RESTRICTED

WT/TPR/G/469

29 January 2025

(24-8621)

Page: 1/35

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

REPORT BY

CAMBODIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Cambodia is attached.

Note: This Report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Cambodia.

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1 INTRODUCTION

1.1. Since its last Trade Policy Review (TPR) in 2017, Cambodia has continued displaying considerable efforts to comply with its WTO commitments, diversify its economic base, and prepare for the path to graduation from least developed country (LDC) status. Cambodia posted average strong growth and maintained macroeconomic stability during the review period (2017-2024) despite the difficulties generated by the COVID-19 pandemic, geo-political conflicts, global economic uncertainty, and natural disasters.

1.2. In the last TPR, Members encouraged Cambodia to continue to modernize its regulatory regime. Since then, Cambodia has met most of these challenges. In 2021, new investment legislation was put in place, a competition law was introduced, a new law on public procurement was adopted, several trade facilitation measures were put in place, and legislation to create a commercial court was drafted, among others. Cambodia acceded to the Beijing Treaty on Audiovisual Performances in 2019. Apart from this, in 2022 Cambodia joined the Berne Convention, as had been advised by Members in the 2017 TPR. At present, Cambodia is in the advanced stages of reviewing the amendments to the Law on Copyright and Related Rights to ensure comprehensive compliance with the Bern Convention. As encouraged by Members in the previous TPR, Cambodia has improved its notifications record in areas such as import prohibitions, import licensing, state trading, and technical barriers to trade. Cambodia has, since 2017, presented some 17 notifications regarding its import licensing regime, and the most recent is a comprehensive document regarding wood, chemical and radioactive substances, gold, radiocommunication and telecommunication products, Information and Communication Technology (ICT) related products, and seeds, among others. It has also presented a considerable number of notifications on technical barriers to trade, agriculture, anti-dumping, countervailing measures, as well as two full notifications on state trading enterprises, as it was invited to do in the previous TPR. To improve its SPS regime, Cambodia enacted the Law on Plant Protection and Quarantine in May 2022 and notified it to the WTO in May 2024. This law aims to manage plant health, ensure food security, and maintain quality and safety of agricultural products. The Law on Food Safety was promulgated in June 2022 and notified to the WTO in July 2024.

1.3. Since its last TPR in 2017, Cambodia has stepped up its already active participation in the WTO. For instance, a permanent Mission to the WTO and other international organizations was set up in 2017. Cambodia has taken part in the work of all main WTO bodies, and in its Ministerial Conferences. It has actively taken part in negotiations, including on new issues such as fisheries, WTO and dispute settlement reforms, LDC graduation, trade and environment, and investment. Cambodia has occupied main positions in multilateral bodies during the review period. Cambodia chaired the WTO Council on Trade in Services in 2022, and in January 2024, it assumed the chairmanship of the Geneva Chapter of the Group of G77 and China.

1.4. Throughout the years, Cambodia has presented several proposals to the different WTO bodies, individually, or together with other WTO Members. Cambodia participates in the joint initiative on Investment Facilitation for Development and in the environmental initiative on Plastics Pollution and Environmentally Sustainable Plastics Trade. In recent years, Cambodia has submitted communications on Cambodia's experience on E-commerce readiness and its challenges; the impact of GSP graduation on LDCs and cumulation: the case of Cambodia; and on the importance of differentiating utilization rates of preferential trade arrangements. Cambodia is a member of several of the negotiations groups, including Asian developing members, ASEAN, G-90, and Least-developed countries (LDCs). Cambodia accords at least MFN treatment to trading partners, including non-WTO Members, and has shared its experience and national good practices with Members, through its interventions in Committees and Subcommittees, and working groups.

1.5. Cambodia has also actively pursued the interest of the LDC group in the WTO, emphasizing the centrality and importance of special and differential treatment for LDCs. Cambodia has promptly abided by its commitments and obligations in the WTO, reflected by the substantial number of notifications submitted and its remarkable compliance record regarding the Trade Facilitation Agreement. On 6 May 2024, Cambodia deposited its document of acceptance of the Fisheries Agreement and continues to engage actively in the negotiations on phase 2 of this agreement, as well as on other issues including investment facilitation, WTO Work Programme on E-commerce, and others. As of end 2024, Cambodia has not been involved in any dispute in the WTO, neither as plaintiff nor as defendant; it has not taken part in any dispute as a third party.

1.6. During the period under review (2017-2024), Cambodia has achieved considerable progress and transformation in all areas, including politics, security, social order, and socio-economic development. This has been possible by the application of sound macroeconomic policies, increasing trade liberalization, and considerable progress in regulatory and institutional reform. Through the implementation of the Four-Phase Rectangular Strategy and the current Phase I of the Pentagonal Strategy, Cambodia has made several major achievements, including building close relations and enhanced cooperation with many countries around the world, playing an increasingly active role in regional and global affairs, including through its participation in ASEAN.

1.7. Since its last TPR in 2017, Cambodia has continued to achieve a high and sustainable economic growth rate. Rapid growth has enabled the country to reach lower middle-income status, to improve the living standards of the population, and to experience a decline in poverty. Cambodia is also increasingly connected to regional and global value and supply chains, aided by the emergence of new high value-added industries and by a strengthening and expansion of its industrial base and its international trade. Growth has been supported by large foreign direct investment flows.

2 MACROECONOMIC DEVELOPMENTS

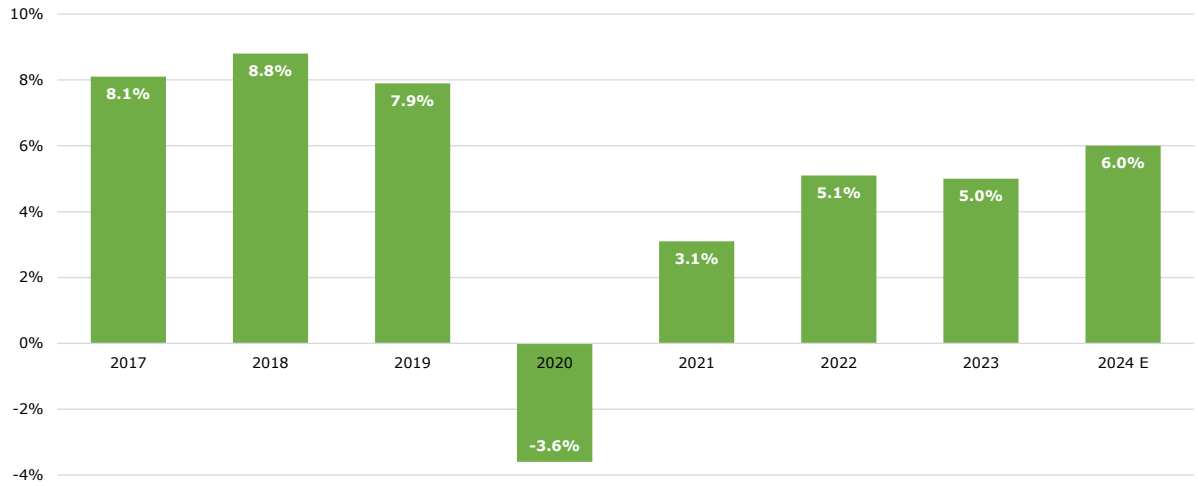
2.1. Cambodia's impressive record of economic growth over the last two decades, supported by outward-looking trade policies and sound macroeconomic policies, has notably improved the standards of living of its population, and helped to take many of its people out of poverty. Since its last TPR in 2017, Cambodia has shown strong average economic growth, except for 2020, when the economy was severely hit by the COVID-19 pandemic. During the review period, Cambodia's Gross Domestic Product (GDP) in real terms, was rebased. With GDP rebasing, which implied a change of base year from 2000 to 2014, Cambodian GDP increased by some 32%.[1]

2.2. Real (rebased) GDP grew at an annual average rate of 4.9% during the 2017-2023 period. Real GDP growth was strong during the 2017-2019 period, in the range of 7.9%-8.8%, supported by rising exports and an important flow of foreign investment. Like all economies in the world, Cambodia was negatively affected by the COVID-19 pandemic, which led to a 3.6% decline in real GDP in 2020. However, the Cambodian economy showed a high resilience to this external shock. Not only the contraction of real GDP was less pronounced than in other economies, but the economy experienced a swift recovery in 2021 and 2022, when real GDP grew by 3.1% and 5.1%, respectively, according to data from the National Institute of Statistics (Chart 1). Real GDP growth in 2023 has been estimated in 5% and is expected to have accelerated further to 6% in 2024. So, despite the COVID-19 pandemic effects and the uncertainty caused by global geo-economic tensions and conflicts, the Cambodian economy experienced a rapid recovery from 2021-2023, with the growth rate bouncing back to around 5%.[2]

[1] The rebased National Accounts used 2014 as the new base year to calculate GDP. The rebasing resulted in a higher nominal and real GDP and showed a change in the economic structure, which has an impact on key macroeconomic and sectoral indicators shown as a ratio to GDP including those in the fiscal, external, and monetary sectors.

[2] Information by the MEF. Viewed at: https://mef.gov.kh/macro-economic/macro-economic-2023/.

Chart 1 Real GDP growth, 2017-2024



2.3. In 2023, (rebased) GDP per capita amounted to USD 2,520, while annual inflation was stable at around 2.1%. A comparison with 2017, when GDP per capita was only USD 1,887 shows that between 2017 and 2023, GDP per capita increased by 33.6%. This has been accompanied by a reduction in the poverty rate, which has been brought down and a reduction in inequality.

2.4. During the review period, Cambodia's sound macroeconomic policies, combined with its trade openness and the strides made in competitiveness, contributed to creating a climate of confidence and led to an increase in private investment, while the implementation of important reforms boosted public investment. Gross capital formation grew at an average annual real rate of 8.2% in the 2017-2022 period, even considering the 1.8% decline experienced in 2020 due to the pandemic. Gross fixed capital formation real growth peaked in 2018 at 17.9%, and 14.7% in 2019. Overall, real gross capital formation was some 60% higher in 2023 than in 2017. Exports of goods and services expanded by an average real rate of 6.9% during the 2017-2022 period, even considering the 12.2% real decline in 2020 due to COVID-19. Real exports boomed in 2023, when they rose by 21.3% with respect to 2022, rising to USD 23.5 billion from USD 23.1 billion in 2022.

2.5. Cambodia has continued to transform its economic structure over this review period. The structural economic transformation has resulted in a shift from traditional agriculture to industry, particularly manufacturing, and services as the new engines of growth. This trend intensified during the review period. For instance, in 2017, the share of current value-added (excluding taxes and subsidies) of agriculture to total value added was 18.9% while industry and services represented 34.3% of value added (garments accounted for 12.9% and non-garments accounted for 8.9%) and 41.8%, respectively (Chart 2). However, by 2023, the share of agriculture had dropped to 16.5% while the share of industry had risen to 40.5% (garments accounted for 12.5% and non-garments accounted for 14.0%), and services represented 36.7% of value added (Chart 2).

Chart 2 Sectoral share of value added (constant 2014 prices)

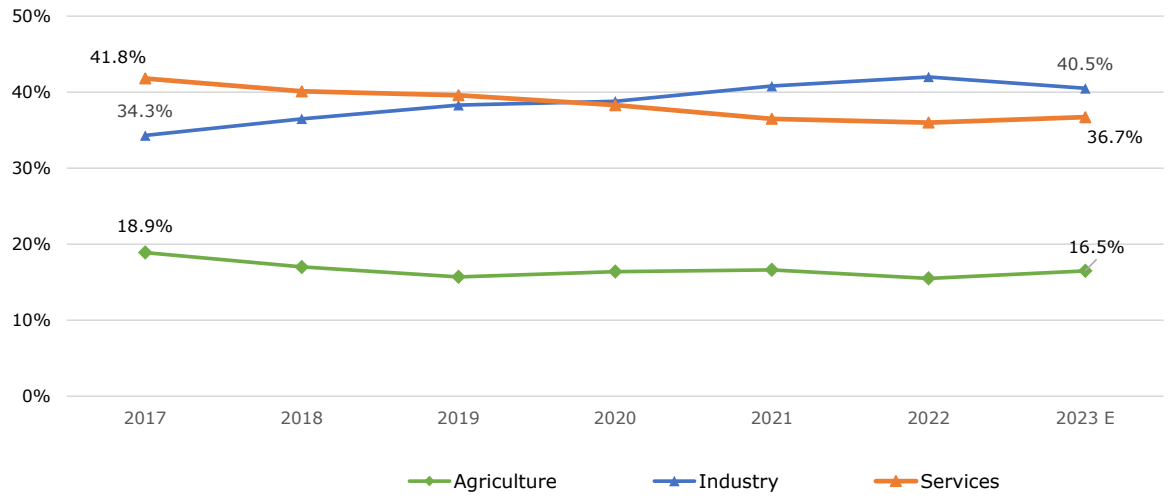
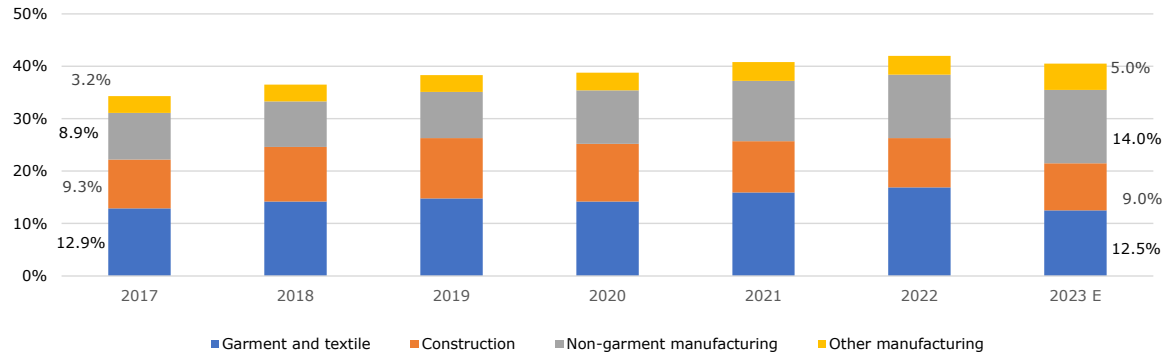
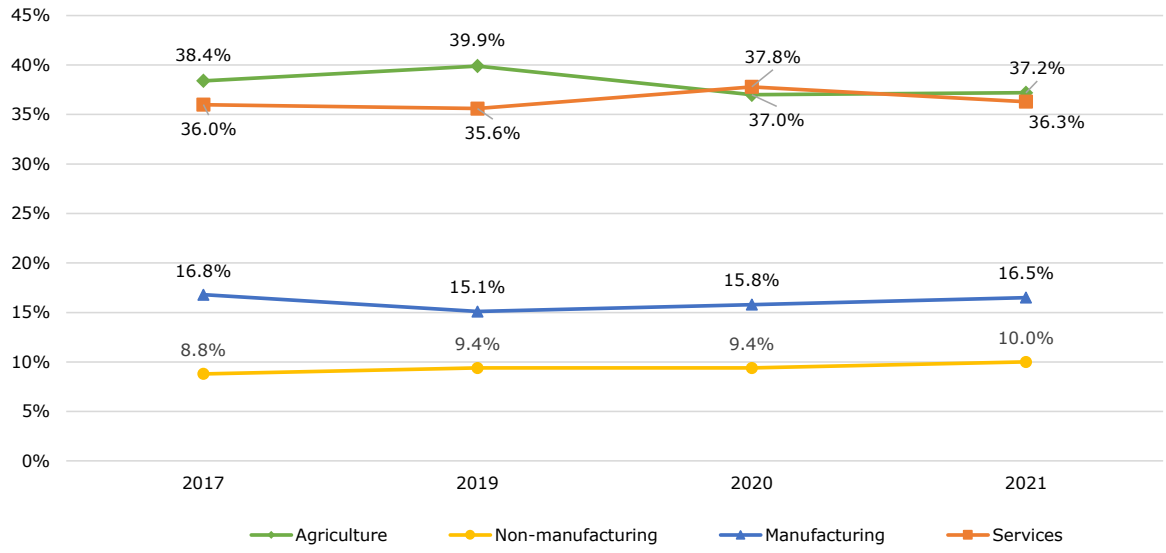


Chart 3 Sectoral share of value added within industry (constant 2014 prices)



2.6. In 2017, agriculture's share of total employment was 38.4%, while industry's share was 25.6% (manufacturing accounted for 16.8%), and services' share was 36.0%. By 2021, the share of employment in agriculture had decreased to 37.2% while the share of industry had increased to 26.5% (manufacturing accounted for 16.5% of total employment), and services' share remained stable at 36.3% (Chart 4).

Chart 4 Employment share (% of total employment)



2.7. Cambodia, like most other countries, faced challenges during the pandemic. The authorities had to step in to sustain economic activity to avoid a steeper recession. To support the economy and prevent an increase in unemployment during the pandemic, the National Bank of Cambodia (NBC) implemented four measures in 2020 to inject liquidity into the banking system. This prompt intervention was instrumental in the swift recovery experienced by the economy. The measures were: (a) cutting the interest rate in the NBC's Liquidity Providing Collateralized Operations, in this way lowering funding costs in domestic currency for banks, and facilitating credit; (b) delaying additional increases in the Capital Conservation Buffer, also to promote credit allocation; (c) lowering the interest rate on Negotiable Certificates of Deposit (the collateral for LPCOs), also as a means to encourage banks to disburse loans; and (d) lowering the required reserves that banking and financial institutions must maintain with the NBC both for local (KHR) and foreign currency (USD). The rate was lowered to 7% both for KHR and USD in February 2021. In 2020, the NBC issued guidelines to allow financial institutions to restructure loans for borrowers experiencing financial difficulties in priority sectors (tourism, garments, construction, transportation, and logistics) for six months and later extended the forbearance period by another six months to end-June 2021.

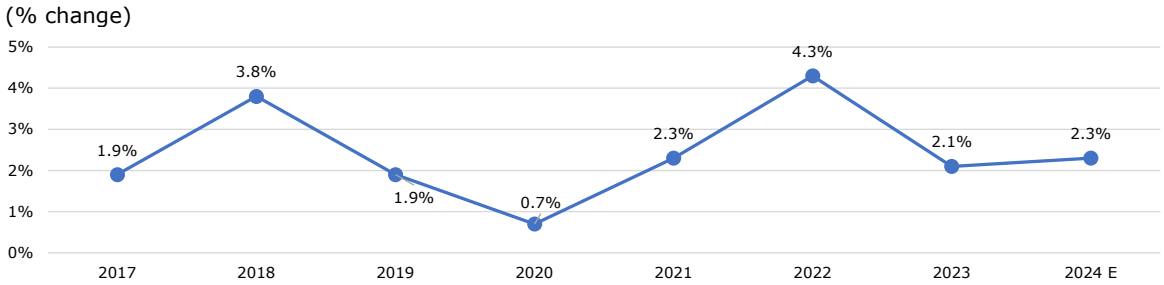
2.8. During all the review period, the NBC has continued to implement a managed floating exchange rate regime. The NBC intervenes in the foreign exchange market only to maintain the exchange rate in accordance with its price stability objective. The NBC's official exchange rate is monitored daily, and has remained stable during the period under review, despite suffering from external shocks such as the pandemic and floods. The nominal exchange rate, which in 2017 was KHR 4,050 per USD remained relatively stable during the review period, reaching KHR 4,111 per USD on average in 2023, just 1.5% above pre-pandemic levels. The nominal exchange rate has remained steady throughout 2024.

2.9. During the period under review, and despite the supply-side shortages caused by the pandemic, Cambodia has managed to keep a low inflation rate, which reflects the prudent monetary policy adopted by the NBC. While the NBC does not implement an inflation targeting policy strictly speaking, through its cautious management of monetary policy, it seeks to keep inflation at an annual average of less than 5%. The NBC implements its monetary policy aimed at keeping price stability within the broader framework of Cambodian government's economic and financial policies. The main monetary policy instruments used to achieve price stability are banks reserve management through the reserve requirement rate for both domestic and foreign currency, and foreign exchange market intervention. The NBC is currently in the process of implementing additional monetary policy

instruments to make monetary policy more effective. These include issuing Negotiable Certificates of Deposit (NCDs), developing interbank and monetary markets, and promoting the use of the Riel.[3]

2.10. Despite attempts to diversify its exports and hence the source of foreign exchange, Cambodia continues to be a highly dollarized economy. As this may result in a trend to import inflation, it is vital for Cambodia to keeping an open economy, to be able to source the required inputs, capital goods and consumer goods needed at the best available prices. In general, then, this openness has contributed to keep inflation under control in the country, since availability of, and competition from, imports have exerted a downward pressure on domestic prices. Additionally, the productivity gains which have taken place in the last few years, reflecting the country's high investment and GDP growth rates, have helped counter the effect of higher prices of raw materials on domestically produced final goods prices. The average annual variation of the GDP deflator was 2.4% over the 2017-2023 period and estimated at 2.3% in 2024 (Chart 5). Prices fell during the pandemic and afterwards rose, particularly in 2022, but by mid-2023, inflation was well under 3%.

Chapter 5 Real GDP deflator % change, 2017-2024



2.11. Cambodia posted fiscal surpluses between 2017 and 2019, reflecting a strong economy and an increase in revenue collection. The COVID-19 pandemic changed this and led to a deficit of some -5.4% of GDP in 202 and of -7.5% in 2021. The deficits continued in 2022 and 2023 but have not led to a strong increase in debt, since they have been financed by traditionally large domestic private net savings[4] and net external savings, particularly large net foreign investment inflows. Total public debt represented some 18.8% of GDP in 2023, compared to an average of 18.7% for the 2010-2018 period.[5] The external public debt remains manageable, with a low risk, at under 20% of GDP during the review period, which is well below the 50% threshold set in the IMF's Debt Sustainability Framework (DSF). The external debt-to-GDP ratio was 18.7% in 2023.[6] Gross official reserves increased during the review period, from USD 12.2 billion in 2017, equivalent to 6.7 months of prospective imports, to USD 20.8 billion in 2023, equivalent to 7.4 months of prospective imports.[7] Also, further strides in public asset management efficiency have been made. The Law on the Control, Use and Management of State Assets was approved and promulgated in 2020.

2.12. Over the years, and through its Public Financial Management Reform Programme (PFMRP), Cambodia has steadily improved revenue collection, and has enhanced the efficiency of expenditure execution, and of state assets management. Total domestic revenue collection increased from 10% of GDP in 2000 to 15.3% of GDP in 2017 and to 16.8% of GDP in 2022. The PFMRP has a vision of transforming Cambodia's public financial system to meet international norms and standards so as

[3] National Bank of Cambodia, Monetary Policy, Overview. Viewed at: https://www.nbc.gov.kh/english/monetary_policy/overview.php.

[4] Except for 2021 and 2022, when they were negative because of the pandemic, private net savings have been relatively high as a percentage of GDP, at some 18% of GDP in both 2020 and 2023. See: IMF (2024), Cambodia 2023 Article IV Consultation—Press Release; and Staff Report, IMF Country Report No. 24/36, January 2024. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2024/01/29/Cambodia-2023-Article-IV-Consultation-Press-Release-and-Staff-Report-544276.

[5] World Bank online information, Cambodia. Viewed at: https://thedocs.worldbank.org/en/doc/b991970a7f5096ab093720e27d5f0b68-0500012021/related/data-khm.pdf.

[6] Based on Cambodia Public Debt Statistical Bulletin of the Ministry of Economy and Finance. Net Present Value (NPV) is used and the number has been recalculated using the 2014 GDP rebasing. https://gdicdm.mef.gov.kh/en/2024/02/16/11166.html.

[7] See: IMF (2024), Cambodia 2023 Article IV Consultation—Press Release; and Staff Report, IMF Country Report No. 24/36, January 2024. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2024/01/29/Cambodia-2023-Article-IV-Consultation-Press-Release-and-Staff-Report-544276.

to strengthen the efficiency of budget allocation and ensure macroeconomic stability and fiscal sustainability. The PFMRP, currently in its fourth stage (PFMRP 2023-27), has been applied in stages since 2004 using a "Platform Approach", which seeks to maintain and strengthen the achievements in the previous stage, to build on those in the current phase; and to build new achievements in the future.[8]

2.13. In April 2024, Cambodia launched its "Medium-Term Fiscal Framework (MTFF) 2025-2027", a three-year rolling plan in line with the PFMRP, which aims at ensuring the achievement of a medium-term macroeconomic outlook reflecting the policy priorities indicated in the Pentagonal Strategy-Phase I, particularly those aimed at ensuring macroeconomic and public financial stability and support for key sectors. The MTFF has medium term (fiscal anchor) and operational (annual) rules. The fiscal anchor aims at ensuring that the budget deficit stays at an appropriate level, and fiscal solvency is maintained, and measures against liquidity risks are taken. In the MTFF 2025-2027, Cambodia's fiscal anchor is defined as ceilings to five key indicators: (1) a total Public and Publicly Guaranteed (PPG) debt to GDP ratio of 55%; (2) a PPG external debt to GDP ratio of 40%; (3) a PPG external debt to exports ratio of 180%; (4) a PPG external debt service to exports ratio of 15%; and (5) a PPG external debt service to revenue ratio of 18%. The operational rule lays out specific conditions on fiscal indicators when preparing the annual budget. The Royal Government of Cambodia set an annual budget deficit ceiling of 5% of GDP as an operational rule for the MTFF 2025-2027. This aims at maintaining public debt sustainability and ensure medium-term fiscal sustainability and fiscal consolidation. The MTFF is aligned with the Budget System Reform Strategy (BSRS) 2018-2025, whose objective is to strengthen budget discipline by linking the budget to priority policies and allocating budgets based on performance.[9]

2.14. In recent years, Cambodia has signed several agreements for the avoidance of double taxation. The first agreements signed were with Singapore and China, in 2016. Since the last TPR in 2017, double taxation agreements have come into force with other ASEAN members (Brunei Darussalam, Indonesia, Thailand, Viet Nam, and Malaysia) as well as with the Republic of Korea and Hong Kong, China. Ratification of agreements with Türkiye and Macao, China are currently in progress. Cambodia is also considering negotiating agreements with the Philippines, Lao PDR, Myanmar, France, Japan, Morocco, and the United Arab Emirates.

3 TRADE AND INVESTMENT DEVELOPMENTS

3.1. Helped by its participation in the WTO, Cambodia is currently a very open economy, as witnessed by the share of merchandise and services trade to GDP exceeding 132% in 2023.[10] As a country which is rapidly developing and particularly reflecting the fast growth of investment, Cambodia's merchandise trade balance generally shows a deficit. However, rapidly increasing exports helped reduce this deficit to USD 2.9 billion or 6.9% of GDP in 2023, down from USD 8.8 billion in 2022.[11] This reduction in the deficit was also made possible by a sharp decrease in imports despite the positive GDP growth. This can be explained by the normalization of import levels and economic activity after the waning of the effect of the extraordinary surge in imports in the aftermath of the pandemic, which took place in 2021 and 2022.

[8] The PFMRP is structured in four stages as follows: (1) Stage 1 (2004-2008) focused on strengthening revenue collection and management, cash management and improving the spending mechanism; (2) Stage 2 (2009-2015) aimed at achieving financial accountability, by improving accounting plans, and the process of budgeting, as well as the systems for public financial management; (3) Stage 3 (2016-2020) centred on modifying the system to focus on results or performance and decentralization; and (4) Stage 4 (2021-2025) aimed at achieving a baseline of accountability, the final outcome of the PFMRP.

[9] Royal Government of Cambodia, Medium-Term Fiscal Framework (MTFF) 2025-2027. Ensuring Fiscal Sustainability to Strengthen Resilience and Promote Economic Growth Towards Vision 2050, April 2024. Viewed at: https://mef.gov.kh.

[10] Based on data from the Ministry of Economy and Finance, the estimated merchandise trade to GDP ratio in 2017 was about 91.0%, and increased to 137.8% in 2022, with the exported merchandise value accounting for 57.9% of GDP and imports accounting for 80.0% of GDP.

[11] Based on the Medium-Term Fiscal Framework 2021-2027 of Ministry of Economy and Finance.

3.2. The value of exports of merchandise increased considerably during the period under review. Exports of merchandise reached USD 23,470 million in 2023, a 4% increase compared to the export value in 2022 (USD 22,483 million), and twice the level posted in 2017 (USD 11,221 million). The main export products in 2023 were garments, which represented one-third of the total (USD 7,869 million), followed by exports of electrical parts, which represented 13.8% (USD 3,130 million), and which rose by two-thirds with respect to 2022, cereals (USD 1,748 million), articles of leather (USD 1,708 million), footwear (USD 1,765 million), and rubber (USD 919 million). Export growth accelerated in 2024. According to provisional data by the General Department of Customs and Excise of Cambodia (GDCE), in the period January-September 2024, exports of merchandise totalled USD 20,164 million, a 14.0% increase with respect to the same period of the previous year (USD 17,597 million). Exports of articles of apparel and clothing accessories, knitted or crocheted, rose by 21.5%, while exports of articles of apparel and clothing accessories, not knitted or crocheted, increased by 31.9%. Other products which experienced solid growth rates included articles of leather, toys, furniture, and rubber products, while exports of machinery and vehicles declined. The main export destinations in January-September 2024 were: the United States (37.7% of the total); Viet Nam (13.5%); China (6.3%); Japan (5.2%); and Canada (4.2%).[12]

3.3. Imports totalled USD 24,407 million in 2023, up from USD 14,220 million in 2017, mainly consisting of mineral fuels (USD 3,388million), knitted or crocheted fabrics (USD 2,597 million) electrical machinery (USD 1,577million), vehicles (USD 1,339 million), and machinery and mechanical appliances (USD 1,307 million).[13] According to provisional GDCE data, imports totalled USD 21,207 million in the period January-September 2024, 16% higher than the same period of the previous year with the import totalled USD 18,272 million. The main import products were: fuels; knitted or crocheted fabrics; machinery and mechanical appliances; electrical machinery and equipment and parts thereof; sound and television appliances; vehicles; and plastics. The main sources of imports period January-September 2024 were: China (46.4% of total merchandise imports); Viet Nam (14.5%); and Thailand (11.80%).[14]

3.4. As was previously noted, Cambodia is well inserted in global value chains, and the domestic value added of its exports is relatively high, which testifies to the fact that domestic production does not just merely transform imported inputs, but also generates internally a large share of the final goods export value. According to OECD estimates, the domestic value added of foreign demand considering merchandise exports (agriculture, fisheries, mining and manufacturing) in 2019 was USD 6,625 million[15], out of total merchandise exports of USD 14,685 million, equivalent to 45.1% of the value exported. The percentage is even larger in the case of exports of services, where the domestic value added to foreign demand in 2019 was 62.4%.

3.5. Cambodia's current account of the balance of payments shows a traditional deficit, explained by its fast investment and GDP growth rates. The deficit peaked during the pandemic but was reversed in 2023 when the current and capital accounts recorded a surplus equivalent to 1.3% of GDP. The switch from deficit to surplus was due to a lower merchandise trade deficit, and higher services account surplus mainly due to higher travel service credits, combined with a lower primary income deficit and high secondary income surplus.[16]

3.6. Cambodia is an importer of capital, as shown by the net inflows in its financial account, mainly foreign direct investment (FDI) and other investments. The FDI stock reached USD 48.4 billion in 2023, up from USD 27.0 billion in 2017. Investment flows are directed largely to manufacturing, particularly garments and footwear, travel and packaging products, solar panels, and construction.

[12] General Department of Customs and Excise, International Merchandise Trade Statistics. Viewed at: https://stats.customs.gov.kh/en/data-search.

[13] Data from the General Department of Customs and Excise.

[14] General Department of Customs and Excise, International Merchandise Trade Statistics. Viewed at: https://stats.customs.gov.kh/en/data-search.

[15] See: OECD Data Explorer, at: https://data-explorer.oecd.org/vis?pg=0&bp=true&snb=14&tm=TIVA&fc=Topic&vw=tb&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_TIVA_MAINLV%40DF_MAINLV&df[ag]=OECD.STI.PIE&df[vs]=1.0&dq=REII%2BFFD_DVA.KHM..W..A&pd=2015%2C&to[TIME_PERIOD]=false. The most recent year for which data is complete in 2020, but figures in this year are not representative of the trend, since they are affected by the impact of theCOVID-19 pandemic.

[16] National Bank of Cambodia (2024), Financial Stability Review 2023. Viewed at: https://www.nbc.gov.kh/download_files/publication/fsr_eng/FSR%202023%20ENG%20Publish.pdf.

FDI inflows were about 9.5% in 2017 and 9.2% of GDP in 2023.[17] FDI flows have been encouraged by the implementation of updated investment legislation (see below).

4 OVERVIEW OF CAMBODIA'S CURRENT POLITICAL AND ECONOMIC REGIME

4.1. As clearly stated in the Constitution, as amended, Cambodia has had a liberal democratic political regime since 1993. In accordance with the Constitution and its amendments, the Cambodian people exercise their power through the National Assembly, the Senate, the Royal Government, and the Judiciary. The Constitution mandates that the legislative, executive, and judicial powers shall be separate.[18] Over this review period (2017-2024), Cambodia has reinforced its stance as an independent sovereign state with peace and political stability, in accordance with the principles of a liberal democracy and the rule of law. The control, use, and management of state property is determined by law as stated in the Constitution.

4.2. Cambodia's legislature (National Assembly) is chosen through national elections every five years, as stipulated in the Law on the Election of Members of the National Assembly.[19] The Members of the National Assembly are elected through a proportional representation electoral system. Since 1993, there have been seven national elections, two of which were in 2018 and in 2023, during the period under review. The executive power lies with the Council of Ministers, who constitute the Royal Government of Cambodia. The Government is led by a Prime Minister, assisted by Deputy Prime Ministers, Senior Ministers, and Ministers. The Cabinet of Ministers is appointed through a vote of confidence from the National Assembly.[20]

4.3. Cambodia is a market economy, as guaranteed by the Constitution.[21] The Constitution affirms that the State shall promote economic development in all sectors and remote areas, especially in agriculture, handicrafts, and industry, with attention to policies of water, electricity, roads and means of transport, modern technology, and system of credits, and protect the environment. At the same time, the Constitution guarantees private initiatives. The Government regards the private sector as an engine of growth and as the most important partner and mechanism in job creation, innovation and creativity, productivity enhancement, and strengthening Cambodia's competitiveness in the region and globally. The Government has also created a supportive environment for the contribution and growth of the private sector, including by simplifying the provision of public services and modernizing public infrastructure. It facilitates the establishment and registration of businesses through, for example, the online business registration (CamDX) platform, launched in 2020. Furthermore, in March 2023, the Government's verification document platform (verify.gov.kh) was launched with the purpose to eliminate forged documents and to verify the authenticity of documents in both public and private sectors. The Government has also successfully promoted the formalization of companies and the establishment of Small and Medium Enterprises (SMEs).[22] Considerable efforts to facilitate trade have been made in recent years, for instance through the implementation of Phase 3 of the Single Window. The Government has also promulgated laws on competition and e-commerce and other related laws to provide better legal protection for contracting parties in transactions and to adapt to the development of digital trade and technology.

4.4. During the period under review, the Cambodian Government has developed two important strategies to implement its political platform: the Rectangular Strategy Phase 4 (2018-2023) and the currently applied Pentagonal Strategy Phase 1 (2023-2028). To promote socio-economic development, the Government has set a target to become an upper-middle income country by 2030 and a high-income country by 2050. This was firmly stated in the Rectangular Strategy Phase 4 (2018-2023) and the Pentagonal Strategy Phase 1 (2023-2028) and accompanied by priority activities and reforms to be implemented to promote sustainable and inclusive growth (see below). Key public reforms and good governance to enhance the efficiency, capacity, and accountability of public services are also on the Government's agenda. Key public reforms being implemented in the 2017-2024 period include the Cambodia National Action Plan for Public Administration Reform 2019-2030, the Public Financial Management Reform Programme Phase 3 (2016-2022) and Phase 4

[17] Based on Data from Ministry of Economy and Finance.
[18] Chapter 4 of the Cambodian Constitution.
[19] Article 3 of the Law on the Election of Members of the National Assembly declared compatible with the Constitution by the Constitutional Council in its Resolution No. 154/002/2015, dated 24 March 2015.
[20] Article 10 of the Cambodian Constitution.
[21] Chapter 5 of the Constitution.
[22] There were 44,427 SMEs registered by end-May 2024, employing 466,945 people.

(2023-2027), the Sub-National Democratic Development Reform Program Phase 1 (2010-2019) and Phase 2 (2021-2030) and other reforms. These reforms are being implemented through concrete action plans. For instance, the 2024-2028 Action Plan for Public Administration Reform details the activities which aim at enhancing the quality of public services.

4.5. The Government continues to develop and modernize public infrastructure and the logistics system. Between 2017 and 2024, new roads, bridges, ports (river and sea), and airports were constructed. As an illustration, the Thai Cambodian Friendship Bridge (Ban Nong Ian–Stung Bot) was built in 2019 and opened to the public in 2022. The bridge was a key part of the international road network development aimed at fostering road connectivity between Cambodia and Thailand for the transportation of merchandise. Cambodia has also been developing projects to improve air transport. The construction of the Siem Reap Angkor International Airport started in 2018, and the airport became operational on 16 October 2023; works to build a new airport near Phnom Penh, the Techo International Airport, also began in 2018 and the airport is anticipated to start operating by 2025. With respect to infrastructure to improve logistics, the construction of the new container terminal of the Sihanoukville Autonomous Port (PAS) will transform PAS into a regional logistic hub with higher container handling capacity, connecting to the world. The project will be implemented in three phases from 2024 to 2029.

4.6. Regarding foreign policy, the Kingdom of Cambodia has adopted a policy of permanent neutrality and non-alignment. Cambodia follows a policy of peaceful co-existence with its neighbours and with all other countries.[23] Cambodia is fully integrated into the regional and global economic and political structure and has played an important role in maintaining regional and global order, especially in safeguarding peace, security, and sustainable development. Cambodia has signed and joined many bilateral and multilateral agreements and has built strong cooperation with other countries around the world. Cambodia continues to build good friendship with all countries and international organizations, in accordance with the approach of "keep the old, establish the new".

4.7. Cambodia's interconnection with the global economy is of primary relevance for its future development. In the Development Cooperation and Partnership Strategy 2024-2028, the Royal Government acknowledges the importance of development assistance to complement government resources for the promotion of socio-economic development. In this respect, the Government has demonstrated strong leadership and capability in mobilizing, managing, and orienting development assistance, as well as in enhancing partnerships, and promoting accountability, transparency, efficiency, and effectiveness in using these resources to achieve national development goals. The Government promotes the deeper integration of Cambodia into the regional and global economy by continuing to: (1) negotiate both bilateral and multilateral mechanisms to open new potential markets, elevate trade, and export markets and products; (2) develop strategic and action plans to foster international integration; (3) reduce trade and related costs and trade barriers and promote compliance with standards to enhance competitiveness; (4) participate in major international cooperation initiatives; (5) strengthen cooperation with all development stakeholders; and (6) continue to formulate the LDC graduation framework to ensure a smooth graduation.

4.8. Reflecting these efforts, Cambodia has become integrated in regional and global value and supply chains, as witnessed by the emergence of new high-value-added industries and the further strengthening of the diversification of its industrial base, as well as by increasing international trade and investment. In the field of international relations, Cambodia has also made considerable progress during the review period. For instance, Cambodia has played a leading role in ASEAN by holding the Chairmanship in 2022, has hosted the 32nd Southeast Asia (SEA) games in May 2023, has taken the Chairmanship roles of the Global Coordination Bureau of Least Developed Countries (LDCs) in 2017-2018, has held a vice presidency in the 73rd session of the United Nations General Assembly in 2018, as well as the Presidency of Group of 77 and China Geneva Chapter, and will host the 20th Francophonie Summit in 2026. Cambodia also participates in the United Nations peacekeeping missions, currently deploying more than 600 uniformed personnel.

4.9. Investment, in particular foreign direct investment, is of prime importance for the Cambodian economy. In this respect, the Law on Investment was promulgated in October 2021 with the aims to establish an open, transparent, predictable and favourable legal framework. This Law offers smart and generous incentives to investors across a broad range of industries and services activities, including in sectors such as green energy, infrastructure, health, electronics/machinery, industrial

[23] Article 53 of the Cambodian Constitution.

parts, and agro-processing. Sub-Decree No. 139, adopted in June 2023, allows for a full implementation of the Investment Law, in particular, the income tax, customs duty, and accelerated depreciation incentives for new Qualified Investment Projects (QIPs) and Expanded Qualified Investment Project (EQIPs) contained in it. QIPs are projects encouraged and prioritized by the Government to increase exports or support activities which may lead to higher exports; they also include specific domestically oriented projects. Income tax exemptions can be granted to QIPs for up to nine years, with the exemption period depending on the sector or activity in accordance with the Annexes of Sub-Decree No. 139. After the exemption period is concluded, income is taxed at a reduced but progressive rate for six additional years. Additionally, Export-oriented QIPs and Supporting Industry QIP are also exempted from customs duties, special tax and VAT on imports of production inputs, construction material and production equipment to serve its production line. Domestically-oriented QIPs are exempt from duties on construction materials, construction equipment and production equipment. Prakas No. 313 MEF.Prk.GDT, of 10 May 2024, explain in details on incentives for a QIP that expands its investment activities in any form.

4.10. Cambodia has signed bilateral investment promotion and protection agreements with 27 countries that generally provide for reciprocal national treatment, guarantee the repatriation of profits and capital investments, and provide for investment dispute arbitration.

5 DEVELOPMENT AND GROWTH STRATEGIES 2017-2024

5.1 Key policies and strategies

5.1. Within the framework of its long-term strategies and their medium-run phases, Cambodia has formulated and implemented a number of specific policies in dedicated areas. As trade is a cross-cutting issue related to different sectors, the policies and strategies developed by the Cambodian Government are supportive of promoting trade and achieving the Cambodia Sustainable Development Goals (CSDGs).[24] They are also coordinated with the National Strategic Development Plan (NSDP 2019-2023).[25] Several policies and strategies were formulated and implemented between 2017 and 2024.

5.2 Pentagonal strategy

5.2. Cambodia's current development policy is guided by the Pentagonal Strategy Phase 1 (2023-2028), the successor of the Four-Phase Rectangular Strategy (2004-2023). Both strategies provide a common framework for Cambodia to build strong institutions and a sound governance system and obtain rapid socioeconomic growth and poverty reduction.

5.3. The Rectangular Strategy, which was in place during most of the review period, yielded successful results and managed to maintain peace and political stability, which are important prerequisites for growth and prosperity. The four strategic objectives of the Rectangular Strategy were precisely growth, employment, equity, and efficiency. Its four strategic priorities were people, roads, water and electricity. The Strategy was implemented in four phases. The first two phases focused on infrastructure development, while human resource development was the focus of the third and fourth phases. Phase IV, (Rectangle 1), implemented during the review period, focused on enhancing the quality of education, science and technology; improving healthcare and nutrition; and strengthening gender equality and social protection.

5.4. As set forth by the Cambodia Vision 2050, and building on the achievements of implementing the Rectangular Strategy, the Government made a thorough assessment of the strengths and challenges that still needed to be addressed and the gaps in implementation that needed to be filled. Before launching the Pentagonal Strategy, the Government carried out an in-depth analysis, focused on achieving the long-term goals set, and also on improving policies and implementation mechanisms based on the evolution of the national and international environment. Against this

[24] The CSDGs follow the Sustainable Development Agenda, adopted by the United Nations General Assembly's 2015 session. They recognize the global priorities of delivering environmental sustainability and eradicating poverty. They comprise 17 goals clustered under 5 themes: prosperity, people, planet, peace and partnership, and 169 targets. See: Royal Government of Cambodia (2018), Cambodia Sustainable Development Goals (CSDGs) Framework (2016-2030). Viewed at: https://ncsd.moe.gov.kh/sites/default/files/2019-06/CSDG_Framework_2016-2030_English_LAST_FINAL.pdf.

[25] The NSDP 2024-2028 is currently in draft form.

background, the Government launched the Pentagonal Strategy-Phase 1 for Growth, Employment, Equity, Efficiency, and Sustainability, aimed at protecting, preserving, and accumulating national achievements, fostering economic growth, and building the foundation towards realizing the Cambodia Vision 2050. The Strategy is based on the following key premises: (1) to continue strengthening and expanding the achievements that the Government achieved in the past legislatures within the frameworks of the Triangular Strategy and the Four-Phase Rectangular Strategy; (2) to continue the reform of institutions and governance to realize a public administration with high competency, and to ensure high efficiency in the implementation of policies and strategies; (3) to continue laying and strengthening the foundations to promote economic and social development with emphasis on building strong human capital, especially through education and health reform, increasing economic productivity, enhancing people's knowledge and workers' skills, strengthening corporate governance, and promoting connectivity and infrastructure development; (4) to foster economic diversification and competitiveness, to build resilience to changes in external factors and strengthen the foundation for sustained economic growth by increasing value-addition, promoting investment, industrial development and fair competition, as well as deepening regional and global integration; (5) to launch a comprehensive socio-economic policy agenda to build a strong foundation to continue the path towards realizing the Cambodia Vision 2050. On this basis, reflecting five mottos, namely growth, employment, equity, efficiency, and sustainability, the Government set five strategic objectives and five key priorities for the Pentagonal Strategy-Phase 1.[26]

5.5. The current Pentagonal Strategy, implemented since September 2023, is a long-term project to be implemented in five phases over 25 years. The Government is currently implementing the Pentagonal Strategy Phase 1 (2023-2028), which has human capital development as its main objective (Pentagon 1). As its name indicates, the Strategy is based on five key pentagons, as follows: Pentagon 1: Human Capital Development; Pentagon 2: Economic Diversification and Competitiveness Enhancement; Pentagon 3: Development of Private Sector and Employment; Pentagon 4: Resilient, Sustainable and Inclusive Development; and Pentagon 5: Development of the Digital Economy and Society. The Pentagonal Strategy added a fifth strategic priority, technology, to the four included in the Rectangular Strategy. The Pentagonal Strategy-Phase 1, together with the Political Platform of the Royal Government of the Seventh Legislature of the National Assembly, jointly provide a comprehensive policy framework for formulating the National Strategic Development Plan (NSDP), Sectoral Development Plans, and other related plans, with clear key performance indicators (KPIs) and timeframes. The Pentagonal Strategy-Phase 1 has an additional role as an implementation-guiding document to give directions to all relevant stakeholders.[27]

5.6. The core of the Pentagonal Strategy focuses on governance and institutional modernization of state institutions to support an inclusive and sustainable socio-economic development objective. Specifically, the Government emphasizes: (1) institutional reforms and strengthening; (2) improvements of human resources and work efficiency; (3) enhancement and strengthening of accountability and integrity in public administration; (4) enhancement and strengthening of effectiveness of laws and justice system; and (5) strengthening of governance of private sectors and businesses.

5.7. To achieve the policy priorities of the Pentagonal Strategy, the Government also recognizes the importance of the overarching environment both at home and abroad. In this context, the Government focuses on: (1) the continued strengthening of peace, political stability, security, and public order; (2) adherence to an independent, rule-based, and smart foreign policy; (3) ensuring macroeconomic and financial stability; (4) the continued building of inclusive and effective partnerships for development cooperation; and (5) the continued promotion of deeper integration into the regional and global economy.

[26] Royal Government of Cambodia, Pentagonal Strategy-Phase I for Growth, Employment, Equity, Efficiency, and Sustainability: Building the Foundation Towards Realizing the Cambodia Vision 2050, Phnom Penh, August 2023. Viewed at: https://www.mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf.

[27] Royal Government of Cambodia, Pentagonal Strategy-Phase I for Growth, Employment, Equity, Efficiency, and Sustainability: Building the Foundation Towards Realizing the Cambodia Vision 2050, Phnom Penh, August 2023. Viewed at: https://www.mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf.

5.8. The Pentagonal Strategy has also five strategic objectives, which are as follows:

- Ensuring crisis-resilient economic growth of around 7% per year on average by accelerating the diversification of the economic base to create new growth pillars; promoting competitiveness; and maintaining macroeconomic stability by keeping inflation low, ensuring exchange rate stability, steadily increasing reserves, and strengthening public finance, including by improving the efficiency of state assets management and sustainable public debt management.

- Creating more and better jobs, strengthening the quality of education and skills training to meet the needs of the jobs market; improving working conditions; raising productivity; promoting trade and business; and promoting domestic and foreign direct investments.

- Achieving a poverty reduction target of below 10% and continuing to keep the poverty rate at a minimum through measures to reduce economic inequality, develop and build an integrated and consistent social protection system, lower the cost of living, and provide efficient and inclusive public services.

- Continuing to strengthen governance; improving the quality of public institutions to ensure the efficiency of public services; strengthening private sector governance; and continuing to promote a favourable environment for business, investment, and trade.

- Ensuring sustainable socio-economic development and building resilience to climate change; promoting gender equality; sustainably managing natural resources; and increasing resources geared at sustainable and green financing.

5.3 Trade strategies

5.9. **The Cambodia Trade Integration Strategy (CTIS) 2019-2023:** The Government has been putting in place Trade Integration Strategies as roadmaps to boost trade for growth and development since the implementation of the Diagnostics Trade Integration Strategy (DTIS) in 2001. The second DTIS was renamed Cambodia Trade Integration Strategy (CTIS) and was implemented in 2007. During the period under review, the third Cambodia Trade Integration Strategy was implemented from 2014 to 2018 (CTIS 2014-2018), and the fourth Cambodia Trade Integration Strategy (CTIS 2019-2023) was implemented in the 2019-2023 period. The CTIS 2019-2023 was streamlined with the Rectangular Strategy Phase 4 (RS4), Cambodia Vision 2030 and the NSDP 2019-2023. Underlying the CTIS 2019-2023 were two major goals: to strengthen Cambodia's competitiveness; and to harness new sources of growth. Three key pillars were set as a guide for the implementation of the CTIS 2019-2023: (1) trade development and competitiveness, (2) deepening existing trade, and (3) capturing new sources of growth such as the digitalization of the manufacturing sector (Industry 4.0) and digital transformation. The CTIS is a strategy covering cross-cutting issues and requires implementation and coordination among line ministries, entities, both public and private sectors, and support from stakeholders and development partners.

5.4 Policies and strategies related to new sources of growth

5.10. **Cambodia's Industrial Development Policy 2015-2025:** The policy fits into the long-term Vision for Cambodia for 2030, which calls for the structural transformation of the Cambodian economy to reach a middle-income country status with the industrial sector as a key driver of its economic growth. To do this, the policy aims at expanding Cambodia's industrial base and seeking a shift from labour-intensive to skills-intensive and knowledge-based, promoting at the same time further regional integration and increased links to global value chains. Policy implementation includes measures such as: the development of Special Economic Zones (SEZs) and industrial zones to attract investment; incentives for SMEs; revising regulations to make them more conducive to industrial growth; and the coordination of human skills development, science and technology, industry infrastructure and related financing.

5.11. **The Cambodia E-commerce Strategy 2020:** Cambodia's digital economy and e-commerce have experienced rapid growth in the last decades. In 2023, the number of mobile phone subscribers was 21.0 million, while the number of internet subscribers reached 19.6 million, an increase from 16.3 in 2019.[28] The rapidly growing number of internet users in Cambodia and the outbreak of COVID-19 have transformed the traditional way of trade and commerce into a new model, including online sales through digital platforms and other transactions. Foreseeing the opportunities of this emerging driving engine of economic growth due to rapid Industry 4.0 development, the Government adopted the E-Commerce Strategy in 2020. This strategy is intended to improve the institutional and regulatory framework and the ecosystem that supports the growth of e-commerce. The strategy is applied to 10 ecosystems: (1) strategy, policy focus, and institutional coordination; (2) legal and regulatory framework, and data policy; (3) SMEs' regulations; (4) ICT infrastructure; (5) digital skills infrastructure; (6) payment systems; (7) domestic trade logistics; (8) cross-border trade; (9) access to finance for e-commerce firms; and (10) trade information and in-market support.

5.12. **Cambodia Digital Economy and Society Policy Framework 2021-2035:** The framework includes a long-term vision to build a digital economy and society by laying the foundations for promoting digital adoption and transformation in all sectors of society, identified by the Government as a key and new source of growth. The three main principles that guide its implementation are: (1) building a digital foundation; (2) digital adoption; and (3) digital transformation. The goal is to achieve a digital economy and society by relying on the widespread use of digital technology among economic agents and in all economic activities. Cambodia also seeks to promote digital entrepreneurship and innovation to foster economic sustainability and sees digitalization as key for advancing sectors.

5.13. The Framework is accompanied by the **Cambodia Digital Government Policy 2022-2035**, implemented by a Digital Government Committee, which aims at establishing a Digital Government to improve the provision of public services, act as a driver for new growth by increasing state revenue and increasing efficiency. This is to lead to a reduction of times, duplicate work, public spending, and environmental impact, as well as by facilitating administrative workflows and data exchange among ministries and institutions. The **Cambodia Digital Government Policy 2022-2035 aims** to **improve the citizens' quality of life by improving the provision of public services. The Policy** has set out 10 strategies with 83 priority actions comprising various projects.

5.14. In addition to the development of E-government and digital transformation in the public sector, Cambodia has witnessed a fast-growing development of digital technology in the financial sector. Given this emerging trend, navigating the environment and clearing the path for financial technology (FinTech) growth is crucial for supporting economic growth. To this end, the **Cambodia Financial Technology Development Policy 2023-2028** was laid out, with the vision of developing FinTech based on the enhancement of financial inclusion, the maintenance of financial sector stability, and the promotion of financial innovation to take maximum advantage of digital transformation in the financial sector, and contribute to the acceleration of the development of Cambodia's digital economy. Additionally, the Government launched the Postal Development Policy 2022-2030 with the purpose of developing the postal sector and services sector through modernization of postal services by using digital technologies as a core to provide services to businesses and users in the context of digital transformation. The DGPost Polatform, a newly developed postal delivery system, will be implemented as part of the Government's efforts to not only enhance postal delivery system, but also to prevent and combat the circulation of illegal parcels during the review period.

5.15. Industry 4.0 presents an opportunity for Cambodia to adopt a new approach to harness and reap the benefits of this new technological revolution. The **Cambodia's Science, Technology, and Innovation Roadmap 2030, adopted in 2021** maps out the steps to shift the economic development pathway from focusing on traditional growth to supporting inclusive and sustainable growth by accelerating structural transformation to increase prosperity, socio-economic development and to improve the quality of life. This roadmap targeted five pillars: governance, education, research and development, collaboration and networking, and enabling the ecosystem.

[28] Based on Telecommunications Regulator of Cambodia information. Viewed at: https://trc.gov.kh/mobile-phone-subscriptions/; https://trc.gov.kh/internet-subscriptions/.

5.16. Intellectual Property (IP) is a driving force for economic development in Cambodia. In order to promote and increase creativity and innovation, the Government has adopted the National Policy on Intellectual Property 2023-2028, which aims to promote the development of the economy, trade, industry, culture, tourism, and agriculture in the context of the digital economy and society and the Fourth Industrial Revolution to achieve the Cambodia Vision 2050.

5.5 Trade facilitation, competitiveness-strengthening policies and strategies

5.17. **Customs Reform and Modernization Strategy 2019-2023 and 2024-2028.** During the review period, Cambodia continued implementing measures to modernize and reform its Customs administration. The Customs Reform and Modernization Strategy 2019-2023, whose formulation was made possible thanks to the technical and financial support of the Enhanced Integrated Framework (EIF), guided the reform in the public sector to increase efficiency in import duty and revenue collection and strengthen Cambodia's competitiveness through the simplification and automation of Customs procedures, a reduction in logistics costs, Customs cooperation, prevention and suppression of smuggling, and improvement of the investment and trade climate. In this respect, the GDCE introduced five Strategic Goals for the Customs Reform and Modernization Strategy 2019-2023 including: (1) revenue collection efficiency; (2) compliance and enforcement; (3) modernization of IT systems and trade facilitation; (4) Customs cooperation; and (5) human resource management and institutional development.[29] The Customs Reform and Modernization Strategy 2019-2023 achievements included improved revenue collection methods, streamlined customs processes, and the effective roll-out of the National Single Window (NSW) initiative phases 2 and 3, among other accomplishments. Cambodia is currently implementing the Customs Reform and Modernization Strategy 2024-2028, which has targeted six areas: (1) efficiency in revenue mobilization; (2) trade facilitation and customs cooperation; (3) compliance and enforcement; (4) laws and regulations; (5) information technology system; and (6) institutional capacity.

5.18. **Comprehensive Master Plan on Cambodia Intermodal Transport and Logistics 2023-2033 (CITLS 2023-2033).** To develop the logistics system in Cambodia, the Government mapped out the CITLS 2023-2033. The vision of the master plan is to develop and improve the transport and logistics system by focusing on promoting the development of hard and soft infrastructure, leading to a highly interconnected intermodal transport system both in-country and within the region. The CITLS contains four goals: (1) expanding the coverage and improving the capacity of the transportation infrastructure system; (2) improving the efficiency and effectiveness of transportation infrastructure and services; (3) improving the efficiency of logistics services and costs; and (4) improving and promoting transport infrastructure to support national development policies. This plan includes 174 infrastructure projects for the next 10 years, including three major transport corridors, three secondary transport corridors, four major transport hubs, and two external transport nodes.

5.19. To enhance competitiveness, Cambodia needs affordable and sustainable energy. To this end, the **National Energy Efficiency Policy 2022-2030** was introduced in 2022, aimed at developing a balanced, sustainable, and efficient energy policy, aimed at energy saving, reduced end-user energy costs, and increased business and industry competitiveness. The vision of the Policy is to transform energy consumption in Cambodia by adopting a policy of energy efficiency, in this way enabling economic growth and social inclusiveness, ensuring the competitiveness of business, improving human health, while preserving the natural capital of the country. The **National Energy Efficiency Policy 2022-2030** complemented the **National Strategic Plan on Green Growth 2013-2030** and the **Climate Change Strategy 2014-2023 towards achieving Cambodia's goal of becoming a carbon neutral economy by 2050.**

5.20. Realizing the importance of labour and vocational training in supporting economic, trade and investment activities, the Government has developed and implemented the National Employment Policy (NEP) 2015-2025. The NEP is dedicated to fostering sustainable economic development through the creation of productive, inclusive, and decent employment opportunities for all citizens. The vision of the NEP is to promote and empower the workforce to contribute effectively to Cambodia's economic and social development. Its mission focuses on enhancing the quality of the workforce, aligning skills with evolving labour market needs, and supporting economic diversification

[29] GDCE, Customs Reform and Modernization Strategy 2019-2023. Viewed at: https://api.customs.gov.kh/wp-content/uploads/2021/05/SCRM-2019-2023-in-English.pdf.

to raise living standards across the country. The objectives of the policy include increasing employment opportunities, building a skilled workforce, and strengthening social protection mechanisms. To achieve these goals, the NEP outlines a comprehensive strategy that includes promoting job creation in priority sectors, expanding access to vocational and technical training, developing robust labour market information systems, and reinforcing institutional capacities to support inclusive and sustainable economic progress.

5.21. Pentagon 1 of the Pentagonal Strategy Phase 1 is focused on human capital development. The development of skills and education is considered the foundation for sustainable and resilient economic growth and economic diversification. This is the foundation of the **National Technical Vocational Education and Training Policy 2017-2025, which was** laid out in 2017. The Policy provides the necessary framework to develop the Strategy in Technical Vocational Education and Training (TVET) aimed at a workforce that better responds to labour market demand and contributes to industrial development. The vision is to enhance Cambodia's workforce on human resources with knowledge, competence, skills, working attitudes, professional ethics, high productivity, and competitiveness. The four goals of the policy are: (1) to improve TVET quality to meet national and international market demands; (2) to increase equitable access to TVET employment generation; (3) to promote public-private partnership and aggregate resources from stakeholders to support the sustainable development of TVET system; and (4) to improve the governance of the TVET system.

5.22. In addition, in the context of regional integration and labour migration, especially within ASEAN countries, the Government formulated the **Policy on Labour Migration for Cambodia 2019-2023.** This policy focused on three pillars: (1) strengthening the labour migration governance framework; (2) protecting and promoting the rights of migrant workers; and (3) harnessing labour migration to maximize social and economic development.

5.23. Building strong standards and quality control is vital for Cambodia to compete in international trade. In this respect, and particularly since joining the WTO, Cambodia has continued to build its quality control system. A variety of policies and action plans have been mapped out to enhance Cambodia's capacity in this area, especially related to standards and certification, nationally, regionally, and globally. During the review period, the **Strategic Plan for the Advancement of Metrology in Cambodia for 2023-2027 was developed to** guide national metrology operators and stakeholders, and to effectively support metrology work. The Plan is built around five strategic pillars, each outlining specific goals to be achieved by 2027. These are: (1) promoting metrology services that support the market; (2) strengthening the implementation of the Law on Metrology; (3) harmonizing and integrating metrology globally; (4) raising stakeholder awareness about metrology; and (5) developing capacity and strengthening support functions.

5.24. The Government considers the private sector to be a key partner in fostering growth and development; hence, promoting a supportive environment for private sector growth is central to enhancing Cambodia's competitiveness. The financial sector plays an important role in channelling financial resources and capital for growth and socio-economic development. A sound and stable financial sector offers a conducive environment for investment. However, the changing international financial architecture and the momentum of regional and global integration require that Cambodia adapt strategies to align with this changing international financial landscape. As a result, the Government has adopted **the Financial Sector Development Strategy 2016-2025** aimed at achieving a sound, efficient, diversified, and inclusive market-based financial system that can broadly satisfy the domestic demand for financial services and support sustainable economic growth, raise income, reduce poverty, and align with regional economic and financial integration.

5.25. To complement the former strategy, in 2019 the Government released the **National Financial Inclusion Strategy 2019-2025,** aimed at enhancing financial inclusion through measures such as increasing access to finance for SMEs. More recently, the Government has introduced the **Policy Framework on the Development of Government Securities 2023-2028**, which aims at developing the government securities market, a potential mechanism to tap financing from the market as an additional domestic financing source to meet public investment needs to contribute to sustainable, inclusive, and resilient socio-economic development in the medium and long term. The goal of this policy framework is to regulate the issuance and trading of government securities in a transparent, accountable, efficient, and effective manner, as well as to ensure sustainable public debt management.

5.6 Sector specific policies and strategies

5.26. Agriculture plays a crucial role in rural development and poverty reduction. In November 2023, the Government has issued the 5th and 6th Priority Policy Program for the agriculture sector, aiming to promote agricultural productivity and enhance climate resilience and adaptation, market access, and price stabilization of key commodities, in order to secure food security, competitiveness, and livelihood improvement in the country. The Policy Program consists of three mechanisms – (i) the development of Modern Agricultural Communities in order to boost economic efficiency and sustainability of agricultural production and achieve economies of scale; (ii) the deployment of agricultural extension officers to 1,600 agricultural communes to offer essential services to local farmers; and (iii) the establishment of a USD 100 million financing scheme mechanism to ensure timely price stabilization of a number of key prioritized agricultural products, with the purpose of safeguarding food security in the country. To further promote agricultural competitiveness, the Government has designed the **Strategic Plan for the Development of the Agriculture Sector 2019-2023.** The vision of this strategy is to modernize the Cambodian agriculture sector to become competitive, inclusive, resilient to climate change, and sustainable, and to increase the income of farmers, property, and the well-being of Cambodian people. The aim is to achieve a transformation from resource-based agriculture (land and other natural resources) to an intensive agriculture that depends on new techniques and technology, research and mechanization, to advance irrigation capacity, enhance productivity, diversify crops and markets, and promote commercial aquaculture and livestock farming. The **National Agricultural Development Policy 2022-2030** aims at fostering a competitive and environmentally friendly agriculture, producing high-quality, safe, and nutritious products for both domestic and export markets. The policy defines four areas for intervention: (1) modernizing and commercializing the agriculture value chain; (2) public and private investment in the agriculture sector; (3) growing sustainably and increasing resilience to climate change; and (4) institutional reforms and cross-cutting issues.

5.27. Policies at an agricultural product level have also been developed. To promote cassava, a potential crop for export, the Government has released the **National Cassava Policy 2020-2025.** This policy has capitalized on the potential of cassava as a crop for resource-poor and/or smallholder farmers to improve their livelihoods and as a contributor towards industrial development. It maps out pathways to move up in currently active and potential new value chains. Achieving a transformation from subsistence agricultural production to agro-industrial-based development is one of the Royal Government of Cambodia's top priorities to create new and better jobs and develop skills. Achieving this consequently raises the incomes of Cambodians and links cross-cutting sectors to enlarge the country's economies of scale. Cashew is another potential export crop, and Cambodia has revealed its comparative advantage in international markets. The **National Cashew Policy 2022-2027** was formulated to further enhance exports of cashew nuts. Currently, cashew nuts are mainly exported without processing to neighbouring countries, limiting the ability to increase value addition in Cambodia. The National Cashew Policy 2022-2027 was designed to try to remedy this.

5.28. Tourism is one of the leading service sectors contributing to Cambodia's economy. In 2019, it contributed 12.1% to GDP and employed 630,000 people. However, the sector was severely affected by the pandemic in 2020-2021, which had a strong impact on the Cambodian economy. The number of tourist arrivals dropped from 6.6 million in 2019 to only 0.2 million in 2021. Although there was a rapid recovery in 2022 and 2023, with arrivals increasing, by 2024 tourist arrivals had not reached the pre-pandemic level yet. The number of international tourist arrivals was 5.4 million in 2023, slightly below the 5.6 million registered in 2017. Hence, promoting tourism remains a priority for the Government. To this end, the application of the **National Ecotourism Policy 2019-2030**, laid out in 2019, remains of utmost importance. This policy aims to issue key strategic actions to make the natural conservation region into an attractive and sustainable tourist destination that provides equitable benefits to local people. Two models are highlighted in the policy: the small-scale ecotourism development model (local community base), and the large-scale ecotourism development model (private investment base).

5.29. Within the manufacturing sector, Garment, Footwear, and Travel Goods (GFT) remain the largest contributor to GDP, contributing about 13.6% of value-added in 2022 compared to a 12.7% contribution by Non-GFT. If food, beverages, and tobacco are included, the participation of non-GFT amounted to 17% in the same year. GFT are also the largest export industry, having created thousands of jobs in the last decades. As of 2023, there were around 1,499 garment factories,

employing around 886,355 workers.[30] Faced with the future LDC graduation and the phaseout of preferential treatment for GFT exports, in 2022, the Government formulated the **Garment, Footwear, and Travel Goods Strategy 2022-2027** to strengthen and sustain GFT competitiveness in this new context.

5.7 Trade and environment policies

5.30. The protection of the environment, natural resources, and climate change are key to ensure long-term growth and socio-economic development, especially as Cambodia aims for its 2030- and 2050-income goals. The depletion and deterioration of natural resources could slow long-term growth and burden the economy with higher costs. To deal with these issues, the Government has formulated strategies such as the **Circular Strategy on the Environment 2023-2028**, which fucuses on clean, green and sustainable dimensions. This strategy serves as a roadmap, outlining priority actions to ensure environmental sustainability, integrity, climate change resilience, and the promotion of a green economy. In addition, the **National Strategic Plan on Green Growth 2013-2030**, which is also a guide for the establishment of a National Council on Green Growth, is the fundamental mechanism to implement green economy principles to achieve environmental protection, economic development, and poverty reduction. At the center of the strategy lay four pillars, namely: the economy, the environment, society, and culture.

5.31. **The Cambodia Climate Change Strategic Plan (CCSP: 2014-2023)** is a comprehensive national policy document responding to the climate change issues that Cambodia is facing. The Strategy was introduced to build a resilient system ready to handle climate change. The Climate Change Strategy reflects Cambodia's political will and firm commitment as well as readiness for reducing the impact of climate change on national development and contributing, with the international community, to global efforts to mitigate greenhouse gas (GHG) emissions under the United Nations Framework Convention on Climate Change (UNFCCC). Currently, this Strategic Plan is being updated to reflect the climate priority actions as outlined in the Pentagonal Strategy-Phase 1 from 2024-2028. In addition, the CCSP also supports the implementation of Cambodia's updated Nationally Determined Contribution (NDC: 2020-2030) and the Long-term Strategy for Carbon Neutrality (LS4CN), ensuring Cambodia's commitments into reach its emissions reduction target and towards achieving carbon neutrality by 2050. In 2021, Cambodia revealed its commitment to becoming carbon neutral in 2050 by submitting its **Long-Term Strategy for Carbon Neutrality** to the UNFCCC. Cambodia was the first country in ASEAN to submit a long-term strategy, which demonstrates Cambodia's strong support for multilateral action on climate change. This strategy is expected to provide long-term economic benefits for Cambodia by avoiding or minimizing the negative impact of climate change.

5.32. To prevent the adverse effect of environmental impacts and ensure benefit-sharing, Cambodia has developed and revised the process of environmental impacts assessment to implement more simplified procedures and promote investment's interests.The implementation of **Sub-Decree on Environmental Impact Assessment Process**, and as well as adopting of **Sub-Decree No. 104 ANK.BK on Access and Benefit-Sharing (ABS),** to ensure benefit-sharing from the utilization of genetic resources and associated traditional knowledge and compliance to the Nagoya Protocol.

5.8 Inclusive, resilient and sustainable growth policies

5.33. Cambodia has deployed considerable efforts to encourage the formalization of informal businesses. However, the informal economy continues to be large. Based on a Labour Force Survey conducted in 2019 by the National Institute of Statistics, in that year of a workforce of around 7.9 million, 21.5% of workers were employed in the formal sector, while 6.2 million were working in the informal sector. In this respect, the Government's **National Strategy for Informal Economic Development 2023-2028** sets out a vision to tap into the resources represented by the informal economy and promote its access to the formal system to become an important driving force in improving the lives of the people and achieving sustainable development, and environmental and crisis resilience. The Strategy aims at establishing and refining mechanisms to facilitate access to the formal system; helping achieve complete formalization; and expanding outreach programmes.

[30] Ministry of Labour and Vocational Training.

6 CAMBODIA'S WTO PARTICIPATION

6.1. During the period under review, Cambodia has continued to participate actively in the work of the WTO, as it has done since its accession to this organization in 2004. This reflects the importance Cambodia places in its participation in the multilateral trading system (MTS), which has resulted in considerable benefits for the country. A major highlight which was mentioned in the last TPR in 2017, and which shows the importance placed by Cambodia in the MTS, has been the establishment of a permanent Mission to the WTO and other international organizations, the first LDC to establish a permanent mission of this nature in Geneva. This has allowed Cambodia to reinforce its participation in the work of all main WTO's committees and subcommittees, its three Councils, and in Ministerial Conferences.

6.2. In the WTO, Cambodia participates in several of the negotiation groups, including the following: Asian developing members, ASEAN, G90, and Least-developed countries (LDCs). Cambodia accords at least MFN treatment to trading partners, including non-WTO Members. It has shared its experience and national good practices with Members, through its interventions in Committees and Subcommittees, and working groups. During the review period, Cambodia has actively taken part in the negotiations on fisheries subsidies, which are of considerable interest to several LDCs. Cambodia has also been engaging in discussions on some of the new issues brought before the WTO. Cambodia participates in the joint initiative on *Investment Facilitation for Development*, and in the environmental initiative on Plastics Pollution and Environmentally Sustainable Plastics Trade.

6.3. Cambodia has continued to be a staunch supporter of special and differential treatment in the WTO. In 2017, Cambodia assumed the role of coordinator of the LDC group and has been the focal point supporting the LDC group on various topics/issues, including Duty-Free Quota-Free (DFQF) market access and WTO Reform.

6.4. Cambodia accepted the WTO TBT code of good practice in 2017. On 6 May 2024, Cambodia deposited its document of acceptance of the Agreement on Fisheries Subsidies and continues to actively engage in the negotiations on phase 2 of this agreement.

6.5. During the period under review, Cambodia has stood unfailingly by its WTO commitments and obligations. Cambodia has submitted 144 notifications to the different WTO bodies since its accession in 2004 and up to September 2024, of which 117 during the review period 2017-2024. The notifications presented cover areas such as import licensing, technical barriers to trade, agriculture, anti-dumping, countervailing measures, and others. Members/observers have not filed any specific trade concerns (STCs) regarding Cambodia's use of technical barriers to trade or sanitary and phytosanitary measures to the TBT and SPS Committees. On the other hand, Cambodia has not submitted any STC with respect to a WTO Member since its accession to the WTO.

6.6. During the review period, Cambodia made considerable advances in the implementation of the Trade Facilitation Agreement (see below for details). As of end-September 2024, Cambodia had implemented 33 trade facilitation measures, corresponding to some 92.9% of its commitments, in categories A, B and C. Cambodia's implementation rate was higher than the global average implementation rate of 80.1%, and that of Southeast Asia which was 84.7%.[31] At the same date, there were category C and B measures in the course of being implemented: putting in place the Authorized Economic Operator (AEO) Program, the completion of the establishment of a single window for both imports and exports; pre-arrival processing; border agency cooperation; perishable goods; and transit. It is expected that these commitments will be fully implemented by 31 December 2025.[32] In the implementation of category B and C measures, Cambodia has received and continues to receive the assistance of several donors, including the German International Development agency (GIZ) through ASEAN Regional Integration Support – Cambodia Trade Related Assistance (ARISE Plus Cambodia), the Asian Development Bank (ADB), the European Union, the Global Alliance for Trade Facilitation (GATF), the Japan International Cooperation Agency (JICA), Swisscontact, and the World Bank. Cambodia welcomes this assistance. There are no overdue notifications.

[31] WTO, Trade Facilitation Data Base. Viewed at: https://www.tfadatabase.org/en/members/cambodia/implementation-schedule, and https://tfadatabase.org/en/implementation/comparisons?country=29.

[32] WTO, Trade Facilitation Data Base. Viewed at: https://www.tfadatabase.org/en/members/cambodia/implementation-schedule.

6.7. During the period under review and as of September 2024, Cambodia has never been involved in any dispute in the WTO, neither as complainant nor as respondent, nor has it taken part in any dispute as a third party. Like most WTO Members in the seven-year cycle, Cambodia has had two previous TPRs since its accession to the WTO, in 2011 and in 2017. This is its third TPR. Since the last TPR in 2017, Cambodia has presented several proposals to the different WTO bodies, individually, or jointly with other WTO Members. Cambodia's communications have generally focused on the specific concerns of LDCs, including as a reaction to new issues in the trade arena. More specifically, Cambodia has submitted communications on Cambodia's experience with E-commerce readiness and its challenges, the impact of GSP graduation on LDCs and cumulation, and the importance of differentiating utilization rates of preferential trade arrangements.

6.8. In the Eleventh WTO Ministerial Conference in Buenos Aires, in December 2017, Cambodia on behalf of the LDC Group issued a communication emphasizing that special and differential treatment for developing countries, particularly LDCs, was central for the credibility and efficiency of the multilateral trading system. Cambodia stressed the special needs of post-acceded LDCs to address the impact of the accession process and called for the elimination of all forms of trade-distorting domestic support in agriculture. Cambodia noted that the principle of special and differential treatment should be an integral part of all future negotiations including on fisheries subsidies, which LDCs supported, and called upon Members to fully implement the decisions in favour of LDCs, adopted in previous Ministerial Conferences.[33]

6.9. In the Thirteenth WTO Ministerial Conference (MC13) in Abu Dhabi, on 26 February-2 March, Cambodia reiterated the importance it places on the MTS, and particularly on the WTO, and the need to place development as the core purpose of the organization and the guiding principle of negotiations. Cambodia expressed its belief that the LDC agenda should be brought to the forefront of all WTO deliberations and, in this respect, voiced its satisfaction with the General Council's October 2023 decision on the extension of unilateral DFQF preferences in favour of countries that graduated from the LDC category adopted. Cambodia also expressed its view of the need to continue the discussions on decisions in favour of LDCs on services waivers and rules of origin. Cambodia highlighted the importance of promoting the participation of LDCs in global trade to take full advantage of their participation in the MTS. As noted in MC13, Cambodia is a staunch supporter of the WTO reform process, notably fostering new development and inclusiveness initiatives, solving the dispute settlement system impasse, addressing key agricultural and TRIPS-related issues, integrating environmental considerations into the work of the WTO, and accelerating the use of digital trade.[34]

7 REGIONAL AND BILATERAL TRADE AGREEMENTS, TRADE PREFERENCES

7.1. Cambodia has participated in the Association of Southeast Asian Nations (ASEAN) since April 1999. ASEAN has free trade agreements with Australia; China; India; Japan; the Republic of Korea; New Zealand; and Hong Kong, China. Through its participation in ASEAN, Cambodia also engages in liberalization initiatives with trading partners outside of the region, especially those classified as Dialogue Partners (DPs), Sectoral Dialogue Partners (SDPs) and Development Partners.[35]

7.2. Currently, regional economic integration in ASEAN is guided by the AEC Blueprint 2025, which seeks to achieve: a highly integrated and cohesive regional economy; a competitive, innovative and dynamic ASEAN enhanced connectivity and sectoral cooperation; a resilient, inclusive, people-oriented and people-centered ASEAN; and a global ASEAN. The first goal seeks the free flow of-goods, services, investments, capital, and labour to allow the development of regional production networks and enhance ASEAN's capacity as the global supply chain. In this respect, Cambodia eliminated its tariffs on goods originating from its ASEAN partners in 2018. It liberalized regional trade in services by implementing the ASEAN Trade in Services Agreement (ATISA), replacing the ASEAN Framework Agreement on Services. ATISA, signed on 7 October 2020 in Manila and ratified

[33] WTO document WT/MIN(17)/40, 11 December 2017.
[34] WTO document WT/MIN(24)/ST/49.
[35] As of end 2024, ASEAN has established Dialogue Partnerships with Australia, Canada, China, the European Union, India, Japan, New Zealand, the Republic of Korea, the Russian Federation, the United Kingdom, and the United States. It has Sectoral Dialogue Partnerships with: Brazil, Morocco, Norway, Pakistan, South Africa, Switzerland, Türkiye, and the United Arab Emirates, as well as Development Partnerships with: Chile, France, Germany, Italy, the Netherlands, and Peru.

by Cambodia on 29 July 2023, is expected to strengthen economic linkages and provide greater opportunities for economic development in services trade by reducing barriers to trade and investment in services. Regarding enhanced connectivity, a Master Plan on ASEAN Connectivity 2025 has been developed, which builds on and enhances the ASEAN Agreement on Electronic Commerce, ratified by Cambodia on 6 December 2019. ASEAN is currently formulating the ASEAN Community Vision 2045 and for ASEAN's economic pillar, the AEC Blueprint 2025 will be replaced by the AEC Strategic Plan 2026–2030 which is expected to be adopted in 2025.

7.3. During the review period, Cambodia joined the ASEAN Single Window (ASW), with the participation of the 10 ASEAN member States, after the ratification of the Protocol on the Legal Framework to implement the ASW and the endorsement of the amended ASEAN Trade in Goods Agreement (ATIGA) Operational Certification Procedure (OCP). The ASW allows for exchanging electronic documents with ASEAN member States, including the Certificate of Origin e-Form D and ASEAN Customs Declaration Document (ACDD), Electronic Phytosanitary Certificate (e-Phyto), Electronic Animal Health Certificate (e-Animal Health) and Electronic Food Safety Certificate (e-Food Safety). Cambodia has exchanged E-Form D with ASEAN partners through the ASW since July 2019, and the ACDD since December 2020.

7.4. The Regional Comprehensive Economic Partnership (RCEP) between ASEAN and five FTA partners (Australia, China, Japan, the Republic of Korea, and New Zealand) was ratified by Cambodia on 5 October 2021 and entered into force on 1 January 2022. The RCEP Agreement expanded the scope of the agreements between ASEAN members and the five FTA partners. It contains 20 chapters with provisions on trade in goods, services, investment, economic and technical cooperation, intellectual property, competition policy, dispute settlement, E-commerce, small and medium enterprises (SMEs) and other issues. Coverage related to trade in goods includes tariff reductions and elimination, temporary admission, elimination of quantitative restrictions, transparency in import licensing, among others. The services chapter includes commitments, using a negative list approach, on domestic regulations, and national treatment. Separate annexes contain commitments on financial services, telecommunications, and professional services. Intellectual property provisions include technological protection measures and enforcement in a digital environment.

7.5. Cambodia's regional integration through ASEAN and RCEP is complemented by bilateral agreements. Three such agreements were signed during the period under review, with China, the Republic of Korea, and the United Arab Emirates. The Cambodia-China Free Trade Agreement (CCFTA), signed on 12 October 2020, entered into force on 1 January 2022. Upon completion, it will grant duty-free access to China for 97.53% of goods originating in Cambodia. Goods that benefit from zero tariffs immediately include a range of agricultural goods of export interest to Cambodia, as well as textiles, footwear, electronic parts, electronic motors and engines, bicycles, and cables. Cambodia eliminated or reduced tariffs on 90% of all goods of Chinese origin. The CCFTA also covers investment promotion, and the MFN treatment for trade in services at the highest level of access granted to other FTA partners. The Cambodia-Korea Free Trade Agreement (CKFTA) was signed on 26 October 2021 and entered into force on 1 December 2022. Under the CKFTA, the Republic of Korea committed to remove duties on 95.6% of its tariff lines for imports from Cambodia, mostly with immediate effect. The Cambodia- United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA), signed on 8 June 2023, entered into force on 31 January 2024. The UAE committed to eliminating import duty on 97.76% of all tariff lines while the percentage of Cambodia was 91.62%. The CEPA also contains provisions to facilitate customs procedures, as well as on services, E-commerce, intellectual property, and the promotion of investment.

7.6. ASEAN is currently seeking to further deepen economic integration within the region and with its external partners. Cambodia is actively participating in negotiations including the upgrading of the ATIGA, the review of the ASEAN-India Trade in Goods Agreement (AITIGA), and the establishment of the ASEAN-Canada FTA. ASEAN also completed in 2023 the upgrade of the second protocol to amend the FTA with New Zealand and substantially completed the ASEAN-China FTA 3.0 upgrade negotiations in 2024. In addition, ASEAN is currently pursuing an ASEAN Digital Economy Framework Agreement (DEFA), expected to be finalized in 2025.

7.7. Cambodia is a beneficiary of the Generalized System of Preferences (GSP) schemes of Australia, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Türkiye, and the United States (until 2020). In the United Kingdom, a Developing Countries Trading Scheme (DCTS) is replacing the GSP scheme

to support sustainable economic growth in developing countries, including Cambodia. Preferential market access for Cambodian exports is also granted by Chile, Chinese Taipei, the Kyrgyz Republic, and Tajikistan. Cambodia also benefits from the duty-free and quota-free access to the EU market granted to LDCs under the Everything-But-Arms (EBA) Initiative.

8 COMPLETING AND IMPROVING CAMBODIA'S LEGAL AND REGULATORY REGIME

8.1 Overview of Cambodia's structural reform programme implementation

8.1. Trade has been and continues to be one of the key drivers for Cambodia's growth. The Government's policy is thus committed to continue mobilizing trade as a driver for long-term and sustainable growth, as spelled out in the several government strategies implemented through the years, including the four phases of the Rectangular Strategy Phase RS-1 (2004-2008), RS-2 (2008-2013), RS-3 (2013-2018) and RS-4 (2018-2023)[36] and the recent Pentagonal Strategy Phase 1 PS-1 (2023-2028). Cambodia aims to become an upper-middle-income country by 2030 and a high-income country by 2050. Considering this, and to sustain Cambodia's future growth, especially as it is graduating from LDC status, Cambodia is required to fully comply with international standards and the best practices of international trade, engage in further trade facilitation, and boost its competitiveness.[37]

8.2. Considering the above-mentioned strategies, and especially since it became a Member of the WTO on 13 October 2004, Cambodia has adopted new policies and introduced internal structural reforms, including to domestic legislation and regulations, as well as trade-related technical changes to harmonize its laws, policies and practice with those of the WTO and its regional trading partners. In this way, Cambodia expects to take full advantage of its participation in the multilateral trading system, better contribute to its functioning, and enhance trade with its trading partners. This is particularly important given Cambodia's development goals in the context of a dynamic, uncertain, and rapidly changing global trade landscape.

8.2 Laws, regulations, treaties, and conventions enacted during the review period

8.2.1 Domestic legislation

8.3. Showing its clear commitment to modernize and reform its legal and regulatory framework, the Royal Government of Cambodia has developed and introduced laws and regulations related to trade and has amended others. The main laws and regulations that were implemented since the previous review in 2017 include the following:

Trade-related laws[38]

- Law on Trade Remedies (17 November 2017)
- Law on E-commerce (2 November 2019)
- Law on Consumer Protection (2 November 2019)
- Law on Government Securities (26 December 2020)
- Law on Management of Commercial Gambling (14 November 2020)
- Law on Competition (5 October 2021)
- Law on Amendment of the Law on Commercial Enterprises (29 January 2022)
- Law on Amendment of the Law on Commercial Rules and Registers (29 January 2022)
- Law on Rules of Origin (5 July 2023)
- Law on Taxation (New) (16 May 2023)

Investment-related laws[39]

- Law on Trust (2 January 2019)
- Law on Investment (15 October 2021)
- Law on Public-Private Partnership (18 November 2021)
- Law on Public Procurement (15 May 2023)

[36] MFAIC information. Viewed at: https://www.mfaic.gov.kh/Home/RectangularStrategies.
[37] United Nations information. Viewed at: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-EGM-2024-Cambodia.pdf.
[38] Draft Law on Commercial Court is under review.
[39] Draft Law on Special Economic Zones is under review.

Health and safety-related Laws[40]
- Law on Amendment of Law on Fisheries (22 November 2017)
- Law on Consumer Protection (2 November 2019)

Labour, skills and human capital
- Law on Amendment of Law on Labour (26 June 2018)
- Law on Minimum Wage (6 July 2018)
- Law on Social Security Scheme (2 November 2019)
- Law on Amendment of Trade Unions (3 January 2020)
- Law on Amendment of Law on Labour (5 October 2021)
- Law on Civil Status, Civil Status Statistics and Identification (1 July 2023)

Standard, intellectual property and quality system
- Law on the Amendment on Patents, Utility Model Certificates and Industrial Designs (22 November 2017)
- Law on Compulsory Licensing for Public Health (27 April 2018)
- Law on Amendment of the Standards Law (26 June 2018)
- Law on Food Safety (8 June 2022)

Science technology, digital transformation and data[41]
- Law on the Establishment of the Ministry of Industry, Science, Technology and Innovation (MISTI) (26 March 2020)

Logistics and transportations
- Law on the Establishment of the State Secretariat of Civil Aviation (2 November 2023)
- Law on Waterway Transportation (23 March 2024)
- Law on the Amendment to the Law on Road Traffic (2017)

Energy, natural resources and environment protection
- Law on the Management of Petroleum and Petroleum Products (12 July 2019)
- Law on Construction (2 November 2019)
- Law on Plant Protection and Quarantine (3 May 2022)
- Law on Clean Water Supply Management (1 March 2023)
- Environmental and Natural Resources Code (29 June 2023)

Financial sector
- Law on Anti-Money Laundering and Combating the Financing of Terrorism (27 June 2020)
- The Law on the Organization and Functioning of the Non-Bank Financial Services Authority (16 January 2021)

Public services and sector reforms
- Law on Non-Tax Revenue (New) (18 August 2022)
- Law on Public Financial System (10 March 2023)

8.2.2 International agreements and treaties ratified during this review period

8.4. Apart from the WTO and the regional agreements mentioned above, Cambodia participates in several international treaties and agreements, such as: the Paris Convention, the Marrakesh VIP Treaty (2013), the Revised Kyoto Convention (2014), the Madrid Agreement Concerning the International Registration of Marks (2015), the Hague Agreement Concerning the International Registration of Industrial Designs (2017).

8.5. During the review period, Cambodia joined the Lisbon Agreement on the Protection of Appellations of Origin and their International Registration on 9 March 2018. On 27 March 2019, Cambodia adhered to the Beijing Treaty on Audiovisual Performances, which entered into force on 28 April 2020. On 9 December 2021, Cambodia adhered to the Berne Convention, which entered

[40] Draft Law on the Management of Pharmaceutical Products, Draft Law on the Management of Medical Devices, and Draft Law on the Management of Cosmetics are under review.

[41] Draft Law on Personal Data Protection, Draft Law on Cybersecurity, Draft Law on Cybercrime, and Draft Law on Access to Information are under review.

into force for Cambodia on 9 March 2022. Joining the Berne Convention was one of the recommendations made by Members during Cambodia's second TPR.

8.3 Enhancing competitiveness through reform and private sector development

8.6. During the period under review, the Royal Government of Cambodia continued to seek to improve the country's competitiveness by reducing trade costs, continuing public sector reform, and promoting private sector development as an engine for growth.

8.3.1 Trade-related measures

National Single Window

8.7. The blueprint of the Cambodian National Single Window (NSW) was completed in 2014. A steering committee was established the following year to prepare for the development of NSW itself. The development of the NSW was divided into three phases. NSW Phase 1 (2016-2017) connected the E-CO (electronic certificate of origin) system of the Ministry of Commerce (MOC) to the Customs Clearance System (ASYCUDA) of the General Department of Customs and Excise (GDCE). NSW Phase 2 (2018-2019) constituted a big step forward, where Cambodia's NSW was connected to the ASEAN Single Window (ASW) for exchanging electronic documents such as Certificates of Origin, and e-Form D since July 2019, and the ASEAN Customs Declaration Document (ACDD) since December 2020.[42]

8.8. In Phase 2, connectivity among Government agencies was enhanced, with the GDCE, MOC, MISTI, the Ministry of Health (MOH), the Council for the Development of Cambodia (CDC), and the Ministry of Agriculture, Forestry and Fisheries (MAFF) joining the platform. During this phase, the CDC launched its online system for providing online Master List applications via Notification No. 481/20 dated 7 February 2020 on the Implementation of the NSW for Master List Applications. The Master List is a list of construction materials, machinery and production equipment, spare parts, and raw materials to be imported into Cambodia for the implementation of a Qualified Investment Project (QIP). The QIP can submit their Master List applications via the NSW system instead of through manual submission to the CDC, as has previously been the case. NSW Phase 3 (2023-2024), which was completed in May 2024, expanded the coverage by including the Ministry of Interior, the Ministry of Defense, the Ministry of Foreign Affairs and International Cooperation, the Ministry of Economy and Finance, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Mines and Energy, the Ministry of Culture and Fine Arts, the Ministry of Post and Telecommunications, the Ministry of Environment, the National Bank of Cambodia (NBC), and Cambodia Gambling Management Committee. Hence, it is expected to reduce trade transaction costs and significantly save time for traders.

Authorized Economic Operators (AEO)

8.9. Cambodia started the Best Traders Incentive Mechanism (BTIM), which was the basic platform of Authorized Economic Operators (AEO) in 2014. As of October 2024, 51 companies have been provided the status of Best Trader by the GDCE. With the support of development partners such as JICA and EU-ARISE Plus Cambodia, the GDCE completed the legal, regulatory, and institutional gap analysis required for transitioning from the BTIM to the AEO. The AEO program in Cambodia was officially established in April 2023 by the Circular of the Ministry of Economy and Finance (Prakas) No. 209 MEF.BK.GDCE.[43] With the completion of the AEO strategy and action plan and the appropriate regulatory framework, the AEO was put into implementation from 1 May 2023, which is earlier than the original deadline (31 December 2023) committed under the WTO Trade Facilitation

[42] To implement MEF Prakas No. 575 on the National Single Window (NSW), GDCE via its notification No. 1880 officially launched the announcement related to the use of the "ATIGA e-Form D" issued by the competent ASEAN authorities via the NSW system, starting from 1 July 2019. The objectives were to expedite the cargo clearance process, reduce costs, save time, and enhance trade efficiency and competitiveness among ASEAN members through the ASW system.

[43] Information of the Customs Authorities, Viewed at: https://tools.customs.gov.kh/documents/reader/14347/16981447257490228/The%20Authorized%20Economic%20Operator%20Programme.

Agreement.[44] Currently, three companies have been awarded AEO status and GDCE also maintains the BTIM.

Advanced ruling

8.10. Cambodia started the implementation of advanced ruling in 2013 by through Prakas No. 002 MEF on the Implementation of Advanced Ruling on Tariff Classification, Customs Valuation, and Origin of Goods (dated 4 January 2013).[45] In principle, advanced rulings are valid for three years from the date of issuance. For predictability purposes, the decisions of the advanced ruling are published on the GDCE's homepage.[46] However, the number of issued advanced rulings has remained limited.

Pre-Arrival Processing (PAP)

8.11. Pre-arrival processing (PAP) was put into implementation by MEF circular (Prakas) No. 788 on "Pre-Arrival Processing", dated 27 October 2023. This Prakas, which laid out the rules and procedures for cargo declaration and pre-arrival processing via the online system, covers all imports and goods in transit and all means of transportation (land, water, and air). As per the new regulations, before they arrive in Cambodia, imports and in-transit products must be notified electronically to the GDCE. The goal is to facilitate and expedite inspection procedures. PAP is only partially implemented at the current stage, but its implementation is witness of GDCE's efforts to digitalize customs procedures. When PAP is fully functional, goods are expected to be cleared faster, and congestion at the border points will be reduced significantly.

Simplification of inspection procedures and agencies at border check point

8.12. The removal on 1 February 2019 of the Cambodia Import-Export Inspection and Fraud Repression Directorate General (CAMCONTROL) from border checkpoints, as mandated by Sub-Decree No. 27 dated 28 January 2019, was a hallmark reform to reduce cross-border inspection and facilitate trade. On that date, the Government terminated the role of CAMCONTROL in all the border checkpoints, seaports, special economic zones, and other export and import inspection zones. Since then, only the GDCE is authorized to inspect goods at the checkpoints. This reform helped strengthen Cambodia's competitiveness by reducing the times and costs for goods inspections, reducing public authorities' work duplication, and simplifying inspection procedures.

8.13. On 28 February 2019, the Government dissolved the Kampuchea Shipping Agency and Broker (KAMSAB), a state agency established in 1999 to facilitate shipping and cargo in/out from the ports.[47] In 2022, the Government introduced Port Electronic Data Interchange (Port EDI), an AI application that facilitates the port entry/exit of the ships as well as their formalities and clearance at the ports. These moves were an attempt to reduce the complexity of shipping processes, lower waterway transport costs and time at Cambodia's ports to improve imports and exports processes and eventually attract more investment to Cambodia.

Online Application for Export Certificates of Origin and Other Certificates

8.14. On 26 August 2016, as stipulated in Prakas No. 3198 of the Ministry of Commerce, the Government put in place an automation system for issuing certificates of origin (CO). Through this system, exporters can create, submit, and make payments for the CO they need online 24 hours a day, seven days a week. Both non-preferential and preferential CO can be generated online. The Government has continued to improve the system during the review period by abolishing the issuance of CO for countries that do not require them and incorporating a different form in the system. Such progress has contributed to facilitate exports in terms of lower costs and times.

[44] WTO Trade Facilitation Agreement Database information. Viewed at: https://www.tfadatabase.org/en/members/cambodia/technical-assistance-projects/article-7-7.
[45] Information of the Customs Authorities, Viewed at: https://customs.gov.kh/en/customs-procedures/831.
[46] Information of the Customs Authorities, Viewed at: https://api.customs.gov.kh/wp-content/uploads/2015/05/registration-advance-ruling-on-hs.pdf.
[47] Sub-decree No. 31 of 5 February 2019.

Simplification of taxation application and procedures

8.15. With a view to streamlining and enhancing the VAT refund process for taxpayers, the General Department of Taxation (GDT) issued Prakas No. 26892 on 7 December 2020. This Sub-Decree directs taxpayers wishing to request a VAT refund to utilize the E-VAT Refund function via the E-Filing system for monthly tax returns, with effect 1 January 2021. The GDT issued new instructions in December 2021 to further clarify the rules and procedures, particularly the procedures related to simplified VAT registration, invoice issuance and monthly declaration obligations. On 8 September 2021, the Ministry of Economy and Finance released Prakas No. 542 MEF regarding the application of VAT on E-commerce transactions. Additionally, on 8 December 2021, the GDT released a new instruction further clarifying the regulations and process surrounding the application of VAT on E-commerce transactions.

Reducing Container Cargo Scanning Fees

8.16. In April 2019, the scanning fees for cargo containers were lowered from KHR 128,000 (USD 32) to KHR 64,000 (USD 16) for a container with a size over 40 feet (12 meters) and from KHR 80.000 (USD 20) to KHR 40,000 (USD 10) for containers under 40 feet. Since then, the scanning fee has remained at that level. Scanning of a container is mandatory for all imports and exports conveyed in a container for which its Customs Declaration (Single Administration Document-SAD) in red lane as assessed by the ASYCUDA. Containers of exported rice are subject to a reduced scanning fee of USD 16 for a container with a size over 40 feet and USD 10 for a container with a size less than 40 feet. In November 2023, the Government announced the exemption from scanning fees for containers which do not pass the scanners and of the customs processing fee on goods worth less than USD 1,000 to facilitate trade. It also announced the reduction of the customs clearance fee from KHR 15,000 to KHR 8,000 per transaction for export-import goods priced under USD 1,000.[48]

Government-Private Sector Forum

8.17. The Government-Private Sector Forum (G-PSF) was established in 1999 to provide an efficient platform for consultation between the Government and the private sector on investment climate issues. The latest (19th) G-PSF was organized on 13 November 2023. The G-PSF has working groups in different sectors including: (1) agriculture and agroindustry, (2) tourism, (3) manufacturing and SMEs, (4) law, tax and governance, (5) banking and finance, (6) infrastructure and transport, (7) export-processing and trade facilities, (8) industrial relation, (9) rice and paddy rice, (10) mines and energy, (11) education, (12) health, (13) construction and real estate, (14) non-bank financial services sector, (15) digitalization and telecommunications, and (16) territorial administration, security and public order. Beyond the G-PSF mechanism, the Royal Government of Cambodia has established the bi-annual Public-Private Sector Dialogue (PPSD) to coordinate activities for the strengthening and promotion of bilateral economic, trade and investment cooperation. The primary purpose of this platform's establishment is to enable foreign business communities in Cambodia to identify potential challenges and issues arising from their daily operation, while consulting and seeking amicable solutions. From 2017 until October 2024, the Council for the Development of Cambodia (CDC) organized several dialogues with Japan (15th –28th Japan-Cambodia Joint Committee Meeting under the Agreement between Japan and the Kingdom of Cambodia for the Liberalization, Promotion and Protection of Investment), a dialogue with the European Union on 17 September 2024 (1st EU-Cambodia PPSD), a dialogue with the US on 19 September 2024 (1st US-Cambodia PPSD) and a dialogue with the Republic of Korea on 24 October 2024 (1st Korea-Cambodia PPSD). In addition, the PPSD mechanism remains open to other foreign business communities base on mutual consent.

8.3.2 Logistics and transportation development measures

Overland route infrastructure

8.18. The Government continues to implement actions to elevate transport and logistics competitiveness by enhancing transportation connectivity. The Phnom Penh-Sihanoukville Expressway began construction in 2019 and opened to the public in 2022. This road was constructed

[48] GDCE information. Viewed at: https://customs.gov.kh/en/customs-procedures/18099-scanning-containerized-goods-2?ref=340.

under a build-operate-transfer contract (BOT) and extended 187 kilometres connecting the Sihanoukville seaport to the capital city of Phnom Penh.[49] The Government is also implementing the Phnom Penh-Bavet Expressway project, which connects the capital city to the border with Viet Nam, extending 135 kilometres; construction began in June 2023.[50] National Road No. 5, which was rehabilitated, and forms part of ASEAN Highway No. 1, connecting Phnom Penh to Poi Pet-Aranhapathet (Cambodia-Thailand border) was opened in 2023. The Phnom Penh-Siem Reap-Poipet Expressway project, which connects the capital to the border of Thailand, is also in the pipeline. These improved land routes will enhance Cambodia's connectivity and allow Cambodia to reap more benefits from trade, tourism, and investment in the region.

Air transportation and infrastructure

8.19. The Siem Reap-Angkor International Airport, for which construction started in July 2018, was opened for aviation in October 2023. The airport is located 50 kilometres from Siem Reap town. It can handle 65,800 flights and 7 million passengers annually, with capacity to increase to 112,700 flights and 12 million passengers from 2040.[51] The Techo International Airport to serve Phnom Penh is under construction and is planned to open in 2025; it will be equipped to receive large aircraft, with a runway of over 1.8 kilometres. After the completion of the first phase of the project, the airport will be able to handle 13 million passengers per year, while after the second phase, it will be able to handle 30 million passengers per year, and after the third phase is completed will have the capacity to handle 50 million passengers per year and 175,000 tonnes of cargo.

Waterway infrastructure

8.20. The Funan-Techo Canal, whose construction was launched on 5 August 2024, is a project aiming to link the Bassac River of Mekong River in Phnom Penh to Kep province, where it can connect with other ports in this province and extend further to the deep seaport in Sihanoukville (PAS). In total, the canal runs 180 kilometres and will be able to accommodate the ship up to 1,000-3,000 tonnes of DWT. Its estimated cost is USD 1.7 billion. The construction of the 14.5 m draft container terminal at PAS started in 2023 is a project aiming to accommodate 60% and 93% of the world and Asia-Pacific fleets, respectively. The Government is also planning to develop a Multipurpose-Special Economic Zone in the deep-water seaport of PAS. PAS is a strategic port with a geo-economic location and accessible from production bases and markets through diverse transport modes such as National Road No. 4, National Road No. 3, the railways, and the Sihanoukville International Airport. These projects are expected to boost trade and regional connectivity and transform Cambodia into one of the major logistics and economic hubs within the Mekong sub-region.

Railway system restoration and development

8.21. In addition to the development of land, waterway, and airway projects, the Government is renovating the current two railways: Phnom Penh-Sihanoukville, and Phnom Penh-Poipet and planning to construct a railway connecting Phnom Penh to the Techo International Airport and from Siem Reap international airport to Siem Reap city.

8.22. Other projects, in implementation, include: the Green Special Economic Zone; the Kampot International Tourism Port; the Sihanoukville Logistics Complex; and the Phnom Penh Logistics Complex.

8.3.3 Cost and paperwork reduction measures

Reduction of electricity costs

8.23. The National Energy Efficiency Policy 2022-2030 aims at developing a balanced, sustainable, and efficient energy system by promoting energy savings, reducing end-user energy costs, and increasing business and industry competitiveness. This will complement efforts undertaken to lower energy costs, which have been successful. For instance, in 2022 the rate charged to industrial and

[49] MEF information. Viewed at: https://ppp.mef.gov.kh/detail/phnom-penh-sihanoukville-expressway.
[50] MEF information. Viewed at: https://ppp.mef.gov.kh/detail/phnom-penh-bavet-expressway.
[51] https://www.khmertimeskh.com/501376475/siem-reap-angkor-intl-airport-to-start-official-commercial-operation-today/.

commercial customers was 18% lower compared to the price in 2017. Despite this progress, the Policy aims to bring electricity tariffs down much further to lower the cost of doing business and promote Cambodia's competitiveness.

Quality and standard online application

8.24. On 1 August 2019, the Ministry of Health launched the Cambodia Pharmaceutical Online Registration System (CamPORS), a digital transformation initiative aimed at providing a faster, transparent, and easy way to register therapeutic drugs, cosmetics, health supplements, medical devices, traditional medicines, overseas manufacturers, brand name clearance, health-supporting and household products. This online platform is an important step toward reducing the paper workload. The Government also established the online platform for data exchange, Cambodia Data Exchange (CAMDX) that facilitates the data exchange of different information systems over the Internet. For instance, on 10 June 2020, via Sub-Decree No. 84, the Government established an online business registration platform through the CAMDX as a single portal allowing business owners to register and get the licences needed to operate their business. At the time of this review, there were around 20 ministries and institutions that participated in the business online registration platform. The CAMDX platform has been actively used during the review period[52] and the verify.gov.kh are implemented among 22 ministries and 51 universities as well as private companies and professional organizations during the review period.[53]

8.3.4 Labour and human capital development

Skill Development Fund

8.25. **The Skill Development Fund (SDF)**, introduced in March 2018, is a new and innovative financing mechanism to promote the development of demand-driven skills. The ultimate objectives are to diversify and increase value addition to Cambodia's economy and create better and decent jobs for Cambodian citizens. The SDF has received funding from the Royal Government of Cambodia and development partners such as the Asian Development Bank (ADB) and the Agence Française de Développement (AFD).

Training programmes

8.26. Between 2018 and 2023, the Government has introduced and actively implemented policies to develop training programmes, aiming to ensure that "each citizen possesses at least one skill for life". Significant results have been achieved, including a fourfold increase in the allocation of the annual national budget for education, technical, and vocational training; doubling the number of training opportunities for people across the country, particularly for youth and workers; and enhancing the quality of training to better meet the demands of the labour market both domestically and internationally, as well as addressing the needs of Industry 4.0.

8.27. On 14 November 2023, the Prime Minister of Cambodia announced the implementation of vocational training programmes to provide professional and technical skills for 1.5 million young people from poor and vulnerable families. The Ministry of Labour and Vocational Training and the Ministry of Culture and Fine Arts oversee the implementation of the programme.

Trade finance and payments systems

8.28. On 4 July 2022, to facilitate interbank payments in the country, the National Bank of Cambodia launched a unified QR code payments system called KHQR, which allows for payments across different mobile banking apps for all banks and financial institutions members of the Bakong system, a payments system launched in 2020, which comprises 37 financial institutions. On 19 September 2024, a cross-border QR payment code between Cambodia and Malaysia was launched. Cambodia has similar cross-border payments systems with Thailand, Viet Nam, Lao PDR,

[52] As an example, between the date of launch of the platform, on 15 June 2020, and end May 2023, the platform registered 25,612 companies in the system.

[53] As an example, between the date of launch of the platform, on 3 March 2023, and 7 November 2024, the platform issued 481,000 documents. The verify.gov.kh has been implemented in 10 among 22 ministries (12 in progress) and 38 among 51 universities (13 in progress). Implementation on verify.gov.kh with private companies and professional organizations is on-going.

China, and the Republic of Korea. On 19 August 2024, the NBC launched the "Bakong Tourist App" in Siem Reap to promote tourism by easing payments for goods and services through electronic means.

Resolution of controversies

8.29. The Government established the National Authority for Alternative Dispute Resolution (NADR) in 2023, which sets out an alternative dispute settlement mechanism with the objective of providing effective and expeditious out-of-court dispute resolution for civil and commercial disputes in Cambodia. NADR mediation officers are selected among officials, lawyers, notaries public, and other candidates with law and dispute settlement qualifications. They are trained at the Royal Academy for Justice of Cambodia on courses including law, mediation and conciliation techniques, codes of professional ethics and conduct for mediation officers, and the formalities and procedures for mediation and conciliation under NADR proceedings. They are also accredited with mediation certificates issued by the Ministry of Justice so that they can be qualified to resolve disputes. Agreements mediated or conciliated by a mediation official under a NADR proceeding, if agreed to by the parties, would have the same effect as a final court judgment with respect to execution and enforcement. The NADR is governed by Royal Decree No. NS/RKT/1123/2381, dated 2 November 2023, on the Establishment, Organization and Functioning of the National Authority for Alternative Dispute Resolution, Sub-Decree No. 341, dated 30 November 2023, on the Organization and Functioning of the General Secretariat of the National Authority for Alternative Dispute Resolution, and a number of decisions.[54]

8.30. The NADR, which has 26 full-time staff members, started receiving requests from clients to resolve their disputes on 1 March 2024. The NADR has selected, trained and accredited with mediation certificates 90 mediation officers. To date (November 2024), there have been 227 applications requesting NADR services and the NADR has successfully resolved 22 cases, while the other 205 cases are still in progress.

8.31. The Government is in the process of finalizing a Draft Law on Commercial Court and Commercial Procedures, which it expects to submit to the National Assembly in the near future. This will lead to the establishment of a legal framework for the operation of a Commercial Court, which will hear commercial disputes, and for providing continual training and technical support to Cambodian judges and other judicial staff to operationalize Cambodia's Commercial Court.

9 LDC GRADUATION READINESS

9.1. Cambodia is scheduled to graduate from Least Developed Country (LDC) status in 2029, a milestone in socioeconomic development. Cambodia will gradually lose LDC-specific international support measures (ISMs), such as trade preferences specific to LDCs and concessional loans. The economic impact of LDC graduation primarily results from the effects of tariff changes associated with Cambodia's shifting from tariffs applied on its exports under the current LDC status to preferences under the different GSP schemes of trading partners or the GSP+ regime for the EU market. With graduation, Cambodia will also eventually lose its duty-free quota-free (DFQF) market access to its main markets.

9.2. Some of the products identified as affected by the change in status include apparel and bicycles, Cambodia's main exports. These have been singled out as the two sectors facing challenges in meeting the EU's rules of origin for developing countries under the GSP scheme. The impact on access of exports to the EU market is likely to start to be felt after the end of the three-year transition period), particularly for garments, given the double transformation rule and conditions for accession to the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+). The graduation may similarly impact the export of garments to Canada and the United Kingdom, as

[54] Decision No. 002/24, 12 January 2024, on Formalities, Procedures, Qualifications for Selection of Mediation Officers of National Authority for Alternative Dispute Resolution; Decision No. 004/24, 29 February 2024, Statute of Mediation Officers of National Authority for Alternative Dispute Resolution; Decision No. 005/24, 4 March 2024, on Uniform, Logo and Name Tag of Mediation Officers of the National Authority for Alternative Dispute Resolution; Decision No. 006/24, 29 March 2024, Code of Ethics and Conduct for Mediation Officers of National Authority for Alternative Dispute Resolution; Decision No. 007/24, 19 April 2024, on Formalities and Procedures for Dispute Resolution under the Framework of National Authority for Alternative Dispute Resolution.

Cambodia will need to comply with more stringent rules of origin, including double transformation for garments. In contrast, graduation is considered to have a more limited impact on exports of apparel products and main products to the US because Cambodia has been exporting significantly to the US without GSP preferences since 1 January 2021, as this scheme has expired and not yet been renewed by the US Congress.

9.3. In the WTO, where Cambodia made concessions which went beyond those required from an LDC at the time of accession, some of the main adjustments will imply, for instance, the end of LDC-specific flexibilities under the TRIPS Agreement in pharmaceuticals, which could result in barriers to entry for import of generic drugs. After graduation, Cambodia will be required to grant patent protection for pharmaceutical products, which it currently does not have, giving it the freedom to import generic drugs. This freedom to import generic drugs will be lost after Cambodia's graduation from the LDC category.

9.4. The graduation process will require adjustments to Cambodia's trade regime and other measures. In this regard, to ensure a smooth transition, the Cambodian Government has taken some proactive measures, including the establishment of the National Committee on Cambodia's LDC Graduation. This Committee is charged with seeking to cope with and mitigate the adverse impact of LDC graduation. It is led and coordinated by the Ministry of Planning with the participation of relevant ministries, including the Ministry of Commerce, Ministry of Economy and Finance, Ministry of Agriculture, Forestry and Fisheries, etc. Impact studies have been conducted to understand the sectoral effects of graduation and how relevant ministries and agencies can put out policies and measures to mitigate these impacts.

9.5. In its graduation process, Cambodia can benefit from assistance in the framework of the Doha Programme of Action for LDCs (DPoA), adopted by UN member States in 2022. The DPoA recognizes the need for enhanced support to countries before and after graduation, through appropriate, predictable, additional and demand-driven incentives and support measures, including through technical assistance in preparing and implementing a smooth transition strategy, legal assistance to negotiate market access after trade preferences granted on the basis of LDC status end, technical assistance to negotiate market access after LDC trade preferences end, technical assistance to build and strengthen intellectual property rights systems, and access to dedicated funds for addressing adverse impacts of climate change.[55]

9.6. To facilitate its process of graduation from LDC status, Cambodia trusts that Members will abide by the General Council Decision on Extension of Unilateral Duty Free And Quota Free Preferences in Favour of Countries Graduated from the LDC Category adopted on 23 October 2023 that encourages those Members that graduate or remove countries from unilateral DFQF preference programmes reserved for LDCs based on their being graduated from the UN list of LDCs, to provide a smooth and sustainable transition period for withdrawal of such preferences after the entry into force of a decision of the UN General Assembly to graduate a country from the LDC category. Cambodia also expects to be able to take advantage of the Ministerial Decision on WTO Smooth Transition Support Measures in Favour of Countries Graduated from the LDC Category adopted on 2 March 2024 at the 13th WTO Ministerial Conference, according to which a Member that graduates from the LDC category shall continue to benefit from the application of the Special Procedures Involving LDCs set out in Article 24 of the Dispute Settlement Understanding and LDC- specific technical assistance and capacity building provided under WTO's Technical Assistance and Training Plan for a period of three years after the date on which the decision of the UN General Assembly to graduate that Member from the LDC category becomes effective.

10 AID FOR TRADE, DEVELOPMENT AND DEVELOPMENT PARTNERS

10.1. As an LDC, Cambodia has benefited considerably from the effective use of Aid for Trade (AfT). Cambodia was the first pilot LDC selected by the Integrated Framework for conducting a Diagnostic Trade Integration Study in 2001. It was also the first country to update its Diagnostic Study under the Enhanced Integrated Framework (EIF). The EIF has supported Cambodia in building its capacity to formulate, implement, manage and monitor a pro-poor trade policy consistent and supportive of the country's National Strategic Development Plan. As shown above, Cambodia has developed trade roadmaps that serve as the country's trade strategy and has prioritized reforms and actions for

[55] United Nations, Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031 (DPoA). Viewed at: https://www.un.org/ldc5/sites/www.un.org.ldc5/files/doha_booklet-web.pdf.

improving trade performance and promoting diversification and inclusive growth. Cambodia made a presentation in the 9th Aid for Trade Review at the WTO: *Two Decades in Trade: Celebrating Cambodia's 20-year Journey as a WTO Member,* regarding the considerable socio-economic transformation that Cambodia has experienced from joining the WTO, including from AfT use.

10.2. The Department of International Cooperation (DICO) in the Ministry of Commerce is Cambodia's established EIF National Implementation Unit (NIU) in charge of implementing projects and coordinating AfT initiatives. The funds managed by the Department have been increasing over the years. By 2023, it was managing an International Fund for Agricultural Development project worth USD 63 million, among other projects, up from a total of USD 1.5 million worth of support when it first became operational. The project was identified through the EIF Medium Term Programming process and included scaling up investment in the cassava sector.

10.3. The EIF contributed to the Cambodian Government's development of the Trade Sector Wide Approach (SWAp), through which some USD 16 million were mobilized into a trust fund supporting various trade-related activities, geared to help the poorest people. Cambodia also implemented the Cambodia Export Diversification and Expansion Programme (CEDEP) in two phases with the support of the EIF and other partners, which granted AfT for projects to support the rice and silk sectors, cassava, marine fishery and a culinary academy. All these projects were highly successful, particularly the rice project implemented in collaboration with the International Finance Corporation (IFC), which led to significant growth in Cambodia's milled rice production and exports. The project made a significant contribution to increasing milled rice capacity, achieving a five-fold increase from 100,000 metric tonnes (MT) to 530,000 MT between 2010 and 2015, with production growth continuing during the period under review to reach 630,000 MT, while exports rose from USD 140 million in 2015, to USD 414 million in 2022. The project was also successful in helping Cambodia diversify markets for its rice exports and has contributed to job creation.

10.4. Cambodia has also mobilized resources beyond the support of the EIF from both governments and private sources. As an example, the European Union co-funded the rice project, the Swedish International Development Agency co-funded the Academy of Culinary Arts of Cambodia (ACAC), and the Australian Department of Foreign Affairs and Trade (DFAT), UNDP and the Global Alliance for Trade Facilitation through Swisscontact, a private non-profit foundation, supported an E-commerce project. According to an Asian Development Bank study, total AfT received by Cambodia in 2022, was USD 725.2 million, USD 638.8 million more than before joining the WTO in 2002. This was equivalent to 1.5% of GDP and to an AfT per capita of USD 43.25.[56]

10.5. Under the United Nations Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031 (DPoA), members committed to double the proportion of total AfT going to LDCs by 2031 from 2018 levels. Also, acknowledging and building on achievements made to date by the EIF and others providing support to LDCs, they committed to providing trade-related assistance and financial and technical support to enhance the institutional capacity of LDCs. They welcomed the establishment of a Sustainable Graduation Support Facility (iGRAD) by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, as Chair of the interagency task force on LDC graduation.[57] The iGRAD is a country-led, partnership-based, global facility, to assist LDCs transitioning out of this category smoothly, ensuring a sustainable and irreversible graduation. iGRAD provides support through six different service offering lines, which address specific issues such as the loss of existing LDC-specific international support measures, implementing a smooth transition strategy, and facilitating south-south cooperation.

10.6. Apart from iGRAD, in its process of LDC graduation Cambodia is expecting to receive the assistance of the WTO and of various UN entities that provide specific support in the graduation processes, in the form of training, workshops, studies and support for the development of smooth transition strategies. Cambodia would benefit from AfT support to: enhance trade capacity and promote diversification; develop and improve regulations and infrastructure; offset the loss of DFQF market access through the negotiation of trade agreements with trading partners; promote trade

[56] Asian Development Bank (ADB), Aid for Trade in Asia and the Pacific Navigating Climate Policy Dynamics for Sustainable Trade Competitiveness, June 2024. Viewed at: https://www.adb.org/sites/default/files/publication/974471/aid-trade-asia-pacific-climate-policy-dynamics.pdf.

[57] United Nations, Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031 (DPoA). Viewed at: https://www.un.org/ldc5/sites/www.un.org.ldc5/files/doha_booklet-web.pdf.

facilitation and further digitalization of customs procedures; invest in technologies to promote higher value added and further integration into global value chains (for instance in the garments industry); foster infrastructure projects to enhance trade and improve connectivity with neighbouring countries; and contribute to improve education and build human capital, while promoting environmentally friendly and sustainable policies and measures.

10.7. As President of the Group 77 and China (Geneva), in October 2024 Cambodia delivered a statement at UNCTAD's 15th Session Multi-year Expert Meeting (MYEM) on Commodities and Development in which it advocated for the establishment of frameworks that empower developing countries to add value to their commodities, diversify their economies, and transform their development trajectories. The goal is to not only boost economic growth, but also create the basis for sustainable and inclusive development. In the statement, Cambodia stressed the vulnerability of commodity-dependent countries to external shocks, such as price volatility, natural disasters, global pandemics, and geopolitical crises. These events make the need for value addition and economic diversification even more urgent, since a diversified economy is inherently more resilient. By adding value to commodities and moving up the value chain, the conditions are created for more stable and inclusive economic development. In this intervention, Cambodia also noted that there remain market access-related barriers to attempts by developing countries to add value to commodities, in particular non-tariff barriers (NTBs) such as sanitary and phytosanitary standards and complex technical regulations, and tariff barriers, particularly tariff escalation. Developing countries are also disadvantaged *vis-à-vis* developed countries which heavily subsidize their industries.

10.8. Considering these challenges, Cambodia called for a concerted effort at the international level to create supportive frameworks to enable developing countries to add value to their commodities, diversify their economies, and move up the global value chain. This includes advocating for the removal of NTBs and tariff escalation, addressing the issue of subsidies that distort competition, effectively implementing special and differential treatment in favour of developing countries especially LDCs and graduating LDCs, and promoting policies and initiatives to build the capacity of developing countries to upgrade their production processes, adopt new technologies, and move into higher-value activities.

11 WAY FORWARD

11.1. Between 2017 and 2024, Cambodia's economic structure has shifted from an economy that relied primarily on traditional agriculture to a modern economy based on smart agriculture, industry, and services. Cambodia experienced a fast-growing economy and a rapid recovery from COVID-19 during the period under review. These achievements were realized through the implementation of coherent and proactive strategies, by continuing public sector reforms, by adopting sound macroeconomic policies and trade openness, by the ability to adapt to changing regional and global contexts, and through the promotion of competitiveness and productivity enhancement.

11.2. Guided by the Pentagonal Strategy, Cambodia will continue implementing the regulatory and infrastructure changes needed to attain its goal of becoming an upper-middle-income economy by 2030 and a high-income economy by 2050. Ways forward, Cambodia is determined to diversify its productive structure to create new growth pillars that contribute to the creation of additional high-value jobs, through the strengthening of the country's formal education system and vocational training. Cambodia will keep on strengthening governance and promoting a favourable environment for trade, investment and business in general. All this will be aided by continuing and reinforcing regional and global integration, keeping an open economy, increasing participation in global value chains and in free trade agreements, as well as through export diversification, and by attracting investment.

11.3. Cambodia is committed to achieve carbon-neutrality by 2050, and to this end, it is important that it can have access to clean technology at an affordable cost. For example, access to technology for clean transportation, to implement low-CO_2 emission industrial processes, for waste management, and for forestry preservation are critical in Cambodia's next stage of economic development.

11.4. LDC graduation presents both opportunities and challenges for Cambodia to showcase its ability to sustain its trade performance in the context of reduced preferences. Cambodia must prepare the path to development by building a resilient, inclusive, technically advanced and sustainable economy. As indicated in the Pentagonal Strategy, inclusive policy is an important item in the Government's policy agenda. The Cambodian Government is committed to reducing poverty and inequality by introducing and expanding social security and social assistance programmes. The Government also has set out the strategy to develop the informal economy to have access to the formal system and become an important driving force in improving the lives of the people and can contribute to the maximum to achieving sustainable development, environment, resilience and crisis resilience.

11.5. Considering all this, participation in the WTO has become even more important for Cambodia. Addressing new issues such as the digital economy, including electronic payments, the environment and energy will also be contributing factors influencing the country's economic development. To this end, Cambodia has prepared and is implementing plans and strategies as outlined before and needs to complete its process of regulatory and legal reform, as well as fostering human capital development. Currently, Cambodia is also in the process of drafting legislation on digital trade, personal data protection cybersecurity, and cybercrime to keep up with technological developments. Cambodia would welcome assistance from trading partners in these and other processes with the aim of ensuring sustainable and irreversible graduation from LDC status. Cambodia wishes to use the opportunity of its 3rd TPR to reiterate its full support for the work of the WTO.