

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## EXPANSION OF TRADE - AGRICULTURAL POLICY

### Report of Committee II on the Consultation with Cambodia

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Cambodia. The Committee had before it the following documents:

- (i) document COM.II/40(h), dated 26 October 1960, which contained a synopsis, supplied by the Government of Cambodia, of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers; and
- (ii) document COM.II/100, dated 31 October 1960, which contained information, also supplied by the Government of Cambodia, on commodities entering importantly into international trade.

In conducting the consultation, the Committee followed the plan for consultations contained in Annex A to COM.II/5 and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 5 November 1960.

#### A. General Agricultural Policies

2. In his opening statement, the representative of Cambodia drew the attention of the Committee to some of the salient features of Cambodian agriculture. Cambodia was essentially an agricultural country; 80 per cent of its inhabitants were agricultural producers and its foreign trade was based mainly on agricultural products. The Government's policy was aimed at increasing agricultural production by the extension of the area under cultivation and the improvement of average yields per hectare in order to raise the incomes of those engaged in agriculture and to help the balance-of-payments position.

3. Cambodia covered a total area of 18,103,500 hectares, of which 8,800,000 hectares consisted of workable forests and 4,000,000 hectares were capable of cultivation. At the present time, the gross national income amounted to 15,200 million rials for a population of 4,840,000 inhabitants, which represented 3,150 rials or approximately \$90 per inhabitant.

4. Immediately after independence, the Royal Government of Cambodia had taken steps to increase the national income. A preliminary Two Year Plan had been put into effect, followed by a Five Year Plan. The latter Plan was for the period 1960/64. This Plan aimed at increasing the national income by 3 per cent per annum, and it was proposed to achieve this aim by: (a) diversification and intensification of agricultural production; (b) the carrying out of a programme of industrialization; (c) the promotion of irrigation and drainage projects; (d) the increase of power potential; (e) the progressive strengthening of the equipment infra-structure; and (f) the promotion of education and of the tourist industry, and the improvement of health installations.

5. The cost of this Five Year Plan amounted to 8,000 million rials, i.e. \$228,500,000 of which, 3,200 million rials or \$91,400,000 (i.e. 40 per cent) were allocated to production. In the strictly agricultural field, the Five Year Plan was intended to increase the production of rice, rubber, maize, timber, livestock, fish, etc.

6. The area at present cultivated as paddy-fields amounted to 1,200,000 hectares with a production of 1,200,000 tons, i.e. an average yield of 1 ton per hectare. The projects envisaged in the Plan would make it possible to increase the area under cultivation to 1,400,000 hectares so as to obtain an output of some 1,800,000 tons. The average yield would then be 1.2 tons per hectare. The purpose of the measures to be adopted for rubber was to increase the area under heavy cultivation and raise it from 35,000 hectares in 1960 to 50,000 hectares in 1964. Production was expected to increase as a consequence from 35,000 tons to 50,000 tons. Before the Second World War, 270,000 hectares of alluvial land had been under maize. Production had amounted to 400,000 tons annually. Efforts would be made to raise existing production (100,000 tons) to the pre-war figure.

7. Cambodia had forests capable of producing some 560 million cubic metres of timber. In 1959 only 250,000 cubic metres of timber of all types had been produced owing to a lack of efficient means of production and of export markets. The representative of Cambodia explained that the raising of livestock was still on a family basis. The figures for 1959 were 1,023,426 cattle, 336,232 buffalo, and 397,571 pigs. Commercial poultry-keeping was now beginning. He also explained that fresh-water fishing was one of the main economic activities of the country. Sea-fishing, however, had not yet been properly organized. The annual production of fresh-water fish amounted to some 150,000 tons but the annual exports for the years 1957, 1958 and 1959 only amounted to approximately 5,000 tons.

8. Increased production was also planned for other types of agricultural products. Cambodia at present imported the cotton needed for its cottage industries. Owing to the recent establishment of a textile factory the Kingdom's requirements would amount to some 5,000 tons of cotton fibre annually. Under the Five Year Plan an effort would be made to attain an annual production of 5,000 tons of cotton fibre. In addition Cambodia grew mainly brown tobacco and was required to import yellow tobacco to meet the needs of its cigarette factories. By means of the Five Year Plan, it was hoped to be able to supply all domestic requirements of yellow tobacco from domestic production. Hitherto, Cambodia had imported the entire local requirements for jute-sacks. Since the land in some provinces of the Kingdom was suitable for growing jute, this crop would be developed and a processing factory would be established. A sugar refinery would also be established to process domestic palm sugar. It would be equipped to process sugar-cane which was already grown on alluvial land.

9. In concluding his opening statement, the representative of Cambodia stressed that agriculture played a predominant rôle in the economy of Cambodia. Exports amounting to 2,104 million rials or \$60,114,000 in 1959 were based almost entirely on rice, rubber and maize, which represented 37 per cent, 33 per cent and 10 per cent of the total respectively.

10. A member of the Committee noted that about 40 per cent (3,200 million rials) of the total cost of the present Five Year Plan (8,000 million rials) was allocated for the purpose of increasing overall production and asked what proportion of this allocation would be for agricultural production. The representative of Cambodia stated that most of this allocation was for agricultural production, less than one tenth would be for industrial production.

11. A member of the Committee referred to the plans for large-scale development schemes under which the production of certain agricultural products such as rice, maize, rubber, etc. was expected to increase, and enquired whether the Committee could be provided with information about the possible use of new land resulting from irrigation. The representative of Cambodia stated that the new land would mainly be devoted to paddy production. Another member of the Committee asked what total increase in agricultural production was envisaged as a result of such irrigation schemes. The representative of Cambodia stated that out of the 4 million hectares which were suitable for cultivation 3.8 million hectares were expected to be developed before the present Five Year Plan was completed. Increased rice production would, however, depend upon the adequate implementation of water policies, better use of chemical fertilizers, and more up-to-date production techniques. Irrigation schemes would be the main sources by which increased production of agricultural products would be attained.

12. Some members of the Committee expressed interest in the large-scale Mekong River Project which was to be carried out by United Nations technical assistance. The representative of Cambodia informed the Committee that this was a long-term programme covering a period of more than twenty years and affecting four riparian States: Cambodia, Thailand, Laos and South Viet Nam. Under the programme it was planned not only to harness sources of electric power but also to place new land under cultivation. In reply to a question by a member of the Committee regarding the sources from which the Five Year Plan would be financed, the Cambodian representative stated that the necessary funds would be obtained from national budget appropriation and from foreign assistance, including aid from the United States, the People's Republic of China, France, Japan, the countries contributing to the Colombo Plan and others. Cambodia hoped that roughly 650 million rials would be contributed by foreign assistance during the first year of the Five Year Plan.

13. Noting the desire of the Government of Cambodia to raise the level of income of the farm population, and that some 40 per cent of the total cost of the present Five Year Plan would be used for the development of agricultural production, a member of the Committee requested information about the particular assistance which would be made available to farmers under the Plan in order to increase agricultural production. He asked what specific steps would be taken to develop, for example, the dairy sector. The representative of Cambodia pointed out that the major steps to be taken in order to increase agricultural production included irrigation plans, agricultural loans, technical assistance rendered in relation to agricultural extension services, better use of chemical fertilizers, wider use of high quality seeds and temporary exemption from land taxes. As regards the dairy sector, large-scale dairy production throughout the country was not envisaged. Certain measures for improvement had already been taken regarding livestock, for example, cattle centres had been established. In addition, a specialized body, the Pasteur Institute of Cambodia, manufactured and distributed to cattle farmers veterinary medical products (serums and vaccines) for the control of epizootic diseases.

14. A member of the Committee expressed his interest in the present situation in Cambodia with respect to the size of farms and the ownership of agricultural land and asked whether there were any plans to increase the size of farms or to change the ownership of agricultural land with the view of increasing productivity. The representative of Cambodia informed the Committee that the present system was one of small-holdings except in the case of certain rubber plantations and there was no system of tenant-farming. He pointed out that the small-holding system was one of the basic factors contributing to the political stability of Cambodia.

15. In response to a request for information about the problem of increasing productivity, the representative of Cambodia stated that under the Plan greater emphasis had been placed on cereals rather than on dairy products. As regards the cattle breeding sector where family-type farming was predominant, various surveys were now being carried out by the Government with the aim of exploring how this particular sector could be improved; the present Five Year Plan did not,

however, provide for a substantial development in the dairy sector. While noting that increased productivity was envisaged for rice, another member of the Committee asked why increased productivity was not envisaged in the case of rubber. The representative of Cambodia explained that a very high level of productivity had been reached already in Cambodia in respect of rubber production.

16. A member of the Committee asked whether there were any farmers' organizations or co-operatives which assisted production or the collection and marketing of agricultural products for export. The representative of Cambodia informed the Committee that an institute called "the Royal Co-operative Office" dealt with the collection of certain cereal products such as rice and maize. No marketing organizations existed for other agricultural products.

17. Some members of the Committee noted that agricultural loans were granted by a national fund to land-owners and agricultural concerns. One member asked whether any conditions were specified for granting such loans. The representative of Cambodia informed the Committee that there were two bodies which were responsible for granting agricultural loans; one for smaller loans, the other for larger amounts. There were no special provisions regarding conditions under which loans could be granted. While these were actually granted in a flexible manner, a priority was necessarily given to certain schemes which aimed at increasing agricultural production. In response to a question about the source of agricultural loans, the representative of Cambodia stated that they were financed from the national budget and from United States economic aid.

18. A member of the Committee asked if there were any provision for fixing domestic producer prices. The representative of Cambodia stated that his Government did not fix producer prices for any agricultural products, nor was it the intention to do so in future. Another member of the Committee asked whether any measures had been employed by the Government to stabilize agricultural prices. The representative of Cambodia stated that no direct measures had been employed for such purposes and that the price formation was entirely free in Cambodia.

19. A member of the Committee enquired whether Cambodia had experienced any difficulties in the form of non-tariff barriers in its efforts to export

agricultural products. The representative of Cambodia stated that his country had experienced no difficulties in finding outlets for agricultural products in foreign countries. Referring to exports of rice, he stated that, in view of the increases expected in paddy production as a result of the implementation of the Five Year Plan, Cambodia might have some difficulties in exporting this product in future. In response to further questions about future prospects for rice exports, the representative of Cambodia explained that the increase in rice production had led to domestic production being already more than sufficient to meet domestic requirements. Cambodia was currently exporting about 250,000 tons of rice each year. He expressed the hope that rice production available for export could be absorbed by the world markets, particularly by the markets in certain countries with which Cambodia had concluded bilateral trade agreements.

20. Another member of the Committee, noting that an increase in rubber production had also been encouraged under the Five Year Plan, asked if the Government of Cambodia envisaged any difficulty regarding the export of this product. The representative of Cambodia stated that the prospects for rubber exports were favourable and that his Government was optimistic regarding the future of natural rubber despite intensified competition from the synthetic variety.

21. A member of the Committee noted the relatively important share of forest land in the total area of Cambodia. He asked whether the forestry industry was such as would contribute importantly to an increase in national income. The member also asked whether there were any plans for industrialization in this particular sector. The representative of Cambodia stated that forestry was one of the important natural resources of Cambodia. At present, however, rather small quantities of timber had been produced owing to the lack of rational and efficient methods of production and the lack of export markets. If more outlets could be found for timber produced in Cambodia, more exports might be expected to take place. Present outlets for Cambodian timber were Japan, South Vietnam, China, and to a lesser extent, Hong Kong. As regards the industrialization of the forestry sector, it should be noted that a paper mill and plywood factory were being constructed with Chinese economic aid.

22. A member of the Committee noted that temporary exemption from land taxes was granted with respect to land under cotton, coconuts, coffee, tea and hevea. He asked whether this temporary tax exemption was applied equally to all land under the production of these products. The representative of Cambodia stated that the tax exemption was applicable only to newly cultivated land. Referring to the temporary exemption from land taxes with respect to coffee, another member of the Committee asked whether the Government of Cambodia considered that it would be a sound policy from an economic point of view to give such an incentive to coffee production in Cambodia. The representative of Cambodia stated that coffee production in his country was solely for domestic consumption; the purpose of the incentive given to domestic production was not to encourage production for export but to save foreign exchange which would be needed to pay for imports.

23. Referring to Government revenues, a member of the Committee asked whether any revenue duties or taxes other than those indicated in the commodity paper (COM.11/100) had been imposed on the commodities which were under examination

by the Committee. It appeared from the document that there were, apart from import duties and a sanitary inspection tax for certain meats, only consumption and identification taxes on beet sugar and cane sugar (solid) and on sugar confectionery not containing cocoa. The representative of Cambodia confirmed that there were no revenue duties or taxes other than those indicated in the commodity paper mentioned above.

24. Many members of the Committee expressed interest in the currency retention scheme called "EFAC". They noted the statement made by the Cambodian Government that "in order not to discourage agricultural producers, the Royal Government, in agreement with the Central Bank, fixed a fairly high "EFAC" (currency retention) percentage for exports of certain forms of agricultural products (30 to 40 per cent)". In response to a number of questions raised by members of the Committee, the representative of Cambodia informed the Committee that all exports were subject to the currency retention scheme. The currencies retained under the scheme were used mainly for meeting the costs of certain facilities (such as market surveys, advertising and insurance) offered by the Government and agricultural exporters. He explained that the system of import certificates under the scheme was for administrative and statistical purposes. Imports which had taken place under the retention scheme represented only a very small percentage of the total imports authorized under the licensing system, and accounted for 30 per cent of the total imports authorized under the certificates.

25. In response to further questions the representative of Cambodia confirmed that the scheme was intended to encourage agricultural producers. He stated that the scheme might be considered as a kind of levy on receipts from exports. There were specified limited cases in which exporters could claim payment from the fund arising from the levy, for incidental expenses incurred when selling abroad. The fund retained under the scheme could also be utilized for importation of certain products which were related to agricultural production. A member of the Committee asked whether funds retained under the scheme were re-allocated to agricultural producers, or whether such funds were held by any central organization. He expressed the view that through the implementation of the currency retention scheme a large difference between producer and export prices could arise. The representative of Cambodia pointed out that the funds were actually being held by officially authorized banks and could be re-allocated to agricultural producers. He informed the Committee that the difference between producer and export prices of agricultural products represented 20 per cent. The representative of Cambodia added, however, that this difference in prices had no connexion with the EFAC percentages which averaged from 10 to 13 per cent, although in exceptional cases the percentages were somewhat higher.

26. Another member of the Committee asked whether different rates of currency retention were applied according to the type of commodity and the kind of currencies earned by exports. The representative of Cambodia replied in the affirmative as regards the differential rates and stated that in principle, all products were subject to the uniform rate of retention but that there existed a slight differential in the retention rates for certain products for which exporters might have some difficulty in finding outlets; in such cases the retention rates were slightly higher than the uniform rate. He added that the currency retention scheme could not be considered as a form of export subsidy,

but was a measure to provide certain facilities for both agricultural producers and exporters as described above.

27. Several members of the Committee expressed awareness of the necessity of a country such as Cambodia to regulate imports for balance-of-payments reasons and in order to give priorities to essential imports which might be needed for national economic development. They requested additional information about the scope and nature of the restrictions. One member of the Committee stated that in view of the rather high import duties on agricultural imports, tariff protection as such appeared to be sufficient to control imports.

28. The representative of Cambodia stated that his Government intended eventually to liberalize imports completely, but could not do so for the time being in view of the present balance-of-payments position. An import plan was therefore drawn up annually by the Government: it provided for total annual import requirements and for the distribution of foreign exchange between individual commodity groups, taking into account export possibilities and foreign exchange reserves. The present import plan permitted the importation of products such as wheat flour, sugar, condensed milk, tobacco, jute products, mineral oils and their products, fertilizers, pharmaceuticals, chemical products, textiles and textile products, paper, non-metallic minerals, iron, steel, manufactured non-ferrous products, generators, motors, electric appliances, industrial machines, scientific materials, agricultural materials, tractors, motor cars and spare parts, bicycles with auxiliary engines, special vehicles, and small and large boats. A special Committee of the Government was responsible for considering the applications for import licences. The Cambodian representative explained that there were two major sources for financing imports, foreign exchange earnings and the assistance given by the United States Government (the ICA Fund).

29. A member of the Committee wondered whether the importer was free to decide the origin of any commodity imported. The representative of Cambodia stated that any importer could and did select the origin and the particular supplier, but he pointed out that import licences were granted on the basis of the foreign currency available within the framework of the import plan. Imports financed by the "ICA" fund were in accordance with the rules established by the "ICA" itself. In the case of imports from countries with which Cambodia had concluded bilateral trade agreements, imports were made in accordance with the terms of these agreements.

30. Another member of the Committee asked whether bilateral trade agreements were the main criteria for allocating import licences and wondered whether the Committee could be provided with figures showing the percentage of total imports financed from Cambodia's own foreign exchange reserves, from United States economic aid, and by means of payments agreements annexed to bilateral trade agreements. The representative of Cambodia stated that under the present annual import plan imports financed from foreign exchange reserves represented about 63 per cent of total imports, whereas imports financed from the United States aid and from the bilateral trade agreements represented about 25 per cent and 12 per cent, respectively. For the first categories, import licences were issued without any discrimination as to the country of origin.

31. In response to further questions on quantitative restrictions affecting imports of agricultural products, the representative of Cambodia stated that general licences could be granted to all citizens in Cambodia who were established import and export traders. Holders of "EFAC" accounts were also required to obtain an import licence. This licence might, however, be considered as an import certificate since it was issued automatically,

32. The Committee noted with particular interest that it was the intention of the Cambodian Government to move away from quantitative import restrictions as soon as the situation permitted, and expressed the hope that the Government would explore the possibility of applying existing import restrictions in a non-discriminatory manner at the earliest possible date.

## B. Commodities

### Cereals

33. A member of the Committee asked whether barley and oats were permitted to be imported at present. The representative of Cambodia stated that there were no domestic requirements for these products for the time being, but the prospect was that there might be a need to import some quantities in future.

### Dairy Products

34. A member of the Committee asked whether the dairy products listed in the commodity paper (COM.II/100) were included in the list of products which could be imported under the annual import plan. The representative of Cambodia stated that such products were among imports which were to be financed from foreign exchange reserves and from United States economic aid. Certain other dairy products, such as cheese, were not included in the import list under the plan.

### Sugar

35. Members of the Committee enquired about the nature of the consumption and identification taxes on beet sugar and solid cane sugar. One member noting that import duties were 60 per cent ad valorem on beet sugar and on solid cane sugar, inquired whether the consumption and identification taxes on such products were imposed in addition to the import duties. Another member of the Committee asked whether such import taxes on beet sugar and solid cane sugar were important sources of national revenue. In response to these questions, the representative of Cambodia explained that to the best of his knowledge, such taxes were very low and were imposed for statistical purposes. Although white sugar was one of the permissible imports listed in the annual import plan, about 80 per cent of the population actually consumed palm sugar: the main reason for the high import duties was that white sugar was considered a luxury.

### Meat

36. A member of the Committee noted that meat was not included in the list of permissible imports and asked if any licences were issued for meat imports. The representative of Cambodia stated that there was no demand for imported meat since Cambodia was self-sufficient in this product. Some meat produced in Cambodia was exported to Hong Kong and to South Vietnam.

### Vegetable Oils

37. A member of the Committee enquired why the import duty of 25 per cent ad valorem on watermelon seeds was so much higher than duties on other oilseeds and oleaginous fruit. The representative of Cambodia stated that his country was a producer and exporter of the product in question and that, therefore, the Government did not wish to favour imports of this product.

### Fish

38. One member of the Committee wondered whether there were any plans for the development of the sea-fishing industry and asked about the prospects for exports of sea-fish and their products. The representative of Cambodia stated that this industry was as yet not well organized in Cambodia but that the Government was endeavouring to rationalize the industry through various measures. Another member asked why the rates of import duty on fish products salted or in brine, dried or smoked, appeared to be rather high; 60 per cent ad valorem duty was imposed on salted shark fins, and 50 per cent ad valorem was imposed on other fish. The representative of Cambodia explained that the main reason for maintaining high rates of duty was that these products were consumed by an extremely small part of the population and were considered as luxury items.