

An impact analysis and poverty implications economics essay

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However, the participants reported hardship from the loss of family income, especially those whose sole income source is from selling around the ferry site. Still, they would prefer to have a bridge than not. This is because the income made from selling around the ferry site is minor or is intermittent at times; it is only supplementary income. iii) Access to social services: They hope that students who study in Phnom Penh might be able to return home on the same day and not have to pay for rental, and that more students will be able to access to school. Moreover, when they serious illness, they could travel to hospital on time. iv) Land value and investment: When the bridge is operational, the price of land is expected to rise because of the easier accessibility. Land value around the site shot up during the initial stages of construction. Though the land price keeps increasing, they will not sell their residential land as they do not know where they would move to afterwards. The FGDs further revealed that the villagers did not foresee any investment at the moment; however, they expected to in the future. Although the bridge is being built in their commune, no local people have been employed in the construction process. Most of the construction workers are Chinese. v) Resettlement and rehabilitation: The bridge has affected nearly 100 households. It is being constructed on people's land or houses and the government has paid compensation of USD18. 0 per square metre for land or houses near the bridge, USD15. 0 per square metre for other residential land, USD8. 0 per square metre for farm land, USD5. 3 per square metre for other land. Most of the people affected by the construction and who had to move have resettled in the same village.

Negative side

The bridge has good and bad side-effects on the people who live nearby; however, there are not as many negative impacts from the construction of the bridge as stated by the participants. Although some local people who are having small business near ferry terminal may lose their supplement income after having bridge, they feel happy about the prospect of the bridge. All in all, in their perspective, they could gain benefits from it, for instance, the time and money to be saved on travelling, the opportunity of finding jobs, and better access to markets outside the village including getting higher price of their products.

VI. Conclusions and Policy Implications

6. 1 Conclusions

The following section outlines the evidence from each impact analysis component, trade, investment and ODA, linking them to poverty implications. It should be kept in mind that the findings are mainly drawn from the case studies.

Trade Dimension

Significant expansion of bilateral trade between Cambodia and China is evident during the last decade and a half; however, negative trade balance continues to widen with average annual growth rate of 34 percent. Using framework developed by Jenkins and Edwards (2004), the study examines Cambodia's poverty effect from China through three specific dimensions, namely export to China, import from China and export to the third market, which produces summary results below. On the export to China, there were

noticeable changes in pattern of share of export to China between 1992 and 2008. Therein, share of labour-intensive agriculture dropped substantially from 51.4 percent in 1992 to 9.1 percent in 2000, which later rebounded to 29.6 percent in 2008. The decline was due mainly to the reduction in natural rubber export, as several rubber trees were felled given their reaching old and unproductive age (25-30 years), while the rebound stemmed primarily from rising export of natural rubber as several thousands of rubber trees were replanted and matured for tapping. There was also evidence of the spike in shares of export of live animals and fish between 2000 and 2008. The marked upward trend of share of export to China was also evident in labour-intensive textiles & garment between 1992 (3.2 percent) and 2008 (28.2 percent). This marks certain contribution of rising shares of the two product groups to poverty reduction in Cambodia provided their significant employment generation. However, there was considerable drop in share of other labour-intensive manufacture between 2000 and 2008, which was offset by significant rise in share of forest products during the years. Data of import from China shows that there was a small and declining share of import of labour-intensive agriculture products from China between 1992 and 2008. It appears that competition between the two countries in domestic agriculture markets is unlikely. Additionally, some of the products, which are not of Cambodian specialization, such as fresh apple, grape dried, pears/quinces fresh, are complementary. However, despite the tiny share of the labour-intensive agriculture import, the regular and constant rising in import share of certain products in this category, albeit small, could post potential competitive threat in the future. More importantly, substantial jump

in share of labour-intensive textiles & garments between 1992 and 2008 creates no competition in the domestic market provided that the products are reassembled for exporting to the third market. The rising import share of the products appears to contribute to the employment creation in Cambodia, thereby positive poverty effect, but hinders opportunity for the birth of domestic backward linkage industries in domestic economy. For the consumer gain, data on share of import of pro-poor consumer goods shows that there was an increasing share of import between 1992 and 2000, but there was a reverse trend between 2000 and 2008. This indicates that poor consumers' gain from cheap import of Chinese consumer products abates slightly during the second course of the years, which makes China's contributing role to poverty reduction in Cambodia less likely. The pro-poor products, which have been imported regularly, include fish, cereal, vegetables, fruit, beverages, articles of apparel, worn clothing and several others. Analysis of export to the third market reveals that Cambodia and China could compete in the third market in manufacture goods, but not agricultures. Further examination of top 12 garment exports to the US and EU shows that there is potential competition with China in the US market, but not in the EU market given the tiny share of Cambodian garment in the EU market (between 0. 01 & 1. 0 percent). Among the 12 products in the US market, declining share of Chinese apparel knit/crochet (SITC 8459) and rising Cambodia's share of this particular product creates opportunity for domestic suppliers, while the remaining products could post potential threat to producers in Cambodia due to steep rise in Chinese market share of those

products in the US. This could create negative implication for poverty alleviation in Cambodia.

Investment Dimension

China is a major investor in Cambodia. China's investment in Cambodia has grown substantially since 2004. The major sectors of China's investment are in the natural resource development (petroleum, mining, energy and hydropower plants), tourism and garment sectors. China's investors in Cambodia have explored low labour cost, political stability, investment incentives, and a new emerging and potential markets for MFN status granted to Cambodia. From the case study, the contribution of China's investment in garment sector in Cambodia is examined in terms of employment/income generation, sending money home for family support (remittance), and opportunity for capacity/skill building. China's investment in this sector has shown a positive contribution to employment creation (63 percent of the interviewed workers who were self-employment before joining current Chinese factories). Their average earning is at more than double the overall poverty line in Phnom Penh at 2006 price. However, the net benefit between previous (self-employment) and current employment are not captured in the objectives of this study. Also, the case study reveals that the remittance sent to their home is chiefly used for daily food consumption for the household, followed by supporting education of family's members, paying debt and buying farm land. All these manners would help their household to move out of deficiency in short and long-run. This is in line with their perception on the improvement of their household's economic status after working in the garment factories as they are able to invest in some

activities such as buying land, machine boat and livestock in order to have regular income or more sources of income. However, working environment including health care, working space, sanitation, and asking for annual and sick leave are predominantly not content and the opportunity and support for capacity/skill development are rated as low while skill/knowledge which they obtained from the current job is only a basic skill from their daily work. More importantly, as seen in the case study, knowledge/skill transfer is a major gap for China's investment in Cambodia especially in the garment sector. Although this sector does not require much skill, the opportunity and support for skill development program should be a complying component for foreign investment in Cambodia.

ODA Dimension

China has been a great development partner for either funds channelling or investment gathering for Cambodia. China's ODA also plays significant roles in financing the development procedure of Cambodia as an additional public resource, through supporting public service delivery. The country received aid without much querying of transparency and modality (Chan Sophal et al, 2008). China's ODA to Cambodia begins with diplomatic relationship to economic and investment intervention. The country mostly provides concessional loans to build up the infrastructure sector especially to road construction and restoration. This study explores the contribution of two transportation projects funded by China's ODA to the livelihood and social development of local people which may help reduce poverty in Cambodia. Transport is crucial for development of local people as well as a nation as a whole. Without physical access to resources and markets, health, education

and other social services, the quality of life suffers, growth stagnates and poverty reduction cannot be sustained. Also, poor roads limit the facilitating role of transport in both production and consumption activities. For the case studies, the rehabilitation of National Road No. 7 and the construction of Prek Tamak Bridge, the contribution of the two projects to the livelihood changes and social development in the project areas are viewed from the perspectives of local people in terms of travel time and costs, access to market and social services, investment and business activities development, safety and other possible impacts. The investigation of the two case studies suggests that villagers feel more positively than negatively. In short, better road and bridge appear as complementary input for the provision of and the opportunities for income and non-income activities development in the villages, which contribute to their livelihood and social progresses and to scaling down the poverty trap. As seen in the case studies, participants emphasise on the road and bridge development allows to significantly reduced travel time and transport costs. This leads to the greater availability of inputs and consumption goods. The local farm products can sell at a higher price through easier access to markets and more middlemen coming to the villages. Crop diversification is another notable factor as new comers and extension services bring in new information and technique. The case studies also show increased beneficiaries use of education and health facilities resulting from road improvements as well as other interventions such as the greater willingness of professional staff to work in areas with guaranteed access and more reliable delivery of supplies. In addition, a new road encourages commercially operated services. Other positive impacts

significantly raised by local people are the links to development agencies, micro-finance institutes, and tourists, which create business and employment opportunities for local people. On the other hand, the idea that transport infrastructure can reduce poverty by creating employment is not confirmed by the local people in the two case studies. The construction and maintenance of a road is labor-intensive operations and can provide job opportunities to people living around although these activities are only occasional and cannot represent a long term strategy for reducing poverty. The construction activities have been contracted with China's state-owned companies which came in the form of materials, technology as well as labour even unskilled workers. Only a few local people are employed during the construction period with a short-term need. Another concern raised by participants and local authorities is that after having good road, there are some Chinese investment in plantation and mining exploitation which led to conflicts between villagers and companies, deforestation, loss of access to land and forest resources. Road safety due to not having proper traffic signs and increased theft in the villages are also raised. For the some people who are having small business near ferry terminal, where now replaces by a new bridge, may lose their supplement income although they feel happy of having the bridge.

6. 2 Policy Implications

The discussion in previous section highlighted main findings with the poverty implications and the selected issues in trade, investment and ODA dimensions. In order to have more desired effect, some further steps should be taken into account.

Trade Dimension

It is obvious from the empirical findings that deepening trade and investment relation with China could potentially contribute to poverty reduction in Cambodia through employment creation in the labour-intensive sectors and the import of pro-poor consumer goods from China, which are complementary products for domestic market. Therein, in order to better contribute to poverty reduction, it is imperative that steps below be taken:

Better tap opportunities for export of agriculture products of Cambodian specialization, which are labour-intensive in nature, such as fish, live animal, rice, rubber and other light manufactured products with preferential treatment from China under ACFTA framework, which would to a certain extent help ease the burden of negative trade balance, thereby poverty reduction

Promote access to and increase availability of trade finance for small and medium enterprises (SME) as they indirectly engage in export activities

Promote Cambodian agriculture products through trade fairs or trade mission in China

Lobby Chinese garment producers to source their input from local producers or to establish backward linkage industries in Cambodia

Encourage and support local producers to engage in backward linkage sectors in garment industry

Adopt computerized customs in order to reduce the number of documents and signatures and kickbacks/informal fees, i. e. ASYCUDA World system at Sihanuok Ville Port, which will reduce unpredictability and improve investors' confidence

Investment Dimension

The rich endowment of natural resources, extensive timber, mineral and hydropower potential, and petroleum reserve, in addition to the intensive

labour force, assures Cambodia of a positive attitude from China for its investment attraction and development assistance. As seen in the case study in garment sector, China's investment in this sector provided positive impact on income/employment generation, but not much on skill development. The key issue is the extent to which benefits from China's investment spillover into the domestic sector in a synergistic relationship. Hence, policy interventions are needed to create more necessary conditions for positive spillover in order to attract Chinese or other foreign investments in the sectors which have potentials to skill and technology transfer leading to innovation and productivity increase, upgrading domestic production and quality improvement, and backward and forward linkages.

ODA Dimension

Besides the positive impacts from having a better road and new bridge, some courses of action, both at national and local levels, should be put into attention. There should be a diversification or opening up the livelihood opportunities for those who lose income from selling around the ferry sites and lose access to land and forest resources. Traffic information/ road safety awareness guidelines should be widely disseminate to villagers through commune council. More negotiation with China's government on more involvement of Cambodia's manpower in China's ODA projects should be undertaken in order to promote technology and skill transfer to Cambodia through ODA. Programs to promote capacity building at local level from China's ODA should be built up.

Future Researches

Based on the limitation of this study, more deeply empirical analyses of the linkage between foreign investment and poverty reduction and the notion of infrastructure development and poverty reduction for Cambodia, both at macro and micro levels, are needed for the future researches.