REPORT FOR ENDORSEMENT BY SUB-STEERING COMMITTEE
ON TRADE DEVELOPMENT AND TRADE-RELATED INVESTMENT
MAY 30, 2013

Cambodia Trade Integration Strategy 2013-2018

and

Trade SWAp Road Map 2013-2018

Executive Summary:

Key Findings, Development Goals, and Strategic Outcomes

Phnom Penh, May 30, 2013

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Background

In November 2001, Cambodia validated its first *Diagnostic Trade Integration Strategy* (DTIS.) DTIS 2001 was prepared with funding support from the *Integrated Framework* program (IF.) Cambodia had been selected by the IF as one of three pilot countries for this innovative program launched by six multilateral agencies – the International Monetary Fund (IMF), the International Trade Center (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank (WB), and the World Trade Organization (WTO.)

In December 2007, Cambodia's Prime Minister launched the country's second DTIS, *Cambodia Trade Integration Strategy 2007* (CTIS 2007.) CTIS 2007 benefited from combined funding support from the original IF program and the UNDP as well as technical contributions from the EU, GIZ, IFC, the IMF, ITC, UNCTAD, and the World Bank. Back then, Cambodia was the first country to update its initial DTIS under the *Enhanced Integrated Framework* (EIF), the successor to the IF program.

Cambodia Trade Integration Strategy 2013-2018 (CTIS 2013) is the country's third generation DTIS. Once again, Cambodia's leadership among EIF countries is in display. Cambodia is the first EIF country to update its original DTIS for a second time. CTIS 2013 has benefited from funding support from the EIF, the Asian Development Bank (ADB), the UNDP, and the WB.

Since the first DTIS in 2001, leadership of the DTIS formulation process has changed significantly. This reflects Cambodia's growing capacity to manage its Aid for Trade process. The first DTIS was largely agency-driven, with the WB leading a team of experts under IF funding. CTIS 2007 was carried out under the joint leadership of the Ministry of Commerce and the UNDP. CTIS 2013 is a fully Government-led and Government-owned process.

Under leadership and guidance from the Senior Minister, Minister of Commerce, and with strong operational support and management by key senior officials in the Ministry, the team assembled to prepare CTIS 2013 has benefited also from the technical inputs from the *Inter-Ministerial Committee for Updating the Cambodia Trade Integration Strategy 2013-2018*. The Inter-Ministerial Committee was established through a Prakas and includes senior officials from the Ministries of Commerce, Economy and Finance, Health, Tourism, Planning, Industry, Mines and Energy, Agriculture, Forestry and Fisheries, Rural Development, Women Affairs, Labor and Vocational Training, as well as the Council of Ministers, the Council for the Development of Cambodia, and the Royal School of Administration. Members of the Inter-Ministerial Committee provided DTIS team members with access to officials in their respective ministries, reviewed drafts, and met with the team to provide comments, feedback and other inputs on various documents.

CTIS 2013-2018: Underlying Principles

CTIS 2013 reflects efforts by the Royal Government of Cambodia (RGC) to take stock of important developments in the country's trade sector since the previous DTIS (CTIS 2007) and update Cambodia's strategy and directions for trade integration into global and regional markets. CTIS 2013 is guided by three principles:

1. **Update and strengthen Cambodia's Trade SWAp.** Starting in 2008 and capitalizing on the strategic directions and actions identified in CTIS 2007, the RGC, through the leadership of the MoC and the Sub-Steering Committee on Trade and Trade-Related Investment, established a Trade Sector Wide Approach (Trade SWAp.) The purpose of the Trade SWAp was to provide Government with tools to improve its coordination and overall management of Aid for Trade as well as monitor progress against CTIS 2007 strategic objectives and actions.

   One such tool is the Trade SWAp Road Map, organized around three "Pillars." Each pillar captures key Indicative areas for reform and progress to support the development of Cambodia's trade sector. Priority areas are in line with CTIS 2007 and results are monitored through baselines and targets captured in Key Performance Indicators (KPIs) for each.

   CTIS 2013 provides a fresh look at new opportunities and challenges that have emerged since 2007. Accordingly, CTIS 2013 provides the Government with a basis for updating the RGC's Trade SWAp Road Map and for identifying key strategic directions for Cambodia's trade sector for the coming five year period 2013-2018. Those directions will be used as anchors for ongoing and new technical assistance and for mainstreaming trade development priorities into the new *National Socio-economic Development Plan* (NSDP), the next *Rectangular Strategy*, and *Cambodia Vision 2030*.

2. **Incorporate Government capacity built since 2007 to lead the updating of CTIS and Trade SWAp Road Map**. As a result of implementing Trade SWAp since the mid and late 2000s, a growing number of Government officials in MoC and other trade-related line ministries have become far more familiar with the process of formulating, implementing, monitoring, and evaluating individual Aid for Trade projects. Others have been associated directly with the mechanisms established to oversee progress of the overall Trade SWAp, ensure objectives are met, and review progress against targets.

   The newly created capacity made it possible for the Government to take charge of the formulation of CTIS 2013 under MoC's leadership. The process of formulating CTIS 2013 started with the identification of the key themes to be included, the formulation of a Concept Note that was reviewed and endorsed by the Trade SWAp Inter-ministerial Implementation Committee (IC) under guidance from the Senior Minister, Minister of Commerce, the organization of the *Inter-Ministerial Committee for Updating the Cambodia Trade Integration Strategy 2013-2017* to support the formulation of the new CTIS 2013, and led to a series of steps to ensure the result of the work is fully and collectively owned and internalized by the various ministries and agencies of the Government associated with implementing Aid for Trade technical assistance.

3. **Identify new challenges and incorporate new priorities of RGC for trade development into Trade SWAp**. While CTIS 2013 is guided by the priority areas identified in 2007 and reflected in the Three Pillars Road Map, it is not be bound by those. CTIS 2013 recognizes that conditions may have changed and that new priorities and needs may have emerged as a result. So CTIS 2013 also ensures that key new priorities identified by the Government are reflected in the update.

   Specifically, CTIS 2007 took a broad view at potential export sectors for Cambodia, leading to the identification of 19 potential sectors. More than six years of trade development have allowed a group of ten of those sectors to emerge from the initial selection. CTIS 2013 focuses on those ten sectors.

   Likewise, two new cross-cutting issues are taken up in CTIS 2013 under Pillar One and Pillar Three respectively: (1) transportation logistics, and (2) skill gap for exports. Successful export development of the past few years have pointed to those two as possible areas of bottlenecks requiring focused attention.

Highlights and Key Findings

Trade Sector Competitiveness and New and Better Job Creation

Cambodia has been very successful hereto far in integrating the global economy through trade and investment. Progress since the mid-2000s is significant. But world markets are ever changing with new competitors emerging to challenge Cambodia's export sectors. The challenge is for the country and its leading export sectors to respond to change by strengthening the competitiveness of established sectors while nurturing new ones.

Trade sector competitiveness is critical to growth, and, in turn, to the creation of new and better jobs as well as income which are requirements for poverty reduction. Trade sector competitiveness is the result of the interaction of a number of factors, which, in the context of Cambodia can be grouped into four subsets:

- Improved market access
- Strengthened domestic business environment
- Rising total factor and labor productivity
- Increasing domestic value added

Cambodia's market access has evolved significantly in recent years. Favorable changes in the rules of origin governing the E.U.'s EBA program and the Canada's LDCT program, together with the implementation of free trade agreements with ASEAN Dialogue Partners, have triggered sharp increases in Cambodia's exports — in particular its exports of garments. This improved market access is the primary force driving the significant expansion of investment in manufacturing. Market access is also beginning to evolve as regards agricultural products. Reliance on neighboring countries as markets and as intermediaries for export of unprocessed agricultural products is starting to give way to direct export to final markets where, generally, Cambodia enjoys duty-free access. This process is still at a very early stage and its continuation will depend, among other things, on Cambodia's being able to meet the SPS and technical standards of importing countries. For both manufactured and agricultural goods, the rapidly growing economies of Asia and "emerging" markets hold great promise in the years ahead.

A strong business environment for trade has a number of attributes. A legal and regulatory framework that is predictable and based on international norms is a central element. Trade facilitation and logistics are other key areas determining competitiveness. They will be particularly important for the development of exports such as high-end garments or intermediate inputs into a production chain, where "turn-around" or delivery deadlines are critical. Much work has been done in Cambodia in many of these areas over the past ten years, but more remains to be done.

Total factor productivity and labor productivity are also important determinants of competitiveness. Increases in productivity allow higher wages and improved competitiveness to go hand in hand. Productivity increases primarily through investment in equipment that contains more advanced technology. The use of such equipment, in turn, requires higher skill levels. There is concern that, in Cambodia, the lack of skills required for more sophisticated production processes will hold back investment in these areas and slow productivity gains. There is also concern that without sufficient increases in productivity the pressure for higher wages may erode competitiveness. Increased skills that allow Cambodians to perform tasks presently performed by expatriate staff will reduce the costs to enterprises and enhance their competitiveness. For these reasons, it is important to address the gap between skills presently available in the work force and the skills necessary for the present and prospective work place.

Cambodia's main export industries — garments, shoes and bicycles — operate almost exclusively by assembling imported materials and parts into finished products that are then exported. Cambodia's agricultural exports mainly take the form of unprocessed agricultural products. In both cases the value added in Cambodia is usually a small fraction of the value of the finished consumer product. In both cases, Cambodia needs to exploit the possibilities for adding additional value in Cambodia. In the case of agriculture, this entails undertaking processing of farm-gate output – as is already underway in the case of rice. In the case of garments, shoes, and bicycles attention needs to be given to the production, in Cambodia, of inputs presently imported. Creating supply linkages between local SMEs and export firms is important and should be fostered. Foreign direct investment in the production of inputs also needs to be encouraged. In this way export industries can become hubs around which a network of domestic production develops.

To address issues at the core of trade sector competitiveness and job creation, in particular in the four key areas sketched briefly above, Cambodia's Trade SWAp, in the coming five years, will focus on 20 strategic outcomes aimed at addressing specific challenges at the market access and business environment level, at the value chain level, at the labor market level, as well as in the management and deployment of technical assistance resources in areas where reforms and institutional development are needed.

Progress against those 20 strategic outcomes will be measured in part by their beneficial impact in assisting Cambodia to meet its larger socio-economic development goals, including, of course its goal of enhancing trade sector competitiveness, creating new and better jobs, growing income, and reducing poverty. Those broader impacts are captured under five Development Goals.

The five Development Goals are not fundamentally different from the Goals defined in the earlier Trade SWAp Road Map derived from CTIS 2007. The 20 Outcomes include a number of "carry-overs" from the earlier Road Map that have been updated to account for progress accomplished since 2007 and to address further needs. They also include some new Outcomes that reflect new priorities that have emerged in recent years. Table 1 below lists the five Goals and Outcomes foreseen for 2013-2018. They are organized along the lines of the three Pillars of the Government's Trade SWAp.

Table 1: Development Impacts and Strategic Outcomes Trade SWAp 2013-2018	
Development Impacts/Goals	
Impact/Goal 1	Improved competitiveness contributes to reduce poverty through better and new jobs
Impact/Goal 2	Significant increase in the contribution of the trade sector to GDP and deepening diversification of Cambodia's export base
Impact/Goal 3	Strengthened capacity of RGC to formulate and implement trade policies and strategies
Impact/Goal 4	Responsiveness of RGC to private sector needs increases as a result of better dialogue
Impact/Goal 5	Improved planning, implementation, and monitoring capacity of RGC through implementing Trade SWAp
Strategic Outcomes	
Pillar One	
Outcome 1	**Trade Policy Reform and Trade Negotiations**: Cambodia meets its trade legal reform obligations under WTO and ASEAN; strengthens its access to markets through trade negotiations; enhances the transparency of its trade rules and laws
Outcome 2	**Trade Facilitation:** Cambodia increases its competitiveness through reduced import/export costs
Outcome 3	**Trade Logistics:** Cambodia increases its competitiveness through improved trade logistics
Outcome 4	**Technical Standards and SPS Requirements:** The capacity of Cambodian exporters to meet technical and SPS requirements standards set by importers and importing countries increases
Outcome 5	**Investment Environment for Exports:** The environment for investment in the ten DTIS 2013 focus export sectors is strengthened
Outcome 6	**Intellectual Property Rights:** A modern, trade-supportive intellectual property rights framework is established, implemented, and enforced
Pillar Two	
Outcome 7	**Garment:** Cambodia continues to grow and diversify its garment export sector through targeting new markets, increasing domestic inputs, and expanding in higher value products
Outcome 8	**Footwear:** Cambodia continues to grow and diversify its footwear export sector through targeting new markets and developing new market segments
Outcome 9	**9A: SEZs:** Cambodian SEZs increase their competitiveness and attract additional manufacturing investment
	9B: Light Manufacturing Assembly: Cambodia emerges as a node in regional production networks
Outcome 10	**Processed Food**: Cambodia continues to grow and diversify its processed food sector through new export markets, moving to higher value products, and expanding domestic inputs
Outcome 11	**Fisheries Products:** A sustainable fisheries sector sees Cambodian exports increase as a result of improved quality, growing production volumes, and strengthened access to markets.
Outcome 12	**Milled Rice:** Cambodia achieves the 1 million MT target for export of milled rice set out under the RGC 2010 Rice Policy
Outcome 13	**Cassava:** Cambodia consolidates its exports of Cassava through direct exports to such countries as China and Republic of Korea and lessens its dependency on exports of unprocessed tubers to Thailand and Vietnam
Outcome 14	**Rubber:** Cambodia progresses towards becoming a key producer and exporter of rubber
Outcome 15	**Tourism:** Cambodia progresses towards RGC's 2020 target set for Tourism: 8 million foreign visitors
Outcome 16	**High Value Silk Products:** A small but growing number of Cambodian producers are able to design and export high-value silk products
Pillar Three	
Outcome 17	**Skill Gap for Exports:** RGC and Cambodian exporters meet the skill gap through the formal education sector and increased public-private partnership to develop vocational/technical education.
Outcome 18	**Mainstreaming Trade:** Trade development objectives are fully mainstreamed in national development strategy and in product and service sector strategies
Outcome 19	**Monitoring and Mobilizing Aid for Trade:** RGC's ability to M&E Results of Trade SWAp is strengthened, leading to stronger mobilization of AfT inside and outside SWAp
Outcome 20	**Enhancing Private Sector Participation in AfT:** A better structured dialogue between private sector and Government contributes to efficient public-private partnerships for trade development based on AfT resources

Pillar One

Six cross-cutting issues at the core of Cambodia's trade competitiveness are analyzed under *CTIS 2013*/Pillar One:

- Changing Patterns of Trade and Market Access
- Trade Facilitation
- Transport Logistics
- Sanitary and Phytosanitary Measures and Technical Standards
- Investment Environment for Exports
- Intellectual Property Rights

CHANGING PATTERNS OF TRADE AND MARKET ACCESS

Cambodia's exports have experienced very rapid growth since 2007, when *CTIS 2007* was formulated. Not only does an analysis of this development yield some very interesting observations about the significant progress made by the Government in creating a supportive environment for trade and by the private sector in building export supply capacity, but it bears also very important lessons for the future especially with respect to the importance of preferential market access.

Going as far back as the late 1990s, Cambodia has relied heavily on exports of garments and tourism services for its external earnings. Up until 2011, garments exports were directed mainly at the United States market. Since 2012, the E.U. has become the leading export market. Diversification of product and service exports and diversification of destinations have been a policy objective for a number of years and was a key theme examined in CTIS 2007. There is clear evidence that the Government's and private sector's efforts to bring about such diversification have begun to pay off.

As shown in table 2, recorded exports of goods and services grew nearly an average of 13 percent per annum between 2007 and 2011, from $4.509 billion to $7.335 billion. While the garment and tourism sectors continued to hold a very large share of recorded exports, their combined share did decline as the share of other recorded exports grew from 10 to 20 percent during that same period.

Table 2: Composition of Recorded Cambodian Exports, 2007 vs. 2011				
	2007		2011	
	$ million	% Share	$ million	% Share
Total Recorded Exports (goods + services)	4,509	100	7,335	100
Composition of Total				
Garments	2,653	59	3,978	54
Tourism/Travel	1,398	31	1,907	26
Other Recorded Exports	451	10	1,467	20
Source: GDCE for Goods; Balance of Payment for Services				

But recorded exports reveal only part of the picture of change. As is well known, Cambodia is the source of a large amount of informal exports primarily in a number of agricultural commodities. Chapter 1 in *CTIS 2013* analyzes some of the difficulties in measuring informal exports and builds a conservative estimate of values. Findings are included in table 3.

Table 3: Composition of Recorded and Estimated Informal Cambodia Exports, 2007-2011				
	2007		2011	
	$ million	% Share	$ million	% Share
Total Recorded Exports (goods + services)	4,509		7,335	
Total Recorded and Informal Exports (goods + services)	4,945	100	8,155	100
Composition of Total Recorded and Estimated Informal Exports				
Garments	2,653	54	3,978	48
Tourism/Travel	1,398	28	1,907	23
Other sectors (including informal exports)	894	18	2,418	29
Composition of Other Sectors				
Vehicles, mostly bicycles (recorded)	49	1	298	4
Footwear (recorded)	79	2	267	3
Rubber (recorded)	43	1	192	2
Milled Rice (recorded)	2	*	106	1
Corn + Soybean (recorded)	6	*	4	*
Cassava (recorded)	*	*	2	*
Paddy rice (informal - estimated)	356	7	581	7
Cassava (informal - estimated)	37	1	161	2
Corn + Soybean (informal - estimated)	42	1	78	1
Other recorded sectors (goods + services)	280	5	729	9
Source: GDCE for recorded goods exports; BoP for services; assumed values of informal goods trade (see chapter 1) // A star (*) indicates less than 1percent				

Including relatively conservative estimates of informal exports, the table shows that the concentration on garments and tourism is even less than would be indicated by looking at recorded trade alone, with the share of other exports growing from 18 to 29 percent during 2007-2011. Bicycles, footwear, rubber, and milled rice are emerging as fast growing recorded exports; paddy rice, cassava, corn and soybeans as fast growing informal exports.

Together with diversification in export mix, the period 2007-2011 has been characterized by significant shift in the destination of exports. Table 4 points to some of the major trends underway in recent years in term of goods exports.

Table 4: Cambodia Goods Export Destination		
	2007	**2011**
Recorded Exports ($ millions)	2,962	5,122
Destination (% share)		
United States	64	41
European Union	23	30
ASEAN	5	8
All others	8	22
Recorded and Informal Exports ($ millions)	3,397	5,942
Destination (% share)		
United States	55	35
European Union	20	26
ASEAN	17	21
(Thailand and Vietnam)	(17)	(20)
Canada	4	6
Japan	1	3
China	*	3
All others	3	6
Source: GDCE for recorded goods exports; assumed values of informal goods trade (see chapter 1) // A star (*) indicates less than 1percent		

Two observations stand out. Exports to the United States as a share of total exports are declining. In contrast, the share of exports to the European Union, Canada, China, Japan, Thailand, and Vietnam is increasing rapidly. For recorded exports alone, the US share declined from 64 to 41 percent between 2007 and 2011; for recorded and informal exports, that share declined from 55 to 35 percent. Major developments behind these declines are the stagnation of garment exports to the US, the rapid growth of garment exports to the EU, Canada, and Asian markets and the growing importance of agricultural trade within the GMS and larger Asian region.

Interestingly, the shifts registered in goods exports are also matched by similar shifts in the tourism sector. As shown in table 5, during the same 2007-2011 period, the share of arrivals of international tourists from the Asia-Pacific region grew from 62 to 73 percent, while total arrivals grew by approximately 10 percent per annum average during those years.

Table 5: Origins of International Tourist Arrivals		
	2007	**2011**
Total International Arrivals	2,015,128	2,881,862
Origins (% Share)		
Asia-Pacific	62	73
Vietnam	6	21
South Korea	16	12
China	6	9
Japan	8	6
Thailand	5	4
Lao PDR	1	4
Australia	4	4
Malaysia	4	4
Rest of the World	38	27
United States	7	5
France	4	4
United Kingdom	4	4
Source: Ministry of Tourism, *Tourism Statistics: Annual Report*, 2007 and 2011		

What explains those positive shifts? In a nutshell, three key factors:

- Trade Preferences and Rules of Origin
- Growing investment in supply capacity
- Continued reform in the business environment

Cambodia is making significant use of trade preferences. The United States does not provide preferences for garments. The EU does under its "Everything-but-Arms" program (EBA), as do Canada, China, South Korea, Japan and several other trading partners under either GSP and DFQF programs or FTAs. The largest change was the change in EU's EBA rules of origin in January 2011. Exports to the EU more than doubled between 2007 and 2011 from $664 million to $1,503 million. The share of trade under EBA grew from 72 to 92 percent. Likewise the share of recorded exports under AFTA from Cambodia to Thailand and Vietnam – its two largest ASEAN trading partners – grew from 15 to 42 percent.

The duty-free access that Cambodia enjoys in certain of its export markets under various trade preference arrangements is the key element explaining the rapid growth and changing destinations of Cambodia's manufactured exports. This access will be the key determinant of export performance in the period ahead.

A key feature of all preferential schemes is their rules of origin, i.e. the set of rules that must be followed to determine whether or not goods produced in Cambodia are eligible for preferential access into the importing country. The rapid development in garments and bicycle exports from Cambodia to the EU has been driven in no small part by beneficial rules of origin. Chapter 1in *CTIS 2013* analyzes how rules of origin have shaped and are likely to shape, in the future, Cambodia's export products and export destinations. It also discusses how the rules of origin governing Cambodia's free trade agreements could be reshaped to better serve Cambodia, including the importance of the negotiations on rules of origin in the context of the forthcoming Regional Comprehensive Economic Partnership (RCEP) that will include 16 ASEAN members and Dialogue Partners in a new Free Trade Agreement.

Rapid growth has been supported by fast growing new investment, both foreign and domestic, in many sectors of the economy, including export sectors in particular. These developments are reviewed in greater detail in the chapter on investment environment and the ten chapters covering the focus export sector targeted under *CTIS 2013*. Clearly, however, improvements in market access as described above are driving where new investment is going and the investment itself is being facilitated by improvements in the domestic business environment.

Subsequent to its accession to the WTO, Cambodia engaged on a significant reform program to align itself with its WTO obligations and to increase the attractiveness of its business environment. The Trade Policy Review held in Geneva in November 2011 showed that a great majority of the needed legal reforms that had been identified immediately after accession and was crystallized in the Government's comprehensive *2004 Work Program on WTO Obligations* had been completed. Remaining, outstanding reforms have been inscribed in a follow-up *2012 Work Program* with a 2015 target for completion. The *2012 Work Program* identifies some 84 Actions. Cambodia is also addressing its commitment vis-à-vis ASEAN, especially in view of the rapidly approaching ASEAN Economic Community (AEC.) To further capitalize on these efforts, Cambodia is moving forward to provide greater transparency by establishing web sites to make all laws and regulations pertaining to trade readily available.

Last but not least, the emergence of agricultural commodities as a new, sizeable source of growing exports – be they unprocessed, semi-processed, or processed – points to the importance for Cambodia to accelerate the establishment of an SPS environment that meets international requirements. This issue is developed further in the chapter on SPS Measures and Technical Standards.

TRADE FACILITATION

The Royal Government of Cambodia has made significant progress in improving its trade facilitation performance in recent years. Following implementation of a Twelve-Point Action Plan adopted by the Government in June 2004, and with significant technical assistance inputs from the development community, key border management institutions, particularly the General Directorate of Customs and Excise (GDCE), have strengthened their institutional capacities and made progress in implementing a number of international standards and good practice approaches. Key achievements, thus far, include:

- Development of a risk management strategy (Sub-decree 21 and associated regulations, Sub-Decree 209)
- Adoption of the Single Administrative Document (SAD) which replaced no less than 45 documents
- Introduction of Customs automation (ASYCUDA) at all national border points
- Introduction of single stop Customs inspection and establishment of the National Single Window Steering Committee (May 2008)
- Implementation of WCO SAFE Framework Action Plan
- Simplification of transit operation including through the implementation of GMS and ASEAN Transit Agreements and bilateral agreements with neighboring countries
- Development of an Action Plan for Accession to the Revised Kyoto Convention
- Preparations to implement the prospective WTO Trade Facilitation Agreement

These reforms have resulted in improvements in the main Trade Facilitation indicators monitored by international organizations, reflecting an overall consolidation of Cambodia as an attractive investment destination and as a good trading platform.

However, further efforts are required both to ensure full compliance with the obligations originating from the ASEAN Trade Facilitation Work Program and the WTO Trade Policy Review and to make Cambodia an even more attractive destination for new investment. Some of the remaining key challenges to be addressed include:

1. Simplification of import, export, transit procedures and processes to decrease clearance costs and time
2. Full automation of border procedures covering all border agencies (National Single Window) including all Export/Import related Licenses, Certificates, permits and approvals
3. Improvement of Risk Assessment and Management procedures and processes by GDCE and other relevant agencies, including by setting up a system of Authorized Economic Operators
4. Implementation of official fees established under Prakas issued in December 2012, and elimination of unofficial payments
5. Establish Service Level Agreements to improve predictability of clearance time
6. Customs practices that reflects fully WTO Customs Valuation requirements
7. Increased transparency of customs tariffs and other trade regulations by making them available on-line and free of charge (National Trade Repository)
8. Development of a mechanism to resolve custom related issues between GDCE and the private sector
9. Improvement of cross-border procedures and processes to support full integration in ASEAN Economic Community and benefit from linking to regional production networks and supply chains
10. Eliminate checkpoints (and informal payments) along the main trade corridors

    Cambodia should aim at increasing its competitiveness by reducing time/cost for import/export. By 2018, Cambodia could reduce costs to 120% of ASEAN-6 average (currently 136%), and it could reduce to ASEAN average (16 days) the time for cargo release (now 24 days). This could be achieved by simplifying and automating border procedures and continue improving its risk management practices.

Those needs are being incorporated in a follow-up Action Plan to the 2004 Twelve-Point Action Plan.

TRADE LOGISTICS

Inefficiencies in trade logistics will hold back Cambodia's export potential unless they are addressed. Garment exports are part of a supply chain that requires speed and reliability in delivery. Rice needs good internal freight connections from fields to border and adapted storage facilities. Cambodia's supply chain performance also faces the curse of size — not enough scale to justify large investments or improve efficiency — while its main competitors, in garments for example (Vietnam, China, and Bangladesh), all enjoy the advantage of economies of scale. Cambodia's logistics performance, while in line with countries like Laos, is still below major competitors such as Vietnam. In addition, several of the country's supply chains are controlled by external buyers rather than local producers. Not only is it important to improve trade logistics at a national level, it is also critical to address the specific requirements of its key export sectors.

Recent improvements in Cambodia's major logistic corridors have had a significant positive impact on trade. Access to the port of Sihanoukville has been improved and expanded access to the more efficient ports in Vietnam has reduced the time and cost for selected international shipment. These improvements have allowed for increased regional trade by expediting both formal and informal trade with Vietnam and Thailand.

Cambodia's four major trade corridors are:

1. Western Cambodia-Poipet - Bangkok
2. Central/Eastern Cambodia - Bavet - Ho Chi Minh
3. Phnom Penh- Sihanoukville
4. Central Cambodia - Mekong - Saigon Port to Cai Mep

The first two are land routes. The last two are multimodal. The Phnom Penh route includes transfer from road to ship, and soon, from rail to ship following the rehabilitation of the rail system that will create a more efficient Western Cambodia-Sihanoukville trade corridor. For the Phnom Penh-Sihanoukville route, the transit time is 2-3 days including the time for loading and unloading; for the Central Cambodia-Mekong-Saigon Port to Cai Mep, 4-5 days.

The most important corridors are those providing connections to Vietnamese deep-water facilities (Central/Eastern Cambodia - Bavet - Ho Chi Minh and Central Cambodia - Mekong - Saigon Port to Cai Mep.) For agricultural goods these provide access to larger general cargo vessels. For containers they provide access to direct calls by vessels operating on the global corridor to the US and to Europe. Both offer savings in freight rates because of the larger traffic volumes at the Vietnamese ports. The only constraint is the procedures for border crossing and movement of goods in transit. The performance of these corridors is improving as the shipping lines become involved in providing feeder services to the ports. Additional improvements in performance should be prioritized based on the impact on the cost and time for movement over the entire length of the corridor.

The recent *Transport and Trade Facilitation Assessment* (TTFA) and *Transport Corridor Assessment* (TCA) have identified key issues that need to be addressed to improve the trade logistics environment in Cambodia. Those are discussed in more details in the full *CTIS 2013* report. They include:

1. Lack or poor implementation of cross-border transport agreements, causing inefficiencies and lowering the competitiveness of Cambodian products.
2. Lack of a third party insurance covering cross-border transport.
3. Difference in axle load limit between Cambodia and its neighbors.
4. Lack of "liquidity" in the container market as result of trade imbalance.
5. Despite recent improvements, roads considered not sufficiently safe by truck drivers.
6. Dominance of a few large trucking firms in the road haulage sector, with old fleet due to low competition.
7. High fuel cost, considered to be the greatest impediment to business operations, driving up total costs.
8. Lack of competition by foreign firms on most Cambodian roads so prices remain high for truck shipments.
9. Cambodia's railway network not connected to Thailand.
10. Port infrastructure adequate for the current trade volume but in needs of expansion to ensure sufficient capacity supporting trade growth.
11. Need to encourage the use of alternative waterways – particularly along the Mekong – to promote more extensive use Vietnam's port infrastructure.
12. Opacity of the costs included in transport final price and complex chain of brokers.
13. High levels of informal payments to clear cargo, a large proportion of which seems to be captured by shipping companies.
14. Insufficient logistics to support formal export of rice and other agricultural commodities.

Addressing these issues is critical to sustaining Cambodia's trade expansion. The magnitude of the problems can be tackled only by strong, sustained policy-making attention at the top level of Government in order to pave the way for fruitful inter-ministerial cooperation to design and implement reforms. In this regard, a high-level national Task Force with a mandate to formulate a National Logistics Blueprint (NLB) could be set up by Decree, establishing clear objectives, tasks, and timeframes. The NLB could be developed and implemented in synergy with initiatives in support of specific supply chains and aiming at improving trade facilitation. Accordingly, the NLB would best be developed in close synergy with the Trade SWAp– with the Pillar Road Maps – to ensure maximum efficiency in the coordination among ministries and agencies and between RGC and private sector organizations.

The interventions for inclusion in the NLB in order to benefit Cambodia's overall trading competitiveness could include the following:

1. Negotiate improved agreements for an integrated road transport market with Thailand and Vietnam. The agreement should include the extension of specific permission provided to large companies operating in SEZs and ensuring regulatory support for cross-border shipments along the Mekong.
2. Prepare and implement National Logistics Plans and integrate them within ASEAN, linking to existing frameworks such as the "Roadmap for the Integration of Logistics Services". Draw attention of other ASEAN Member States to the need to ratify and implement existing agreements.

3. Improve transport regulations (liabilities, axle loads limits, drivers' qualifications and conditions, safety standards, contracts, etc) including by adopting international standards to attract investment.
4. Establish a regional third party liability insurance scheme and harmonizing axel load limits in main transport corridors.
5. Introduce a fleet modernizing scheme with appropriate financing and quality enforcement mechanisms.
6. Remove impediments to FDI in logistics in order to improve sector competitiveness and lower cost of services to traders.
7. Developing capacity among: (a) Clearing and forwarding agents based on FIATA courses; (b) Operators in the trucking industry in the areas of fleet management and modernization; and, (c) Transport Regulatory Authorities responsible for port, road, and railway regulation and rate setting.
8. Reconnecting the Thailand and Cambodia railway networks and complete the rehabilitation of the Phnom Penh – Sihanoukville railway line, prioritizing freight operations.
9. Encouraging competition between ports, by liberalizing their fees in order to trigger competition on costs.
10. Identify options for making increased used of out-bound empty containers, possibly to formalize export of agricultural products (rice, cassava, rubber, corn, etc.).

SANITARY AND PHYTOSANITARY MEASURES – TECHNICAL STANDARDS

Since the late 2000s, Cambodia has experienced a boom in production and exports of rice, cassava, natural rubber, and selected other agricultural commodities such as corn. This boom has been facilitated by improved connectivity in the GMS region, relatively high prices, and availability of underutilized land and labor. Further growth is clearly possible.

However, this boom has also revealed weaknesses and risks that need attention in order to realize its full benefits. To date Cambodia faces significant internal bottlenecks in meeting quality and safety standards demanded by foreign markets and in adding value to raw materials. As a result, large amounts of product are traded unprocessed, at low prices, with informal markets in neighboring countries. Not only does Cambodia loses opportunities for adding value and getting better prices, but present exports depend *de facto* on waivers for SPS requirements by neighboring countries, which means such exports could be at risk if requirements were enforced. Therefore, improving relatively weak public and private capacity to ensure higher quality and safety standards is a major challenge for securing market access, for promoting market diversification, and for consolidating access to more demanding and better paying market segments.

The challenge of improving quality for the purpose of product and market diversification applies also to the silk, fisheries, processed food, or even tourism sectors. Tourism is growing rapidly but its image is vulnerable to food safety hazards. The fisheries sector can perform better if it can manage safety and quality.

With increased trade, the risk of transfer of pests and diseases by countries importing from Cambodia has increased also. This risk requires attention because it may result in loss of production and bans on Cambodian exports. Likewise, Cambodia needs to mitigate risks associated with imports of sub-grade and unsafe food, pesticides, and veterinary drugs.

Private sector firms are the first line of defense in meeting the quality and food safety requirements of buyers and importing countries. They need to build capacity for managing quality and safety at the plant and facility level. However, they need also an enabling environment and support from the public sector, especially in the area of technical standards and sanitary and phytosanitary measures.

GMP and HACCP are important tools for enterprises to improve their quality and safety management and their application is increasingly required by customers. This applies to rice millers, dried cassava processors, corn processors, processed food, and fish product processors. For quality and safety management in hotels and restaurants, GHP/GMP-based systems can be quite effective. Government can support implementation of certification systems for each of these sectors.

Firms also face challenges in obtaining sufficient raw materials of consistent quality and safety. Although this is a basic responsibility of private firms, Government can provide support in resolving bottlenecks, such as controls in the use of pesticides on crops and antibiotics in aquaculture. Good policies for seed of crops and propagation material for rubber are important for the quality of farm products. In selected cases Government can support the adoption of GAP (good agriculture practice and good aquaculture practice).

In many countries market access for plant products such as rice, dried cassava, and corn, can only be obtained if Cambodia can provide adequate information about its pest and disease situation through regular surveillance and assuring that agreed special risk-mitigation measures are performed such as fumigation and drying. China requires registration of production areas, surveillance of pesticides used, registration of firms involved in the post-harvest export chain, and adoption of GMP standards in processing facilities. Many countries require HACCP-based certification for fisheries product exporters. Export of fisheries products to the EU requires pre-approval of processing facilities, which is further conditional to the capacity of the exporting country's Competent Authority to control product safety from catch to export. And, for each shipment of plant, animal, or fisheries products, importing countries can require that a phytosanitary or sanitary certificate be issued to assure that the products meets defined safety standards. Methods and protocols for surveillance, provision of information, risk mitigation, diagnostics, conformity assessment, and certification are mostly defined in international standards.

For successful participation in international trade necessitating SPS and Technical Standards, countries must build capacity: on the import side, to protect crops, animals, and consumers against risk of pests, diseases, and unsafe food; and, on the export side, to facilitate trade that faces safety and quality requirements from importing countries. Under the WTO, member states must comply with WTO SPS and TBT principles. A main WTO recommendation is for countries to harmonize with international standards. ASEAN uses these WTO principles and recommendations as a basis for economic integration.

Since the CTIS 2007, Cambodia has made good progress to improve compliance with WTO SPS and TBT principles and recommendations and to strengthen its capacity for enhancing its export strategy and controlling the safety of its imports. Yet, there remain bottlenecks and weaknesses that deserve being addressed. Main recommendations are:

To strengthen private sector capacity:

1. Promote certification based on international standards and systems (HACCP, GMP, GAP, GHP, Codex, OIE) appropriate for safety and quality among export processors (for milled rice, dried cassava, corn, fish products, processed food) and in hotels and restaurants.
2. Promote quality in silk, natural rubber, garments, footwear, and manufacturing assembly.
3. Promote consistent quality and safety of raw material through targeting weaknesses in supply chains.

To strengthen public sector capacity:

1. Address WTO compliance of legislation in standardization, accreditation, and conformity assessment.
2. Improve quality of legal texts and adopt further legislation or legal texts to address remaining gaps, ensuring their compliance with SPS and TBT norms. Support effective implementation of the major laws.
3. Establish effective surveillance systems and conduct regular surveillance of pests, diseases, and pesticides used in production areas of export crops as requested by importing countries.
4. Establish risk-based inspection systems and ensure proper risk-based inspection of imports and domestic markets to promote safety of food, pesticides, and veterinary drugs.
5. Modify procedures for formulation and approval of standards in order to solve backlog in adoption of international standards.
6. Strengthen management, administration, funding methods of regulatory laboratories for SPS.
7. Strengthen the development of trained and experienced SPS technical personnel.

INVESTMENT ENVIRONMENT FOR TRADE DEVELOPMENT

Private sector development is and has been a key priority of the Royal Government of Cambodia for many years. To enhance export-led, pro-poor growth through trade diversification, the RGC is committed to promoting private sector investment across (priority) sectors, including agricultural, industrial, and service sectors.

2012 marked a turning point in the development of Cambodia's private sector development, led by FDI inflows of $1.5 billion, up from $900 million in 2011. Nevertheless, the Cambodian private sector remains characterized by many rather small and informal SMEs, and a few large enterprises.

Table 6 provides some detail data about FDI inflows.

Table 6: Net FDI Inflows by Sector 2000-2012					
	$ million				Annual rate of change
	2000	**2007**	**2011**	**2012**	**2007-2012**
Agriculture	5.8	118.0	188.1	295.5	20%
Manufacturing	132.3	231.1	262.0	557.6	19%
Services	-48.2	273.2	53.6	67.9	4%
Commercial Banking	3.7	167.3	216.5	424.8	20%
Others	54.8	77.6	181.4	211.3	22%
Total	148.5	867.3	901.7	1,557.1	14%
Source: National Bank of Cambodia					

The lower rate of expansion during 2007-2012 compared to 2000-2007 reflects the effect of the global financial crisis. The low point in FDI was in 2009 when net inflows dropped down to $539 million. Nevertheless, FDI grew vigorously during the period 2007-2012 in all sectors, except in services.

To promote private sector investment, many important private sector legal and regulatory reforms and measures have already been implemented at the national level and more are underway. A large number of those reforms have been taken up under the umbrella of meeting Cambodia's obligations under the terms of its accession to the WTO (see chapter 1.)

But there remain constraints to private sector development in Cambodia both at the national and provincial levels. The traditional challenges are: weakness in infrastructure (cost of electricity, transport), weak governance, limited capacity in government agencies, access to and cost of finance (identified in 2009 and 2011 *Investment Climate Assessments*.) The emerging challenges include: skill shortages and mismatches, logistics and trade facilitation, technology upgrading and innovation, the need to build "fiscal space" (identified in the 2012 *Investment Climate Assessment.)* Most of those traditional and emerging challenges are addressed in the various chapters of *CTIS 2013*.

The chapter on Investment offers and analysis of recent trends in investment and the investment environment and considers ways in which foreign investment can be harnessed to address weaknesses in the private sector structure (in both rural and urban areas) and support economic diversification.

To support continued private sector investment, a number of factors call for the rapid development and implementation of an innovative investment promotion strategy focusing on:

(a) The need to ensure that investors become more aware of the investment opportunities offered by Cambodia, especially in view of recent developments in investment conditions in other Asian economies and developments in regional and global value chains;
(b) Innovative ways to position Cambodia as an attractive investment location for foreign investors from neighboring countries and those further afield including how best to take advantage of the international division of labor and the resources available in Cambodia;
(c) Strengthened capacity for Cambodia to become a hub for growth of the GMS Southern Economic Corridor and, more broadly, the Greater Mekong Sub-region. The specific ways in which Cambodia can leverage its position in the GMS Southern Economic Corridor need to be very

carefully examined and incorporated into the strategy, especially emphasizing the role of Sihanoukville as a major spur off the Corridor;

(d) Careful examination of the ways in which to convince potential infrastructure developers of the benefits of investing in infrastructure in the country, and particularly in the area of Sihanoukville. A comprehensive investment promotion strategy can be a critical element of building this credibility accompanied by reforms in the framework for public-private partnerships; and,

(e) The need for Cambodia to benchmark itself clearly against competitors both inside and outside the Greater Mekong Sub-region.

To address the critical need for improvements in the investment environment, the following measures will need to be addressed:

1. Building a National Investment Promotion Strategy

The first major step is to develop a comprehensive national investment promotion strategy as an integral component of an overall policy to develop the investment potential of the country and address poverty and well being concerns. Such a policy could include the following elements:

(a) A clear idea of where Cambodia is and where it is going from a business point of view. Lessons learned from recent experiences of foreign investment in Cambodia and the Greater Mekong Sub-region should be carefully considered as they provide invaluable insights into the likely issues to be faced in the future – both from positive and negative viewpoints;

(b) A practical strategy to drive business developments in the right direction, with accompanying measures to address remaining impediments to investment;

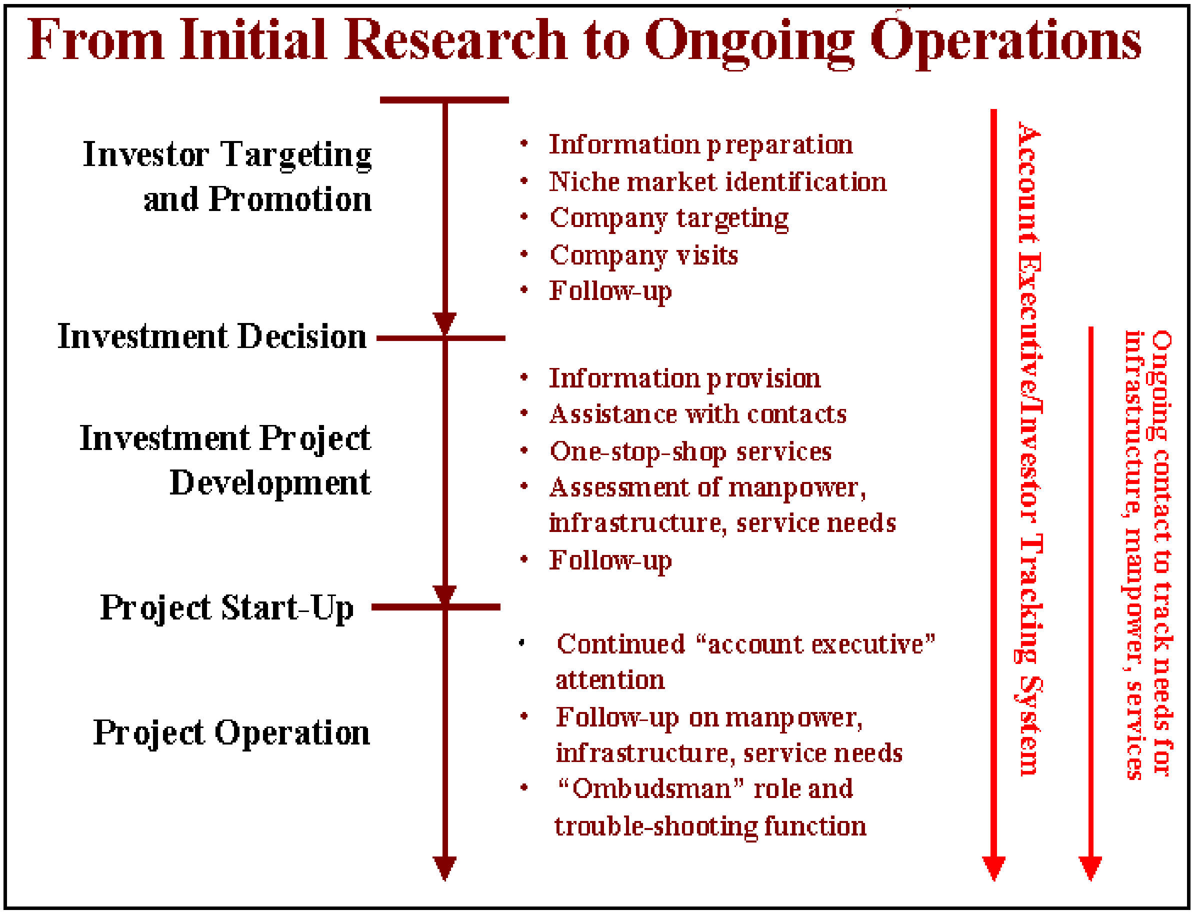
(c) Strategic targeting and promotion of FDI. As competition increases and global value chains become more fragmented, it becomes increasingly important to adopt a more targeted and strategic approach to FDI. Thus far, Cambodia has had little by way of strategic programs to target and attract FDI into priority industries. Cambodia needs to learn from regional competitors ranging from Singapore to Malaysia and Thailand. There is a need for a more proactive role of Government in facilitating joint activities with foreign investors, to stimulate the growth of competitiveness-enhancing networks and services;

(d) Concrete measures/actions to strengthen key targeted sectors (see chapters individual focusing on the ten sectors) or retain existing investments that are vulnerable to relocation (such as low-labor cost investments);

(e) Practical measures incorporating regional cooperation and integration considerations to position Cambodia as a hub for the neighboring countries of the Greater Mekong Sub-region;

(f) A demand-driven, human resource development strategy to build the skills required, incorporating close industry-education sector linkages as a key element of this HRD strategy. This strategy needs to involve all key players – firms, government agencies, and educational institutions (see skill gap chapter.) A critical element of the overall strategy will include ensuring that human resources in the Cambodian Investment Board and any other involved institutions are well prepared and well resourced;

(g) Careful understanding of the various steps in the "investment promotion cycle" from the initial research phase to ongoing operations, in particular ensuring adequate attention to investors following project start-up – the "after-care" function. A key element of this will be an effective firm tracking system.



2. Strengthening Investment Promotion and Facilitation Capacity of Provincial Governments

Currently, most investment in Cambodia is targeted at the urban areas in Cambodia's main economic hubs (Phnom Penh, Siem Reap, and Sihanoukville) while the investment potential in rural areas and in other provinces remains significant but largely untapped. This is due partly to weak or non-existent investment promotion and facilitation capacity in the other provinces and the rural areas. The development of a greater understanding of private business and the ability to target and service outside investors in provinces will contribute to improving the provincial business climate and stimulating greater pro-poor investment.

In the investment promotion area, in line with the Government's Decentralization and Deconcentration (D&D) reforms and to provide more efficient services to private sector investors, a February 2005 Anukret to the Cambodian investment law) established provincial investment sub-committees (PISC), primarily to register investment proposals and provide investment incentives for investments with capital of less than US$ 2,000,000. However, virtually all investment promotion and facilitation activity still remains centred at the national level in the Cambodia Investment Board (CIB.) PISCs require stronger, more coherent guidelines, as well as stronger support from the CIB, and need to develop their capacity to service private investors at the provincial level.

Building the capacity of the CIB to support the PISCs and enabling the PISCs to function as more effective provincial Investment Promotion Agencies (IPAs) in provinces will enable provincial authorities to provide better services to private investors. Initial efforts should focus on trade-related investments, thus attracting more investment and increasing retention of existing investment in the provinces. Over the longer term, the focus should be on strengthening provincial business climates and attracting quality investments that create jobs, that stimulate backward linkages into the MSME sector, and that contribute to the development objectives of the provinces.

3. Promoting FDI Linkages and Spillovers: A National Supplier Development Program

Efforts to enhance spillover benefits from FDI should be an intrinsic part of government strategies to enhance competitiveness and restructure industry. Industrial deepening ─ enhancing the levels of value-added created in the production of goods and services ─ is the key to Cambodia's continued competitiveness and economic dynamism. There is a strong case for government intervention because of the widespread externalities and information problems involved in building local linkages. Such programs are absent in Cambodia, and are becoming more urgent in view of greater inflows of foreign investment and increasing competition in global markets.

It is vital for Cambodia to draw on the experience of other countries in this area, adapt it to local needs, and set up a national supplier development program with commitment from government and the allocation of sufficient resources. In order to succeed, such program must bring together all agencies and players involved in SME development and related areas. Existing resources must be deployed more effectively and additional resources must be allocated within a consistent framework to avoid duplication and wastage. The involvement of the private sector is a key element of the whole program. Private sector institutions and associations must be included in all aspects of the program from the setting of goals and targets, to the implementation and monitoring of the specific activities.

Established export industries are a natural starting point for such industrial deepening. Cambodia's garment, bicycle and footwear industries have all reached levels of production that create attractive markets to businesses able to supply these industries with inputs. In addition to enhancing the ability of Cambodian SMEs to increasingly play this role, efforts need to be made to promote FDI in areas such as production of yarn and fabric, production of bicycle parts, and of inputs to footwear production. FDI in these areas will often be for export, as well as for supplying domestic producers of garments, bicycles and footwear. But their existence will create a more vertically integrated export sector, enhance the ability of garment, bicycle and footwear producers to meet rules of origin, and contribute to the creation of new jobs. This issue is discussed further under the individual product sections, below.

4. Providing Financial Backstopping to Investment for Export

In a number of areas, investment for export needs to be backstopped by dedicated financial institutions supporting the operations of investors. In the case of rice milling, for example, it quickly became evident that investors needed to be supported by adequate provision of working capital. As a result, the Royal Government recapitalized the Rural Development Bank, doubled the capital of the Agricultural Development and Support Fund, and put in place a credit guarantee scheme. Such dedicated support will also be necessary in other sectors. For example, the supply linkages of SMEs to export industries, discussed above, will require progress on the issue of SME access to bank finance. The question of developing a Cambodian Export-Import Bank also needs to be further explored.

INTELLECTUAL PROPERTY RIGHTS

Cambodia has made great strides since the mid-2000s in establishing a modern Intellectual Property Rights (IPR) infrastructure by focusing on the adoption of a WTO-compatible legal framework, its implementation, and its enforcement.

Responsibilities for Intellectual Property Rights protection in Cambodia is distributed across several Ministries. The Ministry of Commerce (MoC) is responsible for Trademarks, Geographical Indications, and Trade Secrets; The Ministry of Industry, Mines and Energy (MIME), for Patents, Industrial Designs, Utility Models, Integrated Circuits, and Plant Breeder Rights; The Ministry of Culture and Fine Arts (MoCFA), for copyright and related rights; The Ministry of Information, for broadcasting; The Ministry of Posts and Telecommunication (MoPT), for internet domains; The Ministry of Agriculture, Forestry and Fisheries (MAFF), for Seeds Management.

Each ministry has been focusing on developing capacity and implementation in the areas it covers. Registration of Trademarks by MoC has grown rapidly in recent years (cumulative total of 43,240 at the end of 2012). In 2012, they were 5,140 new applications for Trademarks and 3,490 Trademarks were registered. Non mandatory registration of copyrights has also grown (about 50 in 2010). While Cambodia is not yet a member of the Berne Convention, copyrights issued in countries that are WTO members are protected in Cambodia up to the country's statutory limit of 50 years. This is so under provisions included in the TRIPS agreement to which Cambodia is a signatory. As of 2012, MIME had received 232 applications for registration of Industrial Designs, including 32 applications from local firms. Of the 232 applications, 192 registrations had been granted, of which 25 for local firms. Applications for patents registration had grown to 196 by the end of 2012. Thus far, no patent has been granted. MIME is still working on putting in place a formal registration process with some assistance from WIPO.

Mechanisms for the resolution of disputes vary depending on the nature of the rights but are in place or being put in place in most of the key IP areas. Typically, rights holder can use a number of channels to protect their rights including "cease or desist" letters or mediation through the Ministry concerned (for instance, MoC mediated and resolved 32 out of 35 trade mark disputes in 2010), calling upon the assistance of the Economic Police (the Economic Police has the authority to cease counterfeits — for instance, some 250,000 CD/VCD were impounded in 2010, up from some 27,000 in 2009), or going to Court to seek an injunction.

Still, early experience with dispute resolution points also to the need for increased coordination among the many actors responsible for implementing and enforcing rights, not only the line ministries mentioned earlier but also the Economic Police of the Ministry of Interior (MoI), the General Directorate of Customs and Excise (GDCE,) Cambodia Import-Export Inspection and Fraud Repression Directorate General (Camcontrol) of MoC, the Ministry of Justice, and others. In 2008, the Government adopted a sub-decree creating a National Committee for Intellectual Property Rights (NCIPR) to coordinate all agencies involved in IP protection. The new NCIPR replaces an earlier Committee (the Inter-Ministerial Committee Governing the Three Areas of Intellectual Property.) In addition to focusing on technical assistance needs and coordinating access to AfT resources, the Committee is creating two sub-committees: one focusing on enforcement; the other focusing on education (regulations creating those two sub-committee have yet to be issued.) The Sub-Committee on IP Law Enforcement aims at strengthening coordination among enforcement bodies, clarifying responsibilities, developing consistent guidelines, and developing enforcement data bases. The Sub-Committee on Education aims at developing curriculum materials to train legal professionals at the university level as well as active professionals, and at raising public awareness.

Going forward, the NCIPR had developed a detailed Action Plan focusing on the three key areas where capacity building and further reform is needed:

1. Legal reform, including outstanding legal text covering the domestic legal framework as well as possible selected membership into key international treaties and conventions. Cambodia is a member of WIPO, the WTO (with its TRIPS agreement), and the Paris Convention for the Protection of Industrial Property. Cambodia participates in the ASEAN Framework for IP Cooperation. Cambodia has yet to join the Patent Cooperation Treaty (PCT), the Berne Convention relating to Copyrights & Related Rights, the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplications of their Phonograms, the International Union for the Protection of New Varieties of Plants (UPOV Convention), and the Madrid Protocol on Administered Treaties. Since membership to any of those is not a WTO obligation, Cambodia needs first to assess carefully the benefits and costs of joining those treaties and conventions from the point of view of the Cambodian public or private sectors;
2. Institutional support to implement laws and regulations covering IPR, including capacity building within the IPR professional and legal community as well as awareness-raising about IPR within the business community. Awareness raising should be an important priority as understanding of IPR remains very weak among Cambodian consumers and producers alike;
3. Enforcement of IPR, including much strengthened coordination across agencies responsible for IPRs, clarification of mandates, and training of enforcement professionals.

Pillar Two

Competitiveness challenges and opportunities are analyzed in ten key export value chains under Pillar Two of *CTIS 2013*:

- Garments
- Footwear
- Emerging SEZ-based light manufacturing and assembly sectors
- Processed food
- Fisheries products
- Milled rice
- Cassava
- Rubber
- Tourism
- Silk products

Key findings for the ten sectors examined are consolidated in the form of eleven SWOTs tables (Strengths, Weaknesses, Opportunities, and Threats.) There are two tables for Special Economic Zone manufacturing. One table focuses on the manufacturing sectors emerging in the zones. The other focuses on issues relevant to the competitiveness of zones themselves as an environment for export-oriented business and investment.

GARMENTS

Key Facts

- World imports of clothing were $412 billion in 2011, with the EU and US accounting for two-thirds of total imports.
- Cambodian garment exports amounted to nearly $4 billion in 2011, with approximately 60 percent destined for the US.
- The EU, China, South Korea, and Japan are rapidly growing new markets for Cambodia's garment export. Exports to the US are stagnant and in short-term decline.
- Global competition for garment trade is intensifying with manufacturers experiencing narrowing operating margins against a backdrop of increased consumer interest in the industry's ethics.
- Cambodian garment sector is characterized by low labor productivity compared to competitors.
- Labor practices at all export factories are subject to monitoring against international standards.

SWOT Analysis

Strengths	Weaknesses
• Cambodia's low-cost, low-skilled workforce is particularly attractive for garment production which is labor-intensive and not complex • Growth in garment sector a significant success story for Cambodia's recent economic development and trade integration efforts. • Cambodia enjoys duty-free access to markets in the EU, China, South Korea and Japan, with lenient rules of origin. In general, the MFN duties in those countries are high, providing Cambodia with a significant commercial advantage. • Workforce mostly women, with significant portion of wages remitted to support rural families. • With over 20 years of experience, Cambodia garment manufacturing has developed a reputation as relatively 'ethical' as a result of its "*Better Factories Cambodia*" program. • Growth in garment exports is driven by strong growth in basic apparel production volumes. • Focus on basic apparel production *partly* shields Cambodia garment sector from contractions in global economy compared to more volatile high-end garment trade. • Lead times for garment production are comparable to other competitors in the region. • Attractive FDI environment in Cambodia. • The principal export destinations are high-income North American and EU markets. • Foreign investors provide industry know-how and expertise in international trade. • Industry and government support for long-standing *Better Factories Cambodia* gives international investors and buyers business confidence.	• Cambodia serves a small number of markets (US and EU mainly) with low value basic apparel. • Garment sector remains focused on simple low value 'cut-make-trim' (CMT) production with extremely thin profit margins. • Most garment factories (94 percent) are foreign owned with no Cambodian lead investors in the sector. • Most garment factories have little capacity to independently attract new orders or diversify. • Reliance on foreign labor in key technical and management positions weakens local industry's future (not in local hands). • Little evidence of product diversification—the garments being exported today essentially the same as those exported in the mid-1990s. • Fabrics, threads, accessories and trim used in production of apparel exports must be imported resulting in lost value. • Cambodian garment worker productivity lags competitors in the region. • Highly mobile workforce discourages firms from investing in vocational training programs. • High cost electricity undermines efforts to shift garment production upstream (value-add). • Cambodia's weak transport infrastructure compared to that of its neighbors (Thailand, Vietnam, China) hinders its ability to move into production of time-sensitive items • Most factories have minimal investments in fixed assets and can easily relocate if operating costs are no longer competitive.

Opportunities	Threats
• Significant welfare benefits from sectors' wage and employment growth aid poverty reduction goals. • Scope to increase profit margins and possibly wages through production of higher valued garments. • Potential of linking 'Made in Cambodia' brand with relatively good labor laws and practices. • Improvements in the transit corridor linking the Phnom Penh & Vietnamese ports would shorten timeframes for importing fabrics and exporting garments—potentially attracting orders for higher value garments that necessitate faster turnarounds. • Additional savings in transit time could be achieved through reducing clearance times for imported fabrics and exported garments. • Industry-led vocational training centers would address acute skills shortages across supply chain. • Scope to incorporate Cambodian garment production into regional supply chain for higher value products. • Scope to increase domestic value added by increasing production of fabric, yarn and other inputs.	• Myanmar could emerge as a lower-cost garment production center in next 5 years. • Rising costs of production (wages & energy). • Withdrawal of main foreign investors would have a profound and adverse impact on national income and rural livelihoods. • Pace of the Cambodian garment sectors' growth mirrors the pace at which the sector could decline—as seen in contraction of 2008-09. • High cost of capital and financial stress discourages the few locally owned factories from expanding production or shifting upstream. • Strong competition from larger basic apparel exporters such Vietnam, Bangladesh, China, and India that offer economies of scale. • Preference erosion in key export markets. • Inability to diversify products or export markets. • Reluctance of local investors to enter the sector. • Instability from labor disputes.

FOOTWEAR

Key Facts

- Global footwear trade reached $116 billion in 2011, a 36 % growth on 2007.
- Total footwear exports from Cambodia were $267 million in 2011 while it imported $27 million of footwear component imports. Footwear exports grew by 238 % between 2007 and 2011, an annual average growth of 36% while footwear component imports and leather imports grew by 350% and 86% respectively, for or a respective annual average of 46% and 17%.
- Key footwear markets for Cambodia included the UK for $48 million, Germany for $38 million, Japan for $28 million, and the USA for $26 million in 2011. Cambodia's footwear exports to these markets grew by 189%, 65%, 25% and 3406% respectively between 2007 and 2011.
- The footwear industry in Cambodia focuses primarily on leather shoe production (70 percent of all footwear exports) and imports most of its input materials.
- The footwear sector is estimated to have provided 69,184 direct jobs in 2012 with wages comparable to those of the garment sector.
- The environmental impact of certain activities associated with the sector (e.g. tanning) poses significant environmental challenges and has yet to be managed properly.

SWOT Analysis

Strengths	Weaknesses
• Cambodia's low-cost, low-skilled workforce is particularly attractive for footwear production which is labor-intensive and not complex. • Geographical proximity to other stages of the footwear production chain, in Thailand and Vietnam, facilitates the integration of the Cambodian footwear industry in regional production networks. • Cambodia has a limited number of large vendor factories with modern equipment, with relatively high productivity. • Favorable investment environment for footwear companies benefitting from the Qualified Investment Project status or located in SEZs. • Cambodia enjoys duty free access to the E.U. and selected other markets, with lenient rules of origin	• Low skilled workforce and low productivity are limiting the relocation of more complex stages of footwear production in Cambodia. • The Cambodian footwear industry is concentrated in leather shoe production. • The Cambodian footwear industry depends almost exclusively on imported materials for its production. • The high price and poor reliability of electricity handicap footwear factories. • Cambodia's weak transport infrastructure compared to that of its neighbors (Thailand, Vietnam, China) hinders its competitiveness. • The limited number of large factories and the limited access to local outsourcing constrain the development of the footwear industry in Cambodia. • Factories in Cambodia have minimal control on inbound and outbound supply chains, no control on design, and, consequently, limited opportunities to increase the value of finished goods. • The footwear industry in Cambodia does not have its own representative body. At present, its private sector representation is bundled with garment in GMAC.
Opportunities	**Threats**
• Rising labor costs in China, Thailand, and Vietnam favors relocation of production to Cambodia. • Footwear production is characterized by a large number of components and processes, allowing for a division of labor across ASEAN countries. Cambodia can easily capture the labor-intensive, low-technology part of the process. • Cambodia has the capacity to develop certain shoe parts and materials (e.g. for tanning) in the vicinity of processing plants leading to clustering among contract manufacturers in particular. • Rubber can be sourced locally to feed in the footwear production process. • Continued strong investment by footwear firms drives technology transfer that can support diversification of Cambodia's footwear exports, for example with an increase in the production of shoes with textile uppers that can result in 50% higher FOB value. • Low and diminishing profit margin for low and medium quality footwear production drives international investors to search for cost savings, in particular through labor cost reduction.	• The softening formulation of international rules of origin can reduce the share of the footwear production process actually taking place in Cambodia. • The end of European anti-dumping measures against Chinese and Vietnamese footwear exporters might lead investors to return to those locations where they benefit from better productivity, better infrastructure, local input supply, and bigger economies of scale. • The relative fading of Cambodia's preferential tariff access as a result of a general reduction of tariffs on footwear can reduce its regional competitiveness. • Cambodia's exports of final footwear products are dependent on a limited number of markets (60% to its 4 largest markets). • Low and diminishing profit margin for footwear production limits investor's capacity to provide training programs for workers. • Social and environmental risks associated with certain parts of the footwear production process (tanning) are monitored poorly currently in Cambodia. • Increases in Cambodian wages for skilled workers are necessary to diversify and up-skill production, which in turns reduce Cambodia's main competitive advantage. • Labor unrest in large footwear factories disturbs production

SPECIAL ECONOMIC ZONES OPERATIONS

Key Facts

- In 2013, Cambodia had 8 SEZs operational – Phnom Penh SEZ, Siahnoukville SEZ II, Siahnoukville Port SEZ, Manhattan SEZ, Tai Seng Bavet SEZ, Neang Koh Koh Kong SEZ, Poi Pet O'Neang SEZ and Goldfame Pak Shun SEZ – with operators coming from Cambodia, Japan, China, Thailand and Taiwan. An additional 14 SEZs have been created but there are no investors in these zones as of yet.
- Sihanoukville Port SEZ is the only SEZ managed by the Cambodian government and was financed by a loan from Japan International Cooperation Agency (JICA).
- In 2013, there were 94 companies operating in SEZs, including 37 in Phnom Penh SEZ,18 in Manhattan SEZ (the first SEZ developed in Cambodia), and 18 in Sihanoukville SEZ II. The latter are the three largest zones.
- As of 2013 Cambodian SEZs are host to 69 light manufacturing companies, 17 garment companies and 6 footwear companies.

SWOT Analysis

Strengths	Weaknesses
• SEZs provides better infrastructure than elsewhere in Cambodia (in particular, water, waste water treatment, logistics and communication infrastructure). • Firms located in SEZs benefit from Qualified Investment Project status. QIP grants new investors (inside or outside SEZs) a number of investment and tax incentives. • Government officials on site in the SEZ provide a one-stop shop to handle foreign investors' submissions, requests, and complaints. • SEZs offer streamlined trade and administrative procedures. • Published official fees provide transparency and certainty to investors. • SEZ operators provide assistance to investors in dealing with public administration. • Private management of SEZs allows for more efficiency and better services in the zone. • SEZs' proximity to borders or export infrastructure facilitates integration of manufacturing facilities into regional production chains, in particular with firms in neighboring countries as potential suppliers or customers (especially Thailand and Vietnam). • Proximity to international transport infrastructure reduce export time and cost (maritime or air, Phnom Penh, Sihanoukville). • SEZs attract workers, providing a larger pool of labor for companies to pick from. . • SEZs provide a comforting and supportive environment for companies of the same nationality	• Companies located outside SEZs can receive similar tax and investment incentives as companies located inside SEZs under the Qualified Investment Project status, which reduces the attractiveness of SEZs. • Tax free investment incentives do not encourage investment expansion as they only apply to the initial investment. • SEZ rules are unclear as to which procedures must be followed to allow trade with firms outside SEZ, making subcontracting relationships with firms located outside the zone uncertain, costly, and time consuming • SEZs, like the rest of the country, suffer from expensive electricity and unreliable supply. Price of electricity in Cambodia is $0.23 per KWH from EDC and approximately $0.40 per KWH or more if self-generated. Electricity prices in Vietnam vary between $0.05 and $0.09 per KWH and in Thailand between $0.04 and $0.09 per KWH. • The lack of language skills to communicate with SEZ investors and low management skills hinders the promotion of Cambodian workers to management and mid-management positions. • The Cambodian workforce lacks the technical, engineering, and business skills necessary for the development and automation of operations in SEZ companies. • The Cambodian Government, and in particular CDC, does not coordinate with SEZs operators for external SEZ promotion initiatives.

as the operator (i.e. Phnom Penh SEZ for Japanese or Sihanoukville SEZ II for Chinese). • An association of major SEZs allows for discussion of common issues and lobbying of government.	• Exports and transport infrastructure linking SEZs to their markets are relatively poor in comparison to international standards and to competitors. • Published official fees are not implemented consistently by government officials with informal fees still required systematically. • Government officials on site in SEZs are not always informed about the administrative procedures firms operating in SEZs must follow. • Not all SEZs offer the same level and quality of government services. • Low mobility and distribution of the workforce at a national level means that certain SEZs face difficulty to access the workforce they need.
Opportunities	**Threats**
• Foreign investors express a preference for privately developed and managed SEZ as it is the case in Cambodia. • Foreign investors express a preference to invest in a SEZ managed by a company from their own country of origin. • Cooperation of major SEZs through a single representative association can facilitate the resolution of issues with Government. • Continuity in management of SEZ operations provides confidence and reliability to investors. • The Greater Mekong Sub Region projects focusing on the east west corridor (Vietnam to Thailand via Cambodia) continues to fund improvement in road network thus reducing transport time between SEZs in Phnom Penh and Bavet and their supply/markets. • Development of night shifts in SEZ factories help switching electricity demand to low peak time.	• Current shortfalls in SEZ (infrastructure, government services) generate a potentially lasting negative perception of the SEZ system in Cambodia amongst foreign investors. • Lifestyle requirements of foreign workers might not be easily met for provincial SEZs. • Neighboring countries offer SEZs with better infrastructure and lower investment costs (Thailand, Vietnam), with better electricity supply (Thailand, Vietnam, Laos) or with better growth potential (Myanmar).

LIGHT MANUFACTURING ASSEMBLY

Key Facts

- For purpose of CTIS 2013, Cambodia's light manufacturing assembly sector, located principally but not exclusively in SEZs, covers labor intensive operations in automotive and machinery assembly, including bicycles, as well as electrics and electronics. (Footwear and garments both have a dedicated chapter in *CTIS 2013*). It includes HS (Harmonized Commodity Description and Coding System) categories 87, 84 and 85.
- Global light manufacturing trade reached $5,645 billion in 2011, a 16% growth on 2007, with $2,306 billion worth of electrical and electronic equipment and $1,243 billion worth of vehicles, including $8.1 billion worth of bicycles.
- Total light manufacturing exports in Cambodia were $310 million in 2011. Light manufacturing exports increased by 449% between 2007 and 2011, an annual average growth of 53%, while imports (which include components and parts used in the light manufacturing production process) represented $1.13 billion and grew by 61%, or an average of 13% annually.
- Key Cambodian manufacturing exports in 2011 -- other than garments and footwear -- included vehicles and vehicles parts for $298.1 million, including $109 million worth of bicycles assembled locally and $182 million worth of imported and re-exported car parts (through it is not clear from available statistics which share of the car parts are for the domestic market and which for re-exports), electrical and electronic equipment for $5.8 million, and machinery for $9 million. The exports of these light manufacturing industries grew annually by 57%, 34% and 13% respectively between 2007 and 2011. Of interest here are locally-assembled products for exports, not re-exported car parts.
- The manufacturing sector employed more than 425,000 people in 2010, with more than half of those workers in the garment industry. Workers in non-garment manufacturing industries receive wages slightly higher than in the garment industry

SWOT Analysis

Strengths	Weaknesses
• Low labor costs make Cambodia attractive for the labor-intensive stages of light manufacturing production in the ASEAN division of labor, in particular for tasks with lower level of technology such as wire harness, structural blocks for digital information appliances, chassis and auto body component. • The concentration of firms in sub-sector (i.e. bikes or wire harness) allows for productivity gains and economies of scale. • The domestic and regional demand for motorbike and bicycles is increasing quickly, in particular due to the young population in the region, providing opportunities for strong development and economies of scale. • Duty-free status for exports to EU for a number of manufactured good (such as bicycles) has brought investors to move production from neighboring countries to Cambodia. • Most components, parts, and raw materials required in light manufacturing assembly can be sourced from neighboring countries (Thailand, Vietnam, China, Malaysia). • Proximity to neighboring ASEAN markets leads to shorter lead time as part of a production supply chain, with Thailand and Malaysia, in particular, having well developed electric and electronic industries. • Rapid growth in agriculture (i.e. rice, cassava, corn) and mechanization support domestic and regional demand for agricultural equipment such as tractors, tiling, and harvesting machinery. • Political stability limits external disruptions to the flow of component supply. • Foreign expatriate employees can enjoy a safe residential environment.	• Low productivity and low skill-level are trumping low labor cost and make Cambodia less attractive for capital intensive stages in the ASEAN chain of production, such as the mechanized winding process involved in the development of coil, filters, converters and vibration motors. • High electricity costs and unreliable supply constrain the development of light manufacturing, with steady power supply required in automated processes. See discussion in SEZs Operators SWOT. • Relatively weak transport logistics weakens the labor cost advantage and cuts off Cambodia from higher-value, time-sensitive segments of the market. • Unnecessary and inconsistent clearance and administrative procedures slow imports and exports, both in domestic trade and as part of the ASEAN division of labor. This hinders Cambodia's integration into the regional chain of production. • With the exception of bicycles, the critical mass for clustering of various light manufacturing industries has not been reached as of yet, with a lack of Cambodian firms capable of performing outsourced processing, hindering further investment/development (vicious circle). • Cambodian workers lack the language skills needed to facilitate their promotion to management and mid-management positions in foreign companies. • The shortage in engineering and technical personnel results in high dependency on more expensive expatriate personnel. • Labor unrest and strikes disturb the production process and delay Cambodia's contribution to the regional chain of production. • Cambodia's small scale domestic market limits the development of light manufacturing industries and economies of scale. • Limits in capital and technology sourced locally constrain technology transfer.
Opportunities	**Threats**
• Strong agglomeration of foreign investment from a given country in a specific SEZ (i.e. Japan in PPSEZ, China/Taiwan in Bavet, China in Sihanoukville) tends to attract new investors from the same country. • Rubber can be sourced locally to feed into the light manufacturing production processes. • The concentration of ASEAN automobile production in Thailand and electronics production in Thailand, Vietnam, and Malaysia, provides opportunities for neighboring Cambodia to be	• Because efficient procurement of parts and material from other countries is critically important in the production process, logistic issues might factor higher in investment decision than labor cost. This can penalize Cambodia because of its relatively weak soft and hard logistics infrastructure. • Trends toward more mechanization and more capital intensive production is reducing Cambodia's cheap labor competitive advantage and making its electricity constraints more damaging for manufacturing investment attraction.

involved in part of the assembly or supply processes. • Proximity of countries with strong light manufacturing sectors and investment from firms already operating in those countries provides opportunities for training Cambodian workers and for technology transfer. • The reduction of tariffs under the AFTA scheme is likely to increase trade and division of labor in the ASEAN, making larger markets of the region more easily accessible for Cambodia, thus creating opportunities for economies of scale. • Foreign investors operating in regional or international production networks are seeking to lower their dependency on a few countries in the region (e.g. China, Thailand, Vietnam, Indonesia, or Malaysia) and mitigate issues such as rising labor costs (e.g. China or Vietnam), natural disaster (Thailand, Japan), and others. • Rising wages in China, which is moving up the value chain in electronic production, in Thailand, which has become a key center for automotive production in the ASEAN, in Vietnam, which has become a key parts and component supplier, as well as in Singapore and Malaysia are leading to the relocation of production across the region, with an opportunity for Cambodia to capture some of the more labor intensive part of the work. • Increasing strategy of horizontal division of labor implemented by Japanese, Taiwanese, and Korean companies. • Domestic demand will increase along with economic development. • Large manufacturing firms, in particular in electronics from Japan, are seeking to diversify away from Chinese suppliers (and from other location with political risks) as part of their risk management strategy. • Increased technology dissemination within Cambodian industry will result in a better integration in the ASEAN light manufacturing production, in particular for the electronic assembling process. • Cycling companies located in Western markets are increasingly moving to Asia to cut costs in response to falling demand in the USA and Europe, with Cambodia already capturing parts of this investment.	• Negative changes in rules of origin of the EU's EBA program threaten market access for Cambodian bicycles. • Cambodian workers once trained can be tempted to take jobs in Thai and Vietnamese factories across the borders where they get better wages (for SEZs close to the borders). • China's scale of production and domestic market keeps the Chinese industry cost competitive in spite of potentially longer lead time and rising wages, thanks to economies of scale. • Lowering of electrical costs in Laos as a result of large scale hydro-electricity projects may attract light manufacturing winding process in that country. • The democratization process in Myanmar and its opening to investment is capturing the attention of regional investors because of low wages and a large domestic market (though heavy constraints in infrastructure suggest that Myanmar may not be a viable investment option before 4 or 5 years at best). • The increasing contraction of design-production cycles in electronics leads to shorter lead time requirement, emphasizing one of Cambodia's weaknesses. • Sustained morose economic climate in the Western World, especially in Europe, constrains traditional demand for cycles and high end electronics.

PROCESSED FOOD

Key Facts

- World exports of processed food, beverage and tobacco were $791 billion in 2011.
- Cambodia is a net importer of processed foods, beverages and tobacco goods, with the local industry focusing primarily on the domestic market and import-substitution production. Cambodia's export of processed food, beverage, and tobacco is estimated at $59.6 million in 2011, with imports estimated at $251.8 million.
- A clear worldwide trend exists towards diets that include more animal products such as fish, meat, and dairy products, which in turn increases the demand for animal feed and grains.
- In 2010 there were more than 31,400 registered SMEs (capital less than $3,000 – many household operations) in Cambodia's processed food, beverage and tobacco sector, employing more than 93,700 people. In contrast, there were only 56 large investments registered with MIME (30 Processed Food Factories; 15 Beverage factories; 11 Tobacco Factories)
- The domestic agro-processing sector is heavily geared toward grain milling, while beer and wine, sugar and tobacco production also represent a significant number of businesses.

SWOT Analysis

Strengths	Weaknesses
• The development of a local processed food sector complements Cambodia's economic profile as a large and growing producer of agricultural goods. • The processed food sector is dominated by a very large number of SMEs at household and village level, generating direct livelihood benefits. • The processed food industry important for both export market development and import-substitution production of selected consumer goods—generating income from value-adding as well as diverting cash outflows from the economy. • Increased exports of agricultural commodities will create demand for post-harvest agribusiness—such as grading, handling and logistics—and support the wider development of local agro-processing. • Seasonal surpluses of highly perishable agricultural goods (such as fruit and vegetables) are well suited to further processing. • Agricultural production of low quality—unsuitable for use in processed food—can be used in production of animal feed and support the development of local livestock industries. • Cambodia's extensive fish resources support a fish processing industry that focuses on meeting traditional consumer preferences in the domestic market (with limited exports to the ASEAN region). • Cambodia's emergence as a significant producer of	• A major constraint to development of an export-oriented processed food sector in Cambodia is the lack of compliance with international SPS standards. • Inconsistent and general low quality of raw agricultural products impedes efforts to expand local processing facilities. • Informal export of many raw agricultural goods further reduces access to inputs for food processors. • Often more cost-effective to export raw agricultural goods to Thailand and Vietnam for processing and then re-import finished product for local market. • Poor transport and storage infrastructure and the high cost of energy in Cambodia discourage private investment in food processing facilities. • Limited access to finance impedes SME expansion in the processed food industry. • Cambodian agriculture sector predominantly small-scale farms with very limited contract farming available for food and beverage processors to secure reliable supplies of raw inputs. • Despite the large size of the poultry sector, the local breed is not supported in export markets. • Despite an attractive FDI regime there has been relatively little foreign interest in investing in Cambodia's processed food sector compared to other industries such as garments and tourism. • Low availability of skilled labor discourages

cassava has created an opportunity for increased production of cassava starch—a major ingredient in processed food and animal feed production chains worldwide.	investment. • Lack of information on processed food trade in Southeast Asia impedes strategic investment and efforts to expand processed food exports. • Tariff preferences not as favorable for processed agricultural goods.
Opportunities	**Threats**
• As the Cambodian economy grows and household consumption increases, the food processing industry can be expected to grow at a faster pace. • With much of the food processing taking place at the household or village level, the prospects for continued growth in demand for value-added food offers important food security and poverty reduction outcomes for Cambodia. • With forward and backward supply chain linkages, the processed food sector offers high multiplier effects in terms of job creation and value addition. • Limited use of fertilizers and pesticides offers scope for development of organic food industry—especially in sub-sectors such as milled rice, soybeans, cashews, fruits, spices and palm sugar. • Incentives that encourage use of locally produced raw agricultural goods in food processing sector could substantially boost industrial development in Cambodia. • Improved disease management and securing an FMD-free zone would offer scope for meat processing industries to supply export markets. • With appropriate policy settings and strategic investments, Cambodia can be well placed to support the growing food demands and changing consumer preferences of nearby markets in Southeast Asia, possibly including demand for Halal food.	• Processed food sector expands on the back of imported agricultural inputs—denying local farmers an opportunity to improve earnings and diversify supply chains. • Larger food processing facilities choose not to rely on smaller, resource poor farmers for raw inputs—the latter are left out of supply chains and the socio-economic benefits of a processed food industry are potentially reduced. • Failure of local food processors to link up with larger multinational companies would undermine efforts to better understand international markets and limit the prospect of significant export earnings. • Cambodia's consumer preferences shift to imported international brands of processed food and beverage products. • Failure to entice substantial FDI in food processing sector would deny local sector access to global value chains, technology and finance.

FISHERIES

Key Facts

- Global trade in fish is estimated at over US $100 billion per year, with Japan the largest importer.
- In 2012 Cambodian fisheries produced approximately 682,000 MT of fish – 509,000 MT from inland fisheries, 99,000 MT from marine fisheries and 74,000 MT from aquaculture production (nearly exclusively from inland fisheries).
- Cambodia's recorded exports of fish products in 2012 were 21,000 MT, down from 35,000 MT in 2010. Most exports are informal and unrecorded.
- It is estimated that up to 6 million people benefit from some form of employment or participation in the Cambodian fisheries sector.

SWOT Analysis

Strengths	Weaknesses
• Cambodia's vast water resources offer significant economic opportunities for rural livelihoods—across floodplains, rivers and lakes, marine fisheries, rice field fishery and aquaculture. • Cambodia's freshwater fisheries are among the most productive in the world due to the presence of large floodplains around the Great Lake and along the Tonle Sap and Mekong Rivers. • As a traditional sector with a long-history in Cambodia there is a significant knowledge base of fisheries species and habitats. • Freshwater fish is the largest source of animal protein in Cambodia and figure prominently in Cambodian nutrition. • Establishment of small producer associations in the three main coastal provinces has been an important first step in creating a better-organized marine fisheries sector. • The practice of co-management of Cambodia's inland water resources through the use Community Fisheries (CF) organizations has given greater voice to small-scale fishers and enhanced the sustainable use of inland water resources. • Since 2010 there has been a rapid growth in export volumes (of mainly frozen shrimp) to one of the largest and most high-valued markets for fish—Japan. • While most fish exports are unrecorded, it is likely informal exports of inland fish are significantly larger than those from marine resources. • Global fish trade typically faces very low (and often zero) tariff barriers.	• Lack of knowledge and/or compliance with SPS requirements in high-value international markets, including the EU, is a substantial barrier to increased export earnings. • Lack of consistent supply constrains onshore processors (including freezers) from expanding output or seeking export markets. • Licensees are empowered to collect a 4% fee on the value of fish exports, discouraging exports or leading traders to seek informal trade channels. • Pressures on freshwater and coastal fisheries resulting in catch of lower economic value. • Many of the larger and more valuable fish species have declined significantly both in numbers and size and are now in short supply in local markets. • A significant quantity of deep-sea catch is sold at sea by Cambodian fisherman to larger Thai, Vietnamese and Hong Kong vessels, bypassing Cambodia's markets and on-shore processing facilities. • Poor roads and lack of electricity make the storage and transportation of fish products difficult. • Highly unreliable trade data (especially for marine fisheries) impedes policymaking and strategies for export market development. • Little industry knowledge of international fish markets, export practices or marketing.

Opportunities	Threats
• Greater access to international markets will have significant welfare benefits—the sector directly employs 420,000 people while up to 6 million people derive some form of livelihood benefit from fisheries activities in Cambodia. • *The Strategic Planning Framework for Fisheries: 2010–2019* and the *National Fisheries Development Policy* for Cambodia provide the current platform to drive private sector investment in the fisheries sector and in exports. • Significant quantities of deep-sea catch could be processed onshore in Cambodia. • Increased resources and capacity for Cambodia to patrol and monitor its marine fish resources could lower the significant quantity of fish currently harvested by foreign vessels within Cambodian waters. • Opening of the Marine Aquaculture Research and Development Centre (MARDeC) in 2012 could help the marine aquaculture sector grow rapidly. • Expansion of the aquaculture sector provides an opportunity to reduce fishing pressures on wild stock while also providing future export capacity. • Investment in harvest and post-harvest technology to meet global market standards would provide a catalyst for improved access to export markets. • Current efforts to turn the FiA into a 'Competent Authority' that meets EU requirement together with parallel actions could help lift SPS capacity in the sector.	• Environmental degradation and habitat destruction from damming, deforestation and conversion of land for agricultural uses. • Widespread over-fishing of freshwater and marine stocks due to increased demand, unregulated catch limits and less efficient fisheries practices. • Key importing countries impose new and more stringent SPS and TBT restrictions on Cambodia's fish exports. • No increase in institutional capacity for fish inspection and enforcement of quality and food safety standards would deny the sector any real chance of a sustained increase in export earnings. • Disease outbreaks, especially in aquaculture. • Reluctance for government or industry to invest in research and development would weaken efforts to promote fish processing technology and minimize post-harvest losses.

MILLED RICE

Key Facts

- Global rice trade exceeds 30 million MT each year but remains distorted and subject to frequent government intervention.
- Cambodia's formal exports of milled rice grew from 16,000 MT in 2009 to 145,000 MT in 2011.
- The cost of rice paddy production in Cambodia is one of the lowest in the world.
- Annual gross production of paddy has grown at an average annual rate of 4.9 percent.
- Production surplus (gross production less domestic consumption) of paddy rice in 2012 was approximately 4 million MT indicating ample supply of paddy for milling
- Rice paddy yield is growing and reached 3.2MT/ha in 2012

SWOT Analysis

Strengths	Weaknesses
• Introduction of *Policy on the Promotion of Paddy Production and Rice Export* in 2010 has encouraged investors to significantly boost milling capacity. • Rice is a traditional crop of cultural and historical significance and production in Cambodia is extensive and widespread. • Very low-cost paddy rice gives local millers an advantage over foreign competition. • Strong growth in rice cultivation and improved yields has supported efforts to increase milled rice exports. Yield in Cambodia was 3.2MT/ha in 2012 (5.6MT/ha in Vietnam; 2.8MT/ha in Thailand) • Duty-free access granted to Cambodia by the EU and Russia is a key driver of rapid export growth since 2009. • Opportunistic in taking market share from competitors when global trade is disrupted by foreign government rice policies (e.g. India and Thailand).	• Low and inconsistent paddy quality and poor post-harvest handling results in lower value milled rice. • Cambodian export procedures for milled rice remain complex and costly: $11/MT compared to $0.10/MT in Thailand and $0.05/MT in Vietnam. • Few cooperatives exist to help organize farmers (small land holders), limiting access to extension services, market information, finance and reducing bargaining power. • Insufficient capacity building support. • Inadequate access to finance forces local millers to compete for paddy rice with Thai / Viet buyers. • Limited capacity of modern mills reduces the size of exports that can be handled. • Cambodian rice millers pay significantly more for transport, electricity, diesel and port access compared to competitors in Vietnam and Thailand. • Difficult to meet international standards, including milled rice specifications and SPS. • Lack of skilled labor to service and manage milling and polishing operations. • Cambodian practice of mixing varieties undermines ability of exporters to provide consistent quality.

Opportunities	Threats
• Increased participation in global markets will improve industry returns and offers increased income potential for 2.9 million rice farms. • Provision of extension services to improve rice cultivation practices can further increase yields and available stocks of uniform and higher quality grains for millers. • Global trade in milled rice is expected to remain at near record volumes over medium term (at 30+ million MT per year). • Large rice importing markets with strong growth outlook are nearby — including Indonesia, the Philippines, and China. • Continued expansion and modernization of Cambodia's milling sector will increase output and lower costs. • Good prospects for increased exports of fragrant rice to China. • Break bulk barging down the Mekong River would significantly improve competitiveness of Cambodian rice exports. • Significant opportunity to address high electricity costs through use of alternative, cost-competitive technology (use of rice husk as bio-fuel).	• Myanmar likely to re-emerge as a large low-cost rice exporter in next 5 years and will benefit from similar duty-free preferences. • Historical growth rates in rice paddy production become more difficult to maintain. • Thailand is a major competitor for aromatic rice exports, while Vietnam is a major competitor for non-aromatic rice exports. • Return of India and Thailand as dominant rice exporters likely to weaken global prices. • Sales to EU market may have already peaked. • Global rice markets are unpredictable and often subjected to significant government intervention. • Reliance on containerized rice exports is at odds with global practices of trading in break bulk rice. • Without ability to reliably produce large quantities of uniform milled rice access to international markets will be restricted. • Increases in electricity costs could place millers under further cost pressure. • Export of fragrant and non-aromatic rice exports will continue to grow only if modern milling capacity continues to expand and rice exporters open new markets beyond their current main targets (EU and Russia). • Absence of pests and diseases surveillance system might lead to bans by importing countries in the event of infestation

CASSAVA

Key Facts

- Global cassava production (fresh root equivalent) exceeded 282 million MT in 2012, with less than 12 percent of total production traded on world markets in 2011.
- Cambodia's formal cassava exports grew from $0.4 million in 2010 to $2.3 million in 2011. Most exports are informal and unrecorded.
- Cassava production increased from 150,000 MT in 2000 to 8 million MT in 2011.
- Newly cultivated land can generate yields in excess of 40 MT of cassava per hectare.
- Weak cultivation practices expose farmers to the risk of soil depletion, erosion, and falling yields.

SWOT Analysis

Strengths	Weaknesses
• Cassava is adaptable to diverse climates and soil varieties—offering potential income source to farmers on marginal land. • Cambodia has some of the highest yields for cassava roots in the world—average 22 MT/ha. • Cassava can be grown as a single crop or inter-cropped—offering an additional income source. • Rising prices have encouraged increased plantings and improved returns to farmers. • Cassava offers farmers the flexibility to time harvest with suitable market conditions. • Cassava is a very easy plant to grow and requires very little labor input. • Cassava has many end uses and is widely used in the global food, animal feed, bio-fuel, and semi-industrial sectors. • Substitution of cassava for corn in Chinese bio-fuel industry has opened up a new market offering attractive returns for dried cassava. • Attracting FDI from South Korea and China to establish large commercial plantations and dedicated processing facilities (for bio-fuels). • Cambodia's cassava exports enjoy tariff preference advantages in ASEAN, EU, and China.	• Raw cassava roots are highly perishable and need to be quickly processed (chipped and dried). • Weak investment in R&D and inadequate extension services to support use of higher yield varieties or improve crop management practices. • Exports are mainly fresh tubers or dried chips traded informally across the Thai and Viet borders and are subject to high cross-border fees. • Emerging pest and disease threats, low quality cassava seeds and poor post-harvest handling make it difficult to maintain yields or meet export specifications in higher-value markets. • High cost of credit impedes efforts to improve post-harvest handling and farm-gate returns. • Low investment in processing facilities, despite sectors' growth and new export opportunities. • Competition from Thai and Viet traders for raw cassava limits available stock for local processors and undermines sectors profitability and growth. • Lack of skilled labor to operate and manage processing facilities. • Limited experience in marketing, supply chain management and exports. • Difficulty in meeting SPS standards for key markets such as China.

Opportunities	Threats
• Cassava farming can provide higher returns than other crops and produce significant welfare enhancing benefits. • Cambodian farmers tend to plant only one yearly crop. Other countries may plant as many as three crops per year. • Mechanization of on-farm cassava chipping would significantly lower seasonal labor costs, reduce wastage from perished stock and improve farmer's margins. • Development of local processing capacity near main production areas would increase competition for cassava crop and improve farm-gate prices. • Increase in local processing capacity would significantly boost sectors overall prospects and support parallel agro-processing sector. • Scope to diversify export destinations of semi-processed cassava to other Asian markets—especially China, Korea, Indonesia and Malaysia. • Cambodia–China MoU offers an important platform to facilitate technical exchanges and exports of up to one million MT of dried cassava per year. • Recent agreement between Thailand and Cambodia to establish special trade zone for cassava and corn.	• Deforestation from increased cultivation. • Rising cost of agricultural inputs and labor shortages during planting / harvesting. • Maintaining poor cassava farming practices can lead to serious depletion of soil quality, erosion, falling yields and lower farm profits. • Unpredictable border closures (such as with Thailand). • Limited access to credit to finance increased production. • Continued dominance of Thai and Vietnamese traders impedes efforts to shift production to local channels for value adding that generate higher returns to rural communities. • Limited market information leading to farmers' continued acceptance of lower farm-gate prices despite higher regional and international prices. • Exposure to future changes in Chinese Government bio-fuel and import policies. • General reluctance by private sector to invest significantly in cassava processing. • Absence of pests and diseases surveillance system might lead to bans by importing countries in the event of infestation.

RUBBER

Key Facts

- Annual worldwide natural rubber production exceeds 10 million MT ($50 billion), with the industry's fortunes and supply chains heavily geared toward the global auto industry.
- Cambodian exported almost 55,000 MT of natural rubber in 2012.
- Cambodia currently has 225,000 hectares of immature rubber plantings coming into production in the next few years that lead to an exponential growth in natural rubber production.
- The RGC has set a national target of reaching 290,000 MT of dry rubber production by 2020 with total area planted to reach 400,000 hectares (300,000 hectares tapped).

SWOT Analysis

Strengths	Weaknesses
• Sector has strong government backing with Cambodia’s climate, soils and pest and disease profile presenting favorable conditions for rubber plantation. • Employs 40,000, mostly in rural communities, with an estimated 18,500 smallholder families. • Mature rubber trees typically offer reliable yields for 25-30 years, subject to proper plantation management and disease control. • Option of inter-cropping between newly planted rubber trees as an additional source of income and to help offset high setup costs. • Cambodia’s LDC status affords it tariff-free access for natural rubber exports to the EU, US, Japan, Korea, China —all major importers. • As recent plantations mature and come into production, yields and export capacity will increase exponentially. • Attractive FDI environment with lower cost (and more available) land compared to traditional rubber exporters such as Malaysia. • Relatively low cost labor a competitive advantage.	• High entry barriers to industry given large financial outlay over several years with lead time of 5-7 years before trees mature and begin to yield latex. • Limited knowledge of modern cultivation techniques, pest management and post-harvest handling leading to low yields and quality. • Majority of smallholder rubber plantations rely on 25+ year old trees with poor yields • Weak R&D, absence of extension services and poor access to market information inhibits farmer's capacity to make informed decisions in an inherently risky business. • Reliance on imported inputs often leads to shortages of fertilizers and pesticides. • Shortage of skilled tappers, while use of unskilled labor damages trees. • Vulnerable to price fluctuations and limited access to credit to re-invest in sector. • Rubber processing industry is overly focused on latex products—representing a highly competitive, yet very small, segment of the global rubber trade. • Cambodian Rubber Standards (CRS) not trusted by international buyers, often requiring exports to be independently tested by Singapore laboratories.
Opportunities	**Threats**
• This is a labor-intensive sector leading to large employment creation. Increased exports of natural rubber products will make the sector an even more important contributor to poverty alleviation in rural communities. • Strong outlook for global natural rubber trade backed by reliable and growing demand from global auto manufacturers. • CLV Development Triangle forthcoming rubber strategy could provide scale needed for development of local processing industry • Close proximity to China—world’s largest importer of natural rubber products. • Improving the quality of processed rubber would significantly add to the sector’s profitability and farm-gate prices. • Encouraging processors to diversify away from latex to other natural rubber forms may create new market opportunities. • Recent accreditation of Cambodia’s rubber testing laboratory should allow for broader market access and domestic export certification against international standards.	• Serious long-term environmental issues if expansion of industry dependent on deforestation. • Fluctuating world prices for natural rubber makes investment decisions difficult and risky. • Shortage of skilled tappers in a period where the number of mature trees is increasing rapidly, leading to substantial losses from untapped hectares. • Increasing cost of land—especially where close to main arterial roads. • Cambodia’s industry overshadowed by regional competitors that dominate global production and trade in natural rubber—Thailand, Indonesia, Malaysia, China, and India. • Limited experience in marketing and export. • Failure to significantly increase yields despite recently planted areas reaching mature age. • Continued perceptions of Cambodia as a supplier of low grade, poor quality natural rubber products.

TOURISM

Key Facts

- International tourist arrivals passed a record 1 billion tourists worldwide for the first time in 2012.
- The number of tourist arrivals in Cambodia has increased from 290,000 in 1998 to nearly 3.6 million in 2012, generating export earnings of $2.2 billion.
- The tourism sector is estimated to employ directly around 620,000 people (around 8.1 percent of the total workforce) and contribute around 9.6 percent of GDP in 2012.
- Cambodia's hospitality facilities are concentrated primarily in the Siem Reap, Phnom Penh and Sihanoukville areas. Access to skilled labor is a significant constraint.

SWOT Analysis

Strengths	Weaknesses
• Tourism is a leading source of economic growth and employment in Cambodia. • The UNESCO World Heritage site Angkor Wat is high profiled, internationally renowned and a unique draw card for Cambodia. • Tourism revenue encourages the preservation of historical, cultural and environmental assets. • Success of *Cambodia: Kingdom of Wonder* tourism marketing campaign has contributed to strong growth in tourist arrivals. • Southeast Asia remains one of the fastest growing tourist markets in the world with Cambodia also benefiting from 'side-trips' from Thailand and Vietnam. • Strong growth in regional tourists from Asia has more than offset slower growth in tourist arrivals from traditional markets (especially Europe and North America). • Increased number of regional low-cost airlines flying to Cambodian airports and the simplification of visa procedures has encouraged tourist arrivals. • Modernization of major airports has enhanced arrival/departure experience.	• Shorter average stays compared Thailand and Vietnam. • Cambodia perceived as a 'low cost' destination—making it harder to encourage growth in premium tourist services. Average daily expenditure per tourist was \$107/day in 2007; \$98/day in 2012. • High concentration of tourism activities in few areas (particularly Siem Reap) leading to significant congestion and amenity issues. • Higher-spending business stays accounted for just 5% of total international arrivals in 2012. • Low occupancy rates for 5-star hotels discourage further investment in high-end accommodation and conference facilities. • Weak consumer protection laws and no policing to prevent false advertising of hotel accommodation, particularly in relation to Internet sales. • Despite recent advances in competition, airfares to/from Cambodia remain more expensive than other regional destinations. • Severe skills shortages across the hospitality sector, including in culinary and hotel management. • Limited infrastructure and very limited domestic air connections further exacerbates concentration of tourists in small areas.
Opportunities	**Threats**
• Strategic marketing and promotion campaigns to target specific sub-sectors of international arrivals. • A national marketing campaign to attract business to the largely under-developed Meeting, Incentive, Conference, Exhibition (MICE) sub-sector. • Interest from Gulf carriers in servicing Phnom Penh airport would assist in attracting international arrivals from Middle East and European markets. • A proposed common visa scheme for ASEAN would facilitate increased international arrivals. • Proposed launch of second national airline would increase competition on both domestic and regional routes and attract both business and tourist arrivals. • Increased skilled labor in the hospitality and restaurant industry would help solve a current bottleneck • Development of new destinations within the country, as prescribed in *Cambodia Tourism Strategic Development Plan 2012*, as well as a deepening of the service offering would add to Cambodia's competitiveness and encourage longer stays. • Diversification of tourism products and destinations would not only create a more resilient sector but provide more broad-based poverty reduction benefits.	• Forecast growth in international tourist arrivals will further increase demand for skilled labor in the hospitality industry. • Tourism sector exposed to downturns from global / regional economic and political crises, natural disasters and outbreaks of pandemic diseases. • Over-emphasis on attracting large volume of tourists rather than targeting more valuable tourists with higher expenditure and longer stays. • Failure to attract highly-prized medium-large size business events under the MICE sub-sector where the cost and availability of airfares is a key determinant in selecting host city. • Income-generating benefits of tourism activities not being dispersed more evenly across Cambodia. • The free flow of services and skilled labor under the ASEAN Economic Community may effect the availability of skilled labor in Cambodia given the higher wages available elsewhere in the region.

SILK

Key Facts

- Global production of raw silk averages 80,000 MT per year, about 70 percent is produced in China.
- Global trade in silk fabric was estimated at around $2.5 billion in 2011.
- In 2012 Cambodia exported $7 million of silk products through trade and sales to foreign tourists. Around 98 percent of silk products are produced from imported white silk yarn – approximately 400 MT annually
- Sericulture is a very small industry in Cambodia, producing just 1 MT of silk yarn in 2012.
- Over 20,000 weavers present in Cambodia, offering significant rural employment.

SWOT Analysis

Strengths	Weaknesses
• Yarn production and weaving is an important village-based activity offering significant rural employment especially for women and individuals with disabilities. • Weaving is the sole source of income for many rural families. • Weaving utilizes traditional handloom techniques and maintains practices of historical and cultural importance to Cambodia. • Preservation of traditional techniques passed on from generation to generation. • Village-based and hand-woven silk production is a natural complement to growing tourism sector. • Characteristics of native golden silk yarn are well suited to differentiating finished product from competition. • Strong consumer preference in domestic market for locally woven silk fabrics. • Sericulture can offer farmers higher per hectare revenue than cassava or rice cultivation.	• Small-scale yarn production and lack of recognition of Cambodia as a quality supplier in international markets. • Weak extension services and lack of market information means returns from sericulture *perceived* as being too low by Cambodian farmers to encourage increased silk yarn production. • Tiny portion of locally produced silk products is exported. . • Smaller silk producers constrained by cost and availability of high-quality yarn. • Lack of interest from investors constrains growth in sericulture production. • Lack of export market experience.
Opportunities	**Threats**
• Increasing the volume of yarn and weaving production at village level likely to be welfare enhancing. • Scope to develop high-value local silk products using expanded production of local golden silk yarn. • Improvements in the quality and availability of finished silk products will open markets. • Few tariffs or other import restrictions imposed in global silk trade. • Village life and hand looming and weaving processes could be marketed to tourists. • Growth in production of silk fabrics using imported yarn. • Growth in production of high-end fabrics using 'Golden Khmer' silk targeting high-value consumers (both tourists and for export). • Creation of national Silk Board may improve sectors' capacity to coordinate production chain and develop a uniform supply structure.	• Increasing prices of imported inputs, such as yarn, dyes and processing materials. • Key suppliers of imported silk yarn—such as Vietnam—cutting production, exposing Cambodia's weaving sector to silk yarn shortages. • Domestic demand for silk fabric likely to stagnate due to changing consumer preferences and availability of substitutes. • Global sericulture production in general decline. • Significant competition in international markets from Thailand for traditional hand-woven silk products. • Cambodia fails to improve the quality and availability of finished silk products. • Cambodia fails to preserve production of local golden silk yarn (just 1 MT produced in 2012). • Capacity to market Cambodia's silk product exports may be overshadowed by the larger silk suppliers in the region. • General reluctance and lack of interest to maintain or support local sericulture sector.

Pillar Three

Under Pillar Three, CTIS 2013 addresses four main areas:

- Bridging the Skill Gap in Export Sectors
- Trade Mainstreaming
- Monitoring and Mobilizing Aid for Trade
- Enhancing Private Sector Participation in Aid for Trade

BRIDGING THE SKILL GAP IN EXPORT SECTORS

Labor Market

- Cambodia has a young population. Nearly 60 percent of the population is 25 years old or younger.
- Around 300,000 – 400,000 new job seekers enter the Cambodian labor market each year.
- Unemployment and under-employment data are hard to come by. Unemployment is significantly higher in urban than rural areas. Youth unemployment (15 – 24 years) is significantly higher than overall unemployment. Under-employment is likely significant.
- Industry (mostly manufacturing and construction) contributed 24 percent of GDP in 2011 and employed 18 percent and 16 percent of total female and male labor force respectively in 2011. Manufacturing employs mostly rural women, skilled and unskilled, while construction employ mostly rural male workers who move into construction, in particular when the agriculture season is low. None of these sectors have education or TVET facilities servicing the needs of industry.
- Agriculture contributed 37 percent of total GDP and employed 56 percent of total employment in 2011 (57 percent and 55 percent of total female and male labor force respectively in 2011). Agriculture has a university and various ad-hoc short-term NGO training programs operating mainly when projects are launched. No TVET programs or accreditations are provided in this sector.
- Services (retail and wholesale trade, hotels and restaurants, transport and communication, real estate, banking, etc.) contributed 40 percent of GDP in 2011 and employed 26 percent and 29 percent of total female and male labor force respectively in 2011. Many university graduates are employed in services and, in particular, in hotels and restaurants. At present, TVET programs in the hospitality sector are dominated by NGOs servicing the very poor.

Education and Technical Vocational Training

- Skills mismatches and shortages are significant in all priority sectors
- Cambodia's key economic sectors lack systematic training or TVET programs graduating skilled professionals for industry. For example, there is no school or curriculum targeting the garment sector. Most skills are acquired through on-the-job training provided by employers themselves.
- Education and industry have very few linkages and education systems are not producing graduates that meet the needs of industry in terms of technical skills and soft skills.
- Cambodia has a total of 11,046 schools including pre-schools, primary schools, and secondary schools as of 2012. The public school system does not integrate language skills in curriculums (e.g. English and Chinese) whereas this is compulsory in many private schools.

- In 2012, there were 38 TVETs, mostly run by NGOs with an emphasis on the very poor.
- In 2012, there were a total of 101 higher educational institutions (HEI). Among the 101 HEIs, 39 are state and 62 are private HEIs. HEIS are located in Phnom Penh and 18 provinces. Of the total HEIs, 61 (9 state and 52 private HEIs) are under Ministry of Education, Youth and Sport and the other 40 HEIs are under other 13 ministries.
- There were 34,978 university graduates in 2012 including 14,432 female graduates. The number of University graduates is growing each year.

SWOT Analysis

Strengths	Weaknesses
• A vibrant and young workforce eager to learn and adaptable to learning • Fast growing working age population and labor surplus • An open economy means investors are able to compensate for local skill shortages by recruiting skilled foreign workers or professionals • A fast growing economy with strong potential for further growth and job creation in higher value added activities and with income opportunities for youth and job seekers. • Government has identified Skill Gaps and Skill Development as a major priority.	• Underemployment is a challenge for Cambodia, particularly for youth in urban areas • Severe skill shortages, especially technical skills, in most sectors. • Labor productivity, especially in many industrial and service sectors, is low, precisely because of low skill levels of the work force • Shortage of private and public vocational training institutes • Many non-formal training and TVET programs are under-funded, of uneven quality, and somewhat disconnected from market demand. • The few good TVET programs focus on the very poor and are not available to the general youth population. • A relatively large supply of university graduates with weak work place skills. • Defining the respective roles of the public and private sectors in education and vocational-technical remains a challenge. • Challenges in integrating a community of educational and training providers around the goals of a national development strategy and the needs of key employment sectors • Labor markets are non-transparent. There is a lack of information and coordination to match labor demand and supply. • Because of lack of information, expectations of youth entering the job market are often at odd with reality. • Access to information still a challenge for many young people, especially those unable to use web-based information • Young people view university education as the key to enabling access to better jobs and view TVET as education for “workers” • Potential impact of ASEAN integration on Cambodia and skill migration not well researched or understood

Opportunities	Threats
• Strengthen institutional support and coordination to match labor supply and demand and improve information access and sharing. • Promote education as a sector requiring public and private investment, including using PPP models • Strengthen cooperation among unions, employers, government, and education providers (e.g. industry skill councils) through institutional arrangements focusing on enhancing strategic and forward-looking approach to skills development and re-skilling of the workforce • Encourage PPP TVET to supply investors with skilled labor force. • Promote TVET as a viable educational option • Rethink higher education legal framework to create alternative education opportunities for youth, including creation of a second tier of universities (polytechnic institutes) that specialize in delivering shorter graduation programs (e.g. two years) with a strong focus on skills relevant to specific sectors. • Strengthen primary and secondary education offering, in particular in language skills. • Strengthen bilateral agreements (MoUs) with countries to train Cambodian workers in particular sectors	• ASEAN integration might cause an outflow of skilled Cambodian labor to other countries where wages are higher • Local wage increases need to be matched by total factor productivity gains. • Industrial relations environment is fragile and creating challenges for general investor perceptions on industry stability and harmony. • Flexibility of employment needs to be maintained for investors to innovate and scale up workforces as needed. • High number of public holidays impacting productivity and working time, particularly in manufacturing and industries with a large number of workers. • Excessive use of overtime can become a drag on labor cost competitiveness • Health, nutrition, and supporting infrastructure (housing, sanitation, training etc.) insufficient to ensure healthy balance between work and life resulting in negative impact on labor productivity. • Migration of skilled workers to neighboring countries with higher minimum wages. • Lack of regional labor market information to enhance Cambodia's ability to train its workforce for labor shortages in regional countries

MAINSTREAMING TRADE, MOBILIZING AID FOR TRADE, ENGAGING THE PRIVATE SECTOR

Despite Cambodia's robust GDP growth, strong export performance, and a good poverty reduction record, as reflected in remarkable progress in attaining MDGs, trade contribution was not fully embedded in earlier national development plans and strategies, such as the *2008-2013 National Strategic Development Plan* (NSDP) and the Royal Government of Cambodia's *2008-2013 Rectangular Strategy* (RS.) The current trade development formulation effort led by the Ministry of Commerce to support the preparation of the new NSDP and RS shows that critical issues need to be addressed to avoid mainstreaming bottlenecks. Increased reliance on accurate, timely, and easily accessible data, strengthened participation of the private sector in the formulation of sector policies and the design of corresponding projects, and stronger linkages between trade development and poverty reduction gains are some of the few areas needing additional attention.

Insufficient incorporation of trade in national development strategies may lead to under-investing by Government and development partners in areas of needs – infrastructures, productive capacity, women empowerment – and missing out on the significant leverage trade can provide to increase employment, improve revenue generation, and reduce poverty. It may also jeopardize Cambodia's competitiveness, in particular when compared to its neighbors, all of whom are gearing up to position themselves for grasping fully the benefits of AFTA.

Trade mainstreaming is the process of integrating trade into national and sector development planning, policymaking, implementation, and review in a coherent and strategic manner. It implies taking trade-related issues into account when planning and executing broader development objectives. It further entails using trade proactively to attain specific national development goals, including poverty reduction. Mainstreaming trade takes place at three levels: (1) policy; (2) institutions; and, (3) international cooperation. While Cambodia is proving to be a model for other LDCs on the role trade mainstreaming can play in a fast-growing economy, the country needs to focus on its next-generation trade sector development strategy and equip itself with the appropriate tools to do so.

Development partners' initial response to Cambodia trade integration progress in the mid-2000s leads one to believe that Aid for Trade commitments to support the country's trade development agenda will remain strong. Robust institutional mechanisms were put in place, through an ambitious program-based approach known as Trade SWAp, following the DTIS update 2007 adoption. The governance, monitoring, and strategic planning institutional arrangements of Cambodia's Trade SWAp framework for the SWAP includes the Sub-Steering Committee on Trade Development and Trade-Related Investment, the SWAp Implementation Committee (IC), the three SWAP Pillar Working Groups, the Trade SWAp Secretariat (DICO), the EIF Focal Point, and the Donor Facilitator. Their work is to ensure that much needed Aid-for-Trade resources are used appropriately, for the right objectives and in a spirit of increased ownerships. As a result, the quantity and quality of Aid for Trade resources disbursed in Cambodia have increased.

Using the findings and lessons from the Trade SWAp independent review, the Trade Development Support Program (TDSP) regular supervision missions, the *National Mainstreaming Trade Agenda* prepared by UNDP-Geneva, and other relevant information, it is possible to identify possible next steps for better, more inclusive and poverty-reduction friendly trade mainstreaming.

In spite of better policy formulation, a strengthened institutional framework for consultation, implementation, and monitoring, as well as a better structured dialogue with development partners, pockets of growth have been overlooked, such as enhancing access to non-traditional donors' resources, aligning Aid for Trade strategy with trade policy trends, and, chief among those, seeking better and stronger private sector participation in trade policy formulation, project design, and project implementation.

Although NSDP III (2009-13) does refer to trade development as a possible source of poverty reduction, the link remains weak and only social sectors are seen as contributing directly to poverty reduction. In the future, investment and pro-poor measures should be included in Cambodia's NSDP and RS so that trade and private sector development policies are effectively responsive to poverty reduction. This, in turn, can only be informed by better data collection, compilation, and dissemination. Parallel initiatives are in place in MoC (ICT Master Plan, automation of certificate of origins, business registration, IP registration), in the General Department of Customs and Excise (ASYCUDA deployment, National

Single Window) and the Ministry of Economy and Finance (trade repository, ASEAN data). Efforts should be made so that data are compatible and more readily accessible by policymakers.

Sector policies, in turn, have only recently started including trade as one of their priorities. A clear positive example is the *Policy Paper on the Promotion of Paddy Production and Rice Export* endorsed by the Government in July 2010. More should be done to emulate this successful effort in other export sectors, such as cassava, rubber, and, possibly, light manufacturing, as suggested in the relevant chapters of CTIS 2013. But better policy-making also entails better and deeper involvement of the private sector in the formulation process. This, in turn, means that the private sector must better organize itself, especially at sector association-level, in order to engage in a meaningful dialogue with Government counterparts, learn from the shortcomings of the G-PSF in recent years, or get involved in public-private partnerships (PPP).

Looking forward, additional progress could be made to turn some of the mechanisms of Trade SWAp into more powerful tools that can provide stronger strategic information for the Government to guide overall trade development and poverty reduction, to strengthen the management and coordination of multiple AfT assistance, or to include the private sector more directly in supporting the implementation of the country's strategic priorities, including in the trade sector.

To do this, further institutional development and capacity building is required to support the Government taking full leadership over the coordination and management of AfT as well as trade mainstreaming. The current national arrangements for Trade SWAp implementation will need to be improved and streamlined, as has already been started by the Ministry of Commerce, with a view to increasing inclusiveness and the quality of dialogue as well as preparing the future when different, if not less, donor support will be available. The focus of the Trade SWAp individual pillar road maps should be modified to make them less instruments for guiding and monitoring implementation of individual donor projects (with an emphasis on activities and outputs) and more instruments for helping the Trade SWAP's Governance structure to monitor progress in the implementation of an overall trade development and AfT program (with an emphasis on impacts and outcomes.) This shift away from an individual project focus to a program focus, eventually, will help Cambodia aligned itself with the 2005 Paris Declaration on Aid Effectiveness for which "aid for trade is effective when it is owned by the developing countries which lead their own development policies and strategies; is aligned to developing countries' national development strategies; is harmonized among donors to avoid duplication; is result oriented and mutually accountable".

Changing patterns at global and regional levels should be kept in mind when updating a country's medium-term Aid-for-Trade strategy, in adherence to the Busan Declaration. As Cambodia's patterns of international trade change, so should its dialogue with development partners. While trade towards EU and US has grown significantly because of DFQF or other preferential schemes, the future is likely to be a significant expansion towards ASEAN, China, and Asia in general. It is therefore crucial to reach out to non-traditional donors from the region.

Similarly, Aid for Trade in the future might turn more into Investment for Trade: a strong public-private dialogue is essential to understand where bottlenecks to private sector investment and activity exist and how Governments can allocate Aid for Trade more efficiently. The private sector should be involved at different levels of Cambodia's trade development policies. It should be possible for the private sector to contribute financially, based on its deeper involvement in the design, formulation, and implementation of Aid for Trade projects. The G-PSF and the PSD WG should be put back into full operation as avenues for the development of more and better public-private partnerships to ensure a more harmonious trade sector development and, ultimately, stronger economic development.

Trade SWAp Road Map 2013-2018: Development Goals and Strategic Outcomes

The following table provides a summary of Cambodia's Trade SWAp Road Map for 2013-2018.

The emphasis in this table is on the main Strategic Outcomes expected from the implementation of Trade SWAp over the next five years and their expected impact on broader Development Goals.

Achieving these Goals and Outcomes will require that Government initiates, coordinates, and monitors the implementation of a number of Actions and Outputs through targeted projects. The Road Map table presented in the full *CTIS 2013* report presents detailed lists of possible such Actions and Outputs for each Outcome. The summary table showed here presents only short lists of possible such Actions and Outputs.

A Key Performance Indicator (KPI) is formulated for each Development Goal, Outcome, or Action/Output. All efforts have been made here and in the full report to identify KPIs that are easily measurable and for which data is easily accessible to encourage their use in proper monitoring of the results of Trade SWAp.

Trade SWAp Road Map 2013-2018

Development Impacts/Goals and Strategic Outcomes

Development Impacts/Goals Outcomes Priority Outputs/Actions	Key Performance Indicators		Responsible Parties
	2013 Baseline	2018 Target	
Trade SWAp Development Impacts/Goals			
Trade SWAp Goal 1*:* Improved competitiveness contributes to reduce poverty through better and new jobs	During 2005-13 Cambodia narrowed its distance to the best performing country for all indicators combined in *Doing Business* by 11.1%. Cambodia 2013 ranking was 133 out of 185 countries	Cambodia narrows its distance to the best performing country for all indicators combined by an additional 10% by 2018	n.a.
Trade SWAp Goal 2: Significant increase in the contribution of the trade sector to GDP and deepening diversification of Cambodia's export base	13% yearly average growth of exports of goods and services during 2007-11	11% yearly average growth of goods and services exports during 2013-18	n.a.
	Garments and tourism represent 80% of total recorded goods and service exports in 2011	Garments and tourism.represent 60% or less of total recorded goods and service exports in 2018	n.a.
Trade SWAp Goal 3: Strengthened capacity of RGC to formulate and implement trade policies and strategies	1 sector policy focusing on exports in 2013(for Rice)	4 additional sector policies focusing on export by 2018	n.a.
Trade SWAp Goal 4: Responsiveness of RGC to private sector needs increases as a result of better dialogue	CDC approved $35.5 billion worth of investment projects between 2007-2011	Investment projects approved by CDC doubles to $70 billion (or more) between 2013-2018	n.a.

Trade SWAp Goal 5: Improved planning, implementation, and monitoring capacity of RGC through implementing Trade SWAp	14 of the 20 outcomes in Trade SWAp 2013-2018 receive TA support as of 2012. Of the 14 outcomes with TA, only 10 have one TA or more monitored through Trade SWAp. Of the 10 outcomes with TA monitored through Trade SWAP, only 3 have 2 or more TAs monitored through Trade SWAp (Source: TRTA matrix)	Of the 20 outcomes at least 16 receive TA support and have at least one TA monitored through Trade SWAp. Of the 16 outcomes, at least 10 have 2 or more TAs monitored through Trade SWAp	n.a.
Trade SWAp Strategic Outcomes and Selected Indicative Outputs/Actions by Pillar			
Pillar 1: Increasing the Competitiveness of Cambodian Exporters in World Markets Through a Strengthened Export Business Environment			
Outcome 1: Trade Policy Reform and Market Access Negotiations			
Outcome 1: Trade Policy Reform and Trade Negotiations Cambodia meets its trade legal reform obligations under WTO and ASEAN; strengthens its access to markets through trade negotiations; enhances the transparency of its trade rules and laws	84 Actions identified in the RGC's *Work Program on WTO Obligations and Related Issues 2012-2015*	75% of the 84 Actions listed in RGC's *Work Program* have been fully completed	MoC, line ministries responsible for individual legal or institutional actions
	RCEP Rules of Origins need to be negotiated	The RCEP rules of origin allow for cumulation across all its members	MEF, MoC, line ministries
	No website with consolidated presentation of Trade Laws and Regulations (including for SPS and TBT) as of 2012	National information portal at www.ocm.gov.kh fully operational in Khmer and English in 2018. MoC Trade Information (includes ASEAN National Trade Repository) website fully operational.	CoM, MEF, MoC in cooperation with other line ministries

Indicative Output/Action 1 CLV Development Triangle's focus on rubber sector proceeds as planned	The 7th CLV Development Triangle Summit of Heads of State held in Vientiane March 12, 2013 requested preparation of action plan for development of the rubber sector in the Triangle	Action plan fully formulated for the 8th CLV Development Triangle Summit as requested during 7th Summit	MEF, MoC, MAFF
Indicative Output/Action 2: Draft and promulgate Legal Text on Rules of Origins	No draft in 2012	Law approved by Parliament and signed into Law	MoC, MEF, CoM, Parliament
Indicative Output/Action 3: Finalize and promulgate Law on Trade Remedies	Draft text exist in 2012	Law approved by Parliament and signed into Law	CDC, CoM, Parliament
Outcome 2: Trade Facilitation Reform			
Outcome 2: Trade Facilitation Cambodia increases its competitiveness through reduced import/export cost	2011 Cambodia import/export cost is 136% ASEAN-6 average (from WB/IFC *Doing Business*)	2018 Cambodia import/export cost reduced to 120% ASEAN-6 average ($552/container in *Doing Business* 2012)	All border agencies
	2011 Cambodia time for cargo release is 24 days compared to 16 days for ASEAN-6 average	2018 time for cargo release reduced to ASEAN-6 average	All border agencies
Indicative Output/Action 1: Cambodia implements its 2012 Trade Facilitation Action Plan including establishment of a National Single Window	No Single Window as of 2013. Issuance of Certificate of Origins partly automated. Customs Declaration processing automated (ASYCUDA). Issuance of Phytosanitary Certificates not automated.	2018 National Single Window in compliance with ASEAN requirements has been implemented (all Export/Import related Licenses, Certificates, permits and approvals can be applied for, processed, and issued online)	All border agencies
Indicative Output/Action 2: Extend Risk Management System to non-Customs agencies	2013 Risk Management fully implemented by Customs. Some progress by non-Customs agencies but risk management underdeveloped	Risk Management Systems is fully implemented by all border agencies and profiles are managed centrally	All border agencies

Indicative Output/Action 3: Establish an Authorized Economic Operators (AEO) System	AEO regime is not yet implemented	AEO regime in keeping with Cambodian compliance management needs is fully implemented	GDCE
<u>Outcome 3: Enhanced Trade Logistics</u>			
<u>Outcome 3: Trade Logistics</u> Cambodia increases its competitiveness through improved trade logistics	On the two major trade corridors, average speed for trade logistics is 22.15 Km/H, transport cost is $0.11/MT/Km and logistics cost is $0.2/MT/Km	Speed for trade logistics rises to 25 Km/H, transport cost decreases to $0.7/MT/Km, logistics cost decreases to $0.15 /MT/Km	MoPVT, GDCE, MoC, Camcontrol, MAFF
Indicative Output/Action 1: A National Transportation Logistics Plan is developed and implemented.	No comprehensive plan	Comprehensive plan has been developed. Annual reviews are carried out.	MoPVT, MEF, concerned line ministries and agencies
Indicative Output/Action 2: Improved cross-border transport agreements (road and waterways) are negotiated with neighbors and regional organization for an integrated road transport market	Existing agreements have only partial coverage and are not fully implemented.	Cross-border agreements (bilateral and regional) are fully enacted and implemented	MEF, MoC, MoPVT, MoFA, concerned line ministries and agencies
Indicative Output/Action 3: Improve transport regulations concerning liability coverage, axle load limit, drivers' qualifications and conditions, safety standards, contracts. Establish a regional third party liability insurance scheme	Current regulatory framework weak	Regulations in line with international standards are adopted and implemented	MoPVT, MEF, concerned line ministries and agencies

Outcome 4: Strengthened Capacity of Exporters to Meet Technical Standards and SPS Requirements			
Outcome 4: Technical Standards and SPS Requirements The capacity of Cambodian exporters to meet technical and SPS requirements standards set by importers and importing countries increases	Ratios of formal exports of milled rice, cassava, and corn to total production of each in MT reflect, indirectly, the ability of Cambodian producers/exporters to meet some, if limited, standards 2011Rice ratio: 0.0165 2011Cassava ratio: 0.0085 2011Corn ratio: 0.0497 (Source: MoC for formal MT exports; AFSIS for total MT production)	The value of the three ratios grows by a factor of ten or more by 2018	Private sector, MAFF, MoC, MIME
Indicative Output/Action 1: SPS standards in kitchen in hotel and restaurant improve through enhanced training of existing and new kitchen staff	Index from baseline survey of SPS standards in hotel and restaurant kitchen to be conducted by the Royal Academy of Culinary Arts under CEDEP-II. Also to use info from voluntary Good Hygiene Practice/GMP (GHP/GMP) scorecards to be introduced by MoH	Repeat baseline survey (CEDEP II) by 2016	Private sector, MoH, RACA, MoT
	No restaurant food safety rating system in place. Low hygiene standards in sector.	A food safety rating system is in place. 200 restaurants have passed GHP/GMP audits	Private sector, MoH, MoT
Indicative Output/Action 2: Capacity of rice millers to meet basic Hazard Analysis & Critical Control Point (HACCP) or Good Manufacturing Practice (GMP) standards is developed through rice mills certification program	No modern rice mills certified as of 2012 (one plant certified by ISC, but ISC is not internationally accredited as of yet so this certification has no export value)	Ten (10) Cambodia rice mills that are HACCP or GMP certified in 2016	Private Sector, MIME, MAFF

Indicative Output/Action 3: Implementation of SPS standards increases among Cassava driers and processors	68,000 MT of cassava chips exported to countries enforcing SPS standards in 2011. (DGCE data)	1 million MT of cassava chips exported to countries enforcing SPS standards (as reflected in Cambodia's Customs data on recorded shipments to such countries as China) in 2018.	MAFF, Private Sector
Indicative Output/Action 4: Implementation of SPS standards (HACCP or GMP) among marine fishery product processors increases resulting in improved export competitiveness	1 marine fishery product processor HACCP/ GMP certified in 2012	12 marine fishery product processors HACCP/GMP certified in 2018	MAFF/FIA, Private Sector
Indicative Output/Action 5: Cambodia natural rubber value chain produces high-quality products for export markets.	No system in place to monitor quality of exported natural rubber	System to register quantities of natural rubber by grade and price in place and implemented by 2016	Private sector, MAFF, MoC, RRIC
Indicative Output/Action 6: Quality and traceability of silk yarn imports ensured	Lack of COs on most imported yarn	50% of imported yarn has a clear CO by 2018	Private sector, GDCE
Indicative Output/Action 7: Safety among food processing exporting facilities enhanced by increased adoption of GMP and HACCP certification	Number (?) of large food processing exporting facilities meet GMP or HACCP standards (tracking down the number with MIME)	A majority of food processing exporting facilities meet GMP or HACCP standards	Private sector, MIME, MoH
Outcome 5: Improved Investment Environment for Exports			
Outcome 5: Investment Environment for Exports The environment for investment in the ten DTIS 2013 focus export sectors strengthened	2012 net FDI inflows were $1.5 billion	Net FDI inflows grow 25% annual average between 2013-2012 to triple to $4.5 billion	Private Sector, CDC, MIME, MAFF, other concerned line ministries

Indicative Output/Action 1: Implementation of a National Investment Promotion Strategy	Limited strategy and capacity in place.	Formulation and implementation of a comprehensive National Investment Promotion Strategy with monitored indicators in place by 2018. Strategy includes clear focus on measures intended to promote clusters of domestic suppliers to support key export sectors.	CDC, MoC, MIME, MAFF, SNEC
Indicative Output/Action 2: Strengthened investment promotion and facilitation capacity of provincial authorities	Little capacity in place and few programs	Private sector investment at provincial-level is clearly measured and monitored and increases at 25% annual by 2018	CDC, MoI, MAFF, MIME, MoC, SNEC
Indicative Output/Action 3: Enhanced supplier and related linkages between foreign investors and SMEs	Few linkages and no comprehensive policy to develop them	Government Industrial Policy includes clear policy tools to support development of clusters of suppliers in ten *CTIS 2013* Indicative sectors	CDC, MoC, MIME, Education Ministries, MAFF, SNEC
Outcome 6: Establishing a Trade-Supportive Framework for Intellectual Property Rights			
Outcome 6: Intellectual Property Rights A modern, trade-supportive intellectual property rights framework is established, implemented, and enforced	705 new trade and service marks registered by Cambodian businesses in 2012	Over 1,200 new marks registered by Cambodian businesses during 2018	MoC, NCIPR, Private Sector
	192 industrial designs registered as of 2012, including 25 local designs	60 local designs registered by 2018	MIME, NCIPR, Private Sector
Indicative Output/Action 1: Align "exhaustion clause" included in key IPR legislation (Copyright, Trademark, Patents and Industrial Design) with needs of AEC integration.	Key IPR legislations covering Copyright, Trademark, Patents and Industrial Design include exhaustion clauses that are in conflict with principles at the core of AEC integration to which Cambodia is committed	Exhaustion clauses in current legal texts or laws have been aligned, modified, or eliminated, as needed, as they apply to countries within AEC by 2018	NCIPR, MoC, MIME, MoCFA, CoM, legislative bodies

Indicative Output/Action 3: Stronger legal system for IP education and enforcement in place	Draft Anukret in CoM	Anukret establishing a Sub-National Committee on IP Enforcement, Education, and Awareness is adopted	NCIPR, CoM
	Draft Anukret in CoM	Anukret on enforcement of IP laws and rules by each agencies involved in enforcement is adopted	NCIPR, CoM
Pillar 2: Expanding and Diversifying Cambodia's Export Base Through Strengthening Supply in Current and New Sectors, Entering New Markets, and Moving up Value Chains			
Outcome 7: Garment			
Outcome 7: Garment Cambodia continues to grow and diversify its garment export sector through targeting new markets, increasing domestic inputs, and expanding in higher value products	9% export growth per annum during 2007-2011. Share of US exports was approximately 60% in 2011	12% export growth per annum during 2013-2018. No single market accounts for more than 40% of total exports by 2018.	Private sector, MoC, MIME, GMAC
	baseline	Production of thread, yarn, and fabric increases at an average annual rate of 20%	Private sector, MoC, MIME
Indicative Output/Action 1: Invest in a positive 'Made in Cambodia' brand – promoting labor compliance and quality.	No industry-wide branding.	National manufacturing brand / logo adopted and used on all export shipments by 2016.	Private sector, GMAC, MoC, MIME
Indicative Output/Action 2: Cambodia diversifies its garment product mix and increases its exports of higher-valued garments.	Total "high-value" garment exports were US $87.2 million in 2011 or approximately 2.2 % of total garment exports (HS 61-63). (For computation of "high value" garment exports, see Garment Chapter) (Source: TradeMap)	Total garment exports from "high-value" garment exports grow by 20% annually.	Private sector, MoC, GMAC, MIME

Outcome 8: Footwear			
Outcome 8: Footwear Cambodia continues to grow and diversify its footwear export sector through targeting new markets and developing new market segments	Cambodia's footwear exports grew by 36% per annum between 2007 and 2011.	Cambodia's footwear exports grow by 20% per annum between 2013 and 2018.	Private sector, MoC, MIME, GMAC.
	Leather shoes represented 70% of the value of Cambodia's footwear exports in 2011.	Leather shoes represent 50% of the value of Cambodian footwear exports in 2018.	Private sector, MoC, MIME, GMAC.
	The UK and German markets captured 32% share of Cambodian exports in 2011.	The share of the UK and German markets is reduced to 40% of Cambodian footwear exports in 2018.	Private sector, MoC, MIME, GMAC.
Indicative Output/Action 1: Investment incentives specifically targeting the footwear industry in Cambodia are monitored, extended and improved.	Foreign direct investment in the footwear sector in Cambodia in 2012 totaled $137 million.	Investment in the footwear sector in Cambodia doubles between 2012 and 2018.	MoC, MIME.
Indicative Output/Action 2: The industry develops its promotion and coordination capacity through an appropriate representative body (either GMAC or FOCC).	In 2012, GMAC organized no specific events for footwear.	GMAC organizes 3 footwear specific events every year by 2018.	Private sector, GMAC, MIME.
Indicative Output/Action 3: Clusters of suppliers (i.e. tannery) and assemblers are developed in Cambodia so that the Cambodian footwear industry produces more of the final footwear product, in particular for contract manufacturers.	The ratio of footwear related export- to-import was 3.4 in 2011. Imports include footwear components and leather. (Source: TradeMap).	The ratio of footwear related export-to-import increases to 5 by 2018.	Private Sector, MoC, GMAC, MIME.

Outcome 9: SEZs Operations and Light Manufacturing Assembly			
Outcome 9A: SEZs Cambodia's SEZs improve their competitiveness and attract more manufacturing investment to become nodes in regional production networks.	2012 contribution of manufacturing to GDP (exclusive of garment and footwear) approximately 5%	The contribution of manufacturing to GDP (exclusive of garment and footwear) increases to 7%	Private sector, CDC, MIME. MoC
	69 light manufacturing operators in Cambodian SEZs in 2012.	140 light manufacturing companies operators in Cambodian SEZs in 2018	Private sector, CDC, MoC
	8 SEZs with active investors in 2012.	The number of SEZs with active investors doubles to 16.	Private sector, CDC, MoC
Indicative Output/Action 1: Access, cost and reliability of electricity in SEZ improves	2011 electricity price from Electricite du Cambodge is $0.23 per KWH and can reach around $0.40 per KWH or more when self-generated.	Electricity price falls by 1/3 in SEZs, down to $0.13 per KWH for Electricite du Cambodge by 2018	SEZs, CDC, Electricite du Cambodge, PPPs.
Indicative Output/Action 2: TVET and other educational programs, in part linked to SEZ, established to improve workers skills and supply of new technical and engineering personnel	Cambodian managers and supervisors in firms located in SEZs represented 1percent of the firms' total workforce in 2013 (*CTIS 2013* SEZ survey)	The percentage of Cambodian managers and mid-managers in firms located in SEZs is multiplied by 5 by 2018.	MoLVT, MoYES, Private sector, SEZ.
	The number of engineering graduates in Cambodia in 2008 was 514 (World Bank).	The number of Cambodian engineer graduates triples from 2008.	MIME, MoLVT, CDC, Private sector, MoEYS.
Indicative Output/Action 3: Transport infrastructure (roads, ports, bridges, airport) across Cambodia linking SEZs to foreign suppliers/customers is improved	Road transport time from the Thai border to the Vietnamese border via Phnom Penh is currently 15 hours for a 20'container	Road transport time from the Thai border to the Vietnamese border via Phnom Penh falls to 12 hours.	MEF, MPWT, private sector, PPPs.

<u>Outcome 9B:</u> <u>Light Manufacturing Assembly</u> Cambodia emerges as a node in regional production networks.	In 2012, the contribution of manufacturing to GDP (exclusive of garment and footwear) was approximately 5%.	The contribution of manufacturing to GDP (exclusive of garment and footwear) increases to 7%	Private sector, CDC, MIME. MoC.
	In 2011, Cambodia exported $310 million worth of light manufacturing exports (excluding garment and footwear.)	Light manufacturing exports from Cambodia triple to $1 billion by 2018.	Private sector, CDC, MIME. MoC.
Indicative Output/Action 1: Clusters of suppliers and assemblers are promoted so that Cambodia can mature from part assembler to producing final products.	The machinery and automotive export-to-import ratio in 2012 was 0.67. (Source: TradeMap)	The machinery and automotive export-to-import ratio rises to 1 in 2018.	Private Sector, CDC, MoC and MIME
	The electronic and electric component export-to-import ratio in 2012 was 0.02. (Source: TradeMap)	The electronic and electric component export-to-import ratio in 2018 rises to 0.1.	Private Sector, CDC, MoC and MIME.
Indicative Output/Action 2: Cambodia's bike sector continues to grow rapidly	The value of Cambodian bike exports was $109 million in 2011.	The value of Cambodian bike exports triples by 2018.	Private Sector, CDC, MoC and MIME.
Indicative Output/Action 3: The procurement-to-delivery time in SEZs improves to enable Cambodia's integration in supply chains	Average 2012 procurement-to-delivery time is between 3 and 4 months for electronic orders (Source: Survey of Sihanoukville and Manhattan SEZs).	Procurement-to-delivery time in 2018 in all SEZs is on par with Thailand and Malaysia (3 months).	GDCE, MoC, MIME, GDCE, Ports, Airports, MPWT
<u>Outcome 10: Processed Food</u>			
<u>Outcome 10: Processed Food</u> Cambodia continues to grow and diversify its processed food sector through new export markets, moving to higher value products, and expanding domestic inputs.	In 2011 the processed food, beverage, and tobacco industries accounted for 2.3 % of GDP. Exports were estimated at $71.5 million. (Source: NIS and Comtrade)	In 2018 the processed food, beverage and tobacco industry accounts for 4% of GDP. Exports reach $200 million or more by 2018	Private sector, MAFF, MIME, MoH, MoC

Indicative Output/Action 1: National policy promoting agro-processing development in Cambodia.	DPs have worked with MIME on development of an Agro-Industry Development Strategic Plan (AIDSP).	A national policy is established, implemented, and reviewed annually by 2016.	Private sector, MAFF, MIME, MoC
Indicative Output/Action 2: Policy and regulatory environment favorable to private sector investment in Cambodia's food processing industry.	56 processing facilities registered in 2011: Processed Food = 30 Factories Beverage = 15 Factories Tobacco = 11 Factories (Source: MIME)	100 processing facilities registered in 2018 across the processed food, beverage and tobacco industry.	Private sector, MIME, MoC
Outcome 11: Fisheries Products			
Outcome 11: Fisheries Products A sustainable fisheries sector sees Cambodian exports increase as a result of improved quality, growing production volumes, and strengthened access to markets.	21,000 MT of recorded fish exports in 2012.	100,000 MT of recorded fish exports in 2018.	Private Sector, MAFF/FiA, MIME
Indicative Output/Action 1: A coordinated and export-oriented value chain.	Product-specific processor associations exist in three coastal provinces. 'Community Fisheries' organizations participate in co-management of inland water resources. No single national association exists.	National fisheries association established by 2015 to drive private sector collaboration, investment, and export-oriented industry reform.	Private sector, MoC, MAFF /FiA, MIME
Indicative Output/Action 2: Development of sustainable fisheries resources, especially in relation to aquaculture.	Total aquaculture production (inland and marine) of 74,000 MT in 2012.	Total aquaculture production (inland and marine) reaches 200,000 MT in 2018.	Private sector, MOC, MAFF / FiA, MARDeC

Outcome 12: Milled Rice			
Outcome 12: Milled Rice Cambodia achieves the 1 million MT target for export of milled rice set out under the RGC 2010 Rice Policy	145,000 MT of milled rice exported in 2011	More than 1 million MT of milled rice exported in 2018	Private Sector, MoC, MAFF, SNEC
Indicative Output/Action 1: RGC's Rice Policy is implemented. Capacity of rice millers to export milled rice to new markets is developed	In 2011, 22 countries imported shipments of $1 million or more from Cambodia.	35 countries import more than $2 million annual shipments of fragrant, non-fragrant or broken rice from Cambodia by 2018	Private Sector, MoC, MAFF
Indicative Output/Action 2: RGC's Rice Policy is implemented. Rice millers expand capacity in modern mills	Approximately 400,000 MT annual modern milling capacity in 2012 (approximately 280 tons per hour)	Modern milling capacity in 2018 in MT nearly triples from 2012	Private Sector, MEF, Banking Sector, MIME
Outcome 13: Cassava			
Outcome 13: Cassava Cambodia consolidates its exports of Cassava through direct exports to such countries as China and Republic of Korea and lessens its dependency on exports of unprocessed tubers to Thailand and Vietnam	68,000 MT of formal exports of dried cassava chips in 2011	Approximately 3 million MT of formal exports of dried cassava chips by 2018.	Private Sector, MoC, MAFF
	Cambodia seventh largest producer of cassava in Asia in 2011	Cambodia fifth largest producers of cassava in Asia (following Thailand, Indonesia, India, and China PRC)	Private Sector, MoC, MAFF
Indicative Output/Action 1: RGC develops and implements policy for the Cassava sector	No formal policy in 2012	Policy is established, implemented, and reviewed annually	Private Sector, MoC, MAFF, SNEC
Indicative Output/Action 2: New investment, including FDI, supports increased processing capacity, higher export returns, and transfer of industry know-how	$2.3 million worth of recorded exports of processed cassava in 2011	$150 million worth of recorded exports of processed cassava in 2018	Private Sector, MAFF, MIME, MoC

Outcome 14: Rubber			
Outcome 14: Rubber Cambodia progresses towards becoming a key producer and exporter of rubber	54,520MT of rubber exported in 2012	Approximately 150,000MT of rubber exported in 2018	Private Sector, MoC, MAFF
Indicative Output/Action 1: RGC strengthens and implements its policy targets for natural rubber production.	As of 2012, approximately 55,000ha planted and harvested. An additional 225,000 ha planted but not harvested. 64,524 MT produced and 54,520MT exported.	By 2018, 200,000ha planted and harvested, more than 200,000MT produced, and 150,000MT exported. (Government targets for 2020: 300,000ha harvested and a total of 400,000ha planted)	Private Sector, MAFF
Indicative Output/Action 2: Cambodia diversifies its export markets for natural rubber. Export marketing capacity of producers is strengthened	Vietnam accounts for 58% of total recorded Cambodian exports of rubber products (HS 40) in 2011. (Source: TradeMap)	Reduced reliance on Vietnam as export market (to less than 30% of rubber exports) by 2018.	Private sector, MoC, MAFF, RRIC
Outcome 15: Tourism			
Outcome 15: Tourism Cambodia progresses towards RGC's 2020 target set for Tourism: 8 million foreign visitors	3 million foreign visitors in 2012	6 million foreign visitors in 2018	Private sector, MoT
Indicative Output/Action 1:*Tourism Development Strategic Plan 2012-2020* is implemented	37,522 rooms in hotel and guest houses in 2009 (MoT statistics)	Number of rooms in hotel and guest houses during 2014-2018 grows to approximately 90,000	Private Sector, MoT
	25,658 rooms outside Siem Reap in 2009 (MoT Statistics)	Rooms outside Siem Reap increasing approximately three-fold to 70,000 by 2018	Private Sector, MoT
Indicative Output/Action 2: Improved and more diverse tourism product offerings.	Average length of stay is 6.30 days per visit in 2012. Average length of stays in recent years lower than what it used to be.	Average stay of 7 days or more per visit by 2016.	Private sector, MoT

Outcome 16: High Value Silk Products			
Outcome 16: High Value Silk Products A small but growing number of Cambodian producers are able to design and export high-value silk products	Exports (cross-border and sales to foreign visitors) of finished silk products estimated at $ 7 million in 2012	Exports of finished silk products double by 2018	Private sector, MoC, MRD, MoWA, MAFF, MIME
Indicative Output/Action 1: Selected group of producers have broken into foreign markets	Three producers have cross-border export sales in 2011(approximately US$ 1.5 million)	Eight to twelve producers have cross-border export sales to five overseas markets	Private sector, MoC
Indicative Output/Action 2: Selected group of producers have internalized a product development scheme	Three producers have a product development system in place in 2011	Eight to twelve producers have product development in place in 2018 as reflected in regular product addition to collections and product catalogues	Private sector, MoC, MoWA, MRD
Pillar 3: Strengthening the Capacity of RGC and Cambodian Stakeholders to Manage the Trade Agenda and Trade Challenges (Trade Reform, Trade Policy, Aid for Trade, Bridging Skill Gaps for Trade, etc.)			
Outcome 17: Bridging the Skill Gap for Exports			
Outcome 17: Skill Gap for Exports RGC and Cambodian exporters meet the skill gap through the formal education sector and increased public-private partnership to develop vocational/technical education.	No PPP TVET program in 2012 in Cambodia. Most TVET is done through NGOs with inconsistent outcomes for different NGOs	A number of PPP TVET programs have been established to support skill development in export sectors	Line ministries, MoLVT, private sector

Indicative Output/Action 1: TVET programs are established for the hospitality sector to address current skill gaps	?? Number of Cambodian chefs in the top 50 Cambodian hotels in 2013 (Based on baseline survey of hotel and restaurant kitchens to be conducted by the Royal Academy of Culinary Arts under CEDEP-II + statistics from Association of Cambodian Chefs)	?? Number of Cambodian chefs in the top 50 Cambodian hotels in 2013 (Based on baseline survey of hotel and restaurant kitchens to be conducted by the Royal Academy of Culinary Arts under CEDEP-II+ statistics from Association of Cambodian Chefs)	MoT, private sector
Indicative Output/Action 2: TVET programs are established to meet need in technical and engineering personnel in manufacturing sectors	Garment sector requires diversified skills and accreditation of workforce based on AFTEX ASEAN. The sector lacks an established TVET infrastructure. GMAC is in the process of establishing a training institute.	GMAC's training institute is operational. Between 100 to 200 garment sector professionals per year are getting ASEAN-accredited (level 1) training in operator training, machine mechanic, pattern making, merchandising and other skills relevant to the sector.	GMAC, Training Service Providers, AFTEX
	No training facilities in SEZs to assist investors in building a skilled labor force	All SEZs have training facilities (PPP or otherwise) with curriculums that meet ASEAN standards	SEZ operators, Private sector associations, National Employment Agency (NEA), MoLVT
Indicative Output/Action 3: Greater availability of SPS specialists to support exports and protecting health of crops livestock and consumers	Universities lacks curriculum focusing on plant health, animal health and food safety to train SPS specialists	Specialization stream on plant pest and disease, animal pest and disease, food safety specialization established in RUA with dedicated curriculum for the three areas and associated teaching materials.	MAFF, Royal University of Agriculture (RUA)

Indicative Output/Action 4: Higher education systems and TVET develop industry-focused curriculums	No industry-focused curriculums for specialized sectors to meet needs of a diversified economy	At least 2 new curriculums per Indicative sectors are drafted and integrated into relevant Higher Education/TVET programs by 2018. Curriculums to be linked to ASEAN standards where they exist.	MoEYS, MoLVT, and line ministries
	No industry skills councils to guide development of educational and TVET programs that focus on the needs of specific sectors.	Industry skill councils (employers, government, and workers representatives) established guide development of educational and TVET programs that focus on the needs of specific sectors.	MoLVT, Private sectors, NEA, line ministries
Indicative Output/Action 5: A job information system is in place to match supply and demand at local and regional level	National Employment Agency is new and lacks systems. No job information and forecasting systems in place.	Job information system is in place in NEA including (1) quarterly labor market information reports; (2) regular dissemination of forecasting results with strong sector focus	NEA, TVETs, private sector
Outcome 18: Mainstreaming Trade			
Outcome 18: Mainstreaming Trade Trade development objectives are fully mainstreamed in national development strategy and in product and service sector strategies	Input Note submitted by MoC to MoP and SNEC for mainstreaming trade in NSDP and Rectangular Strategy	75% of the results identified in Input Note prepared by MoC have been achieved by 2018	MoC, MAFF, MIME, MEFtrade-other related line Ministries,

Indicative Output/Action 1: Improved compilation and use of statistics and trade data to assist in assessing and formulating appropriate trade support interventions.	Official Cambodian trade data are extracted from database maintained by GDCE (Customs data), MoC (on C/O, import/export, licenses), MEF (trade repository), and MAFF (Phytosanitary certificates.) There is no structure to compare and ensure coherence across sources, limited quality control systems, no tool to compare/benchmark Cambodian statistics against mirror statistics.	MoC Trade Training and Research Institute (TTRI) produces an annual trade data publication that consolidates and reconciles data extracted from different Government sources and ensure coherence with Comtrade mirror statistics beginning in 2016	MoC, GDCE,MEF, MAFF, National Institute of Statistics,
Indicative Output/Action 2: Sufficient institutional capacity built to formulate and implement trade-related policies and strategies as well as trade-sensitized sector and product policies	1 sector policy focusing on exports in 2013 (for Rice)	4 additional sector policies focusing on export by 2018	SNEC, MoC, MAFF, MIME, other trade-related line ministries
Indicative Output/Action 3: NSDP and Rectangular Strategy includes indicators and actions linking trade, private sector development and poverty reduction	MoC provides inputs in the forms of proposed outcomes and key performance indicators to the NSDPIV and RS3 using data collected in the framework of the DTIS update	NSDP V and Rectangular Strategy 4 have component sections/chapters with clearly defined results indicators and actions linking trade, PSD and poverty-reduction in 2018	MoP, SNEC, MoC

Outcome 19: Monitoring and Mobilizing Aid for Trade			
Outcome 19: Monitoring and Mobilizing Aid for Trade RGC's ability to M&E Results or Trade SWAp is strengthened, leading to stronger mobilization of AfT inside and outside SWAp	AfT commitments during 2007-2011 were$1.506 billion; AfT disbursements were $942.766 million (OECD/DAC data.)	Expected value of AfT during 2013-2018 grows by 30% from 2007-2011 period	MoC, MAFF, MIME, trade-related line Ministries
Indicative Output/Action 1: DICO carries out yearly evaluation of progress against Trade SWAp 2013-2018 road map goals, outcome, and expected results. Findings are reviewed with Government and Cambodian stakeholders	The M&E Unit in DICO is able to monitor individual projects but has no capacity as of yet to show contribution of individual projects to program-level objectives and results	The M&E Unit in DICO produces an annual report showing contribution of all TRTA projects to Trade SWAp trade goals, outcomes, and expected results. DICO present progress to RGC and Cambodian stakeholders during annual event.	MoC, Trade SWAp implementing agencies
Indicative Output/Action 2: DICO organizes annual meeting with traditional and non-traditional trade Development Partners pointing to gaps in AfT based on expected outcomes	The implementation of the Aid-for-Trade medium term strategy formulated in the Trade SWAp Road Map is not monitored or communicated to development partners	Annual event organized by DICO for senior Government officials and DPs to review AfT gaps	MoC
Outcome 20: Enhancing Private Sector Participation in AfT			
Outcome 20: Enhancing Private Sector Participation in AfT A better structured dialogue between private sector and Government contributes to efficient public-private partnerships for trade development based on AfT resources	Private sector participation in Government-led project design is limited to individual company participation	At least 3 PPPs are established on an annual basis with participation from government and private sector in support of Cambodia's trade development goals	G-PSF, MoC, CDC, Private sector

Indicative Output/Action 1: Improved efficiency and effectiveness of RGC-private sector-donor consultation mechanisms to address business environment constraints through AfT	G-PSF and PSD WG are no longer functioning as effective mechanisms to leverage government support on solving key business constraints	G-PSF and PSD WG meetings are organized twice a year at operational level with clear agendas focusing on solutions to previously identified business constraints issues	G-PSF, MoC, CDC, Private sector
Indicative Output/Action 2: Increased private sector participation in AfT project design, formulation and implementation	Limited or inexistent involvement of private sector representatives in most AfT TA projects	All new AfT TA projects must include activities and outputs involving BMOs by 2018	MoC, Private sector