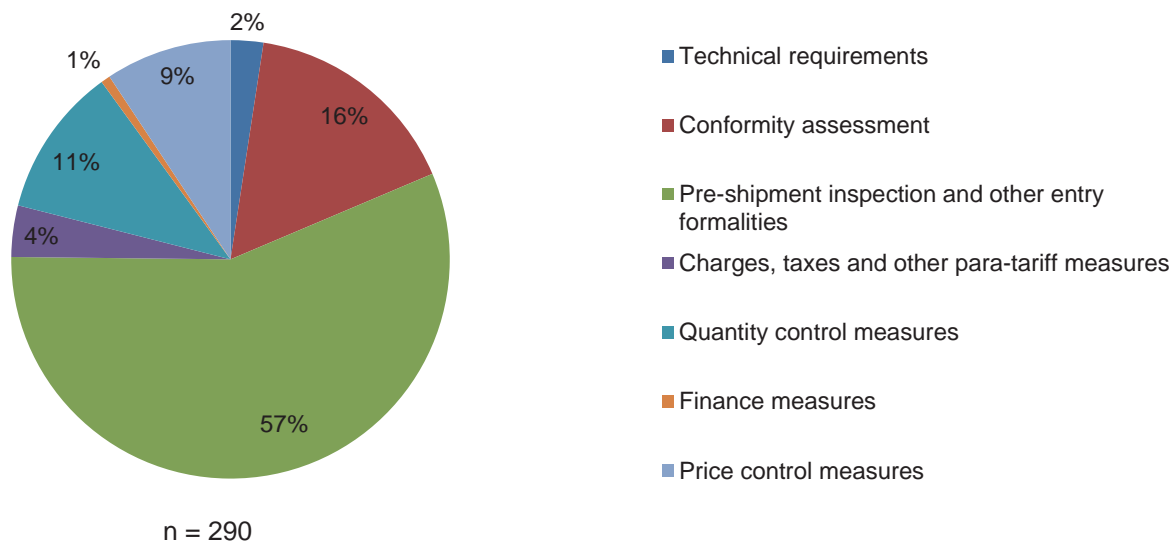
Compared to the number of burdensome cases of NTMs applied by Cambodian authorities on imports, surveyed companies reported very few cases of regulatory obstacles faced in partner (exporting) countries. Importers reported only five burdensome NTM cases imposed by partner and transit countries. This is similar to survey results in other countries. Under most commercial contract terms, importers are responsible for complying with domestic regulations and exporting companies abroad are responsible for complying with partner country regulations. Typically Cambodian importers are not responsible for complying with the export regulations of partner exporting countries. As a result, this survey does not adequately capture difficulties with regulations imposed by exporting partner countries on products imported to Cambodia.

A company importing acetic acid from Malaysia reported two NTM cases. According to the company, Malaysian authorities required the company to obtain a permit before trade could take place, which the company found unnecessary and time-consuming. A company importing heavy machinery from the People's Republic of China reported three NTM cases. The company reported difficulties in Viet Nam, where the goods must transit before entering Cambodia. The Vietnamese government requires companies to obtain a permit for this purpose that can take five-to-seven days. The company complained of additional storage fees at the port due to the time it took to obtain the permit.

In addition to the regulatory difficulties faced in partner countries, a few importers complained about difficult financial agreements with their suppliers in partner countries, particularly Malaysia and Germany. The suppliers required the Cambodian importers to pay 100% of the cost of the merchandise in advance, rather than using trade finance mechanisms such a letter of credit before the shipment took place. The importers claimed that these financial conditions severely restrict their business operation and expose them to a higher level of risk.

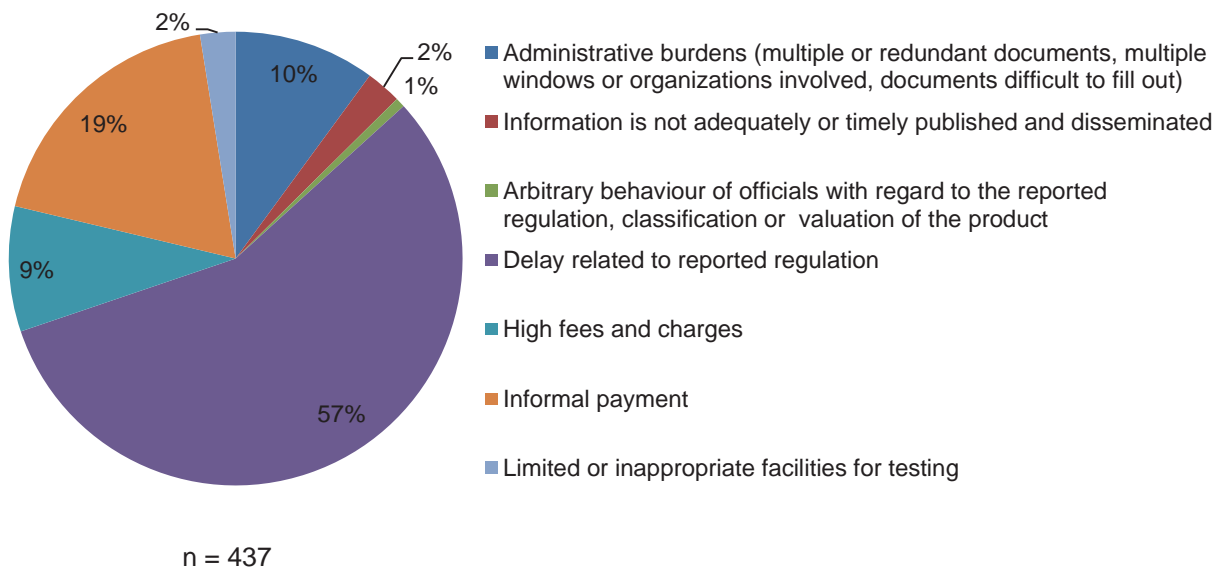
¹⁰⁰ WTO (2011). TPR Cambodia.

Figure 22: Non-tariff measures experienced by importers in Cambodia



Source: ITC NTM Survey in Cambodia, 2013

Figure 23: Procedural obstacles experienced by importers in Cambodia



Source: ITC NTM Survey in Cambodia, 2013

Table 12: Non-tariff measures applied by Cambodia on imports and the reasons making them burdensome

Type of NTM (Chapter)	Number of NTMs	Why is the NTM difficult for the importer? (Procedural obstacles)	Number of POs in Cambodia
Technical requirements	7	Delay related to reported regulation	5
		Difficulties with translation of documents from or into other languages	3
		Unusually high fees and charges	3
		No due notice for changes	1
Conformity assessment	47	Delay related to reported regulation	43
		Limited/inappropriate facilities for testing	10
		Informal payment	9
		Documentation is difficult to complete	7
		High fees and charges	6
		Arbitrary behaviour of officials with regards to the reported regulation	2
Pre-shipment inspection and other entry formalities	164	Large number of different documents	1
		Delay related to reported regulation	156
		Informal payment	50
		Documentation is difficult to complete	10
		Large number of different documents	9
		High fees and charges	9
		Information not adequately published and disseminated	4
		Numerous administrative windows/organizations involved, redundant documents	2
Charges, taxes and other para-tariff measures	11	Arbitrary behaviour of officials regarding classification and valuation	1
		Limited/inappropriate facilities for testing	1
Quantity control measures	32	High fees and charges	11
		Delay related to reported regulation	18
		Informal payment	12
		Documentation is difficult to complete	5
		High fees and charges	3
		Large number of different documents	1
		Numerous administrative windows/organizations involved, redundant documents	1
		Delay related to reported regulation	4
		Informal payment	3
Finance measures	2	NTM too strict to comply with (2)	
		NTM too strict to comply with (2)	
Price control measures	27	Delay related to reported regulation	21
		Informal payment	8
		Information not adequately published and disseminated	6
		High fees and charges	6
		Numerous administrative windows/organizations involved, redundant documents	3
		Documentation is difficult to complete	1
		NTM too strict to comply with (4)	
Total	290		435

Source: ITC NTM Survey in Cambodia, 2013

3.4. Procedural obstacles experienced by importers

Similar to the problems experienced by exporters, importers face POs when trying to comply with regulations. Surveyed importers reported 437 incidents of POs in various Cambodian agencies. The majority of cases (70%) occurred in GDCE followed by MOH (17.6%), and MAFF (4.1%); 2.7% of reported PO cases occurred in MIME, 2.3% in Camcontrol and 1.8% in MOC (Table 13).

Improving the procedures and eliminating delays in public institutions in Cambodia would benefit the import of goods into the country.

Time-consuming procedures and delays were reported to be the prevalent POs (57%). Most occurred during pre-shipment inspections or while waiting for licences and permits. Almost all import clearances must be done by GDCE, which resulted in 178 reported cases. Other delays were reported in MOH (41 cases) and MAFF (10 cases). Importers believe these delays are due to understaffing at the agencies. This leads to additional cost for storage and facilitates bribery to speed up the process.

'We import cloth fabrics from the People's Republic of China, the Republic of Korea, Taiwan and Viet Nam and must apply for an Import Permit Certificate at GDCE to import duty free. We must submit the invoices and reference letter from our suppliers. The process of obtaining the certificate takes too long. It is supposed to take one or two hours, but it usually takes one-to-two days. During these delays, we spend an additional US\$ 60 to US\$ 70 per day for port storage space.'

Importer of fabrics and accessories for the garment industry, ITC NTM Survey

Bribery was frequently cited as an obstacle to imports. It was the second most reported type of PO (19%) and usually occurred during customs clearance. Bribery was also reported during testing, product registration, licensing and import authorization procedures. Importers said they typically pay bribes to expedite the process. The bribe for each import permit ranges from US\$ 40 paid by an importer of woven goods to US\$ 2,000 paid by a company importing cars.¹⁰¹ Most of the incidents of bribery were reported to occur in GDCE, followed by MAFF.

'Our company imports cars from the People's Republic of China and is required by GDCE to apply for a customs permit to leave the port. To get the permit, we must wait three-to-10 days depending on the number of units imported. During the last import, we had to pay US\$ 2,000 to officials to speed up the process.'

Importer of cars from the People's Republic of China, ITC NTM Survey

Importers reported high fees and charges for various procedures and requirements, accounting for 9% of all POs. Importers described fees and charges as too high in addition to their obligation to meet import regulations, including pre-shipment inspection, testing, product registration, licences and permits.

Importers found the fee of US\$ 300 for a certificate of price control (reference price) to be high. This certificate is used for the purpose of price verification and to deter valuation fraud of import duties. Importers pointed to the high service fees charged by GDCE and MOH. They also reported difficulties with information, numerous documents and too many

documentation, inadequate and unavailable administrative windows or agencies (Table 13).

¹⁰¹ The extra payment is based on 47 surveyed importers who disclosed the amount they paid for permits and licences for imports.

Table 13: Procedural obstacles faced by importers at domestic institutions

Procedural obstacle	Number of POs that occur in Cambodia (and the agencies involved, if specified)	
Agricultural sector		
Large number of different documents	2	GDCE (2)
Documentation is difficult to complete	4	Camcontrol (2) GDCE (2)
Arbitrary behaviour of officials regarding classification and valuation of the reported product	1	GDCE (1)
Delay related to reported regulation	26	Camcontrol (3) GDCE (16) MAFF (4) MOC (1) MIME (1) Others (1)
High fees and charges for reported certificate/regulation	2	GDCE (1) MOC (1)
Informal payment, e.g. bribes for reported certificate/regulation	11	GDCE (8) MAFF(3)
Agricultural subtotal	46	
Manufacturing sector		
Large number of different documents	10	GDCE (6) MOH (2) MIME (2)
Documentation is difficult to complete	19	GDCE (14) MAFF (1) MOH (3) MPTC (1)
Difficulties with translation of	3	MOH (3)
Numerous administrative windows/organizations involved, redundant documents	6	GDCE (5) MOH (1)
Information not adequately published and disseminated	10	GDCE (10)
No due notice for changes	1	GDCE (1)
Arbitrary behaviour of officials with regards to the reported regulation	2	MOC (1) MOH (1)
Delay related to reported regulation	221	Camcontrol (3) GDCE (162) MAFF(6) MOC (1) MOH (41) MIME (5) Others (3)
High fees and charges for reported certificate/regulation	37	Camcontrol (1) GDCE (22) MAFF (1) MOC (4) MOH (7) MIME (1) Others (1)
Informal payment, e.g. bribes for reported certificate/regulation	71	GDCE (54) MAFF (3) MOH (11) MIME (3)
Limited/inappropriate facilities for testing	11	Camcontrol (1) GDCE(2) MOH (8)
Manufacturing subtotal	391	
Total	437	

Source: ITC NTM Survey in Cambodia, 2013.

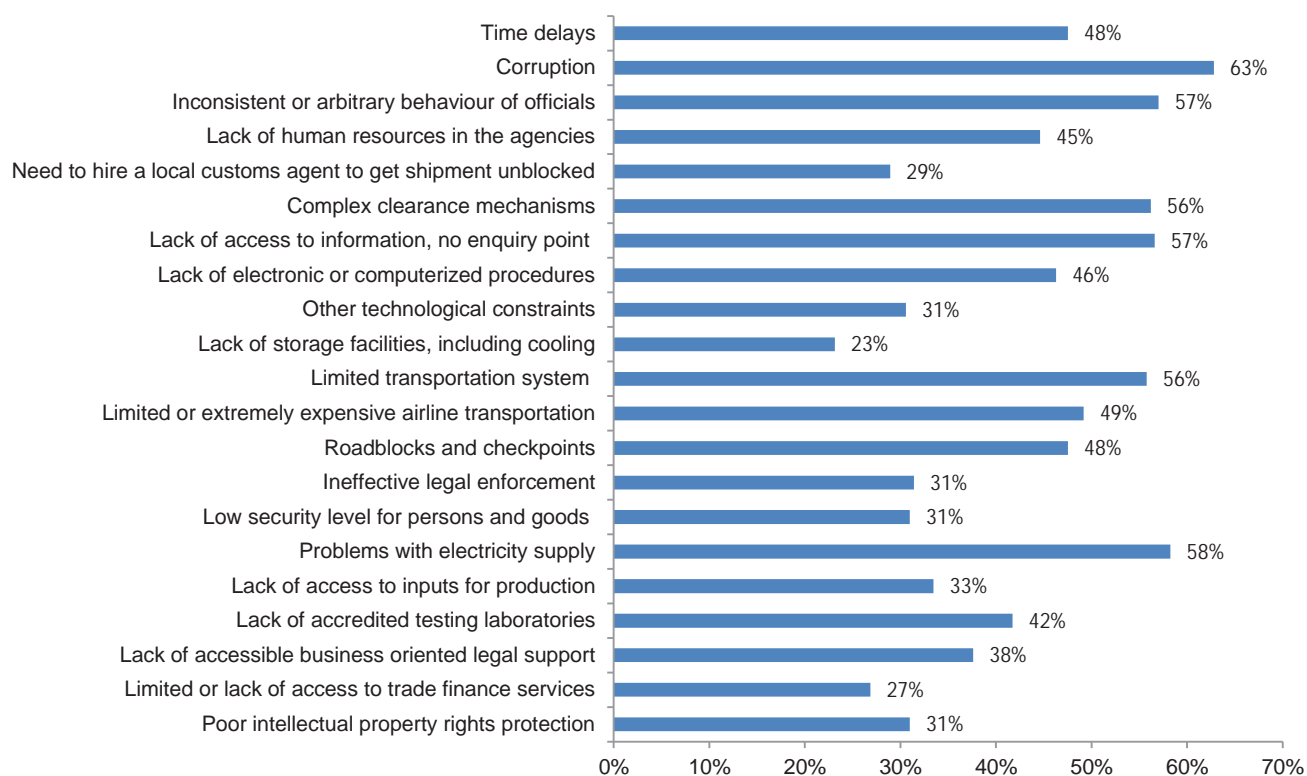
4. Company perspectives on the trade-related business environment

In addition to NTMs and related POs, surveyed companies identified challenges in the country's TBE. Inefficiencies in the business environment are generic problems unrelated to specific regulations, but that affect companies' ability to export or import. During the face-to-face interviews, 242 companies were asked to identify factors that hindered their ability to conduct their business. These results are summarized in Figure 24.

Companies responded that procedures and services at government agencies must be improved. Corruption is a major concern – 63% agreed that it has interfered with their ability to run their businesses. These concerns have been discussed earlier in this chapter, describing how exporters and importers resorted to paying bribes at government agencies.

Companies were concerned about understaffed government agencies (45%) and arbitrary behaviour of officials (57%); 48% of the companies find the services in government agencies slow and expressed the need for faster services. Based on these data as well as discussions with some companies, Cambodian companies appear to be willing to pay higher fees for better and faster services from government agencies.

Figure 24: Companies' perspective on business environment in Cambodia



Percentage of companies concerned about the business environment in Cambodia

Source: ITC NTM Survey in Cambodia, 2013.

During the import or export process, 56% of companies surveyed reported that customs procedures are complex and 29% hired agents to deal with the procedures; 57% reported that it is difficult to find information regarding the procedures and regulations for importing and exporting. Cambodia does not have a central depository of information on export and import regulations and procedures. Online and printed information is spread across different agencies and it is time-consuming to obtain all the information required.

According to the NTM Survey, many business people rely on word-of-mouth to get the information they need. MOC organizes meetings to disseminate information to the private sector, but the majority of companies have not benefitted from these initiatives. MOC's trade information portal, being developed with the assistance of the World Bank, aims to address some of these concerns. The portal will serve as a central depository of MOC regulations as well as all other Cambodian ministries, and is expected to provide easy online access.

Exporters (46%) were concerned about the lack of computerized procedures in public agencies. For example, companies must go to the MOC office to apply and pay for certificates of origin. This has often resulted in delays and mistakes. MOC is attempting to address some of these concerns, for example, by developing an online system to apply for certificates of origin.

Numerous respondents pointed to inadequate infrastructure; 58% agreed that the unreliable or inadequate electricity supply affects their businesses; 56% were unsatisfied with the transportation system; and 49% reported that air transportation is limited and too expensive. Almost half (48%) of the companies reported that roadblocks and checkpoints are burdensome; 31% reported that security is lacking for goods and people and called for better legal enforcement.

According to 42% of the surveyed companies, the lack of accredited testing laboratories is a problem. Cambodian companies rely on services provided by foreign companies, usually from Thailand, Viet Nam and Malaysia. This results in higher costs and processing time, which is particularly troublesome for new and small companies.

Developing internationally recognized standards overseen by an internationally recognized body, together with establishing accredited laboratories in Cambodia, must be priorities.

5. Summary and new developments

ITC's NTM Survey in Cambodia took place between February 2012 and February 2013. In total, 502 exporting and importing companies from various sectors were interviewed about their experiences with NTMs. Among them, 69% reported to have faced difficulties with the regulations of Cambodia or partner countries. In general, exporting companies appear to be more much more affected (82%) compared to importing companies (55%). A second round of interviews with 242 companies affected by NTMs was conducted to identify in detail the type of problems they faced.

In general, 89% of the difficulties reported by exporters were related to partner country regulations. However, a closer inspection revealed that the cause of most problems originated in Cambodia. Most of these difficulties exporters face were due to various POs in Cambodia.

Certificates of origin

Exporters need to obtain relevant certificates of origin to benefit from preferential schemes granted to Cambodia. In addition, MOC obliged all exporters to apply for a certificate of origin, even if it was not required by importing country or if no preferences were involved. The majority of the problems exporters faced occurred when applying for certificate of origin at MOC. The most common complaint was the time it takes to issue the certificates. MOC aims to issue all certificates within 12 hours, but interviews with exporters suggested this target is often missed.

Part of the problem is because companies are unfamiliar with the procedures, do submit all of the paperwork and make mistakes on the application form. There is a shortage of staff, lack of computerized or automated procedures, and corruption at the ministry. Three separate departments under MOC issue certificates of origin depending upon the partner countries, which also require separate forms and separate windows to submit the forms. This confuses new exporters and is a redundant procedure for large exporters who export to multiple destinations. Bilateral discussions with officials at MOC suggest that the government is aware of these problems and has taken action to address these issues.

Improving standards and infrastructure

Lack of a recognized standards body, adequate SPS infrastructure, and accredited laboratories were major concerns among exporters. Phytosanitary certificates are usually issued by MAFF in Phnom Penh, but according to exporters, obtaining these certificates takes too much time and the officials usually have to be bribed to expedite the process. Because there are no accredited agencies or laboratories for other tests and certifications, exporters must rely on foreign inspectors. This adds additional time and costs.

Improving standards and SPS infrastructure in the country must be a priority if Cambodia intends to make its exporters competitive and expand to new markets. There should be coherent and well-defined roles and responsibilities among the various public agencies overseeing all stages from production to processing to export. Procedures must be simplified for conformity assessment requirements such as testing, certification and registration. Documentation must be reduced, duplicate inspection by customs and other agencies must be eliminated, and a proper time frame for the process must be respected. Currently, phytosanitary certificates are issued only in Phnom Penh. These certificates must be issued in other parts of the country.

Legislation governing health, quality and safety standards must also be updated. The country has no modern food law and draft phytosanitary law and animal health and production law are yet to be approved. The government has started to explore ways to improve the food security law with the assistance of the Food and Agriculture Organization of the United Nations. MIME is responsible for product standards, but it oversees just 60 product standards. The government has also approached the Swedish Board for Accreditation and Conformity Assessment to become a member to harmonize the assessment of conformity against international standards. However, due to financial constraints this has not yet happened. An internationally recognized standards body and accredited testing and certifying agencies are critical.

Export and import processes must be streamlined

Exporters found applying for licences and permits burdensome as it requires an extensive list of documents and procedures that are time-consuming and involves duplication. This led to higher costs. Depending upon the product, export licences are valid for a few months to a year and must be renewed regularly. Licences for some products involve import or export quotas, which may not be compliant with WTO principles. Exporters recommended that government agencies adhere to a strict time frame to issue licences and permits, and control corruption.

Problems reported by companies during export inspections conducted by Camcontrol and GDCE were due to long clearance times and bribes. The majority of the importers' complaints related to time-consuming procedures to clear products from customs. To clear the products, importers require an import permit issued by GDCE. Paying bribes to quickly unblock the shipment is also fairly common and numerous companies resorted to hiring private agents to handle the customs clearance procedure.

Importers also faced difficulties with product testing and certification requirements for products such as cosmetics, food and medicines. These usually take a long time and not all required tests can be conducted in Cambodia. While these regulations, especially on pharmaceutical products, are needed to protect human health, importers reported that it takes too long to obtain full clearance. In addition, brand registration is expensive when both official and informal payments are accounted for.

Problems with valuation of imported products at customs were reported. Cambodia has implemented customs reforms in line with WTO commitments, however, importers reported disputes with customs officials over valuation of goods. According to importers, if the value of imports as presented in the invoice is lower than the minimum customs value, customs officials insist on using the minimum customs value as a basis to calculate import duty. Some importers have indicated that validating the import price takes too long.

Many of the difficulties faced by exporters and importers stemmed from limited awareness of regulations and information regarding the time frame for document processing, official fees and processes. The government should continue to promote transparency of processing time and official fees, promote awareness and build the capacity of exporters and importers to better understand their obligations.

Working in partnership, overcoming the barriers

Most of the problems faced by exporters and importers can be addressed by improving the standards and trade support infrastructure. Cambodian authorities and international organizations are working together to strengthen trade-related infrastructure in the country. Since the NTM Survey validation in March 2013, a number of promising developments have taken place. For example, the government has eliminated the need to apply for certificate of origin if importing countries do not require it. Since 2014, the government also allows exporters to complete the certificate of origin electronically, which is then printed and attested at MOC. This is expected to expedite the issuing of certificates. MOC has also developed an online platform for companies to apply for certificates of origin. This will eliminate the need for companies to come to MOC premises to submit the application. Electronic submission of forms will likely reduce human errors. This platform is being developed with the assistance of the World Bank.

An NTM Committee has been established under the decree signed by the Prime Minister. Chaired by the Minister of Economy and Finance, the committee is comprised of members from various government agencies, including MOC. The committee's primary role is to create an inventory of all trade-related regulations from various ministries and categorize them according to the Multi-Agency Support Team NTM classification. The committee is also tasked with identifying regulations that are deemed troublesome or unnecessary and take action to streamline these measures. There are also plans for an online national trade repository of all the Cambodian regulations related to trade – a commitment with ASEAN.

The World Bank is assisting the government to develop an online SPS certification system, online company registration and a national single window for imports and exports. Through the Trade Research and Training Centre, the World Bank is providing training on NTMs to government officials.

Ongoing projects by the United Nations Industrial Development Organization (UNIDO) support the government through its Mekong Trade Capacity Building programme, which is currently in its third phase. UNIDO's projects in Cambodia have focused on upgrading and accrediting laboratories. For example, it is helping the Institute of Cambodian Standards' microbiology laboratory, the Cambodian Rubber Research Institute laboratory and MIME's Department of Metrology laboratory with ISO 17025 accreditation. UNIDO is also active in capacity building for the administration of fisheries by working with cooperatives on Good Manufacturing Practices and SPS issues to enable them to enter export markets.

Programmes under the Cambodian Export Diversification and Expansion Program (CEDEP) have focused on building Cambodia's export capacity in two key sectors identified in the Trade SWAp roadmap: milled rice and high-value silk. Both sector components focus on export growth diversification, including developing products and services that move the sector up the value chain and allow it to penetrate new import markets.

The International Finance Corporation is implementing CEDEP's component on milled rice, which aims to increase exports by improving quality across the supply chain. It will focus on improving the quality of paddy rice through seed multiplication projects, introducing food safety management principles for millers, capacity building, and marketing. Under CEDEP, the ITC project aims to diversify Cambodia's export products and markets by promoting high-value silk exports. The project aims to improve quality and product design, and increase the sector's competitiveness.

UNDP is working with MAFF on cassava production and exports. The first component of the project focuses on capacity building of producers through training to ensure high returns per hectare and good quality cassava. The second component is focusing on capacity building for exporters to enable them understand market requirements of partner countries, including SPS requirements and TBTs. A future project will focus on improving the quality standards of cassava to comply with import market requirements, diversifying products and markets, creating value addition in Cambodia, and supporting cassava processors to be better organized to export.

Chapter 4 Conclusions and policy options

NTMs are a major concern in international trade for developing countries and LDCs. While NTMs may be applied for a legitimate purpose, many create obstacles to trade. Because of their nature and complexity, the impact of NTMs is often difficult to evaluate. The ITC NTM Survey in Cambodia focused on the effect of NTMs on exporters and importers. The survey analysed POs and inefficiencies in the TBE. This approach identifies NTMs that create obstacles and the underlying reasons why Cambodian businesses face difficulties in complying with them. The NTM Survey brought together stakeholders to formulate proposals and policy options for government action.

The survey revealed that exporters are more affected by NTMs and related obstacles than importing companies. The affectedness rate of Cambodian exporters is the highest among ASEAN countries surveyed by ITC. More than two-thirds of companies reported that it was difficult to comply with regulations in Cambodia or partner countries. On average, exporters of agricultural products reported to be more affected by burdensome regulations than manufacturing exporters. Importers of manufacturing and agricultural products were affected at a similar level by burdensome regulations.

Most problems reported by exporters were related to procedures in obtaining certificates of origin and fulfilling conformity assessment requirements for technical regulations. Some of the regulations and requirements of the Cambodian government such as export licensing, permits, inspection and certification were also reported as burdensome by exporters.

The partner countries imposing the most burdensome NTMs include the European Union, the United States, ASEAN, and Hong Kong, China. Most NTMs proved difficult because of POs rather than the regulations themselves being too strict. While partner countries may apply the NTMs, the problems that make compliance with regulations difficult exist at home. The most frequent obstacles occurred at Cambodian agencies and include delays, high fees and multiple administrative windows.

To boost Cambodia's trade performance, it is necessary to address the specific trade policies of its trading partners and to tackle unnecessary costs and obstacles at home. Most of these issues could be addressed by:

- Introducing much-needed standards and infrastructure in the country;
- Improving distribution of and access to information;
- Streamlining procedures;
- Eliminating time-consuming, redundant procedures.

Public-private dialogue results in proposals and policy options

The NTM Survey seeks to identify obstacles to trade faced by the business community in Cambodia and to liaise with national stakeholders to formulate concrete and realistic proposals and policy options. The analysis of the survey data was complemented by discussions with experts and representatives from various Cambodian institutions.

ITC, together with the Supreme National Economic Council of Cambodia, organized a stakeholder meeting in Phnom Penh in March 2013. Representatives from government ministries and agencies, business associations, research institutes and international organizations attended the meeting. The agenda can be found in Appendix V. The purpose of the meeting was to present and validate the NTM Survey results and develop the following policy recommendations.

Establish an accredited national standards body and accredited testing and certifying agencies

A major difficulty faced by Cambodian exporters is compliance with international product standards. Due to lack of an internationally recognized standards body and accredited laboratories, it is difficult for companies to certify their products for export. Surveyed companies reported that importing countries often do not recognize certificates issued in Cambodia. Often companies must send their products abroad or bring in inspectors from foreign agencies to test and certify products. For example, most rice exporters have their products tested in Thailand or Viet Nam. This results in costly delays.

The government should formulate standards, regulations and norms in compliance with international standards, especially in major and potential export sectors. There should be a sufficient number of accredited laboratories in Cambodia to certify products. The ongoing UNIDO project to accredit the Institute of Cambodian Standard's microbiology laboratory; the Cambodia Rubber Research Institute's laboratory; and the Ministry of Industry, Mining and Energy's (Department of Metrology) laboratory to ISO 17025 will alleviate some of the difficulties.

Cambodia needs to establish an internationally recognized national accreditation body to assess the competence of and accredit testing and certifying agencies in the country. According to the Ministry of Commerce, Cambodia has tried to establish an agreement with the Swedish Board for Accreditation and Conformity Assessment to gain more international recognition. However, due to insufficient funding this has not yet been realized. If insufficient funding persists, the government should approach international development partners for funding. An internationally recognized accreditation body is critical to Cambodian export development.

The government should seek bilateral cooperation with large importing countries such as the People's Republic of China, the European Union and the United States to upgrade standards, conformity assessment and laboratories. Cambodia should also work within regional trade agreements to upgrade and harmonize standards.

Streamline conformity assessment procedures among various agencies and update SPS regulations

Conformity assessment procedures in Cambodia involve multiple agencies, with duplication of work and a long list of documentation required. Coherent and well-defined roles and responsibilities among the various public agencies overlooking all stages from producing to processing to exporting are needed. Procedures for testing, certification and registration must be simplified. The number of documents required must be reduced, duplicate inspection by customs and other agencies must be eliminated, and a proper time frame for processing must be respected.

Phytosanitary certificates must be issued in multiple locations. Currently, phytosanitary certificates are issued in Phnom Penh and in Kampongcham, which only issues certificates for Viet Nam.

Legislative reforms are needed to update the country's SPS-related regulations. Cambodia does not have a modern food law, while drafts of a phytosanitary law and an animal health and production law have yet to be approved. Incentive taken by the government together with the Food and Agricultural Organization of the United Nations to reform the food security law is an important step forward.

Streamline the process for certificates of origin

Most difficulties faced by exporters concerned the process of obtaining certificates of origin. Exporters found this process time-consuming and confusing. MOC in Phnom Penh issues certificates of origin. Three separate departments within the ministry issue the certificate, depending upon the destination of the goods. Multiple windows create confusion for exporters, who may be required to deal with several agencies if they are exporting to multiple destinations. Together with manual paper processing and inadequate staff, this creates costly delays. Companies have reported various errors in the certification process and must repeat the application procedure.

MOC recognized this issue and with the assistance of the World Bank is developing an online system to speed-up the process and reduce human error. Companies will be able to apply for certificates online by the end of 2014, but must pay fees and collect certificates at the ministry. The next step will be to implement e-payment.

Following the completion of the NTM Survey, the Cambodian government decided in November 2013 that exporters are not required to obtain a certificate of origin if the authorities of importing countries do not require it. This positive reform by the Ministry of Commerce has been applauded by the private sector. In addition, other reforms by the government to facilitate trade include allowing exporters to fill in the certificate of origin electronically and printing and attesting the certificate is done at MOC, which saves time.

Other recommendations include training government staff and building the capacity of the private sector to eliminate errors, enforcing a time frame to issue certificates of origin and recruiting more government staff to process certificates and deal with complaints.

Improve transparency – disseminate practical information on NTMs across sector value chains

Companies and MOC officials indicated that many of the problems encountered during export and import procedures – such as errors, delays and misunderstandings – are due to the unavailability of a reliable source of information on the trade requirements of partner countries and Cambodia. Information is scattered and companies usually rely on word of mouth.

Cambodia needs a reliable source of information for exporters and importers. A trade portal, which will serve as a depository of regulations of the various ministries involved in trade, is being developed by MOC in an ongoing programme with the World Bank.

In addition to serving as a depository for legal text, the portal must offer a simplified, step-by-step business guide (online and print) for SMEs and farmers in the Khmer language on the various procedures and controls (e.g. customs inspection and other conformity assessment steps, documents, forms and fees) to export each type of product, as well as information on destination countries (e.g. tariff rates, rules of origin and technical requirements). The information should be prepared for each sector and product. For information about destination countries, such as tariff rates, rules of origin and NTMs, the portal could be linked to the ITC's Market Access Map.

The government should conduct a value chain analysis for Trade SWAp agricultural priority sectors and products that are impacted the most by NTMs.

Build capacity for Cambodian enterprises

In addition to improving transparency through an online portal for trade information, Cambodian enterprises must be made aware of regulations and procedures through workshops and meetings. MOC organizes workshops and meetings to communicate with the private sector. However, these meetings are typically attended by junior staff rather than higher-level managers in charge of export and import processes. As a result, the full benefits of these initiatives have not been realized.

MOC should continue to organize workshops and meetings regularly in collaboration with various TSIs to disseminate information and get feedback from private sector representatives. These workshops should include training sessions, such as how to identify new markets, understanding market access conditions, marketing strategies, supply chain management and advocacy.

In the short term, a series of targeted training awareness workshops could be organized on improving food quality and safety, compliance with SPS standards, and international food safety requirements in key markets such as the European Union and ASEAN. These workshops should be targeted at representatives from trade support institutions, SMEs and farmers in Trade SWAp priority sectors who are not yet benefitting from EIF projects (CEDEP I and CEDEP II) and could focus on sectors such as processed food.

In the medium term, capacity-building programmes could include company coaching to manage food safety in line with international standard requirements (HACCP or ISO 22000) and how to seek international certification. The programmes could coach a pool of local advisers (trainers cum counsellors), and assist producers to implement and monitor the systems for sustainability. International buyers are starting to demand a fully operational and well-managed Food Safety Management System to be in place (i.e. ISO 22000). ISO 22000 incorporates systematic food safety practices and a HACCP system, which are mandatory requirements in several markets.

In the medium to longer term, an integrated sector approach is needed to:

- Increase competitiveness and create value addition through identifying new markets and related market access conditions;
- Develop customized export plans and marketing strategies;
- Facilitate public-private cooperation and networking among stakeholders;
- Establish sustainable business links with buyers.

These activities could be organized in partnership with MOC's newly created Trade Research and Training Centre and through training of the trainers as well as capacity building for trainers cum counsellors.

Implement the WTO Trade Facilitation Agreement

Survey results show that difficulties in clearing customs are common in Cambodia. When dealing with customs authorities, companies routinely encounter multiple inspection procedures; numerous, duplicate and redundant documents and forms; delays; and corruption issues. Some companies have resorted to hiring agents to handle customs procedures. Given the high incidents of POs at the border, the government should streamline customs procedures in line with the WTO Trade Facilitation Agreement (TFA).

ITC can support the government to conform to the TFA's short-term requirements by categorizing and scheduling TFA provisions (A, B and C)¹⁰², estimating the financial and technical assistance required to implement category C commitments and identifying funding support to implement Cambodia's national trade facilitation initiatives.

Cambodia should formulate projects and approach donors for support to implement TFA measures such as advance ruling, authorized economic operators, risk management and post-clearance audit. The agreement calls for establishing a single window (Article 10). Cambodia should participate in the ASEAN single window in the near future. Cambodia must standardize forms, and reduce documentation requirement and formalities.

Enhance SMEs' integration into regional and global value chains

The private sector must be made aware of the WTO TFA. A seminar is needed on the role and function of customs, trade facilitation regulations and procedures, including key processes, tariffs and forms using ITC's *WTO Trade Facilitation Agreement – A Business Guide for Developing Countries*.¹⁰³ The seminar would also create awareness about SPS controls by veterinary and plant protection services occurring at borders that could entail unnecessary delays, costs and procedures. Participants could also explore the linkages with the WTO SPS Agreement.

Public-private dialogue on trade facilitation should be stimulated by building the capacity of national trade facilitation committees, such as the Cambodian Committee on NTMs. These committees should organize public-private dialogue forums on trade facilitation and on Cambodia's commitments under the TFA.

SMEs' ability to comply with trade facilitation procedures, manage cross-border operations and integrate into regional and global value chains should be strengthened through capacity building, networking and exchange of information with border officials, as well as by linking SMEs with logistic service providers. Support should be provided to build the capacity of relevant organizations to handle SPS measures at borders.

Strengthen business associations

Traders need business development services, including training in the regulations and procedures required by import markets and export procedures. Some services are offered by public institutions, but the private sector, in particular business associations, could offer tailored business development services.

Establish a portal to report NTM-related trade obstacles and follow up on the complaints

Cambodia has already established an NTM Monitoring Committee tasked with identifying troublesome or unnecessary regulations to take action to streamline these measures. To complement the work of the committee, an online NTM reporting and alert system is needed. Cambodian companies that experience difficulties with NTMs could report the problem directly via text message or online. The NTM Monitoring committee could also be mandated to collect and monitor the information received and manage the necessary follow-up actions. The system would act as an up-to-date repository of NTMs faced by businesses and would capture data similar to the ITC NTM Survey. It could also serve as an alert system

¹⁰² For more information on the commitments A, B and C negotiated within the framework of the TFA, see: http://www.wto.org/english/tratop_e/tradfa_e/intro_tf_negos_e.pdf

¹⁰³ <http://www.intracen.org/wto-trade-facilitation-agreement-business-guide-for-developing-countries/>

to notify companies about the problems faced by others in the same sectors. ITC has established an NTM reporting and alert system in Côte d'Ivoire monitored by an NTM committee. ITC could provide assistance to develop a similar system in Cambodia.

Streamline processes for registration, licensing and permits

A clearly defined mandate for each agency involved in export and import is needed. Agencies should review their procedures together and eliminate redundant requirements and documentation. Each agency should ensure its requirements, fees and timeframes are transparent. Agencies should review their internal procedures to identify and remove bottlenecks that cause costly delays.

Capacity building for staff and stemming corruption

According to exporters and importers, one reason for delays is understaffing in various agencies. The government should address this issue to increase efficiency and reduce the delays in issuing documentation. Corruption in Cambodian agencies is a major problem reported by exporters and importers. In most cases, companies reported they were willing to pay bribes to speed up the process for permits, certificates and customs clearance. The government needs to address corruption through proper training and staff incentives, which would improve efficiency and increase trust in government agencies as well as reduce the reportedly high turnover of staff.

Customs valuation and surcharges

Many disputes between importers and customs officials regarding product classification and valuation were identified during the NTM Survey. Government officials need ongoing training to avoid making errors in classifying and valuating products. Cambodia must have a clear policy and guidelines on valuation to reduce ambiguity and misuse of authority by field officials. Cambodia should follow the WTO Customs Valuation Agreement and accept the transaction value as specified in Article VII, provided importers present the invoice documenting the price paid for the product.

The way forward

Cambodia has made good progress in joining the international trading system. Both exports and imports have experienced sustained growth. However, exports are still heavily dependent on garments and rice. To further integrate into the international market and reduce vulnerability to external shocks, Cambodia should diversify its export portfolio and markets.

To generate higher value for its products, the government should encourage processing in Cambodia before export – especially for products such as rice and cassava. This step towards higher value added could reduce informal exports in favour of formal recorded exports and generate new revenue sources for the government. It would also help to keep Cambodia on a fast track for growth and lay the groundwork for sustainable social and economic development.

Appendix I Non-tariff measures surveys: global methodology

Non-tariff measure surveys

Since 2010,¹⁰⁴ ITC completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM Surveys hereafter) in over 25 developing and least-developed countries on all continents.¹⁰⁵ The main objective of the survey is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a most detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this appendix is identical in all survey countries, enabling cross-country analyses and comparison. The country-specific part allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in the Cambodia are covered in Chapter 2 of this report.

Scope and coverage of the non-tariff measure surveys

The objective of the NTM Survey requires a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM Survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

¹⁰⁴The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

¹⁰⁵Pilot NTM surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM surveys based on the new methodology in 25 developing and least developed countries.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as ‘trading agents’). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview, and the time and place for this interview is scheduled.

Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products (6-digit level of the Harmonized System), the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called procedural obstacles [POs] explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are

expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their export or import, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix III).

Local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spreadsheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spreadsheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality check and validation of the survey results. The participants review the main findings of the NTM Survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

The open-ended discussions are carried out by the survey company, a partner in another local organization or university, or by graduate students participating in the special fellowship organized in cooperation with Columbia University (United States).

Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to some predefined characteristics, chosen to be related to the major variables being studied. In the case of the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector*.¹⁰⁶

¹⁰⁶The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

n_o : Sample size for large populations

t : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

Based on the results of the NTM Surveys in the first 10 countries, the number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (e.g. technical measures, quantity control measures), and various characteristics of the surveyed companies (e.g. size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and its strictness) can vary as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the table below.

-
- p*: The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.
- d*: Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

Dimensions of an NTM case

Dimensions	Country applying	
	Home country (where survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS 6-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the entire duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company, providing a regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, helping the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries. ITC puts much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (e.g. sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys, as it is equipped with the business register and trained on the survey, trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers (e.g. related to matching reported measures against the codes of the NTM classification) due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector, and a sufficient rate of participation in smaller sectors. Whenever this is the case, the survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders, e.g. ‘buy domestic’ campaigns. The scope of the survey is limited to legally operating companies and does not include unrecorded trade, e.g. shuttle traders.

Following up the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. This can be realized at the national or international level. The survey findings can also serve as a basis for designing projects to address the problems identified and for supporting fundraising activities.

Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team (MAST), a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, OECD, UNCTAD, UNIDO, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see figure below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

Chapter C, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

Chapter E, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter G, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter H, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

Chapter K, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

Chapter M, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the NTM classification for ITC surveys

A to O. Import related measures

Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of your product. From the perspective of an importer, these are the measures applied by your own country on the goods that you import.

Technical measures	A. Technical requirements	
	B. Conformity assessment	
Non-technical measures	C. Pre-shipment inspection and other entry formalities	
	D. Charges, taxes and other para-tariff measures	
	E. Quantity control measures (e.g. licences, quotas, prohibitions)	
	F. Finance measures	
	G. Price control measures	
	H. Anti-competitive measures	L. Subsidies
	I. Trade-related investment measures	M. Government procurement restrictions
	J. Distribution restrictions	N. Intellectual property
	K. Restriction on post-sales services	O. Rules of origin and related certificate of origin

P. Export related measures

Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by your own country on the goods you export from your country. From the perspective of an importer, these measures are imposed by the country of origin on the goods you import from this country.

Source: International Trade Centre, NTM classification adapted for ITC surveys, January 2012 (unpublished document).

Appendix III Procedural obstacles

Following is a list of procedural obstacles related to compliance with non-tariff measures and to an inefficient trade-related business environment and infrastructure.

A.	Administrative burdens	A1. Large number of different documents <i>(please specify number of documents)</i> A2. Documentation is difficult to complete A3. Difficulties with translation of documents from or into other languages <i>(please specify language)</i> A4. Large number of checks <i>(e.g. inspections, checkpoints, weigh bridges – please specify the number and type of the checks)</i> A5. Numerous administrative windows/organizations involved <i>(please specify number/type of involved windows/organizations)</i>
B.	Information/transparency issues	B1. Information is not adequately published and disseminated B2. No due notice for changes in procedure B3. Regulations change frequently B4. Requirements and processes differ from information published
C.	Inconsistent or discriminatory behaviour of officials	C1. Inconsistent classification of products C2. Inconsistent or arbitrary behaviour of officials
D.	Time constraints	D1. Delay in administrative procedures <i>(please specify number of days)</i> D2. Delay during transportation <i>(please specify number of days)</i> D3. Deadlines set for completion of requirements are too short <i>(please specify required time)</i>
E.	Payment	E1. Unusually high fees and charges <i>(please specify amount)</i> E2. Informal payment, e.g. bribes <i>(please specify amount)</i> E3. Need to hire a local customs agent to get shipment unblocked
F.	Infrastructural challenges	F1. Limited/inappropriate facilities <i>(e.g. storage, cooling, testing, fumigation – please specify)</i> F2. Inaccessible/limited transportation system <i>(e.g. poor roads, road blocks – please specify)</i> F3. Technological constraints, e.g. information and communications technology <i>(please specify)</i>
G.	Security	G1. Low security level for persons and goods
H.	Legal constraints	H1. No advance binding ruling procedure H2. No dispute settlement procedure H3. No recourse to independent appeal procedure H4. Poor intellectual property rights protection, e.g. breach of copyright, patents, trademarks, etc. H5. Lack of recognition, e.g. of national certificates
I.	Other	I1. Other obstacles <i>(please specify)</i>

Appendix IV Stakeholder meeting agenda

WEDNESDAY, 27 MARCH 2013
CAMBODIA SUPREME NATIONAL ECONOMIC COUNCIL
PHNOM PENH, CAMBODIA

STAKEHOLDER WORKSHOP ON NON-TARIFF MEASURES IN CAMBODIA

Programme:

Each session consists of a short presentation of the results of the NTM Survey followed by a round-table discussion.

- 14:00** **Arrival and registration**
- 14:30** **Welcome remarks:** Cambodia Supreme National Economic Council
Opening remarks: Representative, International Trade Centre
- 14:45** **Session 1: Implementation of the NTM Survey in Cambodia**
Presenter: Olga Solleder, ITC
- 15:00** **Session 2: Aggregate results of the NTM Survey**
Presenter: Olga Solleder, ITC
- 15:15** **Session 3: NTM-related obstacles experienced by exporters in destination markets**
Presenter: Olga Solleder, ITC
- 15:35** **Break**
- 16:45** **Session 4: NTM-related obstacles experienced by exporters in Cambodia**
Presenter: Samidh Shrestha, ITC
- 16:15** **Session 5: NTM-related obstacles experienced by importers**
Presenter: Samidh Shrestha, ITC
- 16:45** **Session 6: Looking forward: Brainstorming on potential follow up activities**
Roundtable discussion
- 17:20** **Closing remarks**

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