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The Contribution of Trade Facilitation to Cambodia's Economy

I. Summary

As a member of World Trade Organization (WTO) since 2004, Cambodia, currently a least developed country, had witnessed a strong economic growth rate of an average of 7.7 percent annually for over two decades. Of that, Cambodia underwent a prominent transition that reaches the status as a lower middle-income country in 2015. With this robust performance, the Royal Government of Cambodia has set a target of becoming an upper-middle-income country by 2030 and high-income country by 2050. Like other developing countries, under WTO framework, Cambodia has enjoyed trade preferences and flexibilities that have contributed to underpinning a robust growth of its economy. Four sectors that is backbone of economy are agriculture, tourism, manufacturing, and construction.

The unprecedented outbreak of Covid-19 pandemic has pushed global economy toward the downward trends. Cambodia as a small nation's economy has experienced its worst economic performance since 1994 the contraction of 3.1 percent of GDP in 2020. In order to curb the situation, the Royal Government of Cambodia has set an emergent measure namely "Strategic Framework and Programs for Economic Recovery in the Context of Living with Covid-19 in a New Normal 2021-2023" that believes to stimulate some key growth drivers including garment, non-garment, tourism, and agriculture sectors.

II. Current Status of Economy

As projected by the Ministry of Economy and Finance of Cambodia in June 2022, the economic growth is expected to continue to grow in 2022 supported by the global demands, high vaccination rate, and the full reopening of country. The total export as of June 2022 (excluding gold) has reached 10,080 million dollars, 37.1 percent increase compared to the same period last year, driven by the increase of garments, bicycles, agriculture, and other export goods while the total import has achieved 13,001 million dollars, increased by 21.4 percent compared to last year due to the increase of import of construction equipment, petroleum, and other products.

Regarding the tourism sector, total international arrivals were 507,000 tourists, rosed by 393.9 percent as of June 2022 compared to the same period last year, mainly thanks to the increase of Thai and Vietnamese tourists. At the same time, the total investment projects have reached 75 projects, also increased by 22 projects compared to the same period last year while the total number of construction proposals reached 2,000 projects, declined by 251 projects.

III. The Facilitation of Trade in Time of Covid-19

In the case of Cambodia, we attach great importance to the roles of business and private sectors in spurring economic growth. The government has spared no efforts in improving

business and investment environment as evidenced by the adoption of key legislations such as new Law on Investment, Law on Public-Private Partnership, Law on the Amendment of Commercial Enterprises, and Law on Competition, among others, that would facilitate and create a more enabling environment conducive to businesses and investors. As you all know, Covid-19 pandemic has adversely affected and disrupted global economic activities, including business and private sectors. Collective efforts and collaboration are needed more than ever in order for us to recover, restore growth and advance regional economic integration. It is imperative that all relevant stakeholders promote and support business and private sector during this unprecedented challenge so that they could remain thrived and competitive and become more resilient for future crisis. In order to address the challenges, Cambodia continue to implement the strategies Recovery Framework, including maximizing the potential of intra-region market and broader economic integration, accelerating inclusive digital transformation and the consolidated strategy on the Fourth Industrial Revolution, and advancing towards a more sustainable and resilient future.

In addition, in order to ease the business activity, the government has lifted the travel restrictions. According to the Cambodia Economic Update released on June 2022, Cambodia's economy will grow by 4.5 percent in 2022 but it is unclear for the road ahead. The findings also mentioned about the economic performance that is expected to grow at roughly 6 percent annually over the medium term derived from the bilateral free trade agreement between Cambodia-China and Cambodia-Korea, Regional Comprehensive Economic Partnership (RCEP), and the new Law on Investment, just to name a few. With this, it is strongly believed that investment and trade will be boosted.

IV. Reference

- Socio-Economic Trends, June 2022, by Ministry of Economy of Finance of the Kingdom of Cambodia.
- <https://www.worldbank.org/en/country/cambodia/overview>