

# TRADE AND TRANSPORT FACILITATION IN CAMBODIA

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## Introduction

After decades of war and internal conflict, Cambodia is now an emerging economy and a new democracy. The country's economy is highly dependent on external assistance and a few crucial industries such as agriculture, tourism and, most importantly, garment manufacturing for export.

International trade is the prime engine of Cambodia's economic growth and poverty alleviation, providing opportunities to attract investment, create employment, generate income and reduce poverty. Over the past 10 years, trade has grown between 20 and 32 per cent and contributed substantially to the economic growth of the country. The gross domestic product per capita increased from \$330 in 2003 to \$589 in 2007 and is expected to reach \$1000 by 2015, and possibly even earlier if oil and gas production begins before then. The trade openness ratio also sharply increased from 36 to 120 per cent, indicating Cambodia's rapid economic expansion. Robust growth over the past decade and structural reforms have led to a steady decline in poverty from 47 per cent in 1994 to below 35 per cent in 2007.

Realizing the important role of international trade, the Government of Cambodia has been paying great attention to opening itself up to the world, proven by its participation in the Economic Cooperation Programme in the Greater Mekong Subregion (GMS Programme), as well as in the Association of Southeast Asian Nations (ASEAN), the World Trade Organization (WTO) and other international organizations. International and regional cooperation provides Cambodia with opportunities to negotiate with other members of these organizations in order to reduce or eliminate tariff and non-tariff barriers, to gain greater trade preferences and tariff concessions, to increase economic cooperation, and to gain access to the world's emerging markets for Cambodia's exports.

To ensure the access of Cambodian products to emerging markets, national and international infrastructure corridors have been defined, and the development of transport networks across the country and the region is gathering momentum. Several national, subregional and regional networks provide transport infrastructure linkages through the country to the region. Cambodia is at the heart of the Greater Mekong Subregion (GMS) Southern Economic Corridor, providing a strategic link between Thailand and Viet Nam through regional highways, and, in the future, railway links that are part of the Singapore-Kunming Rail Link Project of ASEAN. Cambodia is a major proponent of the early

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implementation of trade and transport facilitation measures in GMS, in particular along the Southern Economic Corridor at the Poipet-Aranyaprathet and Bavet-Mocbai border crossing points. Cambodia is also an active participant in the Development Triangle initiative with the Lao People's Democratic Republic and Viet Nam, and in the Emerald Triangle initiative with the Lao People's Democratic Republic and Thailand. These triangles will complement and help to accelerate GMS integration and development.

## **A. Issues and challenges in trade and transport facilitation**

Cambodia has achieved substantial progress in transportation and other infrastructure development, and in the liberalization of foreign trade through unilateral efforts and regional and multilateral trade negotiations. With the progressive elimination of tariff barriers, trade and transport facilitation has been playing a vital role in promoting cross-border trade. The promotion of trade and transport facilitation reforms to remove non-tariff barriers and reduce trade transaction costs has been enhancing Cambodia's export competitiveness, enabling enterprises to compete globally and helping the country to gain the benefits of globalization.

Trade liberalization and facilitation have had a great impact on economic growth and poverty reduction through job creation and have increased exports in some sectors, such as the garment and tourism sectors, which constitute an important contributor to economic growth in Cambodia. The growth of Cambodia's clothing industry is slowing down due to sharp competition resulting from the accession of Viet Nam to WTO in 2007 and the scheduled removal in 2009 of safeguard measures against clothing exports from China to the United States of America.

As a new WTO member, Cambodia has an opportunity to change its growth patterns through its commitments to initiate a range of laws and trade policy reforms that would ensure private sector development. With regard to competition, three kinds of challenges have been recognized—challenges related to productivity, diversification and service delivery. These are often accompanied by other constraints such as a weak rule of law and bureaucratic costs.

The Government of Cambodia recognizes that efforts made to secure an open trade environment would not bring full benefits unless enterprises can import and export efficiently. It is therefore clear that trade and transport facilitation is now an important component of the Government's trade policy and the policies for economic development to strengthen trade competitiveness. While some progress has been made in addressing facilitation issues, major challenges remain. One such challenge is to overcome the institutional constraints and bottlenecks that cause delays at borders and ports, which increase the delivered costs of products and reduce their competitiveness. Obstacles to Cambodia's transboundary trade include a lack of: (a) cooperation regarding customs, sanitary and phytosanitary measures (SPS), and technical barriers to trade (TBT), (b) logistics development and (c) business mobility.

Even though it is widely recognized that these barriers have a serious impact on the development potential in Cambodia, it has not been possible to quantify their impacts or plot the progress made in the mitigation of the current level of trade and transport facilitation at national and international levels. To enhance the country's capacity to optimize the opportunities of globalization and to reach international markets efficiently, there is a need to address issues related to: (a) a comprehensive approach to trade and transport facilitation (such as SPS and TBT), (b) the mitigation of institutional, procedural and documentary complexities and inconsistencies, (c) the application of information and communications technology (ICT), (d) logistics development and (e) resource mobilization.

## **B. Responses and commitments of the Government of Cambodia**

### **1. National trade facilitation initiatives and measures**

In response to the above-mentioned constraints and challenges, the Government of Cambodia has adopted certain guiding principles for reforms to ease the burden on business. These guiding principles include:<sup>1</sup>

- (a) Shifting from a culture of control to a culture of facilitation;
- (b) Revitalizing markets and encouraging competition;
- (c) Repositioning the State to provide effective governance and accountability to the public and focusing on the use of possible partnerships to deliver services rather than using limited public resources;
- (d) Improving competitiveness and productivity;
- (e) Using private institutions to integrate the rural and informal sectors;
- (f) Improving the institutional framework to reduce risk and transaction costs;
- (g) Focusing on institutional learning by exploring the role of business organizations in order to increase success in private sector development.

The Government has been working closely with development partners to seek funding and to source the expertise needed to ensure confidence and raise productivity in order to increase trade competitiveness and improve the investment climate. The Government of Cambodia has introduced the following eight reform initiatives:<sup>2</sup>

- (a) Facilitating trade by eliminating overlapping and obsolete roles and responsibilities, reducing the number of required documents, streamlining and automating the trade process by removing non-value added steps, introducing comprehensive automation and a flat fee for services, and utilizing risk management principles in the inspection process;

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<sup>1</sup> See World Bank, *Cambodia: Seizing the Global Opportunity: Investment Climate Assessment and Reform Strategy for Cambodia*, Report No. 27925-KH (World Bank, 2004).

<sup>2</sup> Ibid.

- (b) Removing impediments to export diversification, and facilitating the business registration process, licensing and inspection;
- (c) Strengthening the rule of law, the contract law, the commercial code and other laws and regulations in order to honour WTO commitments, as well as other related activities, such as establishing a commercial court;
- (d) Improving the private-sector value chain by encouraging both foreign direct investment and supplier development in order to remove impediments, attract investment and build the capacity of suppliers;
- (e) Reviewing the role of the Cambodia Import Export Inspection and Fraud Repression Department (Camcontrol) by strengthening its capacity and efficiency to ensure public safety;
- (f) Strengthening governance for increased private participation in infrastructure;
- (g) Strengthening institutional learning through business associations in order to increase market opportunities through sharing market information;
- (h) Improving access to leasing and financing through the establishment of related laws, such as those on secured transaction, leasing, insolvency, and securities and exchange.

The Government of Cambodia recognizes that trade cannot be developed unless goods can flow freely across borders with simple procedures and low transaction costs. Recognizing this important element, the Government has introduced a 12-point plan of action to facilitate trade and improve the investment climate:<sup>3</sup>

- (a) Establishing a cross-agency trade facilitation/investment climate reform team;
- (b) Establishing a system of transparent performance measurement including private sector monitoring;
- (c) Reviewing the trade process to remove overlapping and unnecessary approvals, followed by the implementation of a single administrative document;
- (d) Introducing a risk management strategy to consolidate and rationalize all the examination requirements of the various border control agencies;
- (e) Launching a strategic review of Camcontrol;
- (f) Implementing a single window process by using automated systems;
- (g) Introducing a WTO-compatible flat fee for services;
- (h) Streamlining the cost of business registration;
- (i) Streamlining the notification process of the Ministry of Labor to start hiring employees;

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<sup>3</sup> See Cambodia, "Twelve point plan: Government commitments to improve the investment climate and trade", Cambodian Rehabilitation and Development Board, Council for the Development of Cambodia, accessed from [www.cdc-crdp.gov.kh/cdc/7cg\\_meeting/7cg\\_document/twelve\\_point\\_plan.htm](http://www.cdc-crdp.gov.kh/cdc/7cg_meeting/7cg_document/twelve_point_plan.htm).

- (j) Harmonizing company registration and value-added tax and income tax registration by using the same form, which would result in the same amount of tax;
- (k) Implementing a national award programme to promote good corporate citizenship and management in the private sector;
- (l) Monitoring and evaluating the progress made with regard to the reforms and reporting to the Government-Private Sector Forum.

To achieve the 12-point plan of action, the Government of Cambodia worked with the World Bank to receive the organization's \$10-million Trade Facilitation and Competitiveness Project. This Project supports the country's strategy to promote economic growth by reducing the transaction costs associated with trade and investment, introducing transparency in investment processes and facilitating the access of enterprises to export markets.

To implement the reform initiatives and the plan of action, the Government of Cambodia has established the Special Inter-ministerial Task Force for Investment Climate Improvement and Trade Facilitation, the Steering Committee on Private Sector Development, and the following three sub-steering committees :

- (a) Sub-steering Committee on the Investment Climate, chaired by the Minister of Economy and Finance;
- (b) Sub-steering Committee on Trade Facilitation, chaired by the Minister of Commerce;
- (c) Sub-steering Committee on Small and Medium-sized Enterprises, chaired by the Minister of Industry, Mines and Energy.

In addition, both the National Committee on Transport Facilitation, chaired by the Minister of Public Works and Transport, and the Reform Team on Trade Facilitation were established.

The Government of Cambodia established the Government-Private Sector Forum as a consultation mechanism to facilitate trade and to improve the investment climate and private sector development. The Forum is a full cabinet meeting held biannually under the chairmanship of the Prime Minister of Cambodia. It formed the following eight working groups organized by sector:

- (a) Law, tax and governance;
- (b) Export processing and trade facilitation;
- (c) Services, including banking and finance;
- (d) Tourism;
- (e) Manufacturing and small and medium-sized enterprises;
- (f) Agriculture and agro-industry;
- (g) Energy and infrastructure;
- (h) Labour.

Each working group is co-chaired by a Government minister and a representative from the private sector. The working groups discuss an agenda agreed to by the Forum regarding issues and recommendations that relate to either policies, such as laws, sub-decrees, declarations or decisions, or direct operational impediments faced by the private sector, such as road conditions, unofficial fees and damaged infrastructure.

Progress has been made in facilitating trade and transport by reducing the commercial registration fees of the Ministry of Commerce and the time needed for export-import clearance and inspection, and by initiating certain measures to compensate the officials involved in the import-export process for their loss of income from unofficial payments.

The commercial registration fees decreased from \$630 to \$177, and the minimum capital requirement was reduced from \$5,000 to \$1,000. The Council for the Development of Cambodia also removed the deposit that had been required for investors to secure project implementation, and foreign companies are now entitled to 100 per cent ownership of their import and export businesses, excluding land ownership.

Export documents such as the commercial invoice and the export license are no longer required, and the certificate of origin has changed from a pre-export requirement to a post-export requirement. The Ministry of Industry, Mines and Energy no longer requires the certificate of processing. Formal written notification of export is no longer required; notification can now be done by telephone or fax. Customs and Camcontrol now conduct a joint inspection of goods and produce a single joint report, which allows for immediate shipment without the need for a customs declaration being cleared by a chief officer. The economic police permit is also no longer required. These improvements have led to a reduction in the import transaction time from 30 days to 10.5 days on average and in the export transaction time from 6.6 days to 20 hours on average. The average transaction costs for processing exports decreased from \$942 to \$612, and the average import costs fell from \$2,477 to \$673. Informal fees declined from 5 to 2 per cent of the total consignment value.

Since 2006, with assistance from the United Nations Conference on Trade and Development, the Customs and Excise Department has been implementing ASYCUDA (Automated System for Customs Data) World, a customs management system used to facilitate trade and transportation. In May 2008, the ASYCUDA pilot project was launched at Sihanoukville Port. The special economic zone in Bavet was the first to establish a one-stop service window, with five government agencies represented in a single room.

There has also been progress on the development of commercial rules and regulations to support the trade facilitation process, including the passage of the new Customs Law, the Commercial Enterprises and Company Law, the Insolvency Law, the Commercial Arbitration Law, the Secured Transaction Law, the Anti-money Laundering and Counter Financing of Terrorism Law, the Civil Code and the Civil Procedure Code. The draft commercial leasing law was approved by the Council of Ministers, and the draft concessions law was submitted to the National Assembly for debate. These are among a number of key laws aimed at fostering trade and transport facilitation and private sector development.

## 2. Multilateral, regional and bilateral cooperation on trade facilitation

Recognizing the important role of trade and transport facilitation, which is the key element in promoting the movement of goods and people across its borders, Cambodia has joined various regional and international cooperation initiatives and signed several trade and transport agreements and treaties with countries both in and outside the region.

### (a) *Multilateral cooperation on trade facilitation*

In 2004, the Intergovernmental Agreement on the Asian Highway Network<sup>4</sup> was signed. The first treaty developed under the auspices of ESCAP, it stipulates basic technical standards for roads and route signs. The Agreement came into force in 2005 and 10 countries, namely Armenia, Azerbaijan, Cambodia, China, Japan, Myanmar, Republic of Korea, Sri Lanka, Uzbekistan and Viet Nam, have ratified or approved the Agreement.

The United Nations Convention on the Law of the Sea<sup>5</sup> was concluded in 1982 and Cambodia acceded to the Convention the following year. According to the provisions of this Convention, “Land-locked States shall have the right of access to and from the sea for the purpose of exercising the rights provided for in this Convention...Land-locked States shall enjoy freedom of transit through the territory of transit States by all means of transport.” However: “The terms and modalities for exercising freedom of transit shall be agreed between the land-locked States and transit States concerned through bilateral, subregional or regional agreements.”

Cambodia is among the contracting parties to the Convention and Statute on Freedom of Transit and the Convention on Transit Trade of Land-locked States and the Customs Convention on the Temporary Importation of Commercial Road Vehicles.<sup>6</sup> Cambodia is a member of the World Customs Organization (WCO) and acceded to the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures<sup>7</sup> in August 2002 and ratified the Convention in February 2006. In addition, Cambodia is a member of the Codex Alimentarius Commission, as well as the Agreement on the Application of Sanitary and Phytosanitary Measures<sup>8</sup> and the Agreement on Technical Barriers to Trade.<sup>9</sup>

<sup>4</sup> See Commission resolution 60/4 of 28 April 2004.

<sup>5</sup> United Nations, *Treaty Series*, vol. 1833, No. 31363.

<sup>6</sup> United Nations, *Treaty Series*, vol. 327, No. 4721.

<sup>7</sup> Adopted at the ninety-third and ninety-fourth sessions of the Council of the World Customs Organization, Brussels, 24-26 June 1999 (see [www.wcoomd.org/kybodycontent.htm](http://www.wcoomd.org/kybodycontent.htm)).

<sup>8</sup> See GATT Secretariat, *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT Secretariat Publication, Sales No. GATT/1994-7).

<sup>9</sup> *Ibid.*

(b) *Regional and subregional cooperation on trade facilitation*

The ASEAN Framework Agreement on the Facilitation of Goods in Transit<sup>10</sup> was signed in December 1998 and entered into force in October 2000. This Agreement provides for the mutual granting of transit transport rights, as well as the right to load and discharge third countries' goods destined for or coming from contracting parties. The ASEAN Framework Agreement on Multimodal Transport<sup>11</sup> was signed in November 2005 to facilitate regional and international trade by ensuring an uninterrupted and smooth flow of cargo and by giving better control over the transport chain. The ASEAN countries have been negotiating the ASEAN Framework Agreement on the Facilitation of Inter-State Transport to simplify and harmonize requirements for cross-border transport. The ASEAN Transport Facilitation Working Group is finalizing this Agreement and an early conclusion would further enhance the movement of goods and people in the region.

Through support from the Asian Development Bank (ADB), Cambodia's efforts at prioritizing trade facilitation and investment measures will be guided by the Strategic Framework for Action on Trade Facilitation and Investment in the Greater Mekong Subregion,<sup>12</sup> which covers four priority areas:

- (i) Customs procedures;
- (ii) Inspection and quarantine measures;
- (iii) Trade logistics;
- (iv) Mobility of business people.

Another important initiative is the implementation of the GMS Cross-Border Transport Agreement (CBTA).<sup>13</sup> The key elements of CBTA are:

- (i) Single-window or single-stop customs inspection;
- (ii) Cross-border movement of persons (that is, visas for persons engaged in transport operations);
- (iii) Transit traffic regimes, including exemptions from physical customs inspection, bond deposit, escort, and phytosanitary and veterinary inspection;
- (iv) Requirements that road vehicles will have to meet to be eligible for cross-border traffic;

<sup>10</sup> Adopted at the 6<sup>th</sup> ASEAN Summit, Hanoi, 15-16 December 1998 (see [www.aseansec.org/8872.htm](http://www.aseansec.org/8872.htm)).

<sup>11</sup> Adopted at the 11<sup>th</sup> ASEAN Transport Ministers Meeting, Vientiane, 17 November 2005 (see [www.aseansec.org/17877.htm](http://www.aseansec.org/17877.htm)).

<sup>12</sup> Endorsed at the Special Meeting of the Trade Facilitation Working Group, Manila, 25 and 26 April 2005 (see [adb.org/Documents/Events/Mekong/Proceedings/tfwg-strategic-framework.pdf](http://adb.org/Documents/Events/Mekong/Proceedings/tfwg-strategic-framework.pdf)).

<sup>13</sup> Agreement between and among the Governments of the Kingdom of Cambodia, the People's Republic of China, the Lao People's Democratic Republic, the Union of Myanmar, the Kingdom of Thailand, and the Socialist Republic of Viet Nam for the Facilitation of Cross-Border Transport of Goods and People (see [www.adb.org/GMS/agreement.asp](http://www.adb.org/GMS/agreement.asp)).



- (v) Infrastructure, including road and bridge design standards, road signs and signals.

CBTA entered into force in December 2003. The initial implementation of the Agreement commenced at the Bavet-Mocbai border crossing between Cambodia and Viet Nam in 2007. A memorandum of understanding (MOU) on the initial implementation of CBTA at the Poipet-Aranyaprathet border crossing between Cambodia and Thailand has been signed and its implementation is expected to begin in the near future.

The development of the GMS Southern Economic Corridor will improve connectivity between Cambodia and its neighbours, facilitate increased cross-border trade and private investment, and promote tourism and agricultural development. The Corridor is defined by three main road sub-corridors and their areas of influence:

- (i) Central sub-corridor: Bangkok – Phnom Penh – Ho Chi Minh City – Vung Tau;
- (ii) Southern coastal sub-corridor: Bangkok – Trat – Koh Kong – Kampot – Ha Tien – Ca Mau – Nam Can;
- (iii) Northern sub-corridor: Bangkok – Siem Reap – Stung Treng – Rattanakiri – O Yadav – Play Ku – Quy Nhon.

In addition, there is an important inter-corridor link: Dong Kralor – Stung Treng – Kratie – Phnom Penh – Sihanoukville.

The conceptual purposes of the three sub-corridors are varied but complementary. The central sub-corridor links three major population and commercial centres: Bangkok, Phnom Penh and Ho Chi Minh City. The sub-corridor helps to integrate the social, commercial and economic resources of these three centres to form a subregional economic zone. The southern coastal sub-corridor links the commercial, industrial and tourism sectors in eastern Thailand with the coastal region of Cambodia, which has the potential for industrial and commercial growth based on fisheries, energy resources, light industry and trade (based in Sihanoukville). This sub-corridor also includes the southern Mekong Delta in Viet Nam, which is an area of growth for food processing and other light industries. The northern sub-corridor links a succession of existing and potentially world-class tourism sites and could become a major tourist trail stretching from Bangkok via Siem Reap (Angkor Wat), Preah Vihear (the centre of numerous Khmer era temples), Stung Treng (the Mekong River with freshwater dolphins and the Khoune waterfalls in southern Lao People's Democratic Republic) and Rattanakiri (natural park and wildlife in Cambodia) to the Central Highlands and coastal areas (beach tourism and ecotourism) of Viet Nam.

In its study on GMS transport sector strategy, ADB determined that the provision of seamless transport services along a fully connected and integrated GMS transport network would benefit Cambodia in terms of:

- (i) Improving its links and synergies with the GMS transport system;

- (ii) Promoting multimodalism, leading to improved competitiveness through reduced travel times and transport costs;
- (iii) Enhancing public and private sector investments in transport infrastructure (roads, rail, air and waterways) that are needed to complete the GMS transport corridors.

To maximize the benefits of improved transport infrastructure, Cambodia, together with the other GMS countries, has agreed to expedite the implementation of CBTA. This Agreement includes provisions for single-stop/single-window customs inspections at border checkpoints, simplified visa formalities and the exchange of traffic rights. When the Agreement is fully implemented, the GMS countries will enjoy lower transport costs, increased tourism and greater opportunities for cross-border trade and investment.

(c) *Development of triangle cooperation on trade facilitation*

In 2004, the Governments of Cambodia, the Lao People's Democratic Republic and Viet Nam signed the Vientiane Declaration on the Establishment of the Cambodia-Laos-Viet Nam Development Triangle to create a favourable intraregional investment and business environment by promoting linkages among localities and business sectors. To implement the Declaration, the three countries have been actively working on formulating policies and establishing a mechanism to facilitate the cross-border movement of goods, vehicles and people and to promote trade and investment in the area.

(d) *Bilateral cooperation on trade facilitation*

(i) *Cambodia-Viet Nam*

In order to strengthen economic and trade development cooperation, and especially to facilitate the movement of goods and people throughout the territories of Cambodia and Viet Nam, the two countries either have signed the following agreements:

- a. Agreement between the Royal Government of Cambodia and the Government of the Socialist Republic of Vietnam on Road Transportation (1998);
- b. Agreement on the Transit of Goods between the Government of the Socialist Republic of Vietnam and the Government of the Kingdom of Cambodia (1994) and its amendment (2000);
- c. Protocol for the Implementation of the Agreement between the Royal Government of Cambodia and the Government of the Socialist Republic of Vietnam on Road Transportation (2005);
- d. Agreement on the Purchase, Sale and Exchange of Goods and Commercial Services in the Border Area between the Government of the Socialist Republic of Vietnam and the Royal Government of Cambodia (2001);
- e. MOU between the Government of the Socialist Republic of Vietnam and the Royal Government of Cambodia on the initial implementation of CBTA at Bavet, the Kingdom of Cambodia, and Moc Bai, the Socialist Republic of Vietnam, signed at Phnom Penh, March (2006);

(ii) *Cambodia-Lao People's Democratic Republic*

In an effort to promote trade, tourism and investment along their common border, Cambodia and the Lao People's Democratic Republic have signed the following agreements:

- a. Agreement on Road Transport between the Government of the Lao People's Democratic Republic and the Royal Government of Cambodia (1999);
- b. Protocol to Implement the Agreement on Road Transport between the Kingdom of Cambodia and the Lao People's Democratic Republic (2007);

(iii) *Cambodia-Thailand*

Under CBTA, Cambodia and Thailand have signed or initiated the following arrangements:

- a. MOU on the Establishment of the Joint Thailand-Cambodia Committee on Trade between the Government of the Kingdom of Thailand and the Government of the Kingdom of Cambodia (2000);
- b. Bilateral road transport arrangement between Cambodia and Thailand (called for in Kunming, China, in 2005);
- c. MOU between the Government of the Kingdom of Thailand and the Royal Government of Cambodia on the Exchange of Traffic Rights for Cross-Border Transport through the Aranyaprathet-Poipet Border Crossing (2008).

## **C. Conclusion and way forward**

It is encouraging that Cambodia has managed to continue its growth despite the end of the garment quota system of the Multifibre Arrangement. However, the accession of Viet Nam to WTO in 2007 and the scheduled removal in 2009 of safeguard measures against clothing exports from China to the United States will present the garment manufacturers of Cambodia, whose success depends to an important extent on the cost and time it takes to do business in the country, with stiffer competition. Building on past achievements, there are still gains to be made in garment manufacturing. As a participant in the GMS Programme and a member of ASEAN and WTO, Cambodia needs to improve its trade performance by enhancing its productive capacity and competitiveness, which depends upon its use of regional and multilateral trade disciplines and its commitments to improve the regulatory environment. Smuggling across the country's borders with Viet Nam and Thailand is rampant, and this must be defeated in order for Cambodia to realize its full potential as a trading nation. If producers and traders find it easier and more lucrative to use informal trade routes than to use formal trade procedures, especially for the export of Cambodian raw materials, the rules of the GMS Programme, ASEAN and WTO will have little impact. Moreover, there is an urgent need for Cambodia to diversify its exports. In order for this to happen, it is as important to develop the supply capacity of entrepreneurs as it is to ensure the facilitation of trade and transport.

In recent years, progress has been made in trade and transport facilitation, including the establishment of a risk management unit in the Customs and Excise Department, and the approval of the single administrative document, which was piloted in the second half of 2007. All the relevant agencies have signed administrative agreements on procedures and guidelines for the inspection and clearance of imported and exported goods. The implementation of the ASYCUDA system is also making steady progress, and a positive impact has been an increase in customs revenues, the availability of reliable trade statistics and a reduction in the average clearance time. The in-depth reforms of the customs system that the implementation of ASYCUDA requires have themselves accounted for an important part of the gains. The special economic zone in Bavet was the first to establish a one-stop service window, with five government agencies represented in a single room. Such a service window will be established whenever a new special economic zone becomes operational.

The Ministry of Commerce has also made progress in its preparations for a more sectoral approach to trade-related assistance, and it has initiated an internal reform process and reinvigorated the Sub-steering Committee on Trade Development and Trade-related Investments. The Customs and Excise Department has recently updated its customs reform and modernization plan, taking stock of achievements and setting out a course for further progress, which provides the Department itself, as well as donors interested in supporting it, with a way ahead. The close coordination of all trade-related agencies will continue to be central to the role of the Government in promoting trade and transport facilitation and private sector development. This is evident in Cambodia's remaining agenda for legislative work related to its WTO accession. Improvement in areas such as SPS and TBT, customs harmonization, ICT and logistics development, and business mobility is essential for more diversified and rural-based exports. This requires a great deal of cooperation at the national and regional levels.

In conclusion, trade and transport facilitation has been playing a crucial role in enhancing Cambodia's export competitiveness. It is important that the Government continue its trade facilitation reforms, implement the relevant multilateral and regional agreements and honour its commitments to the GMS Programme, ASEAN, WTO and WCO. Special attention needs to be paid to the implementation of CBTA. The Government of Cambodia also needs to make efforts to reform its institutional framework by improving cooperation among the agencies involved in trade regulation and cargo clearance, develop and implement national and regional logistics plans, and attract and mobilize resources to improve physical connectivity. It is also necessary for the Government to support and participate in regional and global business forums and to develop institutional and human capacity.

Cambodia has embarked on the right path with its trade and transport facilitation reforms. Although the country faces many constraints and challenges, with the proper policies and strong commitments, as well as the support of development partners such as the World Bank, ADB, ESCAP and other international organizations and donors, it has the potential and capacity to achieve its development goal.

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