



CDRI – Cambodia's Leading Independent Development Policy Research Institute

Global Financial Crisis and Developing Countries: Cambodia

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Structure of presentation

- Effects of Financial Crisis on:
 - Trade
 - FDI
 - Remittances
 - Aid
- Impacts of Crisis on:
 - Growth
 - Poverty
- Policy Responses

Effects of Financial Crisis

- Trade:
 - Structure of Exports from Cambodia
 - Highly concentrated on few products
 - Manufactured:
 - » Garments
 - Service:
 - » Tourism
 - Agriculture:
 - » Cassava
 - » Rubber
 - Export destinations
 - Highly concentrated on a few locations
 - US and EU

Effects of Financial Crisis

- FDI
 - Industrial
 - Garments
 - Construction
 - Role of Korea
 - Agriculture/Mining
 - Service
 - Tourism

Effects of Financial Crisis

- Remittances
 - Internal
 - Vulnerable Workers Survey
 - External
 - Around 300,000 migrants to Thailand
 - Mainly illegal
 - Thai policy
 - Aid
 - Not a clear picture

Impact of Crisis on Growth and Poverty

- Nature of Growth
- Poverty Reduction Impact of Growth
- Limitations of Growth

Figure (1): Growth comparisons

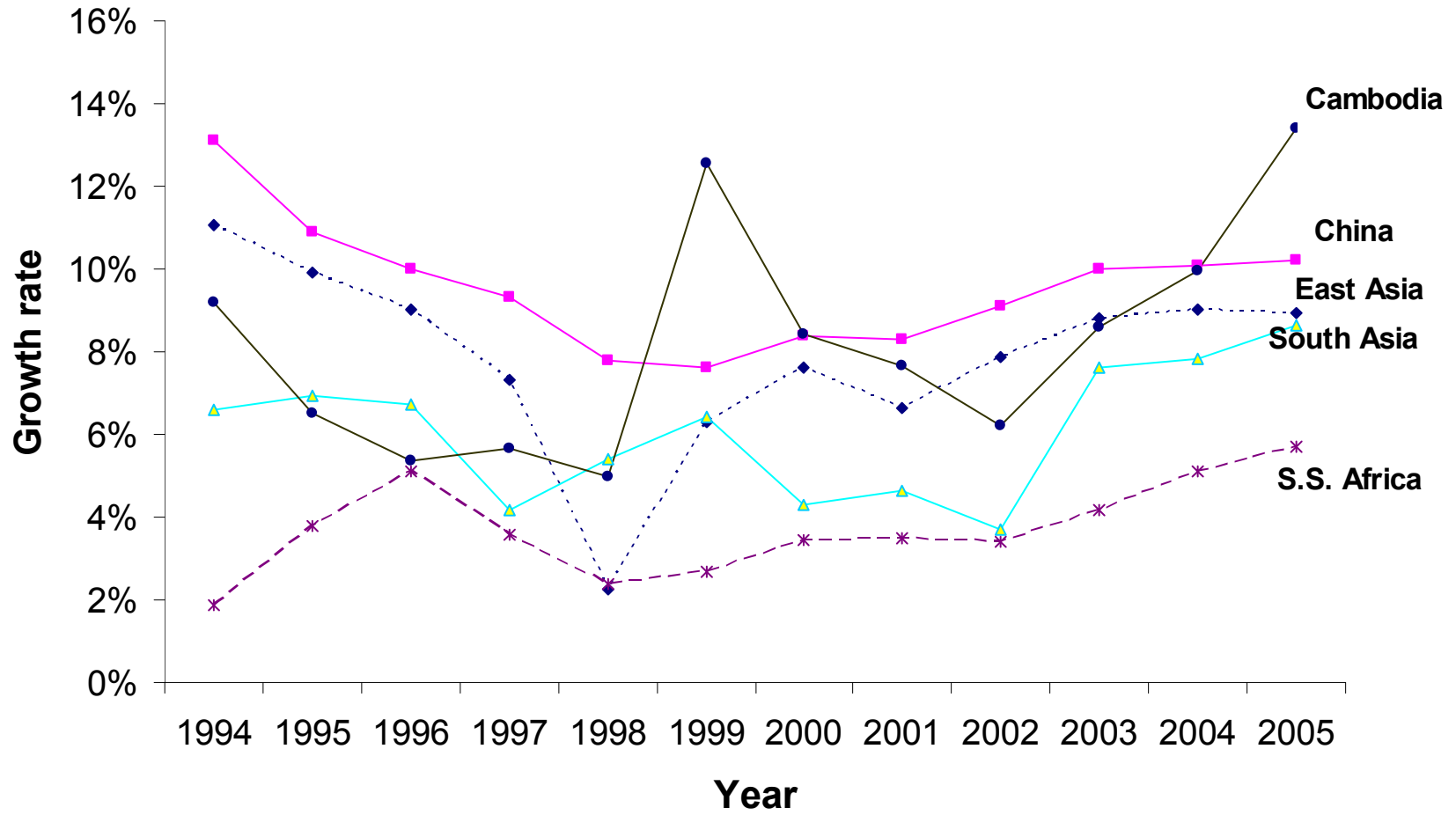


Figure (2): Poverty Comparisons

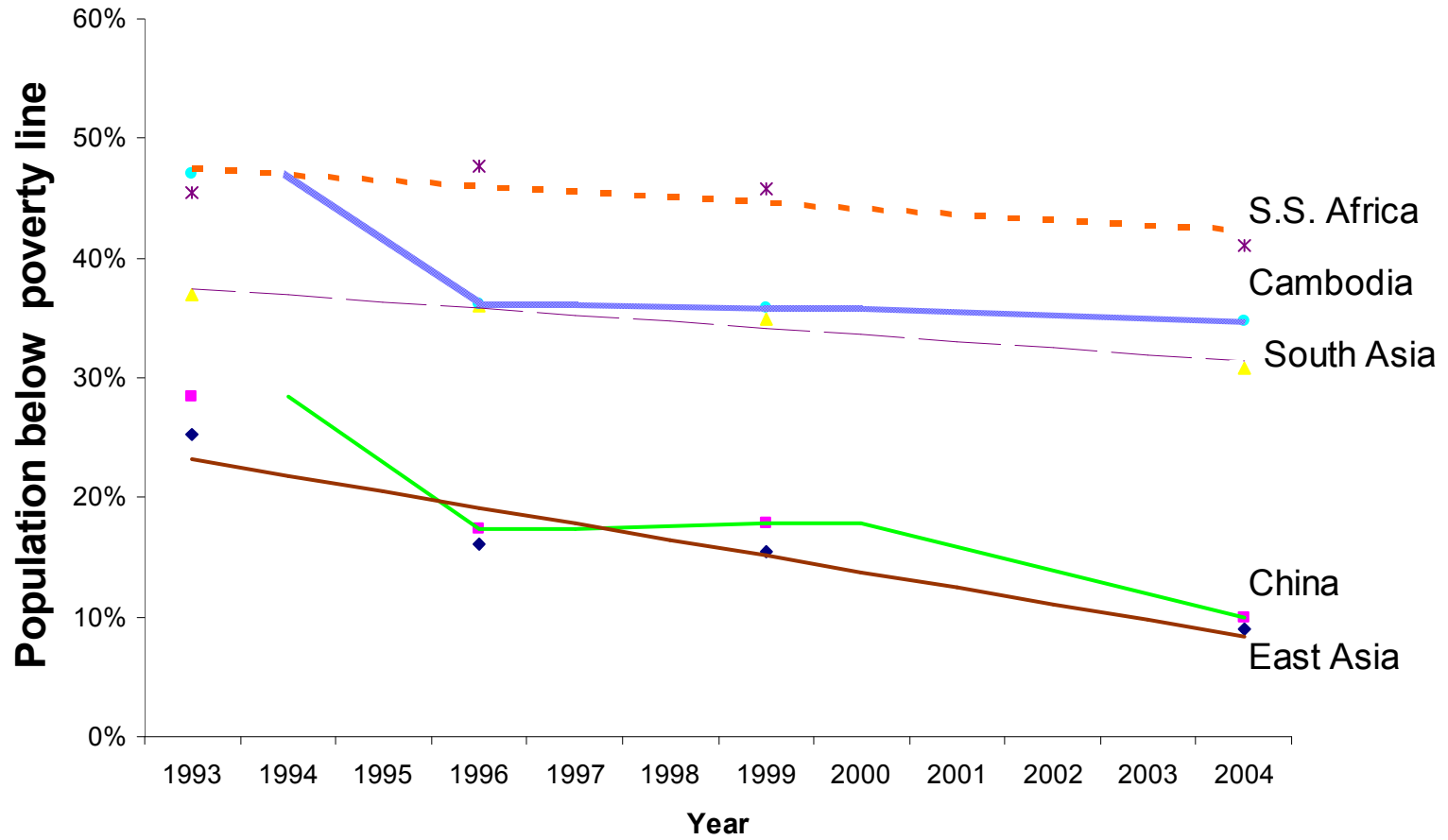
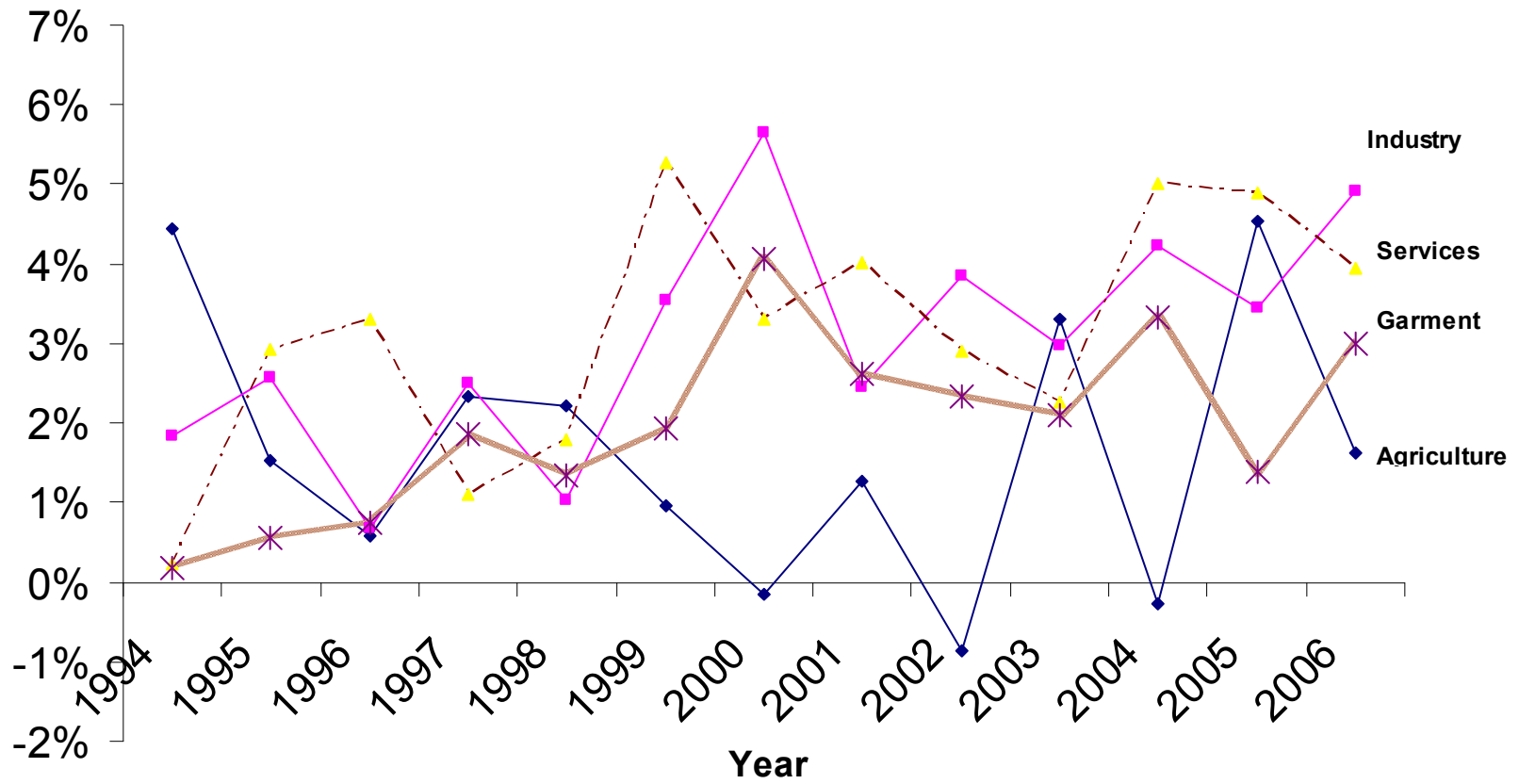


Figure (3): Sources of Growth 1994-2006



Impact of Crisis on Growth and Poverty

- Impact on growth
 - Substantial
 - Decline in Garments, Construction and Tourism
- Impact on poverty
 - ‘Trickle-down’ effect
 - Limited
 - Low poverty elasticity
 - Mainly works through
 - Employment
 - Remittances

Policy Responses

- Government:
 - Policy responses so far:
 - Banking regulation
 - Monetary and Fiscal policies
 - Adequacy of Policy responses?
 - Importance of rural/agriculture sector
 - Reducing constraints
 - » Inputs
 - » Finance
 - » Governance

Policy Responses

- Donor community
 - Some reaction
 - Difficult to measure
 - Food price V Financial crisis V Political issues
 - » \$30 Million allocation by ADB (\$25M) and RGC
 - Have opportunity to influence
 - Economic structure
 - Human capital formation
 - Physical and social infrastructure