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INSTITUTE FOR INTERNATIONAL
STUDIES AND PUBLIC POLICY

**KONRAD
ADENAUER
STIFTUNG**

ECONOMIC DIVERSIFICATION IN CAMBODIA



ADENAUER YOUNG SCHOLARS' PERSPECTIVES ON ECONOMIC DIVERSIFICATION IN CAMBODIA

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Edited by

LAK Chansok
LUY Ung Techhong

Adenauer Young Scholars for Excellence Program

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Editor

LAK Chansok

LUY Ung Techhong

Assistant Editor

SEAN Mouy Ing

Production Team

LUY Ung Techhong

SEAN Mouy Ing

IM Ponha Voatey

Cover and Layout Designer

SOEUN Brosnuth

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Freedom, justice and solidarity are the basic principles underlying the work of the Konrad-Adenauer-Stiftung (KAS). The KAS is a political foundation, closely associated with the Christian Democratic Union of Germany (CDU). As co-founder of the CDU and the first Chancellor of the Federal Republic of Germany, Konrad Adenauer (1876-1967) united Christiansocial, conservative and liberal traditions. His name is synonymous with the democratic reconstruction of Germany, the firm alignment of foreign policy with the trans-Atlantic community of values, the vision of a unified Europe and an orientation towards the social market economy. His intellectual heritage continues to serve both as our aim as well as our obligation today. In our European and international cooperation efforts, we work for people to be able to live self-determined lives in freedom and dignity. We make a contribution underpinned by values to helping Germany meet its growing responsibilities throughout the world. KAS has been working in Cambodia since 1994, striving to support the Cambodian people in fostering dialogue, building networks and enhancing scientific projects. Thereby, the foundation works towards creating an environment conducive to social and economic development. All programs are conceived and implemented in close cooperation with the Cambodian partners on central and subnational level. www.kas.de/cambodia



The Institute for International Studies and Public Policy (IISPP) is the first public policy school of the Royal University of Phnom Penh (RUPP) providing both graduate and undergraduate programs in the fields of International Relations/Affairs, Economics and Political Science/Public Policy. The RUPP has been a bastion of Cambodian intellectual training and talents cultivation for the past thirty-two years since its reopening in 1980. Particularly, it has significantly contributed to the building of human and institutional capitals, and practical knowledge in Cambodia's development. While the country is playing an increasingly important role in the regional and global economic, political and cultural dynamics, the past thirty-two years of integration into the international political, capital and cultural flows have brought about challenges and opportunities specific to Cambodia but highly relevant in various ways to countries in both the region and of the world. This Cambodian development experience – of negotiating cultural (knowledge) exchange and identity, confronting the (new) order of international capitalism, western ideologies and dominant knowledge, and engaging in various forms of regionalism and internationalism – and the Cambodian development perspectives of the increasingly connected world remain inadequately understood and undertheorized. Knowledge production on Cambodia in the globalizing world remains undertaken largely by non-Cambodians, and there remain few locally based institutions engaging in studying Cambodia and its regional dynamics. Therefore, it is high time that RUPP, in the name of Cambodia, established an indigenous knowledge application and production base for furthering the country's development and promotion to the world.



The Royal Government of Cambodia of the 7th Legislature of the National Assembly launched the Pentagon Strategy Phase I during the first cabinet meeting on 23rd August 2023. The strategy aims toward realizing Cambodia's 2050 vision of a robust society with a higher income status. Outlined on top among the "Five Strategic Pentagons" is "Human Capital Development" followed by Pentagon 2: Economic Diversification and Competitiveness Enhancement, Pentagon 3: Development of Private Sector and Employment, Pentagon 4: Resilient, Sustainable and Inclusive Development, and Pentagon 5: Development of Digital Economy and Society. Under the first Pentagon, the government recognized the indispensable significance of fulfilling the growing needs of Cambodia's socio-economic development through investment in human capital development. The Konrad-Adenauer-Stiftung (KAS) Cambodia and the Institute for International Studies and Public Policy of the Royal University of Phnom Penh supported this vision. KAS Cambodia has 30 years of experience working in the Kingdom of Cambodia and recognizes the importance of public policy education as a supporting mechanism to promote the country's human capital development.

In 2022, KAS Cambodia and IISPP entered a cooperation framework in the field of public policy. Our partnership envisions the future of Cambodia driven primarily by enthusiastic and professional policy leaders, as well as by well-informed, participatory, and proactive citizens. In the past two years, both institutions successfully conducted the public policy training program that has resulted in the improvement of knowledge, network, and skills among its fellows. Following the conclusion of the training program KAS and IISPP have continued to work with its 14 fellows on two major publications namely 1) Policy Brief: Social Issues in Cambodia and 2) Adenauer Perspectives: Contemporary Issues in Cambodia and Beyond. We are committed to continuing this capacity-building program in years to come. In the efforts to promote public policy education, awareness, and networking, both institutions provided a diverse set of activities as prescribed above which include the comprehensive capacity-building program, publication, and finally the policy forum at the end of the year.

Adenauer Young Scholars for Excellence (AYSE) is a public policy training program of the Konrad-Adenauer-Stiftung and the Institute for International Studies and Public Policy of the Royal University of Phnom Penh. The program equips young scholars with a foundational knowledge of public policy and an understanding of important public policy issues in Cambodia. Besides, the program provides the fellows with a better understanding of the key roles of public and private organizations in contributing to policy formulation, implementation, monitoring, and evaluation. Additionally, the program offers the fellows insight into what impact public policies have on social, economic, political, and economic spheres. The fellows are given opportunities to develop their leadership, research, critical-thinking, and analytical skills to propose practical policy recommendations and contribute to addressing common policy-related challenges in Cambodia. This program also provides the chance for fellows to expand their networks which are instrumental in shaping their careers.

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FOREWORD

It is with great pride that we present the third publication of the Adenauer Young Scholars for Excellence (AYSE) Program, a distinguished initiative jointly spearheaded by the Institute for International Studies and Public Policy (IISPP) at the Royal University of Phnom Penh (RUPP) and the Konrad-Adenauer-Stiftung (KAS) Cambodia. This volume stands not only as a collection of scholarly essays but also as a significant milestone in our enduring commitment to cultivating intellectual leadership among Cambodia's next generation of public policy professionals.

The AYSE program serves as a comprehensive talent development platform, purposefully designed to enhance the analytical acumen and leadership capacities of young scholars. Through engagement with complex public policy issues and participation in intensive training, these emerging leaders acquire the knowledge, skills, and critical perspectives vital to addressing Cambodia's multifaceted challenges. This program plays a crucial role in shaping a cadre of informed, forward-thinking individuals ready to contribute meaningfully to the country's socio-economic transformation.

This publication exemplifies our shared dedication to nurturing a new generation of thought leaders and decision-makers poised to shape Cambodia's future. It aligns seamlessly with the founding vision of the IISPP: to serve as a hub for the generation and application of knowledge crucial to the nation's sustainable development. By fostering an environment where innovative ideas thrive and where research informs policymaking, we aim to catalyze inclusive and resilient growth.

As readers explore the insights and policy recommendations contained within this volume, we invite them to recognize the remarkable potential embodied by these young scholars. They are not only the stewards of Cambodia's aspirations for economic diversification and institutional modernization but also the torchbearers of a more informed, inclusive, and sustainable future.

I extend my heartfelt gratitude to all contributors and stakeholders whose support has made this endeavor possible. Your continued commitment reaffirms the shared vision of advancing knowledge and strengthening public policy in Cambodia.

Assoc. Prof. Dr. NEAK Chandarith

Director, Institute for International Studies and Public Policy (IISPP)
The Royal University of Phnom Penh

EDITORIAL NOTE

As Cambodia continues its remarkable journey of transformation and development, a pivotal question emerges: How can the nation's young scholars meaningfully contribute to shaping its future? This question served as the foundation for the establishment of the Adenauer Young Scholars for Excellence (AYSE) in 2022, a pioneering collaboration between the Konrad-Adenauer-Stiftung Cambodia and the Institute for International Studies and Public Policy (IISPP) at the Royal University of Phnom Penh.

Cambodia is a nation endowed with resilience, cultural richness, and human potential. Its greatest strength lies in the determination and optimism of its people. Among the most critical challenges the country faces today is how to harness and amplify this potential, particularly among its dynamic and talented youth, to drive inclusive and sustainable progress. Unlocking this human capital is key to securing a brighter, more prosperous future for the Kingdom.

Although AYSE is a relatively small-scale initiative, it is driven by a grand vision. We firmly believe that impactful change often begins with small steps. By cultivating the right mindset and fostering a values-driven narrative, we are laying the groundwork for a broader and deeper impact over time. While our immediate outreach may be modest, our long-term commitment to nurturing a new generation of thinkers, doers, and leaders is unwavering.

Through the AYSE program, we strive to equip fellows with the knowledge, analytical skills, and civic mindset needed to meaningfully engage with the complex issues shaping their society. We actively encourage scientific inquiry, evidence-based thinking, and constructive dialogue that are tools essential for tackling both current and emerging challenges.

This year, as Cambodia intensifies its efforts to enhance economic diversification and national competitiveness, a key pillar of the Pentagonal Strategy Phase I, we challenged our fellows to examine the diverse aspects of this strategic transition. Their mission was not only to analyze economic trends, but also to explore how Cambodia can build resilience, foster innovation, and position itself more effectively within the regional and global economy.

In response, our fellows have produced fourteen compelling commentaries, now presented in this third edited volume: Adenauer Young Scholars' Perspectives: Economic Diversification in Cambodia. These contributions explore a diverse array of timely and critical themes, from industrial upgrading and workforce development to green energy and regional economic integration. Together, they provide fresh, youth-led insights into the opportunities and challenges confronting the Kingdom as it strives toward a more inclusive, sustainable, and globally competitive economic future.

These essays are far more than academic exercises. They represent the first significant steps in what we hope will be lifelong journeys of critical inquiry, civic responsibility, and national service. Through their writing and research, our fellows are expanding their intellectual horizons and cultivating the mindset needed to become thoughtful leaders and changemakers.

As the program coordinators and mentors, we have had the privilege of witnessing their transformation firsthand. We continue to be deeply inspired by their intellectual curiosity, moral commitment, and bold aspirations for Cambodia's future. Their passion for contributing to the Kingdom's development provides us with every reason to be hopeful and confident about what lies ahead.

We hope you find this volume engaging, informative, and inspiring. Most importantly, we welcome your feedback both as a tool for improving our efforts and as a testament to the importance of dialogue in building a stronger, smarter Cambodia.

LAK Chansok
Senior Lecturer
Institute for International Studies and Public Policy
The Royal University of Phnom Penh

LUY Ung Techhong
Program Manager
Konrad-Adenauer-Stiftung Cambodia



*A utility pole in Phnom Penh City
Source: Shutterstock*

Electricity Security for Economic Diversification: A Shift to Greener Solutions

CHEA Peter

The Pentagonal Strategy Phase I was unveiled in 2023 as the next development strategy of the Royal Government of Cambodia (RGC). Among the strategy's five "pillars", the second emphasizes the importance of diversifying the country's economy to create "[a] solid foundation for supporting the sustained and resilient growth in medium- and long-terms".¹ Growth as a result of economic diversification is imperative to bolster and maintain the country's momentum to successfully graduate and transition away from its status as a Least Developed Country (LDC) by 2029, avoid the ill-fated middle-income trap, and become a high-income economy by 2050.^{2, 3}

To diversify a nation's economy is to diversify the products and services it produces as well as the market access it has for export. Simultaneously, it is important to note that the effectiveness and success of Cambodia's efforts to diversify its economy greatly hinge on the country ensuring adequate domestic capacity, which is essential to make this goal a feasible reality. Hence, this article attempts to discuss this matter by spotlighting Cambodia's energy security challenge, particularly within its electricity sector.

Challenges Facing Cambodia's Current Electricity Insecurity

Harvard's Atlas of Economic Complexity's data illustrates that Cambodia's export output relies heavily on textiles and agricultural produce, indicating that the country has low to moderate export complexity levels.⁴ What this means is that Cambodia has the potential to export more complex products for a more dramatic growth.⁵ Given this, product diversification would push the nation toward manufacturing more complex products. As such, electricity is poised to be an essential resource to power the machinery involved in the manufacturing processes.

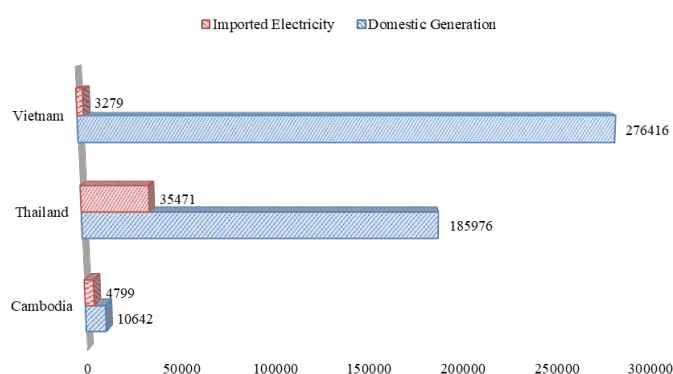


Figure 1: Comparison of Total Electricity Production Between Vietnam, Thailand, and Cambodia (GWh)

Sources: Ministry of Mines and Energy, the Electricity Authority of Cambodia, the Energy Policy and Planning Office, and Vietnam Electricity

In 2024, Cambodia's total electricity production reached 19,419.24 GWh, with 8.07% (or 1,567.88 GWh) imported from neighboring countries to offset the limited domestic generation capacity.⁶ The electricity composition comprised several sources, with the two most notable being

1 The Royal Government of Cambodia. 2023. "Pentagonal Strategy-Phase I for growth, employment, equity, efficiency, and sustainability: Building the foundation towards realizing the Cambodia Vision 2050." <https://www.mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf>.

2 Ibid.

3 Department of Economic and Social Affairs Economic Analysis. 2024. "Cambodia and Senegal scheduled to graduate from the LDC category in 2029." United Nations. December 19, 2024. <https://www.un.org/development/desa/dpad/2024/graduation-of-cambodia-and-senegal-from-the-ldc-category/#:~:text=The%20two%20countries%20will%20graduate,transition%20out%20of%20the%20category.>

4 Huasmann, Ricardo. 2022. "Cambodia." The Atlas of Economic Complexity-Harvard Growth Lab. 2022. <https://atlas.hks.harvard.edu/countries/116/export-basket>.

5 Ibid.

6 Ministry of Mines and Energy and Electricity Authority of Cambodia, "Salient features of power development in the Kingdom of Cambodia until December 2024," 2024, https://www.eac.gov.kh/uploads/salient_feature/english/salient_feature_2024_en.pdf.

hydro energy (40.96%) and coal (49.83%).⁷ Comparatively speaking, Thailand and Vietnam boasted larger total electricity production—around 235k GWh and 309k GWh, respectively.⁸ ⁹ Nonetheless, Thailand last year demonstrated a higher ratio of external electricity dependence as it imported 15.27% or 35,985.05 GWh, whereas Vietnam only relied on 2% or 4,097 GWh of electricity from external sources.^{10, 11} In terms of pricing, Cambodia charges USD 0.137/kWh compared to Thailand's USD 0.12/kWh and Vietnam's range of USD 0.074/kWh (for consumption of 0-100 kWh/month) to USD 0.15/kWh (for consumption of over 700 kWh/month).^{12, 13, 14}

One major implication is that Cambodia's electricity price remains one of the highest in the region. For potential investors in industries that the country is eager to attract, this has become a disincentivizing factor as it will incur costs on the final product or service, thereby reducing profit margin. Because businesses are profit-oriented and will actively identify cost-cutting opportunities whenever and wherever available, Cambodia risks losing its competitive

edge to its neighboring countries, which also happen to possess additional enticing bonuses, namely more skilled labor, larger markets, and stronger institutions.

Cambodia's limited electricity capacity also raises concerns and hesitation among both potential and current investors. To attract and welcome investments, a country needs to be ready in the sense that it can provide the necessary infrastructure to facilitate firms in building and operating their businesses. Questions arise on whether the country's electrical grid can handle an influx of investors as Cambodia's capacity remains unstable, subject to rationing of electricity during the dry seasons, as its hydro dams cannot operate at full efficiency.^{15, 16} In 2023, 125 enterprises reported experiencing power outages at least once, where 38 cited that the outage's longest average duration lasted 30 minutes.¹⁷ This contributed to a 5% loss in annual sales for 57 companies.¹⁸

Table 1: Average Duration of Power Outages: Minutes

Minutes	Cases	Percentage
0	2	0.7%
1	0	0.0%
2	1	0.4%
3	1	0.4%
4	1	0.4%
5	48	17.0%
7	3	1.1%
8	10	3.5%
10	78	27.6%
12	2	0.7%
15	46	16.3%

⁷ Ibid.

⁸ Vietnam Electricity, "Ministry targets 347.5 billion kWh of electricity production, imports in 2025," December 24, 2024, <https://en.evn.com.vn/d/en-US/news/Ministry-targets-3475-billion-kWh-of-electricity-production-imports-in-2025-60-163-500380>.

⁹ Energy Policy and Planning Office, "Electricity statistics," Ministry of Energy, 2024, <https://www.eppo.go.th/index.php/en/en-energystatistics/electricity-statistic>.

¹⁰ Ibid.

¹¹ Vietnam Electricity, "Annual report 2022-2023," April 22, 2024, <https://en.evn.com.vn/userfile/files/2024/11/EVNAAnnualReport2022-2023-20241107095549165.pdf>.

¹² Luong, Bang. 2025. "Vietnam proposes new electricity pricing with higher rates for high consumption." VietNamNet News, January 13, 2025. <https://vietnamnet.vn/en/vietnam-proposes-new-electricity-pricing-with-higher-rates-for-high-consumption-2362640.html>.

¹³ Praiwan, Yuthana. 2025. "Thai electricity prices in line for reduction this year following power tariff cut." <https://www.bangkokpost.com/business/general/2930806/thai-electricity-prices-in-line-for-reduction-this-year-following-power-tariff-cut>.

¹⁴ Koons, Eric. 2024. "Electricity in Cambodia: Quality and price issues." Energy Tracker Asia. March 27, 2024. <https://energytracker.asia/electricity-in-cambodia/#:~:text=Electricity%20prices%20in%20Cambodia%20are,considerably%20more%20than%20neighbouring%20countries>.

¹⁵ Khmer Times. 2024. "EDC asks Cambodians to conserve electricity in current heatwave." Khmer Times, April 8, 2024. <https://www.khmertimeskh.com/501469469/edc-asks-cambodians-to-conserve-electricity-in-current-heatwave/>.

¹⁶ UNDP. 2019. "Harnessing the solar energy potential in Cambodia." <https://www.undp.org/sites/g/files/zskgke326/files/migration/kh/DREI-Booklet-English.pdf>.

¹⁷ The World Bank. 2025. "Cambodia - World Bank Enterprise Survey 2023." January 9, 2025. <https://microdata.worldbank.org/index.php/catalog/6434/pdf-documentation>.

¹⁸ Ibid.

20	34	12.0%
25	17	6.0%
30	38	13.4%
35	1	0.4%
40	1	0.4%
Total	283	100%

Source: The World Bank

Cambodia's considerable dependency on electricity imports presents another challenge, as fossil fuel prices are likely to remain volatile due to ongoing geopolitical and geoeconomic developments. In other words, it is not a matter of if, but when fossil fuel prices will fluctuate. Indeed, when prices spike, the prices of imported fossil fuel (i.e., coal) and electricity sourced from fossil fuel in Cambodia will increase correspondingly—so much so that the Ministry of Mines and Energy has had to subsidize annually for the past several years to keep electricity costs stable.^{19, 20, 21} This vulnerability to external shocks is also a concerning issue as energy security is closely tied to national security; Cambodia's reliance on external actors for its electricity supply is an issue that should be thoroughly addressed.

How and Why Green Electricity Can Fit Within this Jigsaw

One approach to addressing the issues mentioned above is to increase Cambodia's electricity production capacity. Unlike the erratic fluctuations of fossil fuels, green energy is projected to gradually decrease its

costs over time.²² In the case of solar energy, for instance, assessments conducted by the UNDP in Cambodia revealed overwhelmingly positive findings. In essence, solar energy is demonstrated to be economically profitable with shorter construction and installation periods, cheaper investment costs according to global LCOE analysis, and Cambodia's geographical location allows it to receive high levels of sunlight exposure of up to 5.6 kWh/m².²³

Despite Trump's attempts to undermine global efforts heading towards a more environmentally conscious direction, increasing investments in green energy is a prudent decision given the ever-worsening impacts of the climate crisis. This means bypassing the unnecessary two-step process of first investing in traditional fossil fuel energy generation and then transitioning to renewable alternatives by moving directly to the latter. Simultaneously, it is within Cambodia's interests to provide greener electricity for domestic and foreign firms so that they have a smaller carbon footprint and their products remain viable for exports. This is because one of Cambodia's primary exporting destinations, the European Union, is gradually adopting the Carbon Border Adjustment Mechanism (CBAM) as a non-tariff barrier that Cambodia needs to comply with.²⁴

A green and secure electricity sector for Cambodia would not only address the issues related to economic diversification but also create two additional positive opportunities. Once electricity production exceeds typical consumption levels, accounting for future demand and unforeseen emergencies, it should reach a point of greater affordability and abundance. This surplus can then be used as an incentive to electrify vehicles, particularly

19 Chea, Vanyuth. 2023. "Govt subsidises \$150M to stabilise electricity tariffs in 2023." Khmer Times, July 19, 2023. <https://www.khmertimeskh.com/501326253/govt-subsidises-150m-to-stabilise-electricity-tariffs-in-2023/>.

20 Khmer Times. 2023. "PM vows to curb rising electricity prices despite the global crisis." Khmer Times, October 28, 2023. <https://www.khmertimeskh.com/501383092/pm-vows-to-curb-rising-electricity-prices-despite-the-global-crisis/>.

21 Chea, Vanyuth. 2025. "Govt to continue electricity subsidies." Khmer Times, February 6, 2025. <https://www.khmertimeskh.com/501635211/govt-to-continue-electricity-subsidies/>.

22 Timmons, David, Johnathan M. Harris, and Brian Roach. 2014. "The economics of renewable energy." Boston University. <https://www.bu.edu/eci/files/2019/06/RenewableEnergyEcon.pdf>.

23 UNDP. 2019. "Harnessing the solar energy potential in Cambodia." <https://www.undp.org/sites/g/files/zskgke326/files/migration/kh/DREI-Booklet-English.pdf>.

24 European Commission. 2025. "Carbon Border Adjustment Mechanism." February 26, 2025. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en.



cars, in densely populated areas, supporting the nation's goal of achieving net-zero carbon emissions by 2050.²⁵ Transcending the domestic focus, Cambodia can leverage its advantage in electricity capacity to export green energy to countries within Southeast Asia. Furthermore, Cambodia may integrate with fellow ASEAN countries as one of the region's power suppliers and as a crucial piece of the ASEAN Power Grid.

Future Outlook

Efforts to strengthen Cambodia's electricity capacity and improve its electricity security are well underway. With an emphasis on achieving a 70% renewable energy share by 2030, the RGC has halted any further issuances of licensing for coal power plants since 2019.^{26, 27} Simultaneously, avenues for potential cooperation are also being actively explored between the RGC and its governmental and non-governmental counterparts to generate investments, facilitate the transfer of best practices, and promote innovation. Evidently, September last year alone saw the approval of 23 green energy projects subject to potential investments, and 26 projects this April have been given government payment guarantees.^{28, 29}

Last but not least, a new Renewable Energy Certificate (REC) will soon be launched, allowing businesses to demonstrate their commitment to green energy and international environmental standards.³⁰

25 Royal Government of Cambodia. 2021. "Cambodia's long-term strategy for carbon neutrality." Uploaded by UNFCCC. https://unfccc.int/sites/default/files/resource/KHM_LTS_Dec2021.pdf.

26 Chea, Vanyuth "Kingdom to add more 720MW from solar sources this year," Khmer Times, February 10, 2025, <https://www.khmertimeskh.com/501636605/kingdom-to-add-more-720mw-from-solar-sources-this-year/>.

27 Sen, David "Govt takes huge strides towards renewable energy," Khmer Times, November 5, 2024, <https://www.khmertimeskh.com/501585606/govt-takes-huge-strides-towards-renewable-energy/>.

28 Ibid.

29 Hin, Pisei "Government approves payment guarantees for energy investment projects," The Phnom Penh Post, April 22, 2025, <https://www.phnompenhpost.com/business/government-approves-payment-guarantees-for-energy-investment-projects>.

30 Chea, Vanyuth "Cambodia to launch new REC scheme to boost sustainability," Khmer Times, December 31, 2024, <https://www.khmertimeskh.com/501616527/cambodia-to-launch-new-rec-scheme-to-boost-sustainability/>.

Table 2: Side-by-Side Comparison of Cambodia's Electricity Mix Between 2024 and 2040 (Measured in MW)

2024	Capacity	Percentage	2040	Capacity	Percentage
Coal	1,300	29.74%	Coal	2,266	21.40%
Hydro	1,796	41.09%	Hydro	2,973	21.40%
Fuel oil	400	9.15%	Fuel oil	490	4.60%
			Natural gas	900	8.50%
Solar PV	827	18.91%	Solar PV	3,155	29.80%
			Battery Energy Storage System	420	5.80%
Biomass	49	1.11%	Biomass	198	1.90%
Imported electricity	672		Imported electricity	4,095	
			Energy efficiency measures	2,205	
Total	5,044		Total	16,702	

Sources: Ministry of Mines and Energy and the Electricity Authority of Cambodia

Regardless, it remains to be seen how the contents on paper will be fully translated into actuality. However, the current trajectory through the RGC's Power Development Plan (PDP) 2022-2040 is aiming for the fourth scenario in which the conventional hydro-coal energy mix will be preserved, while there are efforts to initiate and expand investments in Liquefied Natural Gas (LNG) and solar energy, respectively.³¹ Moreover, energy efficiency measures will be implemented to reduce excess consumption and unnecessary losses in accordance with the National Energy Efficiency Policy (NEEP).³²

As one of the supply-side determinants, adequate electricity production is important for pushing long-term economic growth and diversification, for it is a core component of all industrial activities Cambodia is expanding into. That said, the PDP's fourth scenario seems to suggest that fossil fuels are here to stay. In a sense, Cambodia is trading a portion of its reliance on coal in exchange for a substantial reliance on LNG instead. Whether or not LNG is "green" is a discussion for another time, but

the more important matter is that this energy plan moving forward would have the country continue its dependence on imported electricity alongside fossil fuels (coal and LNG) to generate electricity, all of which means the country is vulnerable and susceptible to future external shocks.³³

Thus, a question arises: How can alternative solutions be designed to ensure ample electricity production for economic diversification while mitigating concerning implications?

31 Ministry of Mines and Energy. 2022. "Power Development Masterplan 2022-2040." <https://vdb-loi.com/wp-content/uploads/2023/06/Final-PDP-Cambodia-English-version.pdf>.

32 Ibid.

33 Reynolds, Sam. 2024. "Understanding the Opportunities and Challenges in Cambodia's LNG Ambitions | IEEFA." November 26, 2024. <https://ieefa.org/articles/understanding-opportunities-and-challenges-cambodias-lng-ambitions>.



*Garment workers make clothes at a factory in Phnom Penh,
Source: Xinhua/Wu Changwei*

Cambodia's Workforce at a Crossroads: Navigating the Transition from Low-Cost Labor to High-Value Industries

CHHIM Noppon

For years, Cambodia's economic narrative was characterized by rapid growth fueled primarily by low-cost labor and foreign direct investment, particularly in the garment manufacturing sector. Factories proliferated across the country, export volumes soared, and employment opportunities flourished, creating the foundation for a decade of impressive GDP growth. However, as the global economic landscape evolves, marked by technological disruption, rising labor costs, shifting trade dynamics, and increasing competition, this growth model is showing signs of strain. Relying heavily on low-cost labor and a narrow industrial base is no longer a viable or sustainable pathway for long-term development.

By 2029, Cambodia is set to officially graduate from the Least Developed Country (LDC) status, losing key trade privileges. As wages rise, the economy must need to pivot toward higher-value industries. The Cambodian government has recognized this shift and responded by prioritizing economic diversification as a central objective of its Pentagon Strategy, particularly under Pillar 2.¹ This strategic pillar emphasizes a more ambitious and targeted approach to upgrading the agriculture and agro-industrial sectors, enhancing value chains, and promoting innovation and sustainability. It also includes a renewed push to develop the creative industries, positioning them as emerging drivers of economic growth, while significantly expanding the services sector to foster job creation, attract investment, and strengthen the country's overall economic resilience.

However, a critical challenge persists: Cambodia's workforce is not yet equipped for the structural transformation required to sustain inclusive and competitive growth. The labor force remains predominantly low-

skilled and low in productivity, with a large share employed in informal sectors such as subsistence agriculture, family-run farming, and labor-intensive garment factories. This mismatch between labor market demands and workforce capabilities poses a serious risk. Without significant investment in education, vocational training, and upskilling, Cambodia could struggle to transition to higher-value industries and risk falling further behind regional competitors like Thailand and Vietnam, which are advancing more rapidly in industrial upgrading and digital transformation.

At first glance, Cambodia's employment figures appear strong. In 2019, the country reported a 98.6% employment rate, comparable to Thailand's 99% and Vietnam's 97.2%.² However, these numbers mask a more complex reality: Cambodia's labor productivity remains significantly lower than its regional peers. The root of this disparity lies not in the number of jobs, but in the nature of those jobs. Approximately 88% of the Cambodian workforce is employed in the informal sector, including family farming, small-scale enterprises, and unregulated services.³ These jobs typically offer low wages, limited job security, and minimal opportunities for skill development.

This structural imbalance discourages high-value foreign investment, as firms are often deterred by the shortage of skilled labor, weak vocational training systems, and underdeveloped financial and technological infrastructure. As a result, Cambodia struggles to attract industries that could drive higher productivity, innovation, and long-term economic prosperity, hindering its ambition to move up the value chain and compete more effectively on the regional and global stage.

1 Ministry of Foreign Affairs and International Cooperation, *Pentagonal Strategy Phase I for Growth, Employment, Equity, Efficiency and Sustainability: Building the Foundation Towards Realizing the Cambodia Vision 2025*, August, 2023, <https://mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf>

2 International Labour Organization, "Workers in the Cambodian Informal Economy," March, 2024 https://www.ilo.org/sites/default/files/wcmsp5/groups/public/%40asia/%40ro-bangkok/documents/briefingnote/wcms_917516.pdf

3 Ibid.

Trapped in the Informal Sector

Millions of Cambodians remain trapped in an invisible workforce, operating largely outside formal economic structures, without the protections, benefits, or opportunities for advancement that come with formal employment. This informal labor segment poses a significant barrier to both individual prosperity and broader national development.

In rural Cambodia, where 75.9% of workers depend on agriculture, traditional farming methods dominate.⁴ Despite the crucial role agriculture plays, most farmers still rely on low-yield, labor-intensive practices, lacking access to modern tools, quality fertilizers, and mechanized equipment. This technological gap keeps productivity depressed and rural incomes stagnant. The 2019 General Population Census reveals that 90.1% of rural workers are either self-employed or unpaid family laborers, engaged primarily in small-scale subsistence farming or local trading.⁵ Education remains a critical challenge: over half of rural workers (54%) have never completed primary school, and a mere 0.8% have finished high school (BACII).⁶ This educational deficit severely limits opportunities for skill acquisition and upward mobility, effectively locking rural populations into low-productivity livelihoods.

Urban areas face parallel challenges. According to the International Labor Organization (ILO), only 3.5% of Cambodian businesses are officially registered with the Ministry of Commerce.⁷ The vast majority operate informally, outside regulatory oversight, which restricts their

access to formal financial services such as SME loans or government support programs like those offered by Khmer Enterprise. Without formal recognition, these enterprises often lack the capacity to scale, innovate, or contribute substantially to economic growth beyond basic subsistence.

Together, the pervasive informal economy perpetuates a cycle of low wages and limited economic dynamism, undermining Cambodia's readiness for the structural transformation required to achieve sustainable development and compete in a rapidly changing global economy.

The Factory Dilemma

For decades, Cambodia's garment industry has been the backbone of the economy, offering millions steady jobs and driving foreign investment. The sector grew rapidly in the late 2000s and remains a dominant force today, with US\$11.68 billion in garment exports in 2024, up from US\$9.39 billion in 2023, now accounting for 44.59% of the country's total exports.⁸ This underscores the sector's critical importance to Cambodia's economic stability and export performance.

Cambodia's heavy reliance on low-skill, labor-intensive manufacturing presents a strategic dilemma. While FDIs continue to bolster these low-wage factory jobs, the country faces a pivotal choice: either to deepen this dependency and risk consigning its workforce to economic stagnation, or to embark on a complex but necessary transition. This transition entails integrating comprehensive skill-building and vocational training programs within existing industries, preparing workers for higher-value, knowledge-based sectors such as tourism, services, and the burgeoning creative economy.

4 Ibid.

5 Ministry of Planning, National Institute of Statistics, "General Population Census of the Kingdom of Cambodia 2019," October, 2020, Final General Population Census 2019-English.pdf

6 Ibid.

7 International Labour Organization, "A Path to Progress for Cambodia: Unlocking Opportunities through Formalization," January 15, 2024 <https://www.ilo.org/resource/news/path-progress-cambodia-unlocking-opportunities-through-formalization>

8 Hin, Pisei, "Garments Account for 45% of Exports in '24, Up Almost a Quarter," The Phnom Penh Post, January 20, 2025, <https://www.phnompenhpost.com/business/garments-account-for-45-of-exports-in-24-up-almost-a-quarter->



A T-shirt with 'Made in Cambodia' Label
Source: Shutterstock

Despite their extensive experience, many garment workers have over a decade in factory roles, they often lack the skills, motivation, or accessible pathways to move into emerging industries with greater growth potential. Other low-value manufacturing sectors, such as bicycle assembly, similarly offer limited job security and career progression. Even industries once heralded as promising, like Cambodia's solar panel manufacturing, experienced a decline in exports in 2025, raising questions about their long-term viability.⁹

Without urgent and decisive policies to retrain and upskill its workforce, Cambodia risks remaining trapped in a narrow industrial base, making the goal of economic diversification and sustainable development increasingly elusive.

9 Ho, Samantha, "New Record-High US Solar Tariffs Leave Uneven Impact Across Southeast Asia's Solar Industry," *Exo-Business*, April 23, 2025, <https://www.eco-business.com/news/new-record-high-us-solar-tariffs-leave-uneven-impact-across-southeast-asias-solar-industry/>

The Future Lies in People's Hands

Cambodia stands at a pivotal crossroads. While the economy continues to grow, without developing a high-value, high-productivity workforce, true economic diversification risks remaining little more than an aspiration rather than a tangible reality. The government's reforms and the efforts of NGOs to provide training are important first steps, but they alone cannot drive the transformative change that Cambodia urgently needs.

As the young and dynamic generation shaping Cambodia's future, it is incumbent upon us to take the initiative, to learn new skills, embrace change, and continuously upskill. The global economy is rapidly shifting toward innovation-driven, high-value industries, and Cambodia's ability to compete and thrive depends on having a workforce that is prepared to meet these evolving demands.

The opportunity to build a prosperous, diversified economy is within reach. The question is: will we seize it?



*The COVID-19 pandemic severely curbed Chinese investment in Sihanoukville, leaving hundreds of buildings unfinished.
Crédit: Gabriel Fauveaud*

The Fallout of Abandoned Chinese Investments in Sihanoukville: Implications for Local Communities and the Real Estate Market

CHHUN Menghak

Between 2013 and 2019, Sihanoukville underwent swift economic expansion fueled by Chinese investment, particularly in the real estate and gambling sectors. However, the Cambodian government's 2019 ban on online gambling triggered a sharp economic downturn, significantly affecting the local economy. This commentary will examine the rise and fall of Chinese investments in Sihanoukville, the impact of the government's policy changes, and the long-term consequences for residents involved in speculative real estate ventures. Drawing from my first-hand experience as a local who witnessed these changes, I will share key insights and lessons learned from this tumultuous period.

What Motivated Chinese Investors to Choose Sihanoukville?

Sihanoukville's appeal to Chinese investors can be attributed to several key factors. Firstly, Sihanoukville is home to Cambodia's only deep-water port, making it a crucial part of Chinese President Xi Jinping's Belt and Road Initiative (BRI). Its strategic location and the presence of two special economic zones (SEZs), with over 100 Chinese firms operating in the SEZ, made the province an attractive destination for investment.¹ Former proactive support of Chinese investment, particularly in comparison to neighboring countries, positioned Cambodia as a central player in the BRI's Southeast Asian plans.²

Secondly, the legalization of gambling in Cambodia, coupled with the country's relaxed financial policies, incentivized a large influx of Chinese investors into the casino sector.³ This,

in turn, sparked a boom in the construction and gaming industries. By early 2019, nearly 100 casinos were operating in Sihanoukville, and new construction projects were springing up throughout the city.⁴

Thirdly, Cambodia's relatively low labor costs made it an appealing choice for Chinese investors, especially in manufacturing and construction. Wages in Cambodia were significantly lower than in neighboring countries like China, Vietnam, and Thailand. With a young and productive population, boasting a median age in the mid-20s and a life expectancy exceeding 70 years, Cambodia offered Chinese companies affordable labor for large-scale projects.⁵ This was particularly advantageous in sectors such as textiles, construction, and hospitality, where the availability of low-cost labor provided Chinese businesses with a competitive edge in cost efficiency.⁶

As a consequence, between 2016 and March 2018, Chinese investment in Sihanoukville surged, with foreign direct investment (FDI) in the city reaching approximately US\$1.3 billion, of which Chinese investors contributed around 80%.⁷ By 2019, an estimated 90% of businesses in Sihanoukville, ranging from hotels and casinos to retail and service establishments, were owned and operated by Chinese nationals.⁸

1 Cam McGrath, "Sihanoukville zone prospers on China links," The Phnom Penh Post, June 12, 2017, <https://www.phnompenhpost.com/business/sihanoukville-zone-prospers-china-links>

2 Ministry of Foreign Affairs of the People's Republic of China, "Xi Jinping Meets with Prime Minister Hun Sen of Cambodia," 7 November 2014, http://www.fmprc.gov.cn/mfa_eng/topics_665678/ytjhzzdrsrcldrfzshyjxghd/t1208728.shtml.

3 Ibid.

4 Clarke, Jame, "Sihanoukville Construction Update - 2022 Edition," Future Southeast Asia, 25/01/2022, <https://futuresoutheastasia.com/sihanoukville-construction-update-2022/>

5 ESCAP, "Demographic Changes: Cambodia," 2024, Cambodia | Demographic Changes

6 ASEAN, "Garment Industry in CLMV Economic," December 2024, p.13. <https://asean.org/wp-content/uploads/2024/12/Textiles-Industry-in-CLMV-Economies.pdf>

7 Prasso, Sheridan, "Chinese Influx Stirs Resentment in Once-Sleepy Cambodian Resort," Bloomberg, 21 June 2018, <https://www.bloomberg.com/news/features/2018-06-20/chinese-casinos-stir-resentment-on-cambodia-s-coast-of-dystopia>

8 Lim, Daryl, "The revival of Sihanoukville, Cambodia's 'Gold Rush' city," Think China, 18 July 2022, The revival of Sihanoukville, Cambodia's 'Gold Rush' city

Was the Cambodian Government's Gambling Ban the Only Reason for the Departure of Chinese Investors, or Were There Other Contributing Factors?

The gambling ban enacted by the Cambodian government was certainly a primary factor behind the exodus of Chinese investors from Sihanoukville, but it was not the sole reason.

On August 18, 2019, the Cambodian government implemented a ban on online and arcade gambling to prioritize public safety and order.⁹ This decision led to the departure of hundreds of thousands of Chinese nationals involved in the gambling industry. More than 200,000 Chinese citizens left Cambodia, taking a significant toll on the local economy.¹⁰ The ban also triggered the halting of many construction projects tied to the gambling boom, leaving behind a landscape of unfinished buildings and stalled developments.¹¹

However, another contributing factor was the outbreak of COVID-19 in China, which further exacerbated the situation. Many Chinese nationals who had left Sihanoukville to return home during the exodus could not return due to travel restrictions and the global pandemic. This added to the economic hardship already caused by the gambling ban, as businesses in Sihanoukville faced an ongoing labor and investment shortage.

As a result, the number of licensed casinos operating in Cambodia saw a sharp decline. From a peak of 163 casinos in June 2018, the number dropped to 118 by January 2019, with only 56 of those still in operation located in Sihanoukville.¹²

What Are the Long-Term Impacts of Chinese Investment on the City's Real Estate Market and Its Local Residents?

One aspect of the aftermath that often goes unnoticed is the financial toll on local residents, many of whom found themselves bankrupt or deep in debt after the departure of Chinese investors. A significant number of locals took out large loans, often spanning 10 to 15 years, to purchase land or houses in hopes of profiting from rents paid by Chinese tenants. These loans came with high interest rates, but at the time, the returns from renting to Chinese businesses seemed more than worth the risk. Unfortunately, when the investments collapsed, many of these individuals were left with nothing, or worse, buried under crippling debt.

I witnessed the financial struggles of those who had once benefited from the influx of Chinese money. In early 2015, a close friend of my family purchased a plot of land next to her house for around \$15,000. By 2018, she had taken out a bank loan using her house as collateral to build a five-story building with 56 rooms. Even before the building was completed, she had already signed a multi-year lease with a Chinese tenant, who promised nearly \$12,500 in monthly rent.

However, when COVID-19 struck, many Chinese businesses in the area became unprofitable and shut down their operations. Within months, numerous tenants, including hers, abandoned their leases and returned to China. Although

9 Ministry of Information, "Cambodia Bans All Online and Arcade Gambling", <https://www.information.gov.kh/articles/5345>

10 Newsdesk, "Government says 200,000 Chinese nationals have left Cambodia following online gambling ban," Inside Asian Gaming, January 31, 2020, <https://asgam.com/2020/01/31/government-says-200000-chinese-nationals-have-left-cambodia-following-online-gambling-ban/>

11 Lim, Daryl, "The revival of Sihanoukville, Cambodia's 'Gold Rush' city," Think China, 18 July 2022, The revival of Sihanoukville, Cambodia's 'Gold Rush' city

12 *ibid.*, 10. <https://asgam.com/2020/01/31/government-says-200000-chinese-nationals-have-left-cambodia-following-online-gambling-ban/>

her tenant continued to pay rent for three additional months after the departure, they left behind all the furnishings they had purchased for the hotel. Despite the brief continuation of payments, my friend was left with nearly \$250,000 in bank debt. By 2023, unable to recover, she was forced to sell the building at a significant loss to a Khmer couple, one of the few buyers in the struggling market.

On a broader scale, the real estate market in Sihanoukville experienced a severe decline, with many properties falling into disrepair. Abandoned buildings were overtaken by overgrown grass, and the cityscape seemed to freeze in time. However, during my visit to Sihanoukville in January 2025, I noticed signs of revival. Several previously neglected developments, such as Borey BS O5, had undergone renovation, particularly with the abandoned villas that once dotted the area.

Since early 2024, Sihanoukville's real estate market has begun to regain momentum. New foreign investment, particularly from Indonesia, has started to flow into the city. Casinos and hotels are reopening, and construction projects are picking up again. Two major developments are currently underway: a large shopping mall along Sokha Beach and a major resort along Ochheuteal Beach. These projects signal a renewed scene of optimism and confidence in Sihanoukville's economic future.

Personal Thoughts and Recommendations

As a native of Sihanoukville, it is heartbreaking to witness the transformation of my city, from being hailed as the "Star of the Southwest" to now being referred to locally as the "new ghost town." Before 2013, no one could have imagined how rapidly this small coastal city, with a population of approximately 221,396, would

change.¹³ Currently, the city is left with around 360 unfinished buildings and roughly 170 completed but empty ones, many of which are considered "ghost buildings." These structures were left behind by Chinese investors who fled the city due to the financial crisis and the effects of COVID-19, leaving a legacy of abandoned construction projects.¹⁴

Why did this happen? If you ask the government, they will point to negative press from foreign media as a contributing factor.¹⁵ However, if you ask the locals, the explanation is simple: the Chinese money ran out, compounded by the ban on online casinos in the Kingdom. But is that the full story?

During the brief period of economic boom, Chinese capital flooded the city like a broken dam. Many locals who own real estate, whether land or houses, benefited significantly. The influx of Chinese real estate investors caused rent prices to skyrocket, with rates climbing from a few hundred US dollars to between US\$3,000 and US\$4,000.¹⁶ By 2025, I had seen many small buildings renovated. However, larger buildings remain untouched, primarily due to the high demolition costs for landowners. Additionally, the construction of these large buildings, using heavy industrial steel frames, differs from the traditional Cambodian method of reinforced concrete and rebar. This makes renovation costly and impractical for many.

13 CEIC, "Cambodia Population: Consus: Krong Preah Sihanouk," 1998-2019, <https://www.ceicdata.com/en/cambodia/population-census/population-census-krong-preah-sihanouk#:~:text=Cambodia%20Population:%20Census:%20Krong%20Preah%20Sihanouk%20data%20was%20reported%20at,by%20National%20Institute%20of%20Statistics.>

14 Rogers, David, "Fleeing Chinese investors leave Cambodian resort littered with 'ghost buildings,'" *Global Construction Review*, 19 April, 2024, <https://www.globalconstructionreview.com/fleeing-chinese-investors-leave-cambodian-resort-littered-with-ghost-buildings/#:~:text=The%20Cambodian%20coastal%20resort%20of,that%20are%20finished%20but%20empty.>

15 RFA, "Hun Manet blames derelict building problem on foreign media," 01 February, 2024, <https://www.rfa.org/english/news/cambodia/ghost-02012024162355.html>

16 Lim, Daryl, "The revival of Sihanoukville, Cambodia's 'Gold Rush' city," *Think China*, 18 July 2022, The revival of Sihanoukville, Cambodia's 'Gold Rush' city

Therefore, Sihanoukville's recovery and future policies need to be carefully studied, and policymakers must abandon the "draw first, think later" approach that has plagued decision-making.

That is why the new "Special Program to Promote Investment in Preah Sihanouk Province 2024," launched by the Royal Government of Cambodia in early 2024, is a positive step forward. The program addresses many of the challenges faced by the local real estate sector and the residents affected by the economic downturn. Importantly, it also invests in infrastructure, promotes tourism and industry diversification, and introduces dispute resolution tools to address ongoing conflicts between landowners and developers.¹⁷

However, I would recommend that the government also focus on the banking system, particularly microfinance and medium-sized loans. Many locals are still in debt from the loans they took to expand their real estate portfolio prior to the gambling ban and COVID-19. An effective refinancing policy, along with an education campaign about refinancing, would provide much-needed support for these individuals.

I am optimistic about the implementation of this program. While recovery won't happen overnight, the Special Program's layered approach, mixing tax relief, investor matchmaking, infrastructure investment, and administrative reform, signals a coordinated effort to transform Sihanoukville from a cautionary tale into a case study of responsible rebuilding.

Conclusion

The boom and bust of Chinese investment in Sihanoukville underscore the fragility of the city's economy and its over-reliance on FDI from a single country. While Chinese investors transformed the city in a short period, the aftermath of the bubble bursting left Sihanoukville in a worse state than before the transformation. The ban on online gambling, while disruptive, ultimately helps to prevent the city's economy from becoming dependent on an unsustainable income source, one that could have turned Sihanoukville into another Myawaddy. Additionally, the COVID-19 pandemic further exacerbated the downturn, leaving locals financially strained. However, there are signs of slow recovery, with new investors and reconstruction efforts breathing new life into the city. If Sihanoukville is to avoid repeating the mistakes of the past, it must prioritize sustainable policies and responsible development over short-term speculative ventures.

17 Royal Government of Cambodia, "The Special Program to Promote Investment in Preah Sihanouk Province 2024," January 2024, https://www.jetro.go.jp/view_interface.php?blockId=38027024#:~:text=For%202024%2C%20the%20Royal%20Government,Translation%20%2D%20Page%204%20of%207%20%2D



An abandoned building skeleton in Sihanoukville
Source: Flickr



Secretary-General of ASEAN, Dr. Kao Kim Hourn, this morning attended the Opening Ceremony of the Cambodia-ASEAN Business Summit 2025, in Phnom Penh, Cambodia, presided over by Samdech Moha Borvor Thipadei Hun Manet, Prime Minister of the Kingdom of Cambodia. Credit: ASEAN

Cambodia's Position in the ASEAN Business Landscape: Opportunities and Challenges for Growth

IM Mengseang

Cambodia, once considered a low-cost labor hub, is swiftly emerging as a dynamic player in ASEAN's economic landscape. With a young and growing population, a strategic location, and deepening integration into regional trade networks, Cambodia is positioning itself as an attractive destination for global investment. As Cambodia diversifies its economy, its focus on digital transformation, infrastructure development, and human capital enhancement will be pivotal to strengthening its competitive edge within ASEAN. However, to sustain this momentum, Cambodia must address key challenges such as regulatory inefficiencies, infrastructure constraints, and workforce skills gaps.¹

Labor Costs: A Key Advantage in Attracting Investment

One of Cambodia's strongest advantages is its relatively low labor costs, making it an attractive option for labor-intensive industries, particularly garment manufacturing. According to the International Labour Organization (ILO), the average monthly wage in Cambodia's garment sector is lower than that of Thailand and Vietnam, providing cost advantages to investors.² As of 2024, Cambodia's garment sector minimum wage is US\$204³, while Vietnam's workers earned an average of US\$295.60,⁴ and Thailand's garment sector wage was US\$277 in 2016,⁵ with further increases expected by 2025. However,

Cambodia's competitiveness will not solely depend on low wages but also on its ability to transition into higher-value sectors.

Strengthening Human Capital and Closing the Skills Gap

To boost competitiveness, Cambodia must enhance human capital by strengthening vocational and technical education (TVET) in collaboration with the private sector to improve workforce capabilities, reduce production costs, and strengthen Cambodia's workforce. For instance, the Cambodian government has launched a program to train 1.5 million low-income youth, focusing on industry-specific skills and encouraging businesses to invest in employee upskilling.⁶ To achieve this aim, the Asian Development Bank (ADB) approved a US\$100 million loan aimed at improving TVET in the country.⁷ Enhancing these programs will be crucial to ensuring that Cambodia's workforce can meet the demands of a modern economy.

Regulatory Inefficiencies and the Ease of Doing Business

While improving human capital is foundational, it must be complemented by a conducive regulatory environment to unlock Cambodia's full economic potential. Despite improvement in Cambodia's ease of doing business rankings, regulatory inefficiencies, red tape, and inconsistent enforcement of business laws continue to create challenges for both domestic and foreign enterprises. According to the World Bank's 2020 Starting a Business Score, Cambodia ranked 187 with a score of 52.4, significantly lower than regional peers such as Thailand (47, score of 92.4) and Vietnam (115, score of 85.1).⁸

1 "Cambodia Economic Update, November 2023: From Recovery to Reform - Special Focus: Accelerating Structural Reforms to Boost Productivity and Competitiveness," *World Bank*, 2023, Open Knowledge Repository

2 "Employment, wages and productivity in the Asian garment sector: Taking stock of recent trends," *International Labor Organization*, 24 June, 2022, Employment, wages and productivity in the Asian garment sector: Taking stock of recent trends | International Labour Organization

3 "Cambodia raises monthly minimum wage for garment workers to \$204," *Fibre2Fashion*, 03 October, 2023, *Cambodia raises monthly minimum wage for garment workers to \$204 - Fibre2Fashion*

4 Vu Nguyen Hanh, "Vietnam Labor Market Report for H1 2024," *Vietnam Briefing*, 26 July, 2024, Vietnam Labor Market Report for H1 2024

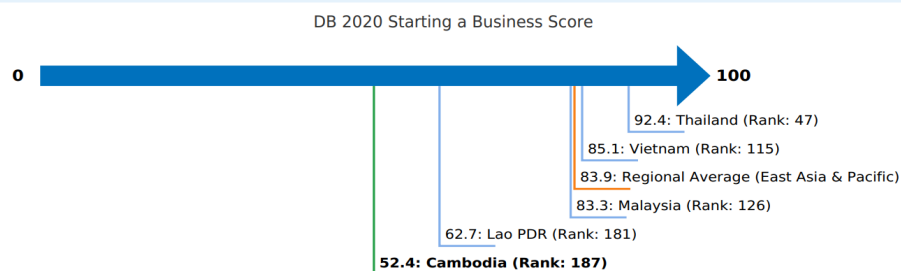
5 Jae Hee Chang et al., "ASEAN in Transformation Textiles, Clothing and Foot Wear: Refashioning the Future," International Labour Organization, July, 2026,

6 Sreekanith Ravindran, "1.5M TVET played key role towards creating human resources," *Khmer Times*, 12 March, 2025, 1.5M TVET played key role towards creating human resources - Khmer Times

7 "\$100 Million ADB Loan to Boost Labor Force Competitiveness in Cambodia," *Asian Development Bank*, 01 August, 2023, \$100 Million ADB Loan to Boost Labor Force Competitiveness in Cambodia | Asian Development Bank

8 "Economy Profile Cambodia: Doing Business 2020," *World Bank*, 2020, KHM.pdf

Figure - Starting a Business in Cambodia and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of starting a business is determined by sorting their scores for starting a business. These scores are the simple average of the scores for each of the component indicators.

Simplifying business registration, enhancing intellectual property rights, and ensuring transparent dispute resolution mechanisms are critical for enhancing investor confidence.⁹ These issues were also identified by both U.S. and non-U.S. companies as major concerns.¹⁰

Government Initiatives for a Better Business Climate

Cambodia has introduced several initiatives to attract foreign investment, including tax exemptions, investment-friendly regulations, and special economic zones (SEZs). The 2021 Law on Investment aims to provide a more transparent and predictable regulatory framework. However, existing concerns over bureaucratic inefficiencies and corruption remain a barrier for potential investors.

Governance reforms should focus on transparency, streamlining regulatory procedures, and strengthening anti-corruption measures to improve investor confidence. Strengthening anti-corruption measures is crucial. Cambodia could draw from Indonesia's digital anti-corruption monitoring system, which allows real-time tracking of government expenditures and procurement. Vietnam's crackdown on high-profile corruption cases has also sent strong deterrence signals. Raising

public officials' salaries¹¹, as Indonesia has done, could reduce incentives for corruption, while enhancing ASEAN-wide collaboration on asset recovery would improve enforcement efforts.

Infrastructure Investment: Key to Reducing Operational Costs

Infrastructure development has progressed, particularly in road networks, and port facilities. Cambodia's infrastructure investment has grown by 7% annually.¹² Infrastructure improvements, particularly in logistics, are essential for reducing operational costs and attracting investment. To position Cambodia as a regional investment hub, the government has unveiled a major initiative to modernize and upgrade the country's infrastructure and logistics systems, creating significant opportunities for private sector investment. The plan outlines 174 priority projects valued at an estimated US\$36.68 billion.¹³ These include 94 road projects, eight railway developments, 23 waterway upgrades, 20 seaport initiatives, 10 airport enhancements, 15 logistics facilities, and four other infrastructure ventures. Furthermore, Cambodia aims to significantly expand its deep-

⁹ Ibid., 6.

¹⁰ Casey Barnett et al., "AmCham Cambodia 2024 Business Climate Survey," *ResearchGate*, November, 2024, (PDF) AmCham Cambodia 2024 Business Climate Survey

¹¹ "Best Practice for Curbing Corruption in Asia," *Asian Development Bank*, June, 2004, Best Practices for Curbing Corruption in Asia | Asian Development Bank

¹² "Cambodia: Transport Sector, Assessment, Strategy, and Road Map," *Asian Development Bank*, September, 2019, *Cambodia: Transport Sector Assessment, Strategy, and Road Map*

¹³ MayKunmakara, "\$36B infrastructure plan revealed," *The Phnom Penh Post*, 11 March, 2024, \$36B infrastructure plan revealed | Phnom Penh Post

water port over the coming years, targeting a container-handling capacity of 2.637 million TEU annually by 2030.¹⁴ Once completed, the port will be able to accommodate direct connections to global ports without limitations related to depth.

Digital Transformation: A Growing Focus

Digital transformation is gaining momentum, with the Cambodian government actively promoting e-commerce and fintech. The implementation of the Digital Economy and Society Policy Framework (2021-2035) demonstrates Cambodia's commitment to digitalization.¹⁵ Nonetheless, limited digital literacy and cybersecurity concerns need to be addressed to foster a more robust digital economy. While Cambodia has widespread internet and mobile phone usage, only 30% of the population possesses basic media and digital literacy skills.¹⁶ The lack of effective cybersecurity regulation and enforcement presents challenges for businesses. Without clear regulatory standards, companies must develop their own cybersecurity policies, which can result in inconsistent and ineffective

practices.¹⁷ Therefore, Cambodia could look to Singapore's model of comprehensive data protection regulations and foster public-private cybersecurity partnerships.

Digital transformation must be accelerated by expanding digital infrastructure, strengthening cybersecurity policies, and fostering innovation hubs for startups in key sectors such as fintech and e-commerce.¹⁸ These initiatives will help promote and enhance Cambodia's position as a competitive player in ASEAN's rapidly evolving digital economy.

A Path to Sustainable Growth

Cambodia is at a crucial juncture in its economic development within ASEAN. To enhance its competitiveness and realize its full potential, the country must focus on key areas: strengthening human capital through TVET reform, investing in infrastructure, improving governance and transparency, and accelerating digital transformation. By addressing these challenges and fostering collaboration, Cambodia can position itself as a leading player in ASEAN, ensuring sustainable and inclusive growth in the years ahead.

14 Niem Chheng, "Sihanoukville port to reach over 2.63M TEU capacity by 2030," *The Phnom Penh Post*, 12 September, 2024, Sihanoukville port to reach over 2.63M TEU capacity by 2030 | Phnom Penh Post

15 "CAMBODIA Digital Economy and Society Policy Framework 2021 - 2035," Ministry of Post and Telecommunication, 14 June, 2023, CAMBODIA DIGITAL ECONOMY AND SOCIETY POLICY FRAMEWORK 2021 - 2035 - Ministry of Post and Telecommunications

16 "Research Unveiled by ASEAN Foundation and Google.org Highlights Digital Literacy Gaps in Cambodia and ASEAN," *Cambodia Investment Review*, 2024, Research Unveiled by ASEAN Foundation and Google.org Highlights Digital Literacy Gaps in Cambodia and ASEAN - Cambodia Investment Review

17 "Cybersecurity in Cambodia: Current Development and Challenge Ahead," *Open Development Cambodia*, March, 2023, Cybersecurity in Cambodia: current developments and challenges ahead

18 "Cambodia Financial Technology Development Policy 2023-2028," FinTech Portal of FSA, July, 2023, FinTech Center



Exploring Sihanoukville's Potential as a Forex Trading Hub in Southeast Asia: Opportunities and Challenges

LAIM Lyana

Cambodia's economic landscape has been undergoing significant transformation, driven by efforts to diversify its economy and enhance its global integration. Within this broader context, Sihanoukville has emerged as a key city for logistics investment and infrastructure development. Thanks to its strategic location and government-backed initiatives, the city has positioned itself as a growing regional trade hub. Sihanoukville's Development Master Plan 2025–2038 envisions transforming the city into a regional financial and logistics hub, with smart city infrastructure, a logistics complex, and improved education and healthcare facilities.¹

However, the prospect of Sihanoukville becoming a financial hub, particularly a forex trading hub, a centralized platform where currencies are actively exchanged on a large scale, remains highly questionable. Unlike established financial powerhouses such as Singapore and Hong Kong, Sihanoukville faces significant challenges, including limited financial market depth, weak regulatory frameworks, and insufficient liquidity pools, all of which are critical foundations for sustaining a robust forex trading ecosystem.

This commentary critically examines Sihanoukville's economic viability, infrastructure development, and financial sector capacity. Drawing comparisons to successful forex hubs, it highlights the structural weaknesses that continue to hinder the city's potential to grow into a major forex trading center.

Unpacking the Strategic Value and Economic Significance of Sihanoukville

A common argument for Sihanoukville's potential as a financial hub is its geographical positioning in Southeast Asia. As Cambodia's only deep-water port city, Sihanoukville serves as a gateway for trade in the ASEAN region,

positioned near major economies such as Thailand and Vietnam.² Some draw parallels to Singapore, which leveraged its maritime trade dominance to develop into a global financial center.³ However, a closer examination reveals critical weaknesses.

First, Cambodia ranks low on the World Bank's Logistics Performance Index (LPI), with a score of 2.4, significantly behind Vietnam (3.27) and Thailand (3.41).⁴ The cost of border compliance for exports in Cambodia stands at \$375 per container, far higher than Thailand (\$223) and Vietnam (\$290).⁵ Moreover, Cambodia's total trade volume in 2022 was only \$52 billion, compared to Vietnam's \$700 billion and Singapore's \$1.2 trillion.⁶ These figures suggest that Sihanoukville lacks the trade dominance necessary to sustain a forex hub. Singapore's financial rise was not solely due to its location, it was also driven by low trade costs, high efficiency, and strong institutional frameworks, all of which Cambodia currently lacks.

Cambodia Lags Behind in Trade Efficiency and Logistics Performance



Figure 1: Cambodia's Trade Costs and Logistics Gap

1 B2B Cambodi, "Sihanoukville's Development Master Plan 2025–2038," December 30, 2024, <https://b2b-cambodia.com/articles/sihanoukville-development-master-plan-2025-2038/>

2 Khmer Times, "World Bank Finds Cambodia, Vietnam Have Lowest Port Turnaround Times in ASEAN," February 22, 2023, <https://www.khmertimeskh.com/501277715/world-bank-finds-cambodia-vietnam-have-lowest-port-turnaround-times-in-asean/>

3 Eduardo Vieira and Gonalo Doellinger, "How Singapore Became a Global Financial Center. FEP Finance Club," February 22, 2025, <https://fepfinanceclub.org/2024/05/02/article-how-singapore-became-a-global-financial-center/>

4 *ibid.*, 2.

5 World Bank, "Logistics Performance Index," <https://lpi.worldbank.org/international/global>

6 Asian Development Bank, "Cambodia's Economic Diversification: A Country Diagnostic Study," 2024, p.26

Second, a robust financial infrastructure is fundamental to the success of a forex trading hub. In this regard, Sihanoukville has made some progress, although gaps remain. The Phnom Penh-Sihanoukville Expressway and Sihanoukville Autonomous Port, Cambodia's largest deep-sea port, have been undergoing expansions to accommodate increased trade volumes and establish another SEZ. Additionally, the city is seeing some real estate development through Chinese investments, though many of these buildings remain abandoned, partly contributed by a significant decline in demand since the COVID-19 pandemic.

To combat this, the Cambodian government launched the "Special Investment Promotion Program in Sihanoukville 2024" aimed to attract investments in the region, particularly to restart projects that were previously on hold.⁷ However, this initiative addresses only a limited scope of investment activities and does not fully resolve the infrastructure challenges facing the city. Beyond physical infrastructure, modern forex hubs rely on high-speed trading algorithms, secure digital payment systems, and advanced fintech infrastructure which are areas where Cambodia lags significantly. Internet reliability remains a major issue, with frequent power outages and inconsistent speeds disrupting financial transactions.⁸ Although the Bakong digital currency system has expanded mobile payments, Cambodia still lacks a comprehensive fintech regulatory framework capable of supporting high-frequency forex trading.

Another critical barrier to Sihanoukville's potential as a forex hub is regulatory uncertainty. Unlike regulators at established forex centers such as Singapore's Monetary Authority (MAS) and Hong Kong's Securities and Futures Commission (SFC), Cambodia's

financial regulations remain in their infancy.⁹ The country lacks a clear and cohesive forex trading framework, which increases the risks of money laundering and financial fraud. Strong investor protection laws are also necessary for attracting institutional forex traders, yet Cambodia has made only limited progress in this area. Moreover, Sihanoukville is highly dependent on Chinese investment, meaning any shifts in China's economic policies such as the introduction of capital controls could significantly destabilize the city's financial growth. While the Preah Sihanouk Multi-Purpose SEZ Master Plan aims to expand financial services, it does not yet provide the regulatory clarity needed to attract large forex firms.

A critical additional challenge is Cambodia's skilled workforce gap. A successful financial hub requires a highly educated labor force skilled in finance, economics, and technology. Cambodia's education system continues to face challenges in producing graduates with job-ready skills, particularly in specialized sectors like financial services. This limits the talent pipeline needed to support a robust and well-regulated forex trading market.¹⁰ As a result, Cambodia would need to import forex-skilled professionals and fintech specialists, increasing operational costs for potential investors.

Furthermore, tourism, historically a major economic driver in Sihanoukville, remains unreliable. Chinese tourists dominate the sector, making it vulnerable to fluctuation in China's economic performance.¹¹ Additionally, Sihanoukville faces stiff competition from

7 B2B Cambodia, "2024 Special Investment Promotion Program Announced for Sihanoukville Aimed at Revitalising Investment," January 31, 2024, <https://b2b-cambodia.com/articles/2024-special-investment-promotion-program-announced-for-sihanoukville-aimed-at-revitalising-investment/>

8 Freedom House, "Freedom on the Net 2024: Cambodia," 2024. <https://freedomhouse.org/country/cambodia/freedom-net/2024>

9 Asian Development Bank and National Bank of Cambodia, "Cambodia Fintech Landscape Report 2022," Manila: ADB, 2022, <https://www.adb.org/sites/default/files/publication/792796/cambodia-fintech-landscape-report-2022.pdf>

10 Cambodian Development Resource Institute (CDRI), "Exploring Insights into Foreign Direct Investment and Skills Development in Cambodia," 2021, pp. 27–30, https://cdri.org.kh/storage/pdf/WP131%20Exploring_Insights_1637129221.pdf

11 People's Daily Online, "Chinese Tourists Flock to Cambodia as Tourism Booms Again," April 8, 2025, <https://en.people.cn/n3/2025/0408/c90000-20299026.html>

neighboring destinations like Thailand's Phuket and Vietnam's Da Nang, both of which have better-developed infrastructure and tourism services. A successful forex hub needs a diversified economy, yet Sihanoukville's overreliance on Chinese tourism and investment makes it economically fragile and vulnerable to external shocks.

Future Prospects: Can Sihanoukville Become a Forex Trading Hub?

Looking ahead, the prospects of Sihanoukville becoming a forex trading hub remain slim. In the next five years (2025-2030), it is unlikely to develop into a forex center but will likely continue its growth as a local logistics and manufacturing hub. The key obstacles, such as low financial liquidity, weak regulatory frameworks, and over-dependence on Chinese investment, are unlikely to be resolved in the short term.

In the long term (2030-2035), Sihanoukville could potentially evolve into a secondary regional fintech hub, provided that the government

implements major financial reforms, strengthens investor protections, and develops digital infrastructure. However, without these crucial changes, the city will continue to struggle to attract global forex firms.

Despite government ambitions, Sihanoukville currently lacks the financial depth, regulatory credibility, and technological infrastructure required to become a forex trading hub. Unlike Singapore and Hong Kong, Cambodia's financial markets remain less developed, and its regulatory frameworks are not strong enough. While logistics and tourism may fuel broader economic growth, forex trading demands a sophisticated financial ecosystem that Cambodia is unlikely to develop within the next decade.

Instead of focusing on becoming a global financial center, Sihanoukville's most viable path forward is to expand its role as a logistics and industrial hub. By leveraging its existing trade connections and gradually improving its financial infrastructure, the city can continue its growth in these sectors. Without major policy reforms and institutional investments, Sihanoukville will likely remain a logistics hub rather than a forex trading center.



Hotels under construction in Sihanoukville
Source: Hachette Learning



BYD Shark 6
Credit: BYD Cambodia

Shifting Cambodia's Economic Paradigm: From Low-Cost Labor to High-Value Industries in the Age of AI and Automation

LOR Rossika

Cambodia is now actively positioning itself in the competitive landscape of high-value industries. Historically, the country's economy has been reliant heavily on low-value-added industries. However, as regional competition intensified and global investment trends evolved, the need for Cambodia to shift toward high-value industries has become increasingly evident.

BYD Cambodia: A Case Study in Emerging High-Value Industries

“Build Your Dreams” (BYD) was founded in 1995 by Wang Chuanfu in Shenzhen, China. Initially focused on rechargeable batteries, the company quickly became a leading supplier for mobile phones and other electronic devices. Leveraging its expertise in battery technology, BYD expanded into the automotive industry in the early 2000s and produced its first electric vehicle in 2008.

Over the years, BYD has established more than 30 industrial parks across the globe, including in Europe, the Americas, and Asia. Among these international locations, Cambodia has emerged as one of the destinations for BYD's assembly plants.¹

BYD entered the Cambodian market in 2022, aligning with its broader international strategy to expand electric vehicle (EV) production in emerging Southeast Asian markets. The assembly plant in Cambodia is expected to begin operations by the end of 2025, with an initial annual production capacity of 10,000 EVs and a total investment of approximately \$30 million.²

How BYD Helps Cambodia's Economy

BYD's presence in Cambodia supports the country's ambition to diversify its economy beyond traditional sectors such as the garment industry, by fostering growth in the automotive and high-tech industries. In 2024, the Ministry of Public Works and Transport (MPWT) reported a sharp rise in electric vehicle (EV) registrations, reaching a total of 2,253—representing an increase of approximately 620 percent compared to 2023. This surge in demand highlights a growing domestic market for EVs and positions Cambodia as an emerging player in the regional green mobility transition.

Building on its strong performance in recent years, BYD has helped boost local employment and enhance technical skills, supporting Cambodia's shift beyond traditional sectors such as the garment industry. The company's assembly plant is expected to generate skilled jobs in engineering, logistics, and green technology, contributing significantly to human capital development. As a global leader in electric vehicles (EVs), BYD brings clean, low-emission transportation solutions to the Cambodian market, aligning closely with the country's EV policy—which aims to have electric cars account for 40% and electric motorcycles for around 70% of all new registrations by 2050.

Moreover, BYD's operations pave the way for Cambodia to integrate into the global EV value chain, positioning the country as a strategic hub for high-value industries. This move is also likely to attract increased foreign direct investment (FDI) from international partners seeking opportunities in sustainable and technology-driven sectors.

1 “About BYD,” BYD, 21 April, 2025, <https://www.byd.com/en/about-byd>

2 Chea, Vanyuth, “Cambodia's EV registration sees big jump in 2024,” Khmer Times, , January 16, 2025, <https://www.khmertimeskh.com/501624421/cambodias-ev-registration-sees-big-jump-in-2024/>

Can Cambodia Transition to a High-Value-Added Hub?

Cambodia has relied heavily on the garment sector which accounted for 52.46% of the total export by the end of 2024.³ While low-end manufacturing and agriculture have provided jobs for our people, but they have lacked technology and advanced innovation. This could cause a struggle for Cambodia to shift immediately toward the high-tech industries which required a strong foundation of technological advancement.

To ensure sustainable long-term growth, Cambodia must shift its focus toward high-value industries such as automotive, electronics, and technology. This transition will not only enhance wages and job quality for Cambodian workers, but also promote technological advancement in areas like production and automation. Additionally, expanding into these sectors will support economic diversification and help reduce the country's reliance on more volatile, low-margin industries.

The Role of High-Value Industries in Industrial Diversification and Economic Resilience

High-value industries play a crucial role in promoting and enhancing industrial diversification. It encourages the development of diverse, such as technology and advanced manufacturing, which help mitigate the risks associated with over-reliance on a single industry.

Additionally, high-value industries integrate Cambodia into the global value chain, allowing the country to participate in various stages of production. This integration enhances

Cambodia's industrial capabilities and competitiveness, providing access to new technologies, management practices, and expertise.⁴

Another significant benefit of high-value industries is the creation of skilled jobs. This not only reduces unemployment rates but also increases income levels, strengthening the domestic market and boosting overall economic stability. As the economy diversifies and advances technologically, Cambodia can foster a more robust, resilient, and competitive economy in the long term.⁵

Challenges in Shifting Toward to High-Value Industries

Shifting from low-value to high-value industries presents several challenges for Cambodia. Key concerns include infrastructure limitations, workforce skill gaps, technology advancement, and regional competition.

First, limitations in infrastructure—such as inadequate roads, ports, and power supply—pose significant challenges to this transition. One key concern is the high cost of electricity, which can substantially raise operational expenses for investors and hinder industrial efficiency. Addressing these infrastructure gaps will be essential for attracting and sustaining investment in high-value industries.

Second, a shortage of skilled technical workers presents a significant challenge to this industrial shift. High-value industries demand a workforce equipped with advanced manufacturing and digital capabilities to effectively move up the value chain. This underscores the urgent need to expand and strengthen STEM (Science,

3 B2B Cambodia, "Cambodia 2024 Economic Data in Review," 21 January, 2025, <https://b2b-cambodia.com/news/cambodia-2024-economic-data-in-review/>

4 Sok, Kha, "The key to integrating Cambodia into global value chains," East Asia Forum, 03 August, 2019, <https://eastasiaforum.org/2019/08/03/the-key-to-integrating-cambodia-into-global-value-chains/>

5 Ben, Sokhean, "Cambodia shifts focus to high-tech industries amid strong economic growth," Khmer Times, 28 February, 2025, <https://www.khmertimeskh.com/501646640/cambodia-shifts-focus-to-high-tech-industries-amid-strong-economic-growth/>

Technology, Engineering, and Mathematics) education in Cambodia, ensuring the domestic labor force can meet the evolving demands of a modern, technology-driven economy.

Third, regional competition poses a significant challenge. Neighboring countries such as Vietnam and Thailand are strong contenders in high-value industries, benefiting from greater economic complexity and well-established industrial bases. Their investor-friendly policies, coupled with superior infrastructure and a more skilled workforce, make them attractive destinations for foreign investment. As Cambodia aspires to position itself as a competitive manufacturing hub, it must carefully consider and address these regional advantages to remain appealing to investors.

According to Khmer Times, Permanent Deputy Prime Minister Vonsey Vissoth emphasized Cambodia's growing economic diversification over the past decade. He stated, "Cambodia needs to continue to strengthen the investment climate and further enhance competitiveness to attract both domestic and foreign investment, especially by attracting industries that are changing their production bases to prepare to become alternative manufacturing hubs." Moreover, he noted, "Cambodia also increases labor productivity by strengthening and developing human capital through health promotion, education and technical skills training, with the aim of attracting non-traditional and high value-added industries."⁶

Based on his statement, we can clearly see that Cambodia's economy needs immediate economic diversification and a strong investment climate which can allow Cambodia to attract both domestic and foreign direct investment. He also highlighted some key strategies that Cambodia can build a more resilient and competitive economy such as the focus on the developing human capital through education, technical training and healthcare which are crucial for increasing productivity and supporting high value-added industries.

Achieving the Transition: The Way Forward

BYD's expansion into electric vehicles and renewable energy underscores the growing importance of sustainability and innovation in shaping the future of Cambodia's economy. Its presence illustrates how strategic investment in green technology can help position Cambodia as a regional hub for clean energy and sustainable mobility solutions, aligning with global trends toward low-carbon development.

To enhance business competitiveness, Cambodia must continue investing in critical infrastructure such as transport, energy, and digital systems. Additionally, fostering a proactive policy and regulatory environment is essential for improving the country's business climate. By implementing investor-friendly policies, streamlining bureaucratic processes, and ensuring greater transparency, Cambodia can create a more stable environment that attracts high-value investors.

To achieve this goal, Cambodia should invest in educational and vocational training programs that align curricula with industry needs, ensuring a workforce capable of meeting the demands of evolving sectors. To further mitigate the risks of overdependence on a few sources, Cambodia should diversify its investment partnerships across a broader range of countries. This approach will be crucial for attracting more investment in technology, automotive, and green energy sectors, all of which require a highly skilled workforce.

Moreover, promoting sustainable and inclusive growth is equally crucial. By adopting sustainable practices and encouraging investments that are both environmentally responsible and socially inclusive, Cambodia can ensure that the benefits of investment are widely distributed across regions and communities, fostering equitable development.

Conclusion

The transition toward high-value industries is not only an economic necessity but also a strategic move to secure long-term growth and resilience for Cambodia. Drawing from successful case studies, such as BYD's operations in Cambodia, the country can find a roadmap for industrial transformation. By implementing the right policies, such as strengthening human capital, improving infrastructure, and enhancing connectivity, Cambodia can position itself as a competitive investment hub in Southeast Asia.

For this vision to become a reality, it is essential for all stakeholders, including the government, private sector, and international partners, to collaborate and create an environment that attracts sustainable and high-quality foreign direct investment (FDI). Cambodia stands at a crossroads: will it remain a low-cost manufacturing hub, or will it embrace a future of innovation and economic diversification? The opportunity is now. By implementing bold reforms and fostering a business-friendly ecosystem, Cambodia can pave the way for long-term prosperity and regional competitiveness.





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Workers working at Meko Intelligent (Cambodia) Co Ltd's \$32 million light bulbs, electronics and electronic parts factory in northern Takeo province in February. Credit: STPM.

Diversifying the Cambodia Electronics and Electrical (E&E) Sector Toward Global Value Chain Integration and Linkage Creation

MENG Lyhor

As Cambodia strives for economic diversification, the shift from agriculture to manufacturing has become a key national priority. In this process, the Electrical and Electronics (E&E) sector emerges as a key driver for the country's transition to secondary industry and deeper integration into the global value chain. However, Cambodia's foreign direct investment (FDI) in the E&E sector remains heavily reliant on imported primary components, which represents a missed opportunity for local growth. By creating stronger linkages between local factories and FDI projects in the E&E sector, Cambodia can enhance domestic production, improve competitiveness, and fully capitalize on the benefits of industrial development.

Overview of the E&E Sector

The E&E products use electrical energy to perform tasks. These devices convert electricity into other forms of energy, such as heat, light, or kinetic energy. The E&E products are essential to modern consumer life, with common electrical devices including microwaves, dishwashers, fridges, lights, or televisions. On the other hand, common electronic devices include mobile phones, laptops, digital cameras, or Bluetooth speakers.

The industry related to the production, marketing, and distribution of products that use electrical energy is known as Electrical and Electronics Equipment (EEE) industry. This industry is divided into four subsectors: electronic components, consumer electronics, industrial electronics, and electrical products¹.

EEE in Global Value Chain GVC

The global value chain (GVC) of the EEE involves multiple stages. The first stage begins with the inputs, which include silicon, metals, plastics, chemicals, and packaging. These materials

are essentials for creating components, which are divided into electronic components (e.g., semiconductor wafers, integrated circuits, and circuit boards) and electrical components (e.g., wires, switchgear, and transformers). These components then move to the next stage of assembly, where subassemblies like printed circuit boards (PCBs) and motors are produced. The final products serve various markets, including consumer electronics, automotive, medical, industrial equipment, and aerospace.

Cambodia's Emerging E&E Sector

In recent years, Cambodia has seen the emergence of its own EEE industry. The first EEE company was established in 2005, specializing in the manufacturing of construction wires, power cables, and telecommunication cables.

According to the GIZ's Sector Brief: Cambodia Electrical and Electronic Equipment Industry, Cambodia's electrical and electronics manufacturing sector employed around 54,000 people in 2020, accounting for 1.43% of the country's workforce². This is relatively small compared to Thailand, where the sector employed 600,000 (1.57% of the workforce), and Vietnam, with over a million workers (1.78%). Notably, approximately 47% of workers in Cambodia's EEE industry are women. The sector's growth has been driven by significant foreign investment, attracted by low wages, international trade agreements, and Special Economic Zones (SEZs), which offer favorable tariffs and tax incentives. Most EEE companies are located in SEZs, such as the Royal Group Phnom Penh Special Economic Zone, as well as industrial zones near Thailand and Vietnam, which are strategically positioned for low-value, labor-intensive production.

1 Felix, Bontineau, et al., "Sector Brief: Cambodia Electrical and Electronic Equipment Industry" *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH*, September, 2023, <https://rbh-eurochamcambodia.com/wp-content/uploads/Sector-Brief-Cambodia-Electrical-and-Electronic-Equipment-Industry.pdf>.

2 EuroCham Cambodia, "Sector Brief: Cambodia Electronics Industry" *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH*, August, 2023, <https://www.giz.de/en/downloads/giz2023-en-sectorbrief-cambodia-electronics.pdf>.

According to GLZ, the EEE industry in Cambodia consists of 99 companies and employs about 54,000 people. In 2023, EEE exports reached \$0.73 billion, accounting for 13.7% of total exports³. This compared to \$1.99 billion in exports (8.9% of total exports) in 2022 and \$1.08 billion (5.6%) in 2021. EEE imports totaled \$0.36 billion in early 2023, or 6.3% of total imports, and \$1.46 billion (4.9%) in 2022, with \$1.19 billion (4.1%) in 2021. The sector has attracted \$450 million in FDI since 2011. Key products in the EEE sector include cables, diodes, semiconductors, and electrical motors. In 2021, major export markets included the USA (50.7%), Thailand (14.5%), and Japan (11.9%), while imports were primarily from Mainland China (61.9%), Thailand (17.6%), and Vietnam (6.3%).

The Role of Manufacturing and Assembly in Cambodia's E&E Landscape

According to the Council for the Development of Cambodia's 2022 Electronics investment overview, FDI in Cambodia's Electrical and Electronic Equipment (EEE) industry has been steadily growing since 2011, reaching a cumulative total of \$450 million and 79 Qualified Investment Projects (QIPs) in 2022⁴. This growth is fueled by the wave of Japanese investment through the 'Thailand Plus One Strategy,' where companies set up production in Cambodia to reduce reliance on Thailand. Over 85% of the investment focuses on manufacturing and assembling electronic components, small motors, and wire harnesses.

Trade Pattern and Domestic Market

According to the Observatory of Economic Complexity (OEC), Cambodia's economic profile reveals that the EEE sector has experienced notable growth in recent years, both in exports and imports⁵. In 2023, Cambodia exported a total of \$34.3 billion, ranking as the 68th largest exporter in the world. In the first five months of 2023 alone, Cambodia exported EEE products worth approximately \$1.253 billion. On the import side, Cambodia imported EEE products worth US\$1.58 billion during 2023.

By 2025, according to the CDC's QIPs scheme, Cambodia is experienced to attract more than 100 FDI projects. This influx of FDI not only creates thousands of jobs but also presents an opportunity to strengthen and diversify the country's economy, particularly in E&E sector. It paves the way for enhanced industrial linkages and technology transfer, with spillover effects that might help upskill the labor into more skilled positions.

EEE Structural Challenges

Despite Cambodia's fast-growing economy and rising demand for the EEE products across sectors like tourism, construction, and manufacturing, most local factories producing EEE products are still focused on exports. Cambodian buyers in these sectors often prefer sourcing from international markets like Thailand and Vietnam rather than domestic supply chains.

More data is needed to fully understand this preference, as there is no clear data on the share of locally manufactured versus fully imported EEE products. EEE firms in Cambodia largely rely

³ Ibid

⁴ "Council for the Development of Cambodia," <https://cdc.gov.kh/>.

⁵ "Cambodia Country Profile," *Observatory of Economic Complexity*, <https://oec.world/en/profile/country/khm>.

on imported materials such as wires, diodes, and transistors due to the inability of local suppliers to meet the required quality standards, along with a lack of domestic processing facilities for primary components. As a result, the sector remains heavily reliant on imports, particularly from China⁶. Despite its growth, Cambodia still faces challenges in terms of scope, scale, and the complexity of EEE production compared to other regional countries.

Policy Recommendations

It is crucial for Cambodia to focus on diversifying its industrial base, particularly by developing industries that produce primary components to support the existing assembly and manufacturing sectors established through foreign direct investment (FDI). Although the Cambodian government has set ambitious targets for the electrical and electronics (E&E) industry through policies such as the Industrial Development Policy 2015–2025 and the Automotive and Electronics Roadmap, implementation challenges persist. A key issue is the disconnect between FDI-driven operations, which rely heavily on imported components, and local factories that are primarily export-oriented. This gap represents a missed opportunity to integrate local manufacturers into global value chains.

To address this, the government should conduct a comprehensive supply chain mapping to identify opportunities for connecting local factories with FDI-led projects, particularly within Special Economic Zones (SEZs). A relevant case study is the Penang cluster in Malaysia, where strategic industrial clustering contributed approximately RM599 billion in sales value in 2023—accounting for 40.4% of Malaysia’s total exports. Penang has since earned the reputation of being the “Silicon Valley of the East.” This success was driven by strong linkages between multinational corporations (MNCs) and local

small and medium-sized enterprises (SMEs), supported through initiatives such as the Vendor Development Program (VDP), Industrial Linkage Program (ILP), and partnerships led by SME Corp and the Malaysian Investment Development Authority (MIDA).

For Cambodia, it is vital to begin with the foundational step of establishing a dedicated committee to monitor the development of the local E&E industry—both formal and informal sectors. Only then should the second phase of creating linkages with FDI-led E&E projects be pursued. This approach can promote greater local production, enhance spillover effects, and ultimately reduce the country’s reliance on imported components.

6 Ven, Seyhah, and Hing, Vutha, “Cambodia in the Electronic and Electrical Global Value Chains,” *ResearchGate*, October, 2019, https://www.researchgate.net/publication/337622079_Cambodia_in_the_electronic_and_electrical_global_value_chains.



*Labour Minister Heng Sour visits the National Polytechnic Institute Techo Sen in Kandal province on February 22, 2024.
Credit: Ministry of Labour and Vocational Training*

The Importance of TVET in Enhancing Cambodia's Industrial Development

MOEUNG Cheery

Cambodia has an aspiration to become an upper-middle-income and high-income country by 2030 and 2050. Yet, despite its potential to drive industrial development, a recent report by the Ministry of Industry, Science, Technology, and Innovation revealed that Cambodia's industrial output has decreased by 7%, even in the face of a notable 10% increase in industrial investment in 2024.¹ This decline in output, despite the increase in investments, raises concerns about the potential inefficiency of resource allocation and the limited capacity of Cambodia's workforce to produce higher-value-added goods, which could undermine the sector's long-term sustainability. The gap between industrial growth and price stability underscores the need to strengthen Technical and Vocational Education Training (TVET) to enhance workforce productivity. This would help Cambodia capitalize value-added manufacturing and reduce the risk of economic activities being concentrated solely in urban areas.

This article argues that by harnessing the potential of its human capital through TVET, Cambodia can enhance its industrial landscape, with higher-value-added manufacturing playing a central role.

Strategic Workforce Development and Industrial Transformation

Although the nation's industrial sector is poised for positive growth in the coming years, the Royal Government of Cambodia (RGC) should strengthen its efforts to fully leverage this sector.² According to an ASEAN Study on regional labour productivity of the manufacturing sector, Cambodia's ranking remains modest among the 10 nations, especially when compared to other regional players, like Thailand and

Laos.³ Meanwhile, as Cambodia approaches its graduation from the LDC status, it will face both opportunities and challenges, requiring the country to take responsibilities for accelerating growth, expanding its economic engine, and pursuing economic diversification. Cambodia's dependence on the European Union and the United States as key export markets means that it will face significant challenges, particularly with the suspension of preferential trade agreements like the EU's "Everything But Arms" (EBA) and the US Generalized System of Preferences (GSP). Therefore, to mitigate the impacts of this suspension, Cambodia should focus on upskilling its workforce to gain a more competitive edge and advance further up the value chain in both regional and global economies.

Additionally, it is essential to note that Cambodia's annual GDP growth rate averaged over 7% from 1995 to 2019. Much of the growth is driven by its tourism sector, real estate and construction, a booming labour-intensive industry, and strong export opportunities to the EU and the US.⁴

In this regard, investing in human capital is crucial to a smooth transition. Cambodia must strategically prepare to shift from a labour-intensive to a more manufacturing-based economy, primarily driven by four key reasons. First, harnessing the potential of TVET to upskill the workforce would meet labour demand in higher-value-added industries. Second, it would attract more foreign investors, particularly to Special Economic Zones (SEZs), moving beyond those drawn only by low labour costs. Third, it would stimulate other growth sectors by integrating SMEs into the manufacturing supply chain, such as the agro-processing of cashew nuts. Fourth, it would contribute to sustainable economic diversification, strengthening the economy and reducing its vulnerability to external shocks.

1 Manet, Sum, "Cambodia's Industrial Product Value Surpasses \$15 Billion," Khmer Times, February 27, 2025, <https://www.khmertimeskh.com/501646032/cambodias-industrial-product-value-surpasses-15-billion/>.
2 Ibid.

3 ASEAN Secretariat, Regional Study on Labour Productivity in ASEAN, p. 56, https://asean.org/wp-content/uploads/Regional-Study-on-Labor-Productivity-in-ASEAN_R05_Kirimok.pdf.

4 World Bank, Cambodia Overview, last modified April, 2024, <https://www.worldbank.org/en/country/cambodia/overview>.

Addressing the Low Participation Rate in TVET

The RGC has recognized the challenges ahead in its Pentagonal Strategy Phase I, which aims to foster a favourable environment for economic diversification and growth through human capital development. As part of its efforts to graduate from the Least Developed Countries (LDC) status in 2029, the RGC launched the TVET Programme for 1.5 million youth, known as 'TVET 1.5M.' This initiative seeks to transform Cambodia's human resources into valuable human capital to realize the nation's vision for 2030 and 2050.⁵ While the TVET 1.5 initiative is a significant goal for the RGC, challenges within the TVET landscape remain. For example, as of December 2024, only 80,000 of the 1.5 million target had enrolled in TVET, accounting for 5.33%.⁶ This low participation rate can be attributed to several factors, including limited exposure to TVET opportunities, the perception that TVET is for students with low grades who are unable to pursue the traditional academic pathway, and the lack of training institutions, especially in rural areas.

Furthermore, Cambodia's Skill Development Fund (SDF) remains modest, although the RGC has made significant progress in utilizing it. As of January 2025, over 35,000 trainees have received skills development organized through 465 private sector entities and 61 training institutions supported by the SDF's matching fund of approximately \$16 million.⁷ Overcoming these challenges requires a multi-stakeholder approach to raise awareness of the SDF's role in supporting TVET as a pathway to success, expand access to quality training programs,

and incentivize the labour force to participate in TVET.

This article humbly proposes four suggestions that the RGC can consider how it incentivizes Cambodia's labour force to take part in TVET.

First, increased investment in the SDF is essential. An ADB Brief on Cambodia's TVET funding reveal that the private sector's participation in the SDF has been limited.⁸ From past experiences of TVET in other countries, at the outset, many industry leaders remain reluctant to invest in skills development due to a lack of confidence in the fund's mechanisms and outcomes.⁹ This hesitancy underscores the need for pilot programs, in Cambodia, to build credibility and demonstrate the benefits of such investments.

There are several reasons for the RGC to invest in SDF. To begin with, the long-term benefits from an enhanced labour force would override the short-term losses. Subsequently, by enhancing financial support for the SDF, Cambodia would create more opportunities to incentivize its labour force to fully engage in TVET. Providing financial support to those who participate in TVET would help ease the burden on the trainees, especially as they typically face financial challenges during training period. As TVET trainees do not earn an income while undergoing training, additional financial support would ensure that they do not worry about short-term earnings for their families. This approach would also help address the issue of low participation rates, particularly among individuals who struggle to balance short-term income generation with the need for skills development. By enhancing the SDF, Cambodia can help these individuals gain valuable skills while ensuring their economic stability, ultimately benefiting both the workforce and the broader community.

5 "Over 20,000 Youths Signed Up for 'TVET 1.5M,'" Khmer Times, January 10, 2024, <https://www.khmertimeskh.com/501420759/over-20000-youths-signed-up-for-tvet-1-5m/>

6 Rinith, Taing, "Cambodia's Push to Empower Youth Through TVET Gains Momentum," Khmer Times, January 12, 2025, <https://www.khmertimeskh.com/501607472/cambodias-push-to-empower-youth-through-tvet-gains-momentum/>

7 Skills Development Fund, "SDF Annual Report 2024," January 23, 2025, <https://sdfcambodia.org/kh/resources/sdf-annual-report-2024>

8 "Toward Adopting a Skill Development Fund for Cambodia", Asian Development Bank, February, 2018, <https://ecommons.cornell.edu/server/api/core/bitstreams/63eb2b24-051e-49b5-aff6-74a898a06a63/content>

9 Ibid.

Second, TVET Centers should be decentralized with strategic focus. Given some provinces in Cambodia host more manufacturing industries than others, the RGC should consider concentrating TVET training institutions in areas with a higher density of manufacturing companies, rather than dispersing them across the country. This help address the problem of trainees having to travel long distances for training, which is both financially and time-consuming. For example, the RGC should conduct a comprehensive feasibility study to establish a concentrated TVET zone in Banteay Meachey, Oddar Meanchey, Battambang, and Pailin. Banteay Meanchey is an ideal location, with five SEZs and an industrial park focused on jewellery, textiles, and agriculture processing, providing job opportunities for over 20000 workers.¹⁰ Similarly, a concentrated TVET center in Kampong Cham could serve residents of Kampong Thom, Kampong Chhnang, and Tbong Khmum, offering access to quality training with less time and financial burden due to its proximity to industrial areas and workforce needs.

Third, reshaping the narrative surrounding Technical and Vocational Education and Training (TVET) in Cambodia will require constant and lasting efforts by all the stakeholders. Initially, it is important to initiate compelling public awareness campaigns in partnership with local influencers, influential industry leaders, and accomplished alumni. In the case of Germany, The Federal Ministry of Education and Research (BMBF) has launched an information campaign called “Du + Deine Ausbildung = Praktisch unschlagbar!” meaning that (You + Your Apprenticeship = Practically Unbeatable).¹¹ Moreover, German media regularly features TVET success stories, and companies proudly showcase apprenticeships as elite programs,

where it could also be a pathway towards a more advanced degree by obtaining the *Industriemeister* (industrial master) and *Handwerksmeister* (master craftsman) qualifications, which is based solely of working experience.¹² For Cambodia, these awareness campaigns should rigorously highlight the inspiring success stories of TVET graduates who have secured thriving, well-paying careers.

Lastly, Cambodia’s TVET should be further developed with a focus on equipping them with viable incentives to attract both industry leaders and trainees to commit to these vocational programs. Meaningful lessons can be drawn from Switzerland, where TVET is a cornerstone of their education system. The Swiss government has invested substantially in putting in place elaborated schemes in TVET to make them attractive for industry leaders to lend their supports. Moreover, Switzerland’s TVET is designed with a dual-track apprenticeship system, where trainees are involved with theoretical lessons for 1-2 days per week, while the rest goes to practical knowledge grasping, and income-earning at the on-the-job training company.¹³ The dual-track model offers a high degree of flexibility, providing rooms for trainees move back and forth between academic and vocational studies, and earning incomes. Cambodia could study this Swiss model and explore possibilities in adapting elements of this system that relevant in the country’s contexts. That way Cambodia would reduce the entrenched misconception that TVET is merely a fallback option for those who find traditional academic routes challenging, but an actual career development track with a viable incentive system.

10 “Five special economic zones in the Banteay Meanchey Province provide employment for more than 20,000 people”, *KhmerTimes*, July 19, 2023, <https://www.khmertimeskh.com/501310595/five-special-economic-zones-in-the-banteay-meachey-province-provide-employment-for-more-than-20000-people/>

11 “Good chances of finding an apprenticeship”, *deutschland.de*, 11 July, 2016, <https://www.deutschland.de/en/topic/business/careers-work/good-chances-of-finding-an-apprenticeship>

12 Cedefop, *Germany – European Inventory on NQF, 2019*, https://www.cedefop.europa.eu/files/germany_european_inventory_on_nqf_2018.pdf.

13 Isobel Leybold, Johnson, “Can you study after an apprenticeship?”, *The Swiss Voice*, August 29, 2019, https://www.swissinfo.ch/eng/society/your-education-questions-answered_can-you-study-after-an-apprenticeship/45120328

In short, Cambodia has intensified efforts both at the policy and implementation levels to promote TVET. The national endeavours have born some successes although there are still rooms for improvements, particularly how to foster more participation rate in these skill development schemes. Making vocational training programs attractive to Cambodians workforces requires that substantial undertakings are injected to enhance quality of TVET including increasing investments in Skill Development Fund (SDF), promoting decentralizations of TVET Centers, raising awareness of relevant narratives of TVET, and working to put in place a viable incentive system to make TVET a credible option for career developments for Cambodians. To enhance Cambodia's industrial development towards a more advanced economy, boosting human capitals through a more refined TVET is important.





Strengthening Technical and Vocational Education and Training Project II in Cambodia
Credit: Flickr



*An overview shot of stacked containers at the Sihanoukville Autonomous Port in Preah Sihanouk province.
Credit: Shutterstock*

Beyond Garments: Building a Diverse and Resilient Export Economy in Cambodia by 2029

NOU Seihak

As Cambodia prepares to graduate from the Least Developed Country (LDC) status in 2029, economic diversification is no longer just an option—it has become a necessity. Currently, Cambodia's economy is heavily reliant on garment exports, which account for approximately 44.59% of its total exports, valued at around USD 11.68 billion in 2024, according to the General Department of Customs and Excise (GDCE).¹

However, with the anticipated loss of preferential trade benefits such as the European Union's Everything but Arms (EBA) initiative and the United States' Generalized System of Preferences (GSP), and especially with fast-changing political-economic scenes, such as the recently-paused tariffs imposed by the second administration of President Donald J. Trump, with rate up to 49%², Cambodia faces a critical challenge: how to build a more resilient export economy that can sustain long-term growth, amidst shifting trade policies and global uncertainties.

Cambodia's dependence on low-value garment manufacturing makes it vulnerable to external shocks, including fast-changing trade policies and shifting global supply chains. The country imports a significant portion of its raw materials for garment production, with imported fabric worth a whopping USD 4.4 billion in 2022³, making it highly susceptible to supply chain disruptions. In 2024, Cambodia's import of garment and apparel materials, including cotton, knitted or crocheted fabrics, raw hides, skins (other than furskins), and leather, amounted to around 19.68% of total imports, equivalent to USD 5.6 billion.⁴

Moreover, competitors like Bangladesh, Ethiopia, and Vietnam have already begun shifting towards higher-value industries. Vietnam, in particular, has emerged as a major player in electronics manufacturing, leveraging its strong human capital as well as favorable geopolitical positioning. In 2024, Vietnam achieved an export turnover of USD 126.5 billion, accounting for nearly one-third of the country's total export value⁵, according to the General Statistics Office (GSO).⁶ If Cambodia does not act swiftly, it risks being left behind.

While Cambodia must eventually diversify beyond garment manufacturing, an immediate priority is modernizing and upgrading its garment sector to remain competitive. This may include higher-value apparel production, such as jerseys, athletic wear, and technical textiles, where Cambodia already demonstrates export strength.⁷ Encouraging original design manufacturing (ODM) in high-value apparel categories, and producing more raw materials could be a practical step toward value upgrading and increased export potentials, especially with consideration of external demands.

Additionally, improving labor productivity through vocational training programs to upskill the workforce beyond both the lower-value aspects of the apparel sector, and the sector itself, is crucial. Strengthening both private and national compliance with international labor and environmental standards is essential for maintaining access to key export markets such as the EU, which has stringent regulations for imports into the European market. Policies including the "Cambodia Garment, Footwear and Travel Goods (GFT) Sector Development Strategy 2022-2027," launched in 2022, as well as the "Industrial Transformation Map for Textile and Apparel Industry 2023-2027," launched in 2023, serve as the critical basis

1 General Department of Customs and Excise of Cambodia, "Export Statistics by Top 20 Commodities," Ministry of Economy and Finance, December, 2024, <https://stats.customs.gov.kh/en/publication>.

2 Executive Office of the President of the United States, *Annex I*, The White House, 2025, <https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf>.

3 Fibre2Fashion News Desk, "China's Share in Cambodia's Fabric Imports at 80% in 2022," *Fibre2Fashion*, March 24, 2023, <https://www.fibre2fashion.com/news/textile-news/china-s-share-in-cambodia-s-fabric-imports-at-80-in-2022--286570-newsdetails.htm>.

4 General Department of Customs and Excise of Cambodia, "Export Statistics by Top 20 Commodities (Chapter)," 2024, <https://stats.customs.gov.kh/en/publication>.

5 Vietnam News, "Electronics Industry Booms in 2024 with Record Export Turnover," *Vietnam News*, 2024, <https://vietnamnews.vn/economy/1691325/electronics-industry-booms-in-2024-with-record-export-turnover.html>.

6 General Statistics Office of Vietnam, "Import-Export Data," 2024, <https://www.gso.gov.vn/en/import-export/>.

7 International Trade Centre, *Export Potential Map: Product Analysis*, <https://exportpotential.intracen.org/en/about/export-potential-map>

for governmental supports towards entering higher-value garment production.

Investing in these areas will not only enhance Cambodia's competitiveness but also ensure a smoother transition for workers as the economy diversifies. According to the Asian Development Bank's (ADB) "Cambodia Economic Diversification: Country Diagnostic Study", Cambodia's labor productivity per worker in 2020 was approximately USD 2,890, which was significantly lower than regional counterparts such as Thailand (USD 14,780), Indonesia (USD 12,040), and Vietnam (USD 6,580).⁸

Therefore, besides high-value garments, Cambodia must strategically shift toward industries with a comparative advantage that can boost the nation's labor productivity. Based on the International Trade Centre's Export Potential Map⁹, a few non-garment and non-apparel products hold potentials for Cambodia's export potential-oriented sectoral diversification.

Cambodia holds significant potential in electronics manufacturing, agribusiness, and services—sectors that can drive long-term economic resilience. However, Cambodia's electronics industry has faced setbacks, with electronic and mechanical exports accounting for around 9.18% of total exports in 2024, down from 16.02% in 2023.¹⁰

In the context of the Fourth Industrial Revolution (Industry 4.0), Cambodia has a small but growing niche in component-level assembly, such as photosensitive semiconductor

devices¹¹, which could be nurtured with better industrial infrastructure and workforce training. In turn, that can make Cambodia more attractive to partial—and eventually—major vehicle and machinery manufacturers. With the rise of regional and changing supply chains in Southeast Asia, Cambodia could initially attract investment in component assembly and low-cost semiconductor packaging.

As global demand for sustainable and organic products continues to grow, Cambodia could also expand its processed food and high-value agricultural exports, such as cashew nuts, palm oil, and organic rice. In 2024, Cambodia's agricultural exports reached around 22% of GDP, or USD 4.8 billion, up from USD 4.3 billion in 2023, according to the Ministry of Agriculture, Forestry and Fisheries. Key agricultural export products included rice (5 million tonnes), corn (650,000 tonnes), cassava, mangoes, and bananas, reaching 94 countries.¹²

However, Cambodia has primarily been exporting raw agricultural products. Thus, a shift to higher-value agricultural products, utilizing the existing raw products, could significantly boost exports by meeting increasing demands. Cambodia holds strong supply capacity in natural rubber, accounting for USD 1.5 billion in national exports in 2024 (5.7% of total export values, making it the fourth-largest export)¹³. These exports are primarily in raw or semi-processed forms, presenting a strategic opportunity for value addition in rubber-based products such as tires, hoses, and industrial components.

A major concern with such ambitious economic restructuring is the potential displacement of workers between industries. The garment

8 Asian Development Bank, "Cambodia Economic Diversification," December, 2024 (Mandaluyong City: Asian Development Bank, 2024), <https://www.adb.org/sites/default/files/publication/1009916/cambodia-economic-diversification.pdf>.

9 International Trade Centre, "Export Potential Map: Product Analysis," <https://exportpotential.intracen.org/en/about/export-potential-map>

10 General Department of Customs and Excise of Cambodia, "Export Statistics by Top 20 Commodities (Chapter)," 2024, <https://stats.customs.gov.kh/en/publication>.

11 International Trade Centre, *Export Potential Map: Product Analysis*, <https://exportpotential.intracen.org/en/about/export-potential-map>

12 Hin, Pisei, "Agricultural Exports Contribute 22% of GDP for 2024," *Phnom Penh Post*, January 21, 2025, <https://www.phnompenhpost.com/business/agricultural-exports-contribute-22-of-gdp-for-2024>.

13 General Department of Customs and Excise of Cambodia, *Export Statistics by Top 20 Commodities (Chapter)*, 2024, <https://stats.customs.gov.kh/en/publication>.

sector employs nearly a million Cambodians, around 80% of whom are women with limited alternative job prospects.¹⁴ Therefore, a gradual and well-planned transition is essential.

The Royal Government of Cambodia should implement workforce and sectoral strategies including high-potential retraining and reskilling programs to help workers transition into higher-value sectors, as well as offering governmental incentives to attract foreign direct investment (FDI) in emerging industries. Special Economic Zones (SEZs) can be leveraged to create new jobs, while infrastructure investments, particularly in logistics (e.g., Sihanoukville Autonomous Port and connecting routes with neighboring countries) and green energy will support industrial diversification.

Cambodia's expansion into high-value industries can be strengthened by leveraging existing trade agreements and exploring new economic partnerships, in the mist of trade uncertainty due to the trade tensions between the U.S. and the rest of the world. Within ASEAN and through agreements like the Cambodia-China Free Trade Agreement (CCFTA), Cambodia has already benefited from reduced tariffs and smoother trade flow.

However, further trade liberalization with developed markets, such as the EU, and emerging economies like African nations such as Ethiopia and Nigeria, could further enhance Cambodia's prospects. With the EU's Free Trade Agreements (FTAs) with Singapore and Vietnam already in place, and FTA with Indonesia, The Philippines, and Thailand currently being negotiated¹⁵, Cambodia, with a more attractive market and better regulatory compliances, can gain better leverage in actually bringing the EU to the negotiation table.

Cambodia can also maximize its participation in the Regional Comprehensive Economic Partnership (RCEP), which connects it with key economic partners such as Japan, South Korea, Australia, and New Zealand, with which Cambodia achieved an export of USD 9.06 billion in 2024, a 13% increase from the previous year.

The nation can also benefit from geographically further but potential economic relations, such as with Canada, which saw bilateral merchandise trade valued at USD 1.75 billion in 2024, up from USD 1.56 billion in 2023 (converted from CAD).¹⁶ In fact, with the Canadian government's business mission to Cambodia this year aimed at exploring opportunities to enhance trade cooperation¹⁷, Cambodia could gain valuable access to another Western developed economy, especially with potential trade agreements.

As Cambodia approaches its LDC graduation, a phased approach to export diversification is critical. Strengthening the garment industry in the short term while simultaneously investing in electronics, agribusiness, and services can ensure a smooth transition with minimal economic disruption.

Without proactive reforms, Cambodia risks losing its competitive edge and experiencing economic stagnation post-2029. However, with strategic planning, investment, and workforce development, the country has the potential to become a diversified and resilient export economy in the next decade.

14 International Labour Organization, "The Cambodian Garment and Footwear Sector: Labour Market and Employment Implications," International Labour Organization, 2019, https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/documents/publication/wcms_663043.pdf.

15 European Commission, "EU Trade Agreements," European Commission, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en.

16 Government of Canada, "Canada-Cambodia Relations," *Global Affairs Canada*, last modified March 11, 2025, <https://www.international.gc.ca/country-pays/cambodia-cambodge/relations.aspx?lang=eng>

17 Hin, Pisei, "Canada to Send Trade Mission to Cambodia in 2025," *Phnom Penh Post*, November 15, 2024, <https://www.phnompenhpost.com/business/canada-to-send-trade-mission-to-cambodia-in-2025>.



Source: AGRI-FOOD – The Council for the Development of Cambodia (CDC)

The Impact of Limited Agro-Processing Capacity on Domestic Consumption in Cambodia

ONGCHAMROEUN Kanha

In Cambodia, when we walk through the local supermarkets, we will encounter shelves filled with Thai canned goods, Korean instant noodles, and Vietnamese ingredients and sauces, while Cambodian products are scarcely visible. Despite Cambodia being rich in agricultural resources, the country remains heavily reliant on imports. Foreign imported products are often perceived as higher quality than locally produced ones. This issue does not stem from a lack of raw materials, but rather from the country's limited capacity to process these raw materials into finished products. This commentary will explore the consequences of limited agro-processing capacity on the availability and variety of domestically produced goods, which in turn affect local consumption patterns. It will also examine how insufficient processing capacity contributes to Cambodia's reliance on imports, ultimately hindering the growth of local markets.

Significance of the Agro-Processing Industry on Social and Economic Development

The agricultural sector is one of the main contributors to Cambodia's economic growth. In 2024, agricultural exports alone accounted for 22% of Cambodia's overall GDP and provided numerous employment opportunities, particularly for rural farmers.¹ However, the agricultural sector's potential extends beyond the export of raw agricultural products —this is where agro-processing comes into play.

Agro-processing bridges the gap between the agricultural and manufacturing industries by transforming the raw agricultural products into the final goods, thereby adding more

value.² Products such as rice, milk, dried fruits, and dried meats are essential in daily food consumption. Unlocking the potential of agro-processing could boost agricultural productivity and provide significant benefits to the farmers by generating additional income. Moreover, expanding the agro-processing industry can enhance export opportunities, reduce reliance on exports, and contribute to Cambodia's overall economic growth.

Beyond the economic benefits, agro-processing can also foster greater consumer trust and confidence in domestically produced goods, increase the variety of food for Cambodian people, and improve the affordability and accessibility of processed commodities to consumers.

Insufficient Capacity of the Agro-Processing Industry in Cambodia

Cambodia's agro-processing industry lags behind its neighboring countries, such as Thailand and Vietnam. While the country is rich in raw agricultural products, most of these are exported to the neighboring countries for processing into value-added products. For instance, Cambodia exports maize, bananas, mangoes, tobacco, rice, cashew nuts, and rubber to Vietnam, only to import back higher-value products that were processed there.³ This highlights Cambodia's limited agro-processing capacity, which the country to export raw materials instead of processing them locally, thus missing opportunities to create high-value products and limit the variety of processed goods available for domestic consumption.

1 Hin, Pisei, 2025, "Agricultural exports contribute 22% of GDP for 2024," *The Phnom Penh Post*, <https://www.phnompenhpost.com/business/agricultural-exports-contribute-22-of-gdp-for-2024#:~:text=%E2%80%9CSo%20far%2C%20agricultural%20exports%20have,The%20Post%20on%20January%2021>.

2 Nith, Kosa, 2020, "Kingdom's agro-processing potential," *The Phnom Penh Post*, <https://www.phnompenhpost.com/opinion/kingdoms-agro-processing-potential>.

3 Ravindran, Sreekanth, 2025, "Vietnam benefits from Cambodia's agri-industrial expertise," *Khmer Times*, <https://www.khmertimeskh.com/501648730/vietnam-benefits-from-cambodias-agri-industrial-expertise/>.

According to a report by the Asian Development Bank (ADB), only 10% of Cambodia's agricultural products are processed domestically, and processed products account for just 8% of the country's total exports.⁴

The majority of existing processed products are produced by small-scale enterprises, family-run businesses, or individuals, leaning to limited production and availability. Moreover, the presence of medium and large enterprises in the agro-processing sector is still minimal.⁵ Small and Medium Enterprises (SMEs) in Cambodia face numerous challenges when converting agricultural products into finished goods, particularly in the food processing sector. The challenges include a lack of technical knowledge, inadequately skilled labor for machinery maintenance, and insufficient technical training opportunities. The shortage of skilled labor to repair broken machinery further hampers the growth of the agro-processing industry. Additionally, high production costs—driven by the lack of machinery and expensive skilled labor—make locally produced processed goods more expensive than imported products.⁶

Effects of Limitations on Consumer Preferences

The limited capacity of the agro-processing industry in Cambodia has had a significant impact on consumer behavior. As a consequence, Cambodian consumers have increasingly turned to imported goods. Many

Cambodians often perceive the processed food from Thailand and Vietnam to be of higher quality than domestically produced products, which has led supermarkets, wet markets, and convenience stores to prioritize imports. Consumers typically value high quality, attractive packaging, and hygiene when selecting food, which has led to a perception that food from wet markets is unsafe and unsanitary. Furthermore, the limited variety of locally produced food further drives consumers to purchase imported products. Data from 2014 to 2018 shows that the import of agri-food in Cambodia accounted for around 84% of the total value, while exports of processed food represented only 12% during the same period.⁷ This highlights the strong demand for imported processed food and the insufficient capacity of local agro-production.

Additionally, the higher cost of domestically processed products has further impacted consumer choices. Cambodian consumers are highly price-sensitive and tend to favor lower-priced products. Many consumers opt for high-quality products that are often imported from Thailand and Vietnam, which are priced lower than similar locally produced items from micro, small, and medium Enterprises (MSMEs).⁸ As a result, when locally produced products are priced higher than their imported counterparts, consumers are more likely to purchase imported goods. This creates significant competition challenges for the local agro-processing enterprises, reducing their market shares and profitability.

4 Asian Development Bank, 2021, "CAMBODIA AGRICULTURE, NATURAL RESOURCES, AND RURAL DEVELOPMENT SECTOR ASSESSMENT, STRATEGY, AND ROAD MAP," <https://www.adb.org/sites/default/files/publication/718806/cambodia-agriculture-rural-development-road-map.pdf>.

5 Modern Energy Cooking Services, 2022, "SMEs and food processing markets in Cambodia," <https://mecs.org.uk/wp-content/uploads/2022/01/SMEs-and-food-processing-markets-in-Cambodia.pdf>.

6 Modern Energy Cooking Services, 2022, "SMEs and food processing markets in Cambodia," <https://mecs.org.uk/wp-content/uploads/2022/01/SMEs-and-food-processing-markets-in-Cambodia.pdf>.

7 Sok, Piseth, Monyoudom Yang, and Tynarath Houn. 2021, "Cambodia's Agri-Food Trade: Structure, New Emerging Potentials, Challenges & Impacts of Covid-19," CDRI, https://www.canr.msu.edu/prci/PRCI-Research_Paper_5_Cambodia_updated.pdf.

8 Modern Energy Cooking Services, 2022, "SMEs and food processing markets in Cambodia," <https://mecs.org.uk/wp-content/uploads/2022/01/SMEs-and-food-processing-markets-in-Cambodia.pdf>.

Policy Recommendations

Cambodia's agro-processing industry is crucial for economic diversification and holds significant potential to leverage exports, promote domestic growth, and shift consumer behaviors toward locally made products. However, the limitations within the agro-processing sector hinder the accessibility and affordability of high-quality processed goods in Cambodia, while also increasing the country's reliance on imports. The lack of locally processed food erodes consumer trust and confidence in domestic products.

To address the challenges facing the agro-processing industry, collaboration among the government, relevant stakeholders, and the private sector is crucial. Tax incentives play a crucial role in promoting locally made products in Cambodia by encouraging domestic firms to increase production through reduced tax burdens. In addition to tax incentives, government subsidies are essential for both farmers and agro-processing producers. Specifically, subsidies for farmers should include access to fertilizer, seeds, and technical support to help sustain raw material production and improve the quality of agricultural outputs to meet the needs of agro-processing industries.

For agro-processing producers, the government should support technical training programs to enhance labor skills and provide subsidies such as discounted electricity rates or improved access to electricity—especially in rural areas where power infrastructure is limited.

Moreover, implementing standardized evaluation and certification processes is vital to ensure product quality, which would strengthen consumer confidence, boost the credibility of domestic goods, and create greater opportunities for local products in international markets.

Finally, launching a “Buy Locally Made” campaign through social media platforms, leveraging influencers and public figures, can effectively promote Cambodian-made products, particularly among the youth, and increase nationwide support for the “Made in Cambodia” brand.





Cambodian Farmers Planting Rice
Soucre: Freepik.com

Fish & Rice Corridor: A Strategic Agricultural Goldmine for Cambodia or a Key Food Supply Chain for China?

PHENG Thean

For many years, the Royal Government of Cambodia (RGC) has considered the agricultural sector one of the country's leading pillars, driving economic development and poverty reduction. Crop production dominates the share of the sector, accounting for about 59% of total agricultural output, while fisheries contribute another 24%.¹

But there is a catch; more than 80% of Cambodia's agricultural exports are still in raw form. It leaves a little room for the kingdom to capitalize on higher-value opportunities, especially for rice, fish, and cashew nuts, which have dominated the country's exports so far.² On this, the Fish & Rice Corridor promised to address these challenges by modernizing production and strengthening trade relations with China.³ This commitment was further solidified in the joint statement during Xi Jinping's state visit to Phnom Penh, where both sides emphasized cooperation on the corridor and pledged to support Cambodia's vision for achieving high-income status by 2050.

At first glance, the corridor appears to be a win-win, aligning intensively with Cambodia's Pentagonal Strategy. However, a key question arises whether the corridor is a strategic agricultural goldmine or an overdependence waiting to happen.

Cambodia's Agricultural Potential

Cambodia's natural advantages in agriculture are undeniable. Regions like Battambang (for rice) and Kampong Thom (for cashews and fish) are agricultural powerhouses, benefiting from the Tonle Sap's unique ecosystem. In 2022, Cambodia exported over 641,735 tonnes of milled rice (HS Code 1006), marking a 12% increase from 572,878 tonnes in 2018.⁴ Meanwhile, fresh fish production (HS Code 0302) has grown substantially, with an annual average increase of 5%, rising from 550,000 tonnes in 2010 to over 856,400 tonnes in 2021.⁵ Cashew nuts (HS Code 080132) follow a similar growth pattern, with 815,000 tonnes earmarked for export, marking a 21% increase from the previous year.⁶

Yet, not all that glitters is gold. Cambodia has struggled to scale its agricultural exports and move up the value chain. The challenges stem largely from structural transformation to its supply-side of growth, involving capacity constraints and gaps in technical competitiveness.

Most cashew nuts are exported raw rather than being processed domestically. Vietnam has taken advantage of this, processing 96% of all Cambodian cashew nuts in 2020 and re-exporting them to the global market, particularly China.⁷ Rice, while successful, is largely dependent on a few key markets, with China being the dominant buyer, accounting for 39% of total exports in 2022.⁸

1 Royal Government of Cambodia, "National Agricultural Development Policy 2022-2030," September 09, 2024, https://data.opendatacambodia.net/km/dataset/20f68541-bb64-4192-90b8-c575de630992/resource/0d749c0b-69c2-459a-a1fd-46877704b033/download/national_agricultural_development_policy_en_09.09.2022.pdf.pdf

2 Food and Agriculture Organization of the United Nations, "Cambodia's Agricultural Investment Framework," October 20, 2023, https://www.fao.org/docs/handinhandlibraries/countries/cambodia/investment_v31_script_maff.pdf?sfvrsn=4a23ba5d_1

3 Xinhua, "China and Cambodia pledge to build a community with a shared future and promote multilateralism and economic globalization," April 23, 2024, <https://english.news.cn/20240423/f7e0ca7e97dc4cb1b35e42358bbd8dca/c.html>

4 EuroCham Cambodia, "Sourcing from Cambodia-Rice," January 10, 2024, <https://www.eurocham-cambodia.org/uploads/d0986-sourcing-from-cambodia-maize-2023.pdf>

5 Royal Government of Cambodia, "National Agricultural Development Policy 2022-2030,"

6 Cashew Nuts Association of Cambodia, "CAC Annual Report 2024," January 04, 2025 <https://cac-camcashew.org/?p=4278>

7 EuroCham Cambodia, "Exporting Cashew Nuts from Cambodia to Europe," July 2022, Digital Exporting Cashew Nuts from Cambodia to Europe.pdf

8 EuroCham Cambodia, "Sourcing from Cambodia-Rice".

Fisheries production, despite significant domestic capture, still faces limited official exports, with most fish consumed domestically.⁹ While the nation's wild inland fish stocks are limited, 59% of fisheries production today comes from freshwater sources.¹⁰

China's Food Security Needs

On the other side, China's food security concerns are well-documented. With just 7% of the world's arable land but nearly 20% of the global population, China faces a constant struggle for food stability.¹¹ Jiangsu province, often regarded as the Chinese top agricultural hub, also cannot keep up with the pace. Despite producing around 18 million tonnes of rice annually, or 10% of China's national output, Jiangsu suffers from a shrinking rural workforce and water shortages.¹² The province's multi-year average water resources are only 21% of the national average, which is severely disrupting agricultural output. Meanwhile, the share of the agricultural workforce decreased to about 24% by 2020, and is expected to reach 5% by 2042–2048, according to the Asian Development Bank.¹³

This has led to increasing reliance on imports. Between 2000 and 2020, China's food self-sufficiency dropped from 93.6% to 65.8%.¹⁴ In response, President Xi declared in 2021, "Food

security is an important foundation for national security". Since then, China has sought out agricultural partnerships, and Cambodia has emerged as a strategic supplier.

As a result, Chinese agribusiness giants are already making significant moves. The Henan Agriculture Investment Group has committed to investments in agricultural processing and fertilizer production, while the Danong Agriculture Development Group has pledged USD 12.7 billion to agricultural projects across Cambodia.¹⁵ These investments promise modernized farming techniques, improved logistics, and technology transfers, but do they benefit Cambodia equally?

Who Truly Benefits?

The benefits of the Fish & Rice Corridor are not black and white. It is not the traditional food regime, where powerful nations dominate processing and branding, while weaker nations are left with low-value production. Cambodia has a real chance to benefit, but only if the country plays its cards right.

On the bright side, the country stands to gain from technological transfers and improved trade ties. Recent bilateral agreements have already boosted trade, with the quota set for milled rice exports to China at 400,000 tonnes in 2024, increasing to 500,000 tonnes in 2025.¹⁶ Additionally, Cambodia and China also expanded their interests in their collaboration in aquaculture products and cashew nuts, with a target of 200 tonnes annually to the Henan market.¹⁷

9 Global Business Network Programme, "Partnership Ready Cambodia: Agriculture and Food Processing". January, 2020, https://www.giz.de/en/downloads/GBN_Sector%20Brief_Kambodscha_Agriculture_E_WEB.pdf

10 Food and Agriculture Organization of the United Nations, "Cambodia's Agricultural Investment Framework,"

11 Gregory, Veck, "Challenges of agriculture and food systems issues in China and the United States". June, 2020 <https://www.sciencedirect.com/science/article/pii/S2666683920300225>

12 National Bureau of Statistics, "China Statistical Yearbook" (Beijing: China Statistics Press), 2020,

13 Asian Development Bank, "The Declining Share of Agricultural Employment in the People's Republic of China: How Fast?," November, 2014, <https://www.adb.org/publications/declining-share-agricultural-employment-prc-how-fast>

14 SCMP, "China food security: 'severe challenges' ahead as rising incomes, geopolitical turmoil strain resources," April 2022, <https://www.scmp.com/economy/china-economy/article/3176025/china-food-security-severe-challenges-ahead-rising-incomes>

15 Cambodia Constructors Association, "Danong Development Group: Pioneering a US\$12.7bn Agro-Industry Revolution Across Six Cambodian Provinces," August 14, 2023, <https://construction-property.com/chinese-company-unveil-mega-agro-industry-investment-project-in-4-provinces/>

16 Food and Agriculture Organization of the United Nations, "Cambodia's Agricultural Investment Framework"

17 Khmer Times, "Kingdom exports cashew nuts to China's Henan". September 25, 2024, <https://www.khmertimeskh.com/501565369/kingdom-exports-cashew-nuts-to-chinas-henan/>

Another plus is gaining modernized techniques. Cambodia will gain from Chinese expertise in irrigation systems like sprinklers, drip, and micro-irrigation, which helped Northern China boost irrigation coverage from 13% in 2000 to 53% by 2016. These technologies are costly, but they improve crop yields.

At a people-to-people level, cooperation is growing too. Last year, 12 Cambodian agriculture students joined a 13-day exchange program in Jiangsu, visiting four cities to learn about rice farming, aquaculture, digital agriculture, and sustainability.

But not everything adds up in Cambodia's favour. From 2019 to 2022, agricultural exports to China were valued at US\$ 1.94 billion, while imports of machinery, fertilizers, and technology in 2023 were only US\$ 325 million.¹⁸ This shows a growing imbalance: Cambodia is relying on Chinese tools to produce goods that are mostly sold back to China.

While China secures a reliable food supply, Cambodia risks becoming overly dependent. This is not the first time a developing nation has been integrated into a global supply chain, only to remain stuck in low-value production while the real profits lie in processing and branding—a pattern seen in many past trade relationships.

For Cambodia to truly benefit, it must reap the full benefits from the supply side of growth. That means not only exporting more raw products but also gaining from what truly drives development: infrastructure, technology, and human capital investment. For example, the lessons from China in irrigation and logistics, such as those seen in Henan and Jiangsu, must be leveraged to enhance Cambodia's productivity, not just meet China's food needs.

Moreover, market diversification is also essential. While China is a key partner, Cambodia should strengthen trade ties with other regional partners. Cambodia should accelerate trade

with the EU under the EBA scheme, before it expires in 2029, and explore new markets through agreements like CEPA with the UAE, which already enabled a USD 54 million rice export in June 2023.¹⁹

In a way, we can also learn how Viet Nam has capitalized on this model, where rice and cashew nuts imported from Cambodia are rebranded and processed for the value-added market in the EU (e.g., 79% in the Netherlands, 70% in the UK, 66% in France, and 63% in Germany).²⁰

Conclusion

The Fish & Rice Corridor is not a return to the exploitative food regimes of the past. While challenges remain, Cambodia is not a passive actor. It can shape trade terms, diversify markets, and ensure that modernization efforts serve national interests.

Cambodia should not put all its eggs into one basket. Instead, it must take advantage of this partnership with China to diversify market access and modernize its production. Cambodia must ensure that infrastructure and technology investments from China empower Cambodian businesses and the broader economy. If managed strategically, the corridor could indeed become a positive-sum game, fostering growth and shared prosperity for both nations.

18 Kiripost, "Fertilizer imports skyrocketed to \$325 million," February 17, 2024, <https://kiripost.com/stories/fertilizer-imports-skyrocket-to-325-million>

19 Khmer Times, "Cambodia exports 60,000 tonnes of milled rice to UAE for 1st time," January 13, 2024, <https://www.khmertimeskh.com/501422304/cambodia-exports-60000-tonnes-of-milled-rice-to-uae-for-1st-time/>

20 EuroCham Cambodia, "Exporting Cashew Nuts from Cambodia to Europe"



*Chinese President Xi Jinping and Cambodia's Senate President Hun Sen during the President's departure on 18 April 2025
Credit: STPM*

Cambodia's Role in the China+1 Strategy: Emerging as a New Manufacturing Hub or Serving as a Proxy State?

SAO Sovan Panha

The revival of “America First” Trump 2.0 has brought the topic of trade war back into the forefront of international discourse.¹ As his administration entered its second term, economic nationalism has gained more prominence, reshaping U.S. trade policies and increasing tensions with key allies and trading partners. The central belief driving this shift is the idea that trade deficits pose a national security risk. This belief has led Washington to impose broad tariffs on the European Union, Canada, Mexico, China and other trading partners. In response, these countries have retaliated quickly, and some have proposed negotiation for trade deals, further testing the already fragile international trade mechanisms.

At the start of March, President Trump ordered another round of tariff increases² including raising tariffs on Chinese goods from 10% to 20% and imposing a 25% tariff on imports from Mexico and Canada. Not to mention, it goes to its closest friend as well: the European Union is treated the same way. The goal of these policies is to decrease America’s reliance on its trading partners, particularly China. However, the forces of globalization make complete decoupling unrealistic, if not impossible. Instead, multinational companies are not merely reshuffling supply chains; they are incentivizing the relocation of operations to more restricted locations.

Take Cambodia, for example. Despite its small market size, for years, the nation has been a strategic base for businesses seeking to avoid trade barriers while still penetrating global markets. The “China+1” strategy, whereby companies diversify their manufacturing away from China but maintain a presence in its massive economy, has gained popularity from the effect of Trump 1.0. Cambodia was seen gaining benefits from it as well.

But this shift has not gone unnoticed. U.S. policymakers, concerned about trade evasion, are now scrutinizing emerging Asian economies with growing export surpluses. Now, things have become more complex. Just earlier this month, 57 countries were imposed a reciprocal tariff of 11% to 50%, effective April 9, leading to a market crash in the U.S. Later, the tariff was immediately suspended for 90 days for all those countries, with a minimum of 10% and 25% sector-specific tariffs, excluding China, at 145%.³

The specter of Trump administration tariffs, potentially reaching 49% on Cambodian goods, looms large. While these tariffs are currently paused until July, ongoing negotiations between Cambodian officials and the US Trade Representative have yet to yield a breakthrough. Since Cambodia’s garment sector relies heavily on Chinese inputs (fabric and cotton) that are assembled in Cambodian factories, the tariffs seem to penalize Cambodia for being part of China’s extended supply chain.

Cambodia now finds itself at a crossroads. The imposition of U.S. tariffs introduces a new layer of complexity. This raises an important question: Can Cambodia leverage these circumstances to emerge as a manufacturing powerhouse in its own right, or will it simply serve as a conduit for Chinese companies to bypass trade restrictions?

As tensions in the trade war escalate, Cambodia’s role in the emerging global supply chain will be scrutinized. Will it seize this opportunity to solidify its industrial base, or will it remain a temporary pawn in the geopolitical trade war?

Cambodia in the China Plus One Shift: A Land of Opportunity or False Hope?

For decades, Cambodia has been a destination for low-cost labor, particularly in the textile sector, which accounts for about 70% of the

1 The White House, “America First Trade Policy,” January 28, 2025, <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>.

2 The White House, “Fact Sheet: President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China: ADDRESSING AN EMERGENCY SITUATION,” February 2, 2025, <https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-from-canada-mexico-and-china/>.

3 Holland & Knight, “President Trump Announces 10 Percent Global Tariff,” April 3, 2025, <https://www.hklaw.com/en/insights/publications/2025/04/president-trump-announces-10-percent-global-tariff-11-percent>.

country's total exports.⁴ While Vietnam has leveraged global trade shifts to diversify into electronics and high-value manufacturing, Cambodia has only seen only modest growth, primarily in equipment production. As the current trade war intensifies and tariffs force supply chains to relocate abroad, Cambodia is unlikely to see significant benefits or major shifts in its economic landscape.

Despite its narrow domestic market, Cambodia continues to attract foreign investment. In just two months, the Council for the Development of Cambodia approved 104 projects worth a total of US\$1.069 billion, spanning sectors such as electronics, steel, and textiles. A large portion of these investments comes from Chinese firms seeking to bypass tariffs by establishing manufacturing bases in Cambodia.⁵ Moreover, the Cambodia-China Free Trade Agreement (CCFTA) has cemented these relations by removing over 97% of tariffs on Cambodian exports to China and 90% on Chinese imports. This enhanced the trade relationship is expected to reach US\$15 billion by 2025.⁶ However, the trade balance heavily favors China. In December 2024, China posted a US\$1.28 billion trade surplus, exporting US\$1.53 billion worth of commodities to Cambodia and importing only US\$247 million.⁷ This underscores Cambodia's weak bargaining position. However, Unlike the United States, China is regarded as a reliable trading partner, and President Xi's state visit further cemented Cambodia's position as China's closest ally, significantly enhancing their economic and strategic cooperation in the new

era⁸. Notably, President Xi's tour to Southeast Asia underscores the growing risk of U.S. isolation amid China's ascent as a global trade leader. This case shows how the equal treatment of friends and foes by the United States compels nations to reconsider their trading partner and look for more stable, diversified partners.

Consequently, in addition to Chinese firms, Western and Japanese firms are possibly looking for new markets in which to base themselves and are keen to expand their supply chains. This could potentially pave the way for Cambodia to attract more investments by leveraging its investment incentives along with its young and growing labor force.

However, investors from countries with a stable level of rule of law remain cautious. Why? Cambodia's business environment still faces structural challenges. First, there are concerns over the rules of law and governance. Cambodia⁹ ranks 141st out of 142nd countries in terms of governance, a major red flag for investors. Second, the cost of energy is one of the highest in ASEAN, undermining Cambodia's competitiveness.¹⁰ Third, there is a shortage of skilled labor. While the workforce is young, it lacks proficiency in crucial areas like supply chain management and sophisticated manufacturing. According to data from Eurocham in 2024, 74% of companies operating in Cambodia struggled to find qualified staff, with 60% of respondents citing area-specific labor shortage and overall skills gaps.¹¹ Lastly, while infrastructure

4 Trading Economics, "Cambodia Exports," <https://tradingeconomics.com/cambodia/exports>

5 Normura, "Cambodia attracts \$1.06 billion investment in first two months," February, 2025, <https://www.nomuraconnects.com/focused-thinking-posts/asia-economic-monthly-estimating-asias-exposure-to-us-tariffs/#:~:text=Countries%20that%20run%20large%20and,Thailand%20and%20India%2C%20among%20others.>

6 Ayman Falak Medina, "Cambodia Ratifies Free Trade Agreement With China," September 13, 2021, <https://www.aseanbriefing.com/news/cambodia-ratifies-free-trade-agreement-with-china/>.

7 The Observatory of Economic Complexity (OEC), "China (CHN) and Cambodia (KHM) Trade," December, 2024, <https://oec.world/en/profile/bilateral-country/chn/partner/khm>

8 Ministry of Foreign Affairs and International Cooperation of Cambodia, "Outcomes of the State Visit," April 18, 2025, <https://www.mfaic.gov.kh/posts/2025-04-18-Press-Release-Outcomes-of-the-State-Visit-of-His-Excellency-Xi-Jinping--President-of-the-People-s-Republic-of-Chin-09-50-41.>

9 World Justice Project, "Cambodia," China (CHN) and Cambodia (KHM) Trade | The Observatory of Economic Complexity

10 ASEAN Centre for Energy, "Cambodia Electricity to Stay Higher Than Neighbours as EBA Jitters Emerge - ASEAN Centre for Energy," November 16, 2023, <https://aseanenergy.org/news-clipping/cambodia-electricity-to-stay-higher-than-neighbours-as-eba-jitters-emerge/>.

11 Eurocham et al., "SKILLS GAP ASSESSMENT 2024," 2024, <https://www.eurocham-cambodia.org/uploads/782f9-final-report-skill-gap-assessment-report-digital-3.pdf>

is improving, transport and logistics links remain underdeveloped compared to regional competitors. Given these challenges, Cambodia may not be the ideal choice for companies that prioritize stability, efficiency, and long-term certainty.

The Vietnam Lesson: Scaling the Value Chain

In terms of manufacturing development, Vietnam serves as a valuable example for Cambodia in attracting high-quality investment. Once known for low-cost, low-quality production, Vietnam made a deliberate effort to leverage global trade trends to revamp its industries, demonstrating that economic upgrading is possible with the right policies and investments. By focusing on industrial upgrading, human capital development, and strategic policy design, Vietnam successfully advanced its value chain and is now a regional manufacturing powerhouse, producing everything from machinery to electronics.

Cambodia also has potential but realizing it will take time and focused effort. The country currently has a relatively high Product Complexity Index (PCI)¹² for its exports, including electric motors, semiconductor components, and plastic products. However, these industries remain undeveloped. To avoid falling into the trap of low-skill, low-wage manufacturing, we must prioritize investment in education, vocational training, and research and development (R&D).

Recommendations

For Cambodia to become a true manufacturing hub, it needs a rebranding campaign. It must position itself as more than just a low-cost labor market. Rebuilding its international reputation is imperative, starting with enhancing the rule of law to foster investor confidence. Furthermore,

expanding infrastructure and improving energy efficiency are crucial. Lowering electricity costs and improving logistics networks will make Cambodia more competitive by reducing lead times and enabling more cost-effective production.

Developing technical training programs and fostering university collaboration will help build the talent pool required for high-value production and digital economy integration. Additionally, Cambodia must diversify its trade partnerships. The country's overreliance on traditional partners will not guarantee growth. To secure sustainable industry development, Cambodia should leverage its ties with ASEAN countries and expand partnerships through the RCEP agreements, moving beyond its current trade partners.

Conclusion

Cambodia stands at a crossroads, with the opportunity to become a manufacturing hub within reach—if it takes necessary steps. The “China Plus One” strategy offers a promising path forward, especially as foreign investment, particularly from Chinese firms, seeks alternatives to circumvent trade restrictions. However, Cambodia's journey to manufacturing excellence will not be easy and will require addressing several key challenges.

There is, nevertheless, cause for optimism. By learning from Vietnam's economic evolution and focusing on strategic sectors such as education, infrastructure, and diversified trade relationships, Cambodia can move forward. With the right vision, targeted investments, and commitment to building a quality skilled workforce, Cambodia can reposition itself as a dynamic player in the global supply chain.

¹² Observatory of Economic Complexity (OEC), “Cambodia: ECONOMIC COMPLEXITY,” December 2024, <https://oec.world/en/profile/country/khm?latestDataNonSubnationalMonthSelector=202412>.



*Techo Startup Center, RUPP
Credit: The Phnom Penh Post*

Startups as a Catalyst for Economic Diversification in Cambodia: A Critical Analysis

SREY Bormey

Despite its impressive economic performance, Cambodia faces a pressing need to diversify its economy. Over the last decade, the country has undergone a significant structural transformation, shifting from reliance on agriculture to a more manufacturing-based economy. Benefiting from preferential trade agreements with its trading partners, Cambodia has seen robust GDP growth. However, as Cambodia is set to graduate from Least Developed Country status in 2029, it will lose some of the trade preferences it has historically enjoyed.¹ This makes it even more critical for the country to pursue economic diversification to ensure resilience and sustainable growth in the future.

In its efforts to develop the economy, the Cambodian government has been actively promoting digitalization across key areas with promoting startups being one key priority. However, the startup ecosystem in Cambodia is still young, and startups face numerous constraints that hinder their growth and scalability. Against this backdrop, this paper seeks to explore the roles that startups can play in promoting economic growth while identifying their challenges.

Roles of Startups in Stimulating Economic Growth in Cambodia

Startups are seen as a potential engine for growth, contributing to economic development by introducing innovation, creating jobs, increasing market competition, and attracting investment.

1 United Nation Development Program, "Cambodia's Graduation from Least Developed Country (LDC) Status: Preparedness and Potential Economic and Social Impact," 2024, https://www.undp.org/sites/g/files/zskgke326/files/2024-11/final_ldc-policy_brief.pdf.

Startup as an Agent for Innovation

A startup is defined as a business entity that incorporates innovation within the business model, processing strong growth potential but operating in uncertain and risky conditions.² This type of entity differs from traditional businesses by offering new business ideas and innovations that address the market gap and fulfil customer needs.³ By turning challenges into opportunities, startups incorporate technology to facilitate daily activities and accelerate business operations, contributing to active economic activities. For instance, a number of startups in Cambodia focus on streamlining business operations, such as accounting (e.g., Localize), online booking (e.g., BookMeBus), and tourism (e.g., Solo Landcape). These startups simplify business operations and enhance service accessibility for customers.

Startup as a Catalyst for Market Competition

Startups introduce new products and services that offer customers greater choice, compelling businesses to improve the quality and cost of their offerings.⁴ They compete to deliver more innovative and affordable services and products. This competition fuels market growth and further drives economic developments. For example, Cambodia's fast-growing delivery app ecosystem, with players like Grab Food, Foodpanda, and WOWNOW, has resulted in improved services and lower prices for customers, benefiting the entire market.

2 Royal Government of Cambodia, Supreme National Economic Council, Cambodia Digital Economy and Society Policy Framework 2021 – 2035, 2021, <https://asset.cambodia.gov.kh/mptc/media/EN-Policy-Framework-of-Digital-Economy-and-Society.pdf>.

3 Hendri Khuan et al., "The Role of Technology Start-ups in Driving Economic Growth Post-Pandemic," West Science Journal Economic and Entrepreneurship 1, no. 3. (2023): 107, https://www.researchgate.net/publication/373691909_The_Role_of_Technology_Start-ups_in_Driving_Economic_Growth_Post-Pandemic.

4 Nataliia Kriuchkova, Vyacheslav Truba, and Iryna Nyenno, "The role of start-ups in stimulating innovative economic growth: challenges and risks." 2024. https://www.researchgate.net/publication/390268762_THE_ROLE_OF_START-UPS_IN_STIMULATING_INNOVATIVE_ECONOMIC_GROWTH_CHALLENGES_AND_RISKS.

Startup as a Source of Job Creation

As with any growing sector, an increase in startups leads to more job opportunities in the market. Due to their innovative nature, startups often require skilled workers such as programmers, developers, and business professionals. More importantly, startups also provide opportunities for skill training which further improve the workforce.⁵ The employment opportunities created by startups are not limited to high-skilled workers. Low-skilled workers also benefit from the growing startup landscape. For example, in the delivery sectors, companies like Grab have significantly expanded employment opportunities in the informal sector. In 2018, Grab employed an estimated 300,000 drivers in Indonesia, demonstrating how successful startups can create substantial job opportunities beyond traditional industries.⁶ While the exact number of workers employed by startups in the same sector in Cambodia is hard to determine, it is clear that startups play a pivotal role in expanding job markets across various sectors.

Startup as a Driving Force for Investment

Startups, driven by innovation and strong scalability potential, are attracting significant investor interest. The capital flow enables startups to continue product development and scale operations.⁷ In Cambodia's startup ecosystem, some companies have already secured funding from major investors. For instance, Pilltech, a health tech company, obtained strategic investment from Sanofi's

Global Health Unit's Impact Fund.⁸ Jalat Logistics, a Cambodian logistics startup, also received joint funding from Satori Giants and X Venture Holdings.⁹

Challenges of Startups in Cambodia

While startups can have the potential to drive economic growth, they still face a number of constraints including lack of funding, lack of talent, and a young startup ecosystem.

Lack of Funding

A number of discussions have pointed to lack of funding as a primary challenge to startups' growth. While a limited number of investors can be a reason, the investment is too early for young startups. From investors' perspective, startups in the early stage are very young with insufficient experience and knowledge in business operation making investing in such entities a very risky choice.¹⁰ However, the concern here is the difficulties that startups have to manage in order to sustain their operation to reach the investment-ready stage without having sufficient funding in the first place.

Lack of Talent

The available skilled talents needed in startups are still insufficient both in entrepreneurship skills and technical skills.¹¹ The lack of knowledge

5 Yuwei Rong, "The Significance and Contributions of Startups Driving Economic Growth," *Advances in Economics, Management and Political Sciences* 149, no. 1. (2025): 6-7, https://www.researchgate.net/publication/387718864_The_Significance_and_Contributions_of_Startups_Driving_Economic_Growth.

6 Tenggara Strategics, "Grab's Role In Unlocking Indonesia's Informal Economy In 2018," 2019, <https://asset.tenggara.id/assets/source/file-research/Press%20Release%20-%20Riset%20Ekonomi%20Grab%20Indonesia%20-%20EN.pdf>.

7 Valbona Mehmeti and Erisa Musabelli, "Start-Ups: Importance and Role in the Economy," *Interdisciplinary Journal of Research and Development* 11, no. 2 (2024), 63, https://www.researchgate.net/publication/382750577_Start-Ups_Importance_and_Role_in_the_Economy.

8 Kiripost, "PillTech Secures Strategic Investment From Sanofi's Global Health Unit's Impact Fund, Marking a Milestone in Cambodian Startup Ecosystem," Kiripost, July 19, 2024, <https://kiripost.com/stories/pilltech-secures-strategic-investment-from-sanofis-global-health-units-impact-fund-marking-a-milestone-in-cambodian-startup-ecosystem>.

9 B2B Cambodia, "Cambodian Startup Jalat Logistics Secures Seed Funding," B2B CAMBODIA, May 23, 2024, <https://b2b-cambodia.com/news/cambodian-startup-jalat-logistics-secures-seed-funding/>.

10 Sopheara Ek and Paul Vandenberg, "Cambodia's Ecosystem For Technology Startups," 2022, <https://www.adb.org/sites/default/files/publication/804931/cambodia-ecosystem-technology-startups.pdf>.

11 Phong Kimchhoy et al., "Tech Startup Ecosystem in Cambodia," 2022, https://digiteconomy.gov.kh/public/images/mediahub/Tech_Startup_Ecosystem_in_Cambodia_2022_Challenges_Opportunities_I6RPlnh.pdf.

on building suitable business planning, revenue models, and entrepreneurial skills among early-stage startup founders continues to hinder startups' growth. Limited skilled personnel in technical fields also pose a concern to startups. While the level of proficiency of required skills is inadequate, both of them need to be presented at the same time within startups for startup development, especially for tech startups. However, some startups consist of talents from only one field.¹² Therefore, they need to hire skilled personnel in areas that they lack. Nevertheless, recruiting new members also poses another issue. Due to their high-risk nature, being employed in startups is viewed to be insecure and uncertain, making the employment less attractive compared to employment in bigger companies.¹³

Young Startup Ecosystem

Even though the startup ecosystem in Cambodia is expanding at a very fast pace, it is still very young with a small number of startups and stakeholders compared to more mutual ecosystems. Although the Startup Cambodia platform is establishing itself as a central data point, there is still minimal engagement from ecosystem actors causing limitations in data coverage making it difficult to determine the size of the actual ecosystem.¹⁴ Additionally, the network and connection among the ecosystem actors are yet to be well established. Plus, the support programs are still concentrated and uneven, and there is still an existing gap in knowledge sharing within the ecosystem. Plus, the number of specialized ESOs is still limited with the majority of them offering very general support.¹⁵

Policy Recommendations

Fostering startups offers a promising path for driving growth and diversification beyond traditional sectors. However, several challenges prevent startups from reaching their full potential. To address these challenges, the following three recommendations are proposed:

1. Ecosystem actors, particularly Entrepreneurial Support Organizations (ESOs), should continue to enhance both the quantity and quality of their support programs. These initiatives should aim to improve founders' skills and knowledge while ensuring the inclusivity of the support provided.
2. The government and ESOs should consider increasing the size of funding or equity-free investments to ensure that early-stage startups have sufficient resources to operate and sustain their business until they are ready to seek external investment.
3. Ecosystem actors should strengthen collaboration to enhance the vibrancy of the startup ecosystem. By increasing the value of participation, they can encourage greater involvement from currently absent stakeholders.

¹² Ibid.

¹³ Muhammad M Ma'aji et al., "Challenges Cambodian Startups Face When Scaling Up Their Operation," *Kurdish Studies* 12, no 1. (2024): 615-628, https://www.researchgate.net/publication/377085275_Challenges_Cambodian_Startups_Face_when_Scaling_up_their_Operations

¹⁴ Startup Cambodia, "Startup Cambodia Insight 2024 (Startup Cambodia, 2025)," 57. https://media.startupcambodia.gov.kh/platform/core/resource/files/Startup_Cambodia_Insight_2024.pdf

¹⁵ Sokhuy Lay et al., "Connecting the Cambodia Startup Ecosystem: Phnom Penh, Siem Reap, Battambang," 2024, https://www.swisscontact.org/_Resources/Persistent/b/e/e/c/beec4e5e5c164f7922b2abc62f58ecf42628fe97/Social%20Network%20Analysis%20Study%202024.pdf.



*A Cashew Processing Factory in Kampong Thom
Source: Chhum Chantha*

‘Made in Cambodia’: Bridging the Gaps in Agro-Processing for a Stronger Export-Oriented Industry

TOUCH Sou Hong

Agriculture is one of the four pillars of Cambodia's economy, yet in recent years, there has been an alarming imbalance in investments and development efforts directed towards the sector. As a result, its contribution to the economy continues to shrink behind the garment and service sectors.¹ Without sufficient improvement in an increasingly competitive agri-food environment and with Cambodia's looming exhaustion of exclusive trade agreements, the country's agro-industry will not grow fast enough to expand into new markets and will be hindered from reaching full potential. To make the agri-food sector more resilient and negate the harms of unpredictable external market shocks, the sector needs to diversify product complexity for a stronger export-oriented industry. This commentary will explore the potential transition of Cambodia's agro-processing industry into an export-oriented sector in three sections: the challenges facing the agro-processing industry, areas for growth from cultivation to export, and policy recommendations.

Challenges Facing Cambodia's Agro-Processing Industry

Several challenges that impede Cambodia's agro-processing industry from being export-oriented are weak competition amongst domestic agro-businesses, procedural and logistical barriers, and inability to meet non-tariff barriers. Weak competition amongst domestic agro-businesses refers to the inability of local producers to meet market demands due to limited input and costly output of goods. Firstly, the current agri-food trade shows that a large quantity of low-complex agricultural commodities are exported to neighboring countries with more competitive processing

capacity.² This suggests that primary producers in the agricultural sector can sell their goods for a better price to importing countries rather than local processors because the high processing capacity of neighboring countries can accommodate larger orders of raw commodities compared to local businesses. This makes exporting low-complex goods attractive to farmers who wish to inflate their revenue before the next producing cycle. As a consequence, not only do farmers lose value-added incomes, but domestic processing businesses also have fewer raw commodities to process, which limits their production output. With limited output, locally processed goods will be pricier than imported products. As a consequence, agro-businesses will have to reduce the costs on packaging and branding to gain more profit. However, without quality packaging, traceable brand name, and clear consumer information labeling, goods can only be sold in wet markets or local shops which limits their product outreach.

Procedural delays in business registration for start-ups and foreign enterprises combined with difficulties in logistics trade performance are barriers that impede the growth of the agro-industry. The lengthy bureaucratic process for business registration (different license registrations take twice as long compared to other Southeast Asian nations),³ export procedural requirements, ambiguous tax obligation, and informal expenditures for trade facilitation through border checkpoints burdened agro-businesses to impose additional fees on goods.⁴ Not only are these barriers tedious for start-ups but also affect the competitiveness in Cambodia's business environment. Moreover, unfavorable logistics competencies such as infrastructure difficulties, limited temperature-sensitive storage capacity,

1 Piseth Sok, Monyoudom Yang, and Tynarath Huon, "Cambodia's Agri-Food Trade: Structure, New Emerging Potentials, Challenges & Impacts of Covid-19," Food Security Policy Research, Capacity, and Influence, 2021, <https://www.canr.msu.edu/resources/cambodia-s-agri-food-trade-structure-new-emerging-potentials-challenges-impacts-of-covid-19>

2 *ibid.*, 8.

3 Sodeth Ly, ed., "Cambodia's export revival and trade shifts: Special focus Strengthening Cambodia's Education system for Future Growth," The World Bank, June, 2024, <https://documents1.worldbank.org/curated/en/099060324061538453/pdf/P1773401c2325e0f81a05f159ec748e81f0.pdf>

4 *ibid.*

and customs can cause export delays.⁵ This not only affects the quality of temperature-sensitive perishable goods but also limits the range of products that enterprises can export.⁶

The inability to meet non-tariff barriers such as the Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) affects Cambodia's export capacity and market outreach.⁷ The SPS are biosecurity measures that focus on product standards in which stringent regulatory and inspection measures are required to ensure the quality and safety of consumable goods.⁸ On the other hand, TBT imposes process standards. Process standards are the conditions in which products are produced and packaged, including packaging, labeling requirements for consumer information, and grading quality requirements for food.⁹ So unless adequate improvements can be made to address the first two challenges outlined above, the inability of the domestic agro-industry to meet the SPS and TBT standards will continue to hinder domestic agro-processing industry's export capacity and access to the broader market.

Opportunities for Growth from Cultivation to Export

To diversify Cambodia's export markets for a resilient domestic agro-processing industry, areas for growth include: improving agriculture production by advancing the 'agriculture cooperatives model'¹⁰ and encouraging agro-processing productivity by streamlining registration and export procedures.¹¹ Firstly, the agriculture cooperatives model is a method-farming model in which small-holder or micro-commercial farmers unite into a service-oriented cooperative. That is, to boost business productivity, increase commodity qualities, and improve the net profit margin. Given its nature, joint ventures between farmers and private enterprises can sustain long-term employment for small-holder farmers, increase agriculture productivity with improved materials (quality seeds, fertilizers, tools, and constant supply of resources for irrigation), ensure there is a steady supply of raw commodities for agro-processing, and guarantee that raw commodities meet the necessary preconditions for market access. There is a number of agriculture cooperatives operating in Cambodia and are supported by the government, non-governmental organizations, and private sectors such as the Ministry of Agriculture, Forestry, and Fisheries (MAFF), Centre d'Etude et de Développement Agricole Cambodgien

5 Sothea Oum, Shandre Thangavelu and Nuth, Monirath, "A Case Study of Cambodia's Agro-Industry," ERIA, 2018, https://www.eria.org/uploads/media/RURB_2018_Chapter_5_Agro-Industry_Cambodia.pdf

6 EuroCham Cambodia, "Partnership Ready Cambodia: Agriculture and Food Processing," GIZ, January, 2020. https://www.giz.de/en/downloads/GBN_Sector%20Brief_Kambodscha_Agriculture_E_WEB.pdf

7 Parsons, David, "Kingdom of Cambodia: Cambodia Sanitary and Phytosanitary Quality and Standards Report," December, 2008, <https://www.adb.org/sites/default/files/project-documents/38421-cam-tacr.pdf>

8 World Trade Organization, "Technical Barriers to Trade," 3rd ed., 2020, https://www.wto.org/english/res_e/booksp_e/tbt3rd_e.pdf

9 Ibid., 9-11.

10 The German Cooperative and Raiffeisen Confederation, "The Potential of Cooperatives in Agricultural Supply Chains in Cambodia," <https://www.dgrv.coop/publications/the-potential-of-cooperatives-in-agricultural-supply-chains-in-cambodia/#:~:text=Cooperatives%20in%20Supply%20Chains&text=According%20to%20a%20study%20conducted,such%20as%20seeds%20and%20fertilizers.>

11 Nuppon Institute for Economic Research, "Supporting Micro-, Small and Medium-sized Enterprises (MSMEs) to Achieve the Sustainable Development Goals (SDGs) in Cambodia through Streamlining Business Registration Policies," Department of Economic and Social Affairs, https://sdgs.un.org/sites/default/files/2020-07/Supporting_MSMEs_to_Achieve_SDGs_in_Cambodia.pdf

(CEDAC), CP Cambodia Company LTD, etc.¹² However, constraints such as the lack of long term contracts between farmers and buyers, limited managerial capacity in leadership, and reliance on unsustainable support services still hinders the performance and productivity of numerous cooperatives.¹³ Therefore, to encourage resilient and productive agriculture cooperatives, the aforementioned constraints must be addressed and improved.

Secondly, streamlining business registration and procedural requirements in trade can encourage business competition and facilitate trade performance. Streamlined business registration involves expediting document requirements, disseminating information on product regulations, and eliminating unnecessary fees for business operation. Easy access to the business environment can encourage agro start-ups and foreign investors to compete in the market. As a result, market competition can incentivize businesses to innovate, diversify their products, seek out new markets, and increase domestic demands to primary agro-producers. On the other hand, streamlined procedural requirements focus specifically on eliminating miscellaneous fees in the trading process for export. This can ensure that perishable goods will be exported in a timely and cost-efficient manner, protect goods from additional fees, and make 'made in Cambodia' products more available in the foreign markets.

Policy Recommendation

Policy recommendations to enhance the productivity of the mentioned areas of growth are: 1) improve agriculture cooperatives' productivity, 2) encourage partnerships between domestic agro-processing businesses and agriculture cooperatives, and 3) upscaling the 'one-roof' service for coherent MSMEs registration to formalize and commercialize Cambodia's business environment.¹⁴ Although significant initiatives have been made to promote agriculture cooperatives, the cooperatives' production is still limited to low-complex commodities such as rice, pepper, groundnuts, palm sugar, etc.¹⁵ Moreover, limitations persist in the capacity of small cooperatives to access sustainable markets and financial security, such as finding long-term commercial commitments with buyers, and advancing resilient technical capacity to diversify means of production and services. Therefore, it is recommended that governmental institutions and donors expand leadership training programs and support mechanisms to assist agriculture cooperatives in navigating key phases in accessing fair and sustainable trade markets - ranging from developing business plans to researching new markets and long-term contract buyers.¹⁶

Besides enhancing the technical capacity of cooperatives, key stakeholders should also foster closer commercial partnerships between local cooperatives and agro-processing businesses. This not only reduces

12 Syden Reach, and Misook Lee, "Development of Agriculture Cooperative in Cambodia - Lessons from South Korea," *Journal of Agriculture Extension & Community Development* 23, no. 2 (2016): 195-210, https://www.researchgate.net/publication/307524500_Development_of_Agricultural_Cooperative_in_Cambodia_-_Lessons_from_South_Korea_-

13 Nyda Chhinh, et al., "Local Engagement in the Agriculture Cooperatives (ACs) Operation in Cambodia," *ResearchGate*, 2022, https://www.researchgate.net/publication/366174631_Local_Engagement_in_the_Agricultural_Cooperatives_ACs_Operation_in_Cambodia

14 Nuppun Institute for Economic Research, "Supporting Micro-, Small and Medium-sized Enterprises (MSMEs) to Achieve the Sustainable Development Goals (SDGs) in Cambodia through Streamlining Business Registration Policies," Department of Economic and Social Affairs, https://sdgs.un.org/sites/default/files/2020-07/Supporting_MSMEs_to_Achieve_SDGs_in_Cambodia.pdf

15 Agronomes, and Vétérinaires Sans Frontières, "Cambodia: how can we support farmers' organizations in their efforts to create profitable markets?," <https://www.avsf.org/app/uploads/2024/12/AVSF-Fiche-Action-innovante-CAMBODGE-2024-ENG-WEB.pdf>

16 Ibid., 2.

the cooperative's reliance on exporting low-valued commodities but can also serve as a branding strategy for local businesses, highlighting that local products are of quality and domestically sourced, from cultivation to production. Governmental institutions can promote the strategic importance of this partnership to agro-business start-ups, foreign firms, and MSMEs during the early stages of business registration and/or operation. The aforementioned policy ensures reliable and quality supply, but to build a resilient export-industry, the ease in business operation and export must also improve. Therefore, the third recommendation is to streamline business registration under a 'one-roof' service. The 'one-roof' service for businesses provides a centralized platform for different registration needs, such as filing for licenses and extensions, all of which can be accessed under one governmental institution.¹⁷ This reduces procedural delays, eliminates miscellaneous spending that might constrain agro-businesses from operating in Cambodia, and makes the business environment accessible to newcomers.

17 Nitin Madan, "Policy Guidelines on Increasing Business Registration and Access to One-Roof Service for Women-led MSME," The United Nations Economic and Social Commission for Asia and the Pacific, https://www.unescap.org/sites/default/d8files/knowledge-products/Policy_Guidelines_ORIS_Cambodia.pdf





Institute for International Studies and Public Policy
Round Building, Russian Blvd., Toul Kork, Phnom Penh, Cambodia
Telephone : +855 23 885 419
E-mail : info.iispp@rupp.edu.kh
Website : www.rupp.edu.kh/iispp/
Facebook : www.facebook.com/institute.InternationalStudies/



Konrad-Adenauer-Stiftung Cambodia
House No. 4, Street 462, Khan Chamkar Mon
P.O.box 944, Phnom Penh, Kingdom of Cambodia
Telephone : + 855 23 966 171
E-mail : Office.Phnompenh@kas.de
Website : www.kas.de/cambodia
Facebook : www.facebook.com/kaskambodscha
Instagram : www.instagram.com/kas_cambodia