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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

CAMBODIA

This report, prepared for the second Trade Policy Review of Cambodia, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Cambodia on its trade policies and practices.

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SUMMARY

1. Since 2011, Cambodia's real GDP growth has been strong, averaging over 7% annually. Construction, manufacturing (mainly garments exports) and, to a lesser extent, tourism-related services, have been the drivers of growth. Economic growth has been inclusive and widespread, resulting in declining inequality and poverty levels. Prudent macroeconomic management has resulted in moderate inflation, a stable exchange rate, relatively low unemployment, and manageable external debt levels. However, the informal nature of a large portion of the Cambodian economy, which is largely based on services followed by agriculture, implies that GDP is significantly underestimated, and that it undermines the effectiveness of government policy.

2. Cambodia is faced with a number of structural constraints and vulnerabilities, which affect economic growth and render the economy and financial system vulnerable to shocks. These include: a narrow economic base, high cost of doing business, and high dollarization coupled with underdeveloped financial markets. Measures undertaken to address some of these issues include the launching of the Industrial Development Policy (IDP) in 2015, the simplification and automation of companies' registration, and increasing the depth of the financial sector and the foreign exchange market. In addition, the adoption in 2014 of the "Revenue Mobilization Strategy" (RMS) has significantly increased government revenue and helped fiscal consolidation.

3. The objective of both monetary policy and exchange rate policy is price stability. However, the shallowness of the banking sector and the high level of dollarization in the economy reduce the effectiveness of monetary policy. On the other hand, a steady exchange rate against the US dollar serves as an important nominal anchor to help keep inflation low. Maintaining a stable exchange rate against the US dollar has resulted in an appreciation of the real effective exchange rate. The REER is estimated to be overvalued by 5-10% currently, which would imply sluggish exports and a rising trade deficit in the future.

4. The current account deficit peaked at nearly US\$2.0 billion (13% of GDP) in 2013. Since then, it has been on a downward trajectory due to slow import growth and robust export expansion (particularly of garments). The current account deficit has been covered by the financial account, mainly by steady FDI inflows throughout the review period. Consequently, foreign exchange reserves have more than doubled since 2011 to reach approximately US\$8.3 billion in 2016, providing nearly eight months of import cover.

5. Cambodia ran persistent fiscal deficits during the review period, albeit at a declining rate on account of revenue growth. The stock of external debt remains at around 30% of GDP.

6. Trade and investment are fundamental for Cambodia to achieve its economic and social objectives. The ratio of trade in goods and services to GDP increased to around 140% in 2016 (compared with 127% in 2011). Cambodia's exports continue to be heavily concentrated in clothing, which accounted for around 65% of total exports in 2016. The largest single import category is textiles, which are used as inputs for the garments industry. The main export destination is the EU-28. Cambodia's imports originate mainly from Asia, whose share is around 90% and continues to rise.

7. During the review period, FDI inflows rose to US\$2.3 billion, helped by Cambodia's liberal and investor-friendly regime. FDI is concentrated in the garment, agriculture and financial sectors. Most of the FDI in Cambodia comes from Asia, mainly China; Viet Nam; Hong Kong, China; Malaysia; the Republic of Korea; and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

8. Since its first TPR in 2011, Cambodia has adopted new trade-related and investment policies, and undertaken some institutional and regulatory reform initiatives in areas including the legislative and judiciary branches, the Ministry of Commerce's (MoC) role, the establishment of a Permanent Mission to the WTO, access to information, and anti-corruption. Whereas its policy formulation and objectives remain shaped by relatively long and wide-ranging strategies and plans, concrete strategic action areas for improving trade competitiveness were identified and initiatives aimed at coordinating the efforts and resources of all stakeholders were continued.

9. Cambodia remains committed to the multilateral trading system and is a voice for the least developed countries (LDCs). During the review period, it improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA). At the same time, it continued to focus on strengthening regional economic integration ties through the implementation and/or negotiation of several ASEAN agreements, including the negotiation of the Regional Comprehensive Economic Partnership (RCEP). Cambodia continues to be a beneficiary of the Generalized System of Preferences schemes of a number of countries and is entitled to additional LDC-specific preferences under certain schemes. Furthermore, it continued to receive assistance for reaching economic development objectives, including export diversification, and combating poverty under Enhanced Integrated Framework (EIF) projects and the Trade Development Support Programme (TDSP). During the review period, Cambodia has submitted few notifications to the WTO (e.g. tariffs, import licensing requirements, and agriculture) and had no involvement in trade disputes in the WTO.

10. Cambodia remains largely open to and encourages foreign direct investment (FDI) despite the prohibition of foreign ownership of land and involvement in some activities for health or environmental purposes, as well as local equity or workforce participation requirements, or prior authorization for certain activities (e.g. certain telecommunications services, radio and television broadcasting, and certain tourism services). In other activities, it continues to ensure national treatment and 100% foreign ownership, except for divested state enterprises; emphasis was put on public-private partnerships as from 2016. A 2012 moratorium on Economic Land Concessions (ELCs) allowing long-term leases of state-owned land was reviewed reducing their term and cancelling some of them. During the review period, Cambodia signed three new bilateral investment promotion and protection agreements and its first double taxation agreements.

11. The tariff is the main trade policy instrument, and collected customs duties are an important source of government revenue. Nearly all tariffs are applied on an *ad valorem* basis, with just 14 tariff lines being subject to specific rates. The simple average applied MFN tariff in 2017 was 12.3%, a slight increase from 11.7% in 2011. Average tariffs on agricultural products (14.6%) are higher than those on non-agricultural products (11.9%). The highest *ad valorem* rate of 35% applies to finished agricultural products (processed meat, processed fruit and vegetables, and dairy products), finished industrial products, and petroleum products. Nearly 14% of tariff lines are duty-free. Cambodia has bound its entire tariff at the HS eight-digit level. The average bound tariff is 20.9%. The relatively small difference (8.6 percentage points) between the simple average applied MFN tariff and the average bound rate, and the fact that the entire tariff is bound, renders the import regime predictable. In 2017, the applied MFN rate exceeded the bound rate totally for 60 lines, partially for 29 lines and possibly for 14 lines; the products affected include: machinery and parts, fireworks, live animals, gasoline and diesel.

12. Since its last TPR, Cambodia has made significant strides in improving its customs procedures. Measures have included the use of the Single Administrative Document, the one-stop mechanism, and the use of ASYCUDA at all border posts. Cambodia has also implemented the "Best Trader Programme", to be used as a stepping stone towards implementing the Authorized Economic Operator Programme as envisaged in the Customs Strategy and Work Programme on Reforms (2014-18). With a view to enhancing trade facilitation and ensuring the accuracy of the customs declaration, Cambodia initiated procedures for advance ruling, and also ratified the WTO Agreement on Trade Facilitation. These measures have improved customs clearance times significantly; however, there continues to be room for improvement.

13. In addition to customs duties, Cambodia imposes a VAT, a special tax on certain imports, as well as taxes on gasoline and diesel imports.

14. Cambodia prohibits or restricts the import of certain goods on the grounds of: protection of national security; protection of public order and standards of decency and morality; protection of human, animal or plant life or health; protection of national treasures of artistic, historic or archaeological value; conservation of natural resources; compliance with the provisions of any legislation of the Kingdom of Cambodia; and the fulfilment of obligations under the UN Charter. Currently, over 1,500 tariff lines are subject to import prohibition or licensing. Prohibited imports include, *inter alia*: narcotics; psychotropic substances and their precursors, ODS (except HCFCs), toxic waste and poisonous chemicals, certain pesticides, used computers and spare parts, household waste, right-hand drive vehicles and goods that infringe intellectual property rights. Import licences or permits are required for chemicals, pharmaceuticals and narcotic drugs for

medicinal purposes, forestry products, fish and fishery products, live animals, animal products and agricultural materials.

15. A common theme that pervades most aspects of Cambodia's economy is the delay in drafting and implementing new legislation. As such, a draft law, which addresses anti-dumping and safeguard measures is currently being reviewed by the National Assembly and is expected to be in force by the end of the year. Furthermore, a draft competition law is expected to be submitted to the National Assembly for approval in 2018 and it is not yet clear when this legislation would come into force. There is also a working group to monitor prices of essential commodities, which include rice, fish, chicken, pork, regular gasoline and diesel, and cassava.

16. There have been no significant changes to Cambodia's export procedures. Certain products (mainly rubber, processed timber, jewellery, silverware and uncut or unprocessed precious stones, fish and other aquatic products, art and cultural products, raw fruit and vegetables, live animals, garments, drugs and medicines and certain agricultural materials) require export licences, certificates and permission letters. Export taxes apply to timber, unprocessed rubber, uncut precious stones and fish and crustaceans, molluscs and other aquatic products and certain manufactured products. Cambodia does not provide any export subsidies. Support is given for initiating, organizing, and participating in domestic and overseas trade fairs, and providing assistance to local companies wishing to organize and/or participate in such fairs.

17. Incentives are offered under the QIP (qualified investment projects) and the SEZ (special economic zones) schemes; these include profit tax holidays and rebates, special depreciation, exemption from import duties and taxes, zero-rated VAT on imports, and special customs procedures. Incentives are accorded to specific sectors and activities, including the garment sector, companies listed on the Cambodian Stock Exchange and investors who hold and/or trade government securities, equity and/or debt securities on the securities market, and for rice farming, paddy rice purchase and the export of milled rice.

18. The legislative or regulatory framework governing technical regulations and standards remains unchanged. Cambodia mainly uses the ISO/IEC as a national guide to adopt international standards as national standards or technical regulations. Currently, there are 804 Cambodian standards, mainly on foods, electrical appliances, and test methods, of which 151 are technical regulations. According to the authorities, nearly 83% of Cambodian standards are aligned with international standards.

19. During the period under review, changes to the regime governing standards and technical regulations have included a new Law on Animal Health and Production, which came into force in 2016. A draft law on food safety was also issued in 2015. In both cases, the authorities want to bring existing regulations up to international standards and implement global best practices. However, the SPS regime is faced with difficulties, including: problems in the definition of responsibilities between the various agencies, overall fragmentation of responsibilities between, and even within, ministries as well as limited capacity to discharge those responsibilities; lack of systematic inspection or monitoring in all key areas of production and processing, with an impact on product quality and safety; an absence of systematic laboratory testing to support inspection, due to limited human and financial resources; and a certification system that is not backed by testing, and therefore not necessarily recognized in export markets.

20. Government procurement amounts to 3% of GDP. Competitive bidding is the most commonly used method of procurement. A new Law on Public Procurement, enacted in 2012, aims to ensure that the procurement process is transparent, fair, effective, and accountable, and the procurement system uniform.

21. State involvement in the economy is limited, with SOEs accounting for less than 8% of employment and around 3% of the number of economic establishments in the country. Private and public enterprises compete under the same terms and conditions. Public enterprises are not entitled to special trading rights or privileges. Cambodia has never notified any state trading enterprises to the WTO as defined under Article XVII of the GATT.

22. Other than the enactment of the Law on Geographical Indication in 2014, there has been no substantial change to Cambodia's IPR regime/legislation during the review period. Cambodia

acceded in 2015 to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. In 2016, it became a member of the Patent Cooperation Treaty and the Hague Agreement concerning the International Registration of Industrial Designs. Cambodia grants national and MFN treatment to all foreign nationals under existing Cambodian intellectual property legislation. During the period under review, there has been a marked improvement in IPR enforcement, with an increase in seizures and prosecutions. However, IPR infringement continues to be widespread, ranging from software, compact discs, and music, to photocopied books and the sale of counterfeit products, including cigarettes, alcohol, and pharmaceuticals.

23. Despite a major decline due to irrigation and commodity price developments, agriculture, centred on paddy rice production, continues to play an important role in supporting economic growth (accounting for 25.7% of gross value added in 2016). Cambodia's agricultural price competitiveness remains lower than its regional neighbours. During the review period, several plans aimed to transform the sector into one driven by new technologies, mechanization and irrigation to improve the yield rate and diversify activities into high value crops, livestock, and aquaculture in an environmentally sustainable manner. Illegal trade of fisheries and forestry items persists.

24. Tariff protection for agriculture (16.1% in 2017) was slightly increased and remains higher than the overall applied MFN average (12.3%); export taxes affect several items at rates of 10% and 50%, and the tax on natural rubber, the second largest commodity crop after rice, was transformed from *ad valorem* to specific with its rate most recently revised in 2017. A 1% services charge on the f.o.b. value of exported forest and forestry products is in place. Most Green Box domestic support expenditure was channelled into extension and advisory services provided to the farmers. Tax and non-tax incentives in the form of exemption from the payment of the property tax for worked/exploited land, duty-free imports of farm machinery and equipment, and whenever available, subsidized loans, are limited and, *inter alia*, directed to agricultural mechanization. Since 2012, a food reserve system has been implemented to ensure food and seeds supplies during disasters and emergency situations. Despite missed policy targets and productivity and competitiveness constraints, the share of rice in total merchandise exports doubled; in response to a 2016 rice price reduction, measures were taken to stabilize the rice price and promote local trade. State-trading activities by one enterprise remain in place in rice. Forest and fishery management appears to be relatively inefficient. Despite a 1996 log export ban, the cross-border trade continues to grow. Fish and fishery products remain subject to relatively high tariff protection and import quotas; in 2014, the European Union enforced a ban on fish imports from Cambodia due to a perceived lack of action against illegal fishing.

25. The mining sector remains at an early stage of development despite the country's mineral potential. Regulatory changes in 2016 introduced procedures, processes and conditions for the issuance of exploration and industrial mining licences; as from 2016, extracted minerals must be domestically processed to be exported. Cambodia's energy structure remains simple and the country is becoming less dependent on energy imports from neighbouring countries as a result of its great potential for power production. As from 2016, a ceiling has applied on the retail sale price of fuel. The state company, Electricité du Cambodge, dominates the electricity transmission market; the high electricity cost, a constraint for manufacturing development, is being addressed through staged reduction of tariffs that continue to be characterized by cross-subsidization mainly borne by residential consumers.

26. Manufacturing (16.1% of gross value added in 2016), a priority activity for Cambodia, remains heavily dependent on foreign-invested garment companies and informal enterprises. During the review period, government policy was aimed at transforming the industrial structure from a labour-intensive industry to a skill-driven one through connecting to regional and global value chains. Tariff escalation remains pronounced in garments with the average MFN applied tariff on textiles at 5.7% against 15% on clothing. Export tax rates affecting several manufactures are set at 5%, 10%, 15%, 20%, or 50%. Manufacturing continued to benefit from tax incentives, including corporate tax holidays, a special depreciation allowance, import taxes exemptions, and qualified investment project and special economic zones advantages.

27. During the review period, the services sector continued to play a significant role in supporting economic growth (39.2% of gross value added in 2016). Cambodia's commitments under the GATS, reflecting its aim to attract FDI, remained unchanged; its five RTAs involve commitments on trade in services.

28. Banking and insurance activities continued to expand with bank assets having grown almost threefold. Regulatory improvements in banking, *inter alia*, covered the strengthening of the capital base, the provision of credit and micro-finance as well as the introduction of pre-emptive regulatory measures against potential default risk. High, albeit declining, interest spreads between lending rates and the remuneration of deposits remain in place. The non-performing-loans ratio remained largely sound. Tax incentives were introduced in the securities exchange field. The legal framework of the highly concentrated and rather small insurance sector has undergone some changes aimed at strengthening the sector, combating illegal activities and regulating micro-insurance; nevertheless, insurance taxation remains a relatively complex issue.

29. The telecommunications sector remains open and continued to expand, although mobile telephony penetration and nominal tariffs continue to be relatively low at regional level. A new policy was passed to, *inter alia*, support infrastructure connectivity. In addition to institutional developments, new legislation on numerous telecommunications areas, including operators' revenue sharing (i.e. licence fee), tariffs, number portability and a universal service obligation programme, was passed but a large part of it remains to be enforced. To promote Khmer culture and support local industry, restrictions on the broadcasting of foreign dramas are in place and more are envisaged.

30. Cambodia remains characterized by low road and water connectivity as its transport industry continues to face challenges including high merchandise transportation costs (in particular, shipping) and inadequate infrastructure despite an increase in ports capacity; railway transport remained of limited availability and performance due to slow progress in rehabilitation projects. Direct vessel calls serving Cambodian ports have been in place since 2016 and its two main ports are state-owned; cabotage is allowed and open to all vessels. The entirely state-owned Kampuchea Shipping Agency and Brokers (KAMSAB), is the only entity to provide multi-modal water transport services. Air transport continued to expand and support rising levels of tourism largely due to foreign investment in Cambodia's international airports; at the same time, greater insertion of its aviation sector into international markets was pursued through participation in more air services agreements. Foreign commercial presence in distribution is unlimited and investment is picking up, whereas e-commerce remains underdeveloped.

31. Tourism, the largest activity and largest source of government revenue as well as the driving force for several other economic activities, continued to expand largely due to improved stability in neighbouring countries; several tourism-related policies remain in place. Professional services remain relatively open to foreign investment as long as domestic registration and other requirements are met. The requirements and procedures for the registration and practice of foreign lawyers in Cambodia were established in 2016. The health market has a wide variety of health-care providers, but the budget for implementing health programmes depends on foreign donors; universal health coverage remains to be addressed.

32. In 2017, growth is expected to be around the same level as in 2016. The expanding economy and the credit growth have given rise to an asset price bubble in the real estate sector. Any large disorderly adjustment in real estate prices is likely to have an adverse impact on the banking sector and economic activity in general. A slowdown in China's economic growth would also potentially impact growth through the FDI, banking and tourism channels. Garments' exports could also be adversely impacted by an appreciation of the U.S. dollar vis-à-vis other major currencies and/or weaker growth in Europe. Risks on the domestic front include fiscal pressures and erosion of competitiveness from wage hikes potentially outstripping productivity gains. In addition to the reforms which address diversification and competitiveness, improvement of the business climate and fiscal reform, the authorities recognize the need to undertake further reforms, including infrastructure development promoting rural growth and technical/vocational training, to sustain the inclusive and widespread growth that has been achieved. These reforms would help Cambodia attain its economic and welfare policy objectives and further integrate into the world trading system.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Cambodia is a least developed country (LDC). Strong GDP growth over the past decade has resulted in a reduction in poverty and inequality, with GDP per capita growing to around US\$1,300. The services sector is the largest contributor to GDP accounting for nearly 40% of value added in 2016, followed by agriculture, fisheries and forestry (25.7%) and manufacturing (16.1%). Recently, the construction sector has also become an important contributor to GDP. Prudent macroeconomic management has resulted in a benign inflationary environment, relatively low unemployment and manageable external debt levels. Furthermore, according to the Asian Development Bank, the Cambodian economy is largely informal, which would imply that GDP and GDP per capita are significantly underestimated, reducing the effectiveness of government policy.¹

1.2. State involvement in the economy has been declining (Section 3.3.5). Cambodia has one of the most open economies in the region and the Government sees private sector businesses as central to the country's future prosperity.² Trade is vital to Cambodia as an avenue for achieving economic development, poverty reduction, job creation and improving competitiveness and productivity. The ratio of trade in goods and services to GDP has increased from about 127% in 2011 to around 140% in 2016. According to the IMF, Cambodia's near-term growth outlook is broadly favourable.³

1.2 Recent Economic Developments

1.3. Since 2011, real GDP has grown at an average annual rate of approximately 7.2% (Table 1.1) and is expected to remain at around 7% in 2017.⁴ Growth has been driven by construction, manufacturing (mainly garments) and, to a lesser extent, tourism-related services (Table 1.2). Consequently, GDP per capita increased from US\$903.5 in 2011 to US\$1,308.3 in 2016. Growth was also underpinned to some extent by productivity gains. During the period 2007-14 (latest data available), annual productivity growth of 6.0% was the largest contributing factor to annual growth per capita value added of 4.2%. The decline in the employment rate, however, dragged down growth per capita value added by as much as 2.8%, caused mainly by a decline in the agricultural employment rate. The fastest annual productivity growth rate was seen in real estate, which grew at an annual average rate of 2.7% during the period 2007-14. This was likely boosted by the real-estate boom in Cambodia during the post-global financial crisis period. Productivity growth in agriculture was next, rising by an annual average of 1.8% with the application of more advanced agricultural technology and inputs. The third-fastest productivity growth of 0.7% was in trade (wholesale and retail).⁵

Table 1.1 Selected macroeconomic indicators, 2010-16

	2010	2011	2012	2013	2014	2015	2016 ^a
National accounts	<i>(Percentage change, unless otherwise indicated)</i>						
Real GDP (at 2000 prices)	6.0	7.1	7.3	7.4	7.1	7.0	7.2
Consumption	9.0	11.3	4.7	5.7	4.3	5.8	..
Private consumption	8.8	10.2	4.6	5.8	4.5	5.9	..
Government consumption	12.5	27.2	5.7	5.2	2.4	4.4	..
Gross fixed capital formation	-9.8	10.8	17.4	15.3	9.0	10.6	..
Exports of goods and non-factor services	20.6	18.9	14.4	14.0	11.3	7.2	..
Imports of goods and non-factor services	16.8	16.3	16.9	15.1	10.1	6.5	..
XGS/GDP (%) (at current market price)	54.1	54.1	57.9	62.4	62.6	61.7	..
MGS/GDP (%) (at current market price)	59.5	59.5	62.7	67.7	67.0	66.1	..
Unemployment rate (%)	0.4	0.2	0.2	0.3	0.2	..	..

¹ ADB online information. Viewed at:

<https://www.adb.org/sites/default/files/publication/176283/cambodia-addressing-skills-gap.pdf>.

² ADB, *Country Partnership Strategy: Cambodia 2014-2018*. Viewed at:

<https://www.adb.org/sites/default/files/linked-documents/cps-cam-2014-2018-psa.pdf>.

³ IMF, *Country Report No. 16/340*.

⁴ IMF, *Country Report No. 16/340*.

⁵ World Bank, *Cambodia Economic Update April 2017*.

	2010	2011	2012	2013	2014	2015	2016 ^a
Inflation and interest rates (annual average)							
Inflation (CPI, % change)	4.0	5.5	2.9	2.9	3.9	1.2	3.0
Deposit rate (%)	1.26	1.34	1.33	1.34	1.42	1.42	1.44
Lending rate, foreign currency (%)	15.63	15.22	12.97	12.80	12.31	11.71	11.36
Exchange rate							
Riels/US\$ (annual average)	4,184.92	4,058.50	4,033.00	4,027.25	4,037.50	4,067.75	4,058.69
Real effective exchange rate (% change)	..	..	..	..	..	..	..
Nominal effective exchange rate (% change)	..	..	..	..	..	..	..
<i>(Per cent of GDP, unless otherwise indicated)</i>							
Government finance							
Revenue	13.2	13.2	15.2	15.2	18.1	17.4	18.7
Current revenue	12.9	13.0	14.8	15.1	17.9	17.2	18.5
Tax revenue	10.7	10.9	12.2	12.7	14.7	15.5	16.1
Expenditure	21.3	20.7	21.6	21.3	21.5	21.1	21.7
Current expenditure	11.0	11.4	12.1	12.1	13.1	13.7	14.6
Current fiscal balance	1.4	1.8	2.5	2.7	4.5	3.7	3.9
Overall balance	-8.7	-7.3	-6.5	-6.4	-3.7	-3.7	-3.0
Government debt	27.1	28.2	30.5	32.0	31.5	31.3	29.5
Saving and investment							
Gross national savings	..	11.8	12.5	11.3	11.0	11.4	12.1
Gross domestic investment	..	22.0	23.5	23.5	23.2	22.5	22.7
Saving-investment gap	..	-10.2	-11.0	-12.2	-12.2	-11.1	-10.6
External sector							
Current account balance	-6.0	-6.0	-8.2	-13.0	-9.8	-9.3	-8.3
Net merchandise trade	-16.5	-16.7	-17.9	-21.1	-19.2	-19.2	-17.1
Merchandise exports	34.7	39.2	40.1	42.9	44.4	46.9	46.3
Merchandise imports	51.2	56.0	57.9	64.0	63.6	66.1	63.4
Services balance	9.3	10.9	11.8	11.4	11.5	11.4	10.4
Capital account	2.9	1.7	2.0	2.2	1.7	1.0	0.8
Financial account	-3.3	-4.6	-7.3	-10.8	-8.5	-9.0	-7.4
Direct investment, net	-11.7	-10.5	-12.8	-12.0	-10.0	-9.2	-10.8
Balance-of-payments	-1.4	-2.5	-2.8	-2.4	-4.5	-4.3	-4.4
Terms of trade (% change)	..	..	..	..	..	..	..
Merchandise exports ^b (% change)	24.1	28.9	11.8	16.0	13.4	14.2	9.6
Merchandise imports ^b (% change)	24.5	24.7	13.4	19.8	8.9	12.3	6.5
Service exports ^b (% change)	11.9	34.7	16.9	9.4	9.1	3.8	2.3
Service imports ^b (% change)	18.0	35.8	15.4	14.8	6.8	1.1	3.4
Foreign exchange, excl. gold (US\$ million)	3,149.7	3,344.7	4,162.2	4,411.0	5,527.0	6,760.5	8,245.2
in months of imports of goods and services	6.5	5.5	5.7	5.0	5.3	6.8	7.8
External debt stock (US\$ million)	3,684.9	4,227.5	6,282.8	7,131.5	7,916.2	9,318.7	..
% of GDP	32.8	33.0	44.7	46.8	47.4	51.6	..

.. Not available.

a Estimates.

b Growth rates are based on US\$.

Source: National Institute of Statistics of Cambodia online information; National Bank of Cambodia online information; IMF eLibrary data; World Bank; and data provided by the authorities.

Table 1.2 Basic economic and employment indicators, 2010-16

	2010	2011	2012	2013	2014	2015	2016
Real GDP at market price (riels billion, 2000 prices)	30,406.0	32,553.0	34,933.0	37,503.0	40,182.0	43,009.0	46,113.0
Real GDP at market price (US\$ million, 2000 prices)	7,265.6	8,020.9	8,661.8	9,312.3	9,952.2	10,573.2	11,361.5
Current GDP at market price (riels billion)	47,048.0	52,068.7	56,681.6	61,326.9	67,436.8	73,422.7	81,242.0
Current GDP at market price (US\$ million)	11,242.3	12,829.5	14,054.5	15,228.0	16,702.6	18,050.0	20,016.8
GDP per capita at current market price (US\$)	803.0	903.5	969.3	1,043.0	1,121.0	1,195.4	1,308.3
GDP by economic activity, at constant 2000 prices (%age change)							
Agriculture, fisheries and forestry	4.0	3.1	4.3	1.6	0.3	0.2	4.0
Crops	5.7	4.3	4.9	0.6	0.5	0.3	4.4
Fisheries	2.4	3.1	6.7	5.4	0.1	0.3	3.8

	2010	2011	2012	2013	2014	2015	2016
Mining and quarrying	28.0	19.8	26.5	18.2	24.4	20.0	19.2
Manufacturing	29.6	16.2	6.9	9.8	6.7	9.2	6.8
Textiles, clothing and footwear	18.5	19.9	6.5	10.7	6.6	9.9	6.7
Electricity, gas, and water	7.2	5.1	7.9	7.0	9.7	9.6	8.3
Construction	-25.5	7.9	18.2	13.7	21.4	19.2	13.5
Services	3.3	5.0	8.1	8.7	8.7	7.1	7.1
Wholesale and retail trade	7.5	4.4	6.2	8.0	8.7	7.7	7.3
Restaurants and hotels	11.2	6.6	12.5	13.8	6.2	2.4	7.0
Transport and communication	8.0	5.8	6.1	8.9	7.7	8.1	7.1
Finance	13.5	15.1	14.0	9.0	13.4	8.2	6.6
Public administration	11.5	3.2	1.5	4.2	5.0	4.6	4.3
Real estate and business	-15.8	3.9	12.9	8.0	13.8	11.9	10.7
Other services	4.2	3.2	5.7	7.3	7.1	5.1	4.9
Value added by economic activity, at current prices (%)							
Agriculture, fisheries and forestry	33.9	34.6	33.5	31.6	28.9	26.6	25.7
Crops	19.0	20.6	20.1	18.7	17.2	15.8	15.4
Fisheries	7.5	7.2	7.2	7.0	6.4	5.9	5.8
Mining and quarrying	0.6	0.6	0.8	0.9	1.2	1.3	1.5
Manufacturing	14.7	15.2	15.1	15.5	15.4	16.0	16.1
Textiles, clothing and footwear	9.4	10.0	9.9	10.3	10.1	10.6	11.1
Electricity, gas, and water	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Construction	6.1	5.8	6.6	7.2	8.5	9.8	10.3
Services	38.3	37.5	37.8	38.5	39.7	39.8	39.2
Wholesale and retail trade	9.3	9.2	9.0	9.1	9.4	9.5	9.4
Restaurants and hotels	4.5	4.3	4.6	5.0	5.1	4.9	4.6
Transport and communication	7.6	7.6	7.5	7.7	8.0	8.1	8.0
Finance	1.4	1.5	1.6	1.7	1.9	1.9	1.9
Public administration	1.7	1.6	1.5	1.5	1.4	1.4	1.4
Real estate and business	5.5	5.2	5.6	5.7	6.1	6.4	6.6
Other services	8.3	8.0	7.9	7.9	7.9	7.8	7.6
Structure of national employment (% of occupied population)							
Agriculture, fisheries and forestry	..	..	..	..	..	..	..
Crops	..	..	..	..	..	..	..
Fisheries	..	..	..	..	..	..	..
Mining and quarrying	..	..	..	..	..	..	..
Manufacturing	..	..	..	..	..	..	..
Textiles, clothing and footwear	..	..	..	..	..	..	..
Electricity, gas, and water	..	..	..	..	..	..	..
Construction	..	..	..	..	..	..	..
Services	..	..	..	..	..	..	..
Wholesale and retail trade	..	..	..	..	..	..	..
Restaurants and hotels	..	..	..	..	..	..	..
Transport and communication	..	..	..	..	..	..	..
Finance	..	..	..	..	..	..	..
Public administration	..	..	..	..	..	..	..
Real estate and business	..	..	..	..	..	..	..
Other services	..	..	..	..	..	..	..

.. Not available.

Source: Data provided by the authorities; and IMF, IFS online statistics.

1.4. It appears that growth has been inclusive and widespread, with poverty⁶ levels declining from 50% in 2005 to 14% in 2015 (latest available data).⁷ Furthermore, growth was also relatively evenly distributed, which resulted in inequality, as measured by the GINI coefficient, declining from 0.41 in 2007 to 0.31 in 2012 (latest available data).⁸ Poverty reduction is largely explained by four factors: (i) increases in the price of rice, (ii) increased rice production, (iii) growth in agricultural wages, and (iv) higher incomes from self-employment in non-agricultural businesses.

⁶ According to the Ministry of Planning, in Cambodia, the national poverty line is defined as people living on under US\$0.93 per capita per day.

⁷ Asian Development Bank online information. Viewed at: <https://www.adb.org/countries/cambodia/poverty>.

⁸ World Bank online information. Viewed at: <http://data.worldbank.org/country/cambodia>.

With regards to high outward migration rates, cash and in-kind remittances contribute to increased consumption for many rural households, and they also help explain some of the poverty reduction. In addition, the nature of employment and the flexibility of the workforce also explain the reduction in poverty and inequality. As most of the jobs are low skilled (agriculture, garments and construction), workers find it relatively easy to shift jobs or take on additional work when such opportunities arise. The strong economic growth has allowed the country to graduate in 2015 from low income to lower-middle income status.

1.5. The expanding economy has also resulted in rapid credit growth. Although credit growth has been broad based, there is a significant concentration in the real estate sector, which has given rise to an asset price bubble. A large disorderly adjustment in real estate prices is likely to have an adverse impact on the banking sector and economic activity in general.⁹ In addition to rapid credit expansion, other potential risks to future growth stability stem from a significant slowdown in China, which would potentially spill over through the FDI, banking and tourism channels. Additionally, according to the IMF, a surge in the US dollar and/or weaker growth in Europe could affect garments exports. Also, a sharper-than-anticipated tightening in global financial conditions could raise funding costs and heighten liquidity risks in the financial system. Risks on the domestic front include fiscal pressures and erosion of competitiveness from wage hikes potentially outstripping productivity gains.¹⁰

1.6. The authorities are cognizant of the above risks and have tried to address them. With a view to bolstering financial stability and ensuring a soft landing of the credit cycle, a liquidity coverage ratio and minimum capital requirements for banks were introduced in 2016 (see Section 4.5.3). Phase III of the Rectangular Strategy reflects the Government's aim of promoting long-term sustainable national development and poverty reduction through focusing on: agriculture development (diversification, value added, and productivity); development of physical infrastructure; private sector development and employment; and capacity building and human resource development (see Section 2.3).

1.7. In this context, the authorities have stated that their focus would remain on public investments in roads, railways, bridges and irrigation to further promote rural development and enhance inclusive growth. They consider that public investment in these infrastructure projects will help facilitate private investment. Over the near term, the completion of several hydropower projects is expected to provide affordable electricity to the general population and contribute to enhancing Cambodia's business climate and competitiveness. Furthermore, the authorities are working on promoting technical and vocational training, in order to address skill mismatches, which in turn is expected to strengthen productivity and further promote inclusive growth (see Section 1.2.4).

1.2.1 Monetary and exchange rate policies

1.8. The conduct of monetary policy is the remit of the National Bank of Cambodia (NBC) (Section 4.5.3). "The mission of the NBC is to determine and direct the monetary policy aimed at maintaining price stability in order to facilitate economic development within the framework of the Kingdom's economic and financial policy."¹¹

1.9. The only monetary policy instrument available to the NBC is the reserve requirement, which is used to control money supply in the economy. However, given the shallowness of the banking sector and the high level of dollarization in the economy, questions remain about the effectiveness of the reserve requirement to meet the price stability goal. The NBC raised the reserve requirement in 2012 by 50 basis points to 12.5%. Since 2011, broad money has grown at an average annual rate of over 20%.

1.10. According to the IMF, the *de jure* exchange rate arrangement in Cambodia is a managed float. The *de facto* exchange rate arrangement is an "other managed" arrangement. The objective

⁹ According to the IMF, Phnom Penh's land price for residential and office space increased 26% and 19%, respectively, year-on-year in 2015; the highest growth among Asian cities. Since 95% of loans in Cambodia are collateralized against land, a negative shock in the real estate sector could put more debtors in negative equity, which in turn could prompt rising defaults and fire sales. (IMF, *Country Report No. 16/340*).

¹⁰ IMF, *Country Report No. 16/340*.

¹¹ National Bank of Cambodia online information. Viewed at: <https://www.nbc.org.kh/english/>.

of exchange rate policy is also to maintain price stability. As such, the stabilization of the exchange rate against the US dollar serves as an important nominal anchor to help keep inflation low and stable. Thus, to keep the exchange rate stable, the NBC intervenes in the market. The exchange rate remained stable during the review period (Table 1.1). On the other hand, the real effective exchange rate (REER) appreciated by around 8% in 2016. The appreciation reflects the nominal rise in the US dollar against currencies of Cambodia's major trading partners (EU and China), buoyant economic growth, and inflows of foreign banking flows. The REER is assessed by the IMF to be overvalued by around 5–10%, which implies that a 5–10% real effective depreciation would be necessary to close the gap between the underlying current account and the level that can be explained by fundamentals and desirable policies.¹² According to the IMF, the overvaluation, in the absence of an independent exchange rate regime, calls for policies to slow credit growth in the near term, and consolidate the fiscal position and improve productivity and competitiveness over the medium term.¹³

1.11. Inflation as measured by the consumer price index (CPI) peaked at 5.5% in 2011 before declining to 1.2% in 2015. In 2016, CPI rose to an estimated 3%. Recent inflationary pressures have built up as a result of continued strong domestic demand led by household consumption driven in part by the rise in wages.

1.2.2 Fiscal policy

1.12. The fiscal deficit declined from 7.3% of GDP in 2011 to 3% of GDP in 2016. The reduction in the deficit was driven by revenue growth. Total government revenues grew from 13.2% of GDP in 2011 to 18.7% of GDP in 2016 (see Section 1.2.3.4), while over the same period, total expenditures hovered around 21% of GDP. However, persistent fiscal deficits have resulted in the stock of external debt increasing moderately from around 28% of GDP in 2011 to around 30% of GDP in 2016.

1.13. With regard to expenditure, wage increases in 2013, 2015 and 2016 have resulted in current expenditure increasing; however, the increase was offset to a large extent by a decline in capital expenditure. According to the authorities, Cambodia undertook external financing to fund infrastructure development and priority sectors.

1.2.3 Structural issues

1.14. According to the Government's National Strategic Development Plan 2014-18, structural reforms are needed to secure the Government's stated goal of inclusive and sustained growth. Structural constraints and vulnerabilities faced by Cambodia include: a narrow economic base, weak business climate, and high dollarization coupled with underdeveloped financial markets. These structural features constrain growth potential and render the economy and financial system vulnerable to shocks, while limiting the scope for responding to such shocks. Thus, structural reforms should include promoting diversification, enhancing competitiveness, and improving the business climate and inclusiveness. In this respect, Cambodia has undertaken and implemented certain reforms (see below).

1.2.3.1 Diversification and competitiveness

1.15. Cambodia's export base remains narrow and reliant on low value-added garments. Garments production is highly substitutable between countries, and can migrate quickly to those with better price competitiveness. To mitigate the impact of any exogenous shock, the Government launched the Industrial Development Policy (IDP) in 2015 to attract FDI into non-garments labour-intensive manufacturing. Rising minimum wages and stalled productivity improvements, along with heightened uncertainty from labour disputes, have been eroding competitiveness. According to the authorities, they remain committed to implementing the IDP and recognize the need to accelerate its implementation.

¹² IMF, *Country Report No. 16/340*.

¹³ IMF, *Country Report No. 16/340*.

1.2.3.2 Business environment

1.16. The cost of doing business remains high due to inadequate transportation links, elevated energy costs, and non-transparent and cumbersome government procedures.¹⁴ To address this issue, both the Law on Investment and the Law on Special Economic Zones are under revision aimed at improving the business environment and supporting diversification, in line with the IDP. Furthermore, since early 2014, the Government has initiated, among other things, a new wave of reforms for improving the business environment and investment climate. The focus of these reforms has been on: simplification and automation of the registration of companies (intended to allow applicants to register a new company online in significantly less time, ultimately diminishing face-to-face contact with government agencies); automation of the Certificate of Origin (CO) (so that companies can apply for the certificate electronically); and elimination of informal payments (17 large companies have signed an MOU with the Anti-Corruption Unit, 9 of which are located in the Phnom Penh Special Economic Zone (PPSEZ)).

1.2.3.3 Financial sector reforms

1.17. There is no government bond market despite the need to channel domestic savings to finance growth-enhancing expenditure. The foreign exchange market remains thin and transactions centre on a few money changers.¹⁵ Limited financial markets impede the efficient allocation of resources and risk sharing, and constrain monetary policy implementation and the efficacy of fiscal policy, given the absence of financing instruments. The Government has implemented various measures to promote securities market development, and has also prepared rules and regulations for a government bond market (to be finalized by 2018). The NBC also has plans to develop the interbank market by supporting greater usage of NCDs.¹⁶

1.2.3.4 Tax reform

1.18. The considerable improvement in the fiscal deficit has come about due to a marked increase in tax revenues. Strong revenue performance was the result of the 2014 adoption of the Government's "Revenue Mobilization Strategy" (RMS). The RMS is based on a three-pronged approach: (i) improving revenue administration, (ii) implementing fair and efficient tax policies, and (iii) strengthening governance. In this regard, its focus is on strengthening revenue administration, revenue policy and the institutional framework in order to continue raising domestic revenue by at least 0.5% of GDP annually over the medium term. Improved tax administration includes enhanced taxpayer registration, filing support, auditing, and arrears management. For customs, the focus is on strengthening clearance processes (customs declaration, valuation, risk management, and audit) and cross border control (smuggling). On revenue policy, the RMS focuses on excises, VAT, widening the tax base, rationalizing tax incentives and holidays, and imposing property taxes.

1.19. According to the IMF, to ensure that the recent revenue gains are sustained over the medium term, reforms should focus on modernizing tax policy and further improving revenue administration. Tax policy reforms should centre on improving the productivity, efficiency and transparency of most taxes, as well as rationalize tax incentives, improve business taxation, and reform excise and property taxes. Tax administration reforms should focus on building a strong institutional framework to entrench recent administrative improvements and implement future reforms. On the expenditure side, developing a medium-term budget framework to systematically

¹⁴ According to the World Bank doing business survey, overall Cambodia ranked 131 out of 190 countries in 2016; it ranked 180 with respect to starting a business, 124 with respect to getting electricity and 178 for enforcing contracts. Furthermore, according to the World Economic Forum's Global Competitiveness Index, Cambodia's rank was 89 out of 138 countries in 2015; corruption was identified as the biggest impediment to business, followed by an inadequately educated workforce and inefficient government bureaucracy.

¹⁵ According to the authorities, commercial banks have been playing a more dominant role in the foreign exchange market. Furthermore, the NBC is developing an online foreign exchange trading platform for commercial banks, which is expected to be operational at the end of 2017. This would allow banks and money changers to trade foreign exchange amongst themselves.

¹⁶ The NBC introduced Negotiable Certificates of Deposit (NCDs) in 2013. With a view to promoting NCDs and the use of riel, supporting agricultural sector development, and contributing to lowering the high domestic interest rate, a Liquidity-Providing Collateralized Operation (LPCO) was introduced to establish a benchmark rate for the market.

allocate expenditures and improve spending efficiency would be key going forward. An appropriately structured institutional framework for public-private partnerships (PPPs) is also needed to limit contingent liabilities. Wage increases should be fiscally sustainable and be accompanied by continued efforts to enhance civil service reforms.¹⁷

1.2.4 Balance of payments

1.20. During the period under review, Cambodia's current account deficit rose from US\$765 million (6.0% of GDP) in 2011 to nearly US\$1.7 billion (8.3% of GDP) in 2016 (Table 1.3), reflecting a widening gap between gross national savings and gross domestic investment. The current account deficit peaked at nearly US\$2.0 billion (13% of GDP) in 2013; however, since then it has been on a downward trajectory. Import growth has slowed down as domestic construction activity has moderated resulting in a softening of construction material imports. Furthermore, according to the authorities, the decline in import growth can also be attributed to structural changes whereby domestic production has replaced imports in, for example, cement and food and beverages and, to a lesser extent on a decline in global commodity prices, particularly of crude oil. On the other hand, export growth has remained robust, driven by garment exports to the EU-28 under the "Everything but Arms" initiative (Section 2.4.2.2). Consequently, the trade deficit as a proportion of GDP declined from over 21% in 2013 to around 17% in 2016, although it has since increased slightly in absolute terms.

Table 1.3 Balance of payments, 2010-16

(US\$ million)

	2010	2011	2012	2013	2014	2015	2016
Current account balance	-678.9	-765.0	-1,155.4	-1,980.6	-1,644.8	-1,675.3	-1,668.5
Goods and services balance	-803.9	-744.8	-853.9	-1,485.4	-1,283.0	-1,415.5	-1,348.6
Trade balance	-1,851.2	-2,145.7	-2,510.1	-3,214.9	-3,209.9	-3,465.4	-3,425.3
Exports	3,905.9	5,034.6	5,629.5	6,532.6	7,408.7	8,457.3	9,269.7
Imports	5,757.1	7,180.3	8,139.6	9,747.6	10,618.6	11,922.7	12,695.0
Services balance	1,047.4	1,400.9	1,656.1	1,729.5	1,926.9	2,049.8	2,076.7
Receipts	2,027.0	2,731.0	3,191.3	3,492.2	3,810.2	3,954.1	4,045.0
Payments	979.7	1,330.1	1,535.2	1,762.7	1,883.2	1,904.3	1,968.3
Income balance	-514.3	-600.0	-713.8	-875.3	-955.1	-1,107.3	-1,234.3
Credit	58.6	61.3	67.6	70.8	132.5	127.7	126.3
Debit	573.0	661.4	781.4	946.1	1,087.7	1,235.0	1,360.6
Current transfers	639.3	579.9	412.3	380.1	593.2	847.6	914.4
Credit	664.0	605.7	499.5	502.6	735.1	991.8	1,016.6
Debit	24.7	25.8	87.1	122.5	141.8	144.3	102.2
Capital account	330.9	222.1	276.5	342.0	277.6	171.8	160.4
Balance on current and capital account	402.6	-542.8	-878.9	-1,638.7	-1,367.2	-1,503.5	-1,508.1
Financial account^a	-375.3	-587.7	-1,020.9	-1,650.2	-1,412.4	-1,618.2	-1,481.2
Direct investment	-1,320.7	-1,343.8	-1,798.8	-1,826.1	-1,676.9	-1,653.7	-2,166.9
Cambodia's direct investment abroad	20.6	29.2	36.2	46.3	43.2	47.5	121.9
Foreign direct investment in Cambodia	1,341.2	1,373.1	1,835.0	1,872.4	1,720.1	1,701.2	2,288.8
Portfolio investment	36.4	6.0	34.2	18.7	22.5	15.1	2.2
Other investment	748.1	429.9	356.1	-202.1	-515.1	-754.7	-193.2
Assets	1,242.0	1,184.1	2,259.8	1,078.7	758.7	1,014.2	1,994.7
Liabilities	494.0	754.2	1,903.7	1,280.8	1,273.9	1,768.8	2,188.0
Reserve assets	160.9	320.2	387.6	359.4	757.1	775.1	876.8
Net errors and omission	-27.3	-44.9	-142.0	-11.5	-45.2	-114.7	26.9

a Net lending (+) / net borrowing (-).

Source: National Bank of Cambodia online information.

1.21. During the period under review, the services balance declined as a proportion of GDP, but grew in absolute terms. The increase was due to growth in the tourism sector, reflected in a rise in the share of transportation and travel in services receipts (Table 1.4). On the other hand, receipts of other business services and communication, computer and information services declined. Transport and travel payments also increased reflecting a strong tourism sector. In contrast, construction payments declined, which reflects a slowdown in the construction sector. During the

¹⁷ IMF, *Country Report No. 16/340*.

period under review, payments on account of repatriated profits and dividends rose, and these are reflected in the negative income balance. On the other hand, current transfers, which mainly comprise workers remittances, increased during the review period.

Table 1.4 Composition of trade in services, 2010-16

	2010	2011	2012	2013	2014	2015	2016
Total credit (US\$ million)	2,027.1	2,731.0	3,191.3	3,492.2	3,810.2	3,953.9	4,036.8
	% of total credit						
Transportation	11.1	10.1	9.8	9.8	10.3	10.6	11.4
Travel	74.9	76.3	77.1	76.1	77.5	79.3	79.5
Construction	0.5	0.3	0.5	0.4	0.3	0.3	0.3
Insurance	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Finance	0.2	1.0	0.6	0.6	0.7	0.9	0.2
Communication, computer & information	4.1	2.6	2.1	1.7	1.9	2.2	1.8
Other business services	3.5	4.7	5.3	7.2	6.6	2.4	2.0
Personal, cultural & recreational services	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Government services	5.5	4.7	4.3	4.0	2.6	4.3	4.6
Total debit (US\$ million)	979.7	1,330.1	1,535.2	1,762.7	1,883.2	1,904.2	1,961.6
	% of total debit						
Transportation	49.8	56.6	52.3	54.3	48.9	50.3	51.5
Travel	20.3	19.9	20.5	20.1	21.3	24.9	25.4
Construction	10.6	6.6	9.8	8.2	6.8	4.5	4.7
Insurance	4.7	5.2	5.9	5.7	6.0	6.3	6.4
Finance	2.1	0.3	0.4	1.7	0.5	0.2	0.4
Communication, computer & information	4.8	3.3	3.0	2.9	6.3	7.0	5.8
Other business services	4.3	5.1	4.8	4.5	7.3	4.4	3.5
Personal, cultural & recreational services	0.5	0.4	0.4	0.3	0.3	0.1	0.2
Government services	2.3	1.9	2.2	1.6	1.6	1.8	1.6

Source: Information provided by the National Bank of Cambodia.

1.22. The current account deficit has been financed by the financial account, mainly FDI inflows, which were robust throughout the review period. Consequently, foreign exchange reserves more than doubled from 2011 to approximately US\$8.3 billion in 2016, providing nearly eight months of import cover.

1.3 Developments in Trade and Investment

1.23. During the period under review, both the shares in GDP of merchandise exports and imports rose; the share of exports increased from 39.2% in 2011 to 46.3% in 2016, while that of imports rose from 56.0% to 63.4% over the same period. In contrast, both the shares of services exports and imports decreased during the same period, although in absolute terms the services balance improved. The improvement was due mainly to increased receipts on account of transport and travel services, reflecting a significant increase in tourism activity in the country (Section 4.5.7).

1.24. FDI inflows rose from approximately US\$1.4 billion (10.5% of GDP) in 2011 to US\$2.3 billion (11.5% of GDP) in 2016, with the stock of inward FDI rising to US\$15 billion. According to the authorities, the increase came about for a number of reasons, including: political and macro-economic stability, a liberal investment policy, deeper regional and global integration, and an improved investment climate both in terms of hard and soft infrastructure.

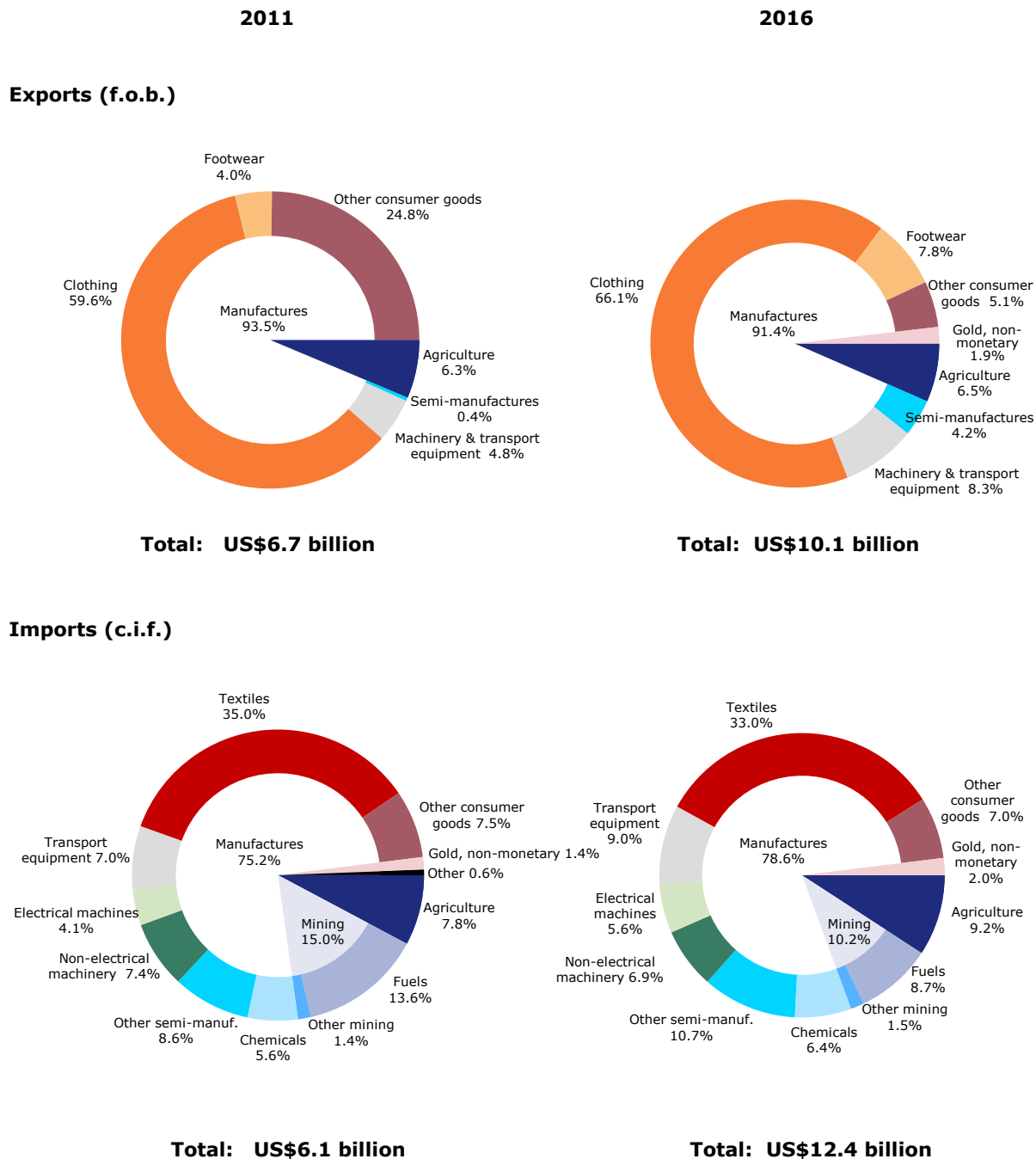
1.3.1 Trends and patterns in merchandise trade

1.25. Cambodia's exports continue to be heavily concentrated in clothing, which accounted for over 65% of total exports in 2016 (Chart 1.1 and Table A1.1), other consumer goods such as footwear and handbags are responsible for a further 13% of total exports. While the share of clothing rose during the review period, the share of other consumer goods more than halved. Furthermore, the share of manufactures as a whole also fell.¹⁸ In contrast, the share of agriculture

¹⁸ According to the authorities, up to and including 2011, the outward shipment of US currency was considered an export. Cambodian customs data for 2011 records the outward movement of US\$1.57 billion in

exhibited a slight increase due entirely to the increase in rice exports. On the other hand, exports of agricultural raw materials such as rubber declined due to a fall in the international price of rubber.

Chart 1.1 Product composition of merchandise trade, 2011 and 2016



Source: UNSD, Comtrade database (SITC Rev.3).

banknotes (HS 4907.0010), which were shipped mainly to Hong Kong, China and Singapore. This figure is included in the merchandise composition of exports as well as destinations. The practice of including currency shipments in the export data ceased in 2012.

1.26. As in most countries, the structure of Cambodia's imports is less concentrated than exports. The largest single import category continued to be textiles, which are used as inputs for the garments industry; its share remained static during the review period (Chart 1.1 and Table A1.2). However, the share of manufactures as a whole increased due mainly to increased imports of automotive products and other transport equipment and to a lesser extent to increased gold imports. The increased imports under both categories could be due to increased income and purchasing power due to economic growth and relatively easy access to consumer credit. Consequently, the share of primary products in total imports fell. Within primary products, the decline was mainly due to a fall in the share of fuels, against the background of a decline in international commodity prices, especially those of fuel.¹⁹

1.27. Cambodia's largest export market in 2016 was the EU-28, followed by the United States and Japan (Chart 1.2 and Table A1.3). The share of the EU-28 rose considerably and it overtook the United States, whose share declined, as Cambodia's largest export market. A plausible reason for the change is the duty-free imports into the EU-28 under the "Everything but Arms" Scheme (Section 2.4.2.2). The share of Asia also fell, particularly of Hong Kong, China and ASEAN.

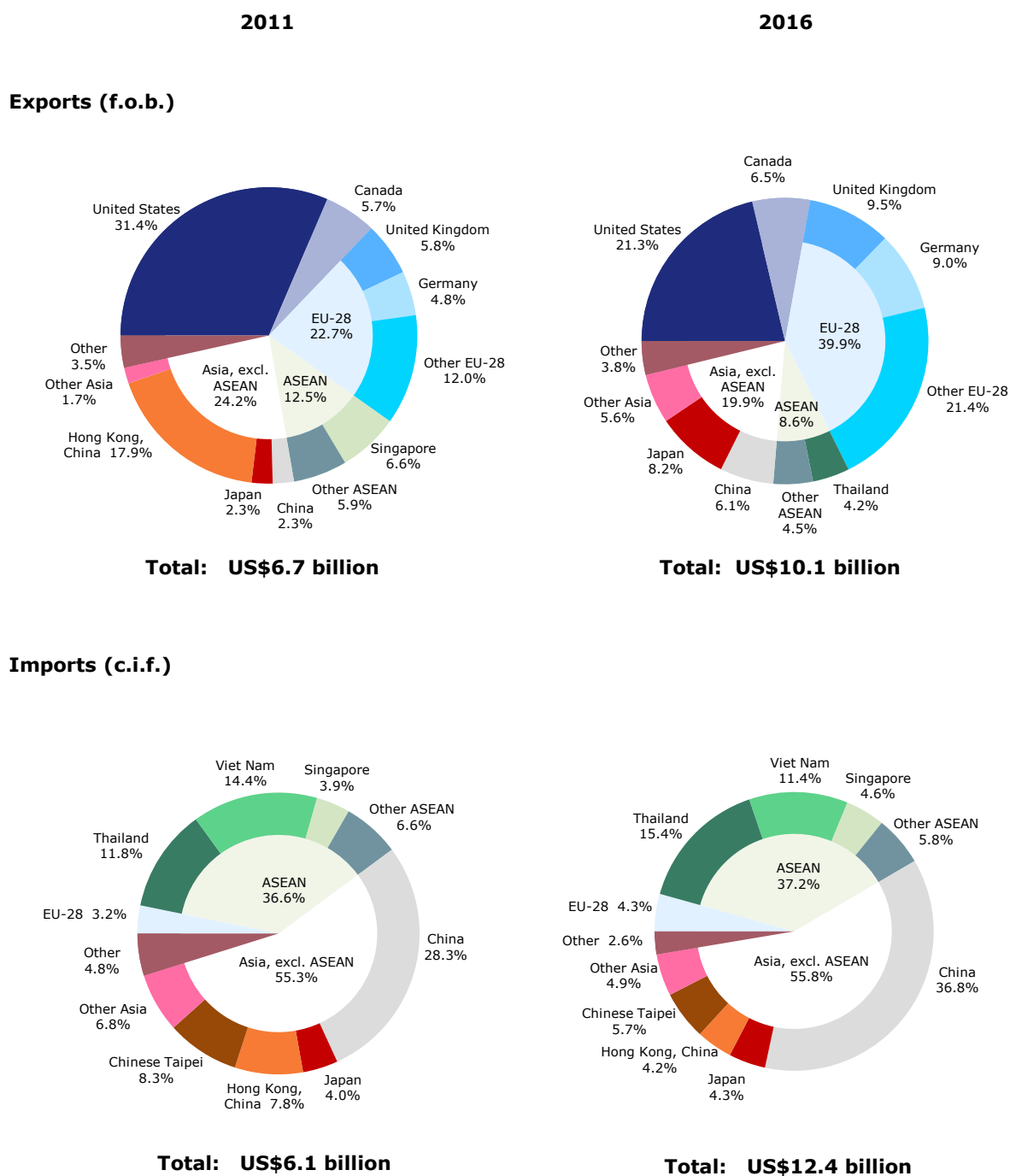
1.28. Cambodia's imports continue to be highly concentrated, with over 90% coming from Asia, whose share has increased during the review period (Chart 1.2 and Table A1.4). In 2016, Cambodia's largest import supplier was China, followed by Thailand and Viet Nam. The shares of China and Thailand have risen considerably since 2011, while the share of Viet Nam has posted a decline since then. Furthermore, the shares of ASEAN and other Asia as a whole have also declined.

1.3.2 Trends and patterns in FDI

1.29. Cambodia has a liberal and investor-friendly investment regime, offering incentives to various sectors under many schemes. This has resulted in a steady inflow of FDI during the review period. FDI inflows increased from approximately US\$1.4 billion in 2011 to nearly US\$2.3 billion in 2016. FDI is concentrated in the garment sector, agriculture, construction and the financial sector. However, FDI inflows into dam (hydro-electric) projects have tapered off as these projects have been completed or are nearing completion. Most of the FDI in Cambodia comes from Asia, mainly China; Viet Nam; Hong Kong, China; Malaysia; the Republic of Korea; and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). Furthermore, FDI originating in the EU-28 and the United States also rose during the review period. The stock of FDI in 2015 was nearly US\$15 billion.²⁰

¹⁹ There appears to be a discrepancy in Comtrade fuel imports data for 2014 and 2015.

²⁰ UNCTAD, *World Investment Report 2016*. Viewed at: http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf.

Chart 1.2 Direction of merchandise trade, 2011 and 2016

Source: UNSD, Comtrade database.

2 TRADE AND INVESTMENT REGIMES

2.1. Since its first TPR in 2011, Cambodia has undertaken several trade-related, investment policy, institutional, and regulatory reform initiatives. It remains committed to the multilateral trading system, and during the review period improved its WTO commitments by ratifying the Trade Facilitation Agreement (TFA) and benefited from trade-related technical assistance. At the same time, it continued to focus on strengthening regional economic integration ties through the implementation and/or negotiation of several ASEAN agreements. Cambodia has submitted few notifications to the WTO and has had no involvement in disputes. It remains open to and encourages foreign direct investment (FDI) despite persisting limitations in certain activities. New bilateral investment promotion and protection agreements and its first double taxation agreements improved the investment environment.

2.1 General Framework

2.2. The Constitution of the Kingdom of Cambodia, enacted on 21 September 1993 and officially promulgated in March 2008, remains unchanged.¹ A Constitutional Council guarantees the observance of its provisions.² It is also entitled to interpret and approve amendments to the Constitution and laws adopted by the National Assembly and reviewed by the Senate as a final decision.

2.3. Cambodia is a constitutional monarchy consisting of executive, legislative and judicial branches, and the King is the Head of State for life. The Council of Ministers constitutes the Royal Government of the Kingdom of Cambodia, the executive arm of the State led by the Prime Minister. The King appoints the elected Prime Minister and the Council of Ministers and signs and ratifies international treaties and conventions upon their approval by the National Assembly and the Senate.³ The Council of Ministers is responsible for setting Cambodia's economic and foreign trade policies.⁴

2.4. Legislative powers are exercised by the National Assembly (lower house) and the Senate (upper house). The 125 (120 until 2015) Members of the National Assembly are elected by a free, universal, direct and secret ballot for a five-year term.⁵ The National Assembly's main responsibilities relate to the approval or repeal of international treaties as well as the approval of the national budget, state planning, lending, financial contracts, and tax-related legislation.⁶ The Senate's 62 members must not exceed half of the number of those of the National Assembly; two Senate members are appointed by the King, two are elected by a comparative majority of the National Assembly votes and the rest are elected through "non-universal election" (i.e. appointment by political parties) for a six-year term.⁷ The Senators, the Members of the National Assembly and the Prime Minister can propose any type of legislation; the Senate revises the regulations submitted by the National Assembly and makes recommendations.⁸ Reforms, including changes to the structure of the National Election Committee, aimed at making elections fairer were

¹ An additional constitutional law, promulgated in 2004 and amended in 2006, guarantees the regular process of the national institutions. Royal Decree NS/RD/001, 13 July 2004.

² Three members are appointed by the King, three by the National Assembly and three by the Supreme Council of the Magistracy for a nine-year term (Article 137 of the Constitution); one third of them is replaced every three years. Chapter XII of the Constitution.

³ Article 26 of the Constitution of the Kingdom of Cambodia.

⁴ Article 120 of the Constitution stipulates that membership of the Royal Government is incompatible with professional activities in trade or industry and with the holding of any position in the public service.

⁵ Article 76 (new) of the Constitution.

⁶ Article 90 of the Constitution.

⁷ Articles 99 (new), 100 (new) and 102 (new) of the Constitution, and articles 2, 3, 4, 5 and 6 of the Law on Senate Election.

⁸ Article 113 of the Constitution stipulates that if the Senate makes recommendations and approves the law, or does not make any recommendation, within the time limit, the law adopted by the National Assembly shall be promulgated. If the Senate requests a modification of the draft law or the proposed law, the National Assembly shall immediately consider the draft law or the proposed law for a second time. The National Assembly shall examine and decide on only the provisions or points that have been proposed for modification by the Senate, by either rejecting the whole proposed modification or adopting some parts of it.

enacted in early 2015.⁹ National Assembly elections are due in July 2018, and the next Senate poll is also expected in January of the same year.

2.5. The judiciary consists of the Supreme Court, Courts of Appeal and Courts of First Instance and the Prosecutor's Office in each jurisdiction. These courts have jurisdiction regardless of the nature or magnitude of the dispute. As of July 2014, Cambodia enforced a new judicial organizational framework to strengthen the independence of judicial power and improve the service for citizens in accordance with the rule of law (Section 2.2).¹⁰ The Courts of First Instance, i.e. the lower courts, were divided into specialized civil, criminal, commercial and labour courts, whereas the higher courts, i.e. the Supreme Court and the Courts of Appeal, were divided into specialized chambers such as criminal, civil, investigating (except for the Supreme Court), commercial and labour chambers.

2.1.1 Executive branches of government

2.6. Since 19 March 2014, the Ministry of Commerce (MoC) has been the leading institution in the formulation, implementation and coordination of policies and activities relating to international trade in goods and services.¹¹ It remains the focal point for WTO-related activities and issues, in particular by coordinating the preparation of WTO notifications, the Enhanced Integrated Framework (EIF), the multi-donor Trade Development Support Programme (TDSP) and the Trade SWAp (see below); it also coordinates Aid for Trade activities. The MoC takes the lead in developing trade-related legislation and issues certificates of origin. As at end-June 2017, a separate Permanent Mission of Cambodia to the WTO, consisting of an Ambassador and four staff members, has been established in Geneva to, *inter alia*, fully utilize the potential of its membership in promoting the country's economic growth, play an active role in the multilateral trade negotiations and handle Cambodia's chairing of the LDC Group during the same year.

2.1.2 Advisory bodies

2.7. During the review period, the Government continued to regularly hold discussions at the "Government-Private Sector Forum" (G-PSF), a mechanism for public/private-sector consultation and dialogue chaired by the Prime Minister, in order to address challenges faced by the private sector mainly concerning trade-related and investment issues. The G-PSF also provides alternative policy options and recommendations. It enables the private sector to advocate, raise concerns directly with the Government, and provide inputs on business and trade-related policies, laws and regulations. Some G-PSF working groups are connected to steering committees and have development partner participation. The private sector is represented by business associations such as the Cambodia Federation of Employers and Business Associations, the Garment Manufacturers Association in Cambodia, the Cambodia Hotel Association, the Freight Forwarders Association and the Cambodia Rice Federation. Furthermore, the Government holds consultative meetings with non-governmental organizations (NGOs) and bilateral consultations with other stakeholders.

2.2 Trade Policy Formulation and Objectives

2.8. Cambodia's trade and trade-related policy formulation and objectives continue to be shaped by relatively long and wide-ranging strategies and plans. Since 2013, Cambodia has been implementing the third phase of the Rectangular Strategy, which has "four strategic objectives": average annual economic growth of 7%, jobs creation through improved competitiveness,

⁹ According to the authorities, the reforms consisted of the amendment of the Law on the Election of Members of the National Assembly to ensure free democratic elections. It introduced changes including: a total number of 125 seats in the National Assembly; flexibility in the voting process (voters are required to register to vote but can choose an appropriate place to vote); strengthened public order during the electoral campaign period (electoral campaign period decreased to 21 days and must end 24 hours before election day); strengthened political and moral obligations and legal sanctions enforcement for violations after the official election results are determined; and protection of party sovereignty (loss of party membership means the automatic loss of a parliamentary membership). EIU (2016), *Country Report – Cambodia*, 12 July.

¹⁰ The legal framework governing the judiciary branch was promulgated on 16 July 2014 and comprises the Law on the Organization of the Courts, Law on the Statute of Judges and Prosecutors and Law on the Organization and Function of the Supreme Council of Magistracy.

¹¹ Until then, trade and trade-related policies were formulated and implemented by the Ministry of Economy and Finance (MEF). Ministry of Commerce online information. Viewed at: <http://www.moc.gov.kh/en-us/mission-statement>.

increasing domestic and attracting foreign investment, and strengthening institutional capacity and governance.¹² Consequently, the Government remained focused on attracting investment, diversifying the production base, expanding export markets, promoting transport connectivity and logistics systems, improving the regulatory framework, strengthening institutional mechanisms (including conflict resolution mechanisms), and enhancing capacity building.

2.9. During the review period, the Cambodia Trade Integration Strategy 2014-2018 (CTIS) has identified key strategic action areas for improving the country's trade competitiveness and human development.¹³ They involve: trade and market diversification; trade facilitation; transport logistics; sanitary and phytosanitary measures (SPS) and technical standards (TBT); the investment environment for export-related activities; and, intellectual property rights. In addition, the following key export value chains were subject to SWOT (strengths, weaknesses, opportunities, and threats) analysis to identify competitive challenges and opportunities: garments, footwear, light manufacturing and assembly sector, processed food, fisheries products, milled rice, cassava, rubber, tourism and silk products. A similar approach was also used for, *inter alia*, addressing skill gaps in export sectors and capacity building for trade mainstreaming, monitoring and mobilizing aid for trade, and enhancing private sector participation in aid for trade. Moreover, the CTIS contained a set of 20 strategic outcomes for trade development that would be mainstreamed in future National Strategic Development Plans and Rectangular Strategies. Cambodia's National Strategic Development Plan 2014-2018, *inter alia*, was aimed at promoting trade through diversifying export markets and accelerating the speed of integration into the free trade framework of ASEAN and the world market.¹⁴

2.10. The trade sector-wide approach (Trade SWAp) aims at coordinating the efforts and resources of the Government, Cambodian stakeholders, and development partners towards a single shared strategy to develop Cambodia's trade sector. Trade SWAp was continued with the implementation of three projects: the Trade Development Support Programme to increase the Government's efficiency in formulating and implementing effective trade policies; and, the Cambodia Export Diversification and Expansion Program (CEDEP) I and II in the context of the Enhanced Integrated Framework (EIF).¹⁵ The achievements made under the currently closed projects, TDSP, EIF Tier 1, and CEDEP I, have been substantial in addressing a number of cross-cutting issues including policy formulation, legal reforms, trade facilitation, SPS and TBT. They also contributed to the development of the Government's capacity in trade policy formulation and monitoring, as well as the promotion and development of key export value chains including those of milled rice and silk. The MoC is to continue to implement the CEDEP II Sustainability Support Project (SSP), and the Accelerating Inclusive Markets for Smallholders (AIMS), a loan from International Fund for Agriculture Development (IFAD). CEDEP II involves the promotion of cassava and marine fisheries products as well as the establishment and operation of the Academy of Culinary Arts of Cambodia (ACAC), and public-private partnerships.

2.2.1 Trade laws and regulations

2.11. During the review period, the range of Cambodia's legal instruments remained unchanged. The regulatory framework of Cambodia consists of laws (*chbab*), royal decrees (*preah reach kret*),

¹² Similar to other countries, no total factor productivity (TFP) measurement was available with the authorities. The TFP can be used to measure competitiveness. The higher a country's TFP, the more competitive it is likely to be (subject to constraints such as resources); it is also generally viewed as one of the main vehicles for driving economic growth (<https://www.boundless.com/economics/textbooks/boundless-economics-textbook/inputs-to-production-labor-natural-resources-and-technology-14/capital-productivity-and-technology-82/total-factor-productivity-316-12413/>). More information on the Rectangular Strategy phases and the National Strategic Development Plan 2006-2010 is available at WTO document WT/TPR/S/253/Rev.1, 24 November 2011; Royal Government of Cambodia (2013), *Rectangular Strategy for Growth, Employment, Equity and Efficiency – Phase III*, September; and Ministry of Foreign Affairs and International Integration online information. Viewed at: <http://www.mfaic.gov.kh/rectangular-strategies#1475896861137-9887366b-8ac1>.

¹³ Ministry of Commerce (2014), *Cambodia Trade Integration Strategy 2014-2018*, January. Viewed at: <http://www.moc.gov.kh/tradeswap/userfiles/Media/file/CTIS/CTIS%202014-2018%20Master%20En1%20-%20page%20layout.pdf>.

¹⁴ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: <http://mop.gov.kh/Home/NSDP/NSDP20142018/tabid/216/Default.aspx>

¹⁵ Ministry of Commerce online information. Viewed at: <http://www.moc.gov.kh/tradeswap/index.aspx?page=content&id=18> and <http://www.moc.gov.kh/tradeswap/index.aspx?page=content&id=30049>.

sub-decrees (*anu-kret*), ministerial orders or proclamations (*prakas*), decisions (*sech kdei samrach*), circulars (*sarachor*), and local regulations or by-laws (*deika*).¹⁶ All laws are signed by the King for promulgation and published in the *Royal Gazette*. Since its last TPR, new trade and trade-related legislation or regulations were passed mainly in areas such as customs valuation, VAT, SPS, TBT, price controls, intellectual property rights, fisheries, electricity, banking, insurance, telecommunications, tourism, legal services, and education services (Sections 3 and 4). New or implementing legislation or regulations are under preparation or consideration, *inter alia*, in competition, rubber, mining, insurance, telecommunications, civil aviation, and e-commerce.

2.12. Although no major regulatory reform was undertaken during the review period, the Government mapped the main regulatory constraints and provided for a regulatory policy agenda that intends to improve the regulatory environment in trade facilitation, export promotion, industrial standards and property rights, excise tax payment facilitation, labour market development and industrial relations.¹⁷ More coherent coordination of the tax system (including investment incentives), the trade regime, transport and other relevant regulatory aspects is required.¹⁸ The legal framework is far from comprehensive while the dissemination of knowledge on laws and enforcement capacity is below the level desired by the Government but efforts are being undertaken to address these issues (Section 2.2.2).¹⁹ Governance and the rule of law do not seem to enjoy the full confidence of the public despite the Government's efforts to make laws and regulations public for transparency and enforcement purposes.²⁰

2.13. The Office of Regulatory Impact Assessment (ORIA), established in October 2010 under the supervision of the Economic, Social and Cultural Council (ECOSOCC) of the Office of the Council of the Ministers, was to administer a Regulatory Impact Assessment (RIA) Project aimed at simplifying laws and regulations, shortening the required procedures, minimizing the cost to both the Government and private sector, and improving the business environment. However, up until March 2014, this project was in a pilot mode with only seven ministries involved. In December 2016, all ministries and institutions were required to establish an RIA Team for internal evaluation and to prepare self-assessment reports on proposed regulations before they are passed.

2.2.2 Transparency

2.14. Cambodia attaches importance to making laws more transparent and readily accessible. However, the majority of laws are still published in Khmer only (some are translated into English) in the *Royal Gazette*, which is updated monthly and is available to all individuals and institutions

¹⁶ More information is available in WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

¹⁷ For example, the overall quality of the SPS and TBT legal framework lacks a comprehensive assessment, consistency across legislation and compliance with WTO principles and ASEAN recommendations. A remaining challenge is to prepare the many *anu-kret* and *prakas* needed for implementing SPS and TBT regulations. Ministry of Commerce (2014), *Cambodia Trade Integration Strategy 2014-2018*, January. Viewed at: <http://www.moc.gov.kh/tradewap/userfiles/Media/file/CTIS/CTIS%202014-2018%20Master%20En1%20-%20page%20layout.pdf>.

¹⁸ Coordination among regulators remains problematic, and sometimes conflicting in terms of their respective objectives. For example, the tax system puts excessive emphasis on tax collection while the trade system focuses on market openness; the competition framework remains incomplete while the transport policy is lacking in scope comprehensiveness. Royal Government of Cambodia (undated), *Cambodia Industrial Development Policy 2015 – 2025*. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

¹⁹ Royal Government of Cambodia (2013), *Rectangular Strategy for Growth, Employment, Equity and Efficiency – Phase III*. Viewed at: <http://www.mfaic.gov.kh/rectangular-stetegies#1475896861137-9887366b-8ac1>.

²⁰ According to the World Bank Governance Indicators, in terms of regulatory quality (trade policy and business regulatory environment), Cambodia scores 35%, which is above the South Asia average (30%) and its neighbouring countries (Lao PDR, Viet Nam); nevertheless, at 17% its rule of law score is lower than the regional average (38%) and Lao PDR's and Viet Nam's level. World Bank online indicators. Viewed at: <http://info.worldbank.org/governance/wgi/index.aspx#reports>. In 2015, Cambodia ranked 112th out of 113 countries surveyed globally on the annual Rule of Law Index and had the lowest ranking in the East Asia and Pacific region regarding the perceived rule of law. The annual Rule of Law Index, published by the World Justice Project (an independent, multidisciplinary organization working to advance the rule of law around the world), measures how rule of law is perceived in countries around the world by scoring eight factors: constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice. World Justice Project (2016), *World Justice Project - Rule of Law Index 2016*. Viewed at: http://worldjusticeproject.org/sites/default/files/media/wjp_rule_of_law_index_2016.pdf.

(in hard copy only). The websites of relevant ministries and agencies contain little or no information in English, but the authorities consider that the major trade-related ministries and agencies have developed sophisticated portals containing information on the regulatory framework in both Khmer and English. Cambodia has been developing key projects for e-government services including government administration information systems, national information infrastructure, a financial management information system, a taxation payment system, e-customs, a national single window, and online business registration systems. In order to enhance transparency, a preliminary draft of a Law on Access to Information envisages procedures and the institutional setting for providing information (except for information classified as confidential) to the public at national and subnational levels; fines and imprisonment could apply to civil servants who fail to comply with its provisions.

2.15. During the review period, Cambodia has submitted a small number of notifications to the WTO mainly pertaining to tariffs, import licensing procedures, agriculture and RTAs/services. No recent/regular notifications on import licensing requirements or domestic support to agriculture were received, and no notifications on state trading enterprises have ever been submitted (Sections 3.1.5 and 4.1.4). Since 2011, Cambodia has submitted its customs tariff to the WTO Integrated Data Base every year except for 2013, 2015, and 2016, whereas its most recent trade data submissions date back to 2011; the customs tariff for the years 2016 and 2017 was submitted to the WTO Secretariat in the context of the current TPR.²¹ According to the authorities, the non-notification of Cambodia's customs tariff was due to their impression of a lack of a requirement for annual submission of the customs tariff and trade data.

2.16. As in all countries, a lack of transparency, and thus, lack of public accountability, creates scope for administrative discretion and therefore corruption, which appears to be the most problematic factor for doing business in the Cambodia.²² In September 2007, Cambodia acceded to the UN Convention against Corruption whose 182 parties (as at end-2016) are required to establish criminal and other offences to cover a wide range of acts of corruption.²³ Despite its anti-corruption initiatives (see below), Cambodia continues to rank poorly in this area both at regional and international level.²⁴

2.17. During the review period, some anti-corruption policy, regulatory and enforcement action was undertaken. A National Anti-Corruption Council (NCAC) and an Anti-Corruption Unit (ACU) were set up in 2010 with the task of following a zero-tolerance policy under the first Five-Year Strategic Plan 2011-2015 and they remain in charge of the implementation of the anti-corruption strategy and legislation.²⁵ The second phase of the Five-Year Strategic Plan 2015-2020 continues to follow the three-pronged approach, namely education, prevention and law enforcement to fight corruption. A 17 April 2010 Anti-Corruption Law, *inter alia*, prohibits direct and indirect acts of bribery or attempted bribery of national and foreign public officials, abuse of power, illicit enrichment, corruption proceeds offences, failure to declare assets and liabilities, as well as bid rigging and fraud in public procurement; it also provides for prison sentences of 6 months to 15 years and/or fines ranging from CR 100,000 to CR 10 million.²⁶ According to the authorities,

²¹ WTO document G/MA/IDB/2/Rev.45, 21 April 2017.

²² Corruption, particularly within the judiciary, customs service, and tax authorities, seems to be the single greatest deterrent to investment in Cambodia. United States Department of State online information, "Investment Climate Statements for 2016". Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dldid=254269#wrapper>.

²³ UN online information. Viewed at: <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>.

²⁴ According to the World Bank's Worldwide Governance Indicators, in 2015 Cambodia scored 13% in the control of corruption indicator, much below South Asia's average (38%) and neighbouring Lao PDR and Viet Nam. In 2016, Cambodia ranked 156th out of 176 countries on Transparency International's Corruption Perception Index (CPI); at the same time, for a second year in a row and with a score of 21%, it ranked as the most corrupt South East Asian country. World Bank online information. Viewed at: <http://info.worldbank.org/governance/wgi/index.aspx#reports>; Transparency International online information. Viewed at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table and http://www.transparency.org/news/feature/asia_pacific_fighting_corruption_is_side_lined.

²⁵ Anti-Corruption Institution/National Council of Anti-Corruption (2010), *Anti-Corruption Strategy and Politics – Five-Year Strategic Plan – 2011-2015*, 20 September; United States Department of State online information, "Investment Climate Statements for 2016". Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dldid=254269>.

²⁶ ACU online information and UN online information. Viewed at: http://www.acu.gov.kh/en_sub_index.php?4a8a08f09d37b73795649038408b5f33=2&03c7c0ace395d80182db

officials from low- to high-ranking levels (e.g. court clerks, prosecutors, judges, police staff and under-secretaries of state) were arrested, charged with corruption offences and fined. Since 2016, the ACU has led efforts to develop two draft laws on the protection of witnesses and reporting persons; their drafting is expected to be finalized in the course of 2017. Various initiatives were introduced such as the incorporation of anti-corruption education into general education throughout the country and establishing the foundation for improving public services delivery standards. Various ACU initiatives in collaboration with various stakeholders, including public institutions, the private sector, civil society organizations, and the media were undertaken to promote educational outreach and corruption prevention efforts in both the public and private sectors and to enforce the law. In 2015, the ACU, in collaboration with the private sector, established guidelines encouraging private companies to create internal codes of conduct prohibiting bribery and corrupt practices. Private companies can sign a Memorandum of Understanding (MoU) with the ACU pledging to operate corruption-free and cooperate on anti-corruption efforts. As at 2017, 83 private companies had signed such MoUs with the ACU. The minimum salary for administrative civil servants was raised from US\$138 to US\$175 per month in 2016, but it still remains below the level required to maintain a suitable quality of life in Cambodia.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.18. Cambodia has been a WTO Member since 2004 and participates actively in its work, including as a prominent voice for least developed countries (LDC), assuming the role of the LDC Group Coordinator for 2017. During the review period, Cambodia improved its WTO commitments by ratifying the WTO Trade Facilitation Agreement (TFA) on 12 February 2016 becoming the eighth LDC to do so. Cambodia accords at least MFN treatment to trading partners, including non-WTO Members. Cambodia has not been involved in any cases under the WTO dispute settlement mechanism so far.

2.19. Since 2001, the Enhanced Integrated Framework (EIF) has assisted Cambodia in reaching economic development and combating poverty through the Trade SWAp as well as trade analytical studies and sectoral programmes, namely CEDEP I and II (Sections 2.2 and 2.4).²⁷ The EIF also contributed to the mainstreaming of trade policies into the National Strategic Development Plan (NSDP), the Rectangular Strategy III and the update of the CTIS and Trade SWAp Roadmap (Sections 2.2 and 2.4). In order to succeed in its move to a lower-middle income country, the EIF assists Cambodia in establishing strategies entailing economic diversification and building the Government's capacity to negotiate with partners and with Cambodia's private sector. According to the UNCTAD, by 2025 Cambodia will be among the 16 countries graduating from LDC status.²⁸

[07ae2c30f034=10&9e3669d19b675bd57058fd4664205d2a=8](http://www.track.unodc.org/LegalLibrary/pages/LegalResources.aspx?country=Cambodia) and <http://www.track.unodc.org/LegalLibrary/pages/LegalResources.aspx?country=Cambodia>.

²⁷ CEDEP I ended in 2016 and CEDEP II is scheduled to end in 2017. The High Value Silk Project has provided support to 14 silk companies, whose profits have grown gradually from US\$633,933 in 2012 to US\$1,103,908 in 2015. The profit margin of total sales for the 14 companies was 46% in 2012 and increased to 49% in 2014 and gradually to 58% in 2015. Exports of silk products by the 14 companies grew by 41% during 2012-14, and each company exported an average of US\$43,321 in silk products in 2014. The growth in exports resulted from the acquisition of new clients and new export markets. Several companies also successfully increased sales to traditional markets, such as France and the United States. The EIF milled rice project has facilitated US\$100 million of rice exports – 51% of which was fragrant rice, awarded with the World's Best Rice Award for three consecutive years in 2012, 2013, and 2014. In 2012, Cambodia's milled rice exports reached 205,000 metric tonnes and increased to 538,396 metric tonnes in 2015. In 2012, 71 market destinations were reached, and as of 2015, 12 new markets had been reached. The project has also facilitated the approval of the Cambodian Milled Rice Standards and helped establish DNA analyses of Cambodian fragrant rice varieties. Cassava and Fisheries Projects are conducted by the United Nations Development Programme (UNDP) (Cassava Component) and The United Nations Industrial Development Organization (UNIDO) (Marine Fisheries Component). Enhanced Integrated Framework and Cambodia/Ministry of Commerce (2016), *Success story: New approach to sustainable institutions and healthy markets*, September; World Economic Forum online information. Viewed at: <https://www.weforum.org/agenda/2016/10/cantradetakecambodiafromdarknesstoprosperity/>.

²⁸ UNCTAD online information. Viewed at: http://unctad.org/en/PublicationsLibrary/ldc2016_en.pdf.

2.3.2 Regional and preferential agreements

2.3.2.1 Association of Southeast Asian Nations (ASEAN)

2.20. Cambodia is a member of the Association of Southeast Asian Nations (ASEAN) and during the period under review, it continued its efforts to reinforce its membership and deepen ASEAN's integration.²⁹ On 31 December 2015, ASEAN established the ASEAN Economic Community (AEC) built on four interrelated and mutually reinforcing characteristics: a single market and production base; a highly competitive economic region; a region of equitable economic development; and a region fully integrated into the global economy.³⁰ Under the AEC 2015, intra-ASEAN import tariffs have been virtually eliminated and formal restrictions in the services sector gradually removed. An AEC Blueprint 2025 is to guide ASEAN economic integration from 2016 to 2025 and it will entail the following characteristics: a highly integrated and cohesive economy; a competitive, innovative, and dynamic ASEAN; enhanced connectivity and sectoral cooperation; a resilient, inclusive and people-oriented, people-centred ASEAN; and, a global ASEAN. On 6 September 2016, ASEAN Leaders adopted the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) which succeeded the Master Plan on ASEAN Connectivity 2010 and focuses on five strategic areas: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence and people mobility.³¹ Cambodia also participated in the negotiation and implementation of several ASEAN agreements including: the ASEAN annexes on operational certification procedures, rules of origin and measures to safeguard the balance of payments.³²

2.21. Like all ASEAN Members, Cambodia has been following its agreed schedule for reducing tariffs on goods originating in its ASEAN trading partners. In 2015, duties on most of the tariff lines on its inclusion list were reduced to zero as scheduled; tariff elimination is scheduled for the remaining 7% of tariff lines by 2018. The reduction of tariffs on ASEAN trade has been accompanied by rapid expansion of Cambodia's trade with its ASEAN partners. During the period 2012-16, Cambodia's exports to ASEAN countries rose at an average annual rate of 23.8%, compared with an average annual growth of 15% in its exports to the rest of the world.³³ On the other hand, in the same period, imports of ASEAN origin also rose slightly faster than imports from the rest of the world at rates of about 14.2% and 13.6%, respectively.

2.22. Cambodia follows the established schedule for the liberalization of trade in services under the ASEAN Framework Agreement on Services. As from the seventh package of commitments (26 February 2009), Cambodia's ASEAN commitments on market access and national treatment have gone beyond its WTO commitments in a limited number of sectors, e.g. leasing of construction machinery, translation and interpretation services, paging services, and dental services. Cambodia continued to improve its undertakings under the eighth (28 October 2010) and ninth (25 August 2014) packages of GATS plus commitments that included business services, computer and related services, rental/leasing services without operators, and other business services.³⁴

2.23. In addition to the ASEAN free trade area (AFTA) and the ASEAN Framework Agreement on Services, Cambodia is a signatory to five other ASEAN RTAs with China, India, Japan, the Republic of Korea, Australia and New Zealand (Table 2.1). During the period under review, the ASEAN-India Agreement was expanded to cover trade in services (Table 2.1). In 2012, ASEAN countries also initiated the negotiation of the Regional Comprehensive Economic Partnership (RCEP) with their six

²⁹ Other ASEAN Members are Brunei Darussalam, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

³⁰ Online ASEAN information. Viewed at: <http://www.asean.org/wp-content/uploads/2012/05/56.-December-2015-Fact-Sheet-on-ASEAN-Economic-Community-AEC-1.pdf> and http://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf.

³¹ Online ASEAN information. Viewed at: <http://asean.org/asean-leaders-adopt-master-plan-on-connectivity-2025/>.

³² Ministry of Commerce online information. Viewed at: <http://www.moc.gov.kh/en-us/first-source-asean> and ASEAN online information. Viewed at: <http://agreement.asean.org/home/index/6.html>.

³³ UNSD, Comtrade data.

³⁴ Cambodia – Schedule of Specific Commitments for the 8th and 9th Packages of Commitments under the ASEAN Framework Agreement on Services. Viewed at: [http://investasean.asean.org/files/upload/AFAS%208%20Schedule%20-%20CA%20\(13Feb12\)%20CLEAN.pdf](http://investasean.asean.org/files/upload/AFAS%208%20Schedule%20-%20CA%20(13Feb12)%20CLEAN.pdf) and [http://www.miti.gov.my/miti/resources/AFAS_9_Consolidated_Schedule_-_CA_SOC_\(CCS_78\).pdf](http://www.miti.gov.my/miti/resources/AFAS_9_Consolidated_Schedule_-_CA_SOC_(CCS_78).pdf).

ASEAN FTA partners (Australia, China, India, Japan, the Republic of Korea, and New Zealand).³⁵ The RCEP negotiation includes trade in goods and services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, e-commerce, small and medium-sized enterprises (SMEs) and other issues. ASEAN members have also participated in the negotiation and implementation of several ASEAN agreements/regulations including those on: rules of origin for the ASEAN-China Free Trade Area; and rules of origin for the ASEAN-India Free Trade Area.

2.24. Most of Cambodia's RTAs have been notified to the WTO Secretariat (Table 2.1).

Table 2.1 Cambodia's RTAs in force: main features, 2017

RTAs entered in Force	
ASEAN Free Trade Area	
Type of agreement	Free Trade Agreement
Date of signature	12/08/1980
Entry into force	01/01/1993
End of the transition period	2018
Coverage (selected features)	Goods
Cambodia's merchandise trade with ASEAN countries (2015)	33.7% of total imports; 9% of total exports; -US\$2.8 billion (trade deficit)
WTO consideration status	Not subject to the preparation of a factual presentation
WTO document series	-
ASEAN-Australia-New Zealand (AANZFTA)	
Type of agreement	Free Trade Agreement & Economic Integration Agreement
Date of signature	27/02/2009
Entry into force	01/01/2010
End of the transition period	2025
Coverage (selected features)	Goods and services
Cambodia's merchandise trade with ASEAN-Australia-New Zealand (2015):	
• Australia	• 0.3% of total imports; 1% of total exports; -US\$57 million (trade deficit)
• New Zealand	• 0.04% of total imports; 0.1% of total exports; +US\$2.4 million (trade surplus)
WTO consideration status	Factual presentation distributed
WTO document series	WT/REG284/1/Rev.1
ASEAN-China (ACFTA)	
Type of agreement	Free Trade Agreement & Economic Integration Agreement
Date of signature	29/11/2004 (Goods); 14/01/2007 (Services)
Entry into force	01/01/2005 (Goods); 01/07/2007 (Services)
End of the transition period	2020
Coverage (selected features)	Goods and services
Cambodia's merchandise trade with ASEAN-China (2015)	36.8% of total imports; 4.7% of total exports; -US\$3.5 billion (trade deficit)
WTO consideration status	Factual presentation distributed
WTO document series	WT/REG279/1 (Services)
ASEAN-India (AIFTA)	
Type of agreement	Free Trade Agreement & Economic Integration Agreement
Date of signature	13/08/2009 (Goods); 13/11/2014 (Services)
Entry into force	01/01/2010 (Goods); 01/07/2015 (Services)
End of the transition period	2024
Coverage (selected features)	Goods and services
Cambodia's merchandise trade with ASEAN-India (2015)	1.1% of total imports; 0.1% of total exports; -US\$104.3 million (trade deficit)
WTO consideration status	Factual presentation distributed
WTO document series	WT/COMTD/RTA/8/1 (Goods); WT/REG372/1 (Services)
ASEAN-Japan (AJCEP)	
Type of agreement	Free Trade Agreement
Date of signature	26/03/2008
Entry into force	01/12/2008
End of the transition period	2026
Coverage (selected features)	Goods
Cambodia's merchandise trade with ASEAN-Japan (2015)	4% of total imports; 6.7% of total exports; +US\$148.6 million (trade surplus)
WTO consideration status	Factual Presentation not distributed
WTO document series	-

³⁵ Online ASEAN information. Viewed at: http://asean.org/?static_post=rcep-regional-comprehensive-economic-partnership%20.

RTAs entered in Force	
ASEAN-Republic of Korea (AKFTA)	
Type of agreement	Free Trade Agreement & Economic Integration Agreement
Date of signature	24/08/2006 (Goods); 21/11/2008 (Services)
Entry into force	01/01/2010 (Goods); 14/10/2010 (Services)
End of the transition period	2024
Coverage (selected features)	Goods and services
Cambodia's merchandise trade with ASEAN-Republic of Korea (2015)	4.3% of total imports; 1.6% of total exports; - US\$322.2 million (trade deficit)
WTO consideration status	Factual Presentation not distributed
WTO document series	-
ASEAN Framework Agreement in Services	
Type of agreement	Free Trade Agreement
Date of signature	
Entry into force	1 July 2015
End of the transition period	
Coverage (selected features)	Services
WTO consideration status	Notified under Article V:7(a) of GATS
WTO document series	

Source: WTO Secretariat, based on information from the WTO RTA database. Viewed at: <http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?MemberCode=116&lang=1&redirect=1>; WTO document S/C/N/822, 24 August 2015; and UNSD Comtrade data.

2.3.2.2 Other agreements and arrangements

2.25. Cambodia remains a beneficiary under the Generalized System of Preferences (GSP) schemes of Australia, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, and the United States.³⁶ As an LDC, Cambodia is entitled to additional preferences such as duty-free (and/or quota-free) treatment or tariff reductions from China, Chinese Taipei, Kyrgyz Republic, Tajikistan, and the Republic of Korea; during the review period, such treatment was also granted by Chile. According to the authorities, between 2013 and 2016 an annual average of 74.5% of garments and clothing exports, followed by shoes (6.5%) and rice (3.5%), benefited from GSP treatment overseas.

2.26. Cambodia continues to benefit from duty-free and quota-free access to the EU market under the 2001 Everything-But-Arms Initiative (EBA), which is part of the EU's GSP programme for LDCs. According to the authorities, between 2013 and 2016 an annual average of about 75% of garments and clothing exports to the EU, followed by shoes (8.2%) and rice (5.6%), benefited from EBA treatment. It is also a signatory to a July 2006 Trade and Investment Framework Agreement (TIFA) with the United States aimed at promoting greater trade and investment flows in both countries and providing a forum to address bilateral trade and investment issues in the areas of customs arrangements, trade facilitation and intellectual property rights. Cambodia received USAID assistance in the implementation of the Trade Facilitation Agreement for classifying categories.³⁷ Favourable changes in the rules of origin governing the EBA initiative, Canada's Least Developed Country Tariff (LDCT) programme, and the implementation of free trade agreements with ASEAN Dialogue Partners (Section 2.3.2.1), triggered sharp increases in Cambodia's exports, in particular garment exports, to those countries.³⁸

2.4 Investment Regime

2.27. During the review period, Cambodia's liberal and relatively investor-friendly policy and legal framework has attracted businesses and investments anticipating the opportunities arising from the regional integration envisaged under the ASEAN Economic Community (AEC) (Section 2.3.2.1).³⁹ Nevertheless, its international ranking in terms of ease of doing business

³⁶ WTO online information. Viewed at: <http://ptadb.wto.org/Country.aspx?code=116>; UNCTAD (2015), *Generalized System of Preferences – List of Beneficiaries*, 1 February. Viewed at: http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

³⁷ Office of the United States Trade Representative online information. Viewed at: https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file152_9651.pdf.

³⁸ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: <http://mop.gov.kh/Home/NSDP/NSDP20142018/tabid/216/Default.aspx>.

³⁹ World Bank Group (2016), *Improving Macroeconomic and Financial Resilience – Cambodia Economic Update – April 2016*. Viewed at:

remains relatively low.⁴⁰ A favourable investment environment is among the key determinants of competitiveness which, according to the authorities, is enhanced through many initiatives including the Cambodia Industrial Development Policy 2015-2025 which links the industrial structure into the regional and global production network and value chains (Section 4.3.2).⁴¹ According to Cambodia's Diagnostic Trade Integration Strategy and Trade SWAp Roadmap 2014-2018 (Section 2.2), the country needs to enhance the competitiveness of its business environment so as to attract new investment and grow new businesses and jobs thus expanding and diversifying its export base.⁴² Challenges remain in traditional areas such as weaknesses in infrastructure (cost of electricity, transport), weak governance, limited capacity in government agencies, and access to and cost of finance despite some improvement in this field as demonstrated by recently released indicators (Sections 4.2.2.2 and 4.4.5). A series of emerging challenges include: skill shortages and mismatch, logistics and trade facilitation, technology upgrading and innovation, and the need to build "fiscal space" (i.e. flexibility of a government in its spending choices). The authorities indicated that all these issues are being addressed.

Policy and institutional framework

2.28. In 2016, the Government put into effect the "Policy Paper on Public-Private Partnerships for Public Investment Project Management, 2016-2020" in a comprehensive manner and in accordance with international standards, aiming to improve and enhance an enabling environment to continue to promote participation from the private sector in public investment.⁴³

2.29. The Council for the Development of Cambodia (CDC) remains the executive agency in charge of public and private investment and special economic zones (SEZs). It coordinates the reception and the allocation of financial assistance and investments according to the needs and priorities set by the Government.⁴⁴ The Cambodian Investment Board (CIB), which deals with investment projects out of SEZs, and the Cambodian Special Economic Zone Board (CSEZB) in charge of investment projects in SEZs are the CDC's operational arms (Section 3.2.4). The CDC maintains a Japan Desk (since 3 November 2007) and a Korea Desk (since May 2015), where experts on Japan and the Republic of Korea provide investment promotion and facilitation support to investors from these countries.⁴⁵ As of mid-2017, the CDC was about to set up an EU Desk in cooperation with the EU Chamber of Commerce (EuroCham) in Cambodia. As at 2015, the Government was intending to initiate comprehensive institutional reform with a view to enhancing the CDC's mandate in essential functions such as policy decision-making, preparation and

<http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

⁴⁰ According to the World Bank's Doing Business 2013 and 2017 reports, following an improvement (133rd out of 185 countries in 2013) Cambodia's rank declined from 128th out of 189 countries in 2016 to 131st out of 190 countries in 2017 in overall terms of the ease of doing business. Cambodia ranked 179th in 2017 down from 180th in 2016 in terms of ease to start business due to an increase in the number of days spent to start a business from 87 to 99. Furthermore, in terms of access to credit, it ranked 7th in 2017 compared to 14th in 2016. World Bank Group (2013), *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, Washington, DC. Viewed at:

<http://documents.worldbank.org/curated/en/994071468016859813/pdf/NonAsciiFileName0.pdf>; World Bank (2016), *Doing Business 2016: Measuring Regulatory Quality and Efficiency*, Washington DC. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB16-Full-Report.pdf>; World Bank (2017), *Doing Business 2017: Equal Opportunity for All*, Washington DC. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>; and <http://www.doingbusiness.org/data/exploreeconomies/cambodia>.

⁴¹ Ministry of Commerce (2014), *Cambodia's Diagnostic Trade Integration Strategy and Trade SWAp Roadmap 2014-2018*, January, Phnom Penh. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/Cambodia's%20DTIS%20Executive%20Summary%202014-2018%20-%20EN5_19_2014_15_18_31.pdf.

⁴² Ministry of Commerce (2014), *Cambodia's Diagnostic Trade Integration Strategy and Trade SWAp Roadmap 2014-2018*, January, Phnom Penh. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/Cambodia's%20DTIS%20Executive%20Summary%202014-2018%20-%20EN5_19_2014_15_18_31.pdf.

⁴³ Ministry of Economy and Finance (2016), *Policy Paper on Public-Private Partnerships For Public Investment Project Management 2016-2020*, 22 June. Viewed at: http://ppp.mef.gov.kh/sites/default/files/Approved%20PPP%20Policy_Eng.pdf.

⁴⁴ Sub-Decree No. 60 of 5 April 2016. Viewed at: <http://www.cdc-crdb.gov.kh/default.htm>.

⁴⁵ CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/responsible-organization.html>.

implementation of plans, and addressing emerging challenges, but no recent information on this matter was available from the authorities.⁴⁶

Regulatory framework

2.30. No changes were made to the 1994 Law on Investment (last amended in 2003), the main piece of legislation governing investment in Cambodia. Under Sub-decree No. 111 (27 September 2005) on the Implementation of the Amendment to the Law on Investment, foreign and national capital receives the same treatment except for activities and land ownership subject to investment restrictions (see below).⁴⁷ Legally registered companies compete on an equal footing when bidding on contracts or seeking tax and non-tax incentives for qualified investment projects (QIPs) (see below and Sections 3.3.1 and 4.3.4). Cambodia does not have a forced localization policy obliging foreign investors to use domestic contents in goods or technology; according to the authorities it fully complies with WTO rules on trade-related investment measures.⁴⁸ The 2004 Law on Taxation remains the main piece of legislation governing taxation on foreign investment, repatriation of profits and tax incentives (Section 3.3.1).⁴⁹ According to the authorities, both domestic and foreign investments on QIPs are subject to the following taxes: corporate profits tax (20%), tax on individual salaries (zero to 20%), withholding tax (4% to 15%) and value-added tax (zero to 10%).⁵⁰ Foreign investment is subject to same tax rates as domestic investment including in SPZs and EPZs (Section 3.2.4 and 3.3.1).

Restricted activities

2.31. All sectors other than those contained in the negative list of Sub-Decree No. 111 (2005) remain open to foreign investment and 100% foreign ownership is allowed; with regard to state-owned enterprises, the Government must directly or indirectly hold more than 51% of the capital or the voting rights.⁵¹ The prohibited activities comprise: production/processing of psychotropic substances and narcotic substances; production of poisonous chemicals, agricultural pesticides/insecticides and other goods by using chemical substances prohibited by international regulations or the World Health Organization that affect public health and the environment; processing and production of electrical power by using any waste imported from a foreign country; and, forestry exploitation business prohibited under the Forestry Law.⁵² In a few sectors, such as cigarette manufacturing, movie production, rice milling, gemstone mining and processing, publishing and printing, wood and stone carving production, silk weaving, certain telecommunications services, radio and television broadcasting and certain tourism services, foreign investment is subject to local equity or workforce participation, or prior authorization from the authorities (Sections 4.4.4.1, 4.4.4.2 and 4.4.7).⁵³

2.32. Under the Constitution, only Cambodian citizens and legal entities have the right to own land.⁵⁴ However, a 2010 law allows foreign ownership of properties located above the ground floor.

⁴⁶ *Cambodia Industrial Development Policy 2015-2025*, 6 March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

⁴⁷ Sub-Decree No. 111, 27 September 2005. Viewed at: http://www.cambodianembassy.jp/web2/?page_id=552&lang=en; and CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/policies-toward-fdi.html>.

⁴⁸ United States Department of State online information. Viewed at: <http://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254269>.

⁴⁹ CDC online information. Viewed at: http://www.cambodiainvestment.gov.kh/content/uploads/2012/02/Law-on-Taxation-of-2004_0401.pdf.

⁵⁰ United States Department of State online information, "Investment Climate Statements for 2016". Viewed at:

<https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254269#wrapper>.

⁵¹ CDC online information. Viewed at http://www.cambodiainvestment.gov.kh/content/uploads/2011/10/Sub-Decree-111-on-Implementation-LOI_050927.pdf.

⁵² CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/prohibited-fields-of-investment.html>.

⁵³ United States Department of State online information, "Investment Climate Statements for 2016". Viewed at:

<https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254269#wrapper>.

⁵⁴ Article 44 of the Constitution.

No more than 70% of a building can be foreign-owned, and foreigners cannot own property within 30 km of the national border.⁵⁵ Foreign investors may also use land through concessions and renewable leases, although, in May 2012, the Government imposed a moratorium on Economic Land Concessions (ELCs), which allow long-term leases of state-owned land. It has also been reviewing previously granted ELCs and has revoked certain ELCs on the grounds that the recipients had not followed through with the projects or complied with the ELC terms and conditions. In 2014, the Minister of the Environment cancelled 23 ELCs totalling approximately 90,000 hectares of land, ostensibly for failing to develop the land pursuant to the terms of the ELC. By end-September 2015, the Ministry of Agriculture, Forestry and Fisheries had cancelled 15 ELCs. In July 2015, the term of ELCs was reduced from 70-90 years to 50 years and since then no new ELCs have been granted.

Registration and approval

2.33. All businesses (domestic and foreign) are required to register with the MoC and the General Department of Taxation (GDT), and obtain operating permits from the relevant line ministries; businesses involved in activities that are eligible as qualified investment projects (QIPs) (see below and annex 1 of Sub-Decree 111) are also required to register with the CDC. In January 2016, the MoC launched a business registration portal that allows all existing and new businesses to register their companies online.⁵⁶ The firm's QIP-related application to the CDC may be made either prior to or after registration at the MoC. The CDC operates as the One-Stop Shop and obtains on behalf of the investment applicant all licences required for investment from the relevant agencies listed in the Conditional Registration Certificate (CRC). The relevant government agencies must issue the required documents no later than 28 working days from the date of the issue of the Conditional Registration Certificate; at the end of this period, the CDC issues a Final Registration Certificate.⁵⁷

2.34. The CDC must consult and obtain the approval of the Council of Ministers for investment projects with the following characteristics: a) capital investment of US\$50 million or more; b) politically sensitive investment with significant impact on the public interest or the environment; c) exploration and exploitation of mineral and natural resources; d) long-term development strategy; and e) build-own-transfer (BOT), build-own-operate-transfer (BOOT), build-own-operate (BOO), or build-lease-transfer (BLT) schemes. Projects with capital of under US\$2 million can be approved by Provincial Municipal Investment Subcommittees.⁵⁸ Between 1 January 2012 and 31 December 2016, the CDC approved 711 QIP projects: 70 in agriculture (68.7% foreign), 584 in manufacturing (87.3% foreign), 29 in tourism (37.5% foreign), and 28 in other services (52.5% foreign).

Investment promotion

2.35. The CDC continues to administer a package of investment incentives to both domestic and foreign investment, which remain unchanged since the previous TPR of Cambodia. To be eligible, investment projects (rather than companies) must be registered for Qualified Investment Project (QIP) status, which allows for the granting of certain tax incentives (Sections 3.3.1 and 4.3.4).⁵⁹

⁵⁵ USTR (2016), *2016 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2016/2016-national-trade-estimate>.

⁵⁶ Ministry of Commerce online information. Viewed at: <http://www.businessregistration.moc.gov.kh>; United States Department of State online information, "Investment Climate Statements for 2016". Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dldid=254269#wrapper>.

⁵⁷ CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investmentscheme/investmentapplicationprocedures.html>.

⁵⁸ Ministry of Commerce (2014), *Cambodia's Diagnostic Trade Integration Strategy and Trade SWAp Roadmap 2014-2018*, January, Phnom Penh. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/Cambodia's%20DTIS%20Executive%20Summary%202014-2018%20-%20EN5_19_2014_15_18_31.pdf.

⁵⁹ Non-QIP-eligible investment projects include: all kinds of commercial activity, import, export, wholesale, and retail, including duty free shops; any transportation services by waterway, by road, by air except investment in the railway sector; restaurants, karaoke parlours, bars, nightclubs, massage parlours, fitness, etc.; tourism services; casino and gambling business; currency and financial business and services such as banks, financial institutions, and insurance companies; activities related to newspaper and media, including radio, television, press, magazine, etc.; professional services; production and processing of wood products using wood from natural forests with a legal domestic supply source for raw materials; complex

These incentives include: a corporate tax holiday of up to nine years ("Trigger period" + 3 years + "priority period" determined under financial management law); a special depreciation allowance (more attractive for capital-intensive projects) for a deduction of 40% of the value of tangible assets used in production in their year of purchase or first year of use; import taxes exemption on production equipment, construction materials, and production inputs used to produce exports; and investment guarantees from the Government.⁶⁰ QIP incentives are also granted to projects located in SEZs (e.g. Special Promotion Zones (SPZs) or Export Processing Zones (EPZs)); additional incentives to SEZs include VAT exemption regardless of the destination of the produced goods and special customs procedures.⁶¹ A QIP may be in the form of a joint venture between Cambodian entities, between Cambodian entities and foreign entities, or between foreign entities. There is no limitation on the nationality or the share-holding proportion of each shareholder, except in cases where a joint venture owns or intends to own land or has an interest in land in Cambodia; in such cases, the maximum combined share-holding of all foreign parties must not exceed 49%.⁶²

Dispute settlement

2.36. Cambodia's 2006 Law on Commercial Arbitration, the framework for private arbitration of business disputes, follows international practices and remains unchanged.⁶³ A National Arbitration Centre (NAC) under the auspices of the MoC, established in July 2006, became operational in March 2013, but has limited capacity and has received only four cases to date. Parties involved in a commercial dispute that have a written arbitration agreement may seek settlement by means of quasi-judicial methods without involvement of the Cambodian courts, except when required by the relevant 2006 Law. Following the 2014 judicial organization (Section 2.1), commercial chambers were created in order to resolve trade and investment disputes. However, as most investors are still reluctant to use the judicial system to resolve commercial disputes, most of these disputes are settled through arbitration, in most cases, facilitated by the MoC and the Cambodian Chamber of Commerce.

2.37. Cambodia has been a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) since 2005. Cambodia has also been a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the New York Convention) since 1960.

Bilateral treaties developments and international cooperation

2.38. Cambodia remains a signatory to bilateral investment promotion and protection agreements with more than 28 partners; during the review period, it signed four new bilateral investment promotion and protection agreements with Bangladesh (17 August 2014), Belarus (23 April 2014), the Russian Federation (3 March 2015), and Hungary (14 January 2016).⁶⁴ The agreements

resorts, including hotels, theme parks, sport facilities, zoos with less than 50 hectares; hotels below 3-star grade; real estate development; and warehouse facilities. CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>.

⁶⁰ The Law on Investment guarantees the investment as follows (Article 8 to Article 11 of "Amended Law on Investment"): non-discriminatory treatment except for land-ownership of land; non-adoption of nationalization policy adversely affecting investors in Cambodia; non-fixing the price or fee of the products or services of a QIP; unrestricted purchase and remittance abroad of foreign currencies through the banking system for the payment for imports and repayment of principle and interest on international loans, royalties and management fees, remittance of profits, and repatriation of invested capital. CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/investment-guarantee.html>.

⁶¹ QIPs in the area of agriculture and agro-industry may benefit from a three-year "priority period" of corporate tax exemption. CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>.

⁶² CDC online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investmentscheme/investmentapplicationprocedures.html>.

⁶³ United States Department of State online information, "Investment Climate Statements for 2016". Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254269#wrapper>.

⁶⁴ Agreements in force as at June 2017 were in place with: Austria, Belarus, Myanmar, China, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, France, Germany, Hungary, Indonesia, Japan, Kuwait, Lao PDR, Malaysia, the Netherlands, Pakistan, the Philippines, Republic of Korea, the Russian Federation, Singapore, Switzerland, Thailand, Viet Nam, and the Organization of the Petroleum Exporting Countries (OPEC). Future agreements are apparently planned with Algeria, the Belgium-Luxembourg Economic

generally provide for reciprocal national treatment, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation, as well as most favoured nation treatment, and do not contain negative lists. The agreements preclude expropriations except those that are undertaken for a lawful or public purpose, are non-discriminatory, and are accompanied by prompt, adequate, and effective compensation at the fair market value of the property prior to expropriation. They also guarantee repatriation of investments and provide for settlement of investment disputes via arbitration. Furthermore, Cambodia is part of the ASEAN Comprehensive Investment Agreement (Section 2.3.2.1).

2.39. On 20 May 2016, Singapore and Cambodia signed Cambodia's first ever double taxation agreement (DTA), which was followed on 13 October 2016 by a second DTA with China. Furthermore, Cambodia concluded DTAs with Brunei Darussalam and Indonesia; the relevant agreements are to be signed in late-2017. Cambodia is also negotiating DTAs with other ASEAN member States and ASEAN dialogue partners, i.e. China, Japan, and the Republic of Korea. Cambodia has been one of the very few countries in the world not to have either DTAs (also called double taxation treaties (DTTs)) or tax-sparring agreements, due to a lack of expertise/experience in this area.⁶⁵ Cambodia is part of the Multilateral Investment Guarantee Agency (MIGA) Convention. As of January 2017, no projects were guaranteed by MIGA.

Union, Bulgaria, Egypt, Israel, Iran, Libya, Malta, Qatar, The former Yugoslav Republic of Macedonia, Turkey, the United Kingdom, and Ukraine. United States Department of State online information, "Investment Climate Statements for 2016". Viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dId=254269#wrapper>.

⁶⁵ Online information. Viewed at: <http://www.vdb-loi.com/cambodia-tax-and-legal/cambodia-signs-its-first-ever-double-taxation-agreement/>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

Customs procedures

3.1. In recent years, Cambodia has made significant progress in improving its customs procedures and harmonizing them with international standards. Use of the single administrative document (SAD) and the one-stop mechanism is mandatory, so as to facilitate trade and risk management. Under the one-stop mechanism, there is only one inspection, which streamlines customs procedures and reduces bureaucracy and paperwork. Furthermore, ASYCUDA is now operational at all border posts so as to facilitate customs procedures as part of the one-stop service.

3.2. The main law governing imports in Cambodia is the Customs Law of 2007. The law is administered by the General Department of Customs and Excise of Cambodia, which falls under the Ministry of Economy and Finance. In addition, imports are also governed by a sub-decree and a number of ministerial prakas and instructions (Box 3.1).

Box 3.1 Customs laws and regulations

1. **Law on Customs**, promulgated on 20 July 2007, consists of 13 Chapters and 80 Articles.
2. **Supporting Regulations** consist of 1 Sub-Decree (Anukret), 36 Ministerial Prakas, and 9 guidelines as follows:
 - (a) **Sub-Decree:**
 - Anukret on Prohibited and Restricted Goods List
 - (b) **Ministerial Prakas:**
 - Prakas on the Legal Procedure in Export-Import of Foreign Currencies
 - Prakas on Provision and Procedure of Customs Declaration
 - Prakas on Establishment and Functioning of Customs Brokers
 - Prakas on Customs Valuation of Imported Goods
 - Prakas on Customs Bonded Warehouse
 - Prakas on Customs Temporary Storage
 - Prakas on Refund of Customs Duties and Taxes
 - Prakas on Security
 - Prakas on Reporting, Movement, Storage and Transport of Exported Goods
 - Prakas on Importation of Goods under Temporary Admission
 - Prakas on Management of Documents, Books, Records, and other Information
 - Prakas on Determination of Exempt Goods
 - Prakas on Exempt Goods Control Procedures
 - Prakas on Management of Unclaimed Goods
 - Prakas on Temporary Export of Goods
 - Prakas on Customs Formalities outside Customs Offices
 - Prakas on Extension of Customs Zone
 - Prakas on Post Clearance Audit by Customs and Excise Department
 - Prakas on Customs Transit
 - Prakas on Special Customs Procedure in Special Economic Zone
 - Prakas on Procedures for the Management of Special Designed Goods
 - Prakas on Transportation Distribution and Possession of Imported Goods in the Customs Territory
 - Prakas on use of Information Obtained by Customs Officers
 - Prakas on Settlement of Customs Offences
 - Prakas on Customs Tariff and Tariff Classification of Goods
 - Prakas on Reward Distribution
 - Prakas on Procedures on Payment of Duty and Taxes and other levies on Imported and Exported Goods
 - Prakas on Reporting of Imported Goods
 - Prakas No. 907 MEF dated 9 October 2009, on the determination of transition fee on some goods under legislative procedure of customs transit
 - Prakas on the implementation of Advance Ruling on Tariff Classification, Rule of Origin, and Customs Valuation

- Prakas No. 569 MEF dated 19 August 2010, on Inspection on export import and transportation Means
- Prakas No. 570 MEF dated 19 August 2010 on Complaining Procedures against Customs Record
- Prakas No. 452 MEF dated 11 April 2013, on High Compliant Trader Incentive Mechanism
- Inter-Ministerial Prakas No. 581 MEF dated 10 June 2013, on Procedures for the Application to Import Materials, Machinery, Vehicles and Petroleum of the Grant Aid with Duties and Taxes Borne by the Royal Government of Cambodia under Grant Aid Framework
- Prakas No. 311 MEF dated 19 March 2014, on Implementation of Value-Added Tax (VAT) for Supporting Industry or Contractor that Supplies Goods or Service for Serving the Export of the Garment Industry, Textile Industry, Footwear Industry, Carry-Bag and Handbag Industry and Hat Industry
- Prakas No. 316 MEF dated 19 March 2014, on the amendment of fee on inspection goods by scanning machine.

(c) **Guidelines**

- Instruction No. 016 MEF.MOC dated 18 August 2004 notification on simplification of export procedures on textile products
- Instruction No. 009 MEF dated 1 December 2005, on the Management of Non-commercial Goods
- Instruction No. 583, 30 June 2008, on the implementation of Initial Post Clearance Audit Manual in the Customs and Excise Department
- Instruction No. 790, 28 August 2008, and Procedures for Customs Transit
- Instruction No. 345, 3 April 2013, on the implementation of Advance Rule on Tariff Classification
- Instruction No. 346, 3 April 2013, on the implementation of Advance Rule on Customs Valuation
- Instruction No. 2175, 19 November 2014, on the implementation of Advance Rule on Rule of Origin
- Instruction No. 1114 GDCE dated 28 November 2011, on revising the procedures and the requirement of documents for customs clearance of the re-importation of the textile and garment products after exportation
- Circular 004 MEF dated 24 July 2012, on the procedures for low values goods (de minimis)

Source: Cambodian authorities.

3.3. As per the law, every physical or legal person that imports needs to submit an import customs declaration. As of 2009, these must be submitted as a single administrative document (SAD) through ASYCUDA.¹

3.4. The customs broker/declarant inputs the information from SAD directly into ASYCUDA, which verifies the information and registers the SAD. The registered SAD needs to be signed and submitted with all required documents to a customs officer. Documents to be submitted with the SAD are the invoice, packing list, transportation documents (bill of lading/airway bill/truck bill) and, when necessary, manifests, licences, permits, certificate of origin and any other related documents such as SPS certificates. After verifying the SAD and accompanying documents, the customs officer assesses the SAD using the system (and associated risk management criteria), which in turn assigns the processing lane for the declaration.

3.5. The red lane signifies that the SAD must be checked against documents and the shipment is subject to physical inspection before the SAD is sent to the green lane and assessed by Customs. The yellow lane signifies that the SAD must be checked against documents before being sent to the green lane and assessed by Customs. Under the green lane, the SAD is automatically assessed and a clearance document issued. However, the SAD may be subject to a post-clearance audit. Additionally, under the blue lane, the SAD is treated the same as under the green lane but for specific reasons is subject to a post clearance audit.² Additionally, if the SAD has been flagged as either red or yellow, the customs officer is required to verify the reasons as to why it has been identified as such; this may be due to, *inter alia*, import licence requirements, withdrawal of sample or history of smuggling.

3.6. After assessing the SAD, ASYCUDA calculates the duties, taxes and fees to be paid. These are paid in accordance with the regulations in force. Receipt of payment is submitted to Customs,

¹ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

² According to the authorities, around 15% of the shipments are directed to the red lane, 25% to the green lane and 60% to the blue lane.

which in turn issues a customs receipt and a cargo release note. In addition, various fees are charged in lieu of customs processing, container checking and other service fees (Table 3.1). According to a time release study conducted by the Asian Development Bank and the Japan Fund for Poverty Reduction in 2013, the national average time between cargo arrival and removal from Customs control is 2 days 14 hours and 39 minutes. The average time from lodgement of the SAD to removal from Customs control is 5 hours and 37 minutes and the average time between the lodgement of the SAD and cargo release note (Customs time) is 1 hour and 57 minutes. It would appear that there is a significant gap between cargo arrival and submission of SAD, as well as from cargo release to physical removal from Customs control.³ According to customs authorities, the gap is due to time taken by other agencies, such as Camcontrol, and SPS checks.

Table 3.1 Customs fees and charges

Description	Fee (riel)	Service fee (riel)	Processing time (working days)
Customs processing fee			
Container (20 feet+)	60,000	0	1-2
Customs declaration on certain petroleum products	60,000	0	1-2
Container(<20 feet)	40,000	0	1-2
Container checking fee through TH-SCAN system			
Container (<40 feet)	US\$20	0	1-2
Container (>40 feet)	US\$32	0	1-2
Provisional customs stock of merchandise licence fee (one year)	20,000,000	0	1-2
Fee for keeping goods in provisional customs stock of merchandise after the expired date (one day)	0.1% of the cost for calculating customs tax	0	Immediate
Automobile stamp tax (one edition)	0	30,000	1-2
Customs tax seal (one page)	0	50	1-2
Stamp duty (stick on cigarette box) (one page)	0	4.2	1-2
Transportation of stock permission letter (one page)	0	500	Immediate
Container seal	0	8,000	1-2

Source: Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

3.7. As part of its trade facilitation policy, Cambodia initiated a "Best Trader Programme" (BTP) in June 2014.⁴ To be included in the BTP, the trader must be: ranked in the first category of the Trade Credibility Management System, have registered capital in excess of 1 billion riel, have not committed a customs offence in the past three years and not be in default, and have an annual trade volume of over US\$2 million. In addition, the trader needs to have their books in order according to existing regulations. The trader must also be a member of the Authorized Business Community, whose chairperson must also verify the financial situation and compliance of the trader. Currently 17 companies are members of the BTP.⁵

3.8. BTP members benefit from being given priority with regard to submitting declarations, goods and document inspections, and the release of goods. In addition, BTP members are allowed to fulfil customs procedures at a later time and they are exempt from the advance verification of customs valuation and rules of origin. BTP members also benefit from pre-arrival clearance. BTP members previously benefitted from reduced scanning of containers, but the authorities stated that this incentive has been removed and currently BTP members are required to undergo scanning as normal traders.

³ General Department of Customs and Excise of Cambodia online information. Viewed at: <http://www.customs.gov.kh/trade-facilitation/time-release-study-trs/>.

⁴ Prakas No. 452 MEF on High Compliant Trader Incentive Mechanism, April 2013; Decision No. 278 GDCE on Incentive package for the best traders group and Decision No. 279 GDCE on the establishment of best traders management unit, February 2014; and Letter No. 790 GDCE on Incentive treatment's packages giving for companies which are the best traders, June 2014.

⁵ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

3.9. The authorities state that they plan to increase the number of BTP members and also fully implement the Authorized Economic Operator Programme in accordance with the Customs Strategy and Work Programme on Reforms (2014-2018).

3.10. With a view to enhancing trade facilitation and ensuring the accuracy of the customs declaration, Cambodia initiated advance ruling in January 2013.⁶ Upon request, Customs issues an advance ruling on tariff classification, customs valuation and rules of origin. An advance ruling can be requested by an importer, producer of the goods, or an authorized person who will take responsibility for the imported goods. Advance ruling on tariff classification and rules of origin are usually issued within 30 working days, while those pertaining to valuation are normally issued within 90 working days. Advance rulings are valid for three years. Advanced rulings can be challenged in writing within 45 working days of issuance to the office that issued the ruling.

3.11. Cambodia ratified the WTO Agreement on Trade Facilitation, and deposited its instrument of acceptance on 12 February 2016.

Customs valuation

3.12. Cambodia applies the WTO Agreement on Customs Valuation, which has been incorporated into domestic legislation and also notified to the WTO.⁷ Furthermore, Cambodia also notified the WTO Committee on Customs Valuation regarding the checklist of issues pertaining to information on the implementation and administration on the Agreement on Customs Valuation.⁸ Under the Customs Law (Article 21), the customs value of imported goods shall be determined in accordance with the following rules:

- a. In the first instance, the customs value of imported goods shall be the transaction value.
- b. If the customs value of the imported goods cannot be determined according to (a) then the customs value shall be the transaction value of identical goods.
- c. If the customs value of imported goods cannot be determined according to either (a) or (b) then the customs value shall be the transaction value of similar goods.
- d. If the customs value of imported goods cannot be determined under any of the above provisions, then a deductive method would be used to determine the customs value of the imported goods.
- e. A computed method would be used to determine the price of the imported goods if the value cannot be determined according to (a), (b), (c) or (d).

3.13. If the importer disputes the transaction value or the customs value, he/she has the right under the Customs Law (Article 24) to appeal the decision within 30 days by writing to the Director General of Customs, who is required to make a decision on the matter within 60 days of receipt of the objection. The importer can appeal the Director General's decision to the Customs Tariff Committee. Furthermore, as a last resort, an importer has the right to appeal to the competent court against any decision of the Customs Tariff Committee within a period of 30 days from the date of receiving notification of that decision. Over 99% of all imports are valued according to the transaction value.

⁶ Prakas No. 002 MEF on Implementation of Advance Ruling on Tariff Classification, Customs Valuation and Origin of the Goods, 4 January 2013; Instruction No. 345 GDCE Instruction on Implementation of Advance Ruling on Tariff Classification and Instruction No. 346 GDCE on Implementation of Advance Ruling on Customs Valuation, 3 April 2013, and Instruction No. 2175 GDCE Implementation of Advance Ruling on Origin of the Goods, 19 November 2014.

⁷ WTO document G/VAL/N/1/KHM/1, 12 March 2010.

⁸ WTO document G/VAL/N/2/KHM/1, 24 October 2011.

Pre-shipment inspection

3.14. Cambodia has notified to the WTO that it has no laws or regulations on pre-shipment inspection.⁹

3.1.2 Rules of origin

3.15. Cambodia does not employ non-preferential rules of origin; however, it has not notified the WTO to this effect. At the time of the last review, Cambodia was in the early stages of developing a draft regulation on rules of origin.

3.16. Article 20 of the Customs Law states that "for imports, applicable duties and taxes are collected according to the origin of the goods. The origin of natural products is the country where they were extracted from the soil or harvested. Goods manufactured in a single country, with no contribution from materials from another country, originate in the country where they are manufactured. The procedures that the Customs Administration follows in determining the origin of goods produced in one country that use products harvested, extracted from the soil, or manufactured in another country are determined by the provisions stated in the rules of origin text of each FTA. Imported goods benefit from the favourable treatment assigned to their origin only if the origin and direct transport of the goods from the country of origin to the importing country is properly demonstrated in accordance with the Operational Certification Procedure (OCP) Text of each FTA. The country of provenance is the country from which the goods were sent directly to the customs territory." Cambodia does apply preferential rules of origin to imports from ASEAN countries as well as those with which ASEAN has existing free trade agreements (Australia, China, Japan, Republic of Korea, and New Zealand). The origin of goods from FTA partner countries is determined by the certificate of origin issued by the exporting country, in accordance with the agreed rules of origin in the respective agreements.

3.1.3 Tariffs

3.1.3.1 Structure

3.17. In 2017, the applied MFN tariff in Cambodia consists of four bands: duty-free, 7%, 15%, and 35%, and specific rates. Nearly all tariffs are applied on an *ad valorem* basis, with just 14 tariff lines being subject to specific rates (compared with none in 2011). The 2017 tariff, which is based on the HS2017 nomenclature, comprises 10,810 lines at the eight-digit level, an increase from 8,298 lines in 2011, which was based on the HS2007 nomenclature (Table 3.2). The difference has come about due to a change in nomenclature.

Table 3.2 Tariff structure of Cambodia, 2011 and 2017

(%, unless otherwise indicated)

	MFN applied		Final bound ^a
	2011	2017	
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
Simple average rate	11.7	12.3	20.9
HS01-24	15.4	16.1	28.1
HS25-97	11.1	11.5	20.9
WTO agricultural products	14.5	14.6	28.4
WTO non-agricultural products	11.3	11.9	19.8
Duty-free tariff lines (% of all tariff lines)	13.7	13.9	0.6
Simple average of dutiable lines only	13.6	14.2	21.1
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.0	0.1	0.0
Domestic tariff "peaks" (% of all tariff lines) ^b	0.0	0.0	0.01
International tariff "peaks" (% of all tariff lines) ^c	9.9	12.0	50.6
Coefficient of variation	0.8	0.8	0.5
Nuisance applied rates (% of all tariff lines) ^d	0.0	0.0	0.0

⁹ WTO document G/PSI/N/1/Add.12, 26 April 2010.

	MFN applied		Final bound ^a
	2011	2017	
Total number of tariff lines	8,298	10,810	10,810
<i>Ad valorem</i> rates	8,298	10,796	10,810
Duty-free rates	1,136	1,500	70
Specific rates	0	14	0

- a Based on the 2017 tariff schedule. Original bound figures are provided in HS07 nomenclature. Concordance to HS17 is done to the best possible extent.
- b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- c International tariff peaks are defined as those exceeding 15%.
- d Nuisance rates are those greater than zero, but less than or equal to 2%.

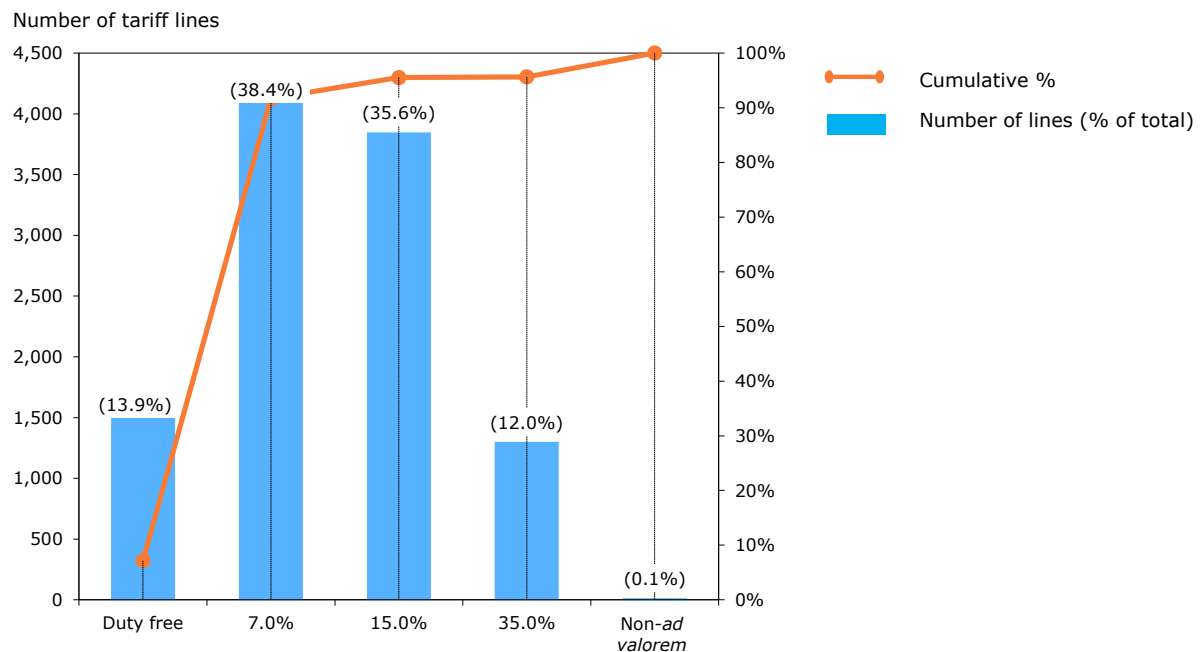
Note: 2011 tariff is based on HS07 nomenclature; 2017 tariff is based on HS17 nomenclature.

Source: WTO Secretariat calculations, based on data received by the authorities.

3.1.3.2 Applied tariff

3.18. The simple average (unweighted) applied MFN tariff in 2017 was 12.3%, a slight increase from 11.7% in 2011. The change is due to changes in nomenclature. Nearly 88% of applied tariffs range from zero to 15%, while the modal or most common rate is 7%; and nearly 14% of tariff lines are duty free (Chart 3.1).

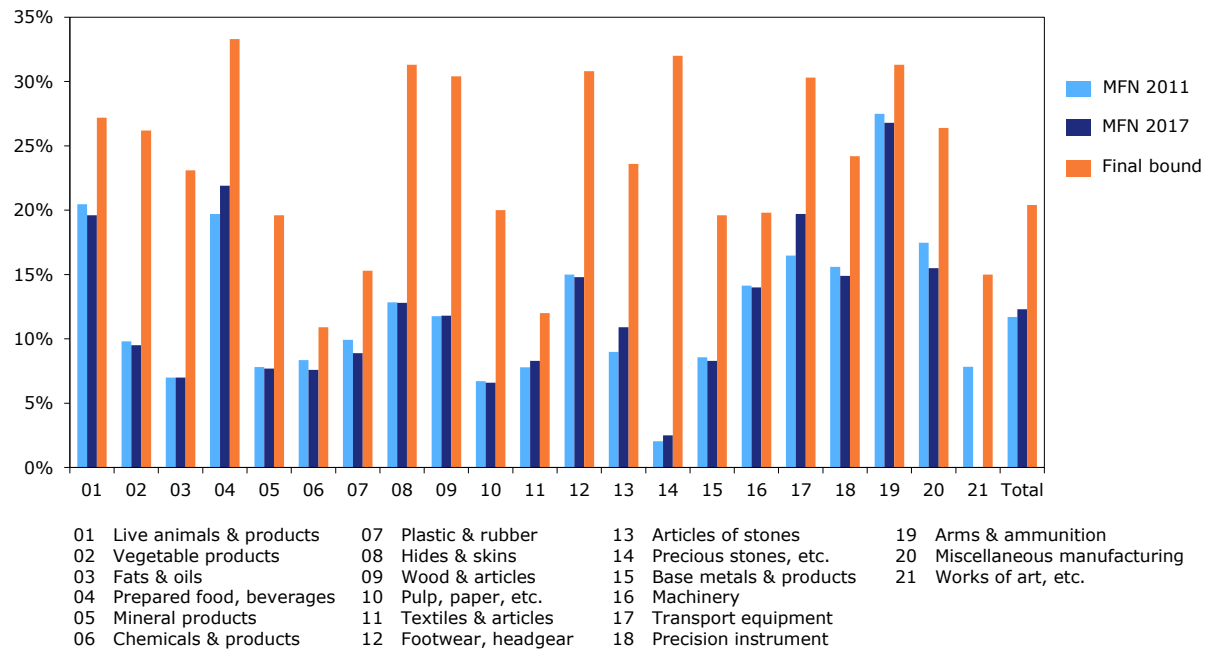
Chart 3.1 Frequency distribution of MFN tariff rates, 2017



Source: WTO Secretariat calculations, based on data received by the authorities.

3.19. As per WTO sectoral definitions, average tariffs on agricultural products are higher than those for non-agricultural products. During the period under review, the average applied MFN tariff on agricultural products showed a negligible increase from 14.5% in 2011 to 14.6% in 2017. The average applied MFN tariff on non-agricultural products rose from 11.3% to 11.9% over the same period (Chart 3.2).

3.20. Duty-free rates apply to nearly 10% of agricultural tariff lines and about 15% of non-agricultural tariff lines (Table A3.1). The highest *ad valorem* rate of 35% applies to finished agricultural products (processed meat, processed fruit and vegetables, and dairy products), finished industrial products, alcoholic beverages, tobacco, motor vehicles, and petroleum products. The 15% rate is applied to capital goods, appliances, finished industrial products, and motorcycles, while the zero and 7% rates are levied on some raw materials, including precious stones and metals. Gasoline and diesel are subject to specific rates.

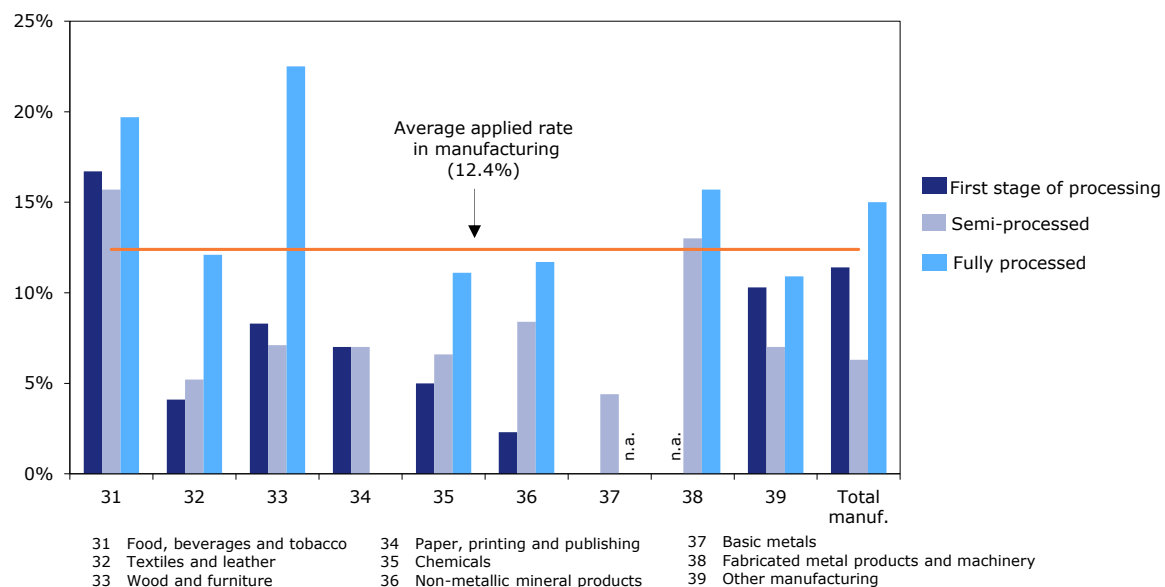
Chart 3.2 Average applied MFN and bound tariff rates, by HS section, 2011 and 2017

Note: 2011 tariff is based on HS07 nomenclature; 2017 tariff and final bound rates are based on HS17.

Source: WTO Secretariat calculations, based on online data provided by the authorities.

3.1.3.3 Tariff escalation and dispersion

3.21. According to the ISIC classification, Cambodia's tariff displays mixed escalation, with the tariff rate on raw materials (first stage of processing) being 10.6%, while the tariff on intermediate goods is 6.5%, rising again to about 15% for finished goods. Furthermore, with regard to sectors, textiles and leather, chemicals and non-metallic mineral products show positive escalation, while food, beverages and tobacco, wood and furniture, other manufacturing and total manufacturing display mixed escalation (Chart 3.3).

Chart 3.3 Tariff escalation by 2-digit ISIC industry, 2017

n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.22. Apart from the overall level of the tariff, as reflected in the average applied MFN tariff rate, there are potential efficiency losses depending on the dispersion of these tariff rates across product lines. The greater the differentials in tariff rates, especially within groups of similar and thus substitutable products, the higher the chance that consumer and producer decisions are distorted by the tariff structure. During the period under review, the coefficient of variation of the tariff has remained unchanged as have the proportion of tariff lines involving domestic peaks. However, the proportion of those involving international peaks has increased slightly (Table 3.2).

3.1.3.4 Tariff bindings

3.23. Cambodia has bound its entire tariff at the HS eight-digit level. All bound rates are *ad valorem*. The average bound tariff is 20.9%. The average bound tariff for agricultural products (WTO definition) is 28.4%, while the average bound rate for non-agricultural products (WTO definition) is 19.8%. The relatively small difference (8.6 percentage points) between the simple average applied MFN tariff and the average bound rate, and the fact that the entire tariff is bound, gives the authorities comparatively little scope to raise tariffs; thus making the import regime predictable.

3.24. The applied MFN rate exceeded the bound rate totally for 60 lines, partially for 29 lines and possibly for 14 lines in 2017 (Table A3.2). The products affected include, *inter alia*: machinery and parts, fireworks, live animals, gasoline and diesel. The authorities stated that the reason for the breaches was change in nomenclature, and that these would be rectified.

3.1.3.5 Tariff preferences

3.25. Preferential rates are granted for certain articles under the ASEAN Trade in Goods Agreement (ATIGA), ASEAN Australia New Zealand FTA (AANZFTA), ASEAN Republic of Korea FTA (AKFTA), ASEAN India FTA (AIFTA), ASEAN China FTA and ASEAN Japan FTA. Preferences under the ATIGA, AKFTA and the FTA with China are significantly lower than the average applied MFN of 11.8% (Table 3.3). Furthermore, the number of duty-free tariff lines under ATIGA, AKFTA and the FTA with China is also considerably greater than under the MFN Tariff. At the time of the last review, Cambodia had agreed to eliminate tariffs on essentially all ASEAN products by 2015, except for 7% of the tariff lines for which the tariffs will be eliminated by the end of 2017. For products covered by the Sensitive List, the maximum tariffs will be set at 5% as of 2018. There is also a General Exception List for which there are no ASEAN-related tariff preferences. Furthermore, Cambodia is also subject to tariff reductions agreed in five free trade agreements (FTAs) signed by ASEAN: with China, Cambodia's tariff rates will be reduced to zero by 2015; with India and the Republic of Korea by 2018; with Japan by 2026; and with Australia and New Zealand by 2024.

Table 3.3 Summary analysis of the preferential tariff, 2016

	Total			WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates ^a (%)	Coverage ^b (%)	Average (%)	Duty-free rates ^a (%)	Average (%)	Duty-free rates ^a (%)
MFN	11.8	13.6		14.2	12.2	11.4	13.9
ATIGA - ASEAN Trade In Goods Agreement	0.6	91.7	84.8	1.5	84.2	0.5	92.9
AANZFTA - ASEAN Australia New Zealand FTA	9.4	13.9	32.6	10.8	12.3	9.2	14.1
AKFTA - ASEAN Republic of Korea FTA	3.4	62.2	71.6	3.2	61.2	3.4	62.4
AIFTA - ASEAN India FTA	8.3	13.9	63.4	8.5	12.3	8.3	14.1
FTA with China	2.0	82.3	73.1	0.77	94.1	2.14	81.4
FTA with Japan	..	..	..	..	..	..	..

.. Not available.

a Duty-free lines as a percentage of total tariff lines.

b Per cent of total number of lines. Only rates that are lower than the corresponding MFN rate are taken into account.

Note: Calculations are based on national tariff line level (8-digit).

Source: WTO Secretariat calculations, based on data provided by the authorities of Cambodia.

3.1.4 Other charges affecting imports

3.26. In addition to the customs duties, imports are also subject to a VAT, which is applied at a flat rate of 10%. A special tax (excise tax) is levied on certain imports, the applicable rates are zero, 4.35%, 5%, 10%, 15%, 20%, 25%, 30%, 45% and 50%.¹⁰ A tax of US\$0.02/litre is levied on gasoline imports and a tax of US\$0.04/litre is levied on diesel imports (Table 3.4).

Table 3.4 Summary of import taxes, 2017

Tax	Description	Exemptions	Rates
Customs duties	All tariff rates are MFN bound and uniform for all countries, except for lower rates for ASEAN Dialogue Partners under the Common Effective Preferential Tariff (CEPT) <i>Ad valorem</i> rates, levied on c.i.f. basis	(i) imports of production materials, construction materials and production inputs for qualified investment projects (QIPs) approved by CDC (ii) imports of unprocessed agricultural products, seedlings, insecticides, pesticides and agricultural machinery (iii) imports for embassies, international organizations providing humanitarian aid, and certain development projects	Zero for essential goods, seeds, and basic raw materials 7% for intermediate goods 15% for machinery and equipment 35% for luxury goods including automobiles
Additional tax	Levied on gasoline and diesel oil	None	US\$0.02 and 0.04 per litre
Value added tax (VAT)	Covers goods and services through all stages of importation, production, and distribution	Imports of agricultural seeds and breeding animals; certain kinds of agricultural equipment; on ad hoc basis supporting industries or contractors that supply products or services to export-oriented garment manufacturers	Uniform 10%
Special tax	Levied on selected products locally produced and imported For domestically produced goods, calculated on "ex-factory selling price" defined as 65% of the selling price before VAT and any discount; for imported goods, tax calculated inclusive of customs duty and c.i.f. value	Imports of limited quantities of cigarettes, wine, petroleum products, and motor oil	Telecom services 3%; airline tickets 10%; motor vehicles 15% or 45%; spare parts for motor vehicles 25% or 10%; motorcycles and spare parts 5% or 10%; cigarettes 10%; cigars 25%; beer 25%; wine and spirits 10%; soft drinks 10%; gasoline 33%; diesel 4.3%; kerosene 10%

Source: Cambodian authorities.

¹⁰ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

3.27. Taxes on international trade (including export taxes) continue to be a significant source of government revenue, accounting for 58% of total government revenue in 2016 (Table 3.5). At the time of the last review, Cambodia's heavy dependence on trade-related taxes was gradually declining. Furthermore, it appears that revenue from trade taxes is very high, which may provide an incentive to smuggle. Additionally, revenue generated from excise taxes and VAT on imports is also high, which would imply targeting imports for revenue.

Table 3.5 Share of international trade taxes in total tax revenue and forgone customs duties, 2010-16

(Billion riel and % share)

	2010	2011	2012	2013	2014	2015	2016
Total tax revenue ^a (billion riel)	4,795	5,092	6,208	7,035	9,092	12,176	13,617
	<i>of which (%)</i>						
Customs duties (after exemption)	16.9	15.9	14.8	14.4	14.9	14.8	13.4
Excise duties on imports	14.6	15.4	14.8	13.6	15.7	17.9	19.0
Gasoline/diesel taxes	3.7	3.6	3.2	2.8	2.5	2.3	2.3
VAT on imports	19.8	24.4	23.2	22.9	23.2	22.7	21.9
Export taxes	0.4	1.4	0.8	1.3	1.1	0.5	0.3
Others (fees & penalties)	0.8	0.8	0.8	1.0	1.1	1.0	1.0
Total international trade taxes	56.3	61.5	57.6	56.1	58.4	59.1	58.0
Forgone customs duties (billion riel)							
Customs duties before exemption	2,006.3	6,290.2	7,793.4	9,304.6	10,906.5	12,991.1	13,708.5
Customs duties after exemption	858.7	3,263.2	3,713.2	4,085.4	5,455.2	6,404.7	7,076.3
Exemption/forgone	1,147.6	3,027.0	4,080.2	5,219.2	5,451.3	6,586.3	6,632.2
Exemption as % of customs duties before exemption	57.2	48.1	52.4	56.0	50.0	50.7	48.4

a Total tax revenue comprises direct taxes, indirect taxes and international trade taxes.

Source: Cambodian authorities.

3.1.5 Import prohibitions, restrictions, and licensing

3.28. Cambodia prohibits or restricts the import of certain goods on the grounds of: protection of national security; protection of public order and standards of decency and morality; protection of human, animal or plant life or health; protection of national treasures of artistic, historic or archaeological value; conservation of natural resources; compliance with the provisions of any legislation of the Kingdom of Cambodia; and the fulfilment of obligations under the UN Charter.

3.29. Sub-decree No. 209/ANK/BK of 2007 (prohibited and restricted goods list) and No. 208/ANK/BK of 2011 identifies 1,537 tariff lines that are subject to import prohibition or licensing. Sub-decree No. 47/ANK/BK of 2005 on Ozone Depleting Substances (ODS) regulates the use, import and export of ODS within the country. In addition, Sub-decree No. 16/ANK/BK of 2016 on the Management of Electronic and Electrical Equipment Waste stated that used electronic and electrical equipment were to be considered prohibited goods, however the import and export of such goods required permission from the Ministry of Environment (MOE). Sub-decree No. 36 ANK/BK of 1999 on Solid Waste Management prohibits the importation of solid and hazardous waste. Currently Cambodia prohibits the commercial importation of narcotics; psychotropic substances and their precursors, ODS (except HCFCs), toxic waste and poisonous chemicals, and substances and certain pesticides in accordance with toxicity classification by the WHO.¹¹ Additional government regulations also prohibit the importation of used computers and spare parts, household waste, right-hand drive vehicles and goods that infringe on intellectual property rights.

3.30. As per notifications made to the WTO, Cambodia requires import licences or permits for chemicals, pharmaceutical and narcotic drugs for medicinal purposes, forestry products, fish and

¹¹ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>; and information provided by the authorities.

fishery products, live animals, animal products and agricultural materials.¹² Its most recent notification dates back to 2013.

3.31. The import licensing regime for chemicals is administered by the Institute of Standards of Cambodia (ISC). The authorities state that the system is designed for the orderly marketing of chemicals in the country. For those chemicals deemed dangerous, any firm using the chemicals or supplying a user can apply for a licence, which is usually granted within 10 working days, is valid for six months, cannot be extended and is non-transferable. The permissible quantity of import is determined by an ISC inspector and is based on valid orders for the product. There are no fees or charges for the licence and there is no penalty for non-utilization or under-utilization. For other chemicals, there is an automatic licensing system in place.

3.32. Import licences for pharmaceuticals, medical materials and narcotics are issued by the Ministry of Health. For pharmaceuticals, the licensing system is designed to control illegal imports and thus ensure the quality, safety and efficiency of products available in the market. For narcotics, the system is designed so as to allow Cambodia to comply with various international conventions on narcotics and psychotropic substances and their precursors, and with its responsibilities as a member of the International Narcotics Control Board. Only companies registered by the Ministry of Health may import pharmaceuticals and narcotics. All Cambodian firms are eligible to be so registered, provided that they have at least one employee who is a licensed pharmacist. In addition, there is a US\$250 registration fee for each product registered, which has to be paid by the company to the Ministry of Health. Licences are issued within ten working days. They are valid for one month but can be extended upon request. There are no fees or charges for the licence, and there is no penalty for non-utilization or under-utilization. However, in the case of narcotics, the allocation among approved firms is determined by past allocations, utilization and distribution of previous imports.

3.33. As regards forestry products, the system requires each importer to request an import quota that is valid for one year. An importer's request for an annual quota is approved by the Council of Ministers or the Ministry of Agriculture, Forestry and Fisheries. No aggregate quota limiting the total volume or value of imports is established. The Ministry of Commerce issues import licences for import transactions falling within the importer's quota. A separate import licence is required for each import transaction. The system is used to restrict the import of individual wild plants and wildlife that carry a high risk of spreading disease as well as to help manage forest resources in the region and globally.

3.34. Fish and fishery products (Section 4.1.5.4) are subject to non-automatic licensing. Quotas are administered by the Fisheries Administration. The authorities state that the licensing is in place to ensure protection of bio-diversity, and to protect human health.

3.35. For fish and fishery products, quotas are determined according to demand and supply conditions and government policies on dangerous species and environmental management. Quotas are determined on an annual basis. There is no official application form. A request for a licence must include information on the quantity and species of fish to be imported, the period during which the importation will take place, the country of origin and the exporting firm. The applicant must also submit a health certificate from the exporting country. In addition, a licence issued by the CITES Management Authority of the exporting country for endangered fishery products and a quality control certificate in fishery pathology issued by the exporting country are also required. Licensing applications are considered by the Fisheries Administration only and may take up to four weeks to be approved. However, if laboratory tests are necessary, the time period could be longer. All firms registered to do business in Cambodia are eligible to apply for an import licence. Licences are issued mainly on the basis of past performance, and approved quotas cannot be carried over from one year to the next. Licences are valid from 1 week to 6 months depending on the request of the importer, the quantity requested, and actual estimation of the transportation period. The fee for the licence is dependent on the species of fish and the quantity to be imported. A small part of the fee is paid in advance and is non-refundable. This covers routine administrative costs and any laboratory test charges. Furthermore, there is also a small penalty to discourage repeated non-utilization.

¹² WTO documents G/LIC/N/3/KHM/1, 23 November 2010; G/LIC/N/3/KHM/2, 2 February 2012; and G/LIC/N/3/KHM/3, 24 May 2013.

3.36. For forestry products (Section 4.1.5.3), the importing firm is required to apply to the Forestry Administration and/or the Ministry of Agriculture, Forestry and Fisheries for an authorized import quota. The application must state the amount and type of wood to be imported, and include the contract with the seller, certificates of origin, invoice and bill of lading, as well as information on the utilization of the wood in Cambodia. Approval of the quota is required before lodging an application for an import licence with the Ministry of Commerce. In addition to the authorized quota confirmed by the Ministry of Agriculture, Forestry and Fisheries and the Council of Ministers, the importer must submit a certificate of origin from the exporting country, contract with the seller, bill of lading, invoice and packing list. There is also an import licensing fee which is 1% of the total f.o.b. value. The fee is paid to the National Treasury via the Forestry Administration of the Ministry of Agriculture, Forestry and Fisheries. The licence is granted within 15 days, is valid for three months and can be extended once by two months. In addition, the importer also needs to obtain a transportation permit to transport the imported product from the port of entry to the final destination.

3.37. With regard to live animals and animal products, any person or legal entity registered with the Ministry of Commerce to do business in Cambodia can apply for sanitary inspection and an import licence. Importers must apply to the Department of Animal Health and Production of the Ministry of Agriculture, Forestry and Fisheries for a licence at least two weeks before importation. Importers must also arrange for sanitary inspection of imports at least five days prior to importation. Documentation required to import includes: business licence issued by the Ministry of Commerce, import licence issued by the Ministry of Agriculture, Forestry and Fisheries, sanitary certificate issued by the exporting country, animal or animal products identification and a contract between the owners of the goods and the Department of Animal Health and Production. There is no fee or charge for the import licence. However, a service charge is levied to cover the cost of the sanitary inspection and a fee is charged for any laboratory tests required. The licence is valid for one year and can be extended upon request. There is no penalty for non-utilization; however, non-utilization will be taken into account in considering a subsequent licence application.

3.38. For agricultural materials, which include, *inter alia*, fertilizers, pesticides, seeds, animal feed and veterinary medicines, applications for an import licence are considered and granted by the Ministry of Agriculture, Forestry and Fisheries. Any legal person registered with the Ministry of Commerce can request agricultural materials registration and an import licence from the Ministry of Agriculture, Forestry and Fisheries. There is no fee for the licence, and the licence is valid for one year without the possibility of extension. In the case of non-utilization, future licences may be refused.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.39. Cambodia does not have any anti-dumping, countervailing or safeguard legislation, and it has notified this to the WTO.¹³ At the time of the last review, a single draft law, which addressed anti-dumping and safeguard measures, and allowed for the later preparation of a sub-decree covering countervailing measures, was being reviewed by an inter-ministerial drafting group and the process was expected to be completed by the end of 2011. At the time, the authorities stated that the draft law closely followed the WTO safeguards and anti-dumping agreements. The draft law detailed procedures for identifying dumping and for establishing normal values, export prices, and dumping margins. Procedures for the conduct of anti-dumping investigations, including the determination of material injury and a causal link, and for establishing and reviewing anti-dumping duties, were also addressed in detail. With respect to safeguards, the draft defined serious injury and the threat thereof and causation. It described procedures for initiating and conducting safeguard investigations and applying safeguard measures. According to the authorities, the draft law is currently being reviewed by the National Assembly and is expected to be in force by the end of the year.

3.1.7 Other measures affecting imports

3.40. Under the Customs Law, goods brought into the Customs Territory of Cambodia for transit or trans-shipment are exempt from paying import duties and taxes (Article 25). Goods for foreign diplomatic or consular missions, international organizations and agencies of technical co-operation of other governments are also exempt from paying import duties and taxes (Article 26). Under

¹³ WTO document G/ADP/N/1/KHM/1, G/SCM/N/1/KHM/1 and G/SG/N/1/KHM/1, 10 March 2010.

Article 27 of the Law, partial exemption from import duties and taxes may be granted with respect to the import of seeds and breeding animals for agriculture, and goods for temporary admission.¹⁴

3.41. Under temporary admission, goods are stored under customs approval in a customs temporary storage facility. There are three types of customs bonded warehouses. Public warehouses are licensed by the Minister of Economy and Finance, and may be operated by any agency of the Royal Government, or by any person. Public warehouses are open to any person who has the right to store the goods in the warehouse. Private warehouses are licensed by the Director of Customs, and are to be used solely by specified persons to store goods for their own specific uses, including operators of duty-free shops. Special warehouses are licensed by the Director of Customs, these are a type of warehouse for goods which may present a hazard, or could affect the quality of other goods, or could require special storage facilities. The Customs Law allows goods to be stored in bonded warehouses initially for up to two years (Article 47), which can be extended for a further year. Furthermore, under certain circumstances, the MEF may authorize the establishment of customs manufacturing bonded warehouses, for the purpose of processing or manufacturing of goods. Goods accepted in customs manufacturing bonded warehouses are also exempt from import duties and taxes (Customs Law Article 49).

3.42. Qualified investment projects (QIPs) are entitled to have certain customs duties and taxes exempted (Sections 2.4 and 4.3.3). The coverage of the exemption depends on the category of the QIP. Domestic QIPs are those that do not endeavour to export; in such cases, import duties on production equipment and construction material are exempt. However, if any goods produced by the domestic QIP are exported directly or indirectly, the customs duties levied on the inputs used in the production of such goods are refunded after a quarterly review.

3.43. Export QIPs are those that export part or all of their production. For export QIPs, customs duties are exempted on production equipment, construction materials and production inputs. A supporting industry QIP supplies its entire production to an export QIP, which uses these products as a substitute for imported inputs. For such enterprises, production equipment, construction materials and production inputs are exempt from customs duties. If the QIP does not supply its entire production to the export industry or directly export its products, the quantity of its production inputs used to produce those goods shall be subject to customs duties and taxes after a quarterly review.

3.44. For the export garment industry (Section 4.3.4), VAT and special tax on imported inputs is borne by the Government, while for other export industries special tax on imported production inputs is borne by the Government. Additionally, inputs imported by a supporting industry QIP for supply to the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry, are exempt from VAT. Special tax on supporting industry QIPs' import of production inputs is also exempt.¹⁵

3.45. An enterprise which is a zone investor in a Special Economic Zone (SEZ) is entitled to the same incentives and privileges as a QIP mentioned above (paras 3.42 and 3.43). Value added tax and special tax on imported production equipment, construction materials and production inputs are exempted for an export QIP. However, a domestic QIP receives value added tax exemption only on imported production equipment and construction materials.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.46. The Customs Law of 2007 is also the main legislation governing exports. Under Article 16 of the Law, "all goods to be exported must be reported at a Customs office or other location as determined by the Director of Customs. The Minister of Economy and Finance may by Prakas determine the time, manner, documentation requirements, circumstances and exceptions with respect to the reporting, movement, storage and transportation of goods to be exported". As stated, the exporter needs to obtain Customs and Excise's permission to export, which is usually

¹⁴ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

¹⁵ Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

given once goods and documents have been checked by Customs and Camcontrol and found to be in order. After getting the permission to export, the exporter needs to file an export customs declaration as a SAD through ASYCUDA. In addition to the SAD, an invoice, packing list, transportation documents (bill of lading/airway bill/truck bill) and when necessary manifests, licences, permits, certificate of origin and any other related documents such as SPS certificates, must be submitted. The customs clearance process follows the same procedure as that for imports (see Section 3.1.1). Once the customs declaration has been processed and export taxes (if applicable) have been paid, the goods are released for export.

3.47. For garment exports, physical inspection of these goods is done jointly and simultaneously by both customs and Camcontrol, which then issue a single Joint Inspection Report. After a physical inspection, customs and Camcontrol seal the container with a customs seal and a Camcontrol seal. The customs seal must be checked and verified along with the export documents before being exported.

3.48. With regard to the export of rice and other agricultural products, customs clearance can be conducted at the place of growing or the place of processing. Furthermore, rice exports are given priority and do not follow the first in, first out principle; they are also exempt from the customs processing fee.

3.2.2 Taxes, charges, and levies

3.49. With a view to encouraging local processing and thus encouraging the export of finished products and to protect human health, Cambodia levies export taxes on certain products. The tax is applied at zero, 5%, 10%, 15%, 20% and 50%. Products subject to the tax include: timber, unprocessed rubber (Section 4.1.5.2), uncut precious stones, and fish and crustaceans, molluscs and other aquatic products (Table 3.6). Export taxes accounted for less than 1% of customs revenue in 2016 (Table 3.5).

Table 3.6 Export taxes, 2016

Tax	Description	Exemptions	Rates
Export taxes			
Timber	<i>Ad valorem</i> tax levied on the value of processed woods limited to those cut on government-agreed concessions; Export ban on all round logs in place since 1997	None	5% or 10%
Rubber	Specific tax	None	If the price of rubber is less than US\$1,000/tonne then there is no tax. If the price is US\$1,001-2,000/tonne, then the applicable tax is US\$50/tonne, if the price is US\$2,001-3,000/tonne, then the applicable tax is US\$100/tonne, if the price is US\$3,001-4,000/tonne, then the applicable tax is US\$200/tonne, and if the price is greater than US\$4,000/tonne, then the applicable tax is US\$300/tonne.
Other	<i>Ad valorem</i> tax levied on livestock and fishery products and on sand, gravel, and granite	None	10%

Source: Cambodian authorities.

3.2.3 Export prohibitions, restrictions, and licensing

3.50. Under the provisions of Sub-decree No. 209/ANK/BK of 2007 (prohibited and restricted goods list) and No. 208/ANK/BK of 2011, Cambodia restricts and prohibits the export of certain

goods. Exports of antiques, certain narcotic and psychotropic substances and their precursors, toxic materials, hazardous waste, ozone depleting substances, except hydrofluorocarbons (HFCs), certain logs, precious stones and metals and weapons is prohibited in the interest of, *inter alia*: protecting national security, protecting public order, decency and standards of morality, protecting the environment, conserving Cambodian heritage and protection of human, animal and plant life and health. Prohibitions also apply to any fish species mentioned on the CITES list of endangered species as provided for in Sub-decree No. 123 (2009).

3.51. Exports of certain products are subject to export licences, certificates and permission letters (Table 3.7). Exports of unprocessed rubber, processed wood and non-timber forest products require an export licence (for environmental reasons). The application procedure for such licences has not changed since the last review. The exporter must submit an application to the Ministry of Agriculture, Forestry and Fisheries (MAFF, along with the usual supporting documentation (invoice, bill of lading, etc.) and documentary evidence that the products are from legal sources. The Forestry Administration examines the application and makes a recommendation to MAFF, which in turn makes a recommendation to the cabinet of the Council of Ministers, which grants an export quota to the applicant. The quota is valid for one year, and may be renewed. After receiving a quota, the applicant may apply for an export licence from the Ministry of Commerce. A licence is required for each export transaction within the quota. The export licence is made out to the Forestry Administration, which is the sole entity authorized to export wood and wood products, and which exports the goods on behalf of the applicant. The applicant must also secure a transportation permit from the Forestry Administration to transport goods to export points. Applications for certificates and permits must be made directly to the relevant ministries.

Table 3.7 Export licences, permits, and certificates

Type of goods	Documentation	Government authority
Primary processed rubber	- Export licence (valid 60 days)	- Ministry of Commerce
Processed wood and non-timber forest products	- Export licence (valid 60 days) - Permit letter	- Ministry of Commerce - Ministry of Agriculture, Forestry and Fisheries - Council of Ministers
Raw fruit, vegetables, plants and agricultural materials (includes pesticides, fertilizers, seed, and seedling materials, feed additives)	- SPS certification	- Ministry of Agriculture, Forestry and Fisheries
Garments	- Certificate of origin (valid 6 months)	- Ministry of Commerce
Drugs and medicines	- Certificate, Ministry of Health (valid 3 months)	- Ministry of Health
Live animals	- Animal health or CITES certificate (valid 5 years)	- Ministry of Agriculture, Forestry and Fisheries
Art and cultural products	- Authorization - Permit letter (valid 1 year)	- Ministry of Culture and Fine Arts
Fish, crustaceans, molluscs, and other aquatic products	- Transportation permit letter - Certificate of aquatic animal health	- Ministry of Commerce - Fisheries Administration (MAFF)
Jewellery, silverware and uncut or unprocessed precious stones	- Permit letter (valid 1 year)	- National Bank of Cambodia

Source: Handbook on Customs Clearance online information. Viewed at: <http://www.customs.gov.kh/publication-and-resources/publications/>.

3.2.4 Export support and promotion

3.52. The authorities stated that Cambodia does not provide any export subsidies. Furthermore, Cambodia has notified the Committee on Agriculture that no export subsidies were provided to the sector.¹⁶

3.53. During the period under review, there has been no change to the trade promotion regime in Cambodia. The General Directorate of Trade Promotion (GDTP) of the Ministry of Commerce is the main agency promoting Cambodian exports. The GDTP has three departments responsible for

¹⁶ WTO document G/AG/N/KHM/3, 2 April 2015.

exhibition affairs, market development and trade policy. As such, the responsibilities and activities of the GDTP include initiating, organizing, and participating in domestic and overseas trade fairs, and providing assistance to local companies wishing to organize and/or participate in such fairs.

3.54. The GDTP also works with Cambodia's overseas trade missions to identify possible overseas markets and develop strategies for penetrating those markets, which also includes matching potential clients. Cambodia has opened four trade promotion centres in China, and one each in Viet Nam and Thailand. The GDTP's website contains a list of products whose producers are seeking foreign markets, and the GDTP established and manages the Electronic Market Communication System, which provides information on prices, trades, buyers, and sellers. Furthermore, the GDTP hosts an annual One Province One Product and Import-Export Exhibition (OPOP), which has foreign participation. The GDTP is also a counterpart to various development partners and international organizations in implementing trade promotion programmes.

3.55. As a part of the World Bank's Trade Facilitation and Competitiveness Project, the Government set up the Export Market Access Fund (EMAF) to help registered Cambodian firms in their efforts to penetrate foreign markets. The EMAF was a US\$1.6 million co-financing facility designed to provide technical assistance and matching grants to Cambodian exporters. It provided co-financing (up to 50%) in the form of cash grants for eligible activities, with a ceiling of US\$30,000. Eligible activities included investigating export markets; product adaptation to meet export-market requirements; and product promotion. The EMAF also provided Cambodian businesses with links to international and national experts to support export development, planning, and execution. Dedicated specialists were made available to help applicants secure EMAF funding and to support export marketing activities. A total of 75 firms and business associations were supported by EMAF, of which approximately 65% were Cambodian owned and 41% were based outside Phnom Penh. The main sectors supported by the EMAF were agriculture and food processing (41%), fashion and handicrafts (24%), tourism (9%), IT (9%), and healthcare and beauty (6%). Supported activities included research on new markets and products, attendance at key trade shows, and obtaining certifications to access new export markets.¹⁷

3.56. In addition to direct assistance, the Government has taken steps to give Cambodian products a competitive advantage over similar products of other countries. For example, in conjunction with the International Labour Organization, the Better Factories Programme establishes a system for the regular monitoring of work conditions in individual factories, through unannounced visits, and worker and management interviews. The results of the monitoring are made available to the factories, including recommendations for improving work conditions. These reports are subsequently posted on a website, where they may be examined by buyers. The Ministry of Commerce (MoC) enforces this programme by requiring the participation of all factories seeking an export certificate of Cambodian origin. Only factories that are registered with the Ministry may export, and the condition for registration is membership in the Garment Manufacturers Association of Cambodia and in the Better Factories Programme of the Department of Exhibition Affairs.¹⁸

Special Economic Zones (SEZs)

3.57. During the period under review, there were no changes in the legislation governing SEZs or in the administration of SEZs. Sub-decree (No. 148) of 2005 on the Establishment and Management of Special Economic Zones continues to be the main legislation governing SEZs. The Law is administered by the Cambodia Special Economic Zone Board (CSEZB), which is an operational arm of the Council of Development of Cambodia (CDC).¹⁹ At the time of the last review, the Law on Special Economic Zones had been drafted by the CDC and was to be submitted to the Council of Ministers for approval, however this is still pending. According to the authorities, it is still being drafted, and they expect both the law on investment and the law on SEZs to be passed at the same time.

¹⁷ Emerging Markets Consulting online information. Viewed at: <http://www.emergingmarkets.asia/consulting/news/2014/02/21/export-market-access-fund/>.

¹⁸ Better Factories Cambodia online information. Viewed at: http://betterfactories.org/?page_id=979.

¹⁹ The Cambodian Investment Board (CIB) and the Cambodian Special Economic Zone Board (CSEZB) are the CDC's operational arms for private sector investment. CIB deals with investment projects out of special economic zones (SEZs) and CSEZB takes charge of investment projects in SEZs.

3.58. Applications for the development of a SEZ must be made to the CSEZB. There is an application fee of 15 million riel. The CSEZB approves (in principle) or rejects the application within 28 working days. If approved, the zone developer must provide a detailed feasibility study within 180 working days. Within 100 working days of the receipt of the feasibility study, the CSEZB issues a final registration certificate and subsequently a sub-decree is issued establishing the SEZ and its boundaries.²⁰

3.59. SEZs are eligible for a number of incentives, including profit tax holidays and rebates, special depreciation, exemption from import duties and taxes, zero-rate VAT on imports, and special customs procedures (Section 3.3.1).

3.60. The authorities state that there are currently 46 SEZs that have been approved in Cambodia; of these, 16 are operational (Table 3.8). Total exports from SEZs in 2016 were over US\$1.35 billion, an increase from US\$1.12 billion in 2015. Additionally, according to the authorities, exports from SEZs had exceeded US\$300 million in the first quarter of 2017. Furthermore, during the period under review, 212 projects were set up inside the SEZs, with an investment outlay of over US\$3.5 billion creating over 85,000 jobs.²¹

Table 3.8 List of SEZs

Operational	Under construction	Non operational
Manhattan SEZ	Kerry Worldbridge Logistic SEZ	S.N.C SEZ
Tai Seng Bavet SEZ	Qilu SEZ	N.L.C SEZ
Dragon King SEZ	Duong Chhiv Phnom Den SEZ	Oknha Mong SEZ
Shandong Shunshell Svay Rieng SEZ	Kampot SEZ	D & M Bavet SEZ
Phnom Penh SEZ	Thary Kampong Cham SEZ	Kampong Soam SEZ
Hi-Park SEZ	Kirisakor Koh Kong SEZ	P (SEZ) I.C
Sihanouk Ville SEZ	H.K.T SEZ	Suoy Chheng SEZ
Sihanouk Ville Port SEZ	Stung Hao SEZ & International Sea Port	Giga Resource SEZ
Neang Kok Koh Kong SEZ	Chhak Kampongsaom SEZ	Ratana SEZ
Poi Pet O'Neang SEZ 1	Tian Rui Agricultural Trade SEZ	Sihanouk Ville SEZ 2
Sanco Poi Pet SEZ	Today Bokor SEZ	Kandal SEZ
Sihanouk Ville SEZ 1	Suvannaphum SEZ	M D S Thmorda SEZ
Goldfame Pak Shun SEZ		Try Pheap Oyada SEZ
		Zhong Jian Jin Bian Jing Ji Te Qu SEZ

Source: Information provided by the authorities.

3.2.5 Export finance, insurance, and guarantees

3.61. The banking system provided support to exports by providing, *inter alia*, letters of credit and bills of exchange (Table 3.9).

Table 3.9 Export finance, 2011-16

(US\$ million)

	2011	2012	2013	2014	2015	2016
Standby letters of credit	849,664	805,598	1,720,918	1,197,940	1,141,616	1,506,512
Bills of exchange	62,972	33,507	48,412	34,227	64,346	31,124

Source: Information provided by the authorities.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.62. Cambodia offers a number of incentives to investors and producers under a variety of schemes (Table 3.10). Depending on the type of qualified investment project (QIP), such enterprises are exempt from paying import duties, VAT and special tax on imported production machinery, construction materials, production inputs, intermediate goods and accessories (for

²⁰ The CSEZB is responsible for obtaining all the necessary approvals and clearances from the Government.

²¹ CDC information provided by the authorities.

further details see Section 3.1.7). In addition, QIPs can choose to either receive an exemption on profit tax, or use special depreciation.

Table 3.10 Incentives under the Law on Investment

Profit tax	
1. Standard CIT (for legal persons)	- 20%
2. Other income taxes (sole proprietorship)	- Progressive rate from 0-20% depending on amount of taxable profits
Tax incentives	
1. Sectors, geographical areas, and labour qualified for incentives	Pioneer or high-tech, job creation, export, tourism, agri- and processing, infrastructure, energy, rural development, environment, and SEZ
2. Tax holidays	Holiday not limited by commencement of operations Either 6 or 9 years starting in first year of sales Or 3-6 years from the last day of the tax year immediately preceding the tax year in which profits are first derived 5-year loss carry forward
3. Import duties and VAT exemptions	- 100% duty exemption on inputs for export-oriented production, plus VAT exemption if located inside SEZs - VAT exemption on both inputs and sales of supporting industries (their contractors receive only VAT exemption on sales) to export-oriented garment and footwear sectors.

Source: Council for Development of Cambodia.

3.63. The profit tax exemption is initially for a "trigger period" plus three years and a priority period, which depends on the type of industry and amount of investment.²² The priority period is for a maximum of three years (Table 3.11).

Table 3.11 Minimum conditions required for the provision of incentives

Fields of investment	Requirement for investment
Supporting industry, which has its entire production (100%) supplying export industry	US\$100,000 or more
Production of animal feed	US\$200,000 or more
Production of leather products and related products	US\$300,000 or more
Production of all kinds of metal products	
Production of electrical and electronic appliances and office materials	
Production of toys and sporting goods	
Production of motor vehicles, parts and accessories	
Production of ceramic products	
Production of food products and beverages	US\$500,000 or more
Production of products for textile industry	
Production of garments, textiles, footwear and hats	
Production of furniture and fixtures that do not use natural wood	
Production of paper and paper products	
Production of rubber products and plastic products	
Clean water supplies	
Production of traditional medicines	
Freezing and processing of aquatic product for export	
Processing of any kind of cereals and crop products for export	
Production of chemicals, cement, agriculture fertilizer and petrochemicals	US\$1,000,000 or more
Production of modern medicines	

²² The trigger period is the period commencing on the issuance of the Final Registration Certificate and ending on the last day of the taxation year immediately preceding the earlier of (a) if the QIP derives a profit, the taxation year in which the profit is first derived, and (b) if the QIP derives income from the Investment Activity in respect of the sales of goods or services, the third taxation year after the taxation year in which the income is first derived.

Fields of investment	Requirement for investment
Construction of modern market or trade centre	US\$2,000,000 or more More than 10,000 square meters Adequate space for car park
Training and educational institutes that provide training for skill development, technology or poly technology that serves industries, agriculture, tourism, infrastructure, environment, engineering, sciences and other services	US\$4,000,000 or more
International trade exhibition centre and convention halls	US\$8,000,000 or more

Source: Cambodia Investment Board online information. Viewed at:
<http://www.cambodiainvestment.gov.kh/>.

3.64. Special depreciation is a one-time 40% depreciation allowance on the value of new or used tangible properties used in production or processing.

3.65. There are certain projects which are not eligible for incentives, these include: all kinds of commercial activity, import, export, wholesale, and retail, including duty-free shops; transportation services except the railway sector; restaurants, karaoke parlours, bars, nightclubs, massage parlour, fitness, etc.; tourism services; casinos and gambling businesses; currency and financial business and services such as banks, financial institutions, and insurance companies; activities related to newspaper and media, including radio, television, press, magazine, etc.; professional services; production and processing of wood products using wood from natural forest with a legal domestic supply source for raw materials; resorts, including hotel, theme park, sport facilities, zoo with less than 50 hectares; hotels rated less than 3-stars; and real estate development and warehouses facilities.²³

3.66. Incentives offered to SEZs are differentiated between zone developers and zone investors. Zone investors are provided the same incentives as QIPs with regards to customs duty and taxes. Additionally, all imports by a zone investor are zero-rated with respect to VAT. However, in the event that any proportion of the output is sold in the domestic market, the zone investor needs to pay VAT on the amount sold in the local market.

3.67. In addition to the incentives provided to zone investors with regards to customs duties and taxes, zone developers are provided a tax holiday on profit tax for up to a maximum of nine years. Furthermore, developers may request, under the form of a temporary admission, the import of means of transport and machinery used for the construction of infrastructure in accordance with the laws and regulations in force; they may also obtain a land concession from the State for establishing the SEZ in areas along the border or in isolated regions in accordance with the Land Law, and may lease this land to the Zone Investors.²⁴ SEZs also benefit from special customs procedures.

3.68. In addition to tax incentives offered to QIPs and SEZs, tax incentives are provided to companies listed on the Cambodian Stock Exchange and public investors who hold and/or trade government securities, equity and/or debt securities on the securities market. Listed companies are entitled to a 50% reduction on the annual tax on profit payable for three years, starting from the beginning of the current tax year if the securities are issued within the first half of the tax year or the following tax year if the securities are issued within the second half of the tax year. The incentive is effective for three years from the signing of the sub-decree.²⁵ Also, the listed companies are entitled to suspend payment of monthly prepayment of tax on profit for the period in which they are entitled to tax incentives under the sub-decree. A QIP is not entitled to the tax reduction during the tax holiday period. Public investors are entitled to a 50% reduction on the withholding tax payable on interest and/or dividends received from the above securities for three years, starting from the signing of the sub-decree. However, there are various conditions

²³ Cambodia Investment Board online information. Viewed at:
<http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>.

²⁴ Cambodia Investment Board online information. Viewed at:
<http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>.

²⁵ Sub-decree on Tax Incentives in Securities Exchange Sector, 8 January 2015. Information provided by the authorities.

under which the Ministry of Economy and Finance can forfeit the tax incentives granted to the listed companies.

3.69. Under Prakas issued by the Ministry of Economy and Finance in 2011²⁶, tax incentives are also provided for rice farming, paddy rice purchase and the export of milled rice.

3.70. Under the Prakas, VAT is applied at the following rates: domestic supplies of paddy rice: zero; domestic supplies of milled rice: 10%; export of milled rice: zero; supplies of milled rice or milled rice production services to rice exporters (subject to specific conditions): zero; supplies of milled rice or milled rice production services to the local market: 10%; input VAT related to rice farming, paddy rice purchase, and export of milled rice is creditable or refundable. Moreover, under Prakas 313 issued by the Ministry of Economy and Finance on 19 March 2014, input VAT related to the import of production inputs and equipment to produce milled rice for export is borne by the government (subject to specific conditions); for local purchases of production inputs, except for paddy rice, it is applied at 10%.

3.71. Additionally, rice farming, paddy rice purchase and the export of milled rice are tax exempt from the 1% minimum tax, entitled to a tax holiday period (i.e. trigger period plus three years plus three-year priority period) and exempt from a 1% pre-payment of tax on profit during the tax holiday period.²⁷

3.3.2 Standards and other technical requirements

3.72. During the period under review, there have been no changes to the legislative or regulatory framework governing technical regulations and standards in Cambodia. The main legislation governing standards and technical regulations continues to be the 2007 Law on Standards in Cambodia, which is administered by the Institute of Standards of Cambodia (ISC). The ISC, which falls under the Ministry of Industry and Handicrafts, is mandated to research and set national standards, certify products or companies on standards compliance pertaining to both products and systems, disseminate standards and create awareness, work with international bodies to achieve international recognition of national standards and gain accreditation for national conformity assessments, and license, regulate or revoke product and systems certifications. The ISC has four departments: Information, Standards Development, Training and Consultancy, Certification and Regulatory, and Accreditation. The ISC is also the national enquiry point (NEP) for Cambodia as well as the notification authority. Furthermore, Cambodia is a subscriber member of the International Organization for Standardization (ISO), an affiliate member of the International Electrotechnical Commission (IEC), and a member of the ASEAN Consultative Committee for Standards and Quality (ACCSQ). It is also a signatory to the ASEAN sectoral mutual recognition arrangement for electrical and electronic equipment (ASEAN EEE MRA).

Standards development

3.73. The National Standards Council (NSC), which was created in 2009, is responsible for coordinating the development of national standards. The NSC advises the ISC on the criteria and procedures needed for the preparation, approval, acceptance and selection of the standards. It is also responsible for approving proposals for Cambodian standards, which have been prepared and recommended by the ISC. The NSC is chaired by the Minister of Industry and Handicraft and includes representatives from relevant technical line ministries. The NSC is the national secretariat which oversees, regulates, verifies, and adopts or certifies standards proposed by each technical ministry. The mandate of the NSC is to ensure quality and standard conformity with national and international standards.

3.74. Cambodia mainly uses the ISO/IEC Guide 21-1 and 21-2:2005 as a national guide to adopt international standards as national standards or technical regulations. Presently there are 804 Cambodian standards, mainly on foods, electrical appliances, and test methods²⁸, of which 151 are adopted as technical regulations. Nearly 83% of Cambodian standards are aligned with international standards.

²⁶ Prakas 779 on Additional Tax Incentives for Rice Farming, Paddy Rice Purchases, and Production of Rice for Export of 2011.

²⁷ Information provided by the authorities.

²⁸ Information provided by the authorities.

3.75. With regard to standards development, stakeholders, who have determined the need for a particular standard, submit a request to this effect to the ISC, which in turn creates a new work item proposal (NWP), which is submitted to the NSC for formal approval. The NSC assigns the NWP to the relevant technical committee or working group. After deliberation in the relevant committee or working group, a draft Cambodian Standard is circulated for public comment. The period for public comment lasts 60 days. After receiving public comments, the draft standard is finalized by the technical committee/working group and forwarded to the NSC for approval. The Cambodian standard is finally approved by the Minister before being published in the official gazette.

Conformity assessment and product certification

3.76. It is under the ISC's purview to supervise and provide technical support to the line ministries to help them develop their standards in conformity with national standards. The ISC is also responsible for testing for compliance with mandatory Cambodian Standards, conducting conformity assessment and production surveillance.²⁹ Furthermore, the ISC also monitors and verifies the compliance of the technical regulations of each ministry/agency. Where it has no relevant national capacity, Cambodia uses the test results of recognized and accredited foreign laboratories.

3.77. There are a few certification or inspection bodies operating in the private sector.³⁰ Government agencies such as Camcontrol carry out inspection and testing, although they are not internationally accredited. There are no government-accredited bodies and there is no Cambodian accreditation body signatory to an international cooperation agreement such as the ILAC (International Laboratory Accreditation Cooperation) or APLAC (Asia Pacific Laboratory Accreditation Cooperation).

3.78. The ISC product certification scheme is based on the ISO/IEC Guide, which provides rules for a third-party certification system of determining conformity with product standards through testing and assessment of the factory quality management system. The ISC provides licences for products related to health and safety conforming to mandatory standards and licences for products conforming to voluntary standards.³¹ Licences are issued for an initial period of three years and can be extended for subsequent three-year periods provided the obligations under which the licence was granted continue to be fulfilled. After the issuance of a licence, the concerned products can be affixed with an ISC mark.

3.79. Additionally, the ISC is also helping Cambodian enterprises obtain ISO 9001, ISO 14001 and HACCP certification. In this regard, eight ISC staff members have qualified as lead auditors for ISO 9001, three staff members have qualified as lead auditors for ISO 14001 and four staff members have qualified as lead auditors for ISO 22000. According to the authorities, the ISC's certification body is in the process of setting up a quality management system for the product certification scheme in compliance with the requirements of the ISO/IEC 17065 and the system certification scheme is accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) complying with ISO/IEC 17021 requirements.

Testing, inspection and compliance

3.80. Under the provisions of the Law on the Management of Quality and Safety of Products and Services of 2000, the Cambodia Import-Export Inspection and Fraud Repression Directorate General (Camcontrol) in the Ministry of Commerce is responsible for the safety and quality standards, as well as the certification and verification of imports and exports. Export inspection covers garments, agricultural products, rice, wood and processed food. Import inspection concentrates on food, agricultural chemicals, petroleum, textiles and garments. Domestic market surveillance targets food safety and commercial fraud. Camcontrol operates laboratories for food

²⁹ The ISC's testing laboratory, the Industrial Laboratory Centre of Cambodia (ILCC), has been accredited by Australia's National Association of Testing Authorities (NATA) and the Singapore Accreditation Council-Singapore Laboratory Accreditation Scheme (SAC-SINGLAS).

³⁰ For a list of certification and inspection bodies, please see: <http://www.da-canc.gov.kh/en>.

³¹ For details on pre-requisites for licences, registration, pre-grant of licences and post certification please see: <http://www.isc.gov.kh/en/detail/view/116?ctype=article>.

testing, for cereal testing and for petroleum products. Violations of the Law can result in confiscation of the offending goods, fines and legal proceedings.

Labelling

3.81. Under the Law, labels or marks are not required for all imports; however, products must have their labels certified and registered with relevant ministries before being imported into Cambodia. Labels for different products are regulated and certified by different ministries. Suppliers of products that could harm public health or safety are also required to certify that the products comply with the standards set by the Institute of Standards of Cambodia (ISC). Imports of pre-packaged foods must be labelled in accordance with Cambodian standards on food labelling.

3.3.3 Sanitary and phytosanitary requirements

3.82. The main pieces of legislation covering the SPS regime are the Law on the Management of Pesticides and Fertilizers of 2012, the Fisheries Law of 2006, the Law on Seed Management and Plant Breeders Rights of 2008, the Sub-decree on Phytosanitary Inspection of 2003, the Law on Forestry of 2002, and the Law on Animal Health and Production of 2016. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has the primary responsibility for the implementation of these Laws. In addition, there are the draft laws on plant protection and phytosanitary measures and on the quality and safety of agricultural products as well as the draft law on rubber, which will also be administered by MAFF when they come into force. Cambodia is also committed to complying with a number of international agricultural compliance/quality standards in line with the International Standards Organization (ISO), International Plant Protection Convention (IPPC), World Organization for Animal Health (OIE), Southeast Asia Fisheries Development and Centre (SEAFDEC), Association of National Rubber Producing Countries and the International Rubber Development Board, and the Codex Alimentarius Commission (CAC). Furthermore, at the time of its accession to the WTO, Cambodia scheduled its full implementation of the WTO SPS Agreement by 2008 and notified the Ministry of Commerce as the national enquiry point for SPS.

3.83. Under the provisions of the Laws, MAFF, through its various General Directorates and Departments, is responsible for animal, plant, and fish health. The General Directorate of Animal Health and Production (GDAHP) is responsible for the inspection of animals and animal products and for issuing the Animal Health Certificate, as required under the OIE animal health code and standards. MAFF/GDAHP issues import permits for animals and animal products based on risk assessment.³² Furthermore, the new Law on Animal Health and Production of 2016 is designed to "modernize and standardize protocols to protect animal health, human health, and the environment. GDAHP envisages sustainable livestock development by ensuring food security, food safety, and profitable trade and contributing to national socio-economic growth". In this respect, the authorities stated that GDAHP has a fully equipped laboratory under the National Animal Health and Production Research Institute (NAHPRI) with capacity to analyse the quality of veterinary drugs and animal feed, chemical residues, pesticides, growth promoters and other contaminants in animal, meat, and animal products, food-borne pathogens, and diagnosis of livestock diseases including 200 zoonoses. The Law allows MAFF to control both the quality of feed and medicine. However, under the law, vaccinations remain voluntary, but it is expected that MAFF will be more proactive in cracking down on the companies selling products related to veterinary health. The legislation also sets standards for imports of livestock from neighbouring countries, while trying to ensure that Cambodian exports meet regional standards, so as to smooth the transition to regional integration. The Law also provides for specific penalties, such as the suspension of licences and fines, for farmers and abattoirs employing dangerous practices.

3.84. The General Directorate of Agriculture (GDA) is responsible for import/export inspections of plants and plant products. The GDA is also mandated to issue permits and phytosanitary certificates in compliance with the International Plant Protection Convention. Sub-decree No. 15 (2003) on Phytosanitary Inspection relates to preventing entry of plant pest and diseases through Department of Plant Health inspection and quarantine facilities, and the issuance of phytosanitary

³² Key regulations include: Sub-decree No. 16 on Sanitation Inspection of Animal and Animal Products (2003); and Sub-decree No. 108 on Slaughterhouse Management, Sanitary Inspection of Animals, Meat and Animal Products (2007), which includes: (i) the definition of slaughterhouses according to animal or poultry to be slaughtered, and size of the unit; (ii) location and licensing arrangements and; (iii) sanitary inspection procedures.

certificates, transit arrangements, plant health inspectors powers and enforcement penalties. Under Proclamation No. 002 MAFF of 2007 on the List of Maximum Residue Limits (MRL) of Pesticides in Agriculture Products of Plant Origin, MRLs for 42 pesticides have been identified³³; these are based on ASEAN MRLs.³⁴ The GDA is mandated with the responsibility of administrating and enforcing these. However, testing facilities for MRLs are limited.

3.85. The issuing of fish health certificates and import/export permits for fish and fishery products is the responsibility of the Fisheries Administration, which is also responsible for inspection. However, analytical capabilities of the Fisheries administration continue to be limited, and complex analysis such as for biotoxins is undertaken by internationally accredited laboratories. Furthermore, the law on Fisheries (2006) stipulates that the Fisheries Administration is the central competent authority responsible for managing, controlling and inspecting the safety and quality of fish and fisheries products so as to ensure public health protection, and fair fisheries trade.

3.86. Currently, food safety is covered under the Law on the Management of Quality and Safety of Products and Services (2000) administered by Camcontrol, which is a part of the Ministry of Commerce. The Law, in conjunction with Sub-decree No. 59 (2008) and Sub-decree No. 127 (2016), gives Camcontrol the mandate for:

- inspection of imports and exports, jointly with Customs and Excise;
- consumer protection through product safety and suppression of fraud;
- export certification to meet importing country requirements;
- establishing and implementing a strategic plan and policy to ensure fair trade practices and protect economic interests of market competition;
- combating unlawful activities of business operators in relation to both horizontal and vertical agreements;
- reviewing and studying agreements between business operators who have powers to restrain competition;
- checking of compliance of products with relevant standards and regulations;
- reviewing health and safety of products from production through to commercialization, and submission to competent authorities;
- the control of products and services on the domestic markets;
- management of MoC laboratory product testing facilities;
- provision of a commercial inspection service;
- collection of inspection fees relating to import/export quality testing; and
- acting as the Secretariat of National Codex Committee and SPS National Enquiry Point.³⁵

3.87. Camcontrol undertakes food inspections at border entry points and in domestic markets. Imported food, including food ingredients and food additives, must comply with the general food safety standards and requirements for food labelling, nutritional quality and safety, as stipulated in the existing laws and regulations of Cambodia. On the domestic front, Camcontrol is responsible

³³ According to the authorities, the list is being updated.

³⁴ IPPC online information. Viewed at: [https://www.ippc.int/static/media/files/reportingobligation/2015/03/30/1332517104_15.Proclamation_002_MAFF - MRL_2013042321-18En.pdf](https://www.ippc.int/static/media/files/reportingobligation/2015/03/30/1332517104_15.Proclamation_002_MAFF_-_MRL_2013042321-18En.pdf).

³⁵ MoC Declaration No. 141 (Prakas of 2003) on Formation of SPS Enquiry Office (Point) under Camcontrol, nominated Camcontrol as SPS enquiry point and to work closely with the National Codex unit and to create SPS awareness within the country.

for the surveillance and monitoring of: labelling, quality and safety of food and other regulated products. The import-export inspection services are subject to fees as stipulated in the Joint Declaration (Prakas) between Ministry of Economy and Finance and Ministry of Commerce on Public Service provided by Ministry of Commerce dated 16 December 2014. The imported food products are inspected based on certain risk criteria and may involve physical checks, sample testing, and documentary checks.

3.88. Camcontrol has 5 to 20 inspectors in each province and Phnom Penh. Commercial inspections are also Camcontrol's responsibility. Camcontrol has a central testing laboratory located in Phnom Penh, which has the capacity to analyse food and petroleum products. The testing capacities for food are mainly focused on chemical and microbiological parameters. Additionally, Camcontrol also has mobile labs for conducting market monitoring and surveillance with regard to chemical food safety hazards, as well as mobile labs for conducting petroleum quality testing and volume quantity at service stations. Mini-labs facilities are also being introduced at some border entry points such as Sihanouk port, Poi Pet and Bavet.

3.89. In 2015, the Government circulated a draft law on Food Safety. The law was drafted in collaboration with the FAO and received inputs from various ministries and stakeholders. Under the provisions of the law, a Food Safety Authority (FSA) is to be created. The FSA would be responsible for protecting domestic consumers, as well as ensuring exports meet international standards. Under the draft law, selling food that contains harmful substances, mislabelling food, preparing or selling food in unhygienic conditions, and operating a food business without a licence are punishable offences. The authorities stated that the law would improve enforcement of existing regulations that fall under the purview of Camcontrol. According to the authorities, the draft law is being discussed at the technical working group of the council of ministers, and is expected to be submitted to the Inter-Ministerial Meeting of Council of Ministers by the end of 2017 and to the National Assembly by the end of 2018. The current draft law will complement the Law on the Management of Quality and Safety of Products and Services. Camcontrol is expected to administer the law.

3.90. The Ministry of Health (MoH) is responsible for public health and food safety issues as stipulated in Sub-decree No. 67. The Department of Drugs and Food under the MoH is responsible for food and drug control and is the focal point on the ASEAN Food Safety Expert Group. The Department consists of five Bureaus: Registration and Cosmetics; Essential Drugs; Pharmaceutical Trade; Drug Regulation; and Food Safety Bureau (FSB), which is also the focal point within the ASEAN Food Safety Network.

3.91. Cambodia has a Bio Safety Law of 2007 and Sub-decree No. 58 of 2010 which addresses the implementation of the Biosafety Law. Under the Law and the Sub-decree, the Ministry of Environment is the competent authority to implement the Law. The aims of the Law and the Sub-Decree are: (i) to prevent a negative impact on conservation of biological diversity, environment and human health; (ii) to ensure effectiveness of conservation and usage of biodiversity in a sustainable manner; (iii) to promote an awareness of modern bio-technology and to hinder and prevent risks to modified living organisms; and (iv) to protect the environment and human health. As such the Law stipulates that all export of modified living organisms from the Kingdom of Cambodia shall be implemented in accordance with Chapter 4 of the Law on Biosafety. Legal or natural persons that wish to export the modified living organisms permitted by the Law on Biosafety from the Kingdom of Cambodia shall give written notification in advance to the appropriate institutions of the importing country before submitting the application for export permit from the appropriate Cambodian ministry.

3.92. The import of living modified organisms (LMOs)/genetically modified organisms (GMOs) into the Kingdom of Cambodia is through the National Steering Committee for LMO/GMOs and Technical Working Group for Risk Assessment consisting of officials from relevant Ministries. The Steering Committee must submit the result of the risk assessment to the Ministry of Environment, which makes the decision to import or not. The Law and the Sub-decree address LMOs and/or GMOs. Cambodia was one of more than 100 countries to sign the Cartagena Protocol on Biosafety at the 2000 Convention of Biological Diversity. With respect to the SPS regime, shortcomings identified by FAO and STDF in 2010³⁶ continue to be relevant today. Weaknesses identified

³⁶ *An Action Plan to Improve SPS Capacity in Cambodia, 2010*. Viewed at: http://www.standardsfacility.org/sites/default/files/STDF_PG_246_FinalReport_Jul-10.pdf.

included problems in the definition of responsibilities between the various agencies, overall fragmentation of responsibilities between, and even within, ministries as well as limited capacity to discharge those responsibilities; lack of systematic inspection or monitoring in all key areas of production and processing, with an impact on product quality and safety; an absence of systematic laboratory testing to support inspection, due to limited human and financial resources; and a certification system that is not backed by testing, and therefore not necessarily accepted in export markets.

3.93. Testing and diagnostic capacity in Cambodia continues to be rudimentary and inadequate to meet modern demands. Currently, there are six laboratories with food testing capacity: Camcontrol (MoC), Industrial Laboratory Centre of Cambodia - ILCC (MIH), the MoH laboratory for drugs and food, MAFF, the MoE lab centre for biodiversity analysis, and the Institut Pasteur (independent). None of the food laboratories, except ILCC and Camcontrol, has adequate capacity for testing residues of pesticides, veterinary drugs and growth enhancers, heavy metals and other contaminants. Once installed and put into full operation, the new laboratory facilities in Prek Leap National College of Agriculture under MAFF will also contribute to further expanding the country's food safety testing and control capacity. MAFF/GDA in recent years has also made significant progress in upgrading its laboratory facilities. Currently it has a well-equipped laboratory for testing pesticide formulations and plant health laboratories with adequate capacity for diagnostics of plant pests and diseases, but does not have laboratory capacity for testing veterinary drugs and growth enhancers. Furthermore, as part of efforts to modernize the country's SPS regime, the MAFF has established a specialized SPS laboratory in the Royal University of Agriculture (RUA), which is well-equipped with facilities to support various R&D activities and training programmes to expand the pool of skilled professionals in the field of plant protection and SPS administration. Under the ADB SPS trade facilitation programme: Improved Sanitary and Phytosanitary (SPS) handling in the Great Mekong Sub-region (GMS) trade project, the National Animal Health and Protection Research Institute (NAHPRI) of GDAHP is equipped with an "Ultra performance Liquid Chromatography (UPLC)" machine which allows this institute to test for chemical residues (veterinary drugs, pesticides, growth promoters and other contaminants) in food and feed stuff, and the quality of veterinary drugs and animal feed. NAHPRI also has capacity to test for some food-borne pathogens.

3.94. The number of tests of food and water conducted by Camcontrol, the main inspectorate for food safety, has increased from 1,240 in 2008, to 1,950 in 2011. ILCC carried out about 3,500 tests in 2012, whereas the numbers of food tests by other food laboratories are much lower. Although increasing, these numbers are still nearly insignificant for a country of the size of Cambodia and given the range of equipment available.³⁷

3.95. Because of their weakness, most laboratories have no international accreditation and opportunities for obtaining it seem remote. ILCC is the only food laboratory with ISO 17025 accreditation (for 11 test parameters). It is generating its volume of samples for testing and the major part of its funding through fees from regulatory powers.

3.96. Private-sector demand for conformity testing of product quality and safety within the country is small. As in many other countries, major exporters use accredited testing facilities in other countries. Cambodian exporters generally use testing facilities in Thailand, Viet Nam, or the country of destination of goods.³⁸

3.3.4 Competition policy and price controls

3.97. At the time of the last review, the Government was in the process of drafting laws and regulations that establish the framework for its market economy, including those in the area of competition. The Ministry of Commerce had finalized the terms of reference of a competition working group in May 2010 and had envisaged that a Competition Law would be in force by 2015. However, this was delayed. According to the authorities, the reason for the delay was competition experts being replaced from time to time as well as a substantial amount of comments and feedback from other line ministries and related stakeholders that had to be incorporated in the draft law. Consequently, drafting and consultation have taken longer than expected. To speed up

³⁷ Cambodia DTIS 2014-18.

³⁸ Cambodia DTIS 2014-18.

the process, the competition department was established under the Directorate General of Camcontrol in June 2016.

3.98. Under ASEAN's Competition Law Implementation Program (CLIP), competition experts from the Australian Competition and Consumer Commission assisted the Ministry of Commerce in finalizing Cambodia's draft competition law. Currently, the Working Group on Drafting Competition Law, with the assistance from these competition experts, has reviewed and finalized the draft competition law, and it is expected that the finalized draft law will be submitted to the Council of Ministers at the end of 2017 and to the National Assembly by 2018.

3.99. The draft law addresses unlawful anti-competitive activities, abuse of a dominant position and business combinations. Under the draft law (Article 11), any person is prohibited from making and implementing horizontal agreements³⁹ which directly or indirectly:

- fix, control or maintain the prices of goods or services;
- prevent, restrict or limit: the quantity of goods or services that are made available for sale; the type of goods or services that are made available for sale; or the development of new goods or services;
- allocate geographic territories between the competing persons;
- allocate customers between the competing persons;
- favour one bidder in bids on a contract;
- boycott persons who are suppliers or distributors; or
- otherwise significantly prevent, restrict or distort competition in a market.

3.100. Article 6 of the draft law prohibits entering into vertical agreements⁴⁰ that would require a purchaser to resell the purchased goods or services at a minimum price established by the seller. Furthermore, other vertical agreements that are prohibited are those that have the object or effect of significantly preventing, restricting or distorting competition in a market and include, *inter alia*:

- requiring a purchaser to resell the purchased goods or services only within a defined geographic area;
- requiring a purchaser to resell the purchased goods or services only to specified customers or specified categories of customers;
- requiring a purchaser to purchase all or nearly all of its requirements for a particular good or service exclusively from the seller;
- preventing a seller from selling a good or service to another purchaser;
- preventing a purchaser of a good or service to improve or sell improvements to the goods or services purchased; and
- requiring a purchaser to buy unrelated goods or services as part of each purchase contract.

3.101. Abuse of a dominant position is also addressed by the draft law (Article 13), while business combinations (mergers and acquisitions) and the need to notify and seek approval from the Commission prior to any merger or acquisition is dealt with in Article 15.

³⁹ A horizontal agreement is defined as an agreement between persons who operate, or are likely to operate, at the same level in the production or distribution chain.

⁴⁰ A vertical agreement is defined as an agreement between persons who operate, or are likely to operate, at different levels of the production or distribution chain.

3.102. The draft law also provides for the establishment of a Competition Commission and a supporting directorate. It is envisaged that the commission would comprise 10 members including the Minister of Commerce (Chairperson), representatives from various Ministries, jurists, an economist and the Director General of the Cambodian Competition Commission (directorate). The commission will be mandated to, *inter alia*: issue orders when the Law has been violated and impose fines and other sanctions; issue regulations that implement the Law; monitor and supervise the operation of the Directorate; report annually to the Prime Minister on the operations of the Commission and the Directorate; provide advice at the request of the Government and Parliament on issues concerning competition matters; advise on its own initiative, the Parliament, the Prime Minister and any public institution or authority on all matters concerning competition, including current or proposed legislation relating, but not limited to public procurement, licensing, taxes and levies imposed on persons; and advise the Prime Minister on cooperation arrangements relating to competition matters arising under this Law within or outside Cambodia. The Directorate will implement the Law; it will be part of the Ministry of Commerce, but will report to the Commission. The Directorate is responsible for investigating violations of the Law and as such would have compulsory information gathering powers and be provided search warrants to fulfil its obligations. Any person in violation of the law is subject to penalties and sanctions that include monetary fines and remedies, while criminal sanctions are only applicable if the procedural rules stipulated in the law have been violated.

Price Controls

3.103. As per Ministry of Commerce Prakas No. 152 on the establishment of a working group to observe the situation and the index of the price of essential goods for daily life issued on 16 June 2017, the retail fuel price is subject to a price ceiling. The maximum price is based on the average Platts price of fuel in Singapore, all applicable taxes and a premium (profit margin). The price is adjusted every ten days. Furthermore, the Prakas also established a working group to monitor the prices of essential commodities, which include rice, fish, chicken, pork, regular gasoline and diesel, and cassava. Under the Prakas, this list can be expanded or adjusted based on changing needs and relevance.

3.3.5 State trading, state-owned enterprises, and privatization

3.104. Cambodia has not notified any state trading enterprises to the WTO as defined under Article XVII of the GATT.

3.105. Cambodia has one of the most open economies in Southeast Asia and the Government sees business as central to the country's future prosperity.⁴¹ As such, the Cambodian Government privatized and divested from the majority of SOEs in the lead up to its WTO accession. Since 2007, the Government divested from a further 13 SOEs. Consequently state involvement in the economy is limited. SOEs account for less than 8% of employment and around 3% of the economic establishments in the country.⁴²

3.106. Private and public enterprises compete under the same terms and conditions. Public enterprises are not entitled to special trading rights or privileges. However, certain laws and regulations reserve special rights for the State to monopolize various services, including the electricity law, which provides the special privileges for governing and preparation of framework for the electric power supply and services such as generation, transmission and distribution of power utility throughout the country. As such, the Electricity Law provides for the issuance of a National Transmission Licence to the state power transmission company and Special Purpose Transmission Licences to others. By end of 2016, nine Special Purpose Transmission Licences had been issued.

3.107. Currently, Cambodia has four main state-owned enterprises: Electricité du Cambodge (Section 4.2.2.2), which is in charge of producing and distributing power nationwide; Phnom Penh Water Supply Authority, which is responsible for water treatment and supply; Rural Development Bank (Section 4.4.3.1), which services and refinances loans to licensed financial institutions,

⁴¹ ADB Country Partnership Strategy: Cambodia 2014-2018. Viewed at: <https://www.adb.org/sites/default/files/linked-documents/cps-cam-2014-2018-psa.pdf>.

⁴² ADB Country Partnership Strategy: Cambodia 2014-2018. Viewed at: <https://www.adb.org/sites/default/files/linked-documents/cps-cam-2014-2018-psa.pdf>.

commercial banks, specialized banks, micro-finance institutions, associations, development communities, and small- and medium-sized enterprises that take part in rural development in Cambodia⁴³; and Green Trade Company (Section 4.1.5.1), which manages Cambodia's national reserve of rice through purchases and sales made at market prices. Furthermore, in March 2015, the Cambodian Government, through the Ministry of Mines and Energy, announced that the Government is exploring the possibility of establishing a national oil company to invest in the oil and gas sector.⁴⁴

3.3.6 Government procurement

3.108. Procurement by public sector entities is a vital aspect of Cambodia's financial management, as expenditure by such entities consumes a considerable amount of budgetary allocations. In 2016, the size of the government procurement market was around US\$611 million (3.03% of GDP), a slight decrease from US\$629.6 million in 2015 (3.43% of GDP). In 2016, procurement of goods accounted for around 56% of the procurement budget, while expenditure on works was around 42% followed by 1.2% for services and almost negligible for consultancy services. Most of the procurement is done by the line ministries, which are responsible for 63% of total procurement, while state governments and state-owned enterprises are responsible for around 28% and nearly 9% of procurement. Competitive bidding is the most commonly used method of procurement and it is classified into domestic competitive bidding and international competitive bidding; the shares of these in 2016 were 34.24% and 0.67%, respectively (Table 3.12).

Table 3.12 Public procurement by method and amount, 2015-16

Method	2015		2016	
	Number of contracts	Value (US\$ mln)	Number of contracts	Value (US\$ mln)
International competitive bidding	45	215.96	26	197.76
Domestic competitive bidding	1,615	195.85	1,320	182.86
Restricted competitive bidding	0	0	0	0
Competitive shopping	1,036	14.99	1,419	18.71
Canvassing	363	1.3	815	2.3
Alternative (direct contract)	283	201.47	275	209.66
Total	3,342	629.57	3,855	611.29

Source: Ministry of Economy and Finance.

3.109. The Law on Public Procurement No. NS/RKM/0112/004, which was enacted in early 2012, governs public procurement in Cambodia. In addition, the current regulatory framework governing public procurement consists of a number of sub-decrees.⁴⁵ The provisions of the Law will prevail if there is conflict with other provisions under the sub-decrees. Prior to the enactment of the 2012 Law, government procurement in Cambodia was governed by Sub-decree No. 105 (2006) and updated implementation rules for public procurement as provided under Prakas 381 (2010) were enforced.

3.110. The 2012 Law on Public Procurement aims to ensure that the government procurement process for goods, civil works, repairs, engaging of services, and engaging of consultancy services is transparent, fair, effective, and accountable and is also cost effective with respect to quality. The Law also strives for a uniform public procurement system across Cambodia.

⁴³ According to the authorities, under Sub-decree No. 199 AN.KrBK dated 11 June 2014, the Rural Development Bank is an autonomous public enterprise offering banking services and providing credits to SMEs.

⁴⁴ United States Department of State, *Cambodia Investment Climate Statement 2015*.

⁴⁵ Sub-decree No. 105/ANK/BK on Public Procurement was promulgated in 2006. The Implementing Rules and Regulations for Public Procurement (IRRPP), which were first issued in 1995, have been updated through Prakas No. 381 MEF/BK of 2010. These IRRPP apply to expenditures from the general budget and special treasury account. Sub-decree No. 14/ANK/BK on the Procurement Manual for Externally Financed Projects/Programmes in Cambodia of 2007 governs public procurement financed by the Asian Development Bank and World Bank. Sub-decree No. 74/ANK/BK of 2012 governs all externally funded projects and programmes where the development partners have agreed to its use.

3.111. The Law specifies the rules, methods, procedures and structure for managing and implementing all public procurement transactions in Cambodia regardless of the source of the funds, except for procurement transactions under projects financed by development partners. In such cases, procurement will be in accordance with the guiding principles and procedures as provided for in the financing agreement. If the agreement does not determine any guiding principles and procedures, the process of such procurement shall be implemented in accordance with the provisions of the Law. In addition, any procurement affecting national defence and public security requires an approval/decision from the Prime Minister. The Law also does not apply to the granting of concessions by the Government, which comply with separate laws and regulations.

3.112. Under the provisions of the Law, the General Department of Public Procurement in the Ministry of Economy and Finance (MEF) is the competent authority governing public procurement in Cambodia. The Law allows for various procurement methods depending on the type and magnitude of the procurement (Table 3.13). The preferred method is competitive bidding. International competitive bidding is used for high value and highly technical procurement, while domestic competitive bidding is used in cases where there are sufficient domestic products, or production or construction capabilities. Restricted competitive bidding is used for selecting suppliers, contractors, or service providers for turn-key project procurement targets of a complex technical nature where technical specifications cannot be set in advance and where few bidders are qualified. This method requires pre-qualification. Competitive shopping is used for selecting suppliers, contractors, or service providers when existing procurement targets are readily available in the local market and are of medium value. Canvassing is used when procurement targets are readily available in the local market and are of low value. Under the Law, there are no preferences for domestic bidders.

Table 3.13 Public procurement financial thresholds

(US\$)

	Goods	Works	Services
International competitive bidding	≥1,250,000	≥1,500,000	≥1,000,000
Domestic competitive bidding	≥25,000 and <1,250,000	≥25,000 and <1,500,000	≥25,000 and <1,000,000
Restricted competitive bidding	No threshold	No threshold	No threshold
Competitive shopping	≥5,000 and <25,000	≥5,000 and <25,000	≥5,000 and <25,000
Canvassing	<5000	<5000	<5000
Alternative (direct contract)	No threshold	No threshold	No threshold

Source: Ministry of Economy and Finance.

3.113. Non-competitive bidding can be used with prior approval from MEF. Under this method, direct contracting, which implies that price and technical specifications are negotiated directly with the suppliers, contractors, or service providers, can be used. However, it is used in special circumstances such as when: the procurement target is single sourced; the procurement target has been competitively and publicly tendered once and is urgently needed with no sufficient time for competitive and public tender for the second time; competitive and public tender for the second time is not successful; there is urgent need at times of natural disasters or other emergencies; and for research, experimentation, or development. Non-competitive bidding is also permissible in the case of repeat orders.⁴⁶

3.114. With regards to consultancy services, the permissible methods of procurement are the following. Quality-based selection is used for selecting consulting firms when the procuring entity requires relevant multi-disciplinary expert services at the same time and focuses primarily on the technical levels of those services. Quality- and cost-based selection is used for selecting consulting firms when the procuring entity takes into consideration the quality and the cost in conformity with

⁴⁶ To use non-competitive bidding for a repeat order: the procurement target must be the same as that in the initial contract obtained through bidding; the duration must be less than 6 months after the initial contracts become effective and must be within the same budget year; the unit price must be equal or less than that of the initial contract; and the total contract price must be less than 25% of the initial contract.

the level of technical complexity of the required services. Budget-based selection is used for selecting consulting firms when the procuring entity has a fixed budget with clear objectives. The procuring entity is required to specify the budgeted amount thus requiring consulting firms to submit their technical proposals in conformity with the budget. The method of least-cost-based-selection is used for selecting consulting firms when the procuring entity requires well defined and standard consulting services. Lastly, direct negotiation-based selection is used for selecting consulting firms under special circumstances.⁴⁷ Additionally, when selecting an individual consultant, qualifications-based selection is applied. Under this method, selection is to be based on the knowledge, level of professional expertise, experience and other relevant skills of the individual consultant. Furthermore, tenders for consultancy firms need to be publicly advertised, so that expressions of interest from both domestic and international consulting firms can be submitted.

3.115. The Law stipulates that all procuring entities will have a procurement committee, which will be responsible for reviewing procurement plans and bidding documents, assessing and awarding contracts, supervising contract implementation, and addressing procurement complaints based on their competencies. In addition, all procuring entities will also be required to have a procurement unit, which will be required to have a clear structure and will be staffed with officers with adequate public procurement qualifications, and who are given appropriate authority to undertake all public procurement activities. The head of the procuring entity will be the chair of the procurement committee. The secretary of the procurement committee will be the head of the procurement unit. Furthermore, under the Law, all procuring entities are required to develop an annual procurement plan; the plan can be adjusted according to necessity. The plan must be approved by the MEF.

3.116. The procurement units of the procuring government departments are required to publish a tender in the press.⁴⁸ The tender notification must contain: a description of the type and quantity of goods, works, or services to be procured; the name, address, e-mail, telephone and fax numbers of the procurement unit concerned; the method of procurement to be used; requirements of any qualifications or pre-qualifications; date of selling, receiving and opening of bids or pre-qualification documents; and specification of the requirement for bidding security and performing security.

3.117. Notification of prequalification, bidding and amendments must be published on the public procurement website, in newspapers, and also posted on the bulletin boards of the procuring entities. Furthermore, bidding documents must also be displayed on the public procurement website. All bids must be sent to the concerned procurement unit. Bids are opened in public immediately after the bidding deadline. The important details of each bid are required to be announced in front of the participants that attend the bid opening. If less than three initial bids are received, the procurement committee shall return the unopened bids back to the bidders, and initiate a re-bidding process. In the re-bidding process, no matter how many bids are received, they must be opened on the specified date.

3.118. The concerned procurement committee shall review and evaluate all bids confidentially. After finalizing an evaluation to select appropriate bidders, the procuring entity shall issue a notification on the decision to award the contract to the successful bidder, which will also be provided to all the failed bidders. If no complaint is received within 10 working days of the issuance of the notification of the contract award, the procurement unit shall ask the successful bidder to provide the document of contract performance security and to develop a procurement contract as specified under the Law. Furthermore, the Law allows for all public procurements to be audited and inspected by the MEF and relevant competent institutions.

3.119. Procuring entities have the authority to examine and address the complaints of bidders at each stage of procurement. A complainant who disagrees with a decision of a procuring entity can lodge his/her complaint with the MEF. If the complainant is not satisfied with the MEF's decision, he/she has recourse to the judicial courts.

⁴⁷ Special circumstances can include: the continuation of previous work carried out by the consulting firm or the individual consultant, in emergencies where an immediate response is required, or when only one firm or individual has the requisite qualification or experience.

⁴⁸ Depending on the type and magnitude of the procurement, the tender must be published in both the domestic and international press.

3.120. The Law prohibits corrupt practices⁴⁹, fraudulent practices⁵⁰, collusive practices⁵¹, coercive practices⁵² and obstructive practices.⁵³ Public servants at all levels, bidders, suppliers, contractors, and other concerned staff found to have been involved in any of the above practices in the process of procurement are liable to be convicted in accordance with the criminal code and the effective regulations of Cambodia. Penalties include blacklisting, imprisonment ranging from 6 months to 3 years, and fines ranging from 1 million riel to 100 million riel. Furthermore, provisions of the Anti-Corruption Law also apply to offenders.

3.3.7 Intellectual property rights

3.121. Cambodia attaches great importance to IPR protection so as to attract foreign investment and foster domestic growth. In this regard, the Government has drafted a National IP Strategy focused on six sectors (agriculture, culture, education and training, health, industry and commerce, and tourism). The strategy has four main objectives which are: to improve the capability and capacity within the Cambodian economy to provide and use intellectual property services to support Cambodia's economic development; to improve the capability and capacity within the Cambodian Government to deliver intellectual property policy, services and enforcement to support Cambodia's agricultural, commercial, industrial and cultural sectors and the tourism industry; to improve awareness and understanding within the broader population of the economic role of intellectual property to support the increasing use of the intellectual property system by Cambodian businesses; and to develop and maintain Cambodia's intellectual property legislation in line with international standards to meet Cambodia's economic and social needs.

3.122. Under the current legislation, Cambodia grants national and MFN treatment to all foreign nationals under existing Cambodian intellectual property legislation, and all draft legislation integrates the same principles. Current legislation does not permit parallel imports. Cambodia has been a member of the World Intellectual Property Organization (WIPO) since 1995 and the Paris Convention for the Protection of Industrial Property since 1998. Cambodia acceded to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in 2015. It became a member of the Patent Cooperation Treaty and the Hague Agreement concerning the International Registration of Industrial Designs in 2016. Cambodia has been a party to the ASEAN Framework Agreement on Intellectual Property Co-operation since 1999, and has also concluded bilateral agreements on intellectual property protection and cooperation with the United States, China, Thailand, Japan, the Republic of Korea, Lao People's Democratic Republic, the European Patent Office, and Singapore.⁵⁴

3.123. At the time of the last review, the Cambodian authorities stated that the application for membership of other treaties and conventions (e.g. WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), Berne Convention for the Protection of Literary and Artistic Works related to Copyrights and Related Rights, Patent Cooperation Treaty, International Convention for the Protection of New Varieties of Plants (UPOV), and Geneva Phonogram Convention and the Brussels Satellite Convention) was dependent on the availability and timing of technical assistance. In this regard, Cambodia has been receiving technical assistance from WIPO under various MoUs it has signed. The assistance involves training of IP personnel and the establishment of an IPR training centre. Technical assistance has also resulted in the Intellectual Property Automation System (IPAS), which will allow for the electronic filing and examination of

⁴⁹ Corrupt practices mean the offering, giving, receiving, or soliciting directly or indirectly of anything of value to influence improperly the actions of another party.

⁵⁰ Fraudulent practices are defined as any act or omission including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation.

⁵¹ A collusive practice is an arrangement between two or more parties, designed to achieve an improper purpose, including influencing improperly the actions of another party.

⁵² Coercive practices are defined as impairing or harming, or threatening to impair or harm, directly or indirectly, any party, or the property of the party to influence improperly the actions of a party.

⁵³ Obstructive practices mean: deliberately destroying, falsifying, altering, or concealing evidence material from the investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or acts intended to materially impede the exercise of the inspection and audit rights provided for under the Law.

⁵⁴ The MoUs with China, Japan, South Korea and Lao PDR relate to IP cooperation, and not intellectual property protection.

trademark applications and will also cater to e-payments. It is also envisaged that IPAS will automate the IPR database. According to the authorities, Cambodia is considering the possibility of acceding to the Singapore Treaty on the Law of Trademarks (STLT) and the Geneva Act of the Lisbon Agreement. Additionally, Cambodia launched WIPO online software/services and a mark filling system on 25 May 2017.

3.124. Other than the enactment of the Law on Geographical Indications in 2014, there has been no substantial change to the IPR regime in Cambodia during the review period. Furthermore, in 2015, the WTO TRIPS Council extended the date for least developed countries to comply with the TRIPS Agreement to 1 January 2033, with the exception of the provisions in Articles 3, 4, and 5 of the Agreement.⁵⁵ This postponement replaces the 2002 and 2005 WTO decisions whereby LDCs enjoyed a transitional period to comply with all TRIPS provisions expiring in July of 2013 or in 2016 for pharmaceutical products. Cambodia accepted the changes to the WTO TRIPS Agreement on patents and public health in 2011.⁵⁶

3.125. Under the current scenario, intellectual property rights protection in Cambodia is distributed across several Ministries. The Ministry of Commerce (MoC) is responsible for trademarks, geographical indications, and trade secrets; The Ministry of Industry and Handicrafts (MIH) for patents, industrial designs, utility models, integrated circuits, as well as plant breeder rights; the Ministry of Culture and Fine Arts (MoCFA) for copyright and related rights; the Ministry of Information for broadcasting; and the Ministry of Posts and Telecommunications (MoPT) for internet domain names. There are currently three main IP Offices: the Department of IPRs (within the MoC), the Department of Industrial Property (within MIH) and the Department of Copyright and Related Rights (within the MoCFA). In addition, in 2008, the Council of Ministers created the National Committee for Intellectual Property Management in 2008; the committee is housed within the Ministry of Commerce.⁵⁷ The committee is responsible for developing national policy on intellectual property, strengthening inter-agency cooperation, preparing and disseminating new laws and regulations, and acting as a clearinghouse for technical assistance relating to the intellectual property sector. The committee is chaired by the Minister of Commerce and comprises a broad range of IPR stakeholders such as representatives from the Council of Ministers, and the Ministries of Industry, Mines and Energy; Culture and Fine Arts; Interior; Economy and Finance; Posts and Telecommunications; Health; Agriculture, Forestry and Fisheries; Environment; Justice; Education; Tourism; and Information.

Patents, utility models, and industrial designs

3.126. Patents, utility models, and industrial designs are protected under the Law on Patents, Utility Model Certificates, and Industrial Designs of 2003. The law provides for the filing, registration, and protection of patents, utility model certificates, and industrial designs. In addition, the MIH issued a declaration in June 2006 on granting patents and registering industrial designs. Under the provisions of the Law, in order to receive a patent or utility model, the invention must be a new inventive step and industrially applicable. Under the Law, certain types of inventions, such as scientific theories and mathematical formulae are excluded. In order to receive a patent or utility model, the inventor is required to make the invention public. The reason for this is to increase the body of public knowledge, as well as to ensure public availability after the expiration of the protection period. Patents are valid for 20 years from the date of filing, and utility models for 7 years. Owners are required to pay an annual maintenance fee, which increases over time, to keep the registration valid. Patent applications are filed with the Department of Industrial Property of the MIH.

3.127. Cambodia became a member of the Patent Cooperation Treaty (PCT) in 2016. The PCT provides a unified procedure for filing patent applications to protect inventions in each of its contracting States. A patent application filed under the PCT is called an international application, or PCT application. A single filing of a PCT application is made with a Receiving Office (RO) in one language. It then results in a search performed by an International Searching Authority (ISA), accompanied by a written opinion regarding the patentability of the invention, which is the subject of the application. It is optionally followed by a preliminary examination, performed by an

⁵⁵ Articles 3, 4 and 5 deal with national treatment and MFN.

⁵⁶ According to the authorities, the draft law on compulsory licensing was submitted to the Council of Ministers in 2016.

⁵⁷ Sub-decree No. 142 of the Council of Ministers, 18 September 2008.

International Preliminary Examining Authority (IPEA). Finally, the relevant national or regional authorities administer matters related to the examination of the application (if provided by national law) and the issuance of a patent. A PCT application does not itself result in the grant of a patent. The grant of a patent is the prerogative of each national or regional authority. This implies that a PCT application, which establishes a filing date in all contracting states, must be followed up with the step of entering into national or regional phases to proceed towards the grant of one or more patents. The PCT procedure essentially leads to a standard national or regional patent application, which may be granted or rejected according to the applicable law in each jurisdiction in which a patent is desired. The Law on Patents, Utility Model Certificates and Industrial Designs of 2003 provides a procedure for registering foreign applications in Cambodia. However, patent rights can be subject to revocation and abridgement by the Government. The Ministry has the right to exploit a patented invention itself, or allow a third party to do so to promote the public interest (e.g. national defence, nutrition, health, and development).

3.128. With regard to compulsory licensing, under the current Law, the patent owner has the right to exclude others from making, importing, selling, stocking, offering for sale, and using infringing products. Compulsory licensing can be applied after three years of non-use of a patent, or if a patented product has not been offered for sale in sufficient quantity to supply the Cambodian market without valid reasons. The licence would be mainly for the supply of the domestic market. Furthermore, both licensees and the patent owner have the right to bring a civil suit seeking monetary damages and injunctive relief. However, the law does not provide a procedure for suspension of customs clearance for infringing goods. Furthermore, the authorities have drafted a new law regarding compulsory licensing for public health, which is currently under deliberation of the Council of Ministers.

3.129. Utility models and industrial designs are also registered with the Department of Industrial Property, and the registration procedures are very similar to those required for patent registration. Industrial design registration is granted for an initial term of five years from the filing date, and can be renewed for two further consecutive five-year terms, for a total of fifteen years.

3.130. Since 2012, the Department of Industrial Property has received 326 patent applications, 44 applications for registration of utility models and 392 applications for the registration of industrial designs.

Trademarks, trade names, and acts of unfair competition

3.131. The 2002 Law on Marks, Trade Names and Acts of Unfair Competition protects trademarks and related IPRs. The Law describes the procedure for registering a trademark and the scope of protection. The Law stipulates specific penalties for trademark violations, including jail sentences and fines for counterfeiting registered marks. In addition to the procedure for registering trademarks, the Law also addresses invalidation and removal, licensing of marks, and infringement and remedies. The Sub-Decree and Implementing Regulations to the Trademarks Law were adopted in 2006. The Ministry of Commerce has operated a trademark registration system since 1991. Since 2012, the Ministry of Commerce has received 33,038 applications for trademark registration and registered 25,351 marks.

3.132. Applications for registration of a mark must be submitted to the Department of Intellectual Property Rights at the MoC or online.⁵⁸ Under the provisions of the Law, actual use of a mark is not a condition for filing an application. Priority is given to the person who first filed a valid application or claimed the earliest priority to the mark. The Law also states that an applicant who has already registered a mark in another member country of the Paris Convention will have priority in registering the mark in Cambodia. Protection is accorded for an initial period of ten years and is renewable indefinitely for successive periods of ten years. Failure to use a registered mark for more than five years without a valid reason can lead to protection being withdrawn. A trademark owner has the right to prevent others from infringing their mark, and performing acts that make infringement likely. The Law allows the registered owner of the mark to: sue in civil court for money damages and/or specific relief; request the customs authorities to suspend clearance of imported infringing goods; or seek criminal prosecution and/or fines.

⁵⁸ Applications for registration of a mark can be filed through: www.efiling.cambodiaip.gov.kh.

Geographical Indications

3.133. In 2014, the Law on Geographical Indications (GI Law) was adopted. The Law provides the framework for registration of a GI as well as the scope of protection. The Law is administered by the MoC. The Law allows GIs related to agricultural goods; foodstuffs; handicrafts; and other goods that are produced or transformed in Cambodia in compliance with the provisions of the GI Law to be registered and protected. However, the GI Law lists four main types of GI that are not allowed to be protected and registered in Cambodia: an indication that does not comply with the GI Law, the value of morality, good tradition and religion or the public order; an indication that confuses the public as to the quality, specification or geographical origin of the goods or the manufacturing process; an indication that has become a generic term; and an indication that is used as the name of a plant variety or animal breed.

3.134. To register a GI, an application must be filed with the Department of Intellectual Property at the MoC. The applicant is required to submit a book of specifications, specifying the geographical area of the goods in question, production conditions and the qualification process for the particular goods for which GI protection is sought. According to the GI Law, both domestic and foreign GIs can be registered. When a GI is registered at the Department of Intellectual Property, producers and/or operators whose practices comply with the book of specifications will be provided the absolute rights to use the GI.⁵⁹

3.135. Once registered, a GI is protected indefinitely from the filing date (subject to any request for cancellation). Any interested person can make a request of revocation or cancellation of a GI to the MoC. A GI can be cancelled due to: the registered GI's rightful owner making a cancellation request; the good bearing the registered GI losing its special qualification (i.e. becomes generic); the GI's owner not complying with the condition stated in the application; the GI's rightful owner not complying with the law or any regulation governing GIs; and the applicant failing to provide additional documents or information to the Department of Intellectual Property in response to the opposition procedure stated in Article 17 of the GI Law. Furthermore, all provisions relating to border measures stipulated in the Law on Marks, Trade names and Acts of Unfair Competition are applicable to GIs as well. As such, GI rights holders may prevent importation or exportation of infringing goods.

Plant variety protection

3.136. New plant varieties are governed under the Law on Seed Management and Plant Breeders' Rights (Plant Variety Law) of 2008. A new plant variety may be protected upon registration with the Department of Industrial Property of the MIH if it meets the following criteria: the variety is new, distinct, uniform, and stable; the applicant files an application with the MIH for registration of the new seed, which will be technically evaluated by the Ministry of Agriculture, Forestry, and Fisheries (MAFF); and the applicant is a Cambodian resident or a citizen of a member State of the International Union for the Protection of New Varieties of Plants (UPOV) or any State that has the principle of reciprocity with Cambodia on such registration. Protection is accorded for 20 years, while for liana and trees it is 25 years. The Law requires the holder of the plant variety to authorize production or multiplication; conditioning for the purpose of propagation; offering for sale; selling or other marketing; exporting; importing; and stocking for the any of the above purposes.

3.137. Plant variety rights are applicable to private non-commercial use; experimentation; or for the purpose of developing new varieties. However, if a variety is regularly used to produce propagating material of another variety, the authorization of the holder of the plant variety right is required. The management and commercialization of plant varieties is under the MAFF.

Industrial designs and layout designs of integrated circuits

3.138. The Registration of a Layout Design of Integrated Circuits is governed by a Prakas issued on 16 March 2011. A layout design of an integrated circuit can only be registered if it is original. A layout design of an integrated circuit can only be registered if it has not been commercially exploited anywhere in the world in the past two years. Furthermore, it is unlawful without the

⁵⁹ Products registered as GIs in Cambodia include Kampot Pepper and Palm Sugar from Kampong Speu Province. Furthermore, GI for Koh Trung pomelo is under consideration for possible future registration.

authorization of the rights holder to: reproduce, whether by incorporation in an integrated circuit or otherwise, the protected layout design in its entirety or any part thereof, save for the act of reproducing any part that does not comply with the requirement of originality; and import, sell or otherwise distribute for commercial purposes, the protected integrated circuit layout design or an article incorporating such an integrated circuit by any persons other than the rights holder.

3.139. An application for registration must be submitted to the Department of Industrial Property of the MIH. Protection is granted for a period of 10 years. Registration can be cancelled if: the layout design of the integrated circuit is not protected under the Prakas; the rights holder is not entitled to protection; or, where a layout design of an integrated circuit has been commercially exploited anywhere in the world prior to the filing of the application for registration and the application thereof was not filed properly within the time limit as prescribed in the Prakas.

Copyrights and related rights

3.140. The Law on Copyright and Related Rights (Copyright Law) was promulgated in 2003. The Law aims to help secure the rights of authors with respect to works and to protect the works of authors, performers, phonogram producers and broadcasting organizations to ensure a just and legitimate exploitation of such cultural products. Works protected under the Copyright Law include: works of authors who are Cambodian nationals or residents; works first published in Cambodia, (including those works that were first published abroad, but were subsequently published in Cambodia within 30 days of the first publication); audiovisual works, the producer of which is headquartered in, or is a resident of Cambodia; works of architecture erected in Cambodia, and other artistic works incorporated in a building or other structure located in Cambodia; and works to which Cambodia is obliged to grant protection under international treaties.

3.141. The law stipulates that the author of a work shall enjoy an exclusive incorporeal property right in that work, which shall be enforceable against all persons. This right includes moral rights and economic rights. The moral right of the author is perpetual, cannot be forfeited, cannot be seized to meet an obligation, and may not be subject to prescription. However, an author of a copyright work may waive their moral rights and they may be transferred upon death to the heirs of the author.⁶⁰ The protection of economic rights in a work commences from the date of creation and ends 50 years following the author's death.⁶¹ The law also addresses limitations on the owner's rights, under which importation or reproduction in a single copy for personal use, use for the purpose of education that is not for financial gain, and analysis, short quotations, and citations are permitted.

3.142. Although works are automatically protected, the owners of copyrights may deposit their works at the MoCFA. Upon payment of a registration fee, the MoCFA will issue a certificate of registration for the registered work. However, registration of a work protected by copyright is voluntary and is not required for enforcement of the right against infringement by a third party. As of May 2017, 339 copyright works have been registered.

3.143. With regard to related rights, the Copyright Law protects the rights of performers, phonogram producers, video producers and broadcasting organizations, covering the recording, reproduction, sale, rental and communication to the public of performances, phonograms, videos and broadcasts. The Law stipulates that use of a phonogram recording for broadcasting or public performance entitles the performer and the producer to a single payment from the user. The duration of protection for the performer is 50 years starting from the end of the calendar year in which the performance was recorded in the phonogram or in the absence of such recording, from the end of the year in which the performance took place.

3.144. Persons suffering a violation of their copyright or related rights have the right to file a petition to the court to prohibit or stop the violation. The defendant may be ordered to pay compensation of damages, to redress moral injury, or to return the disputed equipment or

⁶⁰ The moral rights of the author are the exclusive right to decide the manner and timing of the disclosure of the work; and the right to oppose all forms of distortion or modification of the content of the work, which would be prejudicial to the author's honour or reputation.

⁶¹ Economic rights cover translation or adaptation; rental, sale, and distribution to the public of the original or a copy; importation into Cambodia of reproductions; and public performance, public display, broadcasting or other communication to the public.

material, as well as to return any benefits deriving from the violation. All reproduction, performance, or diffusion of a work in violation of the author's copyright is an offence punishable by six to twelve months' imprisonment and a fine of 5 million riel to 25 million riel. Unauthorized use of related rights also carries the same penalties.

3.145. Furthermore, any treaties in respect of copyright and related rights to which Cambodia is a party apply to matters dealt with by the Copyright Law. In case of conflict with the provisions of the Copyright Law, the provisions of such international treaties prevail (Article 67).

3.146. The Law also allows authors and related rights holders to establish a collective management organization (CMO) to protect and manage their economic rights. However, the creation of the CMO requires authorization from either the Ministry of Culture and Fine Arts or the Ministry of Information, depending on the nature of the work. Proclamation No. 112 PK of the Ministry of Culture and Fine Arts regarding the establishment of a CMO came into force in July 2016.

Other draft legislation

3.147. At the time of the last review, the Encrypted Satellite Signal Protection Law was about to be promulgated, and the draft law on protection of undisclosed information and trade secrets had been completed and implementing regulations were being drawn up. These are still not in force. According to the authorities, the draft law on protection of undisclosed information and trade secrets is under review at the National Committee of Intellectual Property Rights (NCIPR), while the sub-decree relating to the control and allocation of the frequency spectrum is expected to be adopted by the end of this year.

Enforcement

3.148. According to the authorities, Cambodia's laws on intellectual property are fully compliant with the provisions of Article 41 of the TRIPS Agreement concerning the availability of enforcement procedures under domestic legislation, the existence of fair and equitable procedures, and the opportunity for parties to proceedings to obtain a review of final administrative decisions and initial judicial decisions by a judicial authority. Provisions on civil judicial procedures and remedies are included in the Civil Code, Civil Procedure Code, and specific intellectual property laws. The necessary border measures are incorporated in the Law on Marks, Trade Names and Acts of Unfair Competition, the Law on Geographical Indications and the Law on Copyrights and Related Rights. Furthermore, at the time of the last review, the Council of Ministers had approved the establishment of a commercial court to deal with commercial and IP cases. The authorities stated that they are in the process of drafting an IP enforcement manual and procedure, which are expected to be adopted within two years.

3.149. Cambodia's legislation provides for seizure, forfeiture, and destruction of infringing goods, evidence, copies, and equipment used in creating the infringing goods, and prohibits the re-exportation of counterfeit trademark goods or use of different customs procedures. Under the regulations, customs authorities are allowed to inform right holders about the possible importation or exportation of infringing goods.

3.150. Agencies involved in the enforcement of IPRs include: Anti-Economic Crime Police, Customs, the Cambodia Import-Export Inspection and Fraud Repression Directorate General (Camcontrol) of the Ministry of Commerce and the Ministry of Culture and Fine Arts (MoCFA). However, the division of responsibility among each agency is not clearly defined. Customs is responsible for the enforcement of intellectual property protection at the border to prevent the import/export/transit of counterfeit goods and pirated copyright goods. Customs protection of IP rights is normally initiated by an application by the right holder or by *ex officio* action. The MoCFA is responsible for the protection of copyright works. It may engage in *ex officio* actions through random checks of retailers; it will seize counterfeit copyrighted works only when the right holder has recorded his/her copyright with the Ministry. The Economic Police is concerned mainly with the infringement of intellectual property in domestic markets. Camcontrol is responsible for enforcement of intellectual property rights both at the border and in the domestic markets. It is entitled to inspect and detain infringing goods under the Consumer Protection Act and relevant IP provisions.

3.151. During the period under review, the Anti-Economic Crime Police cracked down on 108 cases of IPR infringement, while customs took action in 7 cases, Camcontrol 10 cases, the Ministry of Justice 34 cases, and MoCFA 8 cases.

3.152. Despite improvement in enforcement and the increase in seizures and prosecutions, IPR infringement continues to be widespread, ranging from software, compact discs, and music, to photocopied books and the sale of counterfeit products, including cigarettes, alcohol, and pharmaceuticals. Although Cambodia is not a major centre for the production and export of pirated compact discs, digital video discs (DVD), or other copyrighted materials, local businesses report Cambodia is growing as a source of pirated material due to weak enforcement.⁶² An estimate by the Business Software Alliance concluded that software piracy in Cambodia was at 95%.⁶³ In response, an inter-ministerial committee was established to combat piracy of compact discs and DVDs in the domestic market. The committee has been effective in that a large number of counterfeit compact discs and DVDs were seized and destroyed. Additionally, large quantities of counterfeit cosmetics, soap and alcohol were also seized and destroyed.

3.153. Cambodia was not listed in the U.S. Trade Representative's Special 301 Report or Notorious Markets Report.

⁶² U.S. Department of State, *Investment Climate Statement 2016*.

⁶³ U.S. Department of State, *Investment Climate Statement 2010*.

4 TRADE POLICIES BY SECTOR

4.1. During the review period, several trade-related policy developments affected several activities, with government intervention largely focused on border measures rather than domestic support, which remains limited. Agriculture continues to be centred on paddy rice production, whereas manufacturing is driven by the garments industry where tariff escalation persists. Tariff protection for agriculture increased slightly and remains higher than the overall applied MFN average and the average for manufacturing. Export taxes continue to affect numerous goods to, *inter alia*, ensure domestic processing. Mining remains at an early stage of development but regulatory changes relating to exploration and industrial mining licences and domestic processing of minerals were introduced. Cambodia's energy structure remains simple and is now less dependent on energy imports; a ceiling on the retail sale price of fuel and a staged reduction of electricity tariffs has been applied while retaining a tariff cross-subsidization element. The services sector remains a significant support to economic growth; now Cambodia's five RTAs involve GATS plus commitments on trade in services. Regulatory improvements in banking, *inter alia*, involved the strengthening of the capital base, the provision of credit and micro-finance as well as the introduction of pre-emptive regulatory measures against potential default risk. A new telecommunications policy, *inter alia*, supports infrastructure connectivity and new legislation on numerous telecommunications areas was passed but a large part of it remains to be enforced. The transport industry continues to face challenges despite improvements including the expansion of air transport to support rising levels of tourism, the largest single activity, and participation in more air services agreements.

4.1 Agriculture

4.1.1 Features

4.2. Agriculture continues to play an important, albeit declining, role in supporting economic growth, ensuring equity, maintaining food security, and developing the rural economy including addressing poverty.¹ Its contribution (including forestry and fishing) to gross value added dropped progressively from 34.6% (2011) to 25.7% (2016) due, *inter alia*, to declining growth rates triggered by a decline in commodities prices, an inadequate irrigation system and heavy reliance on rainfall (Table 1.2). Similarly, according to government data, agriculture's share in total employment dropped from 55.8% in 2011 to 41.5% in 2015 due to labour migration to other activities (e.g. manufacturing and services).² Cambodia's natural endowments (land, water, climatic conditions and geographic position) represent potential comparative advantages for its agriculture which remains dependent on a fragile subsistence rain-fed system, centred on paddy rice production (Section 4.1.5.1) and with poor access to irrigation. Its agricultural price competitiveness remains lower than its regional neighbours.³ Despite significant improvements, the low level of overall productivity, both in terms of labour and land utilization remains a basic feature of the sector, especially in rice production; consequently, the sector's challenge is to increase production by being more productive and competitive rather than through cultivated land expansion.⁴ According to the authorities, labour productivity on an output per worker basis

¹ About 85% of the population lives in rural areas, and over 60% depends directly or indirectly on the income generated by agriculture, forestry or fisheries. According to the World Bank, four million people were lifted out of poverty due to positive developments in the sector over the last decade. MAFF, FAO, *National Medium-Term Priority Framework 2011-2015*. Viewed at: <http://www.fao.org/3/a-bp576e.pdf>; World Bank (2015), *Cambodian Agriculture in Transition: Opportunities and Risks*. Viewed at: <http://www.worldbank.org/en/news/feature/2015/08/19/cambodian-agriculture-in-transition-opportunities-and-risks>; and Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

² Following a period of soaring food prices, the sector suffered from a steep decline in prices of commodities such as cassava, maize, rice and cashew nuts that hindered the efforts of small producers to diversify production and gain better living through exports of production surpluses. MAFF, FAO, *National Medium-Term Priority Framework 2011-2015*. Viewed at: <http://www.fao.org/3/a-bp576e.pdf>.

³ MAFF, FAO, *National Medium-Term Priority Framework 2011-2015*. Viewed at: <http://www.fao.org/3/a-bp576e.pdf>; Giap, T., K. et al. (2017), *2015 Annual Competitiveness Analysis, Agricultural Productivity and Development Vision for Asean-10*. (Asia Competitiveness Institute – World Scientifica Series); OECD (2013), *Structural Policy. Country Notes. Cambodia*. Viewed at: <https://www.oecd.org/dev/asia-pacific/Cambodia.pdf>.

⁴ World Bank (2015), *Cambodian Agriculture in Transition: Opportunities and Risks*. Viewed at: <http://www.worldbank.org/en/news/feature/2015/08/19/cambodian-agriculture-in-transition-opportunities-and-risks>.

increased from 1.5 million riel in the 2000s to 3.3 million riel in 2014 and is seemingly due to improved crop production techniques and mechanization; no recent labour or total factor productivity growth indicators were available from the authorities.⁵ The sector is dominated by small household agricultural holdings (two hectares per household) and juridical agricultural holdings (agricultural corporations, partnerships, cooperatives, private institutions, government institutions, etc.) managed and operated by the State or private enterprises. In 2013, 101 juridical holdings (with an operated area of 806,628 hectares) were engaged in agriculture, 70% of which were either public or private limited companies (the rest were registered as owned by sole proprietors, partnerships, and branches of a foreign company); just five of them accounted for 47% of the operated area.⁶ In 2011 (latest data available), the main agricultural products in value terms were paddy (rice in the husk) accounting for 41.3% of total agricultural output and other important crops were rubber, cassava, maize, sugar cane, vegetables, soybeans, tobacco; no other data were available from the authorities. In 2013, sugar cane, light tobacco and dark tobacco constituted the main industrial crops reported by household agricultural holdings and were planted on more than 7,000 hectares, with sugar cane accounting for almost 50% of the total area planted (3,103 hectares planted on around 7,000 parcels).⁷

4.3. Between 2011 and 2015, total exports rose substantially from US\$424.2 million to US\$589.6 million, with rice and rubber accounting for 48.3% and 27.4% of total agricultural exports. Imports grew from US\$479.1 million to US\$1 billion with cigarettes and mink skin representing 80.7% and 23.5% of total agricultural imports (Tables A1.1 and A1.2), possibly due to imports for re-export to neighbouring countries.

4.4. Although Cambodia is virtually self-sufficient in some major products (e.g. rice), it remains an increasingly significant net food importer as imports of agricultural products continued to rise strongly and faster than exports, which remain largely unofficial, directed to neighbouring countries and in a non-processed state, thus reflecting the very low value added of the sector.⁸ During the review period, Cambodia remained a food aid recipient. According to WTO notification data, between 2011 and 2014 it received 79,600 tonnes of food aid; in 2016 the World Food Programme (WFP) used locally purchased rice which, along with an in-kind donation of 4,118 metric tonnes and complementary commodities (vegetable oil, iodized salt, split peas, canned fish) purchased internationally and in the region, provided sufficient stock to sustain WFP activities in the country for the entire year.⁹

4.1.2 Policy and institutional developments

4.5. Under its National Strategic Development Plan (NSDP) 2014-2018, which implements Phase III of the Rectangular Strategy and succeeded the NSDP 2009-2013 (Section 2.2), Cambodia, *inter alia*, aims at transforming the sector from one primarily depending on expanded use of available resources and traditional agricultural inputs into one driven by new technologies, mechanization and irrigation for improving the yield rate, and diversifying activities into high value crops, livestock, and aquaculture in an environmentally sustainable manner (Section 2.2).¹⁰ Its action areas include: improvement of productivity, diversification and commercialization; promotion of livestock farming and aquaculture; land reform and clearance of mines; and

⁵ MAFF (undated), *Annual Report of Agriculture, Forestry and Fisheries 2016-2017 and Directions 2017-2018*.

⁶ Ministry of Agriculture, Forestry and Fisheries/Ministry of Planning/National Institute of Statistics (2015), *Census of Agriculture of the Kingdom of Cambodia 2013- National Report on Final Census Results*, December. Viewed at: http://www.fao.org/fileadmin/templates/ess/ess_test_folder/World_Census_Agriculture/Country_info_2010/Reports/Reports_5/KHM_ENG_REP_2013.pdf.

⁷ Ministry of Agriculture, Forestry and Fisheries/Ministry of Planning/National Institute of Statistics (2015), *Census of Agriculture of the Kingdom of Cambodia 2013- National Report on Final Census Results*, December. Viewed at: http://www.fao.org/fileadmin/templates/ess/ess_test_folder/World_Census_Agriculture/Country_info_2010/Reports/Reports_5/KHM_ENG_REP_2013.pdf.

⁸ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

⁹ WTO document G/AG/W/42/Rev.18, 8 February 2016; World Food Programme (2016), *Country Programme-Cambodia (2011-2018). Standard Project Report 2016*. Viewed at: https://docs.wfp.org/api/documents/7e58ffb899ba4801a2df25277545c730/download/?_ga=1.260139853.1907790815.1491203721.

¹⁰ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

sustainable management of national resources. During the review period the changing policy direction from "extensive" to "intensive" farming has become a priority.¹¹ The expansion and improvement of support services, including research, new technology dissemination, the distribution of seeds, fertilizer and agricultural materials, and rural loans, has been established as a priority for the government in order to increase agricultural productivity and fulfil market demand in terms of quantity, quality, safety and international standards. In addition to targeted agricultural growth of 5% per annum, certain industry-specific policies remain in place, such as the Policy on Promotion of Paddy Rice Production and Rice Export, Cambodia Natural Rubber Development Strategy 2011-2020, National Forest Programme 2010-2029, and the Strategic Planning Framework for Fisheries Sector 2010-2019 (Sections 4.1.5.1, 4.1.5.2, 4.1.5.3 and 4.1.5.4).¹² Furthermore, the Agricultural Extension Policy remains in place (Section 4.1.4) and an Action Plan 2015-2024 seems to have updated the pillars of this policy.

4.6. During the review period, the institutional framework in this area remained largely unchanged. The Ministry of Agriculture, Forests and Fisheries (MAFF) is entrusted with policy formulation and implementation in coordination with other institutions such as the Ministry of Environment (MoE), the Ministry of Land Management, Urban Planning and Construction (MLMUPC), the Ministry of Rural Development (MRD), the Ministry of Water Resources and Meteorology (MOWRAM), and the Ministry of Commerce (MoC).¹³ The MAFF and MoE exchanged some land concession responsibilities in 2016.¹⁴ The MRD implements integrated rural development programmes, covering infrastructure, agriculture, water supply and sanitation, as well as rural credit allocations.

4.1.3 Border measures

4.7. During the review period, tariff protection for agriculture increased slightly and remains higher than the overall applied MFN average (12.3%, 2017) and the average for manufacturing. In 2017, the simple average stood at 16.1% (15.4% in 2011) and 14.6% (14.5% in 2011) at HS and WTO-definition levels respectively (Tables 3.1 and A3.1). Thus, there was an average gap of 13.8 percentage points between average MFN applied and bound rates in agriculture, much higher than in manufacturing. To promote the mechanization of the agricultural sector, zero tariffs apply to imports of farm machines and equipment (Section 4.1.4).¹⁵

4.8. The importation of certain pesticides is prohibited (Section 3.1.5). Import licensing procedures apply to live animals and animal products and agricultural materials, forestry products, and fish and fishery products in order to protect human and animal health and the environment, as well as to ensure bio-diversity protection, and protect human health, national safety and security.¹⁶ To curb the spread of avian influenza, since 2004, Cambodia has implemented more stringent quality control and inspection requirements on poultry imports.¹⁷

4.9. State-trading activities are undertaken in rice by the Green Trade Company (GTC), and have not yet been notified to the WTO (Sections 2.2.2, 3.3.5, and 4.1.5.1).

4.10. The export tax on certain agricultural products at rates of 10% (e.g. certain live animals (bovine, poultry), fish and molluscs, vegetable materials of a kind used primarily for plaiting) and 50% (e.g. coca leaf, poppy straw, cannabis) remained (Section 3.2.2); the export tax on rubber

¹¹ MAFF (undated), *Annual Report of Agriculture, Forestry and Fisheries 2016-2017 and Directions 2017-2018*.

¹² MAFF (2015), *Agricultural Extension Policy in Cambodia*, April. Viewed at: <http://extwprlegs1.fao.org/docs/pdf/cam152453.pdf>.

¹³ MAFF contributes to: ensuring food security; controlling quality and safety of agricultural products; promoting agricultural productivity and agricultural diversification; reducing poverty; ensuring market access for agricultural products.

¹⁴ MAFF continued to oversee the Economic Land Concessions (ELCs) that it had issued but also took responsibility for concessions inside protected areas that the MoE had previously overseen. Concomitantly, the MoE took control of certain protected forests that had been managed under the MAFF. FAO (2016), *Forest tenure policies in Cambodia: Status, gaps and way forward*. Viewed at: <http://www.fao.org/3/a-i6246e.pdf>.

¹⁵ MAFF (2015), *Agricultural Mechanisation in Cambodia*. Viewed at: <http://www.un-csam.org/pppta/201409RF/KH.pdf>.

¹⁶ WTO documents G/LIC/N/3/KHM/2, February 2012 and G/LIC/N/3/KHM/3, May 2013.

¹⁷ Cambodia Country Commercial Guide (2016), *Cambodia – Prohibited/Restrict Import*. Viewed at: <https://www.export.gov/apex/article2?id=Cambodia-Prohibited-and-Restricted-Imports>.

was revised (Section 4.1.5.2)¹⁸. Subject to certain criteria, a zero-VAT rate applies to businesses that support exporters and subcontractors by supplying goods and services to agricultural exporters, and garment and footwear manufacturers (Section 4.3.4).¹⁹

4.1.4 Domestic support measures

4.11. In contrast to neighbouring countries, according to the World Bank, Cambodia's agricultural policy has in general been conducive to non-distortive growth; no input/output, fertilizer or other significant market distortive support measures have been in place (Table 4.1).²⁰ The Government sees its role in increasing the sustainable use of fertilizers through extension, quality and safety controls as well as investments in infrastructure rather than as a subsidies provider. According to its notifications to the WTO Committee on Agriculture, Cambodia has not implemented any product-specific support, Amber Box or Blue Box measures in the period 2010-13 (Table 4.1).²¹ Most of its Green Box domestic support expenditure, which increased by 59.4%, was channelled into extension and advisory services provided to the farmers.

4.12. Worked/exploited agricultural land is exempt from property tax whereas unused land is taxable.²² To contribute to reducing production costs, lower electricity prices support agricultural irrigation (Section 4.2.2.2); MAFF has an annual budget of US\$6 million to support reduced electricity prices for farmers.²³

Table 4.1 Domestic support measures^a, 2010 and 2013

Measure	Description of measure	Monetary value of measure (million riel)	
		2010	2013
Research	Research activities on agricultural productivity, land diversification, plant and animal health, in accordance with Annex 2, para. 2(a) of the Agreement on Agriculture	1,167	1,547
Pest and disease control	Expenditures on plant protection and animal quarantine, in accordance with Annex 2, para. 2(b) of the Agreement on Agriculture	1,930	3,172
Training services	Training for farmers and local communities on crop productivity, small-scale agri-processing and contract farming, in accordance with Annex 2, para. 2(c) of the Agreement on Agriculture	2,137	3,500
Extension and advisory services	Extension and advisory services, including transfer of information and results of research to farmer cooperatives and farmers, in accordance with Annex 2, para. 2(d) of the Agreement on Agriculture	2,168	3,707
Inspection services	Expenditures on inspection services relating to animal health, in accordance with Annex 2, para. 2(e) of the Agreement on Agriculture	142	100
Marketing and promotion services	Marketing and promotion services, including market information and market development, in accordance with Annex 2, para. 2(f) of the Agreement on Agriculture	100	160
Infrastructural services	Infrastructural services including rehabilitation and maintenance of small-scale irrigation schemes, in accordance with Annex 2, para. 2(g) of the Agreement on Agriculture	Nil	Nil

¹⁸ Coca leaf, poppy straw, and cannabis exports are prohibited.

¹⁹ USTR (2016), *2016 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf>.

²⁰ World Bank (2015), *Cambodian agriculture in transition: opportunities and risks*. Viewed at: <http://documents.worldbank.org/curated/en/805091467993504209/text/96308-ESW-KH-White-cover-P145838-PUBLIC-Cambodian-Agriculture-in-Transition.txt>; WTO document G/AG/N/KHM/3, 2 April 2015.

²¹ WTO documents G/AG/N/KHM/3, 2 April 2015 and G/AG/N/KHM/4, 7 April 2015.

²² Royal Government of Cambodia (2013), *"Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III*. Viewed at: http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf.

²³ MAFF (undated), *Annual Report of Agriculture, Forestry and Fisheries 2016-2017 and Directions 2017-2018*.

Measure	Description of measure	Monetary value of measure (million riel)	
		2010	2013
Payments for relief from natural disasters	Expenditure for relief from natural disaster on the provision of agricultural inputs, equipment and pest and disease control, in accordance with Annex 2, para. 8 of the Agreement on Agriculture	Nil	Nil
Total		7,644	12,186

a Measures exempt from the reduction commitment – Green Box.

Note: Exchange rate: 2010, US\$1 = 4,034 riel; 2012, US\$1 = 4,040 riel.

Source: WTO document G/AG/N/KHM/4, 7 April 2015.

4.13. In addition to the zero tariff on imports of farm machinery and equipment, Cambodia may offer subsidized loans to support the farmer's purchase of farm machinery (Sections 4.1.2 and 4.1.3). Loans whenever available may cover 40%-80% of the investment and their duration may range from three months to five years with zero-2% interest rates per month.²⁴ The authorities indicated that no such loans were granted during the review period. In 2013, 31% of households engaged in growing crops availed of micro-finance institutions to obtain credit; around 21% of households relied on their friends and relatives to borrow money.²⁵ No other data on agricultural lending/financing was available from the authorities.

4.14. An Agricultural Extension Policy (Section 4.1.2) based on strong linkages between farmers, researchers, and extension institutions, has been aimed at improving the livelihoods and well-being of the population through: improvement of the effectiveness of agricultural institutions and systems; human resources development; technology development; extension materials development; and extension services delivery.²⁶ Its funding sources include the Government, development partners, NGOs, and the private sector which offered agricultural extension services to agricultural households. No data on the financing of the Agricultural Extension Policy was available from the authorities.

4.15. Under the September 2012 Sub-decree on the Establishment of Cambodia Food Reserve System (CFRS), a public food (10,000 tonnes of rice by GTC, 6,000 tonnes of rice by MEF), seed (up to 3,000 tonnes of rice) and vegetable seed (50 tonnes) stock covers the immediate food needs of 10% of the population in disasters and emergency situations; the authorities provide 3 million riel for paddy-rice purchases per year and stocks may be distributed for free or at discounted prices (e.g. 50% of the market price for seeds).²⁷ According to the authorities, in 2015 CFRS support stood at US\$2.8 million. Since 2017, pork and chicken meat, fish, rice and cassava have been subject to price monitoring (Section 3.3.4). In the context of the regional cooperation framework, since 2012 the National Committee for Disaster Management (NCDM) has implemented the agreement on the establishment of ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre) by contributing US\$30,000 per year to the AHA Centre Fund.²⁸

²⁴ Presentation by Dr. Chan Saruth, Director of Agricultural Engineering Dept/GDA at the 2nd Regional Forum on Sustainable Agricultural Mechanization - Enabling Environment for Custom Hiring of Agricultural Machinery, 9-11 September 2014 titled *Agricultural Mechanisation in Cambodia*. Viewed at: <http://www.un-csam.org/ppta/201409RF/KH.pdf>.

²⁵ MAFF (2015), *Census of Agriculture of the Kingdom of Cambodia 2013 - National Report on Final Census Results*, December. Viewed at: http://www.fao.org/fileadmin/templates/ess/ess_test_folder/World_Census_Agriculture/Country_info_2010/Reports/Reports_5/KHM_ENG_REP_2013.pdf.

²⁶ MAFF (2015), *Agricultural Extension Policy in Cambodia*. Viewed at: <http://extwprlegsl1.fao.org/docs/pdf/cam152453.pdf>.

²⁷ Sub-decree 145, 12 September 2012. Royal Government of Cambodia (2012), *Sub-decree on the Establishment of Cambodia Food Reserve System*, June. Viewed at: http://camnut.weebly.com/uploads/2/0/3/8/20389289/2012_subdecree_emergency_food_reserve_2012.pdf.

²⁸ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

4.1.5 Selected agricultural and livestock items

4.1.5.1 Rice

4.16. Cambodia, the world's 14th largest rice producer and 7th exporter in 2016/17, remains self-sufficient in rice, the main source of food and income for most of the rural households, as well as of foreign exchange earnings.²⁹ Rice production, processing, and marketing are estimated to employ 3 million people, or more than 20% of the country's working-age population.³⁰ Following the implementation of the 2010 Policy on the Promotion of Paddy Rice Production and Rice Export (Section 4.1.2 and below), the rice paddy yield increased from 3.3 tonnes per hectare to 3.6 tonnes per hectare and the production of paddy rice increased by 13%, from 8.3 million tonnes (2010) to 9.3 million tonnes (2014).³¹ Most farmers cultivate paddy rice once per year during the rainy season, whereas those in neighbouring countries (e.g. Viet Nam and Thailand) cultivate up to 3.5 times per year. Their low productivity may, *inter alia*, be due to underutilization and non-usage of arable land as well as crucial bottlenecks in the value chain, in particular, those related to the lack of modern storage facilities, production of high-value fragrant rice, and access to working capital.³² To sustain the growth of rice production, the Government has devised and implemented a programme that uses the sustainable rice cluster (SRC) method, which increased rice cultivation by some 40% over conventional methods, whereas at the same time, it encouraged the use of the System of Rice Intensification (SRI) (a less resource-intensive irrigation method) which cut the cost of rice cultivation and delivered yields that are nearly 100% higher than those of conventional methods.³³ Domestic consumption of paddy rice was expected to rise from 3.19 million tonnes in 2011 to 3.38 million tonnes in 2015.³⁴

4.17. According to the authorities, the 2010 Policy on Paddy Rice Production and Rice Export has played an important role in the development of a vigorous milled rice export sector which did not exist a few years ago. Nevertheless, they consider that it needs a thorough review and stock-taking to determine which bottlenecks may remain in the value chain, what else must be done to eliminate those bottlenecks, and how best to fine tune the key directions of the policy based on lessons learned by rice millers and exporters in foreign markets.³⁵ In 2014, the MoC assisted in establishing the Cambodian Rice Federation (CRF) as a catalyst for government policy implementation and a prime information hub for investors, public institutions, policy makers, and development partners.³⁶ Since 2011, tax incentives have been provided for rice farming, paddy rice purchase and the export of milled rice (Section 3.3.1). Through Enhanced Integrated Framework EIF-Tier 2 funding combined with EU-funding, 13 large rice millers acquired

²⁹ Online data. Viewed at: <https://www.statista.com/statistics/255947/top-rice-exporting-countries-worldwide-2011/> and <https://www.worldriceproduction.com/>; and Thath, R. (2016), *Potentials and Constraints of Cambodian Rice Export*. Munich Personal RePEc Archive. Viewed at: https://mpr.ub.uni-muenchen.de/71490/1/MPPA_paper_71490.pdf.

³⁰ IFC (2015), *Cambodia Rice. Export Potential and Strategies*. Viewed at: <https://www.ifc.org/wps/connect/ed10f08049a04cfd8bbcab54d141794/Cambodia+Market+Survey-Final-2015.pdf?MOD=AJPERES>.

³¹ FAOSTAT (2017). Viewed at: <http://www.fao.org/faostat/en/#data/QC>.

³² The Diplomat (2013), *Cambodia's Economic Opportunity*. Viewed at: <http://thedi diplomat.com/2013/05/cambodias-economic-opportunity/>; EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf; Ear, S. (2009), *Sowing and sewing growth: the political economy of rice and garments in Cambodia*. Viewed at: https://mpr.ub.uni-muenchen.de/21200/1/MPPA_paper_21200.pdf.

³³ OECD (2014), *Structural Policy Country Notes – Cambodia*. Viewed at: <http://www.oecd.org/site/seao/Cambodia.pdf>.

³⁴ Royal Government of Cambodia (2010), *Policy Document on the Promotion of Paddy Rice Production and Export of Milled Rice*. Viewed at: http://www.gafspfund.org/sites/gafspfund.org/files/Documents/Cambodia_10_of_16_STRATEGY_SNEC-Rice%20Export%20Policy_0.pdf.

³⁵ EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf.

³⁶ IFC (2015), *Cambodia Rice. Export Potential and Strategies*. Viewed at: <https://www.ifc.org/wps/connect/ed10f08049a04cfd8bbcab54d141794/Cambodia+Market+Survey-Final-2015.pdf?MOD=AJPERES>.

GMP-HACCP certification, and another five to seven large millers will be able to achieve their certification in the near future.³⁷

4.18. Despite missing its 2010 Policy target of exporting one million metric tonnes of rice by 2015, between 2011 and 2016 the share of rice in total merchandise exports virtually doubled, i.e. from 1.6% to 3% (Table A1.1).³⁸ The European Union (due to the EBA scheme) and China are the main export markets for Cambodian rice (Section 2.3.2.2). Cambodian rice benefits from a zero import tariff in the European Union that provides a cost advantage compared to other exporters; an EU safeguard may be triggered when imports under EBA exceed by 25% the volume imported the previous year, and in 2014, Cambodia was close to this ceiling.³⁹

4.19. Notwithstanding progress in recent years, Cambodia's potential in rice exports seemingly remains underutilized and substantially below the export level reached by Viet Nam and Thailand.⁴⁰ Productivity and competitiveness constraints, including the high cost of transportation in Cambodia, poor transport infrastructure, and cumbersome paperwork, increase the export price of rice. It seems that a large portion of Cambodian rice continues to be exported unofficially.⁴¹

4.20. Following a September 2016 rice price reduction, MAFF took urgent measures to prevent the exclusive trade with middlemen, and to negotiate with the Rice Millers' Associations in the provinces to buy paddy rice from the farmers at a reasonable price by implementing a "special programme of the government" in order to stabilize the rice price and promote local trade.⁴² This US\$ 27 million programme managed through the Rural Development Bank (RDB) (Section 4.4.3.1) provided loans to the rice millers to buy paddy rice in the harvest areas (so as to increase the rice stock), process it and later export it. At the same time, the importation of agricultural products from neighbouring countries was strengthened, and negotiations were carried out to promote exports of rice and other agricultural products.

4.21. The current MFN applied tariff on rice remains unchanged at zero (rice in the husk) and 7% (husked, milled and broken rice); the bound rate is either 5% on rice in the husk (paddy or rough) or 40% for the rest.⁴³ No import or export restrictions apply to rice trade. The state-owned Green Trade Company (GTC) continues to manage Cambodia's national reserve of rice through purchases and sales made at market prices (Section 3.3.5). According to the authorities, between 2011 and 2016, GTC exported more than 2.2 million metric tonnes of rice (Section 4.1.3). No further data on GTC's trading activities (e.g. imports, domestic sales/purchases, mark-up, gains/losses) were available with the authorities.

³⁷ EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf.

³⁸ Thath, R. (2016), *Potentials and Constraints of Cambodian Rice Export*. Munich Personal RePEc Archive. Viewed at: https://mpira.ub.uni-muenchen.de/71490/1/MPRA_paper_71490.pdf.

³⁹ World Bank (2015), *Cambodian agriculture in transition: opportunities and risks*. Viewed at: <http://documents.worldbank.org/curated/en/805091467993504209/text/96308-ESW-KH-White-cover-P145838-PUBLIC-Cambodian-Agriculture-in-Transition.txt>.

⁴⁰ World Bank (2016), *Lessons learned - Leveraging the rice value chain for poverty reduction in Cambodia, Lao PDR and Myanmar*, 25 May. Viewed at: <http://documents.worldbank.org/curated/en/190631467995427159/pdf/105285-WP-P152624-PUBLIC-May-25-2016-final.pdf>; and IWMI, CGIAR, and Australian Government (2013), *Agricultural Water Management Planning in Cambodia*. Viewed at: http://www.iwmi.cgiar.org/Publications/issue_briefs/cambodia/issue_brief_01-awm_planning_in_cambodia.pdf.

⁴¹ CDRI, CARD; IFPRI, USAID (2011). *Cambodia's Agricultural Strategy: Future Development Options for the Rice Sector. A Policy Discussion Paper*. Viewed at: <https://www.cdri.org.kh/webdata/download/sr/agriStrategy9e.pdf>.

⁴² MAFF (undated), *Annual Report of Agriculture, Forestry and Fisheries 2016-2017 and Directions 2017-2018*.

⁴³ General Department of Customs and Excise of Cambodia and WTO (2017). Viewed at: <http://tariffdata.wto.org/ReportersAndProducts.aspx>.

4.1.5.2 Rubber

4.22. Rubber, produced mostly for export, is the second-largest commodity crop after rice in Cambodia, the world's 20th largest natural rubber producer (2014).⁴⁴ The total area under rubber plantation rose from 307,854 ha in 2013 to 357,809 ha in 2014, thus above its Cambodia Natural Rubber Development Strategy 2011-2020 (Section 4.1.2 and below) target (300,000 ha by 2020) ahead of schedule; rubber latex production is expected to reach 300,000 tonnes by 2020.⁴⁵ In 2014, the production area was shared among agro-industrial rubber plantations (15.6%, 19.34% in 2012), economic land concession companies (ELCs) (new investment) (45.2%, 42.25% in 2012), and smallholding rubber plantations (39.2%, 38.41% in 2012).⁴⁶ Its cultivated area is expected to reach 404,500 ha in 2018, and the yield is expected to increase steadily from 1,257 to 1,368 kg per ha in 2014 and 2018, respectively.⁴⁷ Although unprocessed rubber output and exports in volume terms almost tripled between 2011 and 2016, its share in total merchandise exports dropped considerably, i.e. from 2.8% to 1.6% (Table A1.1) as world prices of natural rubber have plummeted over the last five years due to slower demand in China and a glut of supply. Its export market remains poorly diversified with Viet Nam and Malaysia accounting for more than 79% of exports of rubber products.⁴⁸

4.23. The priorities set under the Cambodia Natural Rubber Development Strategy 2011-2020 remain unchanged and are to: guarantee the quality and productivity of planting material; study the legal accessibility of potentially available land suitable for rubber cultivation; encourage rubber cultivation by smallholders by lifting constraints for small, poor farmers, including access to land, technical expertise and tailored financing; promote rubber estates as nuclei for rubber smallholder development by granting economic concessions and incentives for the development of smallholder plantations around the large estates; enhance the rubber value chain by promoting quality throughout the sector; and, strengthen MAFF's General Directorate of Rubber's leadership role and governance.⁴⁹ In the framework of the Agricultural Extension Policy (Section 4.1.2), the MAFF offers public extension services relating to the production, marketing, and processing of rubber.⁵⁰ MAFF is in the process of developing a Law on Rubber to provide a comprehensive legal framework that encompasses every stage of rubber production from planting and harvesting to export processing.⁵¹

4.24. The simple average MFN tariff for rubber was 13.2% in 2017 (Table A3.1), down from 14.5% in 2010.⁵² The export tax on natural rubber was most recently revised in February 2017 (Section 3.2.2); rates enforced as from March 2017 stand at US\$50/tonne (export price from US\$1,000 to less than US\$2,000/tonne), US\$100/tonne (export price from US\$ 2,000 to less than US\$3,000/tonne), US\$200/tonne (export price from US\$3,000/tonne to less than US\$4,000/tonne) and US\$300/tonne (export price up from US\$4,000/tonne and above), whereas

⁴⁴ Online data viewed at:

<http://www.factfish.com/statistic/natural%20rubber%2C%20production%20quantity>; OECD (2014) *Structural Policy Country Notes – Cambodia*. Viewed at: <http://www.oecd.org/site/seao/Cambodia.pdf>.

⁴⁵ EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf.

⁴⁶ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf; General Directorate of Rubber (undated), *Achievements & Directions of Cambodian Natural Rubber Industry Development*.

⁴⁷ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

⁴⁸ UNSD Comtrade database; EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf.

⁴⁹ MoC (2012), *Rubber Sector Profile*, June. Viewed at: <http://www.moc.gov.kh/tradeSWAp/userfiles/Media/file/Projects/TDSP/Top%20Ten%20Products/2012-07-26%20Rubber%20Sector%20profile.pdf>.

⁵⁰ MAFF (2015), *Agricultural Extension Policy in Cambodia*. Viewed at: <http://extwprlegs1.fao.org/docs/pdf/cam152453.pdf>.

⁵¹ William & Mary Environmental Law and Policy Review (2016), *Consequences of Cambodia's Rubber Boom: Assessing the Governmental, Environmental, and Human Rights Violations in the Industry's Current Regulatory Framework*. Viewed at: <http://scholarship.law.wm.edu/cgi/viewcontent.cgi?article=1661&context=wmelpr>.

⁵² WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

rubber shipments at an export price below US\$1,000/tonne are not taxed.⁵³ Prior to 2016, exporters were required to pay US\$50/tonne if the export price fell below US\$2,000/tonne; no export tax was charged if market prices were above the benchmark. The export tax rate for rubber was changed from *ad valorem* to specific in 2011. Exports of primarily processed rubber require licences (valid for 60 days) that are issued by the Bilateral Trade Department of the MoC (Section 3.2.3).⁵⁴ During the review period, international development agencies and donors, such as the European Union, the Asian Development Bank and the Japanese International Cooperation Agency (JICA), provided resources to build up the laboratory capacity of agencies dealing with SPS and TBT. At present, two laboratories, the Industrial Laboratory Centre of Cambodia (ILCC), under the Ministry of Health, and the National Specific Laboratory House under MAFF's General Directorate for Rubber, have achieved international certification and provide certificates to rubber exporters.⁵⁵

4.1.5.3 Forestry

4.25. Cambodia's forests remain state-owned and managed. According to FAO data, in 2015 the total forest area of Cambodia constituted 9.45 million hectares covering 53% of the country's total territory, compared to 10.8 million hectares or approximately 60% in 2006. This decrease was mainly due to land conversion to economic land concessions (ELCs) and expansion of agriculture (Sections 2.5, 4.1.2 and 4.1.5.2). Since 2013, 2.6 million hectares of land, 14% of the country, remain allocated to ELCs for agro-industrial plantations, social land and other types of land concessions.⁵⁶ The decline in forest area, the implementation of the National Forest Programme 2010-2029 (see below), the shift to alternative sources of energy (including electricity), and export restrictions on roundwood led to a 6% reduction in the production of roundwood and wood fuel in the period 2011-15.⁵⁷

4.26. The Forestry Administration (FA) of MAFF continues to implement the National Forest Programme (NFP) 2010-2029 which remains unchanged and includes initiatives in: forest demarcation, classification and registration; conservation and development of forest resources and biodiversity; forest law enforcement and governance; community forestry; and capacity and R&D. Under the NFP, a range of support measures include: research and training services (research and educational projects in support of conservation and rehabilitation of wildlife); monitoring and assessment (development of systems and forest databases); and marketing and promotion services (development of eco-tourism and integrated community livelihood) in protected areas. Its implementation cost for the period 2010-14 stood at US\$38.8 million, of which donors contributed US\$27 million; its cost for the period 2015-20 was estimated at the same level.⁵⁸ Forestry's regulatory framework remains unchanged.

4.27. In line with the NSDP 2014-2018 guidelines (Section 2.2), the MoE established four protected zones (i.e. core, conservation, sustainable development, and community development) to prevent encroachment on the protected areas through the development of agro-industry and ecotourism projects and the establishment of protected area communities.⁵⁹ Under the 2016 MoE reform (Section 4.1.2), the MAFF transferred forest land to MoE, thus increasing total protected areas from 23 to 46 sites including biodiversity corridor conservations of protected area systems with a surface equivalent to 40.9% of Cambodia's territory. In 2016, a national committee was

⁵³ *The Phnom Penh Post*, "Revised rubber export tax scheme criticised", 7 March 2016. Viewed at: <http://www.phnompenhpost.com/business/revised-rubber-export-tax-scheme-criticised>.

⁵⁴ IFC (2008), *Handbook on Export Procedures: Practical Guide for Small and Medium Enterprises in Cambodia*. Viewed at: <http://www.moc.gov.kh/Portals/0/Docs/OfficialDocs/Handbook-Export-Prodcedure-Eng.pdf>.

⁵⁵ EIF, UNDP, and Ministry of Commerce of Cambodia (2016), *2016-2020 Medium-Term Plan for the Implementation of Cambodia's Trade SWAp*. Viewed at: http://www.moc.gov.kh/tradeswap/userfiles/file/uploadedfiles/Gallery/MTP.2016-2020_4_2016_16_5_323_31_2016_8_49_28.pdf.

⁵⁶ Forest Trends Report Series (2015), *Forest trade and finance. Conversion Timber, Forest Monitoring, and Land-Use Governance in Cambodia*. Viewed at: <http://forest-trends.org/releases/uploads/Cambodia%20Concessions%20Report%20small%20size.pdf>.

⁵⁷ Online FAO data. Viewed at: <http://www.fao.org/faostat/en/#data/FO>.

⁵⁸ Kingdom of Cambodia, *National Forest Programme 2010-2029*. Viewed at: http://www.cdc-crdb.gov.kh/cdc/documents/Sector_Strategy/6_Forestry_Reform/National_Forest_Programme_2010_2029_Eng.pdf.

⁵⁹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

established to prevent and suppress forest offences in north-eastern Cambodia and as a result forest offensives on a large scale decreased; the Forestry Administration prevented and suppressed illegal logging and land encroachment in 1,490 cases, which is 699 cases less than in 2015.⁶⁰

4.28. The applied MFN tariff rates on forest and forestry products continue to range from zero to 7% to 35%, while the bound tariff ranges from 15% to 35% (Tables 3.2 and A3.1). Forestry products remain subject to import licensing (Section 3.1.5). Exports of processed wood and non-timber forest products also remain subject to an MoC/MAFF export licence (valid for 60 days), a permit letter and the export tax at rates of zero, 5%, 10% or 15% depending on the type of wood and degree of processing (i.e. higher rate on the more processed items) (Section 3.2.3). The export tax is intended to encourage domestic processing and ensure supplies for the local industry.⁶¹ In addition, a 1% services charge on the f.o.b. value of the exported forest and forestry product is levied by MAFF.

4.29. Illegal timber trade persists in Cambodia. Despite the 1996 log export ban, the cross-border trade continues to grow. Between 2011 and 2015, exports of roundwood, industrial roundwood, wood charcoal and veneer sheets have more than doubled whereas those of total fibre furnish, recovered paper and wood chips and particles dropped considerably; in 2015, exports of Siamese rosewood attained US\$35 million despite the ban on exports of endangered species.⁶² The 2005 Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, an EU initiative, provides a framework for the development of Voluntary Partnership Agreements (VPAs) to ensure that timber and timber products exported come from legal sources. In 2013, Cambodia completed a study with a view to acceding to the VPA but no action seems to have been taken so far.⁶³

4.30. According to FAO, major policy gaps such as (legal) land allocation, recognition and transfer of rights, responses to livelihoods needs, access to justice and resolution of tenure disputes persist in forest policies and regulations.⁶⁴ Both the Forestry Law 2002 and Community Forestry Guidelines 2006 lack legal frameworks to support forest-based community enterprises and the livelihoods of local people. Furthermore, inadequate policy enforcement is mainly due to weak institutional capacity, lack of commitment and limited or no resources. Inefficient forestry management can be regarded as an implicit subsidy for logging.

4.1.5.4 Fisheries

4.31. Fisheries play a relatively important role in the Cambodian economy; freshwater fish is of great importance for food security and nutrition.⁶⁵ Between 2011 and 2016, fisheries' contribution to gross value added dropped from 7.2% to 5.8%, as did its share in employment which fell from 3.9% to 2.7% (5% in 2009) (Table 1.2). Fish exports represented only 0.01% (0.05% in 2011) of total merchandise trade in 2015.⁶⁶ During the period 2011-2013, fisheries attained annual real GDP (constant 2000 prices) growth rates of 2.5%.⁶⁷ Under NSDP 2009-2013 (Sections 2.2 and 4.1.2), Cambodia established 516 fisheries communities and 354 conservation zones within the fisheries community area, alongside 50 new conservation areas and eight fisheries conservation zones in Tonle Sap lake covering 22,500 hectares, thus protecting the flooded forest surrounding

⁶⁰ MAFF (undated), *Annual Report of Agriculture, Forestry and Fisheries 2016-2017 and Directions 2017-2018*.

⁶¹ IFC (2008), *Handbook on Export Procedures: Practical Guide for Small and Medium Enterprises in Cambodia*. Viewed at: <http://www.moc.gov.kh/Portals/0/Docs/OfficialDocs/Handbook-Export-Prodcedure-Eng.pdf>.

⁶² Online FAO data. Viewed at: <http://www.fao.org/faostat/en/#data/FO>; Forest Trends (2016), *Viet Nam's Imports of Cambodian Logs and Sawntwood from Natural Forests: 2013-2015*. Viewed at: http://www.forest-trends.org/documents/files/doc_5417.pdf.

⁶³ Forest Trends Report Series (2015), *Forest trade and finance. Conversion Timber, Forest Monitoring, and Land-Use Governance in Cambodia*, July. Viewed at: <http://forest-trends.org/releases/uploads/Cambodia%20Concessions%20Report%20small%20size.pdf>.

⁶⁴ FAO (2016), *Forest tenure policies in Cambodia: Status, gaps and way forward*. Viewed at: <http://www.fao.org/3/a-i6246e.pdf>.

⁶⁵ Online FAO information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁶⁶ UNSO Comtrade database.

⁶⁷ Royal Government of Cambodia (2013), *"Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III*. Viewed at: http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf; Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

Tonle Sap lake of 647,000 hectares.⁶⁸ During the period 2011-2013, inland, marine and aquaculture production increased by 24%, 10% and 11%, respectively; their respective shares of the total fisheries output volume were 75.3%, 13.7% and 10.9%.⁶⁹ In 2015, 751,546 tonnes of fish were caught, representing an increase of 6,236 tonnes compared with 2014; 487,905 tonnes of total output (65%) were from fresh water, 120,500 tonnes (16%) from salt water and 143,141 (19%) from fish farms.⁷⁰ Between 2014 and 2018, aquaculture output and fish catch were expected to grow by 75% and 21%, respectively.⁷¹ According to the Strategic Planning Framework for Fisheries 2010-2019 (SPF) targets, by the end of 2019, Cambodia will have processed at least 80% of fish output and will comply with quality and safety assurance regulations and standards. Much of the fish production generated is consumed domestically. The value of fish exports was estimated to be as high as US\$100 million per year; they consist of fish, prawns, crabs, and other seafood destined for China, Japan, the Russian Federation and some ASEAN countries.⁷²

4.32. Activities are divided into coastal and commercial fisheries. Coastal fishery consists of family-scale fishing which extends from the coast to waters of a depth of 20 metres. Boats used in this area are either without engines or have engines of less than 50 hp. Commercial fishery is characterized by larger-scale fishing boats, using engines of more than 50 hp, and operating from the 20-metre depth line to the limit of the Exclusive Economic Zone (EEZ). Boats fishing in Cambodia's waters can be broadly classified as purse seiners, shrimp trawlers and gillnetters.⁷³ Cambodia's marine fisheries face two serious productivity threats: excessive fishing effort (including significant unregulated foreign fishing activity) and habitat degradation.⁷⁴ The level of subsistence fisheries and fishery workers has increased, partially as a result of developments in the forestry sector (Section 4.1.5.3), forcing ex-forestry workers to the coastal zone where many become involved in fishing. Export demand is also encouraging additional fishing effort, especially for the high value species.

4.33. Cambodia continues to implement the Strategic Planning Framework for Fisheries 2010-2019 (SPF) and the Declaration on the National Policy for the Fisheries Sector.⁷⁵ The SPF is mainly aimed at boosting fish production to serve domestic consumption and export markets by relying on the three pillars: freshwater and marine-based natural resources fisheries; freshwater and marine aquaculture; and facilitating processing and trade.⁷⁶ It provides for: the suppression of all violations of laws, rules and regulations related to fisheries including tightened control of fishing gears and fishing period; elimination of overfishing; strengthening fishing communities' capacity for the management, use and conservation of fisheries resources; protection of biodiversity; and aquatic-animal habitats; control of freshwater and seawater quality through pollution minimization, protection and replanting of flooded forests and mangroves; demarcation of flooded forest and fisheries conservation zones; development of institutional and human capacity; and preparing research studies and their dissemination. An SPF 2015-2024 seems to be in place. It would appear from this and previous paragraphs and those that follow (e.g. concerning the absence of quotas for TAC) that fishery management is inefficient, thus jeopardizing its long-run sustainability and thus viability.

⁶⁸ Royal Government of Cambodia (2013), *"Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III*. Viewed at: http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf.

⁶⁹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

⁷⁰ Open Development Cambodia (2015), *Agriculture and Fishing*, March. Viewed at: <https://opendevelopmentcambodia.net/topics/agriculture-and-fishing/>.

⁷¹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

⁷² Open Development Cambodia (2015), *Agriculture and Fishing*, March. Viewed at: <https://opendevelopmentcambodia.net/topics/agriculture-and-fishing/>.

⁷³ FAO (2011), *National Fisheries Sector Overview - Cambodia*. March. Viewed at: ftp://ftp.fao.org/fi/document/fcp/en/FI_CP_KH.pdf.

⁷⁴ Online FAO information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁷⁵ MAFF (undated), *The Strategic Planning Framework for Fisheries: 2010-2019*. Viewed at: <http://extwprlegs1.fao.org/docs/pdf/cam143042.pdf>.

⁷⁶ Royal Government of Cambodia (2013), *"Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III*. Viewed at: http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf.

4.34. The institutional framework in the fisheries sector remains unchanged. The Fisheries Administration (FiA) of MAFF is responsible for the management and conservation of fishery resources in a sustainable manner. In cooperation with the MoC, it seeks ways to reduce trade barriers that affect the fisheries sector, in line with the Government's Trade Sector-Wide Approach (TradeSWAp).⁷⁷

4.35. No major changes were made to the fisheries regulatory framework. The 2006 Fisheries Law encourages the creation and proper maintenance of conservation zones and strongly promotes the development of aquaculture.⁷⁸ It also ensures long-term conservation and sustainable management of fishery resources taking into account social, economic and environmental factors. Furthermore, it ensures local community rights to use fishery resources for traditional, religious and livelihood purposes through the establishment of community fisheries. A 2000 sub-decree reduced the area of fishing lots by 56% and made 538,522 hectares available for family-scale fisheries.

4.36. No total allowable catch (TAC) or other quotas are set for marine fisheries. Coastal fishery is freely accessible for boats smaller than 33 hp.⁷⁹ Since the early 2000s when the fishing rights were given to fishing communities, the number of bag net fishery licences has remained constant at around 80. The fishery law bans trawling in the area between the shoreline and the 20-metre isobath. As many of the trawlers are small and unsuitable for use in offshore areas, much of the trawling is done illegally in these areas.⁸⁰ To reduce illegal fishing, serious penalties are envisaged for those who break the law, including government officers.⁸¹ To investigate, prevent and counteract illegal activities and compile documents for submission to courts, the officers of the fisheries administration are considered as judicial fisheries police. Despite the fact that inshore trawling is clearly illegal, the FiA is reluctant to enforce the ban. No government action seems to be taken to halt the illegal trawling activity. The number of foreign vessels operating in Cambodian waters is also a source of contention. Jurisdiction over waters claimed by Cambodia is complex and the number of foreign vessels is difficult to estimate due, *inter alia*, to the fact that the licensing function is shared between several government agencies. Since 2014, the EU has enforced a ban on fish imports from Cambodia under its 2010 illegal, unreported and unregulated (IUU) fishing regulation due to the country's failure to implement and comply with international legal obligations in this area, as there is neither action against illegal fishing by foreign vessels flying the Cambodian flag nor a legal framework and effective monitoring, inspection and catch certification schemes.⁸² The authorities indicated that no new IUU-related legislation is under preparation.

4.37. The simple average MFN tariff for fish and fishery products stood at a relatively high rate of 19.9% in 2017 (Table A3.1), slightly up from 19.3% in 2010 apparently due to customs tariff classification changes resulting from the transposition from HS12 to the HS17.⁸³ Fish and fishery product imports are subject to non-automatic licensing administering quotas (Section 3.1.5). Export of fish remains controlled by the FiA. Provincial licensees are empowered to collect a 4% fee on the value of all fish transported through the province without taking title or providing service. Exporters of fish, crustaceans, molluscs and other aquatic products are required to provide a transportation permit letter, certificate of origin, and customs permit from MoC, MAFF and Customs House. The SPS certificates related to fisheries exports are issued by MAFF's Department of Agronomy and Agricultural Land Improvement (DAALI) at no cost unless a product sample is requested for lab testing and if treatment is needed, in which case the exporter will bear the costs for these additional services.⁸⁴ Cambodia is not yet able to legally export crocodile skins as farms

⁷⁷ Royal Government of Cambodia (2013), "Rectangular Strategy" for Growth, Employment, Equity and Efficiency Phase III. Viewed at: http://cnv.org.kh/wp-content/uploads/2013/10/26sep13_rectangular-strategy_phaseIII.pdf.

⁷⁸ Online FAO information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁷⁹ FAO (2011), *National Fisheries Sector Overview. Cambodia*, March. Viewed at: ftp://ftp.fao.org/fi/document/fcp/en/FI_CP_KH.pdf.

⁸⁰ Online FAO information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁸¹ Online FAO information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁸² *Euobserver*, "EU bans fish imports from Belize, Cambodia, and Guinea", 24 March 2014. Viewed at: <https://euobserver.com/environment/123603>; Open Development Cambodia (2015), *Agriculture and Fishing*, March. Viewed at: <https://opendevelopmentcambodia.net/topics/agriculture-and-fishing/>.

⁸³ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

⁸⁴ FiA uses Pasteur Lab for inspection of facilities and microbiology tests for the United States, Japan and Korea (Rep. of). IFC (2008), *Handbook on Export Procedures: Practical Guide for Small and Medium Enterprises in Cambodia*. Viewed at: <http://www.moc.gov.kh/Portals/0/Docs/OfficialDocs/Handbook-Export-Procedure-Eng.pdf>.

are unable to meet industry standards. However, crocodile meat can be exported. Export prohibitions apply to any fish species mentioned on the CITES list of endangered species (Section 3.1.5). As a result of unofficial "export gates" at remote locations, smuggling of fish and fish products is also active. Smuggling is estimated to account for about 30% of total exports. A significant amount of fish was exported unofficially through the border with Viet Nam in 2011; no recent data were available on this activity.⁸⁵

4.2 Mining and Energy

4.2.1 Mining

4.38. The mining sector remains at an early stage of development despite Cambodia's mineral potential, *inter alia*, in gold, iron, bauxite, manganese, silica sand, kaolin, limestone, phosphate, sapphires, rubies, coal, construction materials and other minerals.⁸⁶ Between 2011 and 2016, the share of mining and quarrying in gross value added rose from 0.6% to 1.5% driven by fast growth in construction and infrastructure projects, whereas its share in employment rose slightly from 0.2% to 0.3% (2015) (Table 1.2); the industry accounts for 0.1% of total exports.⁸⁷ In 2013, industrial non-metallic minerals dominated the production of minerals in Cambodia and included gravel, sand, stone, and limestone.⁸⁸ As of December 2016, a total of 84 (91 in 2013) domestic and foreign companies held mining and exploration licences in Cambodia. Under these licences, a total of 61 exploration projects were authorized, of which 23 relate to mining. The projects include exploration of metallic minerals, coal, kaolin, silica sand, antimony, chromite, and bauxite. Major investors in mining originate in Australia and China. In 2016, the first gold mining extraction licence covering mining and processing of the ore was granted to Mesco Gold, a subsidiary of the Indian steelmaker Mesco Steel Ltd under the new regulatory framework for mining (see below).⁸⁹

4.39. During the review period, Cambodia's mining policy remained unchanged. Its objectives are set under its 2011 policy on minerals aimed at promoting mineral resources development in partnership with the private sector. They, *inter alia*, involve: establishment of laws and regulations related to mining; strengthening management and good governance; increasing and disclosure of basic information; strengthening partnerships; development of mining infrastructure and communities; fostering artisanal and small and medium size mining operations, and supporting improved environmental protection; and increasing the amount of value-added mineral products.

4.40. The regulatory framework governing the mining industry was last changed in 2016.⁹⁰ The MME Sub-decree 72 now provides for procedures, processes and conditions for the issue of exploration (3 years, renewable for another two two-year terms) and industrial mining (maximum 21 years, renewable for another two ten-year terms only, i.e. a total of 41 years) licences including rights and obligations of the licensees. The Law on Management and Exploitation of Mineral Resources of 13 July 2001 remains unchanged despite efforts to develop new legislation in 2015 when a bill modelled on the West Australian Mining Act aimed to level the playing field for mining companies by replacing the current contractual system for obtaining mining and exploration licences with a concession system; instead of having to negotiate for rights, under the new law all companies would have the same rights.⁹¹ By June 2017, the drafting of a new bill was under consideration. The 2001 Law provides for several types of mining licences; the Minister in charge of the mining sector should give a written response of approval or disapproval to licence applicants within a maximum period of 45 days.⁹² The Ministry of Mines and Energy (MME) remains in charge of formulating and implementing the sector's policies and strategies. The MME collects a royalty on minerals; a 3% royalty is levied on precious metals.

⁸⁵ FAO online information. Viewed at: <http://www.fao.org/fishery/facp/KHM/en>.

⁸⁶ General Department of Mineral Resources of Cambodia (2013), *Current Situation of Mining Industry in Cambodia*, 6 March. Viewed at: http://www.dmr.go.th/ewt_dl_link.php?nid=78951&filename=royal.

⁸⁷ UNSO Comtrade database.

⁸⁸ USGS (2016), *2013 Minerals Yearbook. Cambodia [Advance Release]*, February 2016. Viewed at: <https://minerals.usgs.gov/minerals/pubs/country/2013/myb3-2013-cb.pdf>.

⁸⁹ *The Phnom Penh Post*, "First mine licensed to draw gold", 14 September 2016. Viewed at: <http://www.phnompenhpost.com/business/first-mine-licensed-draw-gold>.

⁹⁰ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

⁹¹ *Khmer Times*, "New Mining Law Could Herald Gold Rush", 6 July 2015. Viewed at: <http://www.khmertimeskh.com/news/12941/new-mining-law-could-herald-gold-rush/>.

⁹² General Department of Mineral Resources of Cambodia (2013), *Current Situation of Mining Industry in Cambodia*, 6 March. Viewed at: http://www.dmr.go.th/ewt_dl_link.php?nid=78951&filename=royal.

4.41. Average MFN tariff protection for minerals and metals stood at 8% in 2017, compared to 8.2% in 2011 (Table A3.1); some items are subject to the 10% export tax.⁹³ Under Sub-decree No. 195 on the Management of Mine Products Exports of 22 September 2016, exports of minerals other than uranium and other radioactive mining that are prohibited, are subject to licensing upon examination of economic, social and environmental criteria such as the economic potential for their further domestic processing or their utilization as raw materials for the local construction industry, or being in excess of the local demand (Section 3.2.3); in the past, exports of unprocessed minerals were prohibited.

4.2.2 Energy

4.42. Cambodia's energy structure remains simple; fossil fuels, such as coal and petroleum products, are imported, while biomass is mostly produced domestically.⁹⁴ In 2015, its total primary energy supply rose to 4,761 kilotons of oil equivalent (ktoe), of which biomass accounted for 44%, oil 39%, coal 11%, hydro 3.6% and electricity 3%, compared to 3,554 ktoe in 2011, of which biomass accounted for 51%, oil 44%, electricity 4%, coal 1% and hydro 0.1%.⁹⁵ The reduced share of overall energy imports compared with indigenous production implies that Cambodia is becoming less dependent on energy imports (Section 4.2.2.2).

4.43. During the review period, the General Department of Energy (GDE) of the Ministry of Mines and Energy (MME) implemented the Energy Sector Development Plan 2005-2024 which is aimed at: promoting the exploration of energy sources such as hydropower, natural gas, and coal for electricity generation; ensuring stability in electricity supply to facilitate investment and socio-economic development; encouraging the efficient use of energy and mitigating the adverse effects on the environment resulting from energy supply and use; encouraging the private sector to invest in energy, including in generation, transmission and distribution; fostering the development of all types of renewable energy such as biomass, biogas, bio-fuel; enhancing the efficiency of energy through the use of energy-saving stoves to reduce the use of fuel, firewood, charcoal; and promoting regional energy trade through bi- and multilateral cooperation.⁹⁶ These objectives remain unchanged in the Energy Sector Development Plan 2017-2030. The MME remains in charge of preparing and implementing policies, strategies, rules and regulations for the energy sector; setting standards; maintaining and analysing data on electricity supply/demand and energy resources.

4.44. Cambodia is endowed with an abundance of renewable resources (e.g. hydro, wind, solar, and agricultural residues), which have great potential for power production.⁹⁷ The development of renewable energy (RE) is a significant solution to accelerate power sector development and reduce dependence on energy imports. If large-scale hydropower (larger than 10 MW) is excluded, the RE share in Cambodia's total primary energy supply falls to around 1%. Under the Energy Efficiency and Conservation (EE&C) goals submitted to the Fifth East Asia Summit Energy Ministers Meeting, held on 20 September 2011, Cambodia aimed to adopt Final Energy Demand as its Energy Efficiency (EE) Indicator and achieve a 10% reduction from the "business-as-usual" scenario by 2030.⁹⁸ The action plan to achieve the EE&C goals covers the usage of energy by industry, transportation, and commercial and residential users, such as the introduction of EE equipment and labelling, as well as the promotion of EE public awareness.

⁹³ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

⁹⁴ Economic Research Institute for ASEAN and East Asia (ERIA) (2016), *Cambodia National Energy Statistics 2016*, September. Viewed at: http://www.eria.org/RPR_FY2015_08.pdf.

⁹⁵ Economic Research Institute for ASEAN and East Asia (ERIA) (2016), *Cambodia National Energy Statistics 2016*, September. Viewed at: http://www.eria.org/RPR_FY2015_08.pdf.

⁹⁶ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

⁹⁷ Kongchheng Poch (Economic Institute of Cambodia (EIC)) (2013), *Renewable Energy Development in Cambodia: Status, Prospects and Policies*, August. Viewed at: http://www.eria.org/RPR_FY2012_No.26_chapter_7.pdf.

⁹⁸ Phoumin, H. (2015), *Renewable Energy Policies and the Solar Home System in Cambodia*, Economic Research Institute for ASEAN and East Asia, September. Viewed at: <http://www.eria.org/ERIA-DP-2015-64.pdf>.

4.2.2.1 Hydrocarbons

4.45. Cambodia remains an importer of fossil fuels, such as coal and petroleum products. In 2014, it imported: 490 kt of coal; 112,000 tonnes of liquefied petroleum gases; 427,000 tonnes of motor gasoline; 92,000 tonnes of jet kerosene; 89,000 tonnes of fuel oil; and 1,005,000 tonnes of gas/diesel.⁹⁹ In 2016, it imported: 193,600 tonnes of liquefied petroleum gases; 491,000 tonnes of motor gasoline; 106,000 tonnes of jet kerosene; 138,500 tonnes of fuel oil; and 1,240,000 tonnes of gas/diesel. The territory of Cambodia is divided into six offshore blocks (A to F) and 19 onshore blocks (I to XIX). Each block is allocated to private companies to explore the potential of oil and gas.¹⁰⁰ No oil and gas production has developed so far although exploration activities continue to take place; the first significant petroleum discovery was announced in January 2005 but due to the decline in the crude oil price it remains at an early development stage. The Government continues to promote international investments in the oil and gas resources in order to promote economic growth, employment and generate revenues.

4.46. Downstream wholesale and retail activities are open to competition for both domestic and foreign operators. Each operating company is obliged to maintain a 30-day consumption stock of hydrocarbons. Since March 2016, a ceiling has applied to the retail sale price of fuel (Section 3.3.4); this ceiling price is calculated and made public by the Department of Private Sector Development of Ministry of Commerce every ten days (i.e. three times per month).¹⁰¹

4.2.2.2 Electricity

4.47. Electricity production depends on hydro- and diesel-power plants with some import from Viet Nam, Thailand, and Lao PDR due to seasonal factors and rapidly growing electricity demand.¹⁰² The share of electricity, gas and water of gross valued added rose slightly from 0.5% (2011) to 0.6% (2016) (Table 1.2). In 2015, electricity was generated from: hydropower plants (2,127.82 million kWh); thermal plants using coal (2,159.64 million kWh); diesel powered plants (163.6 million kWh) and plants using wood and other biomass (38.15 million kWh).¹⁰³ In 2015, the total electricity available in Cambodia increased to 6,015.35 GWh (2,514.80 GWh in 2010), and the share of indigenous production increased to 74.6% (38.5% in 2010), whereas its import share decreased to 25.37% (61.49% in 2010) due to the addition of new generation plants. According to the authorities, significant progress has been made in the expansion of service to more rural areas and the significant reduction in the selling price of electricity from the grid system in urban areas and rural areas (see below). By 2016, 74.7% of all villages were electrified and electricity was supplied to 2.15 million consumers compared to 41.9% and 0.81 million in 2011 respectively. In 2016, the overall electrification rate was 58.2%, covering 1.9 million households of the total of 3.28 million households, compared to 26.6% and 0.8 million of a total of 3 million households in 2011. Between 2003 and 2015, annual growth in electricity sales averaged 20% with total sales increasing by over seven times. Cambodia envisages continued annual growth rates of 15-20% up to 2020 thus reaching 10,000-13,000 GWh in 2020.¹⁰⁴ According to the authorities, as at end of 2016, six hydroelectric and three coal-fired generation plants were in operation representing a

⁹⁹ International Energy Agency (2017), *2014 Statistics for Cambodia*. Viewed at: <http://www.khmertimeskh.com/news/12941/new-mining-law-could-herald-gold-rush/> <https://www.iea.org/statistics/statisticssearch/report/?year=2014&country=Cambodia&product=ElectricityandHeat>.

¹⁰⁰ Hirsch, P. (2017), *Routledge Handbook of the Environment in Southeast Asia*, New York.

¹⁰¹ Formula for calculating this ceiling price: Average of MOPs (Mean of Platts Singapore) + Taxes (i.e. Import Tax + VAT + Special Tax) + Premium (i.e. Operational Cost + Tax on Profit + Profit) + "VAT Out". Inter-ministerial (MoC/MEF/MME) Prakas No. 098 on "The Price Adjusting Formula for Retail Sale of Fuel in Cambodia", 9 March 2016.

¹⁰² Hydropower generation usually declines during the dry seasons due to the lack of water. Economic Research Institute for ASEAN and East Asia (ERIA) (2016), *Cambodia National Energy Statistics 2016*, September. Viewed at: http://www.eria.org/RPR_FY2015_08.pdf.

¹⁰³ Electricity Authority of Cambodia (EAC) (2016), *Report on Power Sector of the Kingdom of Cambodia. Compiled by Electricity Authority of Cambodia from Data for the year 2015*. Viewed at: <http://eac.gov.kh/wp-content/uploads/2016/10/Annual-Report-2015-English.pdf>.

¹⁰⁴ Derbyshire, W. (2015), *Government Private Sector Forum. Cambodia – In Depth Study on Electricity Cost and Supplies. Final Report*. Viewed at: <http://www.seac-cambodia.org/wp-content/uploads/2016/06/Cambodia-in-depth-study-on-electricity-cost-and-supplies-Final-Report.pdf>.

total capacity of more than 1,300 MW.¹⁰⁵ According to the World Bank, in 2017 Cambodia ranks 136th out of 190 economies on the ease of getting electricity.¹⁰⁶

4.48. The right to generate, transmit and distribute electricity is granted by specific licences.¹⁰⁷ Cambodia's electricity utilities consist of: the Electricité du Cambodge (EDC), owned by the MME and the Ministry of Economy and Finance; public power companies; independent power producers (IPPs); private transmission companies; and small private regional utilities (Rural Electricity Enterprises (REEs)).¹⁰⁸ Although there are over 300 licensed distributors of electricity, sales are dominated by EDC; in 2015, EDC transmitted 98.4% of the domestic electricity to consumers, whereas holders of consolidated licences and IPPs transmitted 1.1% and 0.4%, respectively.¹⁰⁹ At present, there are 378 licensees consisting of: EDC; 23 IPPs; 9 special purpose transmission licensees and 345 distribution licensees (of which 21 are consolidated licensees – small diesel generation and distribution). EDC has the rights and responsibilities for generating, transmitting and distributing electricity throughout Cambodia in conformity with its commercial obligations stipulated by laws, statute, licence, and other regulations. It operates as a commercial enterprise with independence to organize its business of generation, transmission and distribution of electricity and make capital investments in the appropriate response to market requirements and earn a profit and raise productivity. It is required to abide by the conditions of its licences issued by the EAC in providing electricity services. In 2015, the generation capacity of EDC was estimated at 113.05 MWMW (76.73MW in 2011) representing 5.73% of total installed capacity, compared to 74.6% generated by IPPs. EDC operates in 20 areas; its customers are residents (92.53%), the Government (0.36%), commercial customers (6.6%), distributors (0.26%), industrial (0.24%), and others (0.02%).¹¹⁰

4.49. In 2016, 90.31% of energy was sold from the National Grid, 7.04% from the Medium Voltage (MV) Viet Nam Grid, 2.13% from the Thai Grid, 0.37% from the Lao PDR Grid, and the rest from isolated distribution systems.¹¹¹ According to EAC, in 2015, the total capacity of both grid and distribution substations belonging to EDC amounted to 1,660 MVA with 455 km of high voltage lines, while total capacity of substations belonging to other agents constituted 980 MVA with an additional 958 km of high voltage lines. In 2016, the total capacity of substations belonging to other agents rose to 1,030 MVA with an additional 983 km of high voltage lines.¹¹²

4.50. Under the NSDP 2014-2018 (Section 2.2), the Government's objective is to generate 10,823 GWh of power and to increase per capita annual power consumption to 544 kWh by 2018.¹¹³ Cambodia plans to provide access to electricity to all villages in the country by 2020 and for 70% of rural households to have access to quality electricity services by 2030. Cambodia's National Power Development Plan 2012-2016 objectives were to reduce the cost of power generation and to increase the electrification rate using the following methods: import cheaper electricity from neighbouring countries; build and bring online large-scale hydroelectric, coal-fired, and biomass power generation facilities; improve the transmission network and inter-regional links; and expand the power distribution network nationwide. This plan is currently being updated.

¹⁰⁵ Electricity Authority of Cambodia (EAC) (2016), *Report on Power Sector of the Kingdom of Cambodia. Compiled by Electricity Authority of Cambodia from Data for the year 2015*. Viewed at: <http://eac.gov.kh/wp-content/uploads/2015/07/report-2014en.pdf>.

¹⁰⁶ The World Bank (2017), *Ease of Doing Business in Cambodia*. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/cambodia>.

¹⁰⁷ These licences include generation licences, national transmission licences, special purpose transmission licences, dispatch licences, bulk sale retail licences, and subcontract licences.

¹⁰⁸ Electricité du Cambodge (2015), *Annual report 2015*; Derbyshire, W. (2015), *Government Private Sector Forum. Cambodia – In Depth Study on Electricity Cost and Supplies. Final Report*. Viewed at: <http://www.seac-cambodia.org/wp-content/uploads/2016/06/Cambodia-in-depth-study-on-electricity-cost-and-supplies-Final-Report.pdf>.

¹⁰⁹ Electricity Authority of Cambodia (EAC) (2016), *Report on Power Sector of the Kingdom of Cambodia. Compiled by Electricity Authority of Cambodia from Data for the year 2015*. Viewed at: <http://eac.gov.kh/wp-content/uploads/2015/07/report-2014en.pdf>.

¹¹⁰ Electricité du Cambodge (2015), *Annual report 2015*.

¹¹¹ The High Voltage Grid System comprises all high voltage lines and connects grid substations. Electricity Authority of Cambodia (EAC) (2016), *Report on Power Sector of the Kingdom of Cambodia*. Compiled by Electricity Authority of Cambodia from Data for the year 2015. Viewed at: <http://eac.gov.kh/wp-content/uploads/2016/10/Annual-Report-2015-English.pdf>.

¹¹² Distribution Substation has a primary voltage of 22 kV and secondary voltage of 400/230V.

¹¹³ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

Furthermore, EDC's Master Plan on Power Sector Development 2008-2022 sets the following goals: increase hydropower and coal-fired generation; development of a power grid interconnecting the nation; electrification of outlying areas; study frameworks for electricity trading with Viet Nam, Thailand, Lao PDR, and other ASEAN nations; promotion of commercialization and participation by private capital; and setting up an electricity market competition and regulatory policy.¹¹⁴

4.51. The Electricity Authority of Cambodia (EAC), an autonomous body, remains the regulatory authority responsible for licensing electricity enterprises, reviewing costs and approving tariffs of licensed enterprises, resolving disputes between licensees and between customers and licensees, and monitoring and enforcing compliance by licensees with technical and performance standards.¹¹⁵

4.52. The electricity cost in Cambodia is considered high but action was taken to reduce tariffs.¹¹⁶ From 2012 onwards, electricity tariffs were reduced due to the rising share of cheap imports as well as hydro and coal supplies replacing oil-fired generation. This decline is projected to continue under EAC's 2015-2020 indicative plan for staged reductions, which can be adjusted if EDC's costs change; the plan was last updated in November 2016 setting tariffs for the period 2017-2020.¹¹⁷ Electricity tariffs vary by region and consumer group and over time; those charged to industrial and commercial consumers are based on United States dollars and on average generation costs and transmission and distribution charges.¹¹⁸ No information on whether the revenue from electricity tariffs covers the production cost or data on EDC's annual profits/losses were available from the authorities. Cross-subsidization among different consumer groups remains in place as residential customers are charged the highest tariffs followed by industrial and commercial consumers, pumping for agriculture and poor people. According to EDC data, in 2017, electricity tariffs for industrial and commercial customers range from US\$0.126/kWh (CR 504/kWh) to US\$0.165/kWh (CR 660/kWh) depending on the supplier, i.e. feeder Medium Voltage (MV), the Phnom Penh and Kandal system or from provincial grid and EDC's sub-transmission. At the same time, residential customers tariffs range from CR 770/kWh to CR 790/kWh depending on the coverage area (i.e. EDC or REE). In 2017, the subsidized tariff for poor people, launched in March 2016, ranges from CR 480/kWh (below 10 kWh/month) to CR 610/kWh (below 50 kWh/month) depending on their consumption level, whereas the tariff on pumping for agriculture stood at CR 480/kWh. The total amount of tariff subsidy for poor people in 2016 was around US\$24 million.

4.53. Since August 2012, the 2004 Rural Electrification Fund (REF), which is financed by donors and the Government, has been managed by the EDC.¹¹⁹ For the period 2012 and 2017, the REF

¹¹⁴ ERIA (2017), *Electric Power Policy and Market Structure in ASEAN Member States*, in Yokota, E.; and I. Kutani (eds.), *Study on Electricity Supply and Role of Policy in ASEAN*. ERIA Research Project Report 2015-18. Viewed at: http://www.eria.org/RPR_FY2015_no.18_Chapter_2.pdf.

¹¹⁵ Derbyshire, W. (2015), *Government Private Sector Forum. Cambodia – In Depth Study on Electricity Cost and Supplies. Final Report*. Viewed at: <http://www.seac-cambodia.org/wp-content/uploads/2016/06/Cambodia-in-depth-study-on-electricity-cost-and-supplies-Final-Report.pdf>.

¹¹⁶ In 2012, the electricity price in some areas in Cambodia was up to 10 times higher than in other neighbouring countries; the high price of power tariffs is detrimental to Cambodia's ability to attract foreign direct investment. *The Phnom Penh Post*, "Government to cut power subsidies", 2012. Viewed at: <http://www.phnompenhpost.com/business/government-cut-power-subsidies>; Phoumin, H. (2015), *Renewable Energy Policies and the Solar Home System in Cambodia*, Economic Research Institute for ASEAN and East Asia, September. Viewed at: <http://www.eria.org/ERIA-DP-2015-64.pdf>; Derbyshire, W. (2015), *Government Private Sector Forum. Cambodia – In Depth Study on Electricity Cost and Supplies. Final Report*. Viewed at: <http://www.seac-cambodia.org/wp-content/uploads/2016/06/Cambodia-in-depth-study-on-electricity-cost-and-supplies-Final-Report.pdf>.

¹¹⁷ MME Prakas No. 421, 11 November 2016.

¹¹⁸ Online data. Viewed at: <http://www.cambodiainvestment.gov.kh/investment-environment/cost-of-doing-business/utility-cost.html>; and EDC presentation provided by the authorities.

¹¹⁹ In the period 2005-2012, the REF utilized funds provided by the World Bank under the Rural Electrification and Transmission Project (RETP) and the Government's counterpart fund. The RETP was a US\$46 million World Bank-funded project involving a US\$40 million loan from the World Bank and US\$6 million provided by an International Development Association and Global Environment Facility Grant to the Government. To continue the work after the completion of the RETP in 2012, the RGC integrated the Rural Electrification Fund (REF) into EDC to allow the Department of Rural Electrification to perform its works independently using Cambodian funding, while also continuing to receive grants and donations from external funding sources. Royal Decrees NS/RKT/1204/048, 4 December 2004, and NS/RKT/0812/734, 22 August 2012. Viewed at:

was funded with a total amount of US\$135.9 million of which 93.6% from EDC, 5.7% from the German state-owned bank KfW and 0.7% from the Asian Development Bank. The REF provides grants to REEs and promotes rural electrification and RE technology through the following programmes: Power to the Poor (P2P), Solar Home Systems (SHS) and the Programme Providing Assistance to Develop Electricity Infrastructure in Rural Areas as well as the Programme for Subsidy Scheme and Providing Electricity for Pumping for Agricultural Irrigation to Reduce the Tariff for Sale of Electricity in Provinces and Cities (see above).¹²⁰ As at 2008, the grants programme consisted of: US\$45 per new connection; US\$100 per SHS of at least 40W; US\$400 per kW for mini/micro hydro plants; and US\$300 per kW for biomass plants.¹²¹ In the period 2012-17, the REF funding was allocated as follows: 69.8% to grants; 27.3% to interest free loans; and 2.9% to investment participation.

4.3 Manufacturing

4.3.1 Features, policy and measures

4.54. Manufacturing remains a priority activity in terms of its contribution to the economy, employment and merchandise exports. Its share in gross value added increased from 15.2% in 2011 to 16.1% in 2016 (Table 1.2); similarly, according to data from the authorities, the share of manufacturing in total employment increased from 16.9% in 2011 to 25.5% in 2015. About 50% of the workers are employed in the garment segment, 25% in construction, close to 10% in the food/beverage processing segment and 13% in other manufacturing segments.¹²² The sector's narrow industrial base remains based on a simple structure of manufacturing concentrated on garments and food processing. The number of informal enterprises remains relatively high. More than 63% of large manufacturing enterprises are foreign investment and export-oriented.¹²³ The sector operates mostly by assembling imported components and parts into finished products.¹²⁴ No labour or total factor productivity growth indicators for manufacturing (except for garment) were available from the authorities. Exports of manufactured products dropped slightly from 93.5% of total merchandise exports in 2011 to 92.6% in 2015 (Table A1.1); they remain heavily dependent on clothing whose share in total exports rose from 59.6% to 69.5% over the same period.

4.3.2 Policy and institutions

4.55. In line with the NSDP 2014-2018 (Section 2.2), the Cambodia Industrial Development Policy (IDP) 2015-2025 is aimed at: transforming the industrial structure from a labour-intensive to a skill-driven industry by 2025 by: connecting to regional and global value chains; integrating into regional production networks and developing interconnected production clusters along with efforts to strengthen competitiveness and enhance productivity of domestic industries; and moving toward developing a technology-driven and knowledge-based modern industry. It sets targets including: increasing the GDP share of manufacturing to 30% by 2025; diversifying the export of goods by increasing the share of non-textile exports to 15% of all exports by 2025 while still promoting exports of processed agricultural products to reach 12% of all exports by 2025; and encouraging the formal registration of 80% of small enterprises and 95% of medium enterprises and ensuring that 50% of small enterprises and 70% of medium enterprises have proper accounts

http://camboit.com/ref/admin/public/filedownload/pro_royal%20decree%202nd%20revision%20transfer%20ref%20to%20edc_eg.pdf.

¹²⁰ Phoumin, H. (2015), *Renewable Energy Policies and the Solar Home System in Cambodia*, Economic Research Institute for ASEAN and East Asia, September. Viewed at: <http://www.eria.org/ERIA-DP-2015-64.pdf>.

¹²¹ Presentation by William C. Oung (REF Advisor) at the World Bank's Sustainable Development Week held in February 2008. Viewed at: <http://siteresources.worldbank.org/INTENERGY2/Resources/presentation10.pdf>.

¹²² Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025. "Market Orientation and Enabling Environment for Industrial Development"*, 6 March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

¹²³ Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025. "Market Orientation and Enabling Environment for Industrial Development"*, 6 March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

¹²⁴ Royal Government of Cambodia, *National Strategic Development Plan 2013-2018*. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

and balance sheets.¹²⁵ To attain these objectives action was, *inter alia*, envisaged in FDI promotion, SMEs strengthening and modernization, regulatory environment improvement (e.g. trade facilitation, export promotion, industrial standards and industrial property rights), and policy focusing on skills and human resource development, science, technology and innovation promotion, industrial infrastructure build up and financing measures. According to NSDP 2014-2018, the priority sectors are: agro-processing and manufacturing; assembly and production of electric/electronic components and machinery parts; supporting-sectors to the garment industry and handicraft; new industries such as plastics, the chemical industry, and IT infrastructure and software development.

4.56. According to the authorities, the Council for the Development of Cambodia (CDC) (in charge of investment of US\$15 million or more) coordinates industrial policy in cooperation with the Ministry of Industry and Handicrafts (MIH), and the MoC (in charge of SMEs). Policy implementation is spread across different ministries.

4.3.3 Border and domestic support measures

4.57. In 2017, the simple average MFN tariff on industrial goods stands at 11.5%, slightly up from 11.1% in 2011 (Tables 3.1 and A3.1); this allows for an average gap of 9.4 percentage points between the average MFN applied and bound rates in manufacturing (HS).¹²⁶ Export tax rates affecting manufactures are set at 5%, 10%, 15%, 20%, or 50%.¹²⁷ During the review period, manufacturing continued to benefit from investment incentives (Sections 2.4 and 3.3.1) including: a corporate tax holiday; a special depreciation allowance; import taxes exemption on production equipment, construction materials, and production inputs used to produce exports; and Special Economic Zones advantages.

4.3.4 Garments

4.58. Cambodia, a relatively late entrant in the competitive field of labour-intensive garment production, ranked 8th among the top 15 garment exporters in 2014.¹²⁸ Between 2011 and 2015, the garment industry accounted for 10% of the gross value added annually whereas employment in the garment sector continues to grow as a result of increased demand in the European Union (EBA preferences, Section 2.2.2.2) and United States markets. The garment industry output accounted for 20,840 billion riel in 2013, and is expected to reach 23,965 billion riel in 2018, which is approximately 82% of the manufacturing industry output.¹²⁹ As of end-2016, the total workforce constituted 743,615 mostly female workers at 1,107 factories, compared to 353,805 employees at 537 factories in 2011.¹³⁰ Between 2003 and 2015, the labour productivity of the garment and footwear sector rose at an estimated compound annual rate of 2.2%, or an overall rate of 30.1% for the entire period.¹³¹ In 2012, average labour productivity in the garment and footwear sector accounted for US\$1,848, whereas in Thailand and the Philippines it stood at US\$8,178 (2013) and US\$4,646 (2013), respectively.¹³² Following a minimum wage increase in 2014, the garment sector needs to identify new ways to raise its productivity to remain competitive in the global value chain; the same year its world market share stood at 1.8% compared to Viet Nam (6.9%),

¹²⁵ Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025, "Market Orientation and Enabling Environment for Industrial Development"*, March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

¹²⁶ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

¹²⁷ MEF (2016), *Customs tariff of Cambodia 2017*. October 2016. Provided by the authorities.

¹²⁸ The activities of the Cambodian garment industry are at the lowest end of the value chain primarily consisting of CMT (Cut, Make, Trim) which uses mostly imported fabric such as light rubberized knitted fabric, other synthetic fabrics, and pile fabrics. CNV International (2016), *Country Study Cambodia. Labour Standards in the Garment Supply Chain*. Viewed at: https://www.cnvinternationaal.nl/Resources/Persistent/0e05eebdfb4a1a6c31409dc12aee83b8f532a4b5/20161102%20CNV%20CS%20Cambo_clickable%20extern%20ENG%20DEF.pdf.

¹²⁹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: <http://mop.gov.kh/DocumentEN/NSDP%202014-2018%20EN%20Fianl%20for%20Publishing-1.pdf>.

¹³⁰ Ministry of Industry and Handicraft (2016), *Report of July 2016*.

¹³¹ ILO (2016), *Cambodian Garment and Footwear Sector Bulletin*, August 2016. Viewed at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_517535.pdf.

¹³² Labour productivity is defined as gross value added in current prices per employed person, converted to US\$ at official nominal exchange rates. The figures are industry-wide averages, measured in a consistent way across countries. ILO (2016), *Cambodian Garment and Footwear Sector Bulletin*, August 2016. Viewed at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_517535.pdf.

Bangladesh (5.5%), and Indonesia (2.6%).¹³³ Over 90% of the garment factories are foreign controlled.¹³⁴

4.59. During the review period, the simple average MFN tariff on textiles remained unchanged at 5.7%, whereas the tariff on clothing was slightly increased from 14.1% in 2011 to 15% in 2017 (Table A3.1).¹³⁵ Garment exports remain subject to a certificate of origin issued by MoC (Section 3.2.3).¹³⁶ According to the authorities, no production assistance subsidies are in place; most garment producers benefit from existing incentives under QIPs or by being located in a SEZ so as to increase the value added and sophistication in production (Sections 2.4, 3.1.4, 3.1.7, 3.2.4, and 3.3.1).¹³⁷

4.4 Services

4.4.1 Features

4.60. Services continue to be the largest contributor to the gross value added of Cambodia; their share rose from 37.5% (2011) to 39.2% (2016) during the review period (Table 1.2). Similarly, according to data by the authorities, the share of services in total employment also increased from 27.3% in 2011 to 32.9% in 2015. In 2015, the annual growth in the services sector declined from 8.7% in 2014 to 7.1%, and continued to decelerate in 2016 down to 6.7% mostly due to the slowdown in tourism (Section 4.4.7) and softer performance of the real estate, finance and public administration subsectors.¹³⁸ Labour productivity grew in the 1990s, in particular, in areas such as finance, transport and communications.¹³⁹ No recent labour or total factor productivity growth indicators were available from the authorities. As of 2016, real estate and business, wholesale and retail trade, and transport and communications remain the leading activities in terms of gross value added contribution, followed by restaurants and hotels, and finance and public administration.

4.61. In 2015, Cambodia ranked as the 82nd largest exporter and 111th largest importer of commercial services in the world.¹⁴⁰ In 2016, its main services exports consisted of travel (79.6% of total credits), whereas imports largely consisted of transportation (51.5%) and travel (25.4%) (Table 1.4). Cambodia remains a net exporter of services; the trade balance increased from US\$1.4 billion in 2011 to about US\$2.1 billion in 2016 (Table 1.3). Foreign direct investment in the services sector is mostly concentrated in the tourism industry (Section 4.4.7).¹⁴¹

¹³³ In 2016, the minimum monthly wage was raised from US\$140 to US\$153. *The Cambodia Daily*, "Government Raises Garment Wage to \$153", 29 September 2016. Viewed at: <https://www.cambodiadaily.com/news/garment-sector-minimum-wage-set-153-118642/>; Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025. "Market Orientation and Enabling Environment for Industrial Development"*, 6 March. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>; ILO (2016), *Cambodian Garment and Footwear Sector Bulletin*, March. Viewed at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_463849.pdf.

¹³⁴ FDI in garments originates mostly in: China; Republic of Korea; Hong Kong, China; Malaysia; and Singapore. UNCTAD (2013), *Cambodia. Sector-specific investment strategy and action plan*. February, 2013. Viewed at: http://unctad.org/Sections/diae_dir/docs/diae_G20_Cambodia_en.pdf; CNV International (2016), *Country Study Cambodia. Labour Standards in the Garment Supply Chain*. Viewed at: https://www.cnvinternationaal.nl/Resources/Persistent/0e05eebdf4a1a6c31409dc12aee83b8f532a4b5/20161102%20CNV%20CS%20Cambo_clickable%20extern%20ENG%20DEF.pdf.

¹³⁵ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

¹³⁶ IFC (2008), *Handbook on Export Procedures: Practical Guide for Small and Medium Enterprises in Cambodia*. Viewed at: <http://www.moc.gov.kh/Portals/0/Docs/OfficialDocs/Handbook-Export-Prodcedure-Eng.pdf>.

¹³⁷ Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025. "Market Orientation and Enabling Environment for Industrial Development"*, 6 March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

¹³⁸ Ministry of Economy and Finance (2016), *Cambodia Macroeconomic Monitor - Mid-year assessment 2016*, August.

¹³⁹ OECD (2013), *Structural policy. Country notes Cambodia*. Viewed at: <https://www.oecd.org/dev/asia-pacific/Cambodia.pdf>.

¹⁴⁰ WTO online data. Viewed at: <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KH>.

¹⁴¹ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at:

4.62. Cambodia's trade restrictiveness in services is the second lowest in the East Asia and Pacific region.¹⁴² According to the World Bank, while its services trade has reached a significant level of liberalization allowing private sector provision of services as well as foreign ownership on a non-discriminatory basis in a wide range of sectors, governance still remains weak.¹⁴³ In particular, the country faces challenges such as a lack of transparency and predictability in the implementation of regulations, which is impeding full liberalization of many services sectors, even though the legal framework formally adheres to Cambodia's international commitments. Missing information relating to regulatory requirements, inconsistent application and interpretation of regulations across agencies, frequent changes of administrative practices and alleged discretionary applications of rules constitute limitations to an otherwise open regime. In addition, the regulatory infrastructure, human resource capacity and other resources, remain insufficient.

4.4.2 Overall commitments under the General Agreement on Trade in Services and RTAs

4.63. Cambodia's commitments under the GATS reflect its aim to attract FDI and remained unchanged during the review period. Its Schedule of Specific Commitments covers 94 sub-sectors in certain business services, communication services, construction and related engineering services, distribution services, educational services, environmental services, financial services, health related and social services, tourism and travel related services, recreational, cultural and sporting services, and transport services.¹⁴⁴ Except for a few services, such as basic telecommunications, travel agencies, tour operators, and tourist guides, no limitations to foreign ownership exist. Cambodia undertook commitments on market access and national treatment across all main sub-sectors, leaving the provision of cross-border services in most committed sectors largely free of restrictions. Horizontal restrictions on commercial presence include restrictions on land ownership, access to subsidies, and investment incentives.¹⁴⁵ Cambodia's list of Article II (MFN) Exemptions covers audiovisual services, land transport, internal waterway transport, and maritime transport.¹⁴⁶ In April 2011, Cambodia participated in the joint submission by ASEAN members on the negotiations on emergency safeguard measures (Article X) to the Working Party on GATS Rules.¹⁴⁷

4.64. Cambodia participates in five RTAs involving GATS plus commitments on trade in services: ASEAN-Australia-New Zealand FTA (AANZFTA), ASEAN-China FTA (ACFTA), ASEAN-India FTA (AIFTA), ASEAN-Republic of Korea FTA (AKFTA) and ASEAN Framework Agreement in Services (Section 2.3.2.1). The negotiation of a Regional Comprehensive Economic Partnership (RCEP) involving GATS plus commitments is under way.

4.4.3 Financial services

4.65. During the review period, despite a slowdown in growth, the financial services' contribution to gross value added rose from 1.5% to 1.9% (Table 1.2). The sector's total assets rose from US\$11.9 billion in 2012 to US\$27.6 billion in 2016 (Table 4.2). In 2016, banks accounted for 86% of the system's assets compared to 91% in 2012. As of April 2015, Cambodia received

<http://documents.worldbank.org/curated/en/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

¹⁴² According to the World Bank's Services Trade Restrictiveness Index Cambodia scores 23.7 compared to China (36.6), Indonesia (50), Malaysia (46.1), Mongolia (13.7), the Philippines (53.5), Thailand (48), and Viet Nam (41.5). Viewed at: <http://iresearch.worldbank.org/servicetrade/>.

¹⁴³ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.worldbank.org/curated/en/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

¹⁴⁴ WTO (undated), *Services Profiles 2015*. Viewed at: https://www.wto.org/english/res_e/booksp_e/serv_profiles15_e.pdf; WTO documents WT/TPR/S/253/Rev.1, 24 November 2011, and GATS/SC/140, 25 October 2005.

¹⁴⁵ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

¹⁴⁶ WTO document GATS/EL/140, 25 October 2005.

¹⁴⁷ WTO document S/WPGR/21, 14 April 2011.

US\$15.4 million (1.4% of the total amount) of active lending, grants, and technical assistance from the Asian Development Bank for the development of its financial sector.¹⁴⁸

Table 4.2 Structure of the financial system, 2011-17

(US\$ million and per cent)

	2011	2012	2013	2014	2015	2016	2017 (January)
Total financial system assets, of which	8,656.8	11,876.3	14,244.0	18,794.1	23,447.0	27,558.2	..
Banks	7,907.1	10,802.3	12,646.0	16,353.0	19,875.5	23,706.2	27,247.6
Assets of state-owned banks	51.7	67.1	72.5	70.0	94.0	101.4	103.0
Microfinance institutions	749.0	1,073.0	1,597.0	2,440.0	3,570.0	3,850.0	3,900.0
Insurance companies	0.75	0.98	1.02	1.09	1.47	1.92	..
Credits, of which	4,968.0	6,731.7	8,668.9	11,361.9	14,509.6	17,008.3	17,138.5
Banks	4,326.3	5,845.9	7,351.8	9,344.9	11,514.2	13,876.4	13,910.1
State-owned banks	34.3	54.7	61.5	70.0	63.5	72.4	67.8
Microfinance institutions	641.6	885.8	1,317.1	2,017.0	2,995.4	3,131.9	3,228.4
Non-performing loans/total loans (banks + MFIs) (%)	2.1	2.0	2.3	1.6	1.6	2.2	2.4
Non-performing loans/bank loans (all banks) (%)	2.4	2.5	2.7	2.2	2.0	2.4	2.5
Non-performing loans/MFIs loans (%)	0.2	0.3	0.6	0.6	0.8	1.4	1.6
Loans in foreign currency/total loans (%)	97	99	99	98	98	99	99
Credits/GDP (%)	38.7	47.9	56.9	68.0	80.4	85.0	..
Deposits, of which	6,019.6	6,946.5	7,937.9	10,728.0	15,070.5	15,199.2	15,580.7
Banks	5,905.8	6,672.6	7,499.9	9,839.5	13,761.7	13,723.6	14,083.3
State-owned banks	1.36	1.27	1.54	2.80	1.15	1.29	1.35
Microfinance institutions	113.8	273.9	438.0	888.5	1,308.9	1,475.6	1,497.3
Deposits in foreign currency/total deposits (%)	96.5	96.1	95.6	96.8	94.8	96.3	94.6
Deposits/GDP (%)	46.9	49.4	52.1	64.2	83.5	75.9	..
Interest rate spread (domestic currency) (%)	19.7	12.3	12.0	14.9	14.7	15.4	15.1
Interest rate spread (foreign currency) (%)	15.2	12.0	10.9	10.7	10.8	10.9	8.1

.. Not available.

Source: National Bank of Cambodia. Viewed at:

https://www.nbc.org.kh/english/economic_research/banks_reports.php; and information provided by the authorities.

4.66. According to the IMF, although core financial soundness indicators (FSIs) appeared healthy in 2015, there was a trend decline in capital.¹⁴⁹ Supervisory capacity remains heavily stretched given the rapid growth of the financial system and the large number of banks and micro-finance institutions (MFIs). In particular, further efforts would strengthen the crisis management framework and the supervisory capacity of the National Bank of Cambodia (see below); a moratorium on offering new bank licences until supervisory capacity improves could also be considered.

4.67. Since the previous TPR, there have been several changes in the policy framework of the sector. The Financial Sector Development Strategy (FSDS) for 2006-2015 was updated by the FSDS 2011-2020 and FSDS 2016-2025, which aim, *inter alia*, to achieve a sound, efficient, diversified and inclusive market-based financial system that can broadly fulfil domestic demand for

¹⁴⁸ IMF (2015), *2015 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Cambodia*, November. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15307.pdf>.

¹⁴⁹ IMF (2015), *2015 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Cambodia*, November 2015. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15307.pdf>.

financial services and is able to effectively support sustainable economic growth, raise people's income, reduce poverty and well align with regional economic and financial integration. The Government also takes a flexible approach in implementing the strategy to better respond to the evolution of the current situation and on-going needs. Its goals are to ensure rapid finance industry diversification, bring regulations and supervision up to international standards, establish a mechanism to manage in times of crisis, and assist the financial sector to provide needed financing and financial services to the agriculture, industry, and other real economic sectors. The Action plans of the FSDS 2016-2025 remain aimed at building capacity for consolidated supervision and surveillance; combatting money laundering and the financing of terrorism; promoting leasing; improving corporate governance, data quality, accounting, and auditing, as well as property management valuation, real estate services, and the housing market.¹⁵⁰

4.4.3.1 Banking and finance

4.68. The banking sector continued to expand with assets having grown almost threefold between 2011 and 2016 (Table 4.2) as a result of the entry of 15 new banks and 34 new micro-finance institutions (MFIs), capital increase requirements for banks and MFIs, as well as a sharp increase in customers' deposits. Despite the progress in the sector, it is still in the early stage of development as it lacks infrastructure to engage in all financial operations.¹⁵¹ For the first six months of 2016, US\$242.25 million (out of US\$969 million) of FDI flows went to the banking sector, indicating that a larger portion still goes to the productive sectors.¹⁵² As of 2016, the banking system structure had expanded and consisted of 38 commercial banks (31 in 2011), 15 specialized banks (7 in 2011), 7 microfinance deposit-taking institutions (7 in 2011), 65 MFIs (31 in 2011), 178 registered microfinance operators (28 in 2011), 7 representative offices (2 in 2011), 12 financial lease companies (none in 2011), 8 third-party processors (1 in 2011), 1 credit bureau company (none in 2011), and 2,149 money changers (1,296 in 2011).¹⁵³ Among the 38 banks, 7 local banks have a local majority ownership and 5 local banks enjoy foreign majority; additionally, there are 15 foreign subsidiary banks and 11 foreign branch banks. Among the specialized banks, one is state-owned (Rural Development Bank), five local banks enjoy local majority ownership and nine have foreign majority. Specialized banks are limited to only providing loans but not taking deposits.

Role of central bank

4.69. The officially independent National Bank of Cambodia (NBC) (see below), the central bank, remains in charge of ensuring price stability and supporting economic development.¹⁵⁴ Its main tasks include acting as: the monetary authority and implementing monetary policy; the sole issuer of the national currency; the supervisory authority for the banking and financial system; and

¹⁵⁰ ADB (2011), *Financial Sector Development Strategy 2011-2020*. Viewed at: <https://www.adb.org/sites/default/files/publication/30158/financial-sector-development-strategy-2011-2020.pdf>.

¹⁵¹ Kingdom of Cambodia (2011), *Financial Sector Development Strategy 2011-2020*. Viewed at: <https://www.adb.org/sites/default/files/publication/30158/financial-sector-development-strategy-2011-2020.pdf>.

¹⁵² Ministry of Economy and Finance (2016), *Cambodia Macroeconomic Monitor - Mid-year assessment 2016*, August.

¹⁵³ National Bank of Cambodia (2017), *Annual Report 2016*. Viewed at: https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual-2016-ENG.pdf; NBC (2011), *Annual report 2011*. Viewed at: https://www.nbc.org.kh/download_files/publication/annual_rep_eng/AnnualReport2011.pdf; NBC (2012), *Annual report 2011 - General Directorate of Supervision*. Viewed at: https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual_Supervision_Report_2011_ENG.pdf.

¹⁵⁴ Although formally independent, the NBC seems subordinated to the Government. In addition to government representation to its Board of Directors, its current governor is a member of the ruling Cambodian People's Party (CPP) politburo as well as a former member of Parliament and Minister of Planning. However, governmental interventions in the bank's independence do not appear substantial as viewed from the outside. Bertelsmann Stiftung, BTI (2016), *Cambodia Country Report, Gütersloh*. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Cambodia.pdf.

overseeing the payment system. The NBC intervenes in the foreign exchange market when deemed necessary to keep a stable exchange rate and ensure price stability.¹⁵⁵

Institutional setting and supervisory board

4.70. The institutional setting remained unchanged since the previous review. The NBC continues to prudentially supervise banks and financial institutions via: on-site supervision by, *inter alia*, formulating and implementing strategies, and on-site planning by producing assessment reports, ensuring compliance with NBC's laws and regulations, cooperating with banks and financial institutions; and off-site supervision, including regularly supervising, monitoring, and analysing the operations and review of periodic financial reports of banks and financial institutions to ensure compliance with regulatory requirements and safe and sound banking practices. Its highest decision-making body, the Board of Directors, is composed of five representatives from government, academia, the private sector, and NBC staff; it meets at least once every two months.¹⁵⁶

Regulatory framework

4.71. During the review period, several changes were made to the regulatory framework governing banking activities. In 2016, the NBC issued a set of regulations to strengthen the capital base in the banking system and promote the provision of credit in the national currency.¹⁵⁷ They consist of: Directive No. B7-016-210 Sor. Chor. Nor, 11 March 2016, on "Prohibition of taking Identity Card, Family Record, and Residence Record as guarantee for provision of credit" to avoid observed violation of civil code and existing regulations; Prakas No. B7-016-117 Pro.kor, 22 March 2016, on "Minimum Registered Capital of the Banking and Financial Institutions" according to which institutions have two years to increase their capital to fulfil the minimum capital requirement¹⁵⁸; Circular No. B7-016-001 C.L., 16 June 2016, on "Implementation of Prakas on Minimum Registered Capital of Banking and Financial Institutions" requiring institutions under the NBC authority to increase minimum registered capital with half of the additional required capital by end-March 2017 and fulfil the minimum registered capital by 22 of March 2018¹⁵⁹; and Prakas No. B7-016-334 Pro.Kor., 1 December 2016, on "Provision of Credit in National Currency of Banking and Financial Institutions" requiring banks and financial institutions under NBC supervision to have at least 10% of their total loan portfolio in the national currency.¹⁶⁰ Moreover, the NBC is in the process of preparing Prakas on risk management and audit to enhance the regulatory framework.¹⁶¹

4.72. To further strengthen the microfinance sector, on 13 March 2017, the NBC issued Prakas No. B7-017-109 PK on the Interest Rate Ceiling on Certain Loans. It sets the interest rate ceiling on loans provided by microfinance deposit-taking institutions, microfinance institutions, and rural credit operators under the NBC's supervisory authority. The main objective is to protect consumers from excessive interest rates and to promote the use of affordable loans. Under this Prakas, the

¹⁵⁵ Kingdom of Cambodia (2011), *Financial Sector Development Strategy 2011-2020*. Viewed at: <https://www.adb.org/sites/default/files/publication/30158/financial-sector-development-strategy-2011-2020.pdf>.

¹⁵⁶ NBC online information. Viewed at: https://www.nbc.org.kh/english/about_the_bank/structure_of_nbc.php.

¹⁵⁷ NBC (2017), *Annual Report 2016.March 2017*. Viewed at: https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual-2016-ENG.pdf.

¹⁵⁸ The minimum capital requirements are as follows: for commercial banks incorporated as a foreign branch whose parent bank is rated investment grade is 200 billion riel; for a commercial bank locally incorporated as a local company or foreign subsidiary – 300 billion riel; for a specialized bank locally incorporated – 60 billion riel; for microfinance deposit-taking institutions – 120 billion riel; and for microfinance institutions – 6 billion riel.

¹⁵⁹ In case of failure to comply with the provision, the institution was obliged to either find a new potential investor, or conduct mergers and acquisition with other institutions, or change legal status of the institution, or liquidate on a voluntary manner.

¹⁶⁰ National Bank of Cambodia (2017), *Annual Report 2016*. Viewed at: https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual-2016-ENG.pdf.

¹⁶¹ Prakas on "Liquidity Risk Management Framework for Banks and Financial Institutions", Prakas on "External Audit of Banks and Financial Institutions", Prakas on "Credit Risk Grading and Impairment Provisioning", Prakas on "Conservation Buffer and Countercyclical in Banks and Financial Institutions", Prakas on "Solvency of Banks and Financial Institutions", Prakas on "Prompt Corrective Action for Banks and Financial Institutions".

impacted institutions may not set interest rates exceeding 18% per annum for any maturity of loan. Such interest rate ceiling is effective for new loan contracts, including restructured loans and refinancing, executed from 1 April 2017.¹⁶²

4.73. Other changes in the regulatory framework included amendments on definitions and penalties (Article 3, 29, and 30) of the Law on Anti Money-Laundering and Combating the Financing of Terrorism that were issued on 3 June 2013.¹⁶³ In the 2016 Basel Anti-Money Laundering Index, Cambodia ranked 6th out of 149 countries (3rd out of 162 countries in 2014) worldwide, indicating that despite improvement the country continues to be regarded as having a relatively weak Anti-Money Laundering and Combating Financing of Terrorism Framework.¹⁶⁴

Market access

4.74. Market access conditions remain unchanged. Concerning the cross-border supply mode, deposit taking from the public must be reinvested in Cambodia. Foreign banks established in Cambodia must be either a locally incorporated entity or a branch of a foreign bank. Foreign banks may also establish representative offices whose activities are solely limited to information purposes.

Prudential regulations and capital adequacy requirements

4.75. During the review period, the NBC took a number of pre-emptive steps to enhance the resilience of its financial system, strengthen liquidity regulations and align them with international standards, by introducing a Basel III-compliant Liquidity Coverage Ratio (LCR).¹⁶⁵ It implemented new Prakas setting the LCR at 100% by 1 January 2020. The NBC is currently gradually implementing a minimum capital adequacy requirement (CAR) set at 15%. The NBC also raised minimum capital requirements in March 2016 (see above) that are to be in full effect within two years. In 2016, the NBC minimum capital requirements stood at 10.5% (8% requirement + 2.5% conservation buffer) and LCR of 60%.¹⁶⁶ As of December 2016, the NBC reported a solvency ratio of 22.3% and a liquidity ratio of 118.3% of banking institutions.¹⁶⁷

4.76. During the review period, the CAR decreased from 26.2% (2011) to 22.59% (2017) (Table 4.3) due to high credit growth and the increase of risk weighted assets.¹⁶⁸ According to the IMF, while still remaining above 20%, the solvency ratio of many banks, including large ones, may be vulnerable to higher loan losses should defaults unexpectedly increase. Furthermore, liquid assets relative to total assets or short-term liabilities appear to be low; during the period 2010-15 they amounted on average to 16.5% and 23.5%, respectively, thus rendering many banks vulnerable to liquidity risks.

Table 4.3 Banking soundness indicators^a, 2011-17

(%)

	2011	2012	2013	2014	2015	2016	2017
Capital adequacy ratio	26.23	25.00	24.23	20.41	21.04	22.3	22.59
Tier 1 capital ratio	24.95	24.08	23.67	21.0	20.69	20.64	20.96

¹⁶² DFDL online information. Viewed at: <https://www.dfdl.com/resources/legal-and-tax-updates/cambodian-law-update-for-march-2017/>.

¹⁶³ NS/RKM/0607/014 Law on Amendment of Article 3, Article 29, and Article 30 of Law on Anti-Money Laundering and Combating the Financing of Terrorism, Viewed at: https://www.nbc.org.kh/cafiu/download/AML%20CFT%20AMENDMEND/Amendment_AML_Law_31_May%20_2013_Eng.pdf.

¹⁶⁴ Online Media release Basel, *Fighting money laundering remains weak in most countries according to Basel AML Index 2016*, 27 July 2016. Viewed at: https://index.baselgovernance.org/sites/index/documents/Basel%20AML%20Index%202016_Media%20Release.pdf.

¹⁶⁵ IMF (2016), *IMF Country Report No. 16/340, Cambodia*. Viewed at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=44370.0>.

¹⁶⁶ BIS online information. Viewed at: http://www.bis.org/bcbs/basel3/basel3_phase_in_arrangements.pdf.

¹⁶⁷ National Bank of Cambodia (2017), *Annual Report 2016*, March. Viewed at: https://www.nbc.org.kh/download_files/supervision/sup_an_rep_eng/Annual-2016-ENG.pdf.

¹⁶⁸ IMF (2016), *IMF Country Report No. 16/340, Cambodia*. Viewed at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=44370.0>.

Return on assets	1.76	1.72	2.40	2.87	3.39	1.8	2.35
Liquid assets to total assets	16.16	15.37	17.93	16.21	16.61	19.33	19.87
Non-performing loans to total gross loans	2.13	2.01	2.30	1.62	1.59	2.40	2.54
External funding to total funding	..	..	..	..	..	..	..

.. Not available.

a Includes commercial banks and specialized banks

Source: National Bank of Cambodia.

4.77. According to the OECD, in 2012, Cambodia witnessed high and rapid growth of credit to the private sector compared to its regional neighbours at the same stage of development; credit grew 34.2%, up from 31.6% the previous year. However, since then, the banking sector's credit growth has moderated slightly, partly reflecting more modest economic activities and larger base of credit. Credit to the private sector decelerated to 20.5% by the end of 2016, compared to 23.2% in 2015. According to the IMF, during the review period, the NPL ratio remained largely sound; it decreased from 2.13 (2011) to 1.59 (2015) (Table 4.3). While this ratio suggests robust asset quality, the lack of detailed guidance on the treatment of restructured loans could possibly underestimate the NPL ratio and overstate capital adequacy.¹⁶⁹

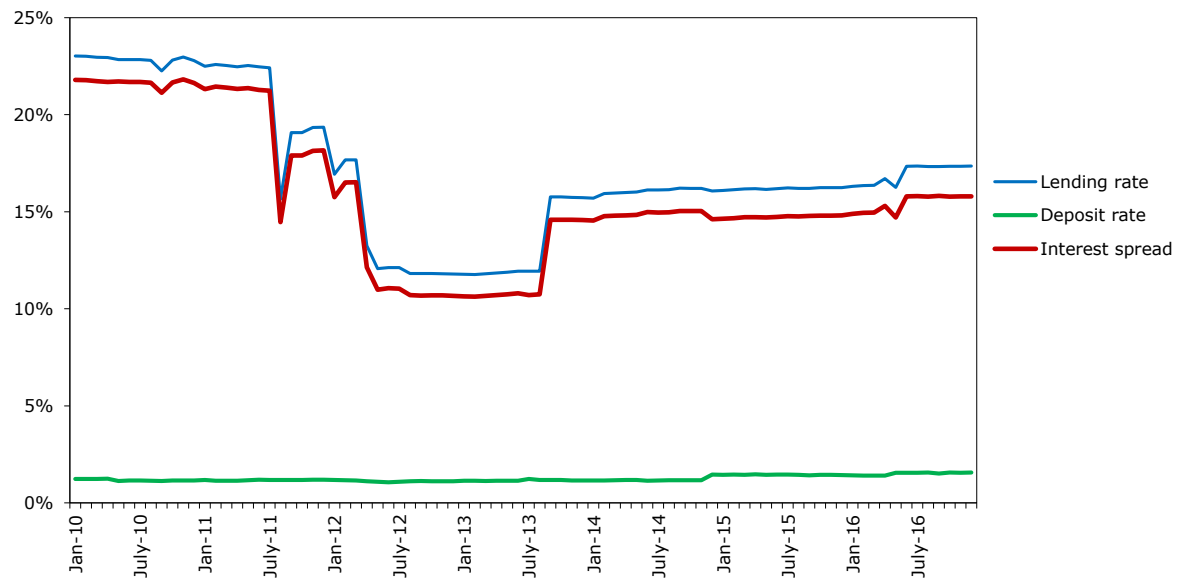
4.78. High, albeit declining, interest spreads between lending rates and the remuneration of deposits remain in place. Between January 2011 and end-December 2016, Cambodia's bank interest rate spread (difference between the average borrowing and lending rates in nominal terms) dropped from 21.3% to 15.8% (Chart 4.1) due to the increase in the number of banks which increased competition in the market. Changes in the spread are an indicator of profitability developments as the spread is where a bank makes its money.¹⁷⁰

4.79. According to the Association of Banks in Cambodia, the country's banking sector remains hampered by a lack of financial depth, fragmentation, structural distortions such as an inadequate legal framework for secured transactions, and information asymmetry arising from poor disclosure standards.¹⁷¹ According to the World Bank's Doing Business Report 2014, Cambodia's only financial-sector reform was an improvement of access to credit information, the result of the establishment of the first private credit bureau.

¹⁶⁹ IMF (2016), *IMF Country Report No. 16/340*, Cambodia. Viewed at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=44370.0>.

¹⁷⁰ Moneyterms online information. Viewed at: <http://moneyterms.co.uk/interest-spread/>.

¹⁷¹ Bertelsmann Stiftung, BTI (2016), *Cambodia Country Report*, Gütersloh. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Cambodia.pdf.

Chart 4.1 Interest rate spread (%), January 2010 to December 2016

Source: National Bank of Cambodia online information.

Securities

4.80. Since 2011, the Cambodian Stock Exchange (CSX), a joint venture between the Government of Cambodia and Korea Exchange (KRX), has offered increased access to the equity capital markets in Cambodia. In accordance with the Joint-Venture Agreement, the CSX has been capitalized by both parties in which MEF owns 55% of the registered capital and KRX the remaining 45%. In accordance with the Law on Issuance and Trading of Non-Government Securities, the CSX was granted approval to function as market operator, clearing and settlement facility operator and depository operator.¹⁷² As of 2017, four companies¹⁷³ were listed in CSX.

4.81. Since 2007, the Securities and Exchange Commission of Cambodia (SECC) has assisted the Government on the strategic and regulatory aspects of the securities market in Cambodia as well as on the licensing of all relevant securities-related operators, including the securities market operator, securities depository, clearance and settlement of facility operators, underwriters, dealers, brokers, investment advisors, securities representatives, investment advisory representatives, securities-specialized accounting firms, cash settlement agents, securities registrars, securities transfer agents and paying agents.¹⁷⁴

4.82. Since the establishment of the CSX, several regulations have been approved, whereas the main legislation governing the securities activities remained unchanged.¹⁷⁵ Sub-decree by the MEF on Tax Incentives in Securities Sector, dated April 2011, determines the types, activities and other requirements of tax incentives in the securities sector.¹⁷⁶ In January 2015, Cambodia issued a Sub-decree on tax incentives in the securities exchange sector which determines activities and conditions to be considered as tax incentives in the securities exchange field. The same year, the Government issued a Prakas on the suspension of pre-payment of profit tax for

¹⁷² DFDL (2016), *Cambodia Investment Guide*, Phnom Penh; CSX online information. Viewed at: <http://csx.com.kh/en/about/profile.jsp?MNCD=10301>.

¹⁷³ Companies include: Phnom Penh SEZ Plc. (PPSP), Phnom Penh Autonomous Port (PPAP), Grand Twins International (Cambodia) Plc (GTI), and Phnom Penh Water Supply Authority (PWSA).

¹⁷⁴ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

¹⁷⁵ Main regulation includes: the Law on the Issuance and Trading of Non-Government Securities, dated 19 October 2007 (Securities Law) and its implementing Sub-decree No. 54, dated 8 April 2009 (Securities Sub-decree); implementing regulations issued by the SECC; and the Law on Government Securities, dated 10 January 2007 (Government Securities Law).

¹⁷⁶ Regulations of Ministry of Economy and Finance provided by the authorities.

companies/enterprises eligible for tax incentives in the securities exchange sector, thus allowing temporary suspension of monthly pre-payments by these companies.¹⁷⁷

4.83. Foreign investors have access to all investment products available to domestic investors. They receive national tax treatment in relation to operations in the financial and capital markets.¹⁷⁸

4.4.3.2 Insurance

4.84. During the review period, the contribution of insurance activities to GDP rose. Cambodia's insurance penetration rate is ASEAN's lowest; as of 2016, overall insurance coverage in Cambodia amounted to 0.62% of GDP (2016), compared to Malaysia's and Singapore's premiums which accounted for 5.1% and 5.8% of GDP, respectively.¹⁷⁹ The sector remains small but gradually expanding, with total premium revenues of US\$60 million in 2014.¹⁸⁰ In 2016, the total gross premium increased by 40% to US\$120 million compared to US\$86 in 2015.¹⁸¹ The majority of premium volume comes from general insurance (59% of market share), followed by life insurance (36% of total premium) and micro-insurance (5% of total premium); the share of health insurance, often offered by foreign-owned companies and those servicing foreign-owned corporates with operations in Cambodia, is minor.¹⁸²

4.85. The insurance market remains characterized by high concentration. Forte insurance, the largest insurance provider had a 47% market share in 2016, followed by Infinity General Insurance Plc with a 14% market share.¹⁸³ As at June 2017, the insurance sector comprised eight general insurance companies, six life insurance companies including one state-owned company and one reinsurance company, Cambodia Re.¹⁸⁴ Additionally, three NGOs were licensed as Community-Based Health Insurance Implementer providers.¹⁸⁵ Simultaneously, the MEF granted eight micro-insurance licences (see below) including two in life activities and one in non-life activities.¹⁸⁶

Policy and institutional setting

4.86. During the review period, Cambodia's insurance policy and institutional framework remained unchanged. An Insurance Strategic Plan 2011–2020, which foresees the establishment of an

¹⁷⁷ Regulations of Ministry of Economy and Finance provided by the authorities.

¹⁷⁸ WTO document GATS/SC/140, 25 October 2005.

¹⁷⁹ *Khmer Times*, "Record growth in insurance", 7 February 2017. Viewed at: <http://www.khmertimeskh.com/news/35153/>.

¹⁸⁰ World Bank (2016), *Improving Macroeconomic and Financial Resilience. Cambodia Economic Update*. April. Viewed at: <http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

¹⁸¹ *Khmer Times*, "Record growth in insurance", 7 February 2017. Viewed at: <http://www.khmertimeskh.com/news/35153/>.

¹⁸² World Bank (2016), *Improving Macroeconomic and Financial Resilience. Cambodia Economic Update*. April. Viewed at: <http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

¹⁸³ *Khmer Times*, "Record growth in insurance", 7 February 2017. Viewed at: <http://www.khmertimeskh.com/news/35153/>.

¹⁸⁴ The general insurance companies are: Asia Insurance, Cambodia-Viet Nam Insurance, Caminco Insurance, Campu Lonpac Insurance, Forte Insurance, Infinity Insurance, and People & Partner Insurance and Phillip Insurance. The life insurance companies are: Cambodia Life Insurance (state-owned), Manulife (Cambodia), Prudential (Cambodia), Sovannaphum Life (Cambodia), Bangkok Life (Cambodia) and AIA (Cambodia). Life Insurance Association of Cambodia online information. Viewed at: <http://www.iac.org.kh/index.php#>.

¹⁸⁵ Community-Based Health Insurance is a response to obstacles to the implementation of universal coverage. These NGOs consisted of: the Cambodian Centre for Study and Development in Agriculture (CEDAC), the Angkor Chum Operational District Cooperation Health Insurance (STSA), and the Cambodian Health Committee (CHC). World Bank (2016), *Improving Macroeconomic and Financial Resilience. Cambodia Economic Update*. April. Viewed at: <http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

¹⁸⁶ These companies comprise: in the life sector, Prevoir (Kampuchea) Micro-Insurance Plc. (2011) and Milvik (Cambodia) Plc. (Bima) (2014); and in the non-life sector, Cambodian People Micro Insurance Plc. (2015). Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

independent insurance commission by 2020, is being implemented.¹⁸⁷ The MEF remains in charge of issuing regulations and managing and controlling the conduct of insurance businesses. Its Insurance and Pension Department of the General Department of Financial Industry remains the insurance regulator in Cambodia.¹⁸⁸ The MEF manages an Insurance Industry Development Fund for promoting, supporting, and encouraging public interest in insurance.

Regulatory framework

4.87. The main regulatory framework of the sector was considerably updated during the review period. The Law on Insurance (20 June 2000) and the Sub-decree on Insurance (22 October 2001) were replaced by a wide-ranging new Law on Insurance of 4 August 2014; its implementing sub-decree was at drafting stage in June 2017. The 2014 Law incorporated changes related to better protection for policyholders, increased control for the regulatory body, dispute resolution and insurance companies liquidation and dissolution process, as well as a clearer regulation for insurance companies operating in Cambodia.¹⁸⁹ It also introduced a compulsory Motor third-Party Liability Insurance (MTPL) and micro-insurance activities in Cambodia.¹⁹⁰ Furthermore, the 2014 Law increased sanctions related to illegal insurance activities; underwriting insurance without a licence may incur a fine ranging from 50 million riel to 100 million riel, and recidivism is sanctioned at two times this rate, or with five years' imprisonment, or both. At the same time, it allowed for a further sub-decree to provide exceptions for company licensing.

4.88. According to the World Bank, although the 2014 Law opened up new opportunities in the insurance sector, challenges such as the limited long-term investment instruments for insurers to manage their assets and liabilities, and the enhancement of risk-based supervisory practices, remain to be addressed.¹⁹¹

Market access

4.89. Market access conditions remained unchanged during the review period. Insurance companies must be registered as a public limited company (Plc), the only business form available. The MEF requires the insurance company to be rated AA+.¹⁹² There are no FDI restrictions applying to the sector; local insurance companies may be owned 100% by foreign investors.¹⁹³ A foreign insurer must abide by the regulations and establish a locally incorporated company meeting domestic requirements; a branch of a foreign insurer is not permitted. Insurance intermediaries or loss adjusters can be registered as a private limited company. Furthermore, any entity conducting insurance activities, except for reinsurance, must be licensed by the regulator, the MEF.¹⁹⁴ Only licensed companies may underwrite insurance business.

¹⁸⁷ Law Business Research Ltd. (2015). *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

¹⁸⁸ Insurance and Pension Department online information. Viewed at: <http://gdfi.mef.gov.kh/insurance/about/index.php?id=2%20&id1=10&lng=en>.

¹⁸⁹ Norton Rose Fulbright (2017), *2017: Insurance Regulation in Asia Pacific*. Viewed at: <http://www.nortonrosefulbright.com/files/insurance-regulation-in-asia-pacific-113885.pdf>.

¹⁹⁰ Micro-insurance is the protection of low-income people (those living on between approximately US\$1 and US\$4 per day against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. World Bank (2016), *Improving Macroeconomic and Financial Resilience. Cambodia Economic Update*, April. Viewed at: <http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

¹⁹¹ World Bank (2016), *Improving Macroeconomic and Financial Resilience. Cambodia Economic Update*, April. Viewed at: <http://documents.worldbank.org/curated/en/403961467989523939/pdf/104756-REVISED-PUBLIC-Final-CEU-April-2016-English.pdf>.

¹⁹² Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

¹⁹³ Norton Rose Fulbright (2017), *2017: Insurance Regulation in Asia Pacific*. Viewed at: <http://www.nortonrosefulbright.com/files/insurance-regulation-in-asia-pacific-113885.pdf>.

¹⁹⁴ Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

Prudential regulations and capital requirements

4.90. The legislation provides for a minimum capital of 5 million special drawing rights (SDRs) for general, life insurance or reinsurance companies.¹⁹⁵ The minimum capital requirements for a micro-insurance company (life or non-life) constitute one-fourth of the amount of the underwritten premium with a minimum of 600 million riel; for insurance brokers – 200 million riel; for insurance agents and loss adjusters – 20 million riel.¹⁹⁶

Taxation

4.91. Insurance taxation remains an issue as it seemingly affects the development of insurance companies' activities. Insurance companies are subject to a 5% profit tax on the gross premium. Although insurance companies are not subject to VAT, in practice, insurance intermediaries are required to charge VAT on their commissions.¹⁹⁷ As the insurance company cannot claim a VAT deduction, the non-deductible VAT is included in the gross premium amount, and therefore also taxed at 5%. Furthermore, besides the 5% tax on gross premiums, insurance companies must pay a 0.5% contribution to the MEF Insurance Industry Development Fund (see above).

Reinsurance

4.92. As of 2017, the state-owned Cambodia Re remained the only reinsurance company operating in the country. Under the ASEAN Framework Agreement on Services (AFAS), Cambodia has committed to liberalize the reinsurance business. Domestic insurers are allowed to reinsure their risks abroad. According to the 2014 Law, an insurance company must, as a pre-emptive right, reinsure at least 20% of the insurance risk at the minimum insurance premium rate defined by the MEF. Changes may be under way as Article 63 of the 2017 draft sub-decree implementing the Law on Insurance (see above) stipulates that reinsurance must be offered to insurance companies operating in Cambodia before reinsurance is arranged overseas. Article 64 of the same draft sub-decree states that "all insurance contract with a total insured sum less than or equal to US\$500,000 shall be reinsured with insurance companies in Cambodia, except for life insurance". Article 67 of the draft sub-decree requires that a compulsory cession of 20% on all non-life insurance contracts must be ceded to Cambodia Re. Reinsurance premiums paid abroad are not subject to the 14% withholding tax which is generally due for any payment abroad.¹⁹⁸

4.4.4 Communications

4.4.4.1 Telecommunications

4.93. According to the authorities, the contribution of telecommunications to GDP stood at 5.5% (2014). Between 2011 and 2016, the number of mobile phone subscribers rose from 15.7 million to 20 million and the number of internet (mobile/fixed) users from 1.7 million to 8.1 million. On the other hand, the number of fixed (wireline/WLL) subscribers decreased from 559,381 to 227,261. In June 2016, the penetration rate of mobile services was reduced to 127%, after reaching its peak of 139.35% in 2014. The fixed-line penetration rate also fell from 3.81% in 2011 to 1.45 in 2016 while the internet penetration rate attained four times its 2011 level. At the same time, fixed broadband penetration is increasing moderately from a very small base, 0.2% in 2012 to 0.6% in 2016. It is predicted to reach between 2.2% and 2.7% by 2021.¹⁹⁹ Although it is not low *per se* and catching up quickly, mobile telephony penetration in Cambodia is still the lowest in East Asia whose rates are actually quite high, likely *inter alia* as a result of the later start and the preference of providers to concentrate on more heavily populated areas or people having or

¹⁹⁵ As of 21 April 2017, 1 SDR = US\$1.36.

¹⁹⁶ Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

¹⁹⁷ Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

¹⁹⁸ Law Business Research Ltd. (2015), *The Insurance and Reinsurance Law Review*. Viewed at: http://www.bun-associates.com/wp-content/uploads/2015/05/The-Insurance-And-Reinsurance-Law-Review_3rd-edition_2015.pdf.

¹⁹⁹ Budde online report/information. Viewed at: <https://www.budde.com.au/Research/Cambodia-Telecoms-Mobile-Broadband-and-Digital-Media-Statistics-and-Analyses>.

needing to have more than one phone.²⁰⁰ Whereas nominal mobile telephony costs are reported to be among the lowest in the region, broadband internet prices are prohibitively high – up to US\$40 a month in some provinces. This is mostly due to the limited fixed-line infrastructure which inhibits the expansion of fixed broadband Internet services; according to ITU data, mobile broadband penetration stood at 50% as of 2016, a good level for an LDC. To overcome this limitation, some operators have applied for wireless broadband licences, including for the provision of local fixed-lined telephony and broadband networks, "wireless local loop" networks. Deficiencies in the regulatory framework (see below) and licensing are reportedly limiting the expansion of this technology.²⁰¹ In 2016, Cambodia ranked 125th out of 175 countries in the ICT Development Index, which is two positions higher than in 2015.²⁰²

4.94. As of 2016, the Cambodian telecoms market consisted of eight fixed-line operators (wireline/WLL), six mobile phone operators, and 36 Internet (mobile/fixed) operators. The major fixed phone/network operators were: 90% foreign-owned Metfone (with market share of 72.89%), the state-owned Telecom Cambodia (14.35%) under the control of the Ministry of Post and Telecommunications Cambodia (see below) and financial administration of the MEF, Camintel (10.84%), and CamGSM (1.02%). Mobile operators included Metfone (with market share of 44.82%), Smart Axiata (40.21%), CamGSM (13.41%), CadComms (0.76%), CooTel (0.49%), and SEATel (0.32%). The majority of mobile operators are of foreign ownership, except CamGSM which is the only 100% Cambodian-owned and operated telecommunications company in the country.

4.95. In principle, the telecoms market is open to any investor. There is no restriction on the number of operators by segment. However, the Ministry of Post and Telecommunications of Cambodia (MPTC) may refuse to grant telecoms licences due to limited resources such as radio frequency or other reasons upon proper study and consultation. Prakas contain the conditions and procedures for granting, amending, suspending, transferring and revoking the telecommunication permits, certificates and licences. Fixed-line providers are subject to limited competition, as the market is mostly controlled by Metfone. The mobile services market is more competitive, although some consolidation is under way.²⁰³ In 2013, operator Smart Mobile merged with the operator Hello (controlled by Malaysia's Axiata Group) to become Smart, the second-largest company in Cambodia's telecommunications market in terms of subscribers.²⁰⁴ In 2015, Cambodia mobile operator, Sotelco, entered into an agreement to transfer certain licences to Viettel Cambodia, operating as Metfone (controlled by the Vietnamese Viettel Group), and it ceased providing mobile services and terminated contracts with subscribers.²⁰⁵ In 2016, Viettel Group announced that it was considering selling part of its stake in Metfone, where Viettel holds 90%. At the same time, operators continue to expand their market share by increasing investments into new technologies. In August 2016, Smart Axiata announced plans to invest a further US\$75 million during the rest of 2016 as it continues to expand its 4G LTE network nationwide. In January 2016, Cambodian Kingtel, a subsidiary of KeyBridge International (Hong Kong) Investment, started offering

²⁰⁰ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²⁰¹ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²⁰² ITU (2016), *ICT Development Index 2016*. Viewed at: <http://www.itu.int/net4/ITU-D/idi/2016/>;
<http://www.itu.int/net4/ITU-D/idi/2015/>.

²⁰³ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²⁰⁴ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²⁰⁵ TeleGeography online information. Viewed at: [viettel/https://www.telegeography.com/products/commsupdate/articles/2013/02/21/completion-of-hello-merger-makes-smart-the-second-largest-cellco/](http://www.telegeography.com/products/commsupdate/articles/2013/02/21/completion-of-hello-merger-makes-smart-the-second-largest-cellco/).

²⁰⁵ TeleGeography online information. Viewed at: <https://www.telegeography.com/products/commsupdate/articles/2015/03/23/sotelco-agrees-to-transfer-licences-customers-to-viettel/>.

commercial fibre-based internet access services in Phnom Penh and planned to launch voice telephony during early 2016. The same year, Huawei Technologies signed a MoU with Star Digital MUDS TV, a Cambodian telecoms and media consultancy firm. Huawei (China) agreed to provide telecoms equipment and services to Star Digital to support the implementation of a 4G network. Additionally, Thailand's National Broadcasting and Telecommunications Commission (NBTC) plans to set up a standard registration platform for pre-paid mobile SIM cards across Cambodia.²⁰⁶

Policy and institutional framework

4.96. Cambodia's T-ICT Development policy 2020, which was introduced in April 2016, is aimed, *inter alia*, at strengthening and widening T-ICT infrastructure connectivity, promoting human resource development, and diversifying ICT industrial development.²⁰⁷ The policy is financed by the Government, the private sector, development partners, dialogue partners, USF, Grant Aid, and other entities. Its T-ICT Action Plan includes: the provision of a trustworthy and clear regulatory framework; the elaboration of policies on broadband, radio frequency spectrum, e-government (Section 2.2.2), and other related ICT policies and related legislation (e.g. e-commerce (Section 4.4.6.2), cyber-crime, digital signature); the development of T-ICT infrastructure; and enhancement of ICT literacy, human resource development, and R&D.²⁰⁸

4.97. During the review period, the institutional framework governing the sector was changed. In 2012, the Telecommunication Regulator of Cambodia (TRC), an autonomous and independent (from telecommunications stakeholders) public entity, was established. In 2016, the TRC's functions and structure were changed.²⁰⁹ The TRC's role, *inter alia*, is to enforce regulations relating to the operation and provision of telecommunications network and services (e.g. licensing, interconnection, tariffs, and dispute settlement) in order to promote fair, efficient, and transparent competition. The Ministry of Post and Telecommunications of Cambodia (MPTC) is in charge of determining and overseeing the implementation of the national telecommunications and ICT policy, issuing regulations and international cooperation in this sector.²¹⁰ The General Directorate of Posts and Telecoms and the General Directorate of ICT function as the implementing entities within the MPTC.²¹¹

Regulatory, operational and investment framework

4.98. The main regulatory framework was improved with a new Law on Telecommunications, published on 17 December 2015, that, *inter alia*, determines the role of the MPTC and TRC, and provides the principles and basis for regulating licensing, the frequency spectrum, the numbering plan, the IP and domain name, network and infrastructure, the universal service fund (see below), capacity building and R&D fund, telecom pricing and competition, and conflict resolution.²¹² The licensing regime was reformed from a single-service licence to a unified (multi-services) licence;

²⁰⁶ Budde online report/information. Viewed at: <https://www.budde.com.au/Research/Cambodia-Telecoms-Mobile-Broadband-and-Digital-Media-Statistics-and-Analyses>.

²⁰⁷ MPTC (2016), *T-ICT Development Policy 2020*, April.

²⁰⁸ MPTC (2016), *Action Plan for the Implementation of Telecommunication and ICT Development Policy*, August.

²⁰⁹ Telecommunication Regulator of Cambodia online information. Viewed at: <https://www.trc.gov.kh/en/>; Royal Decree No. 1215/017, 17 December 2015; and Sub-decree No. 45, 16 March 2016 regarding the organization and operation of the Telecommunication Regulator of Cambodia.

²¹⁰ Presentation by Mr. Im Vutha' Director of Regulation and Dispute Unit, TRC, titled *The Dispute Resolution at Telecommunication Market, Kingdom of Cambodia*. Viewed at: <https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/Documents/Events/2015/Aug-ITP/Presentations/Dispute%20Resolution%20in%20Cambodia%20Telecom%20Market.pdf>.

²¹¹ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²¹² According to a 2014 World Bank assessment, Cambodia's past regulatory framework in the telecommunications sector was reported to be opaque, inconsistent and non-transparent. World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>. Presentation by Mr. Hang Khothara, Director of Telecoms Policy Department MPTC at the Workshop on Economic Aspects of Spectrum Management, 21-23 November 2016, Tehran, Iran. Viewed at: <http://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/Documents/Events/2016/Nov-SM-Economics/Presentations/Day%202%20-%20Session%204%20%28Cambodia%29.pdf>.

telecommunication/ICT infrastructure sharing and efficient use of scarce resources are encouraged and promoted. Draft sub-decrees on the preparation, allocation and management of Radio Frequency Spectrum, on the mechanism for the implementation of the universal service fund, on the mechanism for the implementation of capacity building and research and development fund in the telecommunications and ICT sector, on digital signature, and on licensing of ICT operations have been prepared, and were to be issued in July 2017. A draft Sub-decree on Numbering Fee and on License Fee and Prakas on MPTC/TRC's Provision of Public Services and on Competition are to be issued in 2017. Draft cybercrime and e-commerce laws (Section 4.4.6.2) are under preparation. Similarly, work on some strategic plans such as a Digital Skill Strategic Plan, an Industrial Technology Plan, and an SME Technology Strategic Plan is under way.

4.99. Telecommunications operators are required to share their revenues with the MPTC in the form of a licence fee, in addition to the payment of taxes in accordance with the provisions of the Taxation Law; the revenue collected is transferred to the national budget.²¹³ The percentage of revenue from mobile and fixed phone services to be "shared" increases incrementally; it is 4% for the first five years, 7% for the next five years, and 10% for more than 10 years. Licensees that have some fixed-network capability or carry international traffic (International Telecommunication Gateway (ITG)) may also be required to share up to 51% of their gross revenue with the MPTC; it seems that three older licensees using the ITG are required to pay this higher revenue share. The exact percentages of revenue to be shared by operators with the MPTC vary on a case-by-case basis and are determined by type of operation and infrastructure to be constructed. There are currently three licences for ITG; however, many operators use VoIP instead of ITG for their international traffic because the revenue sharing for VoIP is 2% for the first five years, 4% for the next five years, and 6% for more than 10 years. Under MPTC Prakas No. 122 of 7 April 2017, conditions and procedures for granting, amending, suspending, transferring and revoking the telecommunication permits, certificates and licences are set; the new revenue sharing, commonly known as the License Fee, and related fees will be determined by the new Sub-decree to be issued in the course of 2017.

4.100. Foreign equity participation under GATS commitments is subject to a requirement for local shareholding of up to 49% in certain telecommunications services (Section 2.4); the authorities indicated that in practice this does not apply as no domestic regulation sets such a requirement.²¹⁴

Number portability

4.101. No regulation on number portability exists at present. However, the 2015 Telecommunication Law envisages the issue of a regulation on the national numbering plan, which will promote the efficient use of such resource, but due to technical constraints there has been no progress so far.

Tariffs

4.102. As the telecommunications sector remains price regulated to prevent predatory pricing and safeguard fair and free competition, the operators must not set service tariffs lower than the cost base as stipulated under item (c) of Article 56 of the 2015 Law. The current cost-based model used is the ITU's Long Run Average Incremental Cost. The minimum interconnection price has not been defined yet; a new Prakas on Interconnection is to be prepared.²¹⁵ Access to the emergency services must be provided free of charge. Operators are obliged to publish the telecommunications service tariffs including the amended or varied tariffs. All agreements for granting monopolistic rights to telecommunications operators and the provision of subsidies in any form and means,

²¹³ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

²¹⁴ Voice telephone services (CPC 7521), Packet-switched data transmission services (CPC 7523**), Circuit-switched data transmission services (CPC 7523**), Telex services (CPC7523**), Telegraph service (7522), Facsimile services (CPC 7521**+7529**), Private leased circuit services (CPC 7522**+7523**). WTO document GATS/SC/140, 25 October 2005.

²¹⁵ Inter-ministerial Prakas No. 232 of 7 December 2009 between the MPTC and MEF set the minimum prices for telecom services and interconnection; however, in December 2013 this minimum price scheme was suspended and a cost-based pricing is being used until the new Prakas is issued. *The Cambodia Daily*, "Council of Ministers Nullifies Telecom Law", 23 December 2013. Viewed at: <https://www.cambodiadaily.com/archives/council-of-ministers-nullifies-telecom-law-49573/>.

except for those permitted by regulations based on the assessment and evaluation of TRC and approved by MPTC, are prohibited under the 2015 legislation.²¹⁶

Universal service obligations

4.103. No universal service obligation (USO) scheme has been put into place so far, although initiatives are being taken in this area. Under the 2015 Law, the USO programme will encourage, *inter alia*, the construction and development of telecommunications networks, and the provision of basic telecommunications services, value added services and emergency services more broadly in rural and remote areas, thus reducing the digital divide to advance social and economic development. The programme, which is aimed at 70% coverage in rural areas and 100% in cities by 2020, is to be supported by a Universal Service Obligation Fund, financed by domestic or overseas financial resources. Telecommunications operators and other stakeholders of the sector are to contribute 2% of their gross revenue to the fund annually. According to the draft Sub-decree to be issued in July 2017 (see above) on the mechanism for the USO implementation, a seven-member board led by the Minister of MPTC is to set the policy in this area and oversee the implementation of the programme. A Secretariat led by the Director General of the Directorate General of Posts and Telecommunications of MPTC is to assist the board in implementing the programme.

4.4.4.2 Audiovisual and broadcasting services

4.104. The sector is vibrant and largely unregulated, therefore allowing for numerous radio, television and media outlets. As of 2017, Cambodia had: 2 state AM radio stations; 21 state FM radio stations; 247 private radio stations, including 9 foreign stations; 29 TV stations, including 9 state TV stations; 1 satellite TV station (cooperation between public and private company); and 5 digital pay TV stations, including 3 joint ventures with TV stations (including the joint venture between Cambodia's Royal Group of Companies and Russia's General Satellite). Since 2009, the film industry has grown by 26% attracting overseas film companies and directors to shoot in Cambodia.²¹⁷ According to the 2014 World Bank study, the country's 3D animation studios suggest that Cambodia has the ability to attract investments capable of producing niche high-value services exports.²¹⁸

4.105. Similar to other countries, since 2011, a policy has been in place aimed at developing the media system to suit the current advancement of technology and to further cooperation with neighbouring countries to exchange experiences in the information sector and build technical skills. The Ministry of Information (MoI) determines, *inter alia*, the national radio and TV broadcasting policy and regulation, as well as international cooperation with other States in this area.²¹⁹ The MoI, in cooperation with the MPTC, allocates frequency spectrum for broadcasting, and may intervene in the content of broadcasting whenever required; the control of content is under the MoI.²²⁰ The 2003 Law on Copyright and Related Rights (Copyright Law) continues, *inter alia*, to ensure the rights of broadcasting organizations and ensure a fair and legitimate exploitation of cultural products, in particular with regard to the equality between Khmer and foreign culture (Section 3.3.7).²²¹ To safeguard, maintain, and promote Khmer culture and to support the local movie industry, the MoI bans the broadcasting of foreign dramas from 19:00 to 21:00. Furthermore, whenever the local industry improves, the MoI plans to restrict the broadcasting of

²¹⁶ The Law on Telecommunications (2015), information provided by the authorities.

²¹⁷ Online information. Viewed at:

<https://www.revolvy.com/main/index.php?s=Media%20of%20Cambodia>.

²¹⁸ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at:

<http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Servi ce0Trade.pdf>.

²¹⁹ Presentation by Mr. Im Vutha Director of Regulation and Dispute Unit, TRC, titled *The Dispute Resolution at Telecommunication Market, Kingdom of Cambodia*. Viewed at: <https://www.itu.int/en/ITU-D/Regional-Presence/AsiaPacific/Documents/Events/2015/Aug-ITP/Presentations/Dispute%20Resolution%20in%20Cambodia%20Telecom%20Market.pdf>.

²²⁰ ITU (2015), *Cambodia country profile*. Viewed at: <https://www.google.ch/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjhyYDno7TAhWDwBQKHciOA7AQFgqiMAA&url=https%3A%2F%2Fwww.itu.int%2Fnet4%2FITU-d%2Ficteye%2FCountryProfileReport.aspx%3FcountryID%3D48&usq=AFOiCNFhDi8vVERTB3FcWei739IGX5VCIQ>.

²²¹ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

foreign movies to not more than 20% of the total movie broadcasting programs; at the same time, all commercial advertisements are to be produced locally so as to support the local industry and artists. Cambodia does not prohibit foreign firms from distributing foreign films and videotapes.

4.4.5 Transport

4.106. During the review period, the contribution of transportation remained an important component of trade in services (Section 4.4.1). Under the NSDP 2014-2018, the transport policy is, *inter alia*, aimed at: construction of roads (target of 300 km-400 km of roads per year); repair and maintenance of the transport system; better enforcement of the 2007 Law on Road Traffic to increase traffic safety; designing and implementing the Master Plan for Transport Infrastructure Development; preparation of policies and legal framework for infrastructure development (Law on Ports, Law on Roads); and promotion of public-private partnerships (PPP) in transportation infrastructure.²²²

4.107. No changes were made to the institutional framework governing transport.²²³ The Ministry of Public Works and Transportation (MPWT) remains in charge of developing the legal and regulatory framework; formulating regulations for developing roads, ports, and railways; participating in and coordinating laws and regulations; undertaking other construction activities; and cooperation with the State Secretariat of Civil Aviation (SSCA) for airport construction works (Section 4.4.5.2). The SSCA remains responsible for managing and developing the country's civil aviation sector.

4.108. According to the IMF, despite Cambodia's central location in ASEAN, its transportation system suffers from inefficient infrastructure, poor logistics performance, and high transportation costs. According to an ADB assessment, changing to a multimodal urbanized transport system in Cambodia is essential in order to lower transport costs and attract competition in services.²²⁴ The relative lack of rail services, limited inland waterway services, and limited docking facilities – especially for container ships – all contribute to high transportation costs in the country. Cambodia has higher logistics costs relative to its peers, e.g. Viet Nam and Thailand.²²⁵ According to the World Bank's Logistics Performance Index 2016, Cambodia ranked 99th in the quality of trade and transport related infrastructure, 52nd in the ease of arranging competitively priced shipments, 89th in competence and quality of logistics services, and 73rd out of 160 countries in the frequency with which shipments reach the consignee within the expected delivery time and behind other peers in South Asia, e.g. Viet Nam and Thailand.²²⁶ Frequent informal payments due to the lack of regulatory clarity in the transport sector also contribute to raising costs of transportation around the country.²²⁷ Government initiatives to address these issues include the promotion of private and foreign investment in infrastructure development projects and looking for options to reduce transport costs. As of April 2015, Cambodia received US\$407.25 million of active lending, grants, and technical assistance from the ADB for the development of its transport sector.²²⁸

4.4.5.1 Shipping

4.109. Cambodia's national flag merchant fleet capacity decreased from 2.8 million deadweight tonnes (dwt) (836 vessels) in 2011 to 1.9 million dwt (677 vessels) in 2016. Notwithstanding this

²²² Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²²³ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²²⁴ ADB (2011), *Cambodia Transport Sector Assessment, Strategy and Road Map*, September. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/33102/files/cam-transport-assessment.pdf>.

²²⁵ IMF (2015), *2015 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director of Cambodia*, November. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15307.pdf>.

²²⁶ World Bank (2016), *Connecting to compete. Trade Logistics in the Global Economy*. Viewed at: https://wb-lpi-media.s3.amazonaws.com/LPI_Report_2016.pdf.

²²⁷ World Bank (2014), *Cambodia Services Trade: Performance and Regulatory Framework Assessment*, July. Viewed at: <http://documents.banquemondiale.org/curated/fr/806791468015647474/pdf/912430WP0P12570mbodia0Service0Trade.pdf>.

²²⁸ IMF (2015), *2015 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director of Cambodia*, November. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15307.pdf>.

development, as at 2016, it remained the largest fleet among Asian LDCs and consisted, in dwt terms, mainly of general cargo (77.6%), oil tankers (3.9%), bulk carriers (9.8%) and container ships (1.8%), reflecting the structure of Cambodia's merchandise exports.²²⁹

Policy and institutional framework

4.110. Under the NSDP 2014-2018, Cambodia's shipping policy priorities, *inter alia*, consist of: issuing regulations in a number of areas; enforcing laws, provisions and rules of maritime transport agreements; completing the electronic marine navigational chart and the multi-purpose terminal at Preah Sihanouk Port; enhancing the promotion of Preah Sihanouk Port SEZ and fulfilling all rents; and providing user-friendly services for vessels.²³⁰ The Department of Merchant Marine of the MPWT remains in charge of administrative affairs related to merchant shipping, and regional and international maritime cooperation.²³¹

Regulatory and operational framework

4.111. The regulatory environment remains unchanged. The 1999 Merchant Shipping Act continues to regulate maritime services.²³²

4.112. Cambodia provides neither subsidies nor investment incentives for the sector. All transport services provided by waterways fall under the Negative List of the 2005 Sub-decree N111ANK/BK.²³³ The 2003 partnership between the Government and a private Korean company, ISROC, on the registration of national and international vessels was terminated in 2015; the Cambodian flag registry currently falls under the responsibility of the MPWT.²³⁴ In the context of the NSDP 2009-2013, the Government issued 36 vessels ID Cards, 67 business patents and 195 certificates; it also conducted technical inspections (for renewal and extension) for 147 vessels.²³⁵

4.113. No requirements for a share of foreign merchandise trade to be transported by national flag vessels are in place. According to the authorities, no regulation on cabotage is in place and cabotage is allowed and open to all vessels. However, cabotage is not permitted under the Cross Border Navigation Agreement between Cambodia and Viet Nam (amended in 2009), which governs the supply of cross border shipping services along the Mekong River between the two countries. The agreement mutually recognizes the authority of the other contracting party to issue the needed operating permits to carriers without any limitations in number.²³⁶

4.114. Cambodia is a member of the International Maritime Organization, but ratification of most of its conventions remains pending.²³⁷

²²⁹ UNCTAD online Maritime Profile data. Viewed at: <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>.

²³⁰ Areas for regulatory action include: the Cambodian Maritime Code; Prakas on port entry permit given to foreign vessels to call ports in Cambodia; Sub-decree on establishing national system for response and cooperation in case of oil-spill at sea; and Sub-decree on crew book and certificate of competency. Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²³¹ MPWT online information. Viewed at: <https://www.mpwat.gov.kh/directorates/transport.html?lang=en>.

²³² Cartner et al., *The International Law of the Shipmaster*, London.

²³³ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

²³⁴ Until 2002, the Cambodian Shipping Corporation (CSC), based in Singapore, was in charge of registering vessels under the national flag. ISROC online information. Viewed at: <http://www.flagadmin.com/regulations-cambodia-en.html>; *The Cambodia Daily*, "Government Sold National Ship Registry Rights", November 2013. Viewed at: <https://www.cambodiadaily.com/archives/government-sold%E2%80%88national-ship-registry-rights-48186/>; Cartner et al., *The International Law of the Shipmaster*, London.

²³⁵ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²³⁶ World Bank (2014), *Cambodia Trade Corridor Performance Assessment*. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

²³⁷ IMO (2017) online information. Viewed at: <http://www.imo.org/en/About/Conventions/StatusOfConventions/Documents/Status%20-%202017.pdf>.

Port services

4.115. Cambodia continues to be mainly served by two ports: one river port in Phnom Penh and a seaport in Sihanoukville, the main trade gateway for seaborne cargo entering or leaving Cambodia handling about three-quarters of all trade traffic by volume.²³⁸ Cargo passing through Sihanoukville is transhipped through Singapore or Hong Kong, China; direct vessel calls serving Cambodian ports have been in place since 2016 only.²³⁹ The port caters mainly to feeder ships from Singapore; it also handles oil tankers and general cargo vessels from Malaysia, Thailand, and other countries in the region.²⁴⁰ Maritime ports at Koh Kong near the Thai border and in Kampot province cater mainly for interisland cargo and only take smaller vessels due to their lack of modern equipment and limited berth lengths. As of 2013, the length of Cambodia's inland waterways was about 1,750 km, of which only 850 km are navigable in the dry season.²⁴¹ Cambodia still has a relatively small international freight market with no major bulk commodity flows, unlike some of its neighbours; the number of containers handled by the two main ports is low by regional standards and a single entity, the entirely state-owned Kampuchea Shipping Agency and Brokers (KAMSAB), provides multi-modal (air, land, and sea) shipping agency, cruise, passenger and logistics services.²⁴² In 2016, Cambodia's UNCTAD liner shipping connectivity index stood at 5.61, as compared to China which had the highest score at 167.48, and Viet Nam and Thailand with 62.84 and 44.32, respectively.²⁴³

4.116. During the review period, priority action in the ports area, *inter alia*, involved: developing the waterway works; conducting a water depth survey in upper-stream and lower-stream Mekong River; inviting the private sector to develop river ports; completing the hydrographic survey in the Mekong up to Kampong Cham; installing navigation aids; continuing to revise the sub-decree on river navigation, and continuing the preparation of a master plan on inland waterways.²⁴⁴

4.117. Cambodia's two main ports are state-owned but autonomously operated by the Port Autonomous Sihanoukville (PAS) and Phnom Penh Autonomous Port (PPAP) trusts.²⁴⁵ The PAS and PPAP report to the Council of Ministers, MEF and MPWT. Port charges are considered to be unusually high.²⁴⁶ Stevedoring charges for container loading and unloading may differ as far as handling and crane lifting of empty containers is concerned; for example, as of 2016, whereas the

²³⁸ World Bank (2014), *Cambodia Trade Corridor Performance Assessment*. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

²³⁹ Sihanoukville does not handle large vessels due, *inter alia*, to the limited depth of the entrance channel to the harbour and the rocky outcroppings in the channel limiting entry to vessels of a maximum draft of 8.5 m. World Bank (2014), *Cambodia Trade Corridor Performance Assessment*. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

²⁴⁰ ADB (2014), *Cambodia diversifying beyond garments and tourism. Country diagnostic study*. November. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>.

²⁴¹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²⁴² ADB (2014), *Cambodia diversifying beyond garments and tourism. Country diagnostic study*. November. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>.

²⁴³ UNCTAD (2016) online information. Viewed at: <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=92>.

²⁴⁴ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²⁴⁵ World Bank (2014), *Cambodia Trade Corridor Performance Assessment*. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

²⁴⁶ According to data supplied by the authorities, as of 2016, the main Phnom Penh Port navigation charges and dues for tourist vessels amounted to US\$0.13 per GRT (for each entry/departure) and the berthage charge to 0.0005US\$-US\$0.003 per GRT per hour. For commercial vessels they were as follows: navigation charge at US\$0.13 per GRT (for each entry/departure); berthage charge from US\$0.05 to US\$0.23 per GRT; channel dues at US\$0.31 per GRT for commercial and US\$0.16 per GRT for lighter carriers; pilotage charge from US\$0.003 per GRT (for commercial sea port) to US\$0.03 (for refinery port); tug assistance from US\$18 to US\$215 per hour depending on vessel type; and mooring/unmooring charges (US\$16.50-US\$149 depending on GRT of the vessel). World Bank (2014), *Cambodia Trade Corridor Performance Assessment*. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

handling for discharging an empty 20 feet container is set at zero, loading the same empty type of container costs US\$20.

4.118. Although port infrastructure has expanded, inefficiencies in operations and customs procedures remain and result in high transaction costs and longer port handling times.²⁴⁷ According to the World Bank's Doing Business Report, in Cambodia in 2015, exporting a standard container of goods requires 8 documents, takes 22 days and costs US\$795. Importing the same container of goods requires 9 documents, takes 24 days and costs US\$930.²⁴⁸ Additionally, the MPWT faces challenges, *inter alia*, a lack of skilled human resources, the high price of services, and a lack of modern technologies.²⁴⁹

4.4.5.2 Air transportation

Air transportation services

4.119. The aviation sector continued to expand and support rising levels of tourism (Section 4.4.7) through a new airport terminal recently opened in Phnom Penh (see below), an increased number of domestic certified airlines connecting Phnom Penh to Siem Reap, and newly certified international airlines connecting Cambodia to key transport hubs in the region.²⁵⁰ Between 2011 and 2015, the international air transport frequency increased by 65.2%, from 339 to 560 flights per week, whereas the domestic routes frequency rose by 131.4%, from 35 to 81 flights per week.²⁵¹ As of 2016, total international air cargo stood at 45,655 tonnes, an increase of 25% compared to 2015; most air cargo consisted of garment, textile and luxury products. As of 2016, both domestic and international air cargo carried 79,884.2 tonnes, a 9% increase compared to 2015. As of 2017, 30 Asian and European airlines serviced the international passenger market, and another 10 (previously 4) airlines with minimal state-ownership covered domestic routes; 37 domestic and foreign companies were authorized to fly in and out of Cambodia compared to 18 in 2011.²⁵² The average domestic air passenger fares are estimated at around US\$90 whereas international fares are around US\$295.

4.120. Policy priorities in air transport, *inter alia*, involve the strengthening of: international cooperation in the civil aviation sector (i.e. integrating into and harmonizing with ASEAN, the Greater Mekong Sub Region and CLMV Open Sky policies (see below)); flight security and safety; and air navigation and aerodrome services.²⁵³ The State Secretariat of Civil Aviation (SSCA), under the Office of the Council of Ministers (OCM) (previously under MPWT), remains in charge of implementing aviation policies. It, *inter alia*, is the administrator and regulator of civil aviation as well as the operator of several domestic airports (except the Phnom Penh and Siem Reap International Airports, Sihanoukville International Airport and new upcoming concessions of International Airports, see below).

4.121. The main regulatory framework governing the sector, the 2008 Law on Civil Aviation, remains unchanged; its amendment to meet the needs of strengthening flight security and safety, and minimize the impact of air transport services on climate change, has been under consideration

²⁴⁷ ADB (2014), *Cambodia diversifying beyond garments and tourism. Country diagnostic study*. November. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>.

²⁴⁸ World Bank (2015), *Doing Business 2015, Going beyond efficiency, Economy profile 2015, Cambodia*. Viewed at: <http://documents.worldbank.org/curated/en/138041468215083934/pdf/919280WP0Box380580Cambodia00Public0.pdf>.

²⁴⁹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²⁵⁰ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

²⁵¹ Data provided by the authorities, Air Transport Services.

²⁵² The domestic airlines comprise: Cambodia Angkor Air (45% state-owned, 55% by Viet Nam Airlines), Sky Angkor Airlines (100% privately-owned), Bassaka Air (privately-owned), Bayon Air (fully foreign owned), Apsara International Air and JC International Airline. Cambodia Angkor Air, Sky Angkor Airlines, Basaka Airlines, Cambodia Bayon Air, JC International Airlines, Lamei Int. Airlines, and Air Siem Reap also serve international routes. Data provided by the authorities and *TravelDaily Asia*, "A new Chinese-backed Cambodian airline is set to launch next month", January 2017. Viewed at: <http://www.traveldailyasia.com/246108/cambodias-new-airline-prepares-to-launch/>.

²⁵³ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

since 2011 but no progress has been made so far.²⁵⁴ In June 2016, a law on the implementation of the fifth freedom of the air, a commercial aviation right that grants airlines the right of using Cambodian airports to pick-up passengers on scheduled flights between their home country and another country, was passed; this development is expected to bring more traffic and attract more airlines.²⁵⁵

4.122. An Airport Slot Committee follows IATA slot allocation, fees and charges principles. No price or fare regulation is in place. Cambodia has considered imposing a specific tax (ST) of 2% on domestic and international air tickets.²⁵⁶

4.123. No limitations are imposed on foreigners owning and operating in the sector.²⁵⁷ Cabotage is allowed.

4.124. Cambodia continued to pursue greater insertion of its aviation into international markets to improve its connectivity, through the conclusion of air services agreements (ASAs). Cambodia maintains 43 bilateral ASAs, the CLMV (Cambodia, Lao PDR, Myanmar, Viet Nam) plurilateral agreement, and a set of ASEAN Multilateral Agreements and Related Protocols (see below).²⁵⁸ During the review period, 10 ASAs (China, Japan, the Democratic People's Republic of Korea, the Philippines, Qatar, Russian Federation, Seychelles, Turkey, United Arab Emirates, and New Zealand), and 14 MoUs to renegotiate or initiate new ASAs were signed (Table A4.1). Several of Cambodia's bilateral air service agreements contain capacity (e.g. Indonesia; Singapore; Malaysia; Macao, China; and Mongolia) limitations. In May 2016, Cambodia and Thailand agreed to lift bilateral flight and seat limits to promote tourism and investment, and ensure fair competition in the market.²⁵⁹ Most ASAs score between 4 and 16 (out of a possible maximum of 50) on the 2011 Air Liberalization Index (ALI) of the WTO, although the agreement concluded with New Zealand in 2015 attains an ALI score of 32.²⁶⁰ This is largely a reflection of the absence of any fifth freedom rights until 2016 (see above) and seventh freedom rights as well as the widespread reliance on pre-determination of capacity. Lack of detailed information about some of the features used for the calculation of the ALI is another explanatory factor, given that no points are awarded in such instances. CLMV, the plurilateral air services agreement, scores instead a tentative ALI score of 28, in light of the many liberal features it contains.²⁶¹

4.125. In the pursuit of a single market and production base in air transport, Cambodia ratified the 2007 Sixth Package of Commitments on Air Transport Services under the ASEAN Framework Agreement on Services (Air Freight Forwarding Services) in July 2013.²⁶² In 2015, it ratified the ASEAN Open Skies Policy (or ASEAN Single Aviation Market (ASEAN-SAM)), which entered into force in 2015, and is intended to increase regional air transport connectivity, integrate production

²⁵⁴ Online information. Viewed at: http://www.civilaviation.gov.kh/images/pdf/in-force/Law_civil_aviation-2014_en_.pdf; DFDL (2016), *Cambodia Investment Guide*, Phnom Penh; and Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²⁵⁵ Without a fifth freedom protocol, foreign commercial airlines arriving at Phnom Penh airport were usually required to return to their point of origin. Now they are free to carry on to other destinations. *The Phnom Penh Post*, "Fifth freedom to open Kingdom's airspace", 1 July 2016. Viewed at: <http://www.phnompenhpost.com/business/fifth-freedom-open-kingdoms-airspace>.

²⁵⁶ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh; and *International Business Publications* (2016), *Cambodia doing business, investing in Cambodia Guide*, Volume 1. Viewed at: <https://books.google.ch/books?id=u1jvCwAAQBAJ&pg=PA54&lpg=PA54&dq=specific+tax+air+ticket+cambodia&source=bl&ots=3B4dJadPTj&sig=P628o1ZNirW7AYmT8BCKg2X7V0A&hl=de&sa=X&ved=0ahUKFwiSieKHi7PTAhVNj1AKHeMiCqcQ6AEINDAD#v=onepage&q=specific%20tax%20air%20ticket%20cambodia&f=false>.

²⁵⁷ WTO document GATS/SC/140, 25 October 2005.

²⁵⁸ ASAs in this context refer to Air Services Agreements, Memoranda of Understanding, Exchange of Notes and other such relevant instruments. ASEAN Multilateral Agreements and Related Protocols consist of the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services, ASEAN Multilateral Agreement on Air Services, ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services, and the MOU on the Association of Southeast Asian Nations' Air Services Engagement with Dialogue Partners.

²⁵⁹ *The Phnom Penh Post*, "Thailand drops quotas on flights to Cambodia", 8 September 2016. Viewed at: <http://www.phnompenhpost.com/business/thailand-drops-quotas-flights-cambodia>.

²⁶⁰ WTO online data. Viewed at: <https://www.wto.org/asap/index.html>.

²⁶¹ More information on the CLMV agreement is available in WTO document S/C/W/270/Add.2, 28 September 2007.

²⁶² Data provided by the authorities.

networks and enhance regional trade by allowing all regional air carriers to fly freely between ASEAN member States.²⁶³

Airport and auxiliary services

4.126. During the review period, the capacity of Cambodia's international airports increased significantly. Between 2011 and 2016, the number of passengers at the Phnom Penh International Airport (PPIA) and the Siem Reap International Airport (SRIA) rose by 52.6% from 3.48 million to 6.62 million; the Preah Sihanouk International Airport (PSIA) transported an additional 156,887 passengers in 2016.²⁶⁴ As of January 2017, cargo import and export volume in Phnom Penh Cargo Terminal had grown by 30.2% compared to January 2016, and accounted for 4,016 TEU (twenty-foot equivalent unit) whereas that of the Siem Reap International Airport slightly decreased by 5.9%, compared to 2016.²⁶⁵ As of 2017, international airports served flights, *inter alia*, to China; France; Hong Kong, China; Republic of Korea; Lao PDR; Malaysia; Myanmar; the Philippines; Qatar; Singapore; Chinese Taipei; Thailand; and Viet Nam.²⁶⁶ As of 2017, 43 (32 in 2016) airlines operated regular flights to/from Cambodia's international airports. The network of freighter operators has increased.

4.127. Upgrading infrastructure remains critical for improving international competitiveness. International airports continue to be privately run, upgraded and expanded.²⁶⁷ The Société Concessionnaire des Aéroports (SCA), a private consortium of Vinci (70%, France) and Muhibbah Masteron Cambodia (30%, Malaysian-Cambodian joint venture), remains the owner of the three international airports under 40-year build-operate-transfer (BOT) concessions started in the years 1995 (PPIA), 2001 (SRIA), and 2006 (PSIA).²⁶⁸ Cambodia Airport Management Services Ltd. (CAMS), which since 2005 is entirely owned by SCA, operates these three airports. In 2016, US\$100 million was invested at PPIA and SRIA to provide each airport with a new international terminal that would double their passenger handling capacity (five million passengers). The PSIA has a self-funded US\$200 million investment programme to build a new terminal and boarding area from 2016 to 2025.²⁶⁹ At present, the construction project for a new airport in Siem Reap, called Angkor International Airport Investment (Cambodia) Co. Ltd, by an investors group from China is under consideration; a plan to invest US\$880 million for the entire project (greenfield) under a 55-year BOT (2016-2071) concession is being processed.

4.128. Cambodian domestic airports are under SSCA management except for Kampong Chhnang Airport which is used and managed by the military.²⁷⁰ As of September 2016, four domestic airports were given to local government authorities for state or public interest (i.e. non-airport)

²⁶³ Online information. Viewed at: <http://www.aseanbriefing.com/news/2015/01/02/asean-open-skies-policy-implemented-2015.html>; OECD (2014), *Structural Policy Country Notes – Cambodia*. Viewed at: <https://www.oecd.org/site/seao/Cambodia.pdf>.

²⁶⁴ In addition, until September 2016, there were eight domestic airports, whereas, by 2018, the Government was planning to have five international and seven domestic (Battambang, Rattanakiri, Preah Vihear Airports, Koh Kong, Stung Treng, Mondulakiri, and Kampong Chhnang) airports. ICAO (2016) online information. Viewed at: <http://www.icao.int/safety/pbn/PBNStatePlans/Information%20paper%20on%20Cambodia,%20Lao%20PDR%20and%20Vietnam%20PBN%20plans%20Sep.%202012.pdf#search=Cambodia%20domestic%20airports>; Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf; data provided by the authorities, Situation of PAX by AIR.

²⁶⁵ Cambodia Airports online information. Viewed at: <http://www.rep.aero/en/our-business/about-cambodia-airports/news/cambodia-airports-monthly-newsletter-jan-2017#anchor>.

²⁶⁶ CDC, CIB and CSEZB online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investors-information/infrastructure/aviation.html>; Cambodia Airports online information. Viewed at: <http://www.cambodia-airports.aero/en/flight-info/arrivals#anchor>.

²⁶⁷ The upgrading of airports, terminals, air traffic and navigation services through BOT concessions resulted in the higher rating of Cambodia's airport infrastructure in the Global Competitiveness Report 2016-2017 (in contrast to its peers, the Philippines and Viet Nam). Cambodia ranked 99th in the quality of air transport infrastructure, while the Philippines – 116th and Viet Nam – 94th. WEF (2016), *World Competitiveness report 2016-2017*. Viewed at: http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.

²⁶⁸ CDC, CIB and CSEZB online information. Viewed at: http://www.cambodiainvestment.gov.kh/sub-decree-no-11-on-build-operate-transfer-bot-contract_980213.html.

²⁶⁹ Cambodia Airports online information. Viewed at: <http://www.vinci-airports.com/en/cambodia-airports>.

²⁷⁰ CDC, CIB and CSEZB online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investors-information/infrastructure/aviation.html>.

use, and the remaining four (Kampong Chhnang, Battambang, Koh Kong, and Stung Treng) were maintained for expanding domestic flights in the future.²⁷¹ Ground handling services are under the monopoly of the airport operators of Phnom Penh and Siem Reap which are privately run. No self-handling is permitted.

4.4.5.3 Railways

4.129. Railway transport continues to be of limited availability and performance.²⁷² The railway network, originally consisting of the Northern Line (NL) from Phnom Penh to Poipet (386 km) and the Southern Line (SL) from Phnom Penh to Sihanoukville (266 km), remains subject to rehabilitation and upgrade (see below).²⁷³ Freight trains continue on both lines transporting mostly petroleum, cement and containers. The travel time between Phnom Penh and Sihanoukville is 7-10 hours, compared with 4-5 hours by road.²⁷⁴

4.130. A 2009 concession agreement for 30 years with Toll Royal Cambodia, a joint venture between Royal Railways of Cambodia (45%) and a private Australian company ("Toll holding", 55%), no longer remains in place as in 2015 the latter withdrew entirely from ownership; the agreement included purchases of train engines, carriages and wagons, new equipment and facilities for railway maintenance.²⁷⁵

4.131. Under the NSDP 2014-2018, the MPWT aims, *inter alia*, at: completing the rehabilitation of the NL between Phnom Penh and Poipet to connect to Thailand; completing the rail freight terminals at Phnom Penh and Preah Sihanouk; upgrading the NL to take 20 tonnes of freight at a maximum speed of 50 km per hour and the SL to carry 15 tonnes of freight; ensuring efficient railway operations under the concessions contract; and encouraging the expansion of railway construction, including a new railway link from Phnom Penh to Viet Nam.²⁷⁶ Significant portions have already been rehabilitated and opened for operation. As of 2016, the 264 km route connecting Phnom Penh and Sihanoukville was reopened for passenger trains.²⁷⁷ The rehabilitation work also includes two branch lines: from Phnom Penh station to the Green Trade Company (GTC, (Section 4.1.3)) Warehouse complex and Sihanoukville container terminal to the Sihanoukville port. A Greater Mekong Sub region (GMS) cross-border rail facility and rail and road freight terminal is to be built at Poipet.²⁷⁸ Rail traffic is expected to grow by 7%-12% per year until 2030,

²⁷¹ *Khmer Times*, "Domestic Airports converted for public use", September 2016. Viewed at: <http://www.khmertimeskh.com/news/30210/domestic-airports-converted-for-public-use/>.

²⁷² World Bank (2014), Cambodia Trade Corridor Performance Assessment. Viewed at: <http://documents.worldbank.org/curated/en/398791468326402518/pdf/912420WP0P12570rformance0Assessment.pdf>.

²⁷³ ADB (2011), *Cambodia Transport Sector Assessment, Strategy and Road Map*, September. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/33102/files/cam-transport-assessment.pdf>.

²⁷⁴ ADB (2014), *Cambodia diversifying beyond garments and tourism. Country diagnostic study*. November. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>.

²⁷⁵ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf; ADB (2014), *Cambodia diversifying beyond garments and tourism. Country diagnostic study*, November. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>; CDC, CIB, and CSEZB online information. Viewed at: <http://www.cambodiainvestment.gov.kh/investors-information/infrastructure/railways.html>.

²⁷⁶ During the 2009-2013, the total cost of for the rehabilitation of railway constituted US\$141.6 million, of which US\$84 million was an ADB loan, US\$21.5 million a grant from the Australian Government, US\$13 million donated by OPEC Fund for International Development, US\$2.8 million in the form of railway tracks supplied by the Malaysian Government, and US\$20.3 million in a contribution from the Government of Cambodia. Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf; ADB (2011), *Cambodia Transport Sector Assessment, Strategy and Road Map*, September. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/33102/files/cam-transport-assessment.pdf>.

²⁷⁷ *The Guardian*, "Cambodia revives train service between Phnom Penh and Sihanoukville", 5 June 2016. Viewed at: <https://www.theguardian.com/travel/2016/jun/05/trains-phnom-penh-sihanoukville-kampot>.

²⁷⁸ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf; ADB (2014), *Cambodia diversifying beyond garments and tourism, Country diagnostic study*, November 2014. Viewed at: <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>.

with a projected increase in locomotives from the current 11 to 30.²⁷⁹ Railways are also expected to reduce the load on the road network.

4.4.6 Distribution and e-commerce

4.4.6.1 Distribution

4.132. Distribution services (wholesale and retail trade) contributed to gross value added by 9.4% of GDP in 2016 (9.2% in 2011) (Table 1.2). Cambodia's distribution sector is undergoing rapid transformation.²⁸⁰ In addition to stalls and shops at traditional markets, goods are increasingly sold at small-scale Western-style shopping malls, convenience stores, and supermarkets that cater mostly to social elites, the urban middle class, and expatriates.²⁸¹ Foreign investment in modern shopping malls include Aeon Mall, a Japanese venture that opened in mid-2014, as well as projects such as the Parkson Mall (a Malaysian project), the Lion Centre shopping malls, and Hong Kong Land's Exchange Square plus another Aeon Mall that are now under way. The total number of retail malls is expected to increase from 10 to 27 by 2019.²⁸²

4.133. Distribution services remain governed, *inter alia*, by the Law on Commercial Rules and Commercial Register (1995), the Law on the Amendment of the Law on Commercial Rules and Commercial Register (1999) and sector- and area-specific laws that were not subject to changes during the review period.²⁸³

4.134. Foreign commercial presence in distribution is unlimited.²⁸⁴ Local and foreign firms are required to register with the MoC at least 15 days prior to the commencement of business activities to obtain a business licence.²⁸⁵ Registration at MoC can be done via an online platform. Additional operating licences can be required.

4.4.6.2 E-commerce

4.135. E-commerce remains relatively undeveloped in Cambodia due to inadequate internet infrastructure, low levels of internet use, and extremely limited credit card use.²⁸⁶ There is a growing number of online shopping websites that cater mostly to the small number of urban consumers with access to the internet; social media is increasingly used as an online shopping tool. Cambodia ranks 119th (out of 137 countries) on UNCTAD's B2C (business to consumer) E-commerce Index (2016), a drop from the 91st position in 2014.²⁸⁷

4.136. Cambodia's 2016 T-ICT Development Policy 2020 is aimed, *inter alia*, at accelerating e-commerce, fostering an understanding of the benefits and risks of e-commerce usage for people,

²⁷⁹ ADB (2011), *Cambodia Transport Sector Assessment, Strategy and Road Map*, September. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/33102/files/cam-transport-assessment.pdf>.

²⁸⁰ US Commercial Service/Department of Commerce (2015), *Doing Business in Cambodia: 2015 Country Commercial Guide for U.S. Companies*. Viewed at: http://photos.state.gov/libraries/cambodia/231771/PDFs/2015_ccg_june_15.pdf.

²⁸¹ US Commercial Service/Department of Commerce (2015), *Doing Business in Cambodia: 2015 Country Commercial Guide for U.S. Companies*. Viewed at: http://photos.state.gov/libraries/cambodia/231771/PDFs/2015_ccg_june_15.pdf; World Bank (2014), *Improving Trade Competitiveness in Cambodia: An Analysis Using a Trade and Transport Facilitation Assessment*, August. Viewed at: <http://documents.worldbank.org/curated/en/915181468222889947/pdf/912410WP0P1257011tation0Assessme nt.pdf>.

²⁸² Export.gov online information. Viewed at: <https://www.export.gov/article?id=Cambodia-Distribution-and-Sales-Channels>.

²⁸³ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

²⁸⁴ WTO document GATS/SC/140, 25 October 2005.

²⁸⁵ WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

²⁸⁶ Some local banks have begun to issue credit cards in order to facilitate purchases made through the internet. US Commercial Service/Department of Commerce (2015), *Doing Business in Cambodia: 2015 Country Commercial Guide for U.S. Companies*. Viewed at: http://photos.state.gov/libraries/cambodia/231771/PDFs/2015_ccg_june_15.pdf.

²⁸⁷ The index is based on four indicators: internet users; secure servers; credit card penetration; and postal reliability score. UNCTAD (2016), *UNCTAD B2C E-commerce Index 2016*, UNCTAD Technical Notes on ICT for Development No. 7, April. Viewed at http://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d07_en.pdf.

developing e-money transaction usage with confidence and safety, improving quality and an efficient logistics system in e-commerce and enhancing cooperation between concerned Ministries/Institutions in the organization of taxation on e-commerce. As of June 2017, a draft Law on E-Commerce was being reviewed by the Council of Ministers prior to being sent to the National Assembly; it is expected to be passed by 2019.²⁸⁸ The draft law consisted of 11 chapters and 58 articles, including provisions relating to online signature in line with international standards on e-business operations and reducing the risk of online payment transactions as well as personal information protection, and online consumer protection.

4.137. No e-commerce-specific tax regime and/or customs clearance measures affect merchandise imports and/or domestic sales (e.g. customs duties and internal taxes exemption, speedy customs clearance). Under MEF Instruction No. 004 MEF on customs procedure for De Minimis export-import of goods in small quantity management, of 24 July 2012 (compliant with Instruction No. 007 MEF of 29 December 2009), goods under express consignment, non-commercial import, and/or similar forms with a f.o.b. value not exceeding US\$50 are exempt from duties and taxes.

4.4.7 Tourism

4.138. Tourism remains Cambodia's largest single activity and source of government revenue as well as a cross-industry backbone that is interlinked and a stimulus to almost all other activities of the economy, e.g. transport, construction, trade and financial services. In 2016, it contributed 12.2% to GDP (28.3% including related activities) and 11.4% to total employment (25.9% including direct, indirect and induced jobs), ranking the highest in Southeast Asia and well above the world average.²⁸⁹ Internal tourism consumption amounted to 16,943 billion riel and is estimated to reach 35,024 billion riel by 2027.²⁹⁰ As at April 2017, the main source markets included China (21.3%), followed by Viet Nam (16.7%), and Lao PDR (8%); other significant source markets were Thailand, Korea (Rep. of), the United States, the United Kingdom, Japan, Malaysia, and France.²⁹¹ In 2015, international visitor arrivals in Cambodia rose to 4.78 million, a 6% increase compared to 2014; in 2016, there were 5 million tourist arrivals, a 5% increase compared to 2015.²⁹² International tourist arrivals are expected to increase to 7 million by 2020. During the period 2010-15, the average length of stay decreased from 6.8 days to 6.5 days due, *inter alia*, to lack of sufficient infrastructure and promotion. Cambodia ranked 101st out of 136 economies on the WEF Travel and Tourism Competitiveness Index 2017, in particular its tourist sector infrastructure was ranked 102nd.²⁹³ In 2016, tourism was set to bounce back boosted by improving stability in neighbouring countries.²⁹⁴ Following Cambodia's official confirmation as a host for the 32nd Southeast Asian Games (SEA), a biennial event to be held in 2023, an official master plan was approved by the Council of Ministers in 2016; its organizational cost is estimated

²⁸⁸ MoC (2016) online information. Viewed at: <http://www.moc.gov.kh/en-us/press-center/details/content/211601>; DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

²⁸⁹ World Travel & Tourism Council (2017), *Travel & Tourism, Economic impact 2017 Cambodia*. Viewed at: <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/cambodia2017.pdf>.

²⁹⁰ Internal tourism consumption is the total revenue generated within a country by industries that deal directly with tourists including visitor exports, domestic spending and government individual spending. This does not include spending abroad by residents.

²⁹¹ Ministry of Tourism (2017), *Tourism Statistics Report April 2017*; ADB (2017). *Tourism sector assessment, strategy, and road map for Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (2016–2018)*. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf>.

²⁹² ADB (2017). *Tourism sector assessment, strategy, and road map for Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam (2016–2018)*. Viewed at: <https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf>.

²⁹³ The index incorporates such indicators as business environment, safety & security, health & hygiene, human resources & labour markets, ICT readiness, prioritization of travel & tourism, international openness, price competitiveness, environmental sustainability, air transport infrastructure, ground and port infrastructure, tourist service infrastructure, natural resources, cultural resources and business travel. WEF(2017), *The Travel & Tourism Competitiveness Report 2017*, Geneva. Viewed at: http://www3.weforum.org/docs/WEF_TTCR_2017_web_0401.pdf.

²⁹⁴ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

at US\$40 million with additional costs in logistics, human resources, transport and other strategic areas, including the development of tourism infrastructure.²⁹⁵

4.139. During the review period, the number of hotels in Cambodia increased from 476 (with 26,484 rooms in 2011) to 668 (34,619 rooms in 2015), and guesthouses rose from 1,142 (with 16,752 rooms) to 2,229 (with 28,660 rooms).²⁹⁶ As of 30 April 2017, Cambodia had 573 hotels (36,236 rooms), of which 41% were domestically owned and 59% were of foreign ownership. Accommodation choices range from small family-owned enterprises to five-star internationally branded properties. As of 2015, Cambodia had 632 travel agencies and tour operators (589 travel agencies and tour operators in 2011) employing 4,858 licensed guides, 89% of whom were based in Siem Reap; as of 25 May 2017, there were 665 travel agencies and tour operators.

4.140. During the review period, several tourism-related policies were in place and continued to be implemented by the Ministry of Tourism (MoT). Cambodia's Tourism Strategic Development Plan 2012-2020 is focused on six strategic directions, *inter alia*, involving: tourism product development and product quality improvement; marketing and promotion; travel facilitation and transportation, and regional and international connectivity; tourism safety system and management of tourism's negative impact; legal systems and management mechanisms; and human resources development.²⁹⁷ Since 2012, Cambodia has implemented a National Eco-Tourism Strategic Policy.²⁹⁸ To address the growing impact of tourism on climate change, the National Committee on Climate Change elaborated for the MoT a US\$2.9 million Climate Change Action Plan in the Tourism Sector (as part of the Climate Change Strategic Plan 2014-2023), which has been implemented since 2013 and is, *inter alia*, aimed at: reducing vulnerability to climate change; promoting a green development path by using low-carbon technologies; and promoting public awareness and participation.²⁹⁹ No information on the measures and the related budgetary outlays for implementing the plans discussed in this paragraph was available from the authorities.

4.141. The regulatory framework and requirements related to tourism-sector activities remain unchanged and require general and sector-specific licences and approvals from the MoT. The 2007 Law on Concession specifies the tourism-related activities (including small-scale investment) that are ineligible for incentives.³⁰⁰ To reduce barriers for the private sector, in August 2016 (Notice No. 292) the MoT launched a new online registration system for tourism-related businesses and tour guides subject to licensing.³⁰¹

4.142. Under Cambodia's GATS commitments, the sector remains open, except for a restriction for mode 3.³⁰² Cambodia continues to reserve the opportunity for nationals with a small amount of capital to find partners to build 1- or 2-star accommodation or guest houses; however, in practice, so far the limitation has been applied in a more liberal manner than the scheduled commitment. Foreign companies may establish a commercial presence to operate hotels, restaurants, and tour operator services, provided that they register with the MoC. Permits for restaurant services are granted by taking into account location-related criteria; according to the authorities, they apply

²⁹⁵ *Khmer Times*, "Cambodia Confirmed as 2023 SEA Games Hosts", June 2015. Viewed at: <http://www.khmertimeskh.com/news/11960/cambodia-confirmed-as-2023-sea-games-hosts/>; *Phnom Penh Post*, "Government unveils master plan for 2023 SEA Games success", April 2016. Viewed at: <http://www.phnompenhpost.com/sport/government-unveils-master-plan-2023-sea-games-success>.

²⁹⁶ Ministry of Tourism (2015), *Annual Report 2015*.

²⁹⁷ Ministry of Tourism (2012), *Tourism Development Strategic Plan 2012-2020*, July.

²⁹⁸ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdb.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

²⁹⁹ Ministry of Tourism (2015), *Climate Change Action Plan in Tourism Sector*.

³⁰⁰ The investment activities ineligible for incentives encompass: tourism service providers; tourism agents; tourism information and tourism advertisement; training and educational institutes that provide training for skills development, technology or polytechnology, that serve the industrial, agricultural, tourism, infrastructural, environmental, engineering, and scientific sectors, and other services, with investment capital of less than US\$4 million; hotels below three-star grade; tourism complex centres with hotels containing fewer than 100 rooms or tourist inns of fewer than thirty housing units and resorts of multiple services with a size of less than ten hectares; natural tourism and the creation of natural tourism sites with a size of less than 1,000 hectares with investment capital of less than US\$1 million; and resort complexes, including hotels, theme parks, sports facilities or zoos with a size of less than fifty hectares. DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

³⁰¹ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

³⁰² More information on these commitments is available in WTO document WT/TPR/S/253/Rev.1, 24 November 2011.

equally to domestic and foreign investors.³⁰³ Cambodia maintains a limitation on foreign equity participation of up to 51% on travel agency ownership; tourist guides must be of Cambodian nationality.³⁰⁴

4.143. According to the OECD and the World Bank, the sector's main challenges are the lack of tourism-specific infrastructure and diversification of tourist locations.³⁰⁵ The development of destinations other than the Angkor Wat temple in Siem Reap, such as for example tropical beaches and colonial and historical buildings, would further expand the range of tourism activities and reduce the sector's dependence on attractions in Thailand's better developed sector. Additionally, the tourism sector is reported to have relatively weak linkages with some economic activities; in 2012, 25% of revenue from tourism in Cambodia was leached out of the economy by imported foreign products purchased precisely to serve the tourism sector.

4.4.8 Professional services

4.144. To conduct professional services activities in Cambodia, a foreign national is required to obtain an E-Project or E-Investment and Employment visa for one month or more that is renewed indefinitely on an annual basis; additionally foreigners must apply for a work permit to work in Cambodia.³⁰⁶ According to the Ministry of Labour and Vocational Training (MLVT) data, between 2013 and end-2016, work permits and employment cards were delivered to 95,577 foreign workers. No data were available from the authorities on the share of professional services by category to GDP/gross value added, employment, and trade in services, as well as foreign professionals' participation (number (by nationality)) in each activity. Investment activities in all professional services are ineligible for incentives.³⁰⁷

4.4.8.1 Accounting, consulting and tax services

4.145. A number of foreign firms provide accounting, consulting and tax services in Cambodia. No data on domestic and foreign accountants, or accounting/audit firms operating in Cambodia were available from the authorities.

4.146. The main legal framework of the activity remains unchanged. It comprises the 2002 Law on Corporate Accounts, Their Audit and The Accounting Profession which is to be amended to introduce simplified accounting standards for SMEs, and the Code of Ethics of Cambodian Accountants.³⁰⁸

4.147. The profession remains regulated by the National Accounting Council (NAC), under the MEF, which *inter alia*, issues and updates Cambodian Accounting Standards, standards on auditing, and technical rules and regulations to implement the above standards. The Cambodian Institute of Certified Public Accountants (CPA Cambodia), a not-for-profit organization under the auspices of the MEF, sets, *inter alia*, conditions and qualifications to become a Cambodian Accountant; develops, updates and promulgates the code of ethics for Cambodian Accountants; and monitors and evaluates compliance with the code of ethics.³⁰⁹

³⁰³ The main criteria are: the number of and impact on existing restaurants, historical and artistic characteristics of the location, geographic spread, impact on traffic conditions and creation of new employment.

³⁰⁴ WTO document GATS/SC/140, 25 October 2005.

³⁰⁵ World Bank (2016), *Economic update. Enhancing Export Competitiveness. The Key to Cambodia's Future Economic Success*, October. Viewed at: <http://documents.worldbank.org/curated/en/889161476278536498/pdf/108982-Khmer-PUBLIC-FinalCEUOctoberKhmer.pdf>.

³⁰⁶ KPMG online information. Viewed at: <https://home.kpmg.com/xx/en/home/insights/2015/10/cambodia.html>.

³⁰⁷ DFDL (2016), *Cambodia Investment Guide*, Phnom Penh.

³⁰⁸ Royal Government of Cambodia (2015), *Cambodia Industrial Development Policy 2015-2025. "Market Orientation and Enabling Environment for Industrial Development"*, 6 March 2015. Viewed at: <http://www.cambodiainvestment.gov.kh/content/uploads/2015/09/IDP-English-Version-FINAL1.pdf>.

³⁰⁹ Law on Accounting and Auditing. Viewed at: [http://sithi.org/admin/upload/law/2012_01_13_Draft%20law_Draft%20law%20on%20Accounting%20and%20Auditing_\(ENG\).pdf](http://sithi.org/admin/upload/law/2012_01_13_Draft%20law_Draft%20law%20on%20Accounting%20and%20Auditing_(ENG).pdf); and National Accounting Council online information. Viewed at: <http://www.naccambodia.gov.kh/?page=detail&menu1=215&menu2=459&ctype=article&id=459&lg=en>.

4.148. A professional can be called a "Cambodian Accountant" only upon becoming a CPA member. To practice as a professional accountant or auditor, a professional licence is required from the NAC: a licence for accounting services or a licence for auditing services. All the conditions, legislative measures and procedures for providing licences are determined by the NAC.³¹⁰ No information on requirements for a foreigner to become an accountant in Cambodia or validation of foreign diplomas/certificates in this area was available from the authorities.

4.4.8.2 Legal services

4.149. As of September 2016, 1,139 lawyers were members of the Bar Association of the Kingdom of Cambodia (BAKC), but only 1,045 lawyers practice their legal profession in the country. According to the authorities, no official foreign lawyers or foreign law firms have practiced Cambodian law yet (see below). However, there are 36 foreign lawyers operating at the Extraordinary Chambers in the Courts of Cambodia (ECCC) for the prosecution of crimes committed during the period of Democratic Kampuchea, i.e. the Khmer Rouge trial.

4.150. During the review period, the main legal framework governing legal services changed relatively little and comprises the Law on the Bar (1995), the Code of Ethics for lawyers (1995, amended in 2012) and the Internal Rule of the Bar (1995). In addition to these main texts, there are many decisions of the BAKC. Only lawyers who are registered with the BAKC can practice in Cambodia. Articles 5 and 6 of the Law on the Bar allow foreign lawyers to practice in Cambodia subject to their registration with the BAKC. Decision No. 004/BAKC/16 on the Management of Practice of Legal Profession of Foreign Lawyers, issued on 8 January 2016, sets the requirements and procedure for the registration and practice of foreign lawyers in Cambodia. As of 9 September 2016, seven applications had been submitted to the BAKC but only three were being processed as the submission of documents was incomplete for the rest; the process is to be finalized in the course of 2017 and based on the decision of BAKC, the three applications would be approved by 50% plus one vote of the Bar Council Members. Cambodia's GATS commitments on legal services permit foreign law firms to provide legal services with regard to Cambodian law in association with Cambodian law firms.

4.4.8.3 Architectural and engineering services

4.151. As of June 2017, there were: 574 domestic and 9 foreign engineers registered with the Board of Engineers; 5 domestic and 4 ASEAN-origin architects registered with the Board of Architects of Cambodia; and 2,536 Registered Engineers, 543 Professional Engineers, 53 ASEAN Chartered Professional Engineers, and 450 ASEAN Associate Engineers registered with the Board of Engineers under the MLVT. Furthermore, there were 1,354 domestic and 574 foreign construction companies as well as 62 domestic and 27 foreign design companies. There were 28 domestic and 2 foreign physical architectural designers as well as 35 domestic physical structural designers. There were 131 companies registered with the Cambodia Constructors Association (CCA).

4.152. Despite the lack of a regulatory framework *per se* in architectural services, the legal framework governing architectural services comprises the Royal Decree on the Establishment of the Board of Architects of Cambodia, the Sub-decree on the Organization and Functioning of the General Secretariat of the Board of Architects of Cambodia, Prakas on the Organization and Functioning of the Divisions subordinating to the General Secretariat of the Board of Architects of Cambodia, Internal Rules of the Board of Architects Cambodia, the Decision on the Architects' Code of Ethics, the Decision on the Registration Criteria and the Determination of Contribution of the Board of Architects of Cambodia, and the Decision on the Procedures for Registration with the Board of Architects of Cambodia.

4.153. Since 2011, the Board of Architects of Cambodia (BAC) has represented registered civil engineers and architects to, *inter alia*, enhance their qualifications, work, and the prestige of national architecture. Foreign architects are required to register with the BAC, retain a diploma or degree in this area, be accredited by the embassy or consulate of the country of issue and reside in Cambodia for at least 3 months. The validity of the certificate of foreign architect is up to 2 years and it must be renewed at least 30 days prior to its expiry date. Since 2016, BAC has been

³¹⁰ Law on Accounting and Auditing. Viewed at: [http://sithi.org/admin/upload/law/2012_01_13_Draft%20law_Draft%20law%20on%20Accounting%20and%20Auditing_\(ENG\).pdf](http://sithi.org/admin/upload/law/2012_01_13_Draft%20law_Draft%20law%20on%20Accounting%20and%20Auditing_(ENG).pdf).

a member of the ASEAN Engineering and Architects Advisory Group. Since 2016, the CCA has been a member of the ASEAN Constructors Federation.³¹¹

4.4.8.4 Educational services

4.154. In the period 2016-2017, there were 46,149 (56% female) teachers at primary public schools, 41,407 (30.59% female) teachers at public secondary schools, 9,320 lecturers at higher education level with a master's degree, and 1,016 with a PhD, including 176 foreign lecturers with a bachelor's degree, 335 foreign lecturers with a master's degree and 75 with a PhD.³¹²

4.155. The legal framework, based on the 2007 Education Law³¹³ and the 2007 Sub-decree on Ethics Code for the Teaching Profession, in core remained unchanged. Several sub-decrees and prakas were implemented, including the 2014 Sub-decree on the Administration and Management of Teaching Services in Public Primary Education Institutions³¹⁴ aimed at administrating teaching services to ensure sustainability and efficiency.³¹⁵

4.156. The Ministry of Education, Youth and Sport (MoEYS), which is in charge of leading, managing and developing the education sector, issues licences to natural persons or legal entities allowing them to operate educational activities in accordance with the law. In the academic year 2014-15, 47 private education establishments applied for licences through MoEYS' single-window mechanism.³¹⁶ Under the Public Investment Programmes for 2017-2019 financed, *inter alia*, by the World Bank, the MoEYS formulated 27 projects of a total amount of US\$208.5 million, of which 21 are ongoing and 6 (newly requested) are being negotiated.³¹⁷

4.4.8.5 Health-related services

4.157. The health market has a wide variety of health-care providers.³¹⁸ Qualified providers include public health facilities, pharmacies, private hospitals, and medical professionals rendering services from their own or at patients' homes. Two thirds of public health staff also work privately. NGO-run health facilities (Section 4.4.3.2) and charitable hospitals also provide services. The public health network comprises more than 1,400 health facilities. Government health services provide national coverage of infrastructure and staff; private providers outnumber government facilities but are mostly small scale. The public health workforce comprises 20,000 professionals (predominantly nurses and midwives). There is a rapidly growing though loosely regulated private sector with more than 5,500 licensed providers, which deliver a large proportion of health services (mainly curative care). No data on foreign health-related professionals (doctors, support staff) and institutions operating in Cambodia were available from the authorities.

4.158. Reforms in health financing have been at the centre of efforts to rebuild the country's health system.³¹⁹ Under the Health Strategic Plan 2008-2015 Cambodia's priorities, *inter alia*, involved reinforcing the health legislation, professional ethics and code of conduct, and strengthening the regulatory mechanism. The Plan's financing outlined the first step of the universal coverage of health protection to the entire population; nevertheless, there are a number of challenges remaining.³²⁰ A Health Sector Plan (HSP) 2016-2020 is aimed at improving quality

³¹¹ Ministry of Planning (2014), *National Strategic Development Plan 2014-2018*, 17 July. Viewed at: http://cdc-crdp.gov.kh/cdc/documents/NSDP_2014-2018.pdf.

³¹² Ministry of Education, Youth and Sport (2017), *The Education, Youth and Sport performance in the academic year 2015-2016, and goals for the academic year 2016-2017*, March.

³¹³ MoEYS online information. Viewed at: <http://www.moeys.gov.kh/images/moeys/laws-and-regulations/48/EducationLaw-EN.pdf>.

³¹⁴ MoEYS online information. Viewed at: http://www.moeys.gov.kh/en/laws-and-legislations/sub-decree/sd-309.html#_WPTesXdh0_U.

³¹⁵ MoEYS online information. Viewed at: <http://www.moeys.gov.kh/en/laws-and-legislations.html>.

³¹⁶ Ministry of Education, Youth and Sport (2016), *The Education, Youth and Sport performance in the academic year 2014-2015, and goals for the academic year 2015-2016*, March.

³¹⁷ Ministry of Education, Youth and Sport (2017), *The Education, Youth and Sport performance in the academic year 2015-2016, and goals for the academic year 2016-2017*, March.

³¹⁸ WHO (2015), *The Kingdom of Cambodia health system review*, Vol. 5 No. 2 2015. Viewed at: http://www.wpro.who.int/asia_pacific_observatory/hits/series/cambodia_health_systems_review.pdf.

³¹⁹ WHO (2015), *The Kingdom of Cambodia health system review*, Vol. 5 No. 2 2015. Viewed at: http://www.wpro.who.int/asia_pacific_observatory/hits/series/cambodia_health_systems_review.pdf.

³²⁰ Bureau of Health Economics and Financing (2008). *Strategic Framework for Health financing*. Viewed at: http://www.who.int/health_financing/documents/cam_frmwrk.pdf; WHO (2015). *The Kingdom of*

and removing financial barriers to access to health services through the expansion of the equity funds and pro-poor financing schemes. The total health budget for the sector (1.4% of GDP) increased from US\$110.6 million in 2011 to US\$152.4 million in 2015.³²¹ Government health services are financed from general revenues, supported by foreign donor funding equivalent to about 50% of government health spending through grants and loans.³²² Private providers consume most health-care expenditures.

4.159. The healthcare legal framework, consisting of the 1996 Law on the Management of Pharmaceuticals, the 1997 Law on Abortion, the 2000 Law on Management of Private Medical, Paramedical and Medical Aide Practice, the 2002 Law on Prevention and Control of HIV/AIDS, and the 2003 Sub-decree No. 61 on Medical Professional Ethics, remains unchanged.³²³ According to the WHO, there is considerable scope for reinforcing the regulatory mandate and private providers remain insufficiently regulated.³²⁴

4.160. The Ministry of Health (MoH) remains responsible for healthcare policy, the healthcare industry and public health; it regulates the activities of medical professionals, hospitals and clinics. The MoH maintains 24 provincial health departments (PHD) comprising 81 health Operational Districts (ODs), distributed according to population; each PHD operates a provincial hospital and governs ODs. The National Institute of Public Health (NIPH), a governmental organization under the MoH provides public health and laboratory services, training and research. The Medical Council of Cambodia (MCC), an autonomous body established in 2000, continues to regulate the medical profession and the ongoing education of all medical doctors in the country.³²⁵ The General Secretariat of MCC, comprising representatives from the University of Health Science, Phnom Penh Municipality, central and provincial levels, MoH, and MLVT, sets the MCC procedures, arranges MCC operational plans and strategies, and prepares financial reports.³²⁶

4.161. Registration with the MCC is mandatory for all medical doctors and medical assistants (both foreign and Khmer) who practice medicine in Cambodia.³²⁷ Article 4 of the Law on the Management of Private Medical, Paramedical and Medical Aide Practice allows foreigners to practice their profession in Cambodia. In medical professional services, Cambodia has implemented a mutual recognition agreement with its ASEAN neighbours.³²⁸

Cambodia, Health system review. Viewed at:

http://www.wpro.who.int/asia_pacific_observatory/hits/series/cambodia_health_systems_review.pdf.

³²¹ Ministry of Health (2008). *Health Strategic Plan 2008-2015*, April. Viewed at:

<http://apps.who.int/medicinedocs/documents/s18360en/s18360en.pdf>.

³²² WHO (2015). *The Kingdom of Cambodia. Health system review.* Viewed at:

http://www.wpro.who.int/asia_pacific_observatory/hits/series/cambodia_health_systems_review.pdf.

³²³ Law on Management of Private Medical, Paramedical, and Medical Aide Practice, 3 November 2000. Viewed at: http://www.bigpond.com.kh/Council_of_Jurists/a00-Kram/RKM00_11_10_E.htm; Presentation by Chheng Kannarath, Deputy Secretary General, MCC titled *Medical Ethics and law in Cambodia*. Viewed at: <http://www.iu.edu.kh/wp-content/uploads/2014/11/02.pdf>; Sub-decree No. 61 on Medical professional ethics, 28 August 2003. Viewed at: http://www.mcc.org.kh/publications/17_fs_en.pdf.

³²⁴ WHO (2015). *The Kingdom of Cambodia. Health system review.* Viewed at: http://www.wpro.who.int/asia_pacific_observatory/hits/series/cambodia_health_systems_review.pdf.

³²⁵ More information can be found at:

http://www.mcc.org.kh/ws/article.php?lan=en&point=regis_about.

³²⁶ MCC online information. Viewed at:

http://www.mcc.org.kh/ws/article.php?lan=en&point=about_center.

³²⁷ MCC online information. Viewed at:

http://www.mcc.org.kh/ws/article.php?lan=en&point=regis_about.

³²⁸ Dee, P. (2011), "Services Liberalization toward the ASEAN Economic Community", in Urata, S. and M. Okabe (eds.), *Toward a Competitive ASEAN Single Market: Sectoral Analysis*. ERIA, Research Project Report 2010-03, pp. 17-136, Jakarta. Viewed at: http://www.eria.org/publications/research_project_reports/images/pdf/y2010/no3/Chapter2.pdf.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2011-16

	2011	2012	2013	2014	2015	2016
Total exports (US\$ million)	6,704.1	5,796.3	6,665.9	6,846.0	8,542.4	10,069.3
	% of total exports					
Total primary products	6.4	7.0	9.6	9.3	7.0	6.7
Agriculture	6.3	6.8	9.4	9.1	6.9	6.5
Food	2.6	3.5	5.8	5.3	4.8	4.5
0423 - Rice, semi-milled or wholly milled, etc.	1.6	2.4	3.8	3.4	3.3	3.0
Agricultural raw material	3.7	3.3	3.6	3.8	2.1	2.0
2312 - Natural rubber (other than latex)	2.8	2.9	2.6	2.1	1.9	1.6
Mining	0.1	0.2	0.2	0.3	0.1	0.1
Ores and other minerals	0.1	0.1	0.1	0.1	0.1	0.1
Non-ferrous metals	0.0	0.0	0.1	0.2	0.0	0.0
Fuels	0.0	0.0	0.0	0.0	0.0	0.0
Manufactures	93.5	92.3	90.3	90.1	92.6	91.4
Iron and steel	0.0	0.0	0.0	0.0	0.0	0.1
Chemicals	0.1	0.2	0.3	0.2	0.9	1.6
5922 - Albuminoidal substances, modified starches and glues	0.0	0.0	0.0	0.0	0.4	1.0
Other semi-manufactures	0.3	0.4	0.5	0.2	2.6	2.5
6131 - Whole furskins, not assembled	0.0	0.0	0.0	0.0	1.9	1.8
Machinery and transport equipment	4.8	4.9	9.3	1.3	7.8	8.3
Power generating machines	0.0	0.1	0.6	0.0	0.2	0.3
Other non-electrical machinery	0.1	0.2	0.4	0.3	0.3	0.3
Agricultural machinery and tractors	0.0	0.0	0.0	0.0	0.0	0.0
Office machines & telecommunication equipment	0.0	0.2	1.6	0.4	2.2	1.9
7649 - Parts suitable for use principally with the apparatus of division 76	0.0	0.2	1.5	0.0	1.6	1.5
Other electrical machines	0.0	0.3	1.2	0.4	1.6	2.3
7731 - Insulated wire, cable and other insulated electric conductors, etc.	0.0	0.3	1.1	0.4	1.3	1.4
Automotive products	2.7	0.2	0.7	0.1	0.9	0.1
Other transport equipment	1.8	3.8	4.8	0.1	2.5	3.5
7852 - Bicycles and other cycles, not motorized	1.6	3.3	4.6	0.0	2.4	3.4
Textiles	0.4	0.7	1.3	0.8	1.4	1.6
Clothing	59.6	69.4	72.5	78.0	69.5	66.1
8442 - Suits, jackets, blazers, dresses, skirts, trousers, etc.	15.5	17.0	17.4	19.3	18.3	16.7
8454 - T-shirts, singlets and other vests, knitted or crocheted	7.2	9.3	15.1	16.9	13.8	12.4
8432 - Suits, jackets, blazers, trousers, etc.	10.2	11.9	12.5	13.7	12.1	11.6
8453 - Jerseys, pullovers, cardigans, knitted or crocheted	11.7	12.5	7.8	7.6	6.5	6.3
8448 - Slips, petticoats, briefs, panties, nightdresses, etc.	3.0	4.2	4.6	4.8	4.0	3.8
8451 - Babies' garments and clothing accessories	1.9	2.1	3.0	4.0	3.0	2.8
8438 - Underpants, briefs, nightshirts, pyjamas, bathrobes, etc.	1.4	1.8	1.8	2.1	1.9	1.8
8447 - Blouses, shirts and shirt blouses	2.1	2.3	1.9	1.8	1.7	1.6
8437 - Shirts	2.0	2.0	1.5	1.9	1.6	1.4
8426 - Trousers, bib and brace overalls, breeches and shorts	0.2	0.6	0.7	0.6	0.6	1.1
Other consumer goods	28.4	16.6	6.4	9.6	10.4	11.3
8514 - Other footwear with uppers of leather or composition leather	2.7	3.1	3.0	3.9	5.0	5.0
8515 - Other footwear, with uppers of textile materials	1.1	1.4	2.0	1.9	2.0	2.1

	2011	2012	2013	2014	2015	2016
Other	0.1	0.8	0.1	0.6	0.4	1.9
9710 - Gold, non-monetary (excluding gold ores and concentrates)	0.0	0.5	0.0	0.6	0.3	1.9

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.2 Merchandise imports by product group, 2011-16

	2011	2012	2013	2014	2015	2016
Total imports (US\$ million)	6,143.3	7,466.7	8,231.5	9,702.4	10,668.9	12,371.0
	% of total imports					
Total primary products	22.8	25.1	21.2	13.4	12.2	19.4
Agriculture	7.8	8.0	7.7	8.7	9.9	9.2
Food	6.5	6.9	6.9	8.0	7.9	7.1
1222 - Cigarettes containing tobacco	2.1	2.1	2.2	2.2	2.0	1.7
1110 - Non-alcoholic beverages, n.e.s.	0.2	0.2	0.3	0.5	0.8	1.0
Agricultural raw material	1.2	1.1	0.8	0.7	1.9	2.1
2121 - Mink skins, raw, whole, with or without head, tail or paws	0.0	0.0	0.0	0.0	1.0	1.3
Mining	15.0	17.1	13.5	4.7	2.3	10.2
Ores and other minerals	0.4	0.4	0.3	0.4	0.5	0.5
Non-ferrous metals	1.0	1.2	1.1	1.0	1.0	1.0
6842 - Aluminium and aluminium alloys, worked	0.9	1.1	1.0	1.0	1.0	0.9
Fuels	13.6	15.6	12.1	3.3	0.8	8.7
334 - Petroleum oils and oils obtained from bituminous minerals, other than crude	13.1	14.8	11.5	3.0	0.2	7.2
3212 - Other coal	0.3	0.3	0.2	0.2	0.5	0.9
Manufactures	75.2	73.2	77.6	84.5	82.0	78.6
Iron and steel	1.9	1.7	1.4	1.9	1.9	1.8
Chemicals	5.6	5.7	6.2	7.1	6.7	6.4
5429 - Medicaments, n.e.s.	1.5	1.4	1.4	1.3	1.2	1.1
Other semi-manufactures	6.7	6.5	6.5	8.8	8.7	8.9
Machinery and transport equipment	18.5	19.5	22.2	19.6	22.1	21.5
Power generating machines	0.6	0.7	1.2	1.2	0.5	0.5
Other non-electrical machinery	6.9	6.7	6.6	8.6	6.5	6.4
Agricultural machinery and tractors	0.9	0.9	1.1	0.5	1.1	0.6
Office machines & telecommunication equipment	2.1	1.6	1.7	2.8	2.5	2.2
Other electrical machines	2.0	1.6	3.7	2.8	2.4	3.4
7731 - Insulated wire, cable and other insulated electric conductors, etc.	0.3	0.6	0.6	0.8	0.9	1.3
Automotive products	5.1	6.1	5.1	3.7	6.4	5.0
7812 - Motor vehicles for the transport of persons, n.e.s.	2.9	3.1	2.6	2.3	3.5	3.0
7821 - Motor vehicles for the transport of goods	1.5	2.2	1.8	0.9	2.2	1.4
Other transport equipment	1.8	2.7	4.0	0.6	3.8	3.9
7853 - Invalid carriages; parts of the articles of group 785	0.1	0.0	0.1	0.1	1.5	1.9
7851 - Motor cycles and cycles fitted with an auxiliary motor, etc.	1.3	2.1	1.5	0.1	1.8	1.8
Textiles	35.0	33.8	34.4	37.8	34.9	33.0
6552 - Other knitted or crocheted fabrics, not impregnated, coated or laminated	18.9	18.9	19.4	20.2	18.5	17.6
6534 - Fabrics, woven, of synthetic staple fibres, containing less than 85% by weight of such fibres, etc.	7.5	7.6	7.8	8.4	7.0	6.0
6524 - Other woven fabrics, containing 85% or more by weight of cotton, etc., weighing more than 200 g/m2	0.8	0.7	0.9	1.5	1.7	1.5
6518 - Yarn (other than sewing thread) of staple fibres; synthetic monofilament, etc.	2.4	1.9	1.9	1.5	1.6	1.4
6526 - Other woven cotton fabrics, containing less than 85% by weight of cotton, etc.	1.1	1.1	0.9	1.4	1.3	1.3
Clothing	1.4	1.5	1.5	1.6	1.0	0.9
Other consumer goods	6.1	4.5	5.3	7.7	6.8	6.1
8998 - Smallwares and toilet articles, n.e.s.; sieves; tailors' dummies, etc.	1.0	1.0	1.0	1.4	1.2	1.0

	2011	2012	2013	2014	2015	2016
8939 - Articles of plastics, n.e.s.	0.6	0.5	0.6	0.6	0.9	0.9
Other	2.0	1.7	1.3	2.0	5.8	2.0
9710 - Gold, non-monetary (excluding gold ores and concentrates)	1.4	1.2	1.0	2.0	5.4	2.0

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.3 Merchandise exports by destination, 2011-16

	2011	2012	2013	2014	2015	2016
Total exports (US\$ million)	6,704.1	5,796.3	6,665.9	6,846.0	8,542.4	10,069.3
	% of total exports					
Americas	38.7	41.4	40.0	38.2	33.2	29.3
United States	31.4	32.7	31.3	29.2	25.0	21.3
Other America	7.3	8.7	8.7	9.0	8.1	8.0
Canada	5.7	6.8	6.9	7.4	6.5	6.5
Mexico	0.7	0.9	0.7	0.6	0.7	0.6
Europe	23.4	30.7	36.9	38.5	39.3	40.5
EU-28	22.7	29.9	35.9	37.5	38.5	39.9
United Kingdom	5.8	8.3	10.3	11.0	10.2	9.5
Germany	4.8	7.4	8.6	8.5	8.8	9.0
Spain	2.1	2.5	2.9	3.2	3.2	4.0
Belgium	2.0	2.5	2.5	2.8	3.3	3.9
France	1.4	2.0	2.4	3.0	3.5	3.6
Netherlands	2.6	1.9	2.4	2.5	2.9	3.0
Italy	1.2	1.8	2.2	2.4	2.3	2.1
Poland	1.0	1.3	1.5	1.6	1.3	1.2
Denmark	0.2	0.3	0.3	0.3	0.4	0.8
Czech Republic	0.0	0.1	0.3	0.4	0.6	0.7
EFTA	0.6	0.6	0.6	0.5	0.4	0.4
Other Europe	0.1	0.2	0.4	0.4	0.3	0.2
Commonwealth of Independent States (CIS)	0.6	0.7	0.8	0.7	0.4	0.5
Africa	0.2	0.5	1.0	0.3	0.4	0.3
Middle East	0.4	0.5	0.7	0.8	0.9	0.9
United Arab Emirates	0.3	0.4	0.5	0.7	0.7	0.7
Asia	36.7	26.1	20.4	21.4	25.8	28.5
China	2.3	3.1	4.0	5.2	4.7	6.1
Japan	2.3	3.2	4.7	5.0	6.7	8.2
Other Asia	32.1	19.9	11.7	11.2	14.4	14.2
Thailand	2.8	1.7	3.3	0.7	4.1	4.2
Viet Nam	2.2	1.9	1.6	1.4	2.2	2.3
Hong Kong, China	17.9	8.6	0.9	2.4	2.1	2.1
Korea, Republic of	0.7	1.2	1.4	1.8	1.6	1.6
Australia	0.5	0.6	0.9	1.1	1.0	1.0
Malaysia	0.7	1.5	1.9	1.8	1.6	1.0
Singapore	6.6	3.6	0.8	1.0	0.7	0.6
Other	0.0	0.0	0.3	0.0	0.0	0.0
<i>Memorandum:</i>						
ASEAN	12.5	8.9	7.9	5.3	9.0	8.6

Source: UNSD, Comtrade database.

Table A1.4 Merchandise imports by origin, 2011-16

	2011	2012	2013	2014	2015	2016
Total imports (US\$ million)	6,143.3	7,466.7	8,231.5	9,702.4	10,668.9	12,371.0
	% of total imports					
Americas	2.7	2.5	2.5	3.1	2.6	2.0
United States	2.4	2.2	2.3	2.7	2.2	1.4
Other America	0.4	0.3	0.3	0.4	0.5	0.6
Canada	0.2	0.1	0.1	0.1	0.3	0.4
Europe	4.8	4.6	3.2	3.6	3.8	4.5
EU-28	3.2	3.2	3.0	3.4	3.6	4.3
Germany	0.6	0.9	0.6	0.9	1.0	1.3
Denmark	0.0	0.1	0.0	0.1	0.3	1.0
France	0.7	0.6	0.6	0.7	0.6	0.5
Italy	0.3	0.5	0.3	0.4	0.3	0.3
United Kingdom	0.4	0.2	0.4	0.3	0.3	0.3
Finland	0.0	0.0	0.0	0.0	0.1	0.2
Netherlands	0.1	0.2	0.2	0.2	0.3	0.2
EFTA	1.5	1.3	0.1	0.1	0.1	0.1
Other Europe	0.0	0.0	0.0	0.1	0.1	0.1
Commonwealth of Independent States (CIS)	0.3	0.3	0.2	0.1	0.0	0.1
Africa	0.1	0.0	0.1	0.1	0.1	0.1
Middle East	0.2	0.3	0.2	0.3	0.2	0.2
Asia	92.0	92.2	93.8	92.8	93.2	93.0
China	28.3	29.8	36.3	38.2	36.8	36.8
Japan	4.0	3.2	2.1	2.7	4.0	4.3
Other Asia	59.6	59.2	55.3	51.9	52.5	52.0
Thailand	11.8	13.4	13.2	10.8	14.6	15.4
Viet Nam	14.4	14.1	11.9	9.0	8.7	11.4
Chinese Taipei	8.3	7.3	6.6	6.6	5.9	5.7
Singapore	3.9	3.9	4.2	5.0	4.7	4.6
Hong Kong, China	7.8	6.8	7.8	8.6	6.7	4.2
Korea, Republic of	4.9	5.7	4.5	4.0	4.3	3.5
Indonesia	2.8	2.9	3.0	2.9	3.1	3.4
Malaysia	3.4	2.4	1.7	2.2	1.8	2.0
India	1.2	1.5	1.1	1.5	1.1	0.7
Pakistan	0.3	0.5	0.6	0.5	0.3	0.3
Australia	0.3	0.3	0.2	0.3	0.3	0.2
Lao People's Democratic Republic	0.0	0.1	0.1	0.1	0.2	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.1
<i>Memorandum:</i>						
ASEAN	36.6	37.0	34.2	30.1	33.7	37.2

Source: UNSD, Comtrade database.

Table A3.1 Tariff summary, 2017

	Number of lines	Average (%)	Range (%)	Coefficient of variation (%)	Duty free (%)
Total	10,810	12.3	0-35	0.8	13.9
HS 01-24	1,723	16.1	0-35	0.7	9.8
HS 25-97	9,087	11.5	0-35	0.8	14.7
By WTO category					
WTO agricultural products	1,367	14.6	0-35	0.8	12.1
Animals and products thereof	152	25.7	0-35	0.5	10.5
Dairy products	45	13.9	7-35	0.2	0.0
Fruit, vegetables, and plants	356	12.9	0-35	0.9	11.8
Coffee and tea	43	26.8	7-35	0.4	0.0
Cereals and preparations	199	11.9	0-35	0.7	15.1
Oils seeds, fats, oil and their products	222	7.3	0-35	0.6	9.0
Sugars and confectionary	31	7.0	7-7	0.0	0.0
Beverages, spirits and tobacco	122	27.9	7-35	0.4	0.0
Cotton	5	0.0	0-0	0.0	100.0
Other agricultural products, n.e.s.	192	10.9	0-35	0.9	27.1
WTO non-agricultural products	8,525	11.9	0-35	0.8	14.1
Fish and fishery products	437	19.9	0-35	0.5	3.7
Minerals and metals	1,554	8.0	0-35	1.0	23.8
Chemicals and photographic supplies	1,506	7.1	0-35	1.0	22.0
Wood, pulp, paper and furniture	557	9.5	0-35	0.8	3.1
Textiles	855	5.7	0-15	0.5	20.9
Clothing	351	15.0	15-15	0.0	0.0
Leather, rubber, footwear and travel goods	322	13.2	0-35	0.7	1.2
Non-electric machinery	1,328	12.7	0-35	0.4	8.5
Electric machinery	719	16.8	0-35	0.6	7.2
Transport equipment	101	19.9	0-35	0.6	13.8
Non-agricultural products, n.e.s.	751	15.0	0-35	0.7	14.4
Petroleum	44	12.2	0-35	0.6	6.8
By ISIC sector					
ISIC 1 - Agriculture, hunting and fishing	684	10.6	0-35	0.7	17.8
ISIC 2 - Mining	122	6.5	0-35	1.0	39.3
ISIC 3 - Manufacturing	10,003	12.4	0-35	0.8	13.3
Manufacturing excluding food processing	8,882	11.6	0-35	0.8	14.3
Electrical energy	1	7.0	7-7	0.0	0.0
By stage of processing					
First stage of processing	1,131	10.1	0-35	0.9	22.5
Semi-processed products	2,855	6.5	0-35	0.8	19.7
Fully processed products	6,824	15.0	0-35	0.7	10.0
By HS section					
01 Live animals and products	589	19.6	0-35	0.5	6.3
02 Vegetable products	490	9.5	0-35	0.8	18.6
03 Fats and oils	175	7.0	7-7	0.0	0.0
04 Prepared food, beverages and tobacco	469	21.9	0-35	0.6	8.5
05 Mineral products	218	7.7	0-35	1.0	32.1
06 Chemicals and products thereof	1,259	7.6	0-35	1.0	18.4
07 Plastics, rubber, and articles thereof	565	8.9	0-35	0.9	24.2
08 Raw hides and skins, leather, and its products	91	12.8	7-35	0.8	0.0
09 Wood and articles of wood	228	11.8	7-35	0.8	0.0
10 Pulp of wood, paper and paperboard	300	6.6	0-7	0.2	5.7
11 Textiles and textile articles	1,175	8.3	0-15	0.6	15.9
12 Footwear, headgear, etc.	84	14.8	7-35	0.5	0.0
13 Articles of stone, plaster, cement	250	10.9	7-35	0.7	0.0

	Number of lines	Average (%)	Range (%)	Coefficient of variation (%)	Duty free (%)
14 Precious stones and metals, pearls	86	2.5	0-7	1.3	64.0
15 Base metals and articles thereof	1,035	8.3	0-35	0.9	21.1
16 Machinery, electrical equipment, etc.	2,132	14.0	0-35	0.5	7.8
17 Transport equipment	1,033	19.7	0-35	0.6	14.0
18 Precision equipment	326	14.9	0-35	0.6	9.2
19 Arms and ammunition	30	26.8	0-35	0.6	23.3
20 Miscellaneous manufactured articles	267	15.5	0-35	0.8	22.1
21 Works of art, etc.	8	0.0	0-0	0.0	100.0

Source: WTO Secretariat calculations, based on data provided by the authorities. Excluding 14 specific tariff lines under HS subheading 2710.

Table A3.2 Applied tariff lines breaching bindings, 2017

HS Code	MFN 2017	Bound rate	Note
Fully breaching (60 tariff lines)			
12114000	35%	15%	
12115000	35%	15%	
12119011	35%	15%	
12119013	35%	15%	
12119015	35%	15%	
12119016	35%	15%	
12119019	35%	15%	
12119091	35%	15%	
12119092	35%	15%	
12119095	35%	15%	
12119097	35%	15%	
12119098	35%	15%	
12119099	35%	15%	
19059030	15%	10%	
19059040	15%	10%	
19059050	15%	10%	
19059060	15%	10%	
19059070	15%	10%	
19059080	15%	10%	
19059090	15%	10%	
27101250	35%	20%	
34031111	15%	7%	
34031119	15%	7%	
34031190	15%	7%	
34031911	15%	7%	
34031912	15%	7%	
34031919	15%	7%	
34031990	15%	7%	
34039111	15%	7%	
34039119	15%	7%	
34039190	15%	7%	
34039911	15%	7%	
34039912	15%	7%	
34039919	15%	7%	
34039990	15%	7%	
39232990	15%	7%	
84714910	7%	0%	
84714990	7%	0%	
84733010	7%	0%	
84733090	7%	0%	
85081990	35%	15%	
85086000	35%	15%	
85232911	7%	0%	
85291021	15%	0%	
85291029	15%	0%	
85291030	15%	0%	
85291040	15%	0%	
85291060	15%	0%	
85291092	15%	0%	
85291099	15%	0%	
85447010	15%	7%	
85447090	15%	7%	
90279010	15%	0%	

HS Code	MFN 2017	Bound rate	Note
90279091	15%	0%	
90279099	15%	0%	
96190011	15%	10%	
96190012	15%	10%	
96190013	15%	10%	
96190014	15%	10%	
96190091	15%	10%	
Partially breaching (29 tariff lines):			
01063100	7%	5%, 15%	Breaching part of line "pure breeding" is bound at 5%
01063200	7%	5%, 15%	Breaching part of line "pure breeding" is bound at 5%
01063300	7%	5%, 15%	Breaching part of line "pure breeding" is bound at 5%
01063900	7%	5%, 15%	Breaching part of line "pure breeding" is bound at 5%
03069121	35%	20%, 40%	
03069131	35%	20%, 40%	
03069221	35%	20%, 40%	
03069231	35%	20%, 40%	
03069321	35%	20%, 40%	
03069421	35%	20%, 40%	
03069431	35%	20%, 40%	
03069921	35%	20%, 40%	
03069931	35%	20%, 40%	
36041000	35%	7%, 35%	Breaching part of line "Fireworks other than firecrackers" is bound at 7%
70194000	15%	10%, 30%	Breaching part of line "woven fabrics not including narrow fabrics" is bound at 10%
70195100	15%	10%, 30%	Breaching part of line "woven fabrics not including narrow fabrics" is bound at 10%
70195200	15%	10%, 30%	Breaching part of line "woven fabrics not including narrow fabrics" is bound at 10%
70195900	15%	10%, 30%	Breaching part of line "woven fabrics not including narrow fabrics" is bound at 10%
84713020	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84713090	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84714110	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84714190	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84715010	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84715090	7%	0%, 15%	Breaching part of line "analog or hybrid automatic data processing machines" is bound at 0%
84716090	7%	0%, 15%	Breaching part of line " bar code readers" is bound at 0%
85423100	7%	0%, 30%	
85423200	7%	0%, 30%	
85423300	7%	0%, 30%	
85423900	7%	0%, 30%	
Possibility of breaching (14 tariff lines):			
27101211	0.02\$/l	40.00	
27101212	0.02\$/l	40.00	
27101213	0.02\$/l	40.00	

HS Code	MFN 2017	Bound rate	Note
27101221	0.02\$/l	20.00	
27101222	0.02\$/l	20.00	
27101223	0.02\$/l	20.00	
27101224	0.02\$/l	20.00	
27101225	0.02\$/l	20.00	
27101226	0.02\$/l	20.00	
27101227	0.02\$/l	20.00	
27101228	0.02\$/l	20.00	
27101229	0.02\$/l	20.00	
27101971	0.04\$/l	30.00	
27101972	0.04\$/l	30.00	

Source: WTO calculations based on data provided by the authorities.

Table A4.1 Cambodia's Air Transport Agreements^a, 2017

Partner	Date	5 th ^b	7 th ^c	Cabotage ^d	Coop ^e	Designation ^f	Withholding ^g	Pricing ^h	Capacity ⁱ	Stat ^j	ALI	Capacity entitlement
Australia	19.05.2014	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
Austria	30.09.2015	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Brunei Darussalam	19.08.2000	N	N	N	N	M	SOEC	DA	PD	Y	4.0	
China	27.02.2014	N	N	N	N	M	SOEC	n/a	FD	Y	12.0	Unlimited frequencies
Czech Republic	03.06.2014	N	N	N	N	M	SOEC	DA	PD	N	5.0	7 flights/week
Finland	19.07.2016	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
France	04.11.2014	N	N	N	N	M	SOEC	DA	PD	N	5.0	7 flights/week
Germany	27.01.1997	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	2 flights/week
Hong Kong, China	13.01.2014	N	N	N	N	M	PPoB	DA	PD	Y	12.0	21 flights/week
Hungary	30.09.2015	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Iceland	29.04.2014	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
India	12.01.2007	N	N	N	N	M	SOEC	DA	PD	Y	4.0	
Indonesia	20.09.2006	N	N	N	N	M	SOEC	DA	n/a	Y	4.0	2,520 seats/week
Japan	14.01.2015	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	Unlimited frequencies
Kenya	10.09.2014	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
Korea, PDR	14.01.2016	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
Korea, Republic of	05.09.2006	N	N	N	N	M	SOEC	DA	B1	Y	8.0	Unlimited frequencies
Kuwait	13.01.2009	N	N	N	n/a	M	n/a	n/a	n/a	n/a	4.0	
Lao PDR	16.11.2010	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	Unlimited frequencies
Luxembourg	18.03.2014	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	Unlimited frequencies
Macao, China	12.12.2001	N	N	N	N	M	PPoB	DA	PD	Y	12.0	750 seats/week
Malaysia	01.09.2007	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	5,500 seats/week

Partner	Date	5 th ^b	7 th ^c	Cabotage ^d	Coop ^e	Designation ^f	Withholding ^g	Pricing ^h	Capacity ⁱ	Stat ^j	ALI	Capacity entitlement
Mongolia	01.03.2016	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	500 seats/week
Morocco	25.07.2016	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
Myanmar	20.06.2013	N	N	N	N	M	SOEC	DA	FD	Y	12.0	Unlimited frequencies
Netherlands	09.04.2014	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
New Zealand	19.08.2015	N	N	N	Y	M	PPoB	FP	FD	N	32.0	Unlimited frequencies
Philippines	10.04.2012	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Qatar	20.11.2012	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	Unlimited frequencies
Russian Federation	24.11.2015	N	N	N	N	M	n/a	DA	n/a	N	4.0	
Seychelles	16.10.2014	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Singapore	04.11.1996	N	N	N	N	M	SOEC	DD	Other	Y	16.0	9,000 seats/week (increase of 400 seats every year)
Sri Lanka	27.03.2015	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Switzerland	17.06.2015	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	14 flights/week
Chinese Taipei	17.01.2002	N	N	N	n/a	M	n/a	n/a	n/a	n/a	4.0	
Thailand	19.05.2016	N	N	N	N	M	SOEC	DA	FD	Y	12.0	Unlimited frequencies
Turkey	12.12.2013	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	21 flights/week
United Arab Emirates	09.05.2013	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	Unlimited frequencies
United Kingdom	29.05.2013	N	N	N	n/a	M	n/a	n/a	PD	n/a	4.0	7 flights/week
United States	15.07.2014	N	N	N	n/a	M	n/a	n/a	FD	n/a	12.0	
Viet Nam	25.06.1997	N	N	N	N	M	SOEC	DA	PD	Y	4.0	2,700 seats/week

a The term "Air Transport Agreements" is used here to refer to Air Services Agreements, Memoranda of Understanding, Exchange of Notes, and other such relevant instruments.

b Indicates if fifth freedom rights, even limited ones, are granted. If fifth freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.

c Indicates if seventh freedom rights, even limited ones, are granted. If seventh freedom rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.

- d Indicates if cabotage rights, even limited ones are granted. If cabotage rights are subject to approval by the aeronautical authorities, they are coded as NOT granted.
- e Indicates if there are clauses allowing cooperation between airlines, e.g. code-sharing.
- f Indicates if designation is single by an "S" or multiple by an "M".
- g Indicates the type of withholding clause: Substantial Ownership and Effective Control "SOEC", Principal Place of Business "PPoB", Community of Interest "COI", not available "n/a".
- h Indicates the type of pricing clause: Double Approval "DA", Double Disapproval "DD", Country of Origin (CoO), Zone Pricing "ZP", Free Pricing "FP", not available "n/a".
- i Indicates the type of capacity clause: Pre Determination "PD", Bermuda I, "B1", Free determination "FD", other "O", not available "n/a".
- j Indicates if an exchange of statistics is foreseen by the agreement.

Note: Cambodia is also a signatory to one plurilateral agreement, i.e. CLMV (Cambodia, Lao PDR, Myanmar, and Viet Nam) signed on 4 December 2003.

Source: WTO Secretariat and information provided by the authorities of Cambodia.
