

*April 2024*

# CONNECTING DOTS

## **CAMBODIA: +2 YEARS FOR UN STATUS CHANGE** 3

Graduating from the United Nation's "Least Developed Country" status in 2027 was a goal for Cambodia, but to prepare, it's now set for 2029.

## **MORE MARKET DEMAND FOR "DIGITALLY SKILLED"** 5

To meet it, Cambodia's government is looking at ways to level up this skillset, by partnering with universities, and outlining a field guide.

## **CAMBODIA'S TRADE IS UP WITH VIETNAM BY 25%** 8

Vietnam just became Cambodia's second-biggest trading partner, an unsurprising milestone if you've noticed two decades of steady growth.

## **EXPORTS TO EU ARE GROWING: A CLOSER LOOK** 10

Biggest exports from Cambodia are mostly GFTs, or, garments, footwear, and travel goods. For long term gain, could it be time to diversify?

Aquarii BD is a cross-sectorial business strategy and development company that leverages on its diverse network of contacts and its strong partnerships with leading in-market service providers, qualified trusted industry experts and competent resource persons.

*Connecting Dots* is a monthly compilation of salient local developments in Cambodia.

In this publication, our focus is to help businesses and investors connect the dots on what's been happening in the preceding month in the market and economy in Cambodia.

**See last page** for details on how to be featured in *Connecting Dots*.

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# UN REVIEW

**In last month's Connecting Dots, Aquarii had reported that the UN's preliminary evaluation for the 2024 triennial review had given Cambodia a positive tick for its graduation from the LDC status.**

Cambodia's government had set a goal to leave what the UN defines as "LDC," or "Least Developed Country," status by 2027, after the country's two decades of sustainable economic growth. The government had also set a goal of transforming the country into an upper-middle-income country by 2030, and a high-income country by 2050. But in April, there's been an update. Cambodia is now set to have a five-year preparation period for its transition from the Least Developed Country (LDC) status until 2029, as against the earlier-set 2027.



Experts observing the matter widely expect that this longer gestation period can help the country prepare better to tide over some of the challenges associated with the graduation.

Here's why the designation status matters. While exiting the Least Developed Country (LDC) status is considered a development milestone for Cambodia, it also means loss of trade benefits enjoyed by LDCs, including duty-free status under the Generalized System of Preferences by various countries, especially the European Union. After graduation, Cambodia's exports would face higher tariff rates, stringent rules of origin, and market competition. But the Kingdom is hopeful that the economic momentum it achieved in the last two decades will help it pull through.

### Step by step: Preparing for change

The Ministry of Planning of Cambodia has identified three areas in which Cambodia needs to improve before it can be fully ready for graduation. The needs, specifically, are:

- A need to diversify exports of manufacturing and agricultural products, as mainly agricultural commodities are exported unprocessed, which makes Cambodia vulnerable to external shocks.
- A need to improve productivity in the agriculture sector during the preparatory period by investing in technology and skilled labor, as well as structural transformation, economic diversification, and supporting infrastructure.
- A need to promote technical and vocational education and training (TVET) skills as the labor force is still characterized by lower educational attainment despite remarkable progress in education over the past decade.

*Can Cambodia meet these three needs in time to graduate from LDC status by 2029? Aquarii anticipates that this could be something of interest to look forward to seeing unfold — in terms of policy reforms and more trade agreements being negotiated, in particular with the EU — over the next two to three years.*

Sources:

<https://www.khmertimeskh.com/501470296/cambodias-graduation-from-ldc-set-for-2029/>

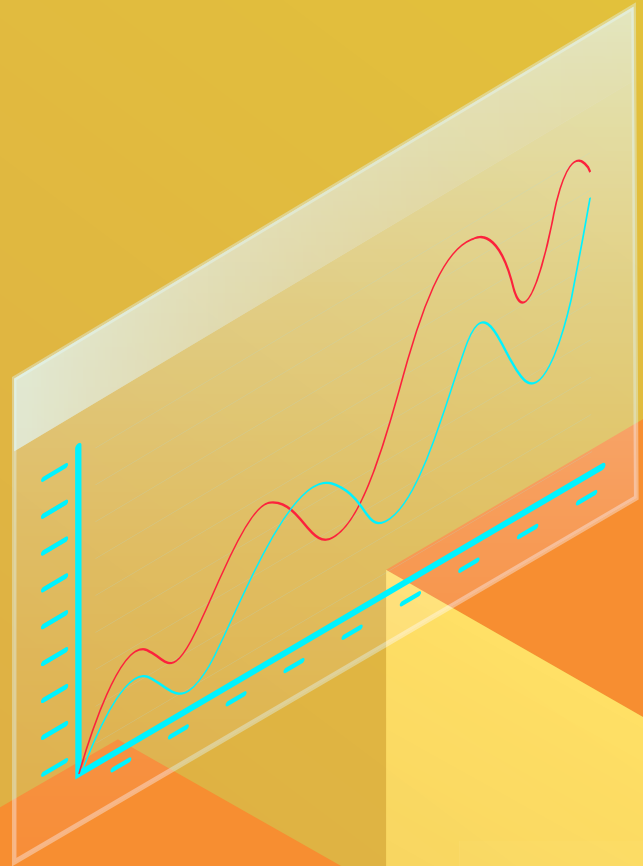
<https://www.b2b-cambodia.com/articles/cambodias-graduation-from-ldc-pushed-back-to-2029/>



# KEEPING UP WITH MARKET NEEDS

*Cambodia's economy continues to grow.*

*Businesses of all kinds need more people adept in digital skills.*



Vecteezy

### Skill shortages

Sen Sopheap, Chairman of the Cambodia Academy of the Digital Economy (CADT), said that digital skills training in Cambodia is limited and can't meet the needs of the labor market: the number of students choosing to study digital skills is low, for example, plus education and training programs are too basic. They aren't diverse, either. This means skill levels and a shortage of expertise will continue to be a hurdle for digital technology companies — and companies in other sectors, too — to recruit talented staff.

### Higher education

Digital skills training is currently offered by fewer than half of higher education institutions in Cambodia. As of 2023, there are approximately 130 higher education institutions (HEIs) in Cambodia. Of these, only 53 major higher education institutions currently offer training courses. (Sources for this data include Open Development Cambodia, Cambodian

Education Forum, and Ministry of Education, Youth and Sports).

*Topics.* Areas of training for digital skills include: computer science, telecommunication, managing information systems, and "innovation."

### Guiding change

Chea Vandeth, Minister of Posts and Telecommunications and Chairman of the Digital Government Committee, speaking at the "Conference on the Development of Digital Skills in Cambodia 2024," said that in order to fill the gaps in the field, the Ministry has formed a working group to cooperate with the General Secretariat of the Digital Government Committee.

Vandeth said that up until now, the Ministry has supported 25 universities in both the public and private sectors, and will now work on collaborations with 14 additional universities.

*Roadmap.* The Ministry also launched a "Digital Skills Development Guide for Cambodia

2024-2035." (A goal of the conference was to gather viewpoints on ways to develop people's digital skills in Cambodia, and how to do this work over a timeframe: from 2024 through 2035.)

The roadmap describes how to build digital human capital in ways that such talent could then respond to the government's own needs, for example, in its digital transformation process. But also, this roadmap is geared to help educational institutions prepare new curricular materials. Educators would teach digital technology skills that are aligned with industrial labor market needs, based on what tech companies in the private sector have said will be of high value for them, recruitment-wise.

*Citizen guide.* The roadmap aims to help citizens with their career planning, too. A strategic document, it will outline a path that individuals can take to achieve their digital goals, and is a blueprint, more broadly, for navigating the digital landscape. Information will be available on, for example, specific training and

career orientation that one would need to have in response to the rapid development of digital technologies, so students and workers can reference it to choose which skills they would like to gain, and which course, thereby, to study.

*What's next.* Officials from the Ministry of Post and Telecommunications say their aim is generally to work with universities and educational institutions in both the public and private sectors.

More specifically, they say that they'd like to support the strengthening of infrastructure, training of digital skills, connecting of university management systems and electronic libraries, and the launching of a site to be called "verify.gov.kh."

**What are 'digital skills'?**

Digital skills, in a roadmap context, encompass the abilities individuals need to effectively navigate and utilize digital technologies.

Sources:

<https://digitaleconomy.gov.kh/digital-landscape?lang=en>

<https://www.khmertimeskh.com/501469157/cambodia-needs-70-digital-technology-professionals-annually/>

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# AT-A-GLANCE

Cambodia has a competitive advantage in sectors such as GFT, rubber, and bicycles, resulting in significant demand for its products.

*Updating and extending exports allows the country to remain competitive in the global market.*

*Also, Cambodia may seek new or enhanced trade agreements in order to get access to larger markets and potentially better export conditions.*

## Bicycles

*Cambodia's bicycles, both regular bicycles and electric ones, are exported to major markets including: United States, Germany, United Kingdom, Japan China, ASEAN countries, and other countries in Europe.*

The first quarter of 2024 saw a decline of 43% year-on-year, attributed to global economic slowdowns and reduced purchase orders. Cambodia earned \$96.9 million worth of exports of bicycle and electric bicycles to foreign markets in the first quarter (Q1) of this year 2024, a year-on-year decrease of 43 percent from \$170 million recorded in the same period last year.

Despite the pandemic, Cambodia earned \$900 million from the export of bicycles in 2022, which was an increase of 43 percent over the \$631 million reported for 2021, according to a report by the Ministry of Commerce.

## Rubber

*Cambodia is a major producer of natural rubber, ranking among the top 10 globally. Major export destinations include Malaysia, Vietnam, Singapore, and China.*

Exports are substantial, with figures exceeding \$789 million in 2023 for rubber and rubber articles. From January through April 2023, Cambodia produced 81,909 tons of rubber, which represented an increase of 29 tons compared to the same period in 2022, and 1,922 cubic meters of rubberwood, according to a report of the General Department of Rubber and Plantation at the Ministry of Agriculture, Forestry, and Fisheries. Cambodia earned \$317 million from the exports of rubber articles in the first quarter of this year, an increase of 88.6 percent compared to the same period last year, according to the latest trade data of the General Department of Customs and Excise (GDCE).

## GFTs

*According to data in the last year, Cambodia's garment, footwear, travel goods exports are down 12 percent, but this year, there's been an upswing.*

Cambodia exported garment, footwear and travel goods worth \$2.9 billion in the first quarter, as per a report from the General Department of Customs and Excise.

Cambodia, which exports agricultural products, clothes, footwear, travel goods, electronics, and bicycles to ASEAN countries, saw a 33 percent increase to \$1.77 billion year-to-date (January to March). Cambodia's garment, footwear, and travel goods industry had experienced a decline in exports in 2023 as compared to 2022. Reports indicated a drop of around 12% in total GFTs in 2023 compared to 2022. Garment and textile exports, specifically, saw an 11% drop, while footwear exports declined by 21%.

Sources:

<https://www.khmertimeskh.com/501474095/bicycle-exports-net-nearly-100-million-in-q1-2024/>

<https://www.khmertimeskh.com/501474099/kingdom-earns-317m-from-rubber-article-exports-in-q1/>

<https://www.khmertimeskh.com/501474747/garment-footwear-exports-up-20-to-2-9b-in-q1/>

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Tron Le

# KH-VN Q1 2024 TRADE UP BY 25%

According to data released recently by the General Department of Customs and Excise (GDCE), Vietnam has consolidated its position as the second biggest trade partner of Cambodia. (China is the biggest.) Trade volume between Vietnam and Cambodia rose by 24.5 percent to reach \$2.32 billion in the first three months of this year (Q1, 2024), as compared to the same period last year.

Some who may stand to gain in Cambodia will be owners of businesses that export agricultural products like cashew nuts, cassava, coconuts, and rubber. *Next page: see what items were exported in 2022.*

Source:

<https://www.khmertimeskh.com/501474739/cambodias-trade-with-vietnam-rises-nearly-25/>

## A two-decade trend of more KH-VN trade

Over the last 22 years, exports of goods from Vietnam to Cambodia have increased at an annualized rate of 18.3%.

Meantime, in the other direction, goods sent from Cambodia to Vietnam grew at an annualized rate of 21.7%.



**2022  
Cambodian  
exports to  
Vietnam**

Cassava	\$1.03B
Coconuts, brazil nuts, cashews	\$967M
Rubber	\$605M

# VN-KH 2022 TRADE FLOWS

**\$3.67B**

**2022  
Vietnamese  
exports to  
Cambodia**

Refined petroleum	\$668M
Light rubberized knitted fabric	\$521M
Raw iron bars	\$309M

**\$5.74B**

Flatart / Freepik

Mika Baumeister

# KINGDOM'S Q1 EXPORTS TO EUROPEAN UNION UP 11.9%

Cambodia's  
main exports  
to the EU are  
garments,  
footwear, and  
travel goods,  
known as  
'GFTs.'

Sources in the international business community close to Aquarii have said that not many may be aware that an agreement with the European Patent Organization came into force at the beginning of 2018; it's one that provides validation of EU patents in Cambodia and signatory states, and essentially protects the innovation of products that are manufactured by EU companies in Cambodia for the Asian market. Moreover, given the tariff exemption/preference schemes under the EBA and GSP that the EU and the US respectively accord to the Kingdom, the Free Trade Agreements (FTA) that Cambodia signed with China (July 2021) and South Korea (Oct 2021), as well as the Regional Comprehensive Economic Partnership (RCEP, Nov 2020), businesses and investors could leverage on the comparative advantage of setting up their manufacturing or assembly facilities in Cambodia, for export to these overseas markets.



Anthony Tyrell

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Cambodia exported \$903 M worth of goods to the European Union (EU), up 11.9 percent from the \$807 M in the same period last year, according to a report of the General Department of Customs and Excise. (The Kingdom’s import from the EU amounted to \$171.4 million, a year-on-year decrease of 19.4 percent from \$212 million.) Cambodia mainly exports textiles, footwear, bicycles, foodstuffs, milled rice, and other agricultural products. In addition to GFTs, Cambodia also exports textiles, bicycles, foodstuffs, milled rice and other agricultural products to the EU. It operates under the trade preference Everything But Arms (EBA) scheme.

### Could there be more KH-EU trade growth?

Though Cambodia is already a significant exporter to the EU, there exist potential barriers that hinder further growth. A dedicated cooperation agreement could address these issues and unlock the full potential of the trade relationship, yet, hesitations may exist on both sides of the exchange. To better understand what each party working towards a comfortable Cambodia-EU trade partnership might be considering before embarking on a deeper relationship, here is a set of factors that may provide some perspective from both Cambodia’s and the EU’s points of view:

From Cambodia’s Perspective	From the EU’s Perspective:
<i>Quality: Cambodian producers are likely to consider maintaining or improving product quality to meet or exceed EU standards, to stay competitive.</i>	<i>Quality: The EU considers enforcing strict quality standards to ensure imported products meet consumer safety and environmental regulations.</i>
<i>Pricing: Keeping production costs down to ensure Cambodian products remain attractive, as compared to those from other countries.</i>	<i>Product Availability: Ensuring a reliable supply of goods from Cambodia to meet EU market demand is a consideration.</i>
<i>Diversification: Looking at expanding the range of products exported to the EU beyond traditional goods like garments, for long-term growth.</i>	<i>Diversification: The EU might be interested in diversifying its imports from Cambodia to include more product categories.</i>
<i>Sustainability: As the EU prioritizes sustainability, Cambodia could adopt sustainable production practices to maintain EU market access.</i>	<i>Fair Labor Practices: The EU might consider ethical sourcing and ensuring fair labor practices in the production of imported goods.</i>
<i>Trade Agreements: Capitalizing on existing trade agreements like the EBA, which offers duty-free access, is key for boosting exports.</i>	

Source: <https://www.khmertimeskh.com/501474745/kingdoms-export-to-eu-up-11-9-percent-in-q1/>

### DATA FROM RECENT YEARS

- The value of Cambodia’s exports to the EU increased by 11.9% in the first quarter of 2023 compared to the same period in 2022. The jump suggests that there is strong demand for Cambodian products in the European market.
- In 2021, the EU ranked as Cambodia’s fifth-biggest trade partner, accounting for 9% of the country’s total trade (with China at 23.4% and the USA at 15.5%). Cambodia was the EU’s 61st largest trading partner (accounting for 0.1% of the EU’s total trade).
- Exports of textiles and footwear, bicycles, prepared foodstuffs and vegetable products (rice) represented 94.2 % of Cambodia’s overall exports to the EU in 2021. The Cambodia-EU total trade was worth \$4.61 billion in 2023, a drop by nearly five percent from \$4.85 billion in 2022, according to the Cambodian Ministry of Commerce.



# A Cutting-edge Wastewater Project in Sihanoukville Supports SDG Goal 6 and the Preah Sihanouk Declaration

A global leader in decentralized water, wastewater, and reuse resolution from the United States — Fluence Corporation officially launched a wastewater treatment plant in Sihanoukville in July 2023.

Fluence's PS3 wastewater treatment plant is not just a feat in sheer scale but an important step towards a 'Blue Economy', representing a groundbreaking endeavor in wastewater management that boasts a daily processing capacity of 20,000 cubic meters. Noteworthy for its small footprint, low energy consumption, and strict adherence to international discharge effluence requirements, the project aligns seamlessly with the 'Blue Economy' vision. By implementing advanced technologies and environmentally conscious practices, the facility not only treats wastewater effectively, but also contributes to the broader goal of creating an economy that prioritizes the sustainable utilization of marine resources. Due to Fluence's devotion to propelling the boundaries of innovation and delivering

sustainable solutions for wastewater treatment, Fluence Corporation won the SBR International Business Award for Engineering Excellence with the PS3 project in Sihanoukville on 23 April 2023 in Singapore.

Fluence's dedication to a 'Blue Economy' is not just a corporate initiative; it's a collaborative effort with local governments and international organizations. This cutting-edge project showcases a commitment to sustainable development, environmental stewardship, and responsible resource management which supports Goal 6 of Sustainable Development Goals (SDG) on Clean Water and Sanitation and contributes to the adoption of the Preah Sihanouk Declaration by the Partnership in Environmental Management for the Seas of East Asia (PEMSEA), which reflects on a shared commitment to responsible resource management, acknowledging the pivotal role that ocean resources play in fostering economic growth without compromising the environment.

*For more information, visit: [www.fluencecorp.com](http://www.fluencecorp.com)*



## Exhibition: Women migrant workers' journey

A collaboration between the EU, UN Women, and the International Labour Organization (ILO), this exhibition's focus was on the stories and challenges faced by Cambodian women who migrate for work. The exhibit was unique in that the migrant workers themselves captured their experiences using mobile phone cameras. This approach gave them a platform to share their own perspectives and realities.

Read more:

<https://kiripost.com/stories/women-migrant-workers-journey-documented-through-eu-delegation-exhibit>



*Siem Reap: a 'budget-friendly summer vacation destination in Asia'*

Read more:

<https://www.khmertimeskh.com/501475283/foreign-media-siem-reap-a-budget-friendly-summer-vacation-destination-in-asia/>

## GDP growth in KH

Cambodia occupies the top position among other Southeast Asian countries, with a real GDP growth rate (2024) of 6.1% and a GDP per capita growth rate (2024) of 6.34%. This ranking method relies on real GDP growth rate and GDP per capita growth rate as indicators of economic health. The real GDP growth rate data for 2024 is taken from the IMF database, while the GDP per capita growth is calculated based on IMF current price data between 2023 and 2024.

## Forecasts for 2024

Cambodia's economic growth in 2024 is expected to be impressive, but there are different estimates depending on the source. Official projections by the Cambodian Ministry of Economy and Finance, for example, predict a growth rate of around 6.6% for 2024. The International Monetary Fund (IMF), and other financial institutions, might have slightly different forecasts, but they generally align with the government's projections.

The Ministry of Cambodia also projects Cambodia to be the fastest-growing economy in Southeast Asia in 2024, with a growth rate exceeding Vietnam and the Philippines. Will it?

## Southeast Asia

*According to a Khmer Times report, Cambodia is leading the chart as the fastest growing economy in Southeast Asia, and third in the Asia region. The Times cites "Seasia Stats" as the source for this info, and says that "Seasia Stats" data is based on Southeast Asia's 2024 GDP growth projection from the IMF's October 2023 Outlook and January 2024 update.*

Source:

<https://www.khmertimeskh.com/501468871/cambodia-the-fastest-growing-economies-in-southeast-asia-and-third-in-asia-in-2024/>

**Office space for rent**

*Location: Sangkat Tonle Bassac, Khan Chamkarmon, Phnom Penh, Cambodia*

This commercial office space is located in the popular Diamond Island (Koh Pich) area of Phnom Penh. With very affordable rates at \$7 Per Sqm, the property is suitable for any business that requires a professional corporate office in a central city location.

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- Floorplate: 320 Sqm
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**Office space for rent**

*Location: Sangkat Chroy Changvar, Khan Chroy Changvar, Phnom Penh, Cambodia*

This affordable Grade C office space for rent in Phnom Penh is located in the stunning Chroy Changvar peninsula. Each floor offers 1,256 Sqm floor plates of space suitable for use as an office and is handed over in a bare condition with tiled floors, lighting, power sockets, and A/C installation ready for the tenant to conduct any additional fit-out works required. This office building is located very near the Japanese Friendship Bridge for easy access to the CBD.

- Rate: USD 15 per Sqm
- Floorplate: 1,256 Sqm
- Handover Condition: Bare
- Parking
- Air conditioner
- Elevator
- 24 hour Security

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## Upcoming Workshop in Q2

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**PUBLISHER**

Aquarii BD

**AQUARII BD TEAM**

Dennamanith Premprey

Sovannaroth Leap

Meychhun Heng

**DESIGN**

Dipika Kohli

Let us know if you'd like information on how to **feature** your business or project in *Connecting Dots*.

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Contact our team at:

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