

**MINISTRY OF COMMERCE**  
**NOTES TO THE OFFICIAL LAUNCH**  
**OF THE CAMBODIA DIAGNOSTIC TRADE INTEGRATION STRATEGY- 2014-2018**  
**Peace Palace, Office of the Council of Ministers**  
**8:30 a.m. to 11:00 a.m., 18 February 2014**

**1. Welcome Remarks of H.E. Sun Chanthol, Minister of Commerce**

H.E. Sun Chanthol opened the Official Launch of the Cambodia Trade Integration Strategy for 2014 to 2018 at 8:30 a.m. at the Government Peace Palace. He said that “this new strategy is the third one prepared by the Royal Government of Cambodia, with the support of the Enhanced Integrated Framework (EIF), and its predecessor, the Integrated Framework (IF), as well as development partners.” He added that “the previous two strategies provided the Government with useful insights as to where the country’s export sector stood at different points in time and as to what was needed in going forward. In addition, those studies helped the Government mobilize donors’ technical assistance to focus on priority issues of the times.”

According to the Senior Minister, the Cambodia Trade Integration Strategy 2014-2018 (CTIS 2014-2018) was formulated by the Inter-Ministerial Committee and the CTIS Team with the support of the senior officials from the Ministries of Commerce; Economy and Finance; Health; Tourism; Planning; Industry and Handicraft; Mines and Energy; Agriculture, Forestry and Fisheries; Rural Development; Women Affairs; Labor and Vocational Training; Public Works and Transport; Education, Youth and Sports; as well as the Council of Ministers, the Council for the Development of Cambodia, and the Royal School of Administration.

The Senior Minister hopes that the CTIS 2014-2018 will provide the “Government with useful insights and ideas on how to move forward in implementing some of the needed reforms in the trade area in the coming years. He also added that “this strategy will help us mobilize new technical assistance resources to address some of the new reforms we need to pursue and to which we have already committed ourselves. In addition, it will enhance trade sector competitiveness, create new and better job, increase incomes and reduce poverty.”

**2. Statement of Dr. Ratnakar Adhikari, Executive Director, EIF**

Dr. Ratnakar Adhikari, Executive Director of the Enhanced Integrated Framework Executive Secretariat said that the launch of CTIS 2014-2018 “symbolizes tremendous progress that Cambodia has achieved in the areas of trade development and integration. This progress has been clearly reflected in the Government’s capacity in leading the update of the CTIS, in elaborating a clear Trade SWAp Roadmap and in shaping the country’s vision towards regional integration, economic diversification and skill development.” He added that “the value of the CTIS update lies not just in a robust analysis but also in clear plans on how to devise an operational strategy to deliver effectively on what is truly an ambitious agenda.” He appreciated the Government’s two-pronged initiatives: “First, updating the Trade SWAp Roadmap to incorporate the CTIS Action Matrix with a clear indication of strategic outcomes, medium- and short-term actions and key performance indicators. Second, synchronizing the CTIS update with the process of developing a new National Strategic Development Plan (NSDP IV) and the Rectangular Strategy III that ensures key findings, recommendations and prioritized actions of the CTIS are mainstreamed in the NSDP IV.”

He also reiterated that the “launch of the CTIS is a stepping stone for an important course of actions ahead, which is the implementation of the Trade SWAp Roadmap. This implies the mobilization of resources and building institutional capacity for implementation, coordination, monitoring and evaluation (M&E).

He announced that “the EIF Board has approved two Tier 2 projects with a total funding close to US\$5.7 million. These Tier 2 projects aim at supporting five out of ten prioritized

sectors in the Trade SWAp Roadmap, which include: high value silk, milled rice, cassava, marine fishery products and tourism. The high value silk and rice project (called CEDEP I), has yielded concrete results in bringing Cambodian silk and rice brands to international markets within one year of its implementation. The CEDEP II, which covers cassava, marine fishery products and tourism, will be launched in a couple of days.” In moving forward, he highlighted the need for a full M&E system for the Trade SWAp which is “expected to be strengthened and carried out by relevant authorities and stakeholders.”

In closing, the Executive Director of EIF Executive Secretariat has noted that “the CTIS is supposed to be a living reference document for in-country trade development support. We strongly encourage the country to periodically take stock of the implementation and review progress made. We also call upon all partners to use the CTIS as the entry point for Aid for Trade and in-country trade-related assistance.”

### **3. Keynote Address of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Cambodia**

**Samdech Techo Hun Sen** highly commended the management and officials of the Ministry of Commerce for contributing to the formulation of “**Cambodia’s Trade Integration Strategy 2014-2018**” which is based on the **political platform** and the **Rectangular Strategy-Phase 3** of the Royal Government of Cambodia of the Fifth Legislature.

He said that the “CTIS **2014-2018** will help sharpen Cambodia’s ability to contribute to ASEAN Economic Community (AEC) by 2015. The prudent and stringent implementation of this integration strategy will enhance the outcome of trade development since the framework, procedures and responsibilities of related ministries/institutions now become clearer along with more active support from all stakeholders. More importantly, this integration strategy reflects the firm and unwavering commitment of the Royal Government to achieving the socio-economic development vision in response to the people’s overwhelming support of the Royal Government of the Fifth Legislature.”

**Samdech Techo** also raised that Cambodia needs to continue to promote rapid economic growth and poverty reduction by focusing on key priorities which was identified in the CTIS. He reminisced some events in the past on the country’s economy and came out with forecast for the future. He said that “after the financial crisis in 2008-2009, Cambodia’s economy has been restored and experienced average growth of 7% per annum during the last three years. Cambodia’s economic activities remained solid in 2013 with preliminary estimate of growth of 7.6% and per capita income of USD 1,036 compared to 7.3% economic growth and USD 973 per capita income in 2012. From 2011 to 2013, Cambodia’s export increased by almost 28%. Export of goods and services increased by more than two-fold from USD 4,500 million in 2007 to USD 9,400 million in 2013. In addition, if including informal export, the total export figure reached USD 10 billion. The export of garment was more than USD 5 billion in 2013.” **Samdech Techo Hun Sen** also highlighted increase of products and services export, which show good performance of Cambodia’s trade and his optimism for the coming years.

In addition, he stressed that “we are working harder on the diversification of manufacturing and export to realize our aspiration of transforming Cambodia into an upper-middle-income country by 2030 and a high-income country by 2050. This shows that Cambodia is realistically and firmly moving toward prosperity. On this basis, integration is necessary for Cambodia to create a systematic, interconnected, cohesive and broader economic growth base. In this regard, “**Cambodia Trade Integration Strategy 2014-2018**” will become a roadmap for all trade-related activities and other supporting activities of trade sector.”

**The Prime Minister** mentioned that this “integration strategy will certainly lay out specific and realistic policy measures, targets and priorities through thorough analysis of

financial resource, human resource and institution capacity. The roadmap of the trade integration strategy provides us with indicators and specific measures of implementation for both 2016 and 2018.” **Samdech Techo** also said “*I can preliminarily assess that this diagnostic trade integration strategy 2014-2018 is the only trade integration strategy accepted by the government, private sector and development partners and implemented by all stakeholders through Cambodia Trade Sector-wide Approach.*”

**Samdech Techo** also called on the management and officials of concerned ministries/institutions, all branches of armed force and local authorities to provide support and actively take part in the implementation of the Diagnostic Trade Integration Strategy 2014-2018 to achieve its success and effectiveness.

#### **4. Statement of Eric Sidgwick, Country Director of Asian Development Bank and EIF Donor Facilitator**

Mr. Eric Sidgwick, Country Director of the Asian Development Bank in Cambodia and EIF Donor Facilitator believes that “there is a view shared widely within the development partner community that the Cambodia Trade Integration Strategy 2014-2018 and its updated Trade SWAp Roadmap does a solid job of identifying the many successes of Cambodia’s trade sector and addresses head-on key issues of concern to business, many of which are at the top of the Government’s trade reform agenda.” He said that “these include the contribution of exports of goods and services to job creation; the critical role to be played by continued diversification of exported goods and destination markets; the need to move up the national and regional value chains; and the overriding importance of ensuring the readiness of Cambodia’s labor force, especially its youth, for the technical and vocational skills demanded by exporters and investors, now and in the future.”

He added that “the updated Trade SWAp Roadmap that accompanies the report can guide Government and development partners in their future to join the efforts building and strengthening Cambodia’s trade sector.”

As Donor Facilitator for the trade sector, he reconfirmed “the readiness of development partners to support Cambodia’s efforts to build a robust, competitive export sector – an export sector that can respond to the demand of Cambodians for more and better jobs with decent pay, good working conditions, and expanding and more equitable access to opportunities for individuals to grow and prosper.... As one of the development partners supporting the reform efforts in the trade area, the ADB itself is strongly committed to supporting the Government’s objective for trade sector development and implementing the priorities and actions identified in the new Trade SWAp Roadmap over the coming years.”

#### **5. Statement of Ms. Claire Van der Vaeren, UN Resident Coordinator and UNDP Resident Representative in Cambodia**

In her speech, Ms. Claire Van der Vaeren, United Nations Resident Coordinator and UNDP Resident Representative in Cambodia informed that “the progress Cambodia has made toward global economic integration is a positive and successful step toward linking the country to global value chains. At the same time, the environment surrounding Cambodia is changing fast; the ASEAN Economic Community by 2015 will bring additional opportunities to Cambodia. Two thirds of the middle class are expected to reside in the Asia and Pacific region by 2030. Their income, values and expectations will drive future global growth. As the Cambodia Trade Integration Strategy highlights, this trend is already observed in Cambodia’s changing share of export partners and the composition of tourists to Cambodia in the recent past. Building on the success achieved, it is increasingly strategic to seize new opportunities presented in the regional space by investing the value additions and participating in the new value chains.”

She added that “while the country has progressed commendably with integrating trade into its development strategies, efforts need to be amplified if Cambodia is to meet its economic goals, with commensurate social benefits. Mainstreaming trade is a process

that requires a shared vision, political commitment and sustained efforts; it is an important component of sustainable growth to which the UN stands committed to providing ongoing support. As national development policies and strategies, institutional arrangements and development partnerships increasingly include strategic trade considerations, Cambodians will benefit from the country's economic linkages. I believe Cambodia's Trade Integration Strategy and its accompanying Roadmap will greatly contribute to this effort."

The UN Coordinator has reiterated that "the UN has, and continues to mobilize support for trade in Cambodia in numerous ways: through providing technical expertise for policy formulation, capacity building, brokering partnerships and developing systems and strategies that build bridges between Cambodians and the global marketplace. United Nations Industrial Development Organization supports the development of the fisheries sector, and provides support for improving standards, metrology, testing and quality. The International Trade Centre delivers assistance to vulnerable communities to improve the quality of Cambodia's silk production. The United Nations Conference on Trade and Development, supported the implementation and deployment of the Advance Systems for Customs Data together with the General Department of Customs and Excise, as well as provided technical cooperation for the country's pre and post- World Trade Organization accession. The United Nations Conference on Trade and Development was instrumental in helping Cambodia benefit from the Generalized Systems of Preferences, as well as in modernizing its Rules of Origins mechanisms. As a new pilot endeavor, the United Nations Development Programme (UNDP) is currently supporting the cassava sector through partnership with the EIF programme and the Ministry of Commerce of the People's Republic of China."

She highlighted that "of all the priorities in the Cambodia Trade Integration Strategy, the human capital agenda is particularly important. To this end, the Cambodia Trade Integration Strategy sets out some specific targets for instance, establishing Training Centers in all Special Economic Zones, promoting models for Private-Public Partnerships in Technical and Vocational Education and Training and significantly expanding the number of engineering graduates."

## **6. Presentation of H.E. Pan Sorasak, Secretary of State, MOC**

In his presentation, H.E. Pan Sorasak, Secretary of State of MOC, reported on the four key findings of the CTIS 2014-2018 and the Trade SWAp Roadmap: "(1) Continued robust export growth will be key to creating jobs and absorbing the large cohort of youths entering the labor market; (2) Trade competitiveness is critical for continued export expansion and diversification. Preferential market access to EU very important. Trade integration within Asia (AEC and RCEP) will play a growing role; (3) Bridging skill shortages and skill gaps is critical to continued export development, growth of better jobs with better income, and a positive human development impact; and (4) Trade SWAp can be improved for stronger mobilization and coordination of Technical Assistance. Private Sector must play a greater role in addressing trade development challenges with Government. Public-Private Partnership should be encouraged."

The Secretary of State commented that exports create jobs and pointed out to the following information about how jobs are being created out of the export market: "(a) 300,000 to 400,000 youths enter the Cambodian labor market each year. Labor market could double in ten years from today's 4.5 to 5 million labor force; (b) Exports have large impact on jobs. For example, in 2012: (a) 370,000 jobs in garments; (b) 65,000 jobs in footwear; (c) 10,000 in light manufacturing assembly (bicycles, electrical, electronics, others); (d) 60,000 in natural rubber; (e) Hundreds of thousands of farmers grow rice, cassava, other agricultural export products; (f) 620,000 are employed in tourism."

In terms of trade competitiveness, he pointed out various challenges that need to be addressed in critical areas related to improved market access, strengthened domestic business environment, investment, export diversification, and deepened integration in Global Value Chains.

In terms of the skills for export, H.E. Pan Sorasak summarized some of the human development findings: (a) Export sector creates large number of jobs (direct and indirect) and has potential to create large number of new ones; (b) Wages and income are rising; (c) Skills development is a major issue; (d) Impact on living condition of export sector workers is mixed; (e) Evidence of significant regionalization of export sector jobs since 2007 but more regionalization is needed; (f) Cost of energy is a big bottleneck. Sustainable energy opportunities are very significant; (g) Need to address environmental impact of some export sectors on water, soil, and waste. He added that there are many challenges related with skills: (a) Significant skills shortages and skill gaps are holding back the trade sector; (b) Bridging shortages and gaps will help export sectors move up the value chain and create better jobs with better income and better upward mobility opportunities for individuals; (c) Cambodia needs strong TVET system (Technical Vocational Education and Training system); (d) Cambodia needs to train more engineers; (e) Core “foundation” skills must be strengthened at all levels of education (e.g. numeracy, verbal and written communications, problem solving, team work, etc.); (f) Education and Private Sector must work closer together to identify skills needed, to expose youth to the world of work during formative years, to develop TVET programs and curriculums, etc.; and On-the job training and life-long retraining constrained by weak “foundation” skills and the high number of holiday days impacting working time (Cambodia provides a far larger number of holidays than any other ASEAN country).

In conclusion, H.E. Pan Sorasak pointed out the need to fully engage development partners and stakeholders in the updated Trade SWAp Roadmap for 2014 to 2018: (a) Trade mainstreaming is improving but room for further improvements; (b) Trade dimension needs to be more clearly reflected in sector policies (as is the case for Rice); (c) Trade SWAp has helped achieve greater mobilization and better coordination of Technical Assistance; (d) S-SC T&TRI focus should move away from monitoring individual projects to monitoring overall results, impacts, progress of technical assistance in trade against Roadmap targets; and (e) Private sector needs more direct engagement in trade projects and be direct contributor to finding solutions to key challenges. PPP initiatives should be encouraged and developed in education, TVET, infrastructure projects, etc. that support trade development.

## **7. Closing Remarks of H.E. Sun Chanthol, Senior Minister, MOC**

In his closing remarks, H.E. Sun Chanthol, the Senior Minister of MOC said that the “implementation of this ambitious blueprint cannot be left to the Ministry of Commerce alone. We need active engagement of all concerned stakeholders, including line ministries, private sector representatives, operators, and investors and development partners. In the weeks ahead, I look forward to reviewing with all of you how we can improve the mechanisms of the Sub Steering Committee and the Trade SWAp to help us monitor our collective progress against our targets, including by linking our work to the Working Groups set up by the Government to monitor the implementation of the Third Phase of the Rectangular Strategy.”

As part of the initial response to some of the proposals contained in the Cambodia Trade Integration Strategy 2014-2018, he informed that “the Ministry of Commerce has already taken a number of steps in areas directly under its purview. Specifically:

- **“Automation of MoC key business processes.....**the Ministry would be working expeditiously on simplifying and automating a number of key processes linked to exports, including putting online the issuance of Certificate of Origins as well as the company registration process. This process is now underway. I also announced in November that Camcontrol would be reformed. That process has also moved forward rapidly.”
- **“The Trade Training and Research Institute. ....**We have freed up a Ministry property that will house the Institute. We are seeking assistance in organizing the Institute and setting up the training, including discussing with various relevant

international organization show on how they can help us put in place an initial curriculum and the accompanying trainers.”

- **“Export promotion.** ....In the new organization of the Ministry, trade promotion will become a general directorate rather than a department, as at present. Our export promotion activities will be broadened, deepened and better directed, so as to improve their effectiveness.”
- **“Trade policy.** The Cambodia Trade Integration Strategy points out correctly that there is now considerable scope for us to produce in Cambodia some of the inputs required by our garment, footwear, and bicycle export industries. Production of inputs in Cambodia will greatly increase the benefits that Cambodia derives from its export industries. In the months ahead we will be examining the steps that need to be taken to encourage production in Cambodia of parts and materials used by our exporters.”

The Senior Minister also confirmed the “need for continued engagement from our Development Partners. The effort behind the Cambodia Trade Integration Strategy 2014-2018 is a powerful example of how Government, private sector stakeholders, and key development partners can work together towards a common goal.”

He also announced that “on Feb 20, 2014, we will be launching the CEDEP II program (Cambodia Export Diversification and Expansion Program) with principal funding support from the EIF and with other development partners joining some of the subprojects contained in this new program.”