



WDE Commentary No. 10

“Cambodia-Korea Free Trade Agreement (CKFTA)”

The WDE Policy Dialogue

**វគ្គទី១០ ៖ ពិចារណាអំពីកិច្ចព្រមព្រៀងពាណិជ្ជកម្មសេរី កម្ពុជា-សាធារណរដ្ឋកូរ៉េ**

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The 10<sup>th</sup> episode of the WDE Policy Dialogue entitled “Cambodia-Korea Free Trade Agreement (CKFTA)” was moderated by Ms Vong Chakriya on 24<sup>th</sup> December 2021. She was joined by our distinguished guest speaker, H.E. Penn Sovicheat, Under Secretary of State and Spokesman of the Cambodian Ministry of Commerce. This episode discussed the significance of the Cambodia Korea Free Trade Agreement and the important role of women-own enterprises in this agreement implementation.

H.E. Sovicheat described this CKFTA as bilateral cooperation focusing on exchanging goods and services. This agreement aims to promote the free trade area between the two countries following the principle of the World Trade Organization. Another objective is to promote the competition between enterprises, including the women-owned enterprises, which will bring both nations closer. The third objective is to open up the investment opportunity while allowing both countries to enhance the import and export. The final aim of this agreement is to promote the country’s economic growth.

H.E. Sovicheat further expressed that with this agreement, Cambodia could export more agricultural products to the larger market of South Korea added on the existing export product such as mango. The agreement will also lift existing tariffs on goods based on the rules of origin, while it also focuses on the trade regulation to prevent the issue emerge during the exchange of goods and services. Moreover, business people in the country can also learn more about the technical skills to match the requirement of the trending market. This agreement also brought along the dispute solving mechanism to prevent

any issue during the trading process. In addition, the agreement also focuses on narrowing the economic gap between Cambodia and South Korea, which allows both nations to leverage their full potential from this agreement.

Regarding whether the FTA will give a wide range of advantages to Cambodia economy, H.E. Sovicheat expressed that Cambodia could expand the free trade area with South Korea on top of the existing agreement with ASEAN, RCEP and GSP. South Korea will reduce 92 per cent of the tariff-products on goods imported from Cambodia. Furthermore, Cambodia can also export the products such as wheels, rubber products, electronic components, furniture, agricultural and agro-industry products and garment products with low tariffs to the South Korean market.

Regarding women-owned SMEs, H.E. Sovicheat also expressed that the agreement would establish a pipeline of opportunities for women entrepreneurs to incorporate their business functions into regional value chains and higher value-added activities. The agreement will maximise the capacity for women-owned SMEs to scale up. Additionally, their South Korean counterparts’ technical support and capacity development will help women entrepreneurs expand their skills and capabilities.

H.E. Sovicheat further stated that the Ministry of Commerce (MOC) is obliged to help and encourage SMEs and women-owned enterprises to engage in this agreement. Furthermore, MOC is obliged to ensure the quality of the products exported from Cambodia to the foreign market to maintain our product standard and build our goods reputation globally. He further

expressed that it is essential that all SMEs, women-owned enterprises, and private enterprises actively engage in this agreement to get the maximum advantages, build capacity, and self-improve from this opportunity.

H.E. Sovicheat mentioned that MOC has many initiatives to prepare and enable enterprises, especially women-owned enterprises in Cambodia, to benefit from this agreement. MOC has initiated a plan to push small women-owned businesses to produce agricultural and agro-industry exports by giving them innovative funds to upgrade their businesses. The ministry also provides training courses for women SMEs to improve their technical skills and create an innovative business. The ministry also tried to promote women entrepreneurship in e-commerce and innovative business via modern technologies such as Artificial Intelligence and Big Data, which allow them to access necessary documents to leverage full potential from this agreement. The speaker also mentioned the project “Go4eCam”, an e-commerce platform where women-owned SMEs could display their products and expand their products to the digital market.

In the final remark, H.E. Sovicheat also discusses how Cambodia could attract more investors from South Korea in the context of CKFTA. He mentioned that the new Cambodia investment law could be the main attraction to encourage more investors to invest in Cambodia in CKFTA. This new Cambodian investment law encourages

investors to build more innovative businesses through smart incentives. He further stated that the new Cambodian Investment Law also reduces the duration for investment permits, improves the facilitation of other procedures, and better access to gateways. These components make Cambodia’s investment environment more attractive and could encourage investors for South Korea and other nations across the globe to invest in Cambodia. The other attractive component of Cambodia investment environment is that Cambodia has a large potential field for agricultural activities. At the same time, our labour cost is also still lower compared to other neighbouring countries. Moreover, our labour still has the capacity for future skills improvement.

Lastly, Cambodia has enacted laws favouring investment activities such as the Consumer Protection Act, Intellectual Property Protection Law, and other protection laws, which are the soft infrastructure to ease foreign investments. Cambodia has also tried to improve its domestic infrastructure by building a new highway from Phnom Penh to Sihanoukville, a deep-sea port, and a high-speed train. Cambodia is also expected to expand the domestic market as the population grows. Cambodia also has a strong commitment as Cambodia tried to set policies to promote the digital economy and women-owned SMEs. These are the attractive components that could encourage investors to invest in Cambodia.