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정책학석사 학위논문

# **A Study on the Implementation of Korea's Aid for Trade Policy**

**- with Reference to the  
“Project for Capacity Building in the Trade in  
Goods and Services for Cambodia” -**

한국의 무역을 위한 원조(Aid for Trade)  
정책집행과정 연구: “캄보디아 상품서비스  
무역능력 배양사업” 을 중심으로

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서울대학교 행정대학원  
행정학과 정책학전공  
허 경 은

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지도교수 권혁주

이 논문을 정책학석사 학위논문으로 제출함

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서울대학교 행정대학원  
행정학과 정책학전공  
허 경 은

허경은의 석사학위논문을 인준함

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위원장	<u>          구민교          </u>	(인)
부위원장	<u>          엄석진          </u>	(인)
위원	<u>          권혁주          </u>	(인)

# **Abstract**

## **A Study on the Implementation of Korea’s Aid for Trade Policy: with Reference to the “Project for Capacity Building in the Trade in Goods and Services for Cambodia”**

Kyeong Eun Heo

Graduate School of Public Administration

Master of Public Policy

Seoul National University

Aid for Trade (AfT) is not a new category of aid, but rather a part of the overall Official Development Assistance (ODA). According to the World Trade Organization (WTO), AfT is about “helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening.” Recognizing the importance of trade for the economic development of developing nations, the global AfT Initiative was adopted in 2005 at the WTO Hong Kong Ministerial Conference. Expansion of support for the AfT was also included as one of the sub-goals of the Sustainable Development Goals (SDGs). The Korean government also recognized the importance of the AfT and conducted research over the past few years, but still not enough study has been carried out on this subject matter. Furthermore, the literature review led us to the

conclusion that Korea's AfT is mostly incoherent and unstructured, which stems from the fact that no national guidelines for the AfT have yet to be established.

According to the OECD and WTO, there are four components to the AfT: trade policy and regulation, economic infrastructure, productive capacity building and adjustment assistance. After the literature review, it was found that for low-income countries, AfT in the form of economic infrastructure and productive capacity building (i.e. "hard aid") proved not to be conducive to the export promotion of the aid recipient countries. In contrast, AfT in the form of trade policy and regulation and adjustment assistance (i.e. "soft aid") proved to be highly effective in promoting the export and trade of the said countries. Contrary to such findings, however, the majority of Korea's AfT was found to be centered around "hard aid," whereas AfT in the form of "soft aid" – which actually proved to be effective – accounted for a very small fraction of its entire AfT.

Based on such observations, this study attempts to shed light on why such imbalance occurs by conducting a case study on one of the AfT projects on "soft aid" carried out by the Korean government. To this end, the study focused on the governance structure of this particular project and analyzed it by using a two-fold framework of policy implementation process. The first framework consists of the policy environment and context, the policy content, and the organizational structure of policy, through which the specifics of the project as well as its governance structure can be identified and evaluated. By analyzing the project using the first framework, it was found that the policy content mostly revolved around lectures and learning by rote which did not translate into policy recommendations. As regards the organizational structure of policy, it was observed that the governance

structure of the project was fragmented in nature, with KOICA being the policy decision-makers and KIEP being the policy practitioners.

The second framework is about how the discrepancy between the policy objective and policy instruments affects the actors involved in the policy implementation process. By analyzing the project using the second framework, it was found that KOICA, the policy decision-makers, set the official policy objective as “contribute to the trade capacity building of Cambodia through the establishment of national trade policy, provision of policy recommendations, strengthening of institutions and human resources to adapt to the free trade system, etc.” so that the actual policy objective is not exposed and the project stays legitimate and valid. In reality, however, “contribute to the trade capacity building of Cambodia through the provision of mechanical and theoretical lectures” was set as an actual policy objective so that the implementation of the project becomes less complex. In this case, KIEP, the policy practitioners, recognized the official policy objective to be the actual policy objective, but because there existed an actual policy objective hidden behind the official objective, policy instruments were designed based on that. In other words, “the provision of mechanical and theoretical lectures” was set as a policy instrument. This can be inferred from the fact that no follow-up consultation or exchange of ideas took place after the termination of the project, and also from the fact that there were many instances where the emails from the Cambodian officials were never answered by the Korean counterparts.

Policy practitioners expect policy instruments to align with the official policy objective, but soon realize that the actual policy instruments that they are

faced with are not what they initially expected. Eventually, the policy practitioners experience the discrepancy between their perception of actual policy instruments and their expected policy instruments, which in turn make them realize that their perceived policy objective is quite different from the expected policy objective. This might cause confusion and conflict during the implementation process of the project, which may potentially lead to policy failure in the end.

From these findings, we can infer that there occurred some form of “policy discrepancy” in this project. That is to say, the policy practitioners might have experienced confusion after being faced with policy instruments that bear little consistency with their perceived version of policy objective. This can often lead to policy actors having different levels of expectation of their behaviors and roles, which may escalate into a conflict. For the “soft” AfT – especially when policy decision-makers and policy practitioners are separate entities as seen in this case – the possibility of “policy discrepancy” increases, which in turn could hinder the smooth implementation of the project. This is because perfectly organic communication between the policy decision-makers and policy practitioners is impossible. After all, this can be one of the many reasons as to why AfT is mostly skewed towards “hard” AfT instead of “soft” AfT.

Therefore, in order for the implementation of AfT projects to be successful, Korea’s AfT projects should be designed in a way that overcomes the discrepancy between the policy objective and policy instruments. First, in the case of “soft” AfT projects, “provision of practical policy recommendations conducive to the establishment of national trade policy of aid recipient countries” should be set as an actual policy objective, and policy instruments should be designed

accordingly so that policy practitioners do not experience any confusion during the policy implementation process. Second, to this end, conscious effort into making sure follow-up consultations and exchange of ideas take place should be made. Finally, policy advice should not merely end up being theoretical, but instead should be designed in a way that can lead to the establishment of trade policy that reflects the need of the recipient countries. In order for such things to happen, more effort should be put into overcoming the fragmented relationship between the policy decision-makers and policy practitioners.

**Keywords: aid for trade, official development assistance (ODA), aid policy, policy implementation, international development cooperation, KOICA**

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# **I. Introduction**

## **1. Purpose of Study**

Thanks to technological advancement and expansion of trade stemming from the globalization, humankind nowadays is endowed with more wealth and affluence than any other period in the history. However, there are more than a billion people worldwide living in absolute poverty that are deprived of basic necessities of life such as water, food, medical facilities, and education. It can be argued that in order for them to fight poverty and lead a life of dignity, economic and social development on their own is what is desperately needed. However, from a humanitarian perspective, it is every humankind's responsibility to put effort into improving the abject living conditions of poverty-stricken population of the world. As we live in a world that is more interconnected than ever, the cooperation between the developed and developing nations has now become an indispensable part of the much-needed collective effort into fighting the poverty worldwide.

In this context, Korea, just like the rest of the developed world, has been taking an active part in international cooperation by means of Official Development Assistance (ODA). Korea has successfully lifted itself out of poverty and achieved an unprecedented level of economic growth through its export-oriented industrialization strategy, and as a result, became the first country in the world where it went from an aid recipient to a donor country by joining the OECD Development Assistance Committee (OECD/DAC) in 2009. This means that Korea

is one of the very few donor countries of the world that has the experience of successfully fighting poverty by means of trade. Moreover, it gives Korea a distinctive competitive edge when it comes to trade-related aid, which, in turn, has led to an increased interest by underdeveloped nations to tap into Korea's expertise in development through trade. Therefore, it is natural for Korea to suggest trade-capacity building as a means of growth and poverty reduction for developing nations of the world. This argument is especially relevant as "Aid for Trade (AfT)" has become a central part of ODA since the early 2000's.

AfT is by no means a new category of aid, but rather a part of ODA. According to WTO, AfT is about "helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening. It is part of the overall ODA – grants and concessional loans – targeted at trade-related programmes and projects." According to Kang et al. (2013), AfT is based on the premise of "Economic growth and poverty reduction through increase in trade. In other words, economic growth catapulted by increased volumes of trade affects the overall society, which in turn could help reduce poverty (Higgins & Prowse, 2010; Cadot et al., 2013; Cali & te Velde, 2011)." In order to achieve such effect, AfT is comprised of efforts to vitalize trade through the reduction of trade cost. According to WTO and OECD, AfT is divided by four categories: trade policy and regulation, economic infrastructure, productive capacity building, and adjustment assistance.

In the case of Korea, AfT accounted for almost 40% of its ODA as of 2012, totaling at around 780 million dollars, which places Korea among the top 8 donor countries of AfT. However, Korea's AfT was mostly directed towards

economic infrastructure and productive capacity building, and not enough AfT was disbursed in the form of trade policy and regulation and adjustment assistance; in 2012, economic infrastructure accounted for 62% of the entire AfT of Korea, hovering over the average 58% of DAC countries, and AfT for productive capacity building totaled around 290 million dollars. Kang et al. (2013) argues that although the establishment of economic infrastructure and productive capacity building generally have a positive impact on trade, its effect on trade is too broad and has no direct relevance to trade. Furthermore, as this category of aid can be included in other areas of ODA other than AfT depending on how we look at it, the establishment of economic infrastructure has little to no specific relevance to trade. Kim et al. (2015) analyzed the effectiveness of AfT in Vietnam, Laos and Cambodia through empirical studies. They came to a conclusion that for low-income countries, AfT in the form of economic infrastructure and productive capacity building has no effect on export facilitation, whereas AfT in the form of trade policy and regulation and trade facilitation was the most effective.

That economic infrastructure accounts for over 80% of Korea's AfT could possibly mean that Korea deliberately prioritized the establishment of infrastructure and focused most of its resources in that area, but it could also mean that the other areas of AfT, such as trade policy and regulation, trade facilitation and adjustment assistance have mostly been neglected. Therefore, it would be desirable for the Korean government to put a conscious effort into increasing its AfT on the areas other than the economic infrastructure to rectify such imbalance. As Kang et al. (2013) argued, especially the AfT in the form of trade policy and regulation ("soft" AfT) should be considered a priority, where Korea's expertise in

successful economic growth can be utilized and which, in turn, can provide apt policy recommendations to developing countries. Not only will this cost relatively less compared to other forms of “hard” AfT, but also it will help the developing countries with the practical implementation of trade policy and regulation.

We can, then, raise the question of why Korea’s AfT is extremely skewed towards economic infrastructure and productive capacity building which proved to have no impact whatsoever on low-income countries, whereas its AfT in the form of trade policy and regulation and trade facilitation is so little in amount, which proved to be the most effective in low-income countries. Is it because the agency responsible for Korea’s AfT was lacking in its ability to implement relevant policies? Or is it because there was a pressure from the superior authorities? Maybe it could just be the result of an inadequate policy structure and unclear policy objectives of Korean AfT. As a donor country that has experience of significantly reducing poverty and achieving economic prosperity through trade expansion and export-oriented industrialization, it is natural for Korea to put forward trade as an effective means of sustainable growth for developing countries. However, Korea lacks systematic AfT strategy or structured national policy<sup>1</sup>, even though its AfT volume is one of the world’s largest. Therefore, it is imperative that more studies be conducted on this topic.

In this regard, a case study on the policy implementation of AfT project administered by the Korean government in the form of trade policy and regulation will help us gain an understanding of what are the elements of successful or

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[http://www.oecd.org/aidfortrade/countryprofiles/dacmembercountries/Korea\\_2015\\_aft\\_questionnaire.pdf](http://www.oecd.org/aidfortrade/countryprofiles/dacmembercountries/Korea_2015_aft_questionnaire.pdf)

unsuccessful soft-ware driven AfT. In particular, “The Project for Capacity Building in the Trade in Goods and Services for Cambodia” is one of the few examples of Korea’s soft AfT and therefore worthy of analyzing how its policy process was formulated. This project was carried out by Korea International Cooperation Agency (KOICA) over the period of 2004 and 2005 and was reported to the OECD/DAC in 2011 in an effort to share best practices of Korea’s AfT.<sup>2</sup> By analyzing the policy implementation process of this particular project, we might be able to find certain elements that either lead to the success or failure of a soft AfT project, which, in turn, could guide us towards a better and more structured policy for soft AfT in the future. By doing so, we can draw relevant policy implications and help pave the right path for Korea’s AfT policy.

## **2. Scope and Method of Research**

The subject of this study is “The Project for Capacity Building in the Trade in Goods and Services for Cambodia,” which is one of the soft AfT projects that falls under the category of AfT for trade policy and regulation. The project was carried out from 2004 and 2005 at a total cost of USD 870,000 by KOICA, which is a governmental organization established for the implementation of Korea's ODA. Two of the major objectives of the project were to enhance the implementation of Cambodia’s WTO commitments and to expedite its economic integration into the free trade and investment areas of ASEAN. To that end, the project aimed to offer consultations on Cambodia’s policies and measures for implementing the WTO

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<sup>2</sup> <https://www.oecd.org/aidfortrade/47345347.pdf>

and ASEAN commitments. This encompassed, among others, in-depth research and policy recommendations by Korean experts, the dispatching of Korean experts, the invitation of Cambodian field researchers, and policy conferences. The project also involved the training and capacity building of trade-related Cambodian personnel as well as the provision of equipment to the liaison office in Cambodia (OECD/WTO, 2011). Furthermore, it is appropriate to study the case of Cambodia because it is one of the key partner countries of Korean ODA, is a low-income country, and because it is a country lacking in basic system for trade. In addition, unlike most other AfT projects that are “hard” in nature, this project is a quintessential example of Korea providing “soft” aid (KOICA, 2006: 100), making it an interesting case to study as soft aids can be provided with relatively low budget compared to hard aid and also because soft aid is perceived to be far more effective in low-income countries. (Kim et al., 2005)

This study uses the “case-study method.” Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. This study is carried out by literature research in order to establish the theoretical background and framework. It refers to research papers and theoretical textbooks on Public Policy and Administration, as well as reports published by the Korean government agencies such as Korea Institute for International Economic Policy (KIEP), Export-Import Bank of Korea, and KOICA, and lastly, reports and sourcebooks published by international organizations such as the OECD and WTO.

## **II. Aid for Trade and Trade Environment in Cambodia**

### **1. Aid for Trade**

#### **1) Aid for Trade and Its Importance**

According to Kang et al. (2013), there are varying opinions about the economic growth of developing countries through trade expansion. However, integration into the world market through trade expansion is generally known to have a positive impact on economic growth and poverty reduction.<sup>3</sup> In this regard, trade is deeply related with international development cooperation as it contributes to economic growth and poverty reduction. Such premise has become the basis for the discussion of AFT, which encompasses the provision of trade-related assistance to developing countries.

Considering that trade acts as an important momentum for the economic growth of many developing nations, the need for international cooperation for trade facilitation and trade capacity building is ever present. As such, the world recognized the importance of trade, and the Sixth Ministerial Conference held in

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<sup>3</sup> Economic growth of the United Kingdom since the Industrial Revolution, Japanese Industrialization during the Meiji era, the growth of East Asian countries in the late 20th century, economic growth of Chile and Botswana, etc. are all related to the expansion of trade investment. Trade is based on the principles of comparative advantage, which is an economic theory about the work gains from trade for individuals, firms, or nations that arise from differences in their factor endowments or technological progress. In this respect, comparative advantage makes countries better off compared to self-sufficient economies. Many empirical studies have shown that trade has a positive effect on economic growth. Hallaert (2006) argued that empirical analysis suggests that trade positively affects growth, and that there was “a positive correlation between the ratio of international trade to GDP and the investment share” and “trade openness strongly enhances economic performance.”

Hong Kong created a new WTO work program on AfT in 2005. Spearheaded by this initiative, global efforts to provide aid to developing countries with the goal of trade expansion began to take hold. AfT aims to reduce poverty and stimulate economic growth in developing countries by helping them build economic infrastructure, aiding in productive capacity building, and by providing assistance regarding trade policy and regulation and trade-related structural adjustment. Furthermore, AfT aims to reduce trade cost for developing countries so that they can have a competitive edge in export, while helping them take advantage of the market access opportunities global value chains.

WTO and OECD outline four components to AfT: trade policy and regulation, economic infrastructure, building productive capacity and trade-related adjustment. First, as policymakers of developing nations and Least Developed Countries (LDCs) lack experience compared to developed nations, they need technical assistance from the international society for formulating trade policy and regulations as well as participating in negotiations and implementing agreements. Second, in order to export the products made in a developing country, infrastructure such as roads, ports, telecommunications, energy networks are needed to link products to global markets. Next, to expand the production of goods that developing countries and LDCs have a comparative advantage over and to diversify their export products, productive capacity building is also very important since it can increase competitiveness in export markets and strengthen economic sectors. Lastly, efforts to help the developing countries and LDCs to effectively deal with trade adjustment costs such as decrease in tariff revenue, Preference Erosion, deteriorating terms of trade, etc. are also a part of AfT activities.

<Table 1> Categories of Aid for Trade

Category	Description
Trade policy and regulations	<ul style="list-style-type: none"> <li>- Building capacity to formulate trade policy, participate in negotiations and implement agreements.</li> <li>- Areas covered: trade policy and administrative management, trade facilitation, regional trade agreements, multilateral trade negotiations, and training in trade.</li> </ul>
Economic infrastructure	<ul style="list-style-type: none"> <li>- Investing in the infrastructure – roads, ports, telecommunications, energy networks – needed to link products to global markets.</li> <li>- Areas covered: transportation, communication, energy production and provision, etc.</li> </ul>
Productive capacity building	<ul style="list-style-type: none"> <li>- Strengthening economic sectors – from improved testing laboratories to better supply chains – to increase competitiveness in export markets.</li> <li>- Areas covered: Banking services, support of private sector and privatization, tourism / forestry / fishery / mining industry, etc.</li> </ul>
Adjustment assistance	<ul style="list-style-type: none"> <li>- Helping with any transition costs from liberalization – preference erosion, loss of fiscal revenue, or declining terms of trade.</li> </ul>

Source: WTO (2007); Jeong and Yoo (2014)

As developing countries and LDCs with high growth potential rose to prominence in the world economy, discussions on AfT accelerated in multilateral trade agreements. The bargaining power of developing countries has increased

since the Uruguay Round, and their share of world trade has surged ever since with the help of strong manufacturing industry. Following the lead of Brazil and India which spoke for the interests of developing nations, China joined the WTO in 2001 and accelerated the international political trend that was favorable towards the developing countries in multilateral trade agreements. Moreover, with the emergence of Doha Development Agenda (DDA),<sup>4</sup> more emphasis was put on the development issues than in the past, and developed nations had to take a proactive approach accordingly. In a nod to such developmental needs of developing nations, developing nations and the WTO put together the Aid for Trade Initiative at the Sixth WTO Ministerial Conference in Hong Kong in 2005.

Since then, the amount of AfT by the OECD countries has increased continually. Although the amount of AfT went from 48.2 billion dollars in 2010 to 41.6 billion dollars in 2011 due to global economic crisis, it went back up to a whopping 53.8 billion dollars. Furthermore, the ratio of AfT to the total amount of ODA has also increased in a continuous manner, making AfT account for almost 31% of the total volume of ODA in 2012. If we look at the components of AfT in 2012, AfT in the form of economic infrastructure and productive capacity building accounted for over 90% of the entire amount of AfT, whereas AfT in the form of trade policy and regulation and adjustment assistance accounted for a very small portion of the entire AfT. (Kim et al., 2015)

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<sup>4</sup> The Doha Development Round or Doha Development Agenda (DDA) is the latest trade-negotiation round of the World Trade Organization (WTO) which commenced in November 2001 under then director-general Mike Moore. Its objective was to lower trade barriers around the world, and thus facilitate increased global trade.

## **2) Recent Trends in Aid for Trade**

Studies on AfT have been conducted continuously ever since the Sixth WTO Ministerial Conference in 2005. OECD and WTO, which are the organizations at the forefront of studies on AfT, have together been publishing “AfT Global Review” biannually since 2007. It monitors various AfT activities by aid donors, recipient countries, south-south cooperation partners, etc. and discusses the future direction of AfT.

As pointed out by Jeong and Yoo (2014), the focus of discussion on the AfT has shifted towards the importance of developing countries connecting to the global value chains, the success of which depends largely on their trade-related strategies (OECD/WTO 2013). As OECD/WTO (2013) puts it, “The deepening and widening of value chains has boosted the share of intermediate goods and services in trade as more firms and countries join these networks. This fragmentation of the production process creates new opportunities for developing country firms. They can enter value chains by focusing on a specific task in the production chain that reflects their comparative advantage and national factor endowments – they need no longer invest in mastering the entire production process. However, in order to connect to value chains, developing countries require aid to ease their trade related constraints, improve their business environment, and reduce the thickness of their borders.” In order for such virtuous cycle to take place, all four areas of AfT should be strengthened, which include trade policy and regulations, economic infrastructure, productive capacity building, and adjustment assistance.

Koo (2015) summarized five biannual AfT Global Reviews as follows: the first Global Review (2007) dealt with invigoration of AfT, tried to get to the bottom of trade capacity building activities aimed towards developing countries, and came up with more detailed ways of data reporting than the CRS codes.<sup>5</sup> The second Global Review (2009) dealt with how to maintain the momentum gained for the AfT initiative. It evaluated the implementation of AfT and its effectiveness, and highlighted the importance of private partnership and trade mainstreaming<sup>6</sup> for enhancing national and regional competitiveness. In the third Global Review (2011), the paper dealt with trade facilitation, cooperation with private sector, and the role of AfT initiative in agendas such as regional trade integration within Africa. The fourth Global Review (2013) discussed the effectiveness of AfT which can expedite developing countries' integration into global value chains. It also dealt with the importance of Services Trade<sup>7</sup> and vocational skills, and the role of AfT in reducing the investment risk. The most recent fifth Global Review (2015) discussed the role of AfT in reducing trade costs and its implications in improving

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<sup>5</sup> The CRS is based on regular reporting by members of the OECD Development Assistance Committee and other providers of development co-operation, based on approved policy guidelines. The OECD collects, collates, and verifies the consistency of the data, and maintains the database. (<http://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>)

<sup>6</sup> Trade Mainstreaming, as defined in the Compendium of EIF Documents: A User's Guide to the EIF is: integrating trade into national development and poverty reduction strategies and the operationalization of trade coverage thereof, including through incorporation of trade into sectorial strategies, action plans and budget; intra-governmental and government-private sector relations as well as government-donor relations.

<sup>7</sup> Ranging from architecture to voice-mail telecommunications and to space transport, services are the largest and most dynamic component of both developed and developing country economies. Important in their own right, they also serve as crucial inputs into the production of most goods. Their inclusion in the Uruguay Round of trade negotiations led to the General Agreement on Trade in Services (GATS). Since January 2000, they have become the subject of multilateral trade negotiations.

production capacities of developing countries, generating more employment, and reducing poverty. In addition, it chose trade facilitation as one of the key areas in monitoring of the AfT. The review tried to get other international organizations such as ITC, UNDP, and World Economic Forum to contribute to its studies for a more balanced view on AfT. Through this, the need to provide more aid to LDCs and small and medium sized enterprises as well as the importance of private sector were acknowledged.

### **3) Korea's Aid for Trade**

Recognizing the importance of AfT, Korea has also been paying more attention to the AfT. Korea's AfT amounted to 780 million dollars in 2012, which accounts for 40% of its total volume of ODA, making it the 8th among the top donor countries of the world. However, as Kim et al. (2015) put it, Korea's AfT has mostly been focusing on the amount of ODA but is known to lack systemic coherence which led to inefficient allocation of resources. Recently, collective efforts have been made worldwide to increase aid effectiveness rather than focus on the absolute amount of ODA. Paris Declaration (2008), Accra Action Agenda (2008) and Busan Partnership (2011) are some of the examples such. In the contrary, Korea has no integrated national AfT policy, which leads to fragmentation and lack of consistency in its implementation. Jeong and Yoo (2015) pointed out that Korea's AfT projects are carried out in various forms by different agencies: concessional loans are administered by the Economic Development Cooperation Fund (EDCF); the Ministry of Strategy and Finance is responsible for

the Knowledge Sharing Program (KSP); KOICA has been in charge of training of personnels for trade capacity building, as well as a type of consulting program called DEEP (Development Experience Exchange Program). This speaks volumes of the fragmented and incoherent nature of Korea's national AfT policy. In addition, not enough study has been conducted as to how systematically Korea's AfT has been used by the aid recipient countries, and whether Korea's AfT has been effective in increasing the trade in the recipient countries. In recognition of this, Kim et al. (2015) pointed out that more studies on the evaluation of Korea's AfT should be conducted, assessing whether the its AfT projects have achieved the desired effects. Additionally, more studies should be carried out based on the empirical studies on various factors such as the ever-changing environment of AfT, and by reflecting the demand for AfT in different sectors, the relationship between Korea and the recipient countries, etc. Integrated national AfT policy and strategies should be devised in a coherent and systematic manner based on this.

Studies on Korea's AfT, although small in numbers, have been conducted since the late 2000s by public research institutions such as Korea Institute for International Economic Policy (KIEP) and Economic Development Cooperation Fund (EDCF). Rhee et al. (2012) tried to come up with ways of improving development cooperation for AfT by focusing on strengthening aid effectiveness of Korean AfT programs. They argued that in order to implement AfT programs that are differentiated, it is imperative that Korea established coherent AfT policy system and came up with national strategies. Kang et al. (2013) attempted to put together a well-rounded picture of Korea's AfT by analyzing Korea's AfT from various perspectives: Korea's comparative advantage in AfT and investment policy,

the importance of Private-Public Partnership for AfT, evaluation of Korea's AfT, etc.

Kim et al. (2015) conducted an empirical analysis on the effectiveness of AfT in Vietnam, Laos and Cambodia and tried to examine whether Korea's AfT invigorated trade between the recipient countries and the donor country or not. Based on this, they analyzed how AfT can affect economic growth of recipient countries in the future and how Korea's AfT can contribute to the increased trade between Korea and the recipient countries. In the research, they found that for Vietnam, Laos and Cambodia, the AfT in the field of economic infrastructure and productive capacity building, which accounts for 98% for these countries, was not effective. In contrast, the AfT in the field of trade policy and regulations and trade facilitation, which accounted for 2%, was very effective. They argued that such phenomenon can be attributed to the fact that these three countries do not have a well-structured fundamental system or infrastructure for trade unlike high and middle-income countries. They expanded the scope of their research to the general case of low-income countries and concluded that AfT in the field of economic infrastructure and productive capacity building does not have any meaningful effect on the country's export, and AfT in the field of trade policy and regulations and trade facilitation had a positive effect on the country's export. Therefore, in providing AfT to low-income countries, improvement in trade and market system, customs procedure, etc. should be preceded rather than providing economic infrastructure or productive capacity building. Contrary to such findings, they pointed out the imbalance of Korea's AfT, meaning that Korea's AfT in the field of trade policy and regulations and adjustment assistance, which proved to be the

most effective, was too small in number compared to AfT in economic infrastructure and productive capacity building, which amounted to almost 96% of the total amount of AfT. Considering this, they asserted that by taking away a portion of ‘hard’ aid and making it a part of ‘soft’ aid, the AfT towards low-income countries will be more effective.

## **2. Trade Environment in Cambodia**

### **1) Information on the Kingdom of Cambodia**

Cambodia is a country located in the east of Indo-China peninsula and is bordered by Thailand, Laos and Vietnam. Cambodia’s population is 15.14 million in 2013, and its capital is Phnom Pehn. It is a unitary parliamentary republic that adopted constitutional monarchy, and it uses Khmer language and Cambodian Riel as currency. After putting an end to decades of conflict thanks to the Paris Peace Accords in 1991, Cambodia has been trying to overcome the loss of infrastructure and human resources with the help of its relatively stable socio-political environment. Since then, it showed a rapid economic growth, namely 10% growth of the real GDP from 1999 until 2008 based on the political stability and economic open door policy led by the President of the Cambodian People’s Party Hun Sen. GDP per capita also shot up from \$256 in 1998 to \$738 in 2008. The global economic crisis during 2008 and 2009 raised concerns about the instability of Cambodia’s macroeconomy, but its growth rate bounced back continuously afterwards. Cambodia, although having gone through a rapid economic growth, is

one of the Least Developed Countries of the world whose GNI per capita is \$2,890 in 2013, and those living in poverty are concentrated around the rural areas of Cambodia. The provision of economic infrastructure and health and medical services is insufficient, and the country is subject to the climate change and other environmental hazards.

Cambodia has a low-tech, low value-added manufacturing industry, and its lack of skilled labor force, underdevelopment of banking system and service industry, public sector corruption, etc. act as a huge threat to the sustainable development of the country. Additionally, Cambodia needs to secure other sources of growth other than four of its major industries (textile, tourism, construction, and agriculture industry) by industry diversification and improvement of competitiveness of its major industries. It also needs to remedy the trade deficit and surmount its vulnerability to external shocks (global economic crisis, the rise of oil price, the possibility of escalation of conflict with Thailand, etc.).

## **2) Background of Cambodia's Request for the Aid in Trade Capacity Building**

Back in 2003, Cambodia was suffering from absolute poverty where its GDP per capita was \$280, which meant less than one dollar a day. Because of this, one of its biggest goals was to fight poverty and open its economy, and as a result, it joined the WTO and ASEAN Free Trade Area (AFTA) in 2003. Such move was a part of its efforts to open its economy to integrate itself to the world economy and

make the flow of aid from foreign countries much easier. Back then, “capacity building” in every area of Cambodia’s industry was one of its top priorities.

Since the mid-1990s, Cambodia has been pushing forward its open door economic policy, and such effort was also applied to the area of trade and investment as well. In addition, it put a conscious effort into adjusting its domestic law and institutions to the standards of WTO and ASEAN. In this context, Cambodia applied to join the WTO in 1994 and became a member country of ASEAN in 1993. Its foreign investment law which was adopted in 1994 acted as a catalyst for the Foreign Direct Investment (FDI) in the fields of textile, tourism and telecommunication industry. Such open door economic policies brought about positive effects to the Cambodian economy, leading to its trade volume to overtake its GDP, which in turn became the foundation for the economic growth and creation of jobs.

Cambodia was granted admission by the GATT taking advantage of the preferential clause that was given to newly independent countries, but as the Cambodian Assembly declined the ratification, its attempt to become a GATT member country fell through. However, when GATT came to an end in 1994, such preferential clause also ceased to exist, which meant that Cambodia had to ask to join the WTO after strict screening and evaluation. As reasons for joining the WTO, Cambodia proposed the utilization of most-favored-nation treatment, the use of WTO’s dispute settlement system, the expansion of the FDI, etc., but in actuality, its effort also stemmed out of the nation-wide need to facilitate the aid flow from foreign countries through open economy and also to shake off its image as one of the world’s poorest countries that is riddled with internal conflicts.

Cambodia could not meet the 2016 deadline agreed upon in the Doha Declaration, but instead submitted a memorandum detailing that it will put the concession plans into practice during the implementation period. That is to say, Cambodia promised to completely open its domestic market in accordance with the WTO's principles of open economy.

Since the mid-1990s, Cambodia has been actively pursuing the open door economic policy and tried to make its domestic law and institutions comply with the rules of ASEAN. Thanks to such continuous effort, Cambodia became a member country of ASEAN in 1999 but was the last to do so among the four countries: Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV countries).

Among the 32 requirements that Cambodia had to meet after joining the ASEAN for Cambodia, 7 of them were trade-related requirements, one of which was REI (Regional Economic Integration). REI was the most representative of IAI (Initiative for ASEAN Integration) that was intended to support the CLMV in the field of trade investment and decrease the gap between the existing members of ASEAN and the new members. By doing so, it seeks to provide institutional capacity to new member countries of ASEAN to reduce the development gap and essentially help them to integrate into the ASEAN economy in an accelerated manner. This effort is primarily related to AFTA (ASEAN Free Trade Area), AIA (ASEAN Investment Area) and AFAS (ASEAN Framework Agreement on Service).

Although Cambodia's responsibility for the fulfillment of obligations was supported by 6 ASEAN countries just like the other CLMV countries, Cambodia began to seek assistance from other countries such as Korea, Japan, and China.

Regarding the REI, CLMV lacked a clear understanding of the expected benefits from trade liberalization of goods and services and also lacked the institutional and technological capacity which would prevent them from taking advantage of the potential benefits of AFTA. In order to build the trade capacity of CLMV countries, ASEAN Secretariat proposed various types of trade assistance, which are as follow: Acceleration of CLMV's fulfillment of AFTA; Awareness Raising of CLMV on the benefits of AFTA; Assistance for tariff liberalization for CLMV; Strengthening of the trade-related data collecting capacity of CLMV; Expand the CLMV's access to the market information and marketing network; Facilitation of CLMV's export capacity, etc.

For the trade capacity building in the service sector for CLMV countries, factors such as increased understanding of the GATS regulations and requirements by AFAS, increased understanding of the benefits of service liberalization, and capacity building of the CLMV in order to fulfill the requirements by AFAS were acknowledged.

### **III. Analytical Framework**

#### **1. Policy-making Process and Related Theories**

Opinions vary as to how we should view policy-making process, but it generally encompasses three essential elements: agenda setting, policy implementation, and policy evaluation. Ripley, R. B. and Franklin, G. A. (1982) proposed the policy process as incorporating policy formation, policy implementation, policy evaluation, and policy change, whereas Anderson, J. (1997) argued that policy process consisted of policy making, policy formation, policy adoption, and policy evaluation. Although scholars have different opinions on the components of policy process, common elements of policy process are policy making, policy implementation, and policy evaluation.

##### **1) Policy Implementation**

Policy implementation is the fourth phase of the policy cycle in which adopted policies are put into effect. Until the end of the 1960s, policy practitioners seemed to take it for granted that the actualization of a given policy, the realization of a political goal, or the enforcement of a law would proceed in a smooth and straightforward manner (Hill & Hupe, 2009). As a result, policy implementation was given relatively less attention in the study of policy process, leading to a “missing link” (Hargrove, 1975) between the policy making and the evaluation of policy outcomes. However, as many policies failed in the United States in the

1970s, it became clear that depending on how policies are implemented, policy effects can vary greatly. Starting with the seminal publication “Implementation” by Pressman and Wildavsky (1973), policy implementation has burgeoned from a largely overlooked interest to an important part of policy process.

As the study on policy implementation began to thrive, various definitions of policy implementation were proposed. Van Meter and Van Horn (1975) observed that “Policy Implementation encompasses those actions by public or private individuals (and groups) that are directed at the achievement of goals and objectives set forth in prior policy decisions,” whereas Pressman and Wildavsky (1973) defined implementation as “to carry out, accomplish, fulfill, produce, complete.”

All in all, policy implementation is of the utmost importance to the success of government. Implementation aims to accomplish public objectives, the process by which and the structures through which policy is intended to affect societal conditions and outcomes. In other words, implementation is at the core of the policy process and discipline of public policy, and no policy can succeed if the implementation bears little or no relationship to the intentions of policy adopters.

## **2) Methods of Policy Implementation**

There are two major approaches to implementation studies: the top-down and bottom-up approaches.

### *Top-down Approach*

The top-down models view the political system from the perspective of policymakers, meaning that in order for the policy implementation to be successful, they believe that complying with the authoritative decisions and hierarchical order is the best course of action. Such group of scholars view the factors that limit 'perfect implementation' to be inadequate resources, a lack of political acceptability, etc. (Hood, 1976). The 'top-downers' view the policy implementation from the perspective of authoritative decision, which usually takes the form of statutorily-enacted policy (Mazmanian and Sabatier, 1983).

For the most part, top-downers' objective is to develop generalizable policy advice for policymakers. Common advice for top-down approach includes the following prescriptions: (1) make policy goals clear and consistent; (2) minimize the number of policy actors; (3) limit the extent of change necessary; and (4) place implementation responsibility with an agency sympathetic to the policy's goals (Matland, 1995). Sabatier and Mazmanian (1980) further developed the top-down model by suggesting 17 variables within three categories (tractability of the problem, ability of statute to structure implementation, and non-statutory variables affecting implementation) that lead to a successful policy implementation.

Top-down approach can only be successful when the policy content is decided upon in a reasonable and specific manner and when policy decision-makers have an overarching control over the policy implementation process. However, in reality, policy decision making involves varying opinions of numerous policy actors more often than not. Top-downers have been criticized for assuming

‘that the framers of the policy decision (e.g. statute) are the key actors and that others are basically impediments. This, in turn, leads them to neglect strategic initiatives coming from the private sector, from street-level bureaucrats or local implementing officials, and from other policy subsystems’ (Sabatier, 1986). In addition, in most policy cases, coming up with the policy content that includes every possible problem that may arise during the implementation is out of the question. Therefore, the policy content is bound to be affected by the participants’ problem-solving capacity and changes in the implementation environment, but the top-down approach mostly neglects this aspect of policy implementation.

### *Bottom-up Approach*

In contrast to the top-down approach, bottom-uppers emphasize the knowledge and problem solving skills of street-level bureaucrats. In other words, they believe that bottom-up approach should analyze the implementation environment of street-level bureaucrats and target groups, how their incentives, behaviors and strategies are structured. Elmore (1979) argued against the top-down approach by maintaining that the key factor which leads to a successful policy implementation lies in providing the street-level bureaucrats with proper resources and discretion so that they can make the most of their knowledge and expertise.

Therefore, the bottom-up approach starts its argument by analyzing the behavior of street-level bureaucrats. First, they describe what sort of desirable behaviors should be utilized in order to tackle a particular policy problem, and then try to get a grasp of a particular policy process which induces such behavior. Next,

bottom-uppers look at the different classes that form the hierarchy in order to ascertain what kind of resources and discretion are needed to bring about such desirable behavior, and then provide the much-needed resources and discretion to a certain group among the hierarchy that can bring about the most desirable effects. That is to say, whether or not the policy implementation is successful depends not on the level of conformity to the intentions of policy decision-makers, but rather on how desirable behaviors of the street-level bureaucrats are induced.

Yet, the bottom-up approach is not without its criticism. The bottom-uppers are often accused of putting too much emphasis on the local discretion while underestimating the influence – be it direct or indirect – exercised by central authorities. They seem to neglect the fact that institutional settings, the available resources, and the access to an implementing arena may be centrally and statutorily determined. Furthermore, it is claimed that the analysis of factors which affect their perception and behaviors tends to be neglected due to the bottom-up approach's undue attention to street-level actors (Mayama, 1991).

### *Synthesis*

Since the mid-1980s, synthetic approach was suggested as scholars felt that choosing either top-down or bottom-up approach was not enough to get a comprehensive and complete picture of the policy process. That is to say, it was perceived to be more logical to combine the variables of each approach so that various facets of policy implementation can be taken into account. Scholars such as Matland, Winter, Sabatier and Elmore offered a synthetic model where they tried to

merge top-down and bottom-up approach. Matland tried to examine under which circumstances each approach becomes more applicable and what are important variables in such circumstances. Depending on the situation of each policy structure, different variables can be applied, leading to different explanations to top-down and bottom-up approach. Winter, on the other hand, suggested four variables that are crucial in determining whether policy implementation has been successful: policy formulation process and policy design, organizational and interorganizational behavior, behavior of street-level bureaucrats, and target group behavior. Sabatier tried to merge top-down and bottom-up approach in a way each approach's shortcomings can be complemented. This included comparative advantage approach and advocacy coalition framework. Lastly, Elmore insisted that "forward mapping" and "backward mapping" should be merged based on a "reversible logic."

However, Choi (1998) argued that because top-down approach and bottom-up approach have different subject and focus of analysis, and also because their theoretical background revolved around completely different types of rationality, it is virtually impossible to merge those two approaches. According to him, top-down approach was based on "instrumental rationality" and is therefore centered around logical consistency between policy objective and policy instrument, whereas bottom-up approach was founded upon "limited rationality" where implementation is understood as a part of problem-solving process, which leads to the importance of "procedural rationality."

## **2. Discrepancy Between Policy Objectives and Policy Instruments**

Depending on the definition of policy, elements of policy are known as policy objective, policy instrument, policy environment, policy ideology, policy actors, etc. Among them, policy objective and policy instrument are the most crucial, and if we add policy target group to those two, these three elements are generally considered to be the essential components of policy. Characteristics of policy are as follow: first, policy should have a policy objective. Although there are cases where the policy objective is unclear or unseen on surface, the essence of policy lies in the realization of policy objectives. Next, policy instrument is also an important part of policy, as it helps to achieve the policy objective. Third, policy should be defined entailing only the basics of policy objective and policy instrument, although there are some cases where the specifics of policy objective and instrument are listed in policy. Last, policy is decided by the government with authority, and in most cases, is officially announced.

### **1) Policy Instruments**

Public policy means public value and specific objectives that a country seeks to realize, but generally it also entails policy instruments that are utilized to achieve that end. (Kwon et al., 2010) In this context, the importance of policy instruments started to gain recognition lately, and a number of studies are being conducted on policy instruments as a sophisticated means of realizing the policy

objective. (Atkinson & Nigol, 1989; Hood, 1983; Salamon, 2002; Moon, 2009; Jeon, 2007).

Especially, more studies focusing on the scientific nature and accuracy of policy instrument are being carried out (Linder & Peters, 1998; Osborne & Gaebler, 1993). On the basis of such approach lies an idea that the design and selection of policy instruments should be carried out in a rational manner where they can be used to achieve a certain policy objective. That is to say, the selection of policy instruments should depend on a rational and objective means rather than being swayed political influences. It is through this scientific approach that the policy objective can be realized to its fullest potential. Likewise, if we consider policy as a scientific method, then political aspects of policy should be avoided at best. Many existing studies on policy instruments categorized policy instrument as being scientific and technical in nature, leading to the contribution to the expansion of policy studies. However, if we accept such trend without critical thinking, we are prone to overlook the problem of logical consistency between policy objective and policy instruments. Whether policy instrument was designed in a logical manner that helps to achieve the policy objective, and how the policy actors perceive policy objective and instruments are the questions that should be addressed.

Existing studies on policy instruments mostly approach policy instrument as an object that gets chosen in a scientific and technical manner, but what they generally overlook is whether the policy objective and instruments are “aligned” in the same direction. That is to say, they largely neglected to examine the logical “consistency” between policy objective and policy objectives. Even though the concept of policy instrument was born out of the need to make sure the policy

objective is achieved, most of the current discussion is concentrated on categorizing the types of policy instruments. This means that there is not enough discussion on whether policy instruments actually coincide and align with the policy objective and whether they are designed facing the same direction. There are many different policy actors working towards the implementation of policy, and their perception of policy can greatly vary in the process. Therefore, if we can assess the level of consistency between policy objective and policy instruments, we can reduce the cost arising from policy conflict by predicting the likely implications of policy implementation if it were to be put forth using the designed policy instruments.

While many of the existing studies focused on which policy instruments to choose based on “instrument categorization,” they neglected to discuss whether the selected policy instrument was created in a manner that achieves the set policy objective. Due to such limitations, the need to delve deeper into the “relationship” – or “consistency,” for that matter – between the policy objective and policy instruments was acknowledged, and this will hopefully help us grasp the essence of the policy question. In this context, this study aims to study the “consistency” between the policy objective and instruments, which is the core of the discussion.

## **2) Discrepancy Between Policy Objectives and Policy Instruments**

Policy is an entity of conscious effort, which is comprised of policy objective and instruments to achieve the set policy objective. Kwon et al. (2010) argued that if the policy implementation were to be successful, policy objective and

policy instruments should be aligned in the same direction. In the same manner, policy actors such as street-bureaucrats perceive the policy objective in a way that was intended by the policy decision-makers, and they also think of policy instruments as having been designed to accomplish the set policy objective. However, what if there is discrepancy between such policy objective and policy instruments? Existing studies provide various different views and approaches to answer this question. (Yeom and Park, 1991; Ahn, 2002; Choi, 1998).

Ahn (2002) explained the discrepancy between the policy objective and policy instruments in the policy implementation of separation of prescribing and dispensing drugs in Korea, using the concept of “policy-slippage.”<sup>8</sup> He saw policy implementation as a stage where policy instruments are being selected and went on to argue that there are political powers that continuously come into play in choosing such policy instruments. In other words, during the process of policy implementation, deterioration of policy implements (i.e. the restriction on doctors’ manufacturing rights and exclusion of pharmacists’ arbitrary manufacturing rights, substitutive prescription, and strict control on injections, etc.) had occurred, that were originally intended to achieve the policy objective of preventing the drug abuse and reducing the drug cost, which ultimately led to the policy failure.

Yeom and Park (1991) found that there occurred an inconsistency in policy in the midst of the phenomenon called “the dilemma” of policy decision-making, and applied the findings in analyzing the policy of the sixth republic of Korea. According to them, the inconsistency in policy occurred in the sixth

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<sup>8</sup> Policy-slippage is a phenomenon that happens during the policy decision making or policy implementation stage of policy process, in which the policy objective and directions go awry in the process of interaction and adjustment among policy actors. (Ahn, 2002)

republic of Korea because the republic fell into the “dilemma” when dealing with the political and societal environment such as a call for democratization, and as a result could not solve the policy problem. Such “dilemma” makes policy actors to choose policy instruments that are conflicting with each other, and as a result makes it hard to tell what the clear policy objective was. In other words, if policy decision-makers imprudently choose conflicting policy instruments, it leads to them to focus on policy formulation without realizing the consequences of their action or whether there might arise a conflict in the interpretation of policy instruments when it comes to the policy implementation. (Kim, 2006).

Choi (1998) classified the policy design into two categories which are “controllable” and “uncontrollable,” and insisted that to differentiate between the two, we need to check whether the government secured a proper linkage between the policy objective and instruments. However, unlike the two studies above, he maintained that not only the consistency between the policy objective and instruments should be checked, but also policy actors’ values, behavior, habit, culture, etc. should be taken into consideration as well.

All in all, many existing studies explain the phenomenon of discrepancy between the policy objective and policy instruments in real life, from the perspective of each researcher. In this study, however, we aim to look at how policy actors that are involved in the real-life policy implementation actually perceive the policy objective and instruments, whether there is any discrepancy between the two, and if so, how policy implementation process is affected according to that. To that end, we adopt a bottom-up approach which analyzes the policy implementation from the perspective of policy actors. By doing so, we can

avoid the shortcomings of top-down approach, and at the same time be able to describe the real-life implementation process in detail by analyzing how policy is perceived by policy actors, assessing potential conflicts that may arise, and by predicting unintended effects of policy implementation. (Choi, 1998).

## **2. Analytical Framework**

### **1) Basic Approach**

The primary purpose of this study is to look at whether the implementation of AfT policy by the Korean government has been successful, by conducting a case study. In order to do so, we examine one of the “soft” AfT projects, namely “The Project for Capacity Building in the Trade in Goods and Services for Cambodia” administered by KOICA. Based on the takeaway from the analysis, the study then aims to shed a light on how better-tailored policies can be formulated in the future for a successful implementation of AfT policy. The analysis is mainly two-fold: first, we use theories of policy implementation to scrutinize the policy implementation process of “The Project for Capacity Building in the Trade in Goods and Services for Cambodia.” Next, based on the analysis of policy implementation process of the project, we discuss the discrepancy between the policy objective and policy instruments so that we can draw policy implications by assessing numerous variables that come into play during the policy implementation process.

## **2) Analytical Framework Based on the Theories of Policy Implementation**

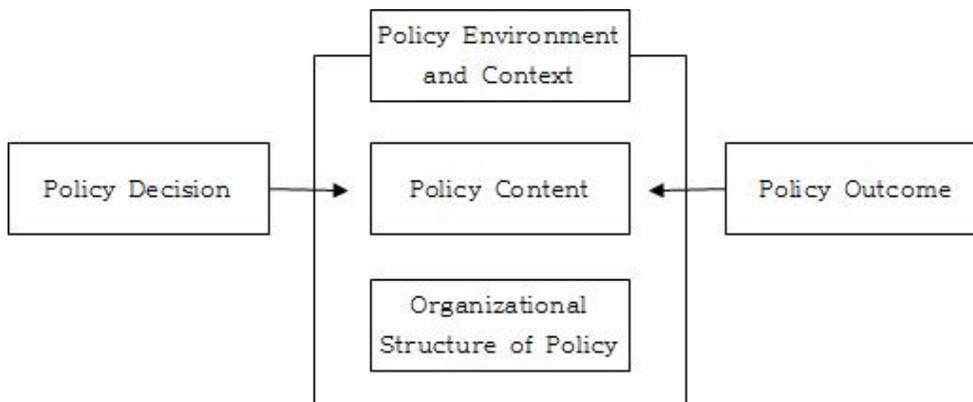
First, we start out by examining how important variables of policy implementation affected the implementation of the project. For implementation studies, aforementioned bottom-up approach is usually used. There are two reasons to this: first, in studying policy implementation, the selection of specific research method generally depends on each researcher's discretion, and because of that, after reading various papers related to this study I came to a conclusion that bottom-up approach was more than the top-down approach. Second, as regards "The Project for Capacity Building in the Trade in Goods and Services for Cambodia," since it was led by a Korean government agency, I deemed a bottom-up approach to be more apt in the sense that it can allow us to scrutinize the project from the very beginning of the first stage, which in turn can give us more information.

Next, policy implementation, as well as the components of it, should be defined in a clear manner for the successful analysis of the project. However, it is difficult to define the concepts in one single framework because scholars offer a multitude of different definitions and classifications. Choi and Baek (2001) argued in their empirical study on policy implementation that, since the existing studies mostly just reconfirm or disprove the already-established theories, it is difficult to draw a common conclusion from them. Even so, we can draw common elements of policy implementation as follow: policy environment and context, policy content, organizational structure of policy, and policy process participants. (Elmore, 1978). In order to analyze the policy implementation process, this study chose policy

context, policy content and organizational structure of policy as three major elements of the framework for the case study of the project. As I believed that the element of policy process participants was already determined from the outset of the project and also because it is not a critical factor in analyzing this project, I decided to leave it out of the framework as it bears little relevance. Next, we look at the elements that affect the policy implementation process.

*Policy Environment and Context, Policy Content, and Organizational Structure of Policy*

First, policy environment and context affects the policy implementation in a comprehensive manner. Some of the most important factors of policy context are as follow: political and administrative atmosphere, socio-economic and technical conditions, attention from the media, the interest and support by the general public, etc. Second, policy content is related to the policy objective so that it can segue into a successful implementation. Policy content entails elements such as: policy objective, policy instruments and resources to achieve the objective, and the extent of policy beneficiaries. The structure of these elements decides whether the policy implementation is successful or not. Lastly, it can be said that the organizational structure of policy is the most critical factor that directly affects the policy implementation. Policy structure is said to be well laid-out when: the internal hierarchy of policy structure is put together in a comprehensive manner; when the cooperation among the implementation agencies goes smoothly, and when there exist incentives for the street-level bureaucrats to comply with the policy as well as clear guidelines for them to abide by. (Adapted from Kim, 2004)



<Figure 1> Analytical Framework Based on the Theories of Policy Implementation

### **3) Analytical Framework Based on the Discrepancy Between Policy Objectives and Policy Instruments**

This study attempts to shed a light on the discrepancy between the policy objective and policy instruments that could be observed in the implementation of “The Project for Capacity Building in the Trade in Goods and Services for Cambodia,” and then look at the causes and results of such phenomenon. As top-down approach relatively gives little weight to the role of policy actors, bottom-up approach is chosen, where it places emphasis on how policy actors function. In a similar vein, we understand the policy implementation as a an interaction among various policy actors and then analyze the perspective of those actors on policy. In this study, “policy actors” specifically refer to official and public actors, namely Korean government agencies such as KOICA and KIEP. In order to explain the

discrepancy between the policy objective and policy instruments in more detail, I will provide definitions of each variable as follow:

### *Policy Objective*

Policy objective means the desirable state that is meant to be achieved through policy. The result of the attainment of policy objective is called policy effect, and such policy effect is based on policy output. Policy effect differs from policy output, in that policy output focuses on attaining the simple results and preliminary objective of policy, whereas policy effect focuses on more complex results and primary objective of policy. However, policy effects are not always intended. There also exist additional or side effects of policy that was not intended by policymakers. Policy objective can be divided into passive (going back to the point where there was no occurrence of a problem) and active objective (achieving the new state that was never before experienced). The functions of policy objective are as follow: achievement of a desirable state of society; and playing the role as an element in a policy process (i.e. criteria for choosing the best policy instrument, guidelines for policy implementation, and guidelines for policy evaluation).

### *Policy Instrument*

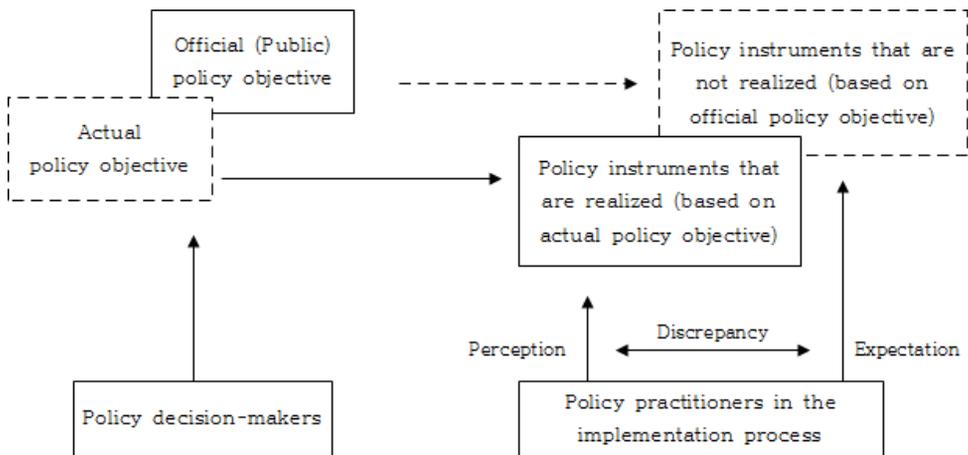
Policy instrument is a means of accomplishing a given policy objective. As policy has a direct impact on the lives of the public, conflict and confrontation among the interested parties are always rife. Therefore, it is crucial to come up with

adequate policy instruments in order to achieve a certain policy objective. Policy instruments are comprised of substantive and instrumental policy means. (Jeong, 2011) “Substantive policy means” acts as a direct method in achieving the policy objective, whereas “instrumental policy means” uses persuasion, incentives, and punishment in order to realize the aforementioned substantive policy means.

#### *Discussion on the Discrepancy Between the Policy Objective and Policy Instruments*

<Figure 2> is an analytical framework that shows the discrepancy between policy objective and policy instruments that occurs during the implementation process. Policy decision-makers declare a official/public policy objective in order to secure procedural legitimacy and prevent the actual policy objective from surfacing. Generally speaking, official policy objectives and actual policy objectives usually correspond with each other, but there are also situations where the two do not match. In this case, policy actors working on the implementation of policy (e.g. policy practitioners or street-level bureaucrats) think of official policy objective to be the same as actual policy objective, but if there exists actual policy objective hidden behind the official policy objective, policy instruments are designed based on the actual policy objective by policy decision-makers. Policy practitioners expect the policy instruments to be in accordance with the official policy objective, but soon come to realize that the policy instruments they are faced with are not the same kind as expected, since they are designed based on the actual policy objective. Eventually, policy practitioners experience the discrepancy between the actual policy instruments and the expected policy

instruments, and realize that their perceived policy objective differs from the policy objective they expected at the beginning. This, in turn, may lead to confusion and conflict in the implementation of policy, which makes the implementation prone to a policy failure. Based on such theoretical view and analytical framework, we will try to analyze “The Project for Capacity Building in the Trade in Goods and Services for Cambodia” and dissect the discrepancy between the policy objective and policy instruments that happens during the policy implementation process.



<Figure 2> Discrepancy Between Policy Objective and Policy Instruments That Occurs During the Policy Implementation Process

## IV. Implementation Process of KOICA's AfT Project

### 1. Overview of the Project

The subject of analysis is the policy implementation process of “The Project for Capacity Building in the Trade in Goods and Services for Cambodia” that was administered by KOICA from 2004 to 2005 with a total budget of \$870,000. The project aimed to assist in the implementation of Cambodia's WTO commitments and expedite its economic integration into the free trade and investment areas of ASEAN. To that end, the project included various activities such as consultations on Cambodia's policies for implementing the WTO and ASEAN commitments, training and capacity building of trade-related Cambodian personnel, and the provision of equipment to the liaison office in Cambodia. The project is considered to be a part of grant for the strengthening of “public administration (governance)” sector, which is one of Korea's seven cooperation sectors of priority.<sup>9</sup> Listed below is the summary of the project:

<Table 2> Summary of The Project for Capacity Building  
in the Trade in Goods and Services for Cambodia

Category	Specifics
Title of the Project	The Project for Capacity Building in the Trade in Goods and Services for Cambodia
Total Budget / Period	\$870,000 / 2004-2005 (2 years)

<sup>9</sup> Seven cooperation sectors of priority set by KOICA are: education, health, public administration, rural development, industry and energy, cross-cutting issues (environment, gender, human rights, ITC), and climate change.

Objectives	<ul style="list-style-type: none"> <li>◦ Strengthen the country's institutional capacity to adjust to the free trade system by providing policy recommendations and consultations</li> <li>◦ Enhance the implementation of Cambodia's WTO commitments and facilitate the country's economic integration into the ASEAN free trade/investment area mainly through human resources development</li> </ul>
Beneficiaries	Cambodian government officials
Contents	<ul style="list-style-type: none"> <li>◦ Joint research in seven areas: <ul style="list-style-type: none"> <li>- WTO Implementation and Application of Trade Remedy Measures</li> <li>- Integration of Cambodian Intellectual Property Rights Regime into WTO TRIPS Agreement</li> <li>- Cambodia's Capacity Building in the Area of TBT and SPS</li> <li>- The Deepening and Broadening of ASEAN Economic Integration: Implications on the Cambodian Economy</li> <li>- Foreign Direct Investment in Cambodia</li> <li>- Strategic Plans for the Development of Cambodia's Textile and Clothing Industry in the Free Trade Environment</li> <li>- Linkage of WTO and ASEAN Commitments and Trade Capacity Building: Challenges and Policy Recommendations</li> </ul> </li> <li>◦ Invitational training <ul style="list-style-type: none"> <li>- Training for the Cambodian government officials working in the field of trade and commerce</li> <li>- 15 persons x 4 times x 2 weeks</li> </ul> </li> <li>◦ Establishment of liaison office and provision of equipment <ul style="list-style-type: none"> <li>- Computer, printer, copy machine, salary for the liaison officials, etc.</li> </ul> </li> <li>◦ Other</li> </ul>

	- Dispatch of researchers to Cambodia and joint evaluation of the project, etc.
Agencies in Charge	<ul style="list-style-type: none"> <li>◦ Korea: KOICA (Korea International Cooperation Agency) and KIEP (Korea Institute for International Economic Policy)</li> <li>◦ Cambodia: Ministry of Commerce</li> </ul>

## 2. Policy Environment and Context

As a country with GDP per capita of \$250 which is less than one dollar a day (2003), one of Cambodia’s major economic goals was to open its economy and fight poverty. For this purpose, Cambodia established National Strategic Development Plan (NDSP: 2006-2010) to achieve gradual economic growth so that it can reduce poverty and achieve the Millennium Development Goals.<sup>10</sup> In addition, Cambodia viewed trade capacity building as one of its priorities since trade was regarded as a strong catalyst for the country’s socio-economic development. As such, Cambodia sought to pursue various different trade policies with the purpose of acceleration of economic growth and reduction of poverty by means of open economy and integration into the world economy. Since 2002, Cambodia established the Diagnostic Trade Integration Study (DTIS: 2002) with the help of international organizations such as the IMF and pushed forward trade policies related to Intellectual Property Rights (IPRS), SPS and TBTs, etc.

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<sup>10</sup> The Millennium Development Goals (MDGs) are eight goals with measurable targets and clear deadlines for improving the lives of the world's poorest people. To meet these goals and eradicate poverty, leaders of 189 countries signed the historic millennium declaration at the United Nations Millennium Summit in 2000.

Moreover, its accession to the WTO and ASEAN propelled Cambodia to come up with relevant trade policies as well as build its trade capacity in goods and services related to its industrial structure.

However, due to its rather premature accession to the WTO, Cambodia was burdened by the responsibility to fulfill the obligations set out by the WTO due to too much tariff concession. In addition, it was likely that such obligations put forth by the WTO would ultimately weaken Cambodia's national competitiveness. For example, Cambodia's textile industry which is one of its key industries, went into an infinite competition since 2005 after the Multifiber Arrangement (MFA) came to end in 2004. Because of this, Cambodia's textile industry was predicted to experience major difficulties after the termination of the MFA. To avoid such detrimental scenario, Cambodia had to fulfill the obligations by the WTO and at the same time enhance its trade capacity in goods and services as well as secure the foundation of its industrial production. In this context, Cambodia, which lacked much-needed knowledge and experience in the field of international trade and commerce, requested the Korean government to provide the training of personnels pertinent to trade capacity building. "The Project for Capacity Building in the Trade in Goods and Services for Cambodia" was born out of such need by Cambodia.

Such policy environment and context can also be seen in a 2006 interview that Munhwa Ilbo did with the then-undersecretary of state Mao Thora for the Ministry of Commerce of Cambodia. (Seo, 2006):

*Mao Thora mentioned in the interview that “Since Cambodia is a latecomer to international trade, it is riddled with pressing tasks such as getting accustomed to the international rules of trade and commerce and adjusting its domestic law and practices to meet the international standards.” He added that “Cambodia wishes to continuously seek help from Korea in various fields such as industrial policy” and that “Although many international organizations such as the IMF and World Bank offer programs on knowledge sharing, many Southeast Asian countries have much more interest in Korea’s experience of economic development.” Lee, Kyung-tae, the then director of KIEP also said that “As Korea is widely known to be a best practice for economic development among developing nations, consultations in the field of economic and trade policy are considered promising as a part of ‘Korean aid model’.”*

### **3. Policy Content**

#### **1) Joint Research**

Joint study and research was carried out by a group of experts from KIEP and a group of experts from the Royal Government of Cambodia, with the Cambodian Ministry of Commerce playing a focal role in the study. The main goal of this study was to build the institutional capacity of Cambodia in trade in goods and services for WTO implementations and negotiations, support the acceleration

of integration process into the global and regional economy, and narrow down the development gap.

Below is the summary of seven main topics of joint study (KOICA, 2006: 588).

*(1) WTO Implementation and Application of Trade Remedy Measures*

Policy recommendations on the opening of Cambodian market were given, both from an economic and institutional perspective. From an economic perspective, it is recommended that Cambodia: participate in Information Technology Agreement; effectively use duty-free and quota-free commitments by developed countries; develop a Comprehensive Services Modernization Strategy; keep reforming state-owned enterprises; develop a comprehensive Tourism Development Strategy; eliminate unnecessarily burdensome requirements; and make a swifter progress on pharmaceuticals-related issues.

From an institutional perspective, it is also recommended that Cambodia: consider an early implementation of CV-related system; set up an effective commercial court system; have a political will to keep reforming its economic and trading systems; and make laws on trade remedy measures that comply with the WTO agreements.

*(2) Integration of Cambodian Intellectual Property Rights Regime into WTO TRIPS Agreement*

Case studies on Korea, China, India and other transitional economies in Eastern Europe were conducted. Based on the observations from those case studies, some of the policy directions that were suggested are as follow: IPR policy is an important policy tool to promote the economic growth of Cambodia, and the main goal of IPR Policy should be technological capacity building; flexibility measures available in the current TRIPS agreement should be used to its fullest; systematic, long-term IPR strategies should be developed.

### *(3) Cambodia's Capacity Building in the Area of TBT and SPS*

Multilateral rules and discussions in the area of TBT and SPS were reviewed while taking into account early stages of Cambodia's industrial development and TBT and SPS related infrastructures. Cambodia's obligations arising from its accession to the WTO and infrastructures for implementation were summarized and discussed. Experience of other countries, especially Korea's were reviewed as a reference. Policy recommendations and implications for Cambodia's capacity building in TBT and SPS are identified as follows: enhancing domestic recognition on standards and technical regulations; adopting and harmonizing with international standard; prioritizing target industries and products; fully utilizing the multilateral trading system; utilizing technical assistance and capacity building programs; inducing private sector participation; and building infrastructure.

### *(4) The Deepening and Broadening of ASEAN Economic Integration: Implications on the Cambodian Economy*

Review and evaluation were provided on the integration of the Cambodian economy into a regional and global trading network. For the implications on the country's future development, three policy recommendations were made: Cambodia should take full advantage of SDTs and flexibilities granted by international organizations and its trading partners as it will help Cambodia to minimize costs; Cambodia should devise a proper mid- and long-term industrialization strategy, taking into consideration the country's comparative advantage; Cambodia should recognize the importance of further integrating into East Asia and the world economy and should consider non-ASEAN countries as possible FTA partners.

#### *(5) Foreign Direct Investment in Cambodia*

Recognizing the importance of a country's basic economic and institutional environment in attracting the FDI, four policy recommendations are suggested. First, Cambodian government's coordination failure that raised significant time lag between the planning and implementation of specific policy should be rectified. Second, as tax incentives of many Asian countries were proved to be not effective in general, Cambodia should give a careful thought on the benefits and costs of tax incentives. Next, Cambodia should extend the plan of SPZs including expansion of current plans in order to resolve the institutional issues and corruption problems. Finally, Cambodia should give more incentives to domestic production by local and foreign investors, which should be followed by the expansion of domestic market.

*(6) Strategic Plans for the Development of Cambodia's Textile and Clothing Industry in the Free Trade Environment*

The need for national strategy for special economic zone along with trade facilitation policy was acknowledged. Another crucial factor for growth was recognized, which was the government leadership in the development process with coherent strategies carried out in an uncorrupt manner. To that end, meritocratic recruitment of officials and long-term career rewards (inner promotion) to achieve professionalization of the state capacity and to create a sense of corporate coherence and commitment was suggested.

*(7) Linkage of WTO and ASEAN Commitments and Trade Capacity Building: Challenges and Policy Recommendations*

The chapter attempts to put together the key findings from studies conducted so far and other relevant points. Cambodia still faces many challenges due to its lack of human resources, well-developed capital market, infrastructure, and utilities, and whether it will succeed depends to a large extent on its ability to balance its rights and obligations under multilateral trading system as well as on how well the country takes advantage of broad opportunities and challenges of regionalism and globalism.

To fully enjoy the benefits of joining the WTO and ASEAN, Cambodia needs to focus on fostering strong enterprises in core industries, such as agro-industry, textile and garment industry, tourism by encouraging private investment and by investing more in human resources as well as physical infrastructure.

Thus far, we have looked at the gist of the joint research carried out by KIEP and Cambodian government officials. Although the topic of policy content itself was mainly relevant, most of the policy recommendations and the contents of study do not seem to have much of practical implications. Rather, the study mostly attempts to provide background information regarding trade and also to promote mere theoretical understanding of the current trade and economic situations of Cambodia. The study would be much more relevant and practical, had it included the analysis on pros and cons of actual policy instruments that are/will be adopted by the Cambodian government, while making use of the information provided in the joint research. Such method with practical implications will be more conducive to the capacity building of the Cambodian government than just providing the explanation of the current economic state of the country. Furthermore, additional studies and continuous support on the actual implementation of suggested measures should be provided, so that the project does not end up being a one-off study session. If followed up properly, the joint study will prove to be more effective.

## **2) Invitational Training**

Capacity building was carried out through training, which aimed to strengthen and enhance the understanding of the Cambodian officials (as well as officials from other CLMV countries) who worked in line with trade and investment in Cambodia and those that are involved with regional cooperation and negotiation. Through the implementation of this capacity building program, the Cambodian government officials were able to learn and interact among themselves

for international trade and investment. In specific, knowledge sharing occurred on topics such as: trade and investment liberalization, WTO agreements and its regulations, Korea's experience of economic development and opening of the market, strengthening the relationship and cooperation among the CLMV countries, in-depth understanding of WTO, SPS, TBT, TRIPS, FDI, etc. In addition, the training also put a lot of emphasis on Korea's expertise in development in many areas including: Korea's foreign trade policy, provision of Trade Statistics Service (TRASS) and its applicability, Korea's experience in multilateral trading system, customs clearance process through a case study on Korea, etc. Through this, the training attempted to enhance the trade capacity of government officials of Cambodia and the rest of CLMV countries, who play a crucial role in the making of trade policy of each country.

Below are the specifics of the training program:

(1) KIEP functioned as the principal agency, whereas KOICA participated as a supporting agency.

(2) CLMV countries' government officials that worked in the field of trade and commerce were invited for the training in Korea.

- 15 persons: 9 Cambodian officials, and 2 officials from each of the LMV countries

- The training spanned over a two-week period and focused on the topics related to international trade/commerce system such as WTO and ASEAN. The training

also focused much of its attention on the diffusion of Korea's experience in economic development.

- There were 4 batches of training program in total.

(3) The training program consisted of 14 lectures:

- Understanding of the international commerce system:

  - 3 lectures (WTO, ASEAN Integration, and FTAs)

- Fulfillment of obligations by the WTO:

  - 6 lectures (TBT, IPR, SPS, FDI, GATS, and MFA)

- Methods of trade negotiation:

  - 1 lecture (the most relevant example for Cambodia was used)

- Trade promotion policy:

  - 2 lectures (Korea's experience in economic development and export promotion)

- Automation of customs administration:

  - 1 lecture (development of Korea Trade Network: KTNET)

- Trade statistics system:

  - 1 lecture (establishment of statistics in goods and services and the making of the database)

(4) Four batches of training for CLMV government officials provided three common programs, which were: lectures, industrial inspection on Korean factories, and exploration of Korean culture.

According to the evaluation report (KOICA, 2006: 490), various problems occurred in the invitational training. First, due to fragmented nature of the project (KOICA being the policy decision-makers and KIEP being in charge of policy implementation), there were some officials who received the overall information of the training program too late. They pointed to the lack of proper communication between KOICA and KIEP as a cause. In addition, the welcoming ceremony took place in the KIEP building, whereas orientation took place in the KOICA building, which further accentuates the fragmented nature between the two agencies.

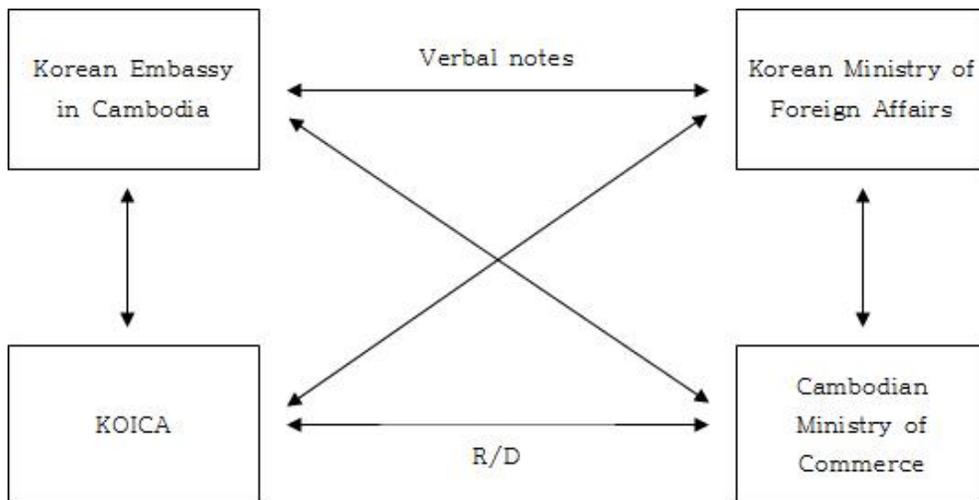
Next, although the lectures were mostly considered to be helpful, too much time was spent on some lectures of less importance that beared little relevance to the situation of CLMV countries. In addition, many trainees pointed out that too much time was allotted to lectures, while not enough time was given for discussion or consultation with lectures. Furthermore, industrial inspection of Korean factories focused mostly on big companies such as Hyundai Heavy Industries, and many pointed out that visits should be made to small and medium-sized enterprises instead, as they bear more relevance to the economic situation and scale of CLMV countries.

Finally, it was pointed out by the trainees that there should be post-training exchange of ideas and communication among KIEP, KOICA, lectures and trainees. For this purpose, a website was made in order for the much-needed communication among the participants, but it was hardly used due to lack of promotion.

## 4. Organizational Structure of Policy

### 1) Contractual Structure Between the Korean and the Cambodian Governments

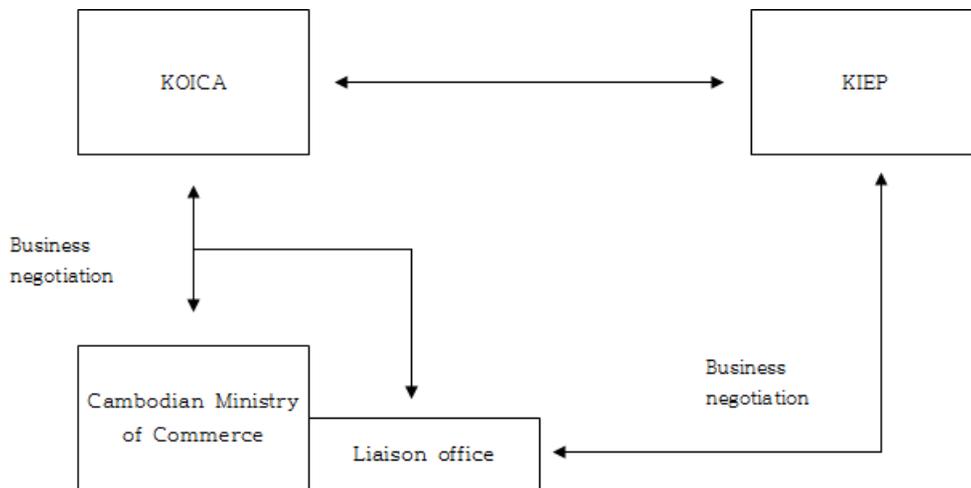
: KOICA and the Cambodian Ministry of Commerce signed the contract on the Record of Discussions (R/D).



<Figure 3> Contractual Structure of the Project

## 2) Organizational Structure of the Project

Since this project mainly revolves around joint research on seven areas, KOICA, the policy decision-makers, made a contract with KIEP for them to perform their duties as policy practitioners.



<Figure 4> Organizational Structure of the Project

We can see from the <Figure 3> and <Figure 4> that the project was administered in a fragmented manner. That is to say, KOICA was in charge of policy decision making, whereas KIEP was in charge of policy implementation. As pointed by the previous section on “invitational training,” such fragmented nature of policy process is prone to policy failure due to lack of proper communication between two different policy actors.

# **V. Objective-Instrument Discrepancy in KOICA's AfT Project**

## **1. Policy Objective**

### **1) Official/Public Policy Objective**

The official policy objective of this project is as follows (KOICA, 2006: 127):

- Provide implementation strategies and policy recommendations to help Cambodia fulfill the trade obligations after its accession to the WTO and ASEAN. The focus should be on the trade capacity building in goods and services for the development of Cambodia's industrial structure.

: As the sudden opening of the economy and trade liberalization is likely to have a detrimental effect on the underdeveloped industry of Cambodia, it is imperative that trade capacity was enhanced in a way that bears relation with the establishment of industrial infrastructure and institutional advancement.

- The focal point is on the human resources development for trade capacity building, by means of training of related government officials and researchers.

: Such human resources development is expected to yield plenty of policy alternatives which will contribute to the policy-making in the area of trade capacity building, in the face of the accession to the WTO and ASEAN.

## 2) Actual Policy Objective

Referring to the “Policy Content” dealt with in the previous chapter, KOICA (policy decision-makers), with the aim of achieving the aforementioned official policy objective, signed a contract with KIEP so that KIEP can work on the implementation of the policy. Below is how the Project Management Consultancy (PMC) was structured, in which “actual policy objective” can be observed:

<Table 3> Blueprint for the Project Management Consultancy

Category		Specifics
P M C	Joint Research	<ul style="list-style-type: none"> <li>◦ Dispatch of Korean professionals</li> <li>◦ Joint research in six areas and one area of comprehensive research (seven teams in total)</li> </ul>
	Invitational Training	<ul style="list-style-type: none"> <li>◦ Invitation of trainees from CLMV countries (15 people per one class)</li> <li>◦ 14 lectures in total</li> </ul>
	Liaison Office and Provision of Equipment	<ul style="list-style-type: none"> <li>◦ Provision of computer, copy machine, fax machine, etc. in the liaison office</li> </ul>

Source: KOICA (2008: 188)

The content of contract was that, in order for KOICA to administer this particular trade capacity building project, joint research, invitational training,

establishment of the liaison office, provision of the equipment, etc. are to be carried out by entering into a contract with a proper agency for the PMC (KIEP). From this, we can assume that the actual policy objective that KOICA set in the beginning was – possibly for the purpose of facilitation of policy implementation process - “joint research” and “invitational training,” which are comprised of theoretical lectures for the most part rather than specific policy recommendations.

## **2. Policy Instruments**

Specific policy instruments that KIEP (policy practitioners) chose in order to achieve the policy objective set by KOICA (policy decision-makers) were “joint research” and “invitational training” which can be characterized by theory-based lectures.

First, the evaluation from Cambodia’s perspective on “joint research,” which is one of the policy instruments adopted by KIEP, is as follows (KOICA, 2008):

*◦ Sustainability*

*- However, consistency of the newly introduced knowledge and system can be obtained, if continued cooperation between Korean experts and Cambodian counterparts continues through various schemes of KOICA’s support.*

*◦ Recommendations*

*- More emphasis should be placed on topics such as trading regime and the economic situation of the country rather than merely reviewing economic theories.*

- Further development of policy suggestions and practical implementation should be largely included in the research.

*(Adapted from the Cambodia's presentation material at the evaluation workshop)*

From this, we can see that in the case of joint research, there was a lack of continuous follow-up and exchange of opinions, and that the policy recommendations were not sufficient. This could be because the content of joint research failed to reflect the situation and reality of Cambodia in a comprehensive manner. It could also be because of the quite different level of research capacity between the Cambodian and Korean researchers. In addition, there were no clear guidelines for research shared between the researchers. Considering the different level of research capacity among Korean and Cambodian researchers, there should have been clear guidelines and detailed explanation of the project. Furthermore, more efforts should have been made to improve the communication and exchange of ideas among the researchers. (KOICA, 2008: 11)

KIEP also realized such problems of its policy instrument and wrote about it in its self-evaluation of the joint project (KOICA, 2006: 593):

*Acknowledging that the purpose of this joint research was to improve the trade capacity of Cambodia, in choosing topics and contents of lectures, more emphasis should be focused on reflecting Cambodia's policy needs its socio-economic situation. For instance, in explaining the WTO-related agreements, applicable policies that have practical implications should be introduced instead of*

general and theoretical presentation. In addition, considering Cambodia's status as a LDC, policy recommendations should be tailored to such status of the country. In the future, more specific development strategies and policy recommendations should be provided, which also reflect the current socio-economic situation of Cambodia.

Another evaluation on the joint study (from Cambodia's perspective) is as follows:

◦ Please give us some examples of advantages and disadvantages of the project.

<Table 4> Advantages and Disadvantages of the Project

	<b>Advantages</b>	<b>Disadvantages</b>
1	Short and concise.	One off study.
2	On hand support and references.	Lacking of further exchange of information.
3	Solutions for breaking through certain issues.	Need frequent consultation on certain issues.
4	Essential for both learner and operator.	Need follow-up activities.
5	Serves as a base for further studies.	

Source: KOICA (2008)

◦ Advice and Suggestions on the Project

- Some of the Korean researchers did not respond to our follow-up emails with questions. Cambodian researchers added that they were well aware that Korean researchers are very busy. (KOICA, 2008: 132)

*(Adapted from the interview with government officials from the Cambodian Ministry of Commerce and other researchers. Interviewees: Mr. Sok Sopheak (Director-General) and six others.)*

As we can see from the phrases such as “Lacking of further exchange of information” and “Need follow-up activities” as well as the fact that Korean researchers did not respond to follow-up emails by Cambodian officials, we can notice the side effects of theoretical lectures where communication and exchange of ideas are lacking. It can also be assumed that such side effects occurred due to lack of KIEP (policy practitioners)’s lack of passion for the project, as the policy for this project was already designed by KOICA, the policy-making agency.

Next, the evaluation on the “invitational training” by Cambodia is as follows:

*◦ Advice on the Invitational Training*

*- Continuous follow-ups and re-training is needed even after the termination of training.*

*- Due to technological gap between Korea and Cambodia, it would have been better if the visit was made in small- and medium-sized companies of Korea instead of big ones. (KOICA, 2008: 13)*

*(Adapted from the interview with government officials from the Cambodian Ministry of Commerce and other researchers. Interviewees: Mr. Yanno Yin (Chief of WTO Bureau, MOC) and 8 other researchers.)*

As pointed out earlier, continuous follow-ups and exchange of opinions are very important also for the invitational training, but were mainly neglected. In addition, the training program should have focused more on an in-depth understanding of the recipient country's socio-economic situation; considering that Cambodia's major industries are traditional in nature (e.g. textile industry), the fact that field trip was made only to big, high-tech manufacturing Korean companies should be ameliorated in the future. Some of the lectures were also known to be irrelevant to the situation of the recipient country. All in all, there is a need to delve more into the recipient country's specific needs and situation. (KOICA, 2008: 13)

### **3. Discrepancy Between the Policy Objective and Policy Instruments**

In this project, KOICA (policy decision-makers) claimed that its official policy objective was to contribute to “the trade capacity building of Cambodia, establishment of national trade policy, as well as strengthening of institutions and human resources to adapt to the free trade system,” in order to prevent the actual policy objective from being disposed and secure legitimacy. However, its actual policy objective was “mechanical/theoretical lectures and joint study,” possibly to make the implementation process easier. In this case, KIEP, the policy practitioners, perceived the official policy objective to be the actual policy objective, but because there existed actual policy objective in reality, KIEP's policy instruments were designed according to such actual policy objective set by KOICA (mechanical/theoretical lectures). Such phenomenon can be inferred from the fact that there were no sufficient follow-ups after the termination of training.

There was also an opinion that the lectures were too theoretical that it failed to provide Cambodia with practical policy implications.

In continuation, policy practitioners in the implementation process expect to have policy instruments that are created based on the official/public policy objective, but soon come to realize that the actual policy instruments they are faced with are not the same as the ones they expected. Eventually, they experience the “discrepancy” between their perception of policy instruments in actuality versus policy instruments that they expected to have. In the process, they realize that the policy objective they are faced with in reality (actual policy objective) differs greatly from the policy objective that they originally had in mind (official policy objective). Such “discrepancy,” then, can lead to a chaos and confusion during the implementation of policy, which in turn could possible lead to a policy failure.

As noted in the End-of-Project Report (KOICA, 2006) and Ex-Post Evaluation Report (KOICA, 2008), KIEP’s policy recommendations tended to be too general and theoretical, while lacking in concrete and feasible policy suggestions. That is to say, although the beneficiaries’ understanding of trade-related matters and their capacity were enhanced, the project ended up being a mere “knowledge transfer” and failed to translate into “policy recommendation,” which was the intended effect of this project. This phenomenon could be attributed to the fragmented nature of the project between KOICA and KIEP. Moreover, some of the lectures did not reflect the recipient country’s socio-economic situation (e.g. field trip to large-scale companies instead of small- and medium-sized ones), which shows that mechanical and theoretical lectures should be avoided and instead more emphasis should be given to the needs of a recipient country.

In this regard, we can say that there occurred a sort of “policy discrepancy” in this project. In other words, policy practitioners might have felt confusion when they encountered policy instruments that bore little consistency with their perceived version of policy objective. As such, different perceptions of policy between policy practitioners and policy decision-makers often affect their behaviors and incentives, which leads to different expectations and ultimately to a conflict between policy actors. Such discrepancy can be summarized as below:

<Table 5> Structure of the Discrepancy Between  
the Policy Objective and Policy Instruments of the Project

<b>Policy Decision-Makers (KOICA)</b>	Official Policy Objective	Contribute to the trade capacity building of Cambodia through the establishment of national trade policy, provision of policy recommendations, strengthening of institutions and human resources to adapt to the free trade system, etc.
	Actual Policy Objective	Contribute to the trade capacity building of Cambodia through mechanical and theoretical lectures (giving fish instead of teaching how to fish)
<b>Policy Practitioners (KIEP)</b>	Actual Policy Objective	Contribute to the trade capacity building of Cambodia through mechanical and theoretical lectures (giving fish instead of teaching how to fish)
	Policy Instruments	Provision of lectures as requested (Joint research & invitational training)

In providing “soft” AfT – especially in a fragmented policy setting as this project where policy decision-makers and policy practitioners are separate entities – there is a higher chance that “policy discrepancy” might occur. This, in turn,

would lead to difficulties in project implementation. This is because such phenomenon makes it hard to communicate between the policy decision-makers and policy practitioners with regards to the comprehensive picture of the policy process, and also because perfectly smooth communication between the two is not possible in real life. Such tendency could be one of the reasons that AfT is skewed towards “hard” aid, because “soft” AfT is relatively much more complicated as evidenced by the results of the implementation of this project.

## **VI. Conclusion**

### **1. Summary and Policy Implications**

Korea is a country that successfully transformed itself from an “aid recipient” to a “donor” country by tapping into export as a means of achieving economic growth and overcoming poverty. In light of this, it is natural that Korea proposes trade as a means of sustainable growth to developing nations and provide them with necessary aid. However, the Korean government has yet to establish a coherent strategy for Korea’s AfT policy, which leaves much to be desired. It should be noted that Korea’s distinctive history of economic development through trade does not automatically translate into nor guarantee an effective administration of its AfT policy. It is true that Korea has relevant expertise in the field of AfT, but its aid to developing countries would not be effective unless the method in which its AfT policy is administered is coherent and well-thought-out.

According to the literature review conducted earlier, it was found that AfT for “economic infrastructure” and “productive capacity building” did not lead to increased export for low-income countries, whereas AfT for “trade policy and regulations” and “adjustment assistance” proved to be effective in export promotion. Considering this, in order for Korea’s AfT to be more effective, it would be in Korea’s as well as recipient countries’ best interest to divert some of the AfT originally allotted to “economic infrastructure” and “productive capacity building” (i.e. “hard” aid) into AfT for “trade policy and regulations” and “adjustment assistance” (i.e. “soft” aid).

This study delves into the structure of discrepancy between the policy objective and policy instruments that took place during the implementation stage of “soft aid” of Korea’s AfT. Through this, we can expect to infer the reasons as to why “soft aid” of Korea’s AfT is implemented in an unsatisfactory manner. Based on such findings, this study aims to draw useful policy implications as well as provide a realistic understanding of the implementation of Korea’s AfT, which will be relevant for future AfT projects. By narrowing down the scope of the study to a “soft aid” AfT project that revolves around the passing down of Korea’s experience in development, the findings of this study will be especially relevant for Korea’s other “soft aid”-related AfT projects in the future. Considering that we can achieve the intended policy objective only when the policy implementation is carried out in a proper manner, the aim of this study is to ensure that Korea’s future international cooperation policy is decided and planned in an effective manner. Achieving such policy effectiveness can only be made possible by us having a clear understanding of how Korea’s “soft aid” AfT policy is being implemented in real life.

The study attempts to analyze the process of policy implementation of the “Project for Capacity Building in the Trade in Goods and Services for Cambodia” using the elements of policy implementation. Based on this, the study tries to analyze the discrepancy between the policy objective and policy instruments that occurred during the implementation process of the project. In order to do so, the study opts for the “bottom-up approach” instead of much-used “top-down approach” by focusing on policy actors in the field. Specifically, this study aims to shed light on how the discrepancy between the policy objective and policy instruments – which stems from the co-existence of “official” and “actual” policy objectives

during the policy decision-making process – affected respective policy actors during the implementation process.

The official policy objective of the policy decision-makers, which in this case were KOICA, was to “contribute to the trade capacity building of Cambodia, help establish Cambodia’s trade policy and its implementation, and reinforce Cambodia’s trade regime as well as its trade-related personnel so that it can adjust to the free trade system.” However, their actual policy objective was to merely “contribute to the trade capacity building of Cambodia by delivering lectures (i.e. giving them fish instead of teaching them how to fish).” The actual policy objective of the policy practitioners, which in this case were KIEP, was also to “contribute to the trade capacity building of Cambodia by delivering lectures,” and their policy instrument was to proceed with the delivery of lectures as directed by the KOICA (i.e. joint research, invitational training, etc.). This becomes apparent by the fact that no proper follow-ups took place and the policy recommendations by the KIEP were mostly too theoretical and general in nature. That is to say, the project merely ended up being a “knowledge transfer,” which ultimately did not translate into a “policy recommendation.” We can argue from this, that the policy actors experienced some form of confusion while putting forth the project, which stems from the relationship of fragmented nature between the KOICA and KIEP. Such confusion can easily escalate into a conflict, which in turn might lead to policy failure. We can see from this that policy implementation is a complex process, which can be one of the reasons why the implementation of “soft” AfT can be more difficult than that of “hard” AfT.

It is hard to measure the outcomes of trade capacity building projects such as this one in the short term, but since the trade capacity building of the government personnel is highly likely to lead to the achievement of national policy objectives in the long run, more of such projects should be implemented over a longer time frame. It should be noted that Korea's extensive expertise in economic development is an area where it has a comparative advantage in, which ultimately catapulted it into the 11th most affluent economy of the world from being an aid recipient country. It should also be noted that trade capacity building projects are generally perceived to pave the road for sustainable and long-term economic growth of a country, as well as cost less compared to other "hard" AfT projects involving the establishment of infrastructure, etc.

However, in order for such projects to be successful, Korea's AfT projects should be structured in a way that overcomes the discrepancy between the policy objective and policy objectives. First, the policy objective of "soft" AfT should be set as "realistic and hands-on advice revolving around the establishment of the recipient country's trade policy," and policy instruments should be designed accordingly so that the policy actors in the field do not face any confusion. Second, conscious effort to follow up after the termination of the project as well as continuous consultation is needed. Last, policy instruments should be designed in a way that can be conducive to the actual establishment of the trade policy of a country instead of being merely theoretical in nature.

## **2. Limitations of Study**

First, this study utilizes the case study method, which in turn makes it hard to generalize the findings of the study. Even though the purpose of case studies does not lie in generalization (Yin, 1994; Stake, 1995), the validity and reliability of the study should somehow be verified, but they could not be authenticated in a rigorous manner due to the limitations of the intellectual capacity of the researcher. Because of this, it is likely that the bias of the researcher as well as a lack of objective evidence might have affected the overall argument of the study.

Another limitation of this study is that it mostly resorted to the literature review and analysis of research papers, and that it adopted qualitative research method. Because the discussion on the AfT merely began about a decade ago, there were not enough studies conducted on the topic of national AfT policy at large, making it difficult to get a hold of related materials. Such lack of research materials can be said to have deteriorated the overall quality of the study. Moreover, as this study adopted the qualitative research method instead of quantitative by utilizing the theories of public policy, it could not produce any precise numerical or statistic outcomes that can be useful in the economic analysis of Korea's AfT.

Lastly, the study did not delve into the national AfT policy of other developed nations, with which Korea's implementation of AfT could have been compared that might have yielded useful findings. Additionally, Korea's AfT projects take various forms such as Knowledge Sharing Program (KSP) by the Ministry of Strategy and Finance, grants from KOICA, loans from EDCF, etc., but

since this study focuses solely on the KOICA's project for "soft" AfT, it is difficult to come up with policy implications that are macroscopic in nature which can help improve Korea's international development cooperation policy in general.

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## 국문 초록

무역을 위한 원조(Aid for Trade; AfT)는 원조의 새로운 카테고리가 아닌 ODA 의 한 분야이며, ‘개발도상국의 무역을 돕는 지원’을 의미한다. 개발도상국의 경제발전에서 무역의 중요성을 인식하고 2005 년 홍콩 WTO 각료회의에서 AfT 이니셔티브가 채택되었고, 지속가능발전목표(SDGs)의 세부목표에도 AfT 지원 확대가 포함되어 있다. 우리나라 또한 AfT 의 중요성을 인식하고 정부 산하 연구기관 등에서 연구를 진행하였으나 연구의 절대적인 수 자체가 적을뿐더러, 국가적인 AfT 체계가 미흡하고 거시적 가이드라인이 전무한 상황이다.

OECD 및 WTO 에 따르면 무역을 위한 원조는 ‘무역정책 및 규제에 대한 기술적 지원’, ‘경제 인프라’, ‘생산역량구축’, ‘무역 관련 조정’ 등의 4 개 분야로 이루어져 있다. 선행연구 분석 결과 저소득국가에서는 ‘경제인프라’나 ‘생산역량 구축’ 부분의 AfT(hard aid)는 해당 국가의 수출에 미치는 영향이 유의미하지 않은 것으로 나타났으며, 반대로 ‘무역정책 및 규제 부문’에 대한 지원이나 ‘무역촉진을 위한 지원’ 부분의 AfT(soft aid)는 상대적으로 해당 국가의 수출에 긍정적인 영향을 미치고 무역증진효과가 큰 것으로 나타났다. 그러나 이러한 실질적인 효과와는 반대로 한국의 AfT 는 ‘경제인프라’와 ‘생산역량 강화’ 부문에 대한 지원이 80% 이상으로 과도하게 높은 반면, 실제로 무역증진효과가 있는 것으로

파악된 ‘무역 정책 및 규제’와 ‘무역촉진 부문’과 같은 소프트웨어에 대한 지원은 매우 미미한 상황이다.

이에 착안하여 본 연구는 한국이 실시한 AFT 사업 중 소프트웨어 부문 원조 사업의 사례연구를 통해 왜 이러한 불균형이 일어나는지에 대해 알아보고자 하였다. 이를 위해 AFT 사업의 거버넌스 체계에 초점을 맞추어 두 갈래의 분석틀을 통해 다각도로 정책집행과정을 분석하였다. 첫 번째 분석틀은 정책집행의 요소들 중 정책환경, 정책내용, 정책집행체계를 분석하는 것으로, 이를 통해 사업의 내용 및 거버넌스 구조에 대해 자세히 파악하고 평가하고자 하였다. 분석 결과, 동 사업의 정책내용으로는 정책 제언으로 이어지지 않는 주입식 강의가 주를 이루었고, 정책집행체계는 한국국제협력단(KOICA)이 정책결정자이고 대외경제정책연구원(KIEP)이 정책 집행자인 분절적인 거버넌스 구조임을 파악할 수 있었다.

이를 바탕으로 두 번째 분석틀이 나오는데, 이는 정책목표와 수단의 불일치성이 정책집행 과정의 행위자에게 어떤 영향을 미치는지에 대한 분석틀이다. 분석 결과, 이 사업에서 정책결정자인 KOICA 는 정책의 실질적 목표가 전면적으로 드러나는 것을 막고 정당성을 확보하기 위해 대외적 목표로 “캄보디아의 무역능력 배양에 기여, 무역정책 수립에 도움, 자유무역체제에 적응할 수 있는 제도 강화 및 인적자원 개발” 등을 표방하였다. 그러나 사업 집행의 용이성 등을 위한 실질적 목표는 “주입식 강의 및 공동 연구를 통한 캄보디아의 무역능력 배양” 이었다. 이 경우 현장의 정책행위자인 KIEP 은 대외적 목표를 정책의 실질적 목표로

인식하지만, 현실에서 대외적 목표 뒤에 가려진 실질적 목표가 존재하였으므로 정책수단은 그에 따라 설계되었다. 즉 주입식 강의가 주를 이루는 공동연구와 초청연수가 정책수단으로 설정되었다. 이는 인력 교육이 종료된 후 후속 조치나 의견 교류 등이 전혀 시행되지 않았으며, 심지어 일부 한국 측 전문가들에게 메일로 질문을 보냈으나 답장이 없는 경우도 많았다는 점에서 추론해 볼 수 있다. 또한 사업평가보고서 및 종료보고서에서도 강의를 너무 이론적으로 접근하여 실무 차원의 능력 배양이 미흡하였다는 지적이 있었다.

집행과정의 정책행위자들은 외부적으로 공표한 대외적 목표에 따른 정책수단을 예상하지만, 현실에서 맞닥뜨리게 되는 정책수단은 그와 일치하지 않음을 인식한다. 결국 정책행위자들은 그들이 현실에서 직접 인식하는 정책수단과 예상된 정책수단 간의 불일치 현상을 겪으면서 자신들이 현실에서 인식한 정책목표가 애초에 예상한 정책목표와 다르다는 것을 깨닫게 된다. 이는 결국 집행현장에서의 혼란과 갈등을 유발할 수 있으며, 정책실패로 이어질 가능성이 높다.

이러한 점에서 동 사업에서는 일종의 ‘정책불일치’가 일어났다고 볼 수 있다. 즉 현장의 정책행위자들은 자신들이 인식하는 정책목표와 일치성이 높지 않은 정책수단에 직면하면서 혼란을 느꼈을 수 있다. 이러한 이해도의 차이는 참여 동기와 태도, 역할 기대의 차이로 이어져 정책행위자 간의 갈등을 유발하기도 한다. 소프트웨어 부문의 AIT 에서는 - 특히 이 사업처럼 정책결정자와 정책행위자가 분절적인 경우 - 이러한

‘정책불일치’의 가능성이 크고, 결과적으로 사업 집행에 어려움을 겪게 만들 가능성이 있다. 왜냐하면 정책의 전체적인 밑그림에 대한 의견 교환이 충분히 안 되게 되며, 정책결정자와 정책집행자 간의 완벽하게 유기적인 교류는 현실적으로 어렵기 때문이다. 이는 하드웨어 부문에 치중한 무역을 위한 원조 현실에 대한 하나의 이유가 될 수 있다.

따라서 이러한 사업의 집행이 성공적이려면 한국의 AfT 사업은 정책목표와 정책수단의 불일치 현상을 극복하는 방안으로 설계되어야 한다. 먼저, 소프트웨어 부문의 AfT 원조에서 수혜국의 ‘무역정책 수립에의 실무적이고 현실적인 제언’을 사업의 실질적 목표로 설정하고, 이에 맞게 정책수단을 설계하여 현장정책행위자들의 혼란이 없도록 해야 할 것이다. 둘째, 이를 위하여 후속 조치 및 교류에 대한 의식적인 노력을 기울여야 하며, 단발성 사업이 아닌 지속적인 컨설팅이 필요할 것으로 보인다. 마지막으로, 정책 제언이 이론적인 측면에서만 그치는 것이 아니라 실질적으로 수원국의 현실에 부합하는 정책 수립에 도움이 될 수 있도록 정책수단을 강구해야 할 것이다. 이를 위해서는 정책결정자와 정책집행자 간의 분절적 관계를 극복하기 위한 긴밀한 협력이 필요하다.

**주요어 : 무역을위한원조, 공적개발원조, 원조정책, 정책집행, 국제개발협력, 한국국제협력단**

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