

*National Conference on Integration of AEC 2015 – Challenges  
and Opportunities for SMEs in Cambodia  
December 16-17, 2014*

*Cambodia Trade Integration strategy:  
Private Sector Development – Policy  
supports to SMEs  
Presented by Ministry of Commerce*

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# CTIS 2014-2018

- Cambodia as a LDC has developed its first DTIS in 2001, and subsequently updated it in 2007, and 2013.
- Cambodia Trade Integration Strategy 2014-2018 is the Country's third generation of DTIS.
- CTIS 2014-2018 is presented in the form of recommendations on trade competitiveness, regional integration, bridging skill gaps, and enhancing government capacity to mainstream trade into National Strategic Development Plan (NSDP 2014-2018).
- It has been and will be used to tap resources from Aid for Trade and other trade related assistance.

# Why need it?

- To ensure Cambodia fully benefits from AEC: Enhance preparation and readiness.
- Even Cambodia has made progress in economic growth, but global market competitiveness, export market standard, and low number of youth entering labor market remain the challenges for Cambodia trade integration into global market.
- Then, we have obligation to continue to grow and diversify in order to create sufficient jobs, enhance skill of human resource for the new job in labor market, foster favorable environment to maintain existing and attract more business and investment.
- Then realizing objectives of NSDP: Private Sector Development – integrate CTIS’s finding and recommendations to implement NSDP 2014-2018.

# The findings: Export growth – Job creation

- 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, last year:
  - 467,255 jobs in garments
  - 86,670 jobs in footwear
  - More than 10,000 in light manufacturing assembly (bicycles, electrical, electronics, others)
  - More than 60,000 in natural rubber
  - Hundreds of thousands of farmers grow rice, cassava, other agricultural export products
  - More than 620,000 are employed in tourism

# The findings: Competitiveness

## Improve Market Access:

- 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.

# The findings: Competitiveness

## Strengthen domestic business environment:

- 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 Logistics blueprint.
- Improve cost competitiveness of ports.
- Continue improvements and/or rehabilitation of key roads, railroads, ports.
- High costs of electricity a serious constraint.

# The findings: Bridging skill gaps

- Export sector creates large number of jobs (direct and indirect) and has potential to create larger number.
- Wages and income are rising.
- Skills development is a major issue.
- 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.

# The findings: Bridging skill gaps

- 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 and skill workers.
- 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) .

# Private Sector Development- CTIS link to NSDP

- Need for further improve trade mainstreaming: *enforcement of reforms required under WTO and ASEAN –strengthen trade negotiation and transparent trade rules including the enactment of new laws/regulations.*
- Trade dimension needs to be more clearly reflected in sector policies (Rice, cassava, others ) including value chain and ability of supply : *increase Cambodia’s competitiveness – reduce business cost, improve trade logistic, increase productivity.*
- Private Sector must play a greater role in addressing trade development challenges with Government: *strengthening trade facilitation and private sector development - through Government-Private Sector forum and others.*
- Public-Private Partnership should be encouraged: *Continue to promote role of private sector to be more active and dynamic – establishing and promote more operation of SEZs, encourage the development of industrial clusters for light manufacturing, PPP initiatives should be encouraged in education, TVET, infrastructure projects, etc. that support trade development*

# Private Sector Development- CTIS link to NSDP

- CTIS has indentified a number of potential export products including their value chain and provide recommendation for further studies: *then we have to keep strengthening technical standard and SPS requirement to continue diversification of export products and markets – encourage agro –products processing sector for domestic and export markets.*
- Trade SWAp has helped achieve greater mobilization and better coordination of Technical Assistance: *effectively use of TA (through the three pillars) to continue the reform of regulatory frame work, increase productivity and quality of products and services, and bridging skill gaps by enhancing capacity development in specific sector and specific skill needed.*
- S-SC T&TRI focus should move from monitoring individual projects to monitoring overall results, impacts, progress of technical assistance in trade against Roadmap targets: This will help to address issues/challenges through holistic approach – problems concerning domestic value added, business environment, logistics, productivity, red tape, etc.