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CTIS 2014-2018: FINDINGS, RECOMMENDATIONS, AND TRADE SWAP ROADMAP

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CTIS 2014-2018 & Trade SWAp Roadmap: Four Key Findings



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
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



1

EXPORT GROWTH AND JOB CREATION

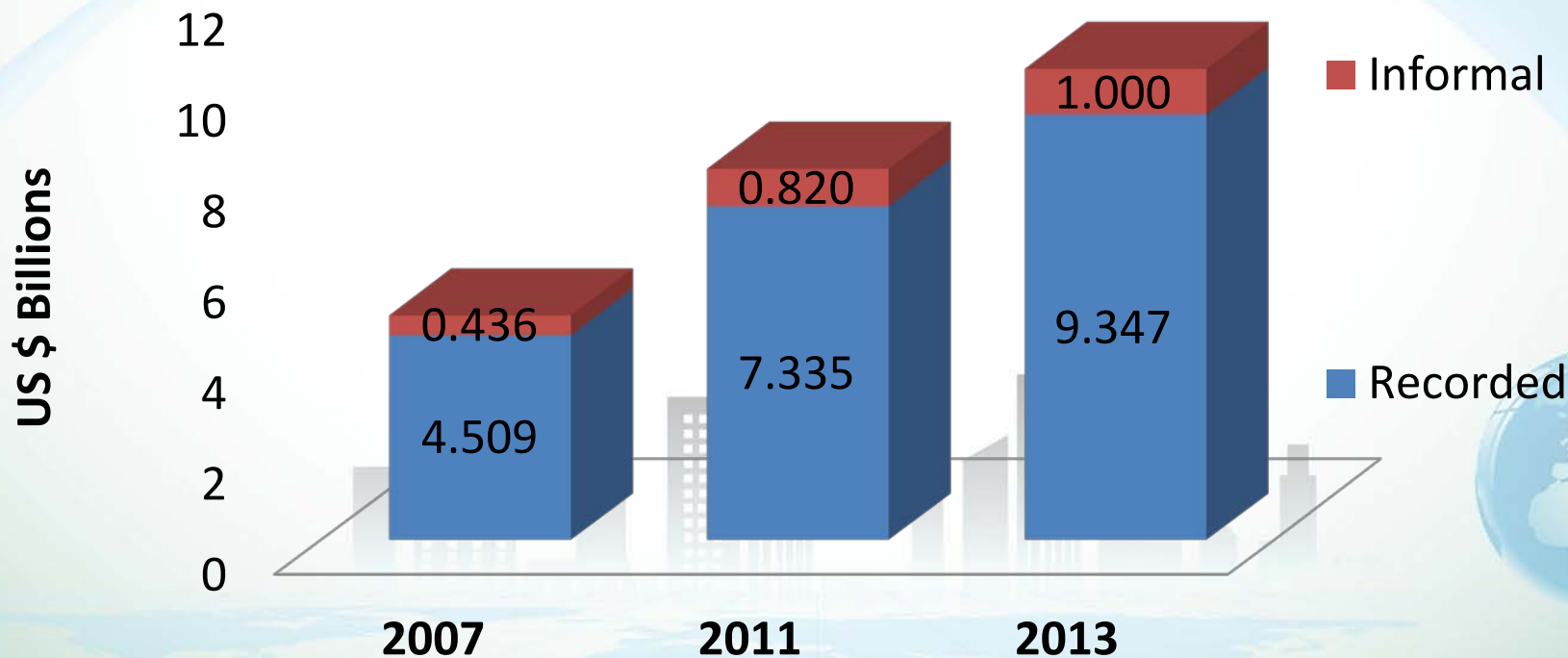




Cambodian exports are growing rapidly



Cambodian Exports of Goods and Services Recorded and Informal, 2007-2013

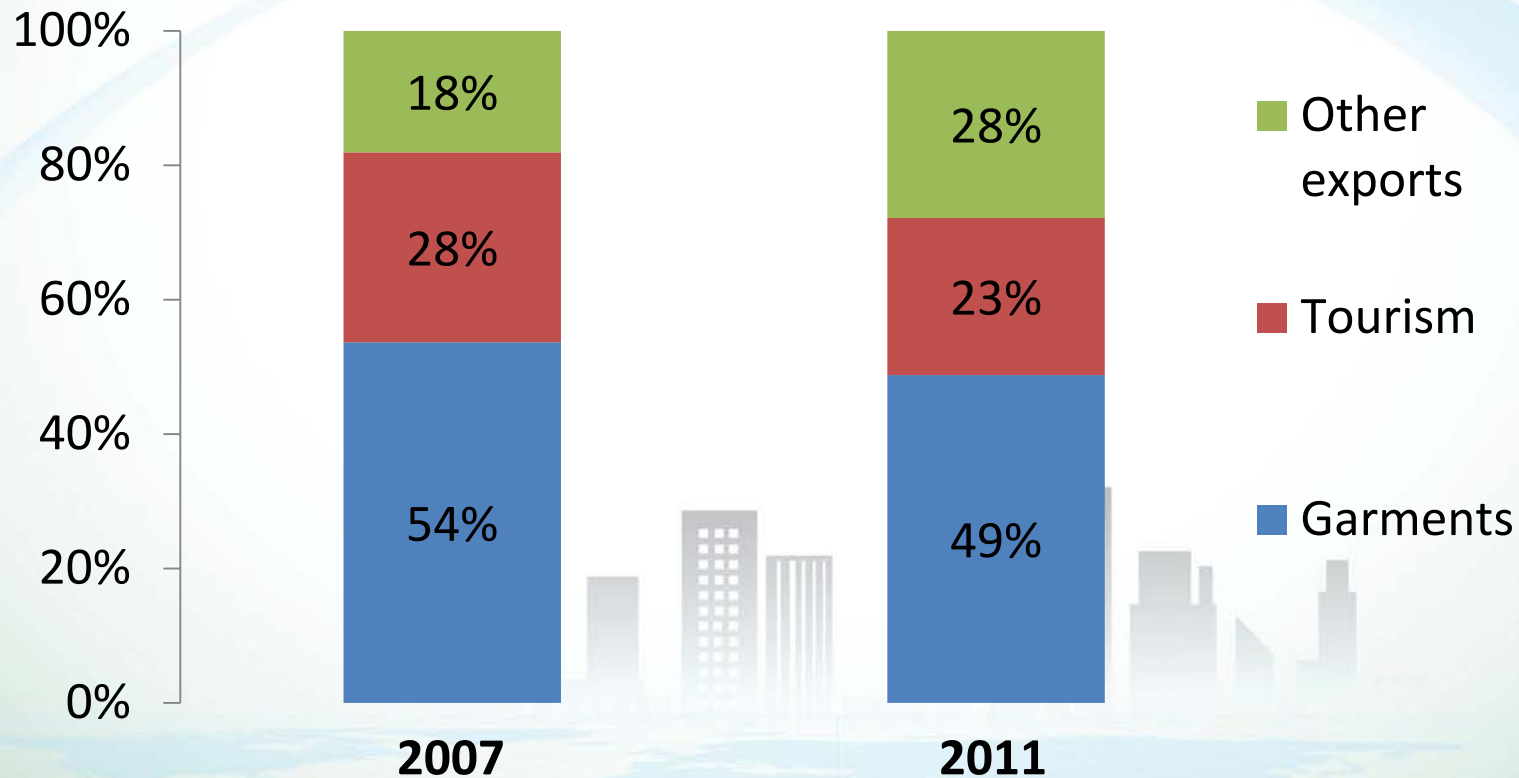




“Other” exports including footwear, bicycles, electronics, natural rubber, milled rice, etc. are growing significantly



**Changing Goods and Services Export Mix,
% share of total recorded and informal exports, 2007-2011**

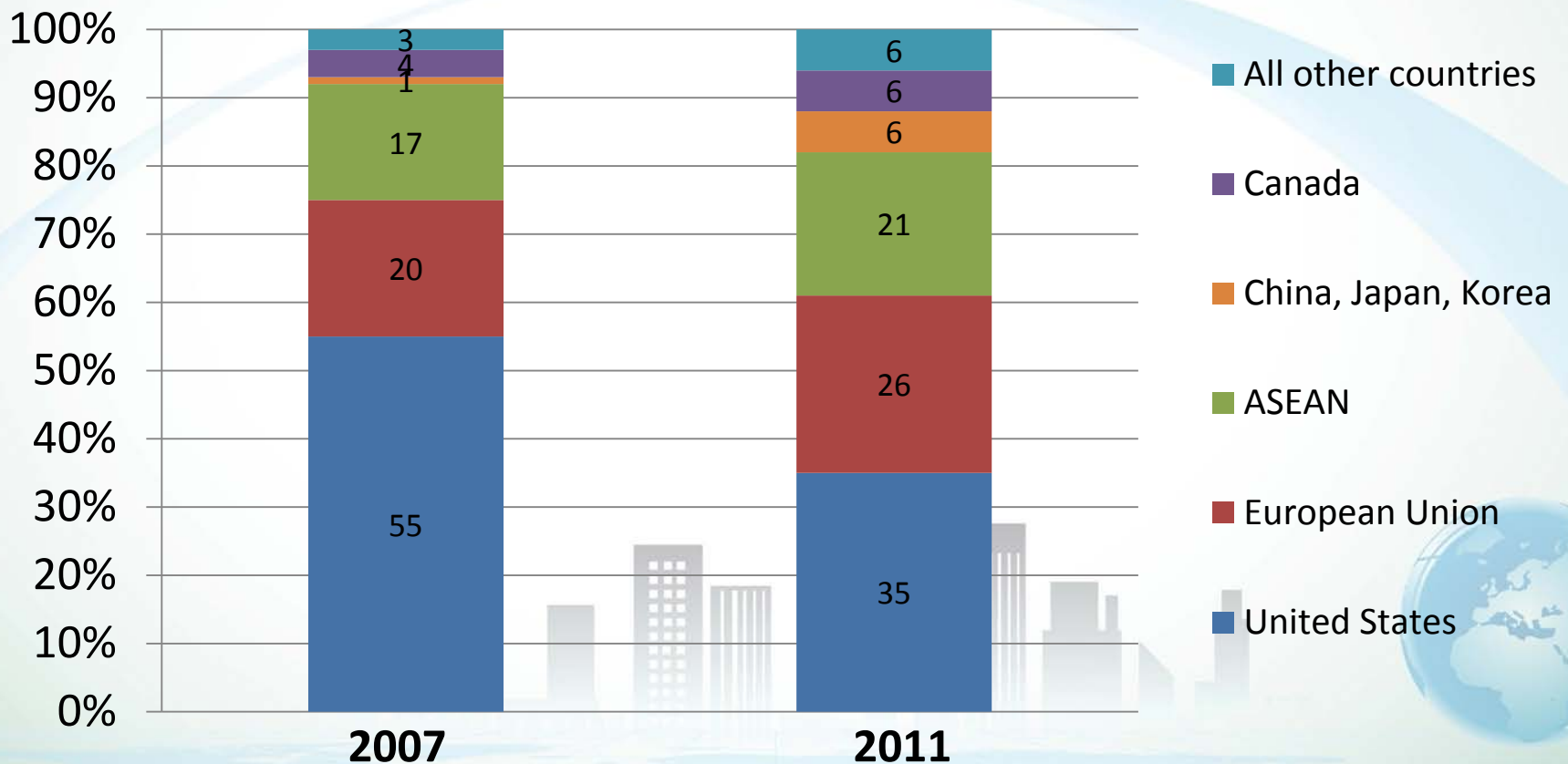




The destination of Cambodian exports is changing



Destination of Recorded and Informal Goods Exports,
% share of total by countries, 2007-2011





Exports create jobs

- 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
- Exports have large impact on jobs. For example, in 2012:
 - 370,000 jobs in garments
 - 65,000 jobs in footwear
 - 10,000 in light manufacturing assembly (bicycles, electrical, electronics, others)
 - 60,000 in natural rubber
 - Hundreds of thousands of farmers grow rice, cassava, other agricultural export products
 - 620,000 are employed in tourism





2

TRADE COMPETITIVENESS





Trade competitiveness requires addressing challenges in several critical areas



1/ Improved market access

(mainly chapters 1 and 4)

- Preferential market access, including preferential Rules of Origins, through FTAs, DFQFs, GSP schemes, and EBA is critical
- AEC integration and RCEP will play a growing role
- SPS requirements and technical standards: a challenge for Cambodian agro-processing exports, but a need
- Agro-processors must meet SPS requirements of importing countries
- RGC must strengthen SPS surveillance and SPS implementation capacity
- Failure to meet SPS requirements of importing countries may lead to costly bans on agro exports. A risk to mitigate



Trade competitiveness requires addressing challenges in several critical areas



2/ Strengthened domestic business environment

(mainly chapters 1, 2, and 3 – also chapter 9/SEZs)

- Trade-related legal reform: WTO Trade Policy Review (TPR) confirms significant progress. Some key reforms to complete (Competition law, SEZs law, WTO compliance of Standards law, modern Food Law, etc.)
- *National Trade Information Portal* to be developed.
- Trade facilitation and Trade logistics: very significant recent progress; more to be done. Cambodia should aim to get costs closer to ASEAN-6.
- Automation of key customs documents (Certificate of Origins, SPS certificates, etc.) needed with the aim of implementing *National Single Window* conformed with ASEAN commitments.
- Formulate and implement National Transportation Logistics blueprint.
- Improve cost competitiveness of ports.
- Continue improvements and/or rehabilitation of key roads, railroads, ports.
- High costs of electricity a serious constraint.





Trade competitiveness requires addressing challenges in several critical areas (1)



3/ Investment, export diversification, and deepened integration in global value chains (mainly chapters 5, 7 through 16)

- CTIS looks at 10 exports sectors in manufacturing, agro-processing, and tourism
- Deepened integration in *global value chains* (GVC) important for development of current and future manufacturing exports: e.g. bicycles, footwear, electronics, garments, electrical and electronics, other
- National *Industrial Policy* needs to focus on opportunities for deeper integration in GVCs as well as opportunities to develop domestic clusters of suppliers in sectors such as garments, footwear, bicycles where economies of scale already exist





Trade competitiveness requires addressing challenges in several critical areas (2)



3/ Investment, export diversification, and deepened integration in global value chains

(mainly chapters 5, 7 through 16)

- Investment in modern agro-processing facilities that can meet standards of importing markets is key to expansion and value addition in agro-processing.
- Investment promotion efforts should include clear strategy for and focus on priority export sectors of the Government.
- Building investment promotion capacity at provincial level is needed to help spread benefits of export growth to provinces.



3

SKILLS FOR EXPORTS





Human Development findings



(Key findings summarized in table 1 in Introduction)

- Export sector creates large number of jobs (direct and indirect) and has potential to create large number of new ones
- Wages and income are rising
- Skills development is a major issue (more on this next slide)
- Impact on living condition of export sector workers is mixed
- Evidence of significant regionalization of export sector jobs since 2007 but more regionalization is needed.
- Cost of energy is a big bottleneck. Sustainable energy opportunities are very significant.
- Need to address environmental impact of some export sectors on water, soil, and waste





Skills challenges

(mainly Chapter 17)



- Significant skills shortages and skill gaps are holding back the trade sector
- 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
- Cambodia needs strong TVET system (Technical Vocational Education and Training system)
- Cambodia needs to train more engineers
- Core “foundation” skills must be strengthened at all levels of education (e.g. numeracy, verbal and written communications, problem solving, team work, etc.)
- 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.
- 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)



4

TRADE SWAP AND ROADMAP





Trade SWAp and Roadmap

(mainly Chapter 18)



- Trade mainstreaming is improving but room for further improvements
- Trade dimension needs to be more clearly reflected in sector policies (as is the case for Rice)
- Trade SWAp has helped achieve greater mobilization and better coordination of Technical Assistance
- 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
- 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.



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