

# Negative Impacts of the 2008 Global Food Crisis on Cambodia's Trade Sector

Present by  
Group8

---

EE361 ECONOMICS OF CLMV COUNTRIES

Semester 2/2022



# Background

## GLOBAL FOOD CRISIS



The **global food crisis** of 2007-2008 was caused by **increasing demand** for food from growing economies, diversion of crops to biofuels, and extreme weather events.

Cambodia was **severely affected with exports** accounting for a significant portion of the country's GDP. Besides, its reliance on international trade and limited food production capacity

**High food prices** resulted in increased food insecurity and malnutrition, decreased disposable income, and decreased demand for Cambodian agricultural products, affecting overall economic growth and trade balance

Previous studies highlight the **need for long-term solutions** to improve agricultural productivity and resilience and address vulnerabilities in the trade sector.

# Background

## Key issues of Cambodia's trade

### The need for...



Effective regulation



Investment in human



Capital resources



Infrastructure development



**TO ADDRESS KEY ISSUES**



Government policies were implemented to **mitigate the impact** of the crisis on the trade sector

# Key issues and challenges

## Ineffective trade rules & regulation

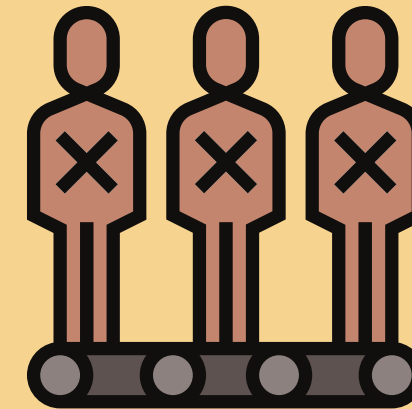
### Export restrictions



The drought of 2007 caused a decrease in rice production, resulting in high food prices and increased prices for rice and fertilizer. To protect domestic food security, rice exports were restricted, which caused a drop in revenue for farmers and exporters and reduced exports to neighboring countries.

## Lack of human capacity and resources

### Shortage of skilled labour



Farmers living in remote areas have limited access to information, which affects their ability to adopt new technologies and improve their farming practices. Additionally, inadequate support for human resource development leads to lower yields and a decline in food production.

### High import tariffs



Cambodia imposed high import tariffs on rice and corn to protect local farmers and encourage domestic production. But, the agricultural sector could not meet the food demand. Also, the tariffs limited the country's ability to import food to address shortages, making it difficult for low-income populations to access affordable food.

### Limited access to capitals



The agricultural industry faces challenges with inadequate access to advanced farming technology and irrigation systems. Additionally, farmers and small-scale food producers require financial access to invest in essential resources like seeds, equipment, and fertilizers to improve productivity and yields.

# Key issues and challenges

## Lack of funding

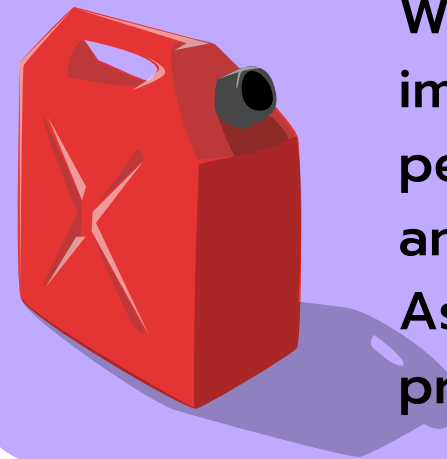
### *Less share of public spending*



It reduced the role of the public sector in agricultural marketing, eliminated agricultural input, and special credit facilities for agriculture. Lack of private investment was caused by inadequate public investment which result in agricultural products decrease.

## Lack of trade infrastructure

### *High oil price*



When the shipping cost increased, it had the impact on export. Cambodia's economic performance has been strong in 2000–2008, and more energy is anticipated to be needed. As a result, development is threatened by the present volatility of fossil fuel prices.

### *Inflation*



Inflation can reduce expenditures on health and education which lead to labor shortage and unskilled labor. At the end, it made Cambodia not attractive for foreign investors to invest in the country.

### *Poor infrastructure*



It had poor road system in the late 1980s and don't have enough trucks and buses for delivering goods. Moreover, governments that were strapped for cash neglected to build and maintain roads and the country also don't have much access to rural areas.

# Policies

## Improving trade rules and regulations

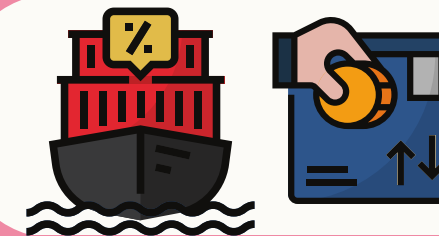


**Reduced taxes on imported rice**

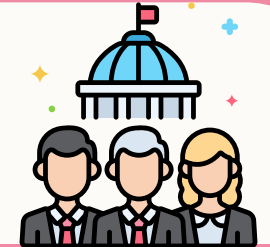


**Removed import duty on some food items**

The government temporarily suspended rice export to ensure a sufficient domestic supply. It also reduced taxes on imported rice and removed import duty on some food items to increase availability and stabilize prices in the domestic market.



**Lowered import tariffs**



The government lowered import tariffs on certain food items, including rice and meat, to lower prices. While controlling rice exports to ensure domestic supply was not affected by international demand and prices.



**Supporting mechanisms to help producers of products with export potential**

The Government has been supporting mechanisms to help producers of products with export potential to enter markets abroad. These activities focus on agricultural products, where success directly leads to increased rural incomes. Exports of these products have increased and are expected to rise.

**INVEST!**



**improve the overall investment climate and attract foreign investment**

The government also worked to improve the overall investment climate and attract foreign investment through bilateral agreements, special economic zones, and investor incentives.



**Established food security programs to promote sustainable agriculture**

The government established food security programs to promote sustainable agriculture and ensure vulnerable households had access to affordable food and nutrition.



# Policies

## *Strengthening human capacity and resources*

### **1** Training programs



They launched training programs that covered agricultural techniques, irrigation, and pest management to improve the skills and knowledge of farmers, extension workers, and other stakeholders in the agriculture sector.

### **2** Agricultural experts



The government recruited agricultural experts and professionals to work with local farmers and extension workers to improve productivity and quality.

### **3** Research and development



Focusing on capacity development and project management to enhance the government's longer-term capability to deal with food emergencies and sustain productivity growth by minimizing the impacts of natural disasters.

### **4** Financially supported



The government financially supported farmers and small-scale agriculture businesses to improve productivity and access to resources such as seeds, fertilizers, and equipment.

# Policies

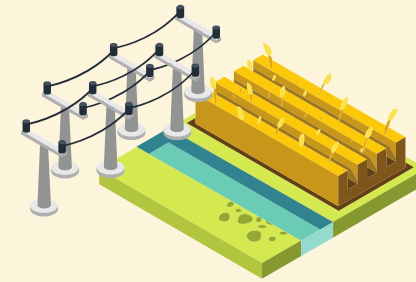


## The Agriculture sector strategic development plan

### Ensuring adequate funding



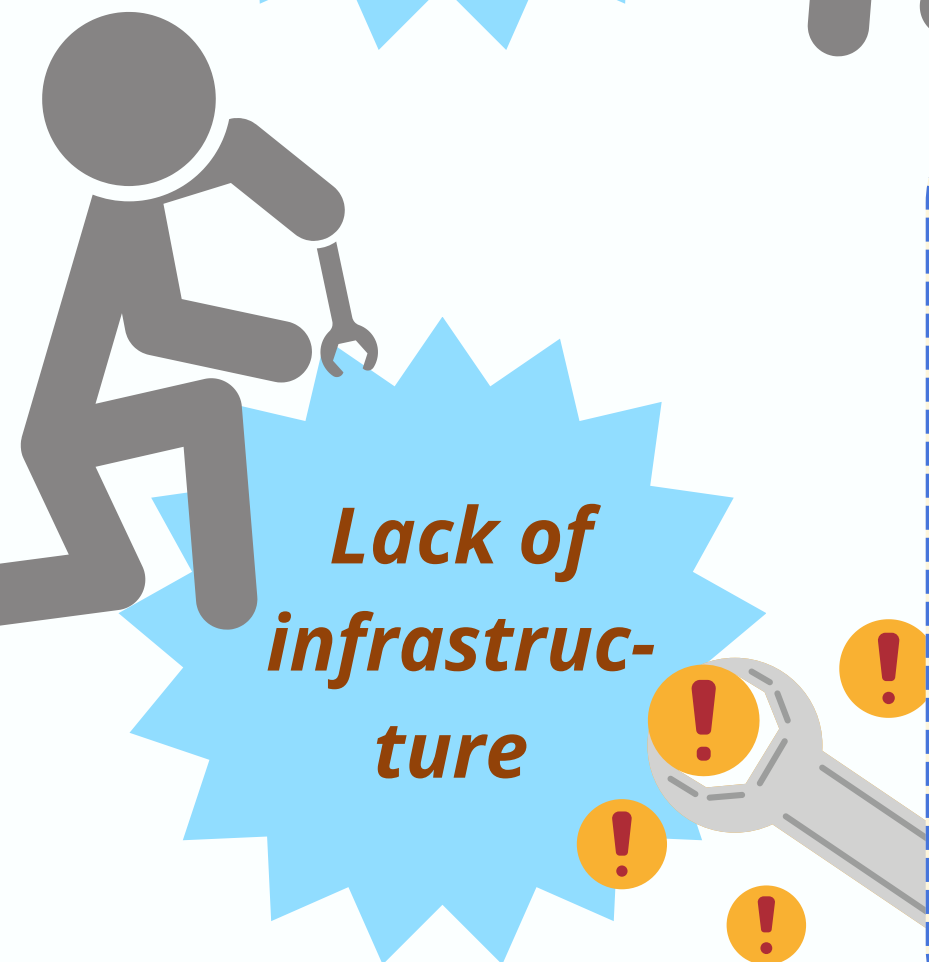
Increase the productivity of rice and crop



Improving irrigation infrastructure



Allocated funding for projects related to the agricultural sector



## Rural roads improvement projects

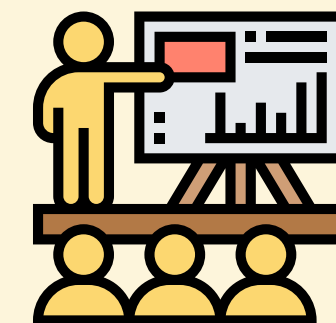
### Improving trade infrastructure

with a loan of \$40 million from the World Bank



Improve rural infrastructure by constructing and rebuilding roads including build new bridges

The RRIP was implemented in **five provinces** of Cambodia, Kampong Thom, Kratie, Prey Veng, Siem Reap, and Takeo. Over **800 kilometers of rural roads** were under the project, including the building of **68 new bridges**.



capacity-building activities

in training local communities in **road maintenance** and **management**.

# Conclusion

## Background

- The global food crisis of 2007-2008 severely impacted Cambodia's economy due to its reliance on imported food items.
- The crisis led to increased poverty, food insecurity, and reduced trade in agricultural products
- To address this, the Cambodian government implemented policies.

## Issues

### Ineffective trade rules & regulation

- Export restrictions
- High import tariffs

### Lack of human capacity and resources

- Shortage of skilled labour
- Limited access to capitals

### Lack of funding

- Less share of public spending
- Inflation

### Lack of trade infrastructure

- High oil price
- Poor infrastructure



## Negative Impacts of the 2008 Global Food Crisis on Cambodia's Trade Sector

## Policies

- The government reduced import tariffs on food items and established food security programs.
- Training programs, recruitment of experts, and investment in research and development were launched.
- the Agricultural Sector Strategic Development Plan to promote sustainable agriculture, reduce rural poverty, and increase productivity through modern farming technologies, training, and funding for projects
- RRIP project improved rural infrastructure by building roads, connecting communities to markets, and increasing food availability while reducing prices.

## Lesson learn

- The crisis led to increased poverty, food insecurity, and reduced trade. Also, effective trade policies are crucial to ensure domestic food supply.
- Investing in human capacity and resources is crucial. Individuals with sufficient knowledge and skills are better equipped.
- International partnerships can help provide technical assistance and expertise to improve food security and sustainability.
- The unreadiness for international trade and underdevelopment can make them not attractive for foreign investors.
- Developing countries often rely on the external resource as assistance during times of crisis, due to limited fiscal and monetary resources.