



Stakeholder Perception Survey

Draft Report

Prepared by NEAK Samsen

July 13, 2005

I. Introduction

South-South trade has long been promoted as a means to reduce the dependence of developing countries on developed countries' markets and to enhance the diversification of Southern exports beyond primary commodities. The Cancun fiasco and the emergence of the G-20+ alliance have highlighted the importance of this pertinent aspect of global trade.

Having experience on trade and development, CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) has undertaken a project to explore the possibility of enhancing South-South trade, which at present constitutes only ten percent of the world's trade. This project initiative on South-South trade cooperation seeks to advance the importance of South-South trade by looking at demand and supply-side factors, which can enhance (or hinder at present) trade between India and three Mekong countries, Cambodia, Laos and Vietnam.

The Economic Institute of Cambodia (EIC), as a CUTS-CITEE partner, began this project in April 2005. The EIC research team, within the framework of this study, initially prepared a background paper, based solely on secondary data, to specifically examine Indo-Cambodia trade and investment links. In particular, this preliminary investigation has revealed that two-way trade and investments between Cambodia and India has thus far been limited. Furthermore, in the area of trade, it was concluded that Indian exports to Cambodia can be expected to grow in the area of pharmaceutical products, raw materials and accessories for the garment industry, as well as automobile components and machinery whereas Cambodia exports to India were recommended to focus more on primary products and materials such as rubber and fishery products. On the issue of Indian investment in Cambodia, three possibilities areas were identified: (1) pharmaceutical plants, (2) education, (3) and IT related services.

Despite these initial results, we conducted field work, including intensive consultations and discussions with key stakeholders, with the objective of solidifying our understanding of the relationships between these two countries and to verify our initial assessments as stated in our background paper. Findings of this stakeholder perception field survey are discussed in depth in Section IV.

The four main objectives of the stakeholder perception survey are as follows:¹

1. To collect information on individual stockholder's perception(s) on past and current relationships in the areas of politics, culture, tourism, and specifically on trade and investment.
2. To ascertain individual stakeholder opinions and future scenarios of these relations.
3. To identify and determine ways in which both countries can promote two-way trade and investment through specific sectors and/or sub-sectors
4. To verify our initial findings which identified specific areas of trade expansion and investment promotion as possible strategies for growth.

II. Methodology

▪ Sampling

Due to explorative nature of this field of research, a non-random sampling technique was employed. A total sample of 30 people were initially identified as possible subjects from which 22 were selected to represent populations from five areas; that is the pharmaceutical, education, IT and garment industries; as well as eight individuals from government agencies and relevant institutions combined.²

▪ Questionnaire

The questionnaire consisted of ten open-ended questions covering three broad categories: general, trade and investment relationships between Cambodia and India (Appendix 1). Questions pertaining to inter-country general relationships focused on political, cultural similarities and linkages in tourism. Trade relationship questions centered on recent export and import activities and prospects for such activities.

¹ Stakeholders were determined based on his or her familiarity with issues on trade and investment between Cambodia and India. Stakeholders were thus identified as members of the business community in the fields of pharmaceuticals, IT and garment manufacturing; and representatives from government agencies, research institutes, universities and NGOs.

² Sample participants are as follows: six (6) high-ranking university administrators (20%); four (4) top-level managers of garment factories (15%); six (6) general managers of pharmaceutical import companies (15%); six (6) top level managers of IT companies (20%); two (2) officials from the Ministry of Commerce; one (1) representative from Embassy of India; one (1) Cambodia Chamber of Commerce representative; one (1) representative from the Cambodian Investment Board; one (1) representative of an Indian trading company; one (1) representative from the NGO community; and one (1) research institute representative (25%).

Investment relationships questions revolved on issues of current inward investment and prospects for such investments.

- **Duration of Consultations and Data Recordings**

EIC researchers spent between 30 minutes to 60 minutes discussing the issues noted above one respondent at a time. The discussion was based on a set of ten pre-determined questions. And when appropriate, the researcher further inquired in areas in which the respondent was actively involved or knowledgeable. Interviewers recorded responses in notebooks.

II. Survey results

- **Political Relations**

Current

There is a widely-held consensus that relations between Cambodia and India past and present have been healthy and diplomatic. Evidence of positive relations is demonstrated by the “good image” of India held by Cambodian citizens. This opinion can be traced back to the 1950s when former King Norodom Sihanouk worked closely together with the late Prime Minister Jawaharlal Nehru in becoming non-aligned member states. The general opinion held by the majority of Cambodians is further evidenced by the absence of racial or national discrimination against Indians or against Indian interests in Cambodia. Furthermore, there are frequent exchanges of official visits made by both governments. Recently, India’s top leader, former Prime Minister Mr. Atal Bihari Vajpayee, made a historical visit to Cambodia in 2002. Top leaders of the Cambodian government also paid a state visit to India noted by Prime Minister Hun Sen’s visit to India in 2000.

Future

The prospects of maintaining warm and friendly relationships are seen as very positive according to all respondents. In light of a growing trend towards cooperation among developing countries in the world, Cambodia-India relations are no exception joining this multilateral group individually. Indeed, bilateral cooperation cannot be neglected; that is both countries need to further maintain and expand inter-state relations.

- **Cultural Relations**

Current

Interviewee comments speak to basic cultural similarities between Cambodia and India. For instance, Buddhism, practiced by a majority of Cambodians, is originally from southern India. Moreover, Buddhism in Cambodia has been influenced by Hinduism. Cambodians and Indians also share similar views on social structures, particularly in terms of perspectives on familial and gender hierarchies that can be characterized as relatively conservative.

Future

Given the long history of India's influences on Cambodia - social, religious as well as cultural - it can be assumed that such linkages will continue. For instance, Buddhism remains a strong commonality as a majority of Cambodians are followers.

Relations in Tourism

Current

Based on discussions with stakeholders, there have been very few Indian tourists to Cambodia. And, those who have come to Cambodia are businessmen and officials.

Cambodian tourists to India are reported to be non-existent. Indian businessmen, when asked if they have seen Cambodian travelers in India, noted to the contrary. However, many have heard that Cambodians go to India to attend conferences or short-term training courses.

Future

Prospects of fostering tourism between the two countries seem unlikely based on the feedback from respondents. The major reason cited is that citizens of both countries tend to travel to more advanced countries; major destinations Singapore, Taiwan, Thailand, Malaysia, US and EU. However, inter-country tourism may be capable of growing gradually if some measures are put in place such as direct flights and promotion packages.

▪ Trade Relations

Current

Indian exports to Cambodia seem to be more diversified and sizable. There is a wide variety of consumer and industrial goods. When asked what kinds of Indian products are available in Cambodian markets, interviewees note that they have seen and/or used such products as cosmetics, food products, children books, higher education

books, stationery, IT software, electrical items, water pumps, agricultural chemical fertilizers, textiles and medicine. Of Indian products in Cambodia, is medicine maintains the greatest share. Responses from representatives of Indian pharmaceutical trading companies in the sample indicates that the share of Indian medicine is estimated to be somewhere between 15 percent and 45 percent.

There appears to be no Cambodian exports to India according to respondents from all five sample groups. Questions posed to those who have made frequent visits to India were met in the negative as many noted that they have never seen any products labeled “Made in Cambodia”. Furthermore, when asked why, the common answer was that Cambodia’s export market is aimed at high income countries’ markets, in addition to the lack of product diversification for export.

Future Trends

More than half of the respondents expressed optimism at not only the potentialities of Indian exports to Cambodia and but also Cambodian exports to India. The central reason for this optimism is based on the knowledge that both countries are undertaking strategies to diversify their commodities and their export destinations. However, Indian exports to Cambodia generated more support from respondents than the potential of Cambodian exports to India. Respondents asserted that two-way trade will, at least for now, be maintained at current levels.

All respondents from the pharmaceutical industry in our sample were the only ones who expressed the belief that trade will grow beyond current levels. Additionally, although the representatives of the four garment factories in our sample reported that they have never had any trade based interchange with India, three out of four said that trade will not decrease due to India’s expansion in other areas of trade. The majority of respondents from the remaining three groups also expressed positive expectations on exports from India to Cambodia rather than exports from Cambodia to India.

Future Potential and Areas of Expansion

More than 80 percent of respondents indicated that total trade between Cambodia and India has yet to reach its potential. And, there are different scales and sectors to address and bolster. Many, though not all, of the suggestions from the field survey revealed that Indian industrial export-based production to Cambodia should receive more

attention whereas Cambodian primary products should be promoted the other way around. Moreover, respondents from the garment sector believed the potential in garment trade with India is unlikely to be realized given substantial influences from China, Taiwan and Indonesia on the supply side and from EU and US on the demand side.

More explicitly, Indian trading companies can likely compete in Cambodia's market with an array of goods, according to many respondents across the sample. Indeed, pharmaceutical products from India have the greatest potential in gaining a bigger market share. Other potential products are children books, higher education books, textiles, agricultural water pumps, chemical fertilizers and consumer products. Products with less potential are automobiles, dyes and paints, food products and stationery. It is suggested that Cambodia, on the other hand, strengthen its focus on exports such as cashew nuts and green beans. Other products with diminished potential include rubber, tropical fruits, black pepper, corn, handicrafts, gems, and jewelry.

▪ **Investment Relation**

Current

Based on responses from those in our sample, there have been no Indian investments to establish production capacity in Cambodia. Indians come to Cambodia to do business as trading companies bringing products from India to Cambodia and at the same time seeking opportunities to export Cambodian products to India or third-party countries. Many of these trading firms are engaged in medicine imports. Other Indian businesses are based in the food industry as respondents report approximately four or five restaurants in Phnom Penh and a few in the tourist gateway city of Siem Reap. Respondents, furthermore, reported that there are many Indians who come to Cambodia to work for international firms or international development organizations.

Future

Prospects for investment are limited. Given the strength of India in IT and software development, one suggestion (in particular from respondents from universities and IT companies) is for India to open training institutes in Cambodia either within the university system or as vocational training centers. Agricultural processing is ranked second as a possible investment option while IT software companies are ranked third, as suggested by field work findings. Investing in the hotel industry is ranked fourth. Other

areas of investment were cited as paper production, automobile assembling plants, soap production, film production and primary level schools.

- **How to Promote Trade and Investment**

Survey respondents can be grouped according to four frameworks of thought on ways to promote trade between Cambodia and India.

The first school of thought is based on the idea that initiatives should be government based; to arrange a free trade agreement and investment protections bilaterally in order to pave way for private sector growth. Trade exhibition is another possibility for both governments. However, in the early stages of participating in exhibitions, the focus should be more on bringing businessmen together to meet each other rather than having exhibitions where consumers meet businessmen.

The second school of thought sees the promotion of tourism as an anchor whereby encouraging Indians to visit Cambodia vice versa can serve as a precondition to expanding trade and encouraging investment.

The third school of thought is based on the assertion that the private sector, especially chambers of commerce of both countries, can autonomously achieve trade and investment as both governments have limited initiative.

The fourth school of thought states that there are necessary pre-conditions in which respective domestic barriers must be gradually removed in order to improve trade and investment. Respondents emphasized this need more so for Cambodia than India. In terms of trade expansion, it was articulated that Cambodia should have a wider variety of commodities for export, beyond garments. Trade facilitation should be in place to ease export and import activities. For investment promotion, legal frameworks and low production costs were identified as key determinants to this process.

IV. Conclusion

Our fieldwork findings show that Cambodia and India have good political relations, and cultural linkages but limited relations in terms of tourism. Nonetheless, the prospect of maintaining and promoting these relationships are quite positive.

Trade relationships have thus far fallen below their potential. Cambodia should take advantage of accessing the second largest Asian market. Results from the field do not support our argument that rubber and fishery products should be exported from

Cambodia to India. Rather, items such as green beans, cashew nuts, black pepper, handicrafts, gems, and jewelry have been suggested as having greater potential. But survey results do support our arguments that exporting pharmaceutical products, automobile components and agricultural machinery from India to Cambodia holds promise. It is recommended that India place greater focus on its greatest market commodity, pharmaceutical products, and gradually expands its share in educational materials, agriculture materials, and industrial equipment. On the issue of enhancing investment relations, the prospects of inward investment from India are quite discouraging. However, the possibility of Indian investments in establishing IT training centers generated great approval from the survey's respondents.

Therefore, prospects on trade and investment promotion and expansion are auspicious given good political and cultural relations, and expected increases in tourism. To realize optimal trade and investment levels, however, there needs to be substantially greater cooperative efforts between both the government and private sectors as well as between the two countries.



**EXPLORING MEKONG-GANGA RELATIONSHIP:
TRADE AND INVESTMENT BETWEEN CAMBODIA AND INDIA**

QUESTIONNAIRE
(All are open-ended question)

Interviewer: _____

Date of Interview: _____

Interviewee:
Designation:
Company/Organization:
Address:
Contact Number:

General Relationship

1. How is the relationship (political, cultural and tourism) between Cambodia and India?

- ▶ Past and Current relationships:
- ▶ Future relationship:

Trade Relationship

2. How is the trade relationship (export and import) between Cambodia and India?

- ▶ Past and Present
 - Export [Kind of goods and Amount (\$US, quantity)]
 - Import [Kind of goods and Amount (\$US, quantity)]
- ▶ Future
 - Export [Kind of goods and Amount (\$US, quantity)]
 - Import [Kind of goods and Amount (\$US, quantity)]

3. What are the market shares of those products in Cambodian market?

4. What is the trend in trading activities between the two countries?

5. Has trade between Cambodia and India reached their potential level?

6. Please suggest sectors in which you think two countries should expand trading activities? And how to expand (what activities)?

Investment Relationship

7. The inflow of investment from India to Cambodia

- ▶ Past and Present
- ▶ Future

8. What sectors has India invested in Cambodia?

9. What are the motivations for them to invest in those particular sectors?

10. Please suggest sectors in which you think Indian investors should expand/put their capital?

List of Persons Consulted

1	Mr. Phann Keara	Pannasastra University
2	Mr. Chen Leang Chea	New Max Garment
3	Mr. Try Sothearith	Norton University
4	Mr. Keo Chamroeun	NGO Forum on Cambodia
5	Mr. Seng Vichet	University of Technology Phnom Penh
6	Mr. M. H. Kabir	Dragon River Resource Trading
7	Mr. Leang Narith	Chu Hsing Garment
8	Mr. Amit Gandhi	VE Cambodia Limited
9	Mr. Kiran Desai	Ranbaxy/Mega
10	Mr. Prasad	PPS International Co., Ltd
11	Mr. Din Virak & Mr. Sok Vanthoch	Build Bright University
12	Mr. Navaneethan L	Net I Solution Co., Ltd
13	Mr. Chhuon Chan Than	International Institute of Cambodia
14	Mr. Pankaj Negi	India Merchants Co., Ltd & Shiva Shakti Restaurant
15	Mr. S. Ravi	Embassy of India
16	Mr. Tep Vuthy	Palm infosystem
17	Mr. Srey Vibol	Institute of Technology Management
18	Mr. Hing Vutha	Cambodian Development Resources Institute
19	Ms. Phak Sika	Min Kuan Textile Co., Ltd
20	Mr. Kedar Bapat	Aspen Pharma Ltd.
21	Mr. Seng Sochinda	Council for the Development of Cambodia, Cambodian Investment Board
22	Mr. Hing Sopheak	Golden Jet Garment
23	Mr. Deep Johari	Zifam
24	Mr. Sous Sakal	Blue Technology
25	Mr. Mohit Rajvanshi	Thakral Cambodia Limited
26	Mr. Thon Virak	Foreign Trade Department, Ministry of Commerce

27	Mr. Diep Leng	Cambodia Chamber of Commerce
28	Mr. Rajesh Duneja	AZ Communication Co. Ltd
29	Mr. Ann Bunna	High Solutions Co., Ltd.
30	Mr. Shigeru Ebihara	Export Promotion Department, Ministry of Commerce