



17 October 2017

(17-5586)

Page: 1/15

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.

Contents

1 INTRODUCTION	3
2 MACROECONOMIC DEVELOPMENTS.....	3
3 INCOME, WELFARE, AND VULNERABILITY.....	3
4 ENHANCING CAMBODIA'S COMPETITIVENESS	4
4.1 Completing and Improving the Legal and Regulatory Regime	5
4.2 Reducing the Costs of Complying with Government Regulations and Procedures.....	7
4.3 Improving the Quality of the Labour Force	11
4.4 Expanding the Availability of Electricity and Reducing its Cost	13
4.5 Transportation and Logistics	13
5 TRADE, DEVELOPMENT, AND DEVELOPMENT PARTNERS	15

1 INTRODUCTION

1.1. Cambodia has been classified by the United Nations as a least developed country (LDC). Its population is growing rapidly, and reached roughly 15 million in 2016, 77% of which live in rural areas, while 13.5% live below the poverty line. Cambodia maintains an open economy, and depends heavily on exports as a source of growth of gross domestic product (GDP) and employment. International trade and related investment are thus central to the Government's efforts to raise the incomes and welfare of Cambodians. The international trading regime managed by the World Trade Organization (WTO), regional trading arrangements centered on the Association of Southeast Asian Nations (ASEAN), and the various generalized system of preferences (GSP) programs of WTO members, shape the external environment in which Cambodia pursues its development objectives.

2 MACROECONOMIC DEVELOPMENTS

2.1. Cambodia has experienced rapid and steady growth since its last Trade Policy Review in 2011, with GDP expanding at an annual rate that is slightly above 7%. Construction has been the most dynamic sector, growing by about 14% in 2014, 19% in 2015¹, and by 32% in 2016.² Garments continued to perform well, growing at an average rate of about 8% per annum during 2012-16, supported by Cambodia's benefits under several preferential trade agreements, in particular by the Everything But Arms (EBA) program of the European Union's (EU) Generalized System of Preferences. The food, beverage and tobacco sector experienced rapid expansion during the period under review, fueled by rising domestic demand. This sector, which consists mainly of small and medium enterprises, many led by Cambodian entrepreneurs, has become an increasingly important component of economic growth. During 2013-15, unfavourable weather conditions and a drop in commodity prices reduced the average annual growth of agricultural output to 0.7%; improved weather and a stronger growth of crops and fisheries is expected to raise growth in 2016 and 2017 to 1.4% and 1.7%, respectively. Services experienced softer growth during 2015-16, owing mainly to a slower expansion in the hotel and restaurant sector which, in turn, reflected a slowing in the growth of tourism, especially high-end tourism.

2.2. This economic performance was underpinned by a steady, predictable, and favourable macro-economic environment. Price inflation was contained by prudent monetary policies, and declined from 5.5% in 2011 to 1.2% in 2015, as energy prices weakened. In 2016 it rose to 3%, reflecting the gradual rise in international oil prices and in domestic food prices. The overall budgetary deficit, which had previously risen as the Government combatted the effects on Cambodia of the international financial and economic crisis of 2008-09, was reduced from 8.2% of GDP in 2011 to 3% of GDP in 2015. The deficit reduction was accompanied by a strong expansion of government spending: current expenditure rose at an average annual rate of 14% during the same period. Expenditure on education grew especially rapidly, and the share of education and vocational training in total spending rose from 7.9% in 2011 to 10.5% in 2015. The combination of fiscal consolidation and vigorous growth of expenditure was made possible by major improvements in collecting revenue: revenue equaled 13% of GDP in 2011, and rose to about 18% of GDP in 2016. Better tax auditing, better collection of arrears, and a vigorous anti-smuggling campaign were major components of this improvement.

3 INCOME, WELFARE, AND VULNERABILITY

3.1. The rapid growth in GDP since the last Trade Policy Review during the period under review produced an equally rapid advance in GDP per capita, which grew at an average annual rate of around 7.7% and in 2016 reached US\$1,302, as compared with US\$911 in 2011. In 2016, Cambodia passed the World Bank's gross national income per capita graduation threshold, and passed from low-income-country status into lower-middle-income-country status.

3.2. The sharp rise in per capita income, in turn, has been accompanied by visible and significant improvement in the welfare of all Cambodians. The poverty rate, which was 53% in 2004, and 21% in 2010 fell further to around 13.5% in 2014. The infant mortality rate fell from 45 deaths per 1,000 live births in 2010 to 28 deaths per 1,000 live births in 2014, and the literacy rate increased from 79.9% in 2011 to 80.5% in 2015. During the 2015 United Nations' review of LDCs,

¹ Source: MEF and MLMUPC.

² Source: MLMUPC.

Cambodia's human assets index, which measures levels of health, nutrition, education and adult literacy, reached for the first time the threshold allowing graduation from LDC status.

3.3. The 2008-09 financial and economic crisis illustrated Cambodia's exposure to negative external developments, an exposure that is magnified by its reliance on a relatively few export products and export markets. The 2008-09 negative influences occurred mainly through a drop in garment exports to the United States. In the period under review, Cambodia's export reliance on both the U.S. market and on garments has been reduced. Garments accounted for 90% of Cambodia's total exports in 2007, 67% in 2011, and 66% in 2016. The United States accounted for 64% of Cambodia's total exports in 2007, 48% in 2011, and 25% in 2016. The more balanced current mix of products and destinations has lowered Cambodia's vulnerability, but reliance on garments, while greatly reduced, is still large, and exposure to developments in the United States and Europe, while reduced, remains high.

3.4. The progress described above is part of the longer-term trajectory of the Cambodian economy. As the International Monetary Fund and World Bank have pointed out, Cambodia ranks sixth in the list of the world's most rapidly growing economies during the past 20 years. This achievement has been possible because of Cambodia's access to, and participation in, the WTO-managed world trade regime. Cambodia is well aware of the critical importance to its own growth and development of the WTO requirement of open and fair trade, governed by a rule-based system. Cambodia's experience is ample evidence that such a system can work well for least developed countries, but there is also need for constant attention to the system's features, in order to ensure that these countries are able to fully realize the benefits that it offers. Cambodia is honored to have been asked to coordinate the activities of the LDC Group in WTO this year and has made every effort to assist the Group in advancing their interests within WTO.

4 ENHANCING CAMBODIA'S COMPETITIVENESS

4.1. The remarkable growth that Cambodia has experienced is the direct result of its ability to compete in international markets and maintain an open economy. Cambodia's competitiveness was initially based primarily on its abundant and low-priced labour. More recently, trade preferences under GSP and duty-free-quota-free (DFQF) programmes, in particular the EU's EBA programme, as modified by the 2011 changes in its rules of origin, have been the key to export expansion: as much as 80% of the growth of Cambodia's exports occurred in markets providing non-reciprocal tariff preferences. These incentives, when combined with Cambodia's attractive investment regime, account for the major part of Cambodia's growth performance.

4.2. The set of circumstances that allowed this rapid growth is changing, and will change further in the future. Some countries providing GSP preferences are also entering into free-trade agreements, which tend to dilute the commercial value of Cambodia's preferential access. The special DFQF privileges that Cambodia enjoys as an LDC will at some point come to an end: UNCTAD has forecast that in the second half of the 2020s Cambodia may be approaching eligibility for graduation from the LDC group. Wage rates of Labour costs in Cambodia are going up, as they must if the benefits of Cambodia's integration into the world economy are to be equitably shared. The old bases for Cambodia's competitiveness are eroding, and new ones must be found and created by Cambodia itself.

4.3. Part of the response to the actual and prospective erosion of traditional preferential trading arrangements has been to create new ones. Cambodia participates fully in the elaboration and execution of the ASEAN Economic Community and has entered into free-trade agreements with ASEAN Dialogue Partners—Australia/New Zealand, China, India, Japan and the Republic of Korea. These destinations currently account for a relatively small part of Cambodia's total exports, but regional value chains are being established and regional trade is growing rapidly; it will undoubtedly continue to do so in the future. Cambodia also participates in the negotiation of the Regional Comprehensive Economic Partnership, which aims to consolidate the various free-trade arrangements with ASEAN Dialogue Partners into to a single preferential trading bloc. It is anticipated that this negotiation will be substantially concluded by the end of 2017.

4.4. Cambodia's ability in the years ahead to expand rapidly its exports within these preferential trading arrangements and to penetrate markets where it does not enjoy preferences depends

critically on its underlying competitiveness; bringing about rapid improvements in that competitiveness is Cambodia's biggest challenge.

4.5. The Royal Government and its ministries have elaborated a multi-layered strategic approach designed to meet this challenge. The Rectangular Strategy Phase III and the Strategic Development Plan 2014-18 set out economy-wide development objectives and strategy. These are reinforced and elaborated by sectoral development plans and strategies, for example the Education Strategic Plan, 2014-18; The Financial Sector Development Strategy, 2011-20; the Agricultural Sector Strategic Development Plan, 2014-18; and, most recently, the Industrial Development Policy, 2015-25, which aims to transform Cambodia's industrial structure away from labour-intensive activities and toward skill-driven activities. Individual products have also been earmarked for policy action: through its Trade Integration Strategy (CTIS) the Government has identified ten export sectors that will receive priority attention. These are garments; footwear; light manufacturing assembly in special economic zones (SEZ); processed food; fisheries products; milled rice; cassava; rubber; tourism; and high-value silk products. These, in turn, are the object of product strategies, for example the Policy Paper on the Promotion of Paddy Production and Rice Export; Strategic Planning Framework for Fisheries 2015-24; the Natural Rubber Development Strategy, 2011-20; and the Tourism Development Strategic Plan, 2012-20. For each of these products the CTIS focused, along with other key competitive issues, on opportunities for producers to move up value chains; opportunities to increase the volume of exports; opportunities to diversify target markets; opportunities to increase backward linkages through linkages to domestic producers (mostly small and medium enterprises); and socio-economic and environmental impacts.

4.6. There are a number of broad, cross-cutting issues that affect the competitiveness of Cambodia as an investment destination and that impact all firms seeking to produce for export. These include the quality and completeness of the legal environment; the cost of complying with government regulations and procedures; the quality of the labour force; the cost of electricity; and the cost of transportation and logistics. The following sections describe briefly the Government's actions and plans in these areas.

4.1 Completing and Improving the Legal and Regulatory Regime

4.7. Cambodia's accession to WTO was governed by the 10 December 2002 Decision of the General Council on the Accession of Least Developed Countries, and it joined WTO without having in place all of the laws and regulations normally required of a WTO member. In addition, it lacked numerous laws and regulations that, while not required by WTO rules, are necessary to create a transparent and predictable legal environment for business. Consequently, legislative and regulatory development continues to have high priority, and is guided by a work programme.

4.8. Laws pass through three stages of development: drafting by the line ministry concerned; consideration by the Council of Ministers; and, if approved by the Council of Ministers and submitted to the National Assembly, consideration and adoption by the National Assembly and by the Senate. The following reports on the main actions completed since the previous Trade Policy Review, and on the state of play as regards laws that are still under development.

4.9. The following laws were adopted during the period under review:

- Law on Public Procurement (14 January 2012)
- Law on the Management of Pesticide and Fertilizer (14 January 2012)
- Law on Geographical Indications (20 January 2014)
- Law on Insurance (4 August 2014)
- Law on the Organization of Courts (16 July 2014)
- Law on Telecommunications (17 December 2015)
- Law on Animal Health and Animal Production (1 February 2016)
- Law on Trade Unions (17 May 2016)

4.10. Cambodia acceded to the following international conventions during the period under review:

- the Revised Kyoto Convention (28 June 2014)

- Madrid Protocol on the International Registration of Marks (5 June 2015)
- Patent Cooperation Treaty (8 December 2016)
- The Hague Agreement Concerning the International Registration of Industrial Designs (25 February 2017)

4.11. The following laws are currently under development:

- Law on Competition (being developed by the Ministry of Commerce)
- Law on Consumer Protection (being developed by the Ministry of Commerce)
- Law on Commercial Contracts (with the Council of Ministers)
- Law on Special Economic Zones (being developed by the Council for the Development of Cambodia)
- Law on eCommerce (with the Council of Ministers)
- Law on Trade Remedies (with the National Assembly)
- Law on Food (with the Council of Ministers)
- Law on Standards (being amended, with the Council of Ministers)
- Law on Compulsory Licensing for Public Health (with the Council of Ministers)
- --Law on Patents, Utility Models and Industrial Designs (being amended, with the National Assembly)
- --Law on Trade Secrets and Undisclosed Information (being developed by the Ministry of Commerce)
- Law on Traditional Knowledge, Genetic Resources and Traditional Cultural Expression (being discussed and developed by relevant Ministries (Ministry of Environment, Ministry of Culture and Fine Arts, Ministry of Health and Ministry of Industry and Handicraft)
- Law on Layout Designs of Integrated Circuits (being developed by the Ministry of Industry and Handicraft)
- Law on rubber (being developed by MAFF)
- Law on Amendment of the Law on Fisheries (with the National Assembly)
- Law on Plant Protection and Quarantine (with the Council of Ministers)

4.12. The Law on the Organization of Courts rounds out the set of institutions available for the settlement of commercial disputes. The Law requires the establishment of commercial courts in the courts of first instance throughout Cambodia (Article 5 and Article 14). The National Arbitration Center, established pursuant to the 2006 Law on Commercial Arbitration, became fully functional in 2013, and is an alternative platform for private commercial dispute settlement involving quasi-judicial procedures. In some instances, line ministries themselves may play a role in dispute settlement. In 2016, for example, the Ministry of Commerce received 17 applications for the prevention of Trademark infringement, and mediated and settled 12 of the cases.

4.13. The laws adopted and under preparation, as well as Cambodia's adherence to international conventions, show a clear focus on the protection of intellectual property. Cambodia's accession to the Madrid Protocol was immediately followed by the adoption of 2 Prakas needed to implement Cambodia's obligations: Prakas on procedures for the protection of certification marks; and Prakas on procedures for the international registration of marks. Since joining the Protocol, Cambodia has received 3,377 trademark applications of international registration, 1,006 of which were granted protection.

4.14. The Law on Geographical Indications provides a firm basis for the protection of geographic indications, which were previously protected under a Ministry of Commerce Prakas. Cambodia currently provides protection to Kampot Pepper and Palm Sugar from Kampong Speu Province, and is in the process of registering Koh Trung pomelo. In 2016, Kampot pepper was successfully registered in the EU and Viet Nam; Kampong Speu palm sugar has been registered in Viet Nam and Thailand.

4.15. The draft Law on Compulsory Licensing for Public Health is designed to allow Cambodia to benefit fully from the Amendments to the TRIPS Agreement dealing with public health that came into effect in January 2017. The draft laws on undisclosed information and on the layout designs of integrated circuits complete Cambodia's legal requirements under TRIPS. (It should be noted that integrated circuits are presently protected under a Prakas.)

4.16. The law on Patents, Utility Models and Industrial Designs adopted in 2003 is being revised by adding new article 136 and new sub-paragraphs in the following articles: Article 37 (new sub-paragraph 4), Article 38 (new sub-paragraph 2), Article 109 (new sub-paragraph 2 and 3).

4.17. Cambodia acceded to the Patent Cooperation Treaty in 2016. Cambodia has entered into bilateral agreements with the EU, Singapore and Japan to acknowledge and/or facilitate the issuance of patents more quickly. On 20 January 2015, the Ministry of Industry and Handicraft and the Intellectual Property Office of Singapore entered into a Memorandum of Understanding on Cooperation in Industrial Property which enables holders of Singapore-granted patents to obtain protection in Cambodia. This led to the adoption of Prakas on Re-registration of Singapore Patents in Cambodia, which entered into force in July 2016. A Prakas dated 25 July 2016 assures the Acceleration of the Issuance of Patents under the Cooperation of Facilitation of the Issuance of Patents in Cambodia regarding Patent Applications with the Japan Patent Office, and allows patent applications in Cambodia based on prior search and examination reports conducted by Japan to be promptly granted.

4.18. The draft Law on Standards revises the 2007 Law, bringing it into full compliance with WTO requirements.

4.19. The draft laws on commercial contracts, ecommerce, consumer protection and competition will, when adopted, provide greater clarity to the legal environment within which businesses operate. The law on animal health and the draft law on food will develop further Cambodia's regime on sanitary measures. The law on trade remedies, when complemented by its implementing sub-decree, will add to the trade-policy measures available to Cambodia. The draft laws on standards, trade remedies, food, and intellectual property comply fully with WTO requirements. In all, the package of adopted and prospective legislation is a significant step forward.

4.2 Reducing the Costs of Complying with Government Regulations and Procedures

4.20. The Royal Government continues to make sustained efforts to reduce the costs of complying with its regulations and procedures. It maintains an ongoing dialogue with the private sector, primarily through the Government-Private Sector Forum and its various working groups, and the Customs-Private Sector Partnership Mechanism, which helps identify areas in which improvements in government procedures would be most beneficial to the business community.

4.21. A part of the costs of doing business, or of importing or exporting, consists of "discovery" costs, i.e. the costs of identifying exactly what government procedures are required, and how to comply with them. To reduce these costs for international traders, the Ministry of Economy and Finance established in 2015 Cambodia's national trade repository (NTR) www.cambodiantr.gov.kh, an online portal where traders can access easily all trade-related information needed to import into or export from Cambodia. Cambodia's NTR fulfills commitments under the ASEAN Trade Agreement in Goods Agreement (ATIGA), making up part of the ASEAN Trade Repository. In addition, the NTR provides a foundation for Cambodia to meet commitments under the WTO Trade Facilitation Agreement (TFA) Article 1 on Publication and Availability of Information.

4.22. A similar initiative has been taken in the area of intellectual property protection. In 2014, the Ministry of Commerce launched the web site www.cambodiaip.gov.kh, allowing the public to search for marks registered in Cambodia and ASEAN. The Ministry of Commerce has also introduced the Intellectual Property Automation System (IPAS), which enables trademark examiners to store and search trademark data. IPAS has been periodically upgraded and trademark examiners can now upload a wider range of trademark documents to the system, streamlining workflows, and allowing marks to be registered expeditiously.

4.23. In addition to providing better and quicker access to information on business and trade-related procedures, the Royal Government has taken a number of steps to streamline the procedures themselves. This usually takes the form of applying risk management and/or computerization to the measures in question. The following steps have recently been taken to expedite import and export procedures.

Customs Automation

4.24. The General Department of Customs and Excise (GDCE) has continued to improve and expand the functionality of ASYCUDA. The system is currently used at 74 major border posts and offices and processes 99% of customs declarations (the single administrative document, or SAD). Its main functions are to process import/export declarations, direct trader input, transactions related to bonded warehouses and freight manifests (being piloted at Phnom Penh International Port). Traders may track the status of their SAD from the customs website. In addition, other customs procedures, namely transit and simplified declarations, have been automated. The average time for clearing a shipment, i.e. the time between the lodgment of the SAD and cargo release, is less than two hours.

Single Window

4.25. In March 2015, a National Single Window Steering Committee, along with a Policy and Legal Advisory Group and a Project Team, were designated to provide oversight, management and execution skills for the Cambodia National Single Window (CNSW) development process. A number of ministries are involved, all of which will need, to one extent or another, to adapt their processes and procedures to the requirements of the CNSW.

4.26. The Cambodian National Single Window will eventually be part of the ASEAN Single Window, and care is being given to ensure that processes are harmonized and streamlined before the ICT component is designed. Recommendations from a 2016 needs assessment suggested that the development and implementation of the CNSW be carried out in three phases. Phase 1 would be focused on connecting the CNSW to ASYCUDA, and that part of the electronic certificates of origin system that pertains to ASEAN trade to the ASEAN Single Window. In 2017, Cambodia requested support for the installation of the ASEAN Single Window gateway and by the end the year should have a routing system in place that will function as a basic NSW connected to the ASEAN Single Window for the limited purpose of exchanging certificates of ASEAN origin (electronic C/O Form D) with other Member States. This should prepare Cambodia to engage in ASEAN's test exchange of ASEAN Customs Declaration Documents (ACDD) and e-phyto certificates next year. Phase 2 would bring about the integration of other government agencies, (e.g. licensing and permit-issuing agencies) to the CNSW. Phase 3 will complete the implement the CNSW according to the NSW Blueprint and its supporting documents. Cambodia has notified TFA Article 10.4 Single Window as a Category C provision.

Risk Management

4.27. The GDCE uses a customs risk management database system that is integrated into ASYCUDA and that facilitates clearance by classifying customs declarations into four categories. Declarations classified as "green lane" are automatically assessed and a clearance document is issued. Such declarations are subject to post-clearance audit. Declarations classified as "blue lane" are treated identically, except that the post-clearance audit is mandatory. Declarations classified as "yellow lane" require a document check before they can proceed to assessment and clearance, while those that fall in the "red lane" require a document check and a physical inspection before proceeding to assessment and clearance. This system is undergoing continuous evaluation and updating to ensure that it efficiently identifies high-risk cargoes and importers.

Best Traders Program and Authorized Economic Operators

4.28. As an initial step towards eventually implementing an Authorized Economic Operators program (and fulfilling requirements of the WCO SAFE Framework of Standards), the GDCE introduced its Best Traders Incentives Mechanism in June 2014 to provide benefits to traders who meet certain criteria. To date, 17 companies have qualified under the program and receive incentives including, among other things, receiving priority with respect to customs procedures; exemption from pre-verification of customs valuation and certificates of origin; and exclusion from the obligation of securing a transport permit for the import and export of goods.

Post Clearance Audit

4.29. The GDCE introduced the initial phase of its post-clearance audit (PCA) programme in 2012 for the garment sector with the objective of expediting the movement of imports through arrival and transport hubs, enhancing voluntary compliance and strengthening revenue mobilization. PCA enables selected consignments to be cleared without delay at the point of entry, and audits of traders' declarations are conducted post clearance. The PCA mechanism has been gradually extended into other sectors, and since June 2016 has been applied generally, with particular attention to regular exporters and importers.

Advance Rulings

4.30. The GDCE established a legally binding advance rulings process in January 2013. Traders may request advance rulings on tariff classifications, customs valuation and the origin of goods. These advance rulings are valid for three years, and remove classification, valuation and origin examinations from the procedures needed when goods move through customs.

E-permit/Customs

4.31. The GDCE is working to automate several documentation systems, including the transportation document system, petroleum transportation document, customs transit document, summary declaration system, deposit system, container scanning system, and customs e-permit system. The development of the customs e-permit is ongoing, but will essentially allow traders to apply and receive approval for a permit online. This initiative is still in its early stages.

Phyto-sanitary Certificates

4.32. More than 10,000 export consignments a year must be accompanied by a phyto-sanitary certificate. An automated system will be developed for issuing these certificates. Applications for a certificate will be made online, the inspections are carried out by mobile teams, and the certificates will be able to be issued at multiple locations within Cambodia. The resulting electronic certificate can be sent directly to the relevant authorities in the importing country.

Certificates of Cambodian Origin

4.33. In 2016, the Ministry of Commerce introduced an on-line facility designed to simplify and speed up its issuance of certificates of Cambodian origin. An exporter wishing to apply for certificates of origin on line first creates an account with the Ministry of Commerce. He is then able to log in to create individual certificates. Once logged in he chooses the type of certificate of origin he wishes to create, and then enters his firm's name and address and other exporter details, provides the information that the certificate must contain--such as marks and number of packages, the description and HS code of the goods, and the origin criterion that is being used--and submits the draft certificate electronically with at least one uploaded supporting document, such as a bill of lading or customs declaration. The submitted draft certificate is then verified by a Ministry of Commerce official, and if it is in order the submitting firm pays electronically all fees and charges, after which it may print out and sign the certificate of origin and submit it to the Ministry of Commerce for final endorsement.

4.34. Cambodia has taken the first steps toward a system in which exporters themselves issue their certificates of origin. In August 2015, Cambodia joined the ASEAN Self-Certification Pilot Project (SCPP1) through which Brunei Darussalam, Cambodia, Malaysia, Myanmar, Singapore and Thailand accept certificates of ASEAN origin produced by certified exporters in each other's countries. Currently, only a few Cambodian exporters and producers have been certified to issue their own certificates; the Ministry of Commerce is urging others to participate in the pilot project. Cambodia expects to participate in ASEAN Wide Self-Certification beginning in 2019.

Paperless Trade in Asia and the Pacific

4.35. In August 2017, Cambodia joined the UNESCAP Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. The objective of the framework agreement is to promote cross-border paperless trade by enabling the exchange and mutual recognition of

trade-related data and documents in electronic form and facilitating interoperability among national and sub-regional single windows.

The WTO Trade Facilitation Agreement

4.36. Cambodia ratified the WTO Trade Facilitation Agreement on 12 February 2016, becoming the 8th LDC and 69th Member to do so. In late 2016, Cambodia completed an assessment of its trade facilitation framework in the light of TFA requirements, and developed a road map to implement the agreement. In August 2017, Cambodia submitted to WTO its Category A, B, and C notifications, as well as the indicative dates for the implementation of the various provisions of the TFA. The Trade Facilitation Agreement will form the framework within which further efforts to simplify and expedite government formalities related to trade take place.

Trademark Registration

4.37. On 25 May 2017, the Ministry of Commerce launched the Online Marks Filing System which is the new online infrastructure through which applicants may file their trademark applications for registration online, reducing the time and cost associated with making such applications.

Company Registration

4.38. In addition to streamlining import and export procedures, steps have been taken to reduce the costs of registering a business in Cambodia. Prior to 2016, company registration was done manually, and it took 5 working days to process the required documents and issue a Registration Certificate. In 2016, the Ministry of Commerce introduced a new registration procedure that reduces the number of steps required to register (demonstration of financial viability by submitting evidence of a bank account may now be done after registration; the Chairman of the business no longer needs to appear in person) and allows the remaining steps to be taken on-line, through the registration portal www.businessregistration.moc.gov.kh. This automated system allows businesses to register from any location in Cambodia or from abroad, and creates an information data base that can be shared with other line ministries, thereby eliminating the need for firms to repeatedly provide the same information.

4.39. To register as a new user, applicants indicate whether they are registering a sole proprietorship, partnership, private limited company, public limited company, or foreign company. The applicant then fills in the required information, provides the necessary documentation and pays the registration fee; the online system allows 15 days for the applicant to complete the process of submission. Once completed, the information and documentation is uploaded and submitted for review by a business registration official. If approved, the company will be immediately registered and a certificate of registration will be issued. This normally occurs 3-5 working days after the applicant's submission successfully uploaded. If a new company is registering as a private or public limited company, it is automatically incorporated.

4.40. The registration portal allows the registrant to follow the progress of his application, and to obtain timely information on its status. Once the application is approved and the relevant fees are paid, the business will receive an electronic certificate that contains an electronic stamp, a QR code and signature. The QR code makes it easier to search the database and other systems for relevant information. In addition to facilitating the on-line payment of fees, the portal may be used to file the annual declaration, file for the dissolution of a company, and undertake other related actions.

4.41. After the 2016 launch of the portal, all existing companies and sole proprietorships were required to re-register by 31 March 2016, using the new online system. This proved difficult and the deadline to re-register businesses was extended until 31 December 2016. As of September 2017, there were 12,054 companies and 1,466 sole proprietorships that had re-registered and obtained their electronic certificates.

4.42. The other registration required of a new business—with the General Department of Taxation of the Ministry of Economy and Finance—may now also be done on line. The Ministry of Commerce and the Ministry of Economy and Finance have been working to create an interface between the

two registration systems that allows the sharing of information between the two institutions. This is expected to be accomplished by the end of 2017.

4.3 Improving the Quality of the Labour Force

4.43. Labour is the most fundamental input to all economic activity, and the quality of that input is a prime determinant of competitiveness. The effectiveness of labour as an input depends on the general level of education of the work force; on the practical skills that workers entering the labour force bring to their tasks; and on the creation of a legal environment for labour relations that promotes a harmonious interaction of employers and employees. Cambodia is making progress on all three of these fronts.

4.44. Labour skills begin with basic education which endows the future work force with the ability to learn and to be trained. Basic education should also endow students with skills, attitudes and disciplines that are needed for success in the workplace. The Ministry of Education, Youth and Sport (MoEYS), operating within the framework of its Education Strategic Plan 2014-18 and its Master Plan for Technical Education at the Upper Secondary Level (2015-19) has undertaken a vigorous and wide-ranging programme of reform designed to ensure the access of all Cambodians to quality education; to increase the completion rate and raise the level of instruction and relevance of learning across the board; and to reduce the mismatch between the needs of the labour market in terms of skills, critical thinking ability and knowledge on the one hand, and the actual competencies of school graduates, on the other. Among the many changes that have been introduced, the following are of particular relevance in preparing students for the workplace.

4.45. As regards primary and secondary education:

- the school curriculum was completely reviewed and revised in 2016, so as to meet contemporary needs. Greater emphasis is given to the "STEM" topics: science, technology, engineering and mathematics. The Ministry of Education, Youth and Sport is now developing the new syllabuses required by the new curriculum.
- a policy on "New Generation Schools" (NGS) has been adopted, and pilot programmes are under way. NGSs are designed to create a new development track within the public education system that will lead to the creation of autonomous public schools, receiving high investment and linked to new standards of accountability and governance as well as professional standards for 21st Century learning.
- five new General and Technical High Schools have recently been created, bringing the total number of such schools to nine. Two more will begin operation in 2018. General and Technical High Schools provide general education and specialized education in the areas of electricity, electronics, mechanics, animal husbandry and agronomy. These schools are located in the provinces and eventually each of Cambodia's twenty-four provinces and the capital city of Phnom Penh will have at least one such school.
- the disciplines surrounding the secondary-school graduation exam have been tightened, so as to ensure that a high school diploma indicates that the required skills and knowledge have indeed been achieved.

4.46. As regards higher education:

- the MoEYS has recently adopted its first long-term plan for the higher education sub-sector, which consists of 73 higher education institutions (HEI)-- universities and institutes-- of which 60 are private. The Cambodian Higher Education Roadmap 2030 and Beyond lays out four key goals: to raise the quality and relevance of higher education to the economy and society; to provide broad and more equitable access to higher education; to internationalize Cambodian higher education; and to improve the governance and financing of higher education.
- A national policy on Cambodia Youth Development and a National Action Plan have been adopted. The action plan aims, among other things, at motivating youths to develop their sense of initiative, creativity, innovation, and entrepreneurship.
- The MoEYS has recently begun preparing a program of interventions designed to improve the curriculum, especially in priority STEM fields of study.
- in the past few years, MoEYS has begun to invest more strategically in research and innovation conducted by HEIs. This intervention includes the provision of research grants

to HEIs; upgrading of faculty members' skills and qualifications through support that allows them to pursue higher degrees abroad and take advantage of on-the-job training opportunities; investment in research facilities and in particular in laboratory facilities; and the development of research policies and a master plan. Efforts are being made to develop selected centres of excellence in niche research areas in some priority public HEIs as well as to encourage post-graduate schools to further improve their research capacities.

4.47. The Ministry of Labour and Vocational Training (MLVT) administers 39 institutions providing technical vocational education and training (TVET), located in all 24 of Cambodia's provinces and in the capital city of Phnom Penh. There are also 74 vocational training institutes registered under MLVT that are operated by private companies and NGOs. Prior to 2010 the state-operated institutions were focused primarily on school drop-outs, and on alleviating poverty. Since then their functions have been reformed and expanded, making them a significant provider of skills to the work force, improving its productivity. Some of the more important changes are:

- in consultation with the private sector, orienting training to the needs of the labour market;
- developing a comprehensive curriculum ranging from basic to advanced levels of competency based training (CBT). Technical vocational certificates are awarded at three levels: higher diploma of technology/business education; bachelor degree in technology/business education; and master degree in technology/business education;
- establishing the Cambodia Qualifications Framework and quality assurance systems to ensure that standards are met;
- expanding 29 the number of institutions offering diplomas;
- establishing auto mechanics, construction and Information Communication Technology (ICT)/Business as priority sectors; electricity and manufacturing will be added in the period ahead; and
- introducing competency-based training methods.

4.48. In 2017, the Royal Government approved a national technical vocational education and training (TVET) policy for the period 2017-25. Its objectives are: to increase decent and productive employment opportunities; to enhance skills and human resource development; and to improve labour market governance.

4.49. Strengthening the overall capacities of school graduates facilitates the task of individual industries in training workers for specific functions. Cambodia's major export industries have already established training facilities designed to enhance the skills of their work force. The Garment Manufacturers Association of Cambodia (GMAC) has recently put in place the Cambodia Garment Training Institute, which provides various short courses on technical issues such as garment construction and fit evolution and pattern alteration. In order to develop middle-level Cambodian staff, the Institute also offers "train and place" courses for university graduates, consisting of three months of intensive training followed by twelve months of work in a Cambodian garment company. The courses currently offered are in apparel merchandising, apparel design and product development, and industrial engineering, quality, and production.

4.50. The tourism sector has also taken steps to increase the skills of its work force in tourism and hospitality skills. The Government established National Tourism Institute at the Ministry of Tourism's premise. The schools of tourism have been established and on operation, namely: Ecole Paul du Bruile and Salabay in Siem Reap and Pour un Sourire d'Enfant (PSE) in Phnom Penh. The Government plans to build two vocational training centres in Phnom Penh and Sihanoukville in an effort to strengthen the competitiveness of tourism sector in Cambodia. The Academy of Culinary Arts, Cambodia is a public-private partnership. The Academy offers a two-year course in culinary arts, and is accredited through the Swiss Hotel Management Academy, Lucerne, which is the Cambodian Academy's technical training partner.

4.51. Interaction between labour and employers is guided by the 1997 Labour Law, which lays out the rights and obligations of workers and employers, dealing with issues such as contracts, working conditions, the health and safety of workers, trade union freedom and worker representation, the settlement of disputes, and strikes and lock-outs. The Law on Trade Unions, promulgated in 2016, provides a more detailed legal framework for the operation of trade unions, clarifying the rights and responsibilities of workers' and employers' organizations.

4.52. Cambodia presently has a government-mandated minimum wage for workers in the garment and footwear sectors. The minimum wage is set annually by the Ministry of Labour and Vocational Training, following a recommendation by the Labour Advisory Committee, a tri-partite body made up of representatives of labour, employers and the Government. A Law on Minimum Wage and a Law on Procedures of Labour Dispute Judgment are presently under development, and are expected to be passed in the first quarter of 2018.

4.4 Expanding the Availability of Electricity and Reducing its Cost

4.53. The availability and cost of electricity are key components of competitiveness. Electricity costs in Cambodia are higher than in neighbouring countries and availability is less assured, thus diminishing Cambodia's relative attractiveness as an investment destination and export platform. Expansion of the electricity grids so as to provide access to electricity throughout the country, ensuring reliable provision of electricity to industrial zones, and lowering the costs of electricity for commercial and industrial purposes are high priority objectives in the period ahead. Demand forecasts indicate that meeting these supply objectives and underpinning expected overall rapid economic growth will require an increase in the national electricity supply from 6,015 GWh in 2015 to 9,406 GWh in 2020 and 14,951 GWh in 2025. At the same time, reductions in the cost of electricity will require that lower-cost sources of power, in particular hydro, play a greater role in overall supply.

4.54. The generation master plan drawn up by Cambodia's authorities envisages that in the period ahead peak generation in Phnom Penh will be assured by thermal units; small and medium-sized diesel units will provide both base and peak loads in provincial towns and cities. The plan also envisages a major expansion of hydro power, initially through smaller size hydro units, and then through mid and larger size hydro projects. Five additional coal-fired plants are scheduled to come on stream during 2017-21, as well as one hydro generator. During 2021-25, thirteen different hydro projects will come on stream, as well as a major thermal unit.

4.55. The distribution network is being expanded to distribute this supply more broadly and effectively. Between 2017 and 2021, 853 km of 115 kV transmission line will be constructed, as well as 1,426 km of 230 kV and 294 km of 500 kV lines.

4.56. The cost of electricity is being brought down. The price of electricity for commercial and industrial purposes, when purchased directly from sub-stations, has been reduced to US\$0.126 per kWh. The cost of power purchased directly from the Phnom Penh and provincial main networks is being progressively reduced and will reach US\$0.162 in 2020, a reduction of about 9% when compared to the price in 2015. It is anticipated that further reductions will take place during the period 2021-25.

4.5 Transportation and Logistics

4.57. Transportation and logistics costs are higher in Cambodia than in Cambodia's neighbours, again reducing Cambodia's relative attractiveness as an investment destination and export platform. In addition, present logistics capacities will need to be expanded significantly to meet the expected rapid growth of imports and exports during the years ahead.

4.58. Most of Cambodia's exports are shipped abroad from Cambodian or Vietnamese ports. Roughly 70% of Cambodia's exports are shipped from Sihanouk Autonomous Port (PAS), and travel down all or part of the transportation corridor linking Phnom Penh with the port. Most of the remaining 30% move east and cross into Viet Nam, from whose deep-water ports they are shipped to their final destination. The efficiency of these two corridors is a prime determinant of the costs that Cambodian exporters incur in moving their goods to market, and hence of their competitiveness. The following paragraphs describe briefly plans to enlarge and improve these two corridors, as well as plans to improve the corridor leading from Phnom Penh to the Thai border, a key element of ASEAN connectivity.

4.59. Since a great deal of manufacturing takes place in and around Phnom Penh, the first logistics issue faced by most exporters is how to access efficiently one or the other of the three corridors. For those transporting goods by truck, the creation of ring roads allows access to the corridors while avoiding the congestion costs of driving through the metropolitan area.

Cambodia has created a first, inner, ring road, and is constructing two more. The inner ring road runs mostly within the city limits, but avoids the downtown area. It is, however, congested with normal city traffic. The second ring road lies outside the city limits, is partly constructed, and will be fully completed next year. It mostly avoids city congestion, and will be particularly helpful in moving goods from the metropolitan area to national route 1, and then to the Phnom Penh Autonomous Port or directly to the Vietnamese border. Construction of the third ring road will begin next year. It lies even further outside the metropolitan area, allowing communication between the three corridors that is free from city congestion.

4.60. Truck traffic between the Phnom Penh metropolitan area and the Sihanouk autonomous port presently travels down national route 3 or national route 4, an enlarged and improved two-lane highway. Plans are well advanced to construct a new 4-lane limited access expressway linking Phnom Penh and Sihanoukville, which will reduce significantly the travel time between the two points.

4.61. Rail traffic between Phnom Penh and Sihanoukville has recently been restored, but its use in moving goods from Phnom Penh to the port has so far been relatively limited. The utility and feasibility of various suggestions regarding the way rail use could be made more attractive are being studied, including the possibility of laying a spur into the Phnom Penh Special Economic Zone, and of creating connections with the airport and with the Phnom Penh Autonomous Port.

4.62. Improvements in the port facilities themselves are under way. The PAS has under construction a new multipurpose terminal that will handle off-shore oil exploration, agricultural products and other dry bulk cargo. The terminal is expected to be operational in 2018.

4.63. Detailed plans have been drawn up to enlarge the port's capacity to deal with container traffic. Demand forecasts indicate that the port would need to handle about 800 thousand TEU by 2025, and as much as 1,200 thousand TEU by 2030, much above current capacity, which is about 500 thousand TEU. During the first phase of the planned expansion, a new 350 m container terminal will be constructed, and the access channel and port basin will be dredged to allow larger vessels to access the port. These works are to be completed by 2023. Plans then call for further expansion of the container terminal (phases two and three), to be completed by 2040.

4.64. The Phnom Penh—Viet Nam corridor has recently been improved by the completion of two construction projects: the replacement of the ferries that crossed the Mekong at Neak Loeung by a bridge, significantly reducing the travel time between Phnom Penh and the Vietnamese border; the construction by the Phnom Penh Autonomous Port of a new container terminal on the Mekong downstream from Phnom Penh. This location, along national route 1 and close to its intersection with the two outer ring roads, allows containers to be delivered to the port without passing through metropolitan Phnom Penh. The master plan for the terminal foresees eventual enlargement, the creation of a logistics area behind the port, and the construction of a rice processing facility. The port presently exports mainly garments and rice, destined principally for China, Viet Nam and the United States.

4.65. Cambodia has signed an MOU with Viet Nam regarding the construction of a four-lane limited access expressway between Phnom Penh and Ho Chi Min city. Planning for the Cambodian section of the expressway is under way, but funding has not yet been secured.

4.66. A third corridor, from Phnom Penh to the border with Thailand at Poipet, is not presently a major export route. It plays a key role, however, in forging ASEAN connectivity, and accelerating Cambodia's trade with and through near-by ASEAN neighbours. This corridor, too, will soon have a four-lane limited access expressway, part of which has already been completed. The rail line that runs almost to the Thai border is undergoing repair, and plans are advanced to construct the additional track needed to connect with the Thai railway system. The additional track is expected to be completed by 2020.

4.67. These individual projects in the transportation sector will soon provide Cambodia's exporters with faster and cheaper means to move their goods to market, and will ensure that transport capacity keeps pace with the growth of export demand and production. Other aspects of logistics, such as warehousing, and distribution and consolidation centres, will need to grow apace. To ensure a fully coherent and comprehensive approach, the Government has asked the Ministry of

Public Works and Transportation to draw up a logistics master plan, and this master plan is expected to be completed by 2018. The Government will set up a task force with members from all relevant ministries, to be chaired by a Deputy Prime Minister that will review the master plan, adjust it as necessary, and plan its execution.

5 TRADE, DEVELOPMENT, AND DEVELOPMENT PARTNERS

5.1. The progress that Cambodia has achieved during the period under review owes much to the support of WTO Members. The Royal Government expresses its appreciation to all those who have facilitated its progress, whether by putting in place DFQF programmes or providing technical and financial support through EIF, Aid for Trade, or other programmes.

5.2. Cambodia's trade-related assistance needs are articulated in its Trade Integration Studies, the most recent of which was adopted in 2014. Cambodia now has a well-established infrastructure for coordinating and managing such assistance, using a trade sector-wide approach (trade SWAp). The main elements in this infrastructure are the Sub-steering Committee on Trade Development and Trade-Related Investment, whose membership includes all Cambodian ministries receiving trade-related assistance as well as all development partners providing such assistance, and the Department for International Cooperation of the Ministry of Commerce (DICO), which provides management services and monitors progress and impacts. Recently DICO has produced, with the support of the EIF and UNDP, an assessment of those areas in which additional support would be required during 2016-20. A number of development partners have indicated that they are prepared to consider providing such assistance, and we appreciate these indications of continued support.
