

Cambodia's Industrial Development

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Evolution of Industry in Cambodia

- 1960s and early 1970s
 - Strong growth driven by manufacturing
 - New factories built mostly by foreign aid and run by state, thus inefficient
- 1975-1979
 - Manufacturing was destroyed
 - People were evacuated to work in rice field

Evolution of Industry in Cambodia

- 1980s
 - Socialism backed by Vietnam and Soviet Union
 - A little manufacturing was resumed with assistance from Vietnam and Soviet Union
 - All factories were owned by the state
 - Industrial products were produced for local consumption or traded with the communist bloc

Evolution of Industry in Cambodia

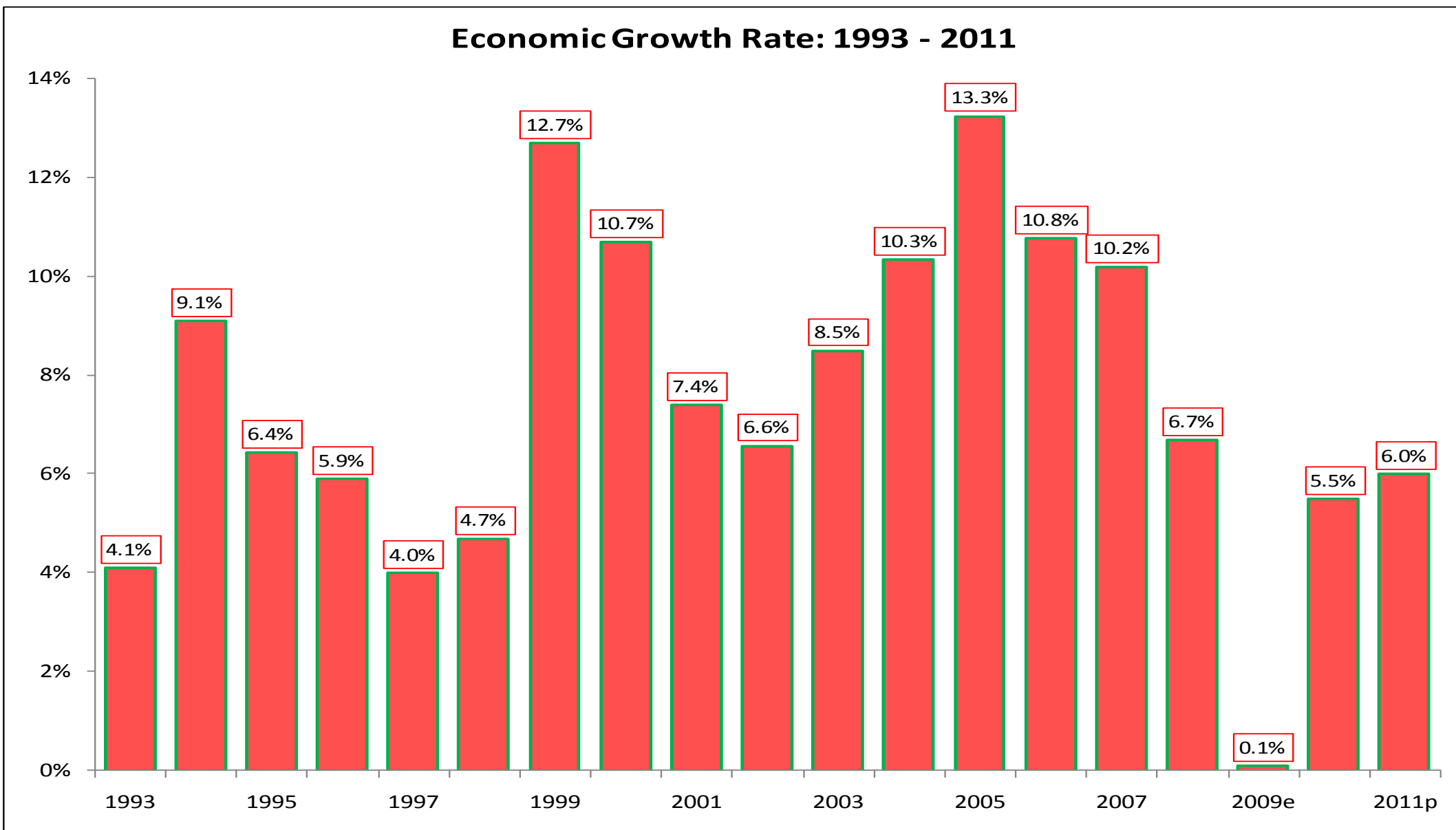
Late 1980s

- Cambodia freed its economy, initially with Thailand and other neighbouring countries

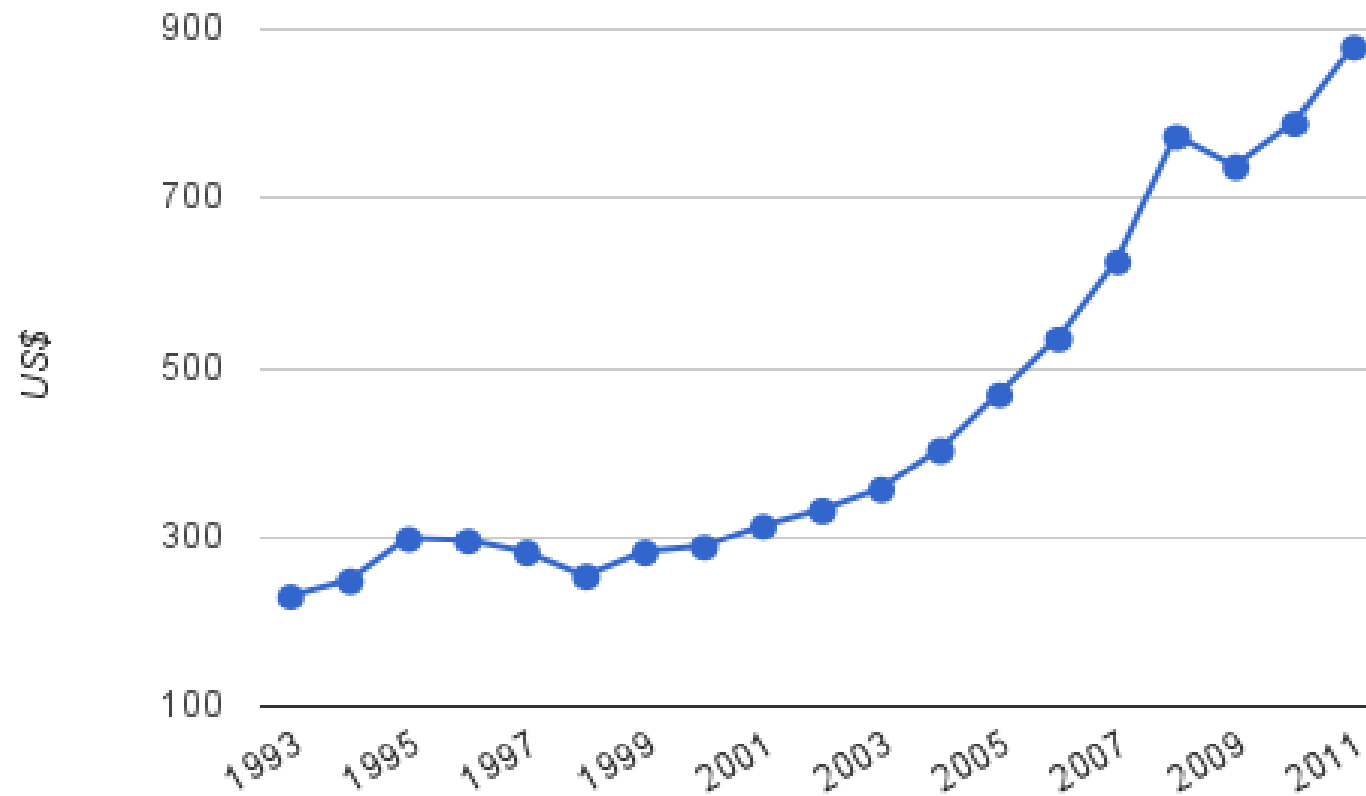
Joined ASEAN in 1999

Joined WTO in 2003

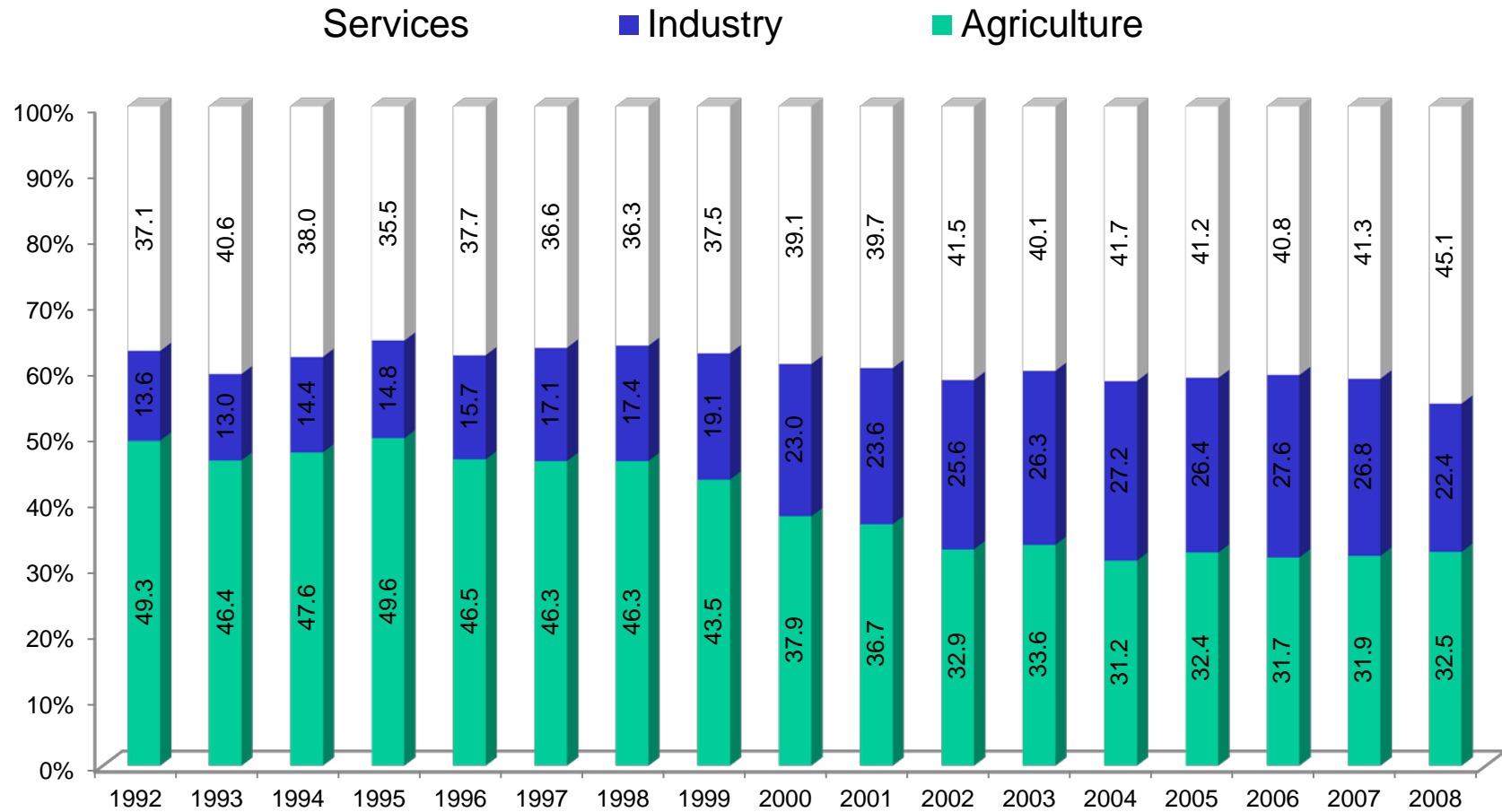
Cambodia's economic growth since 1993



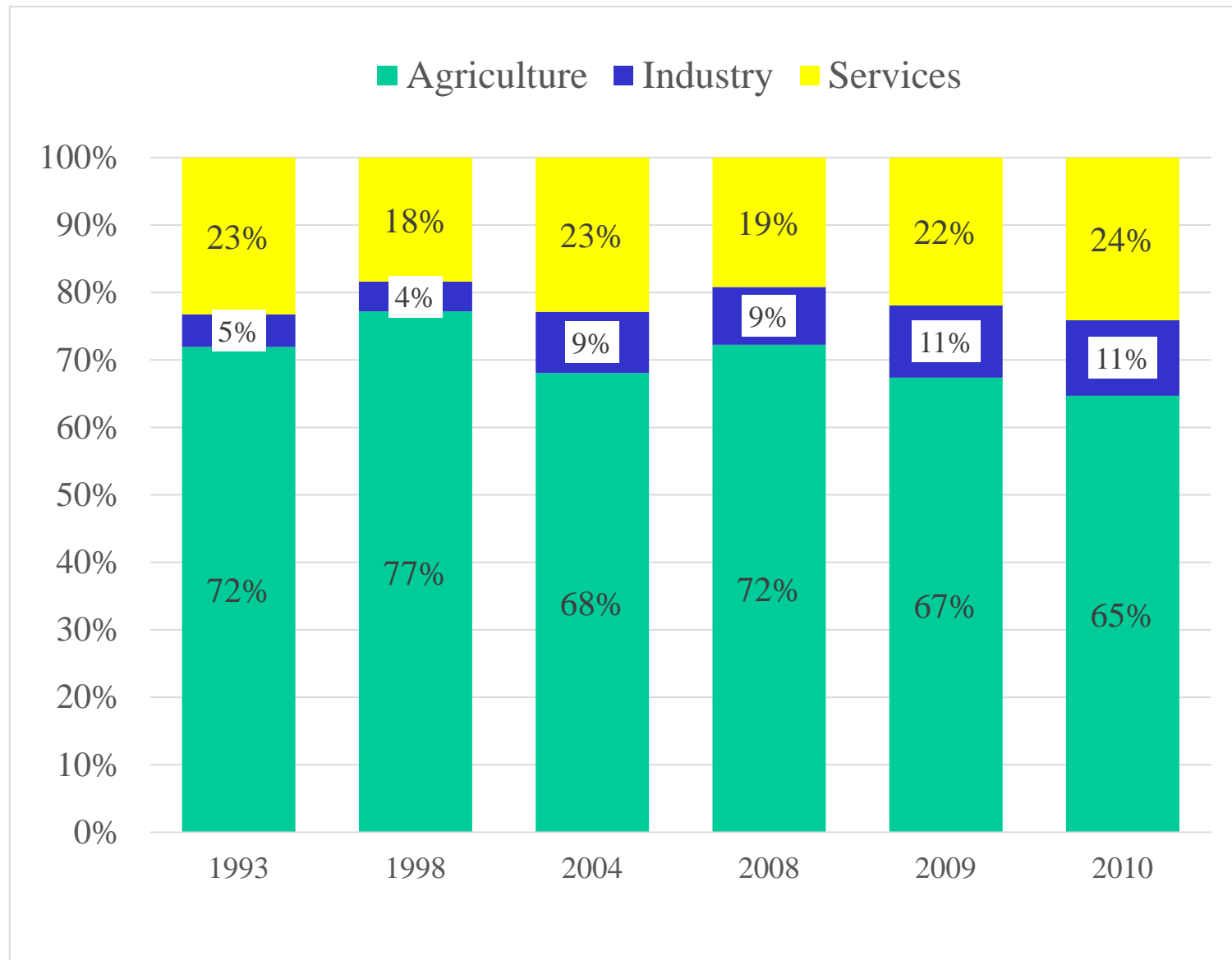
Per capita GDP since 1993



Percentage Share of GDP



Share of employment by sector



Share of main industries

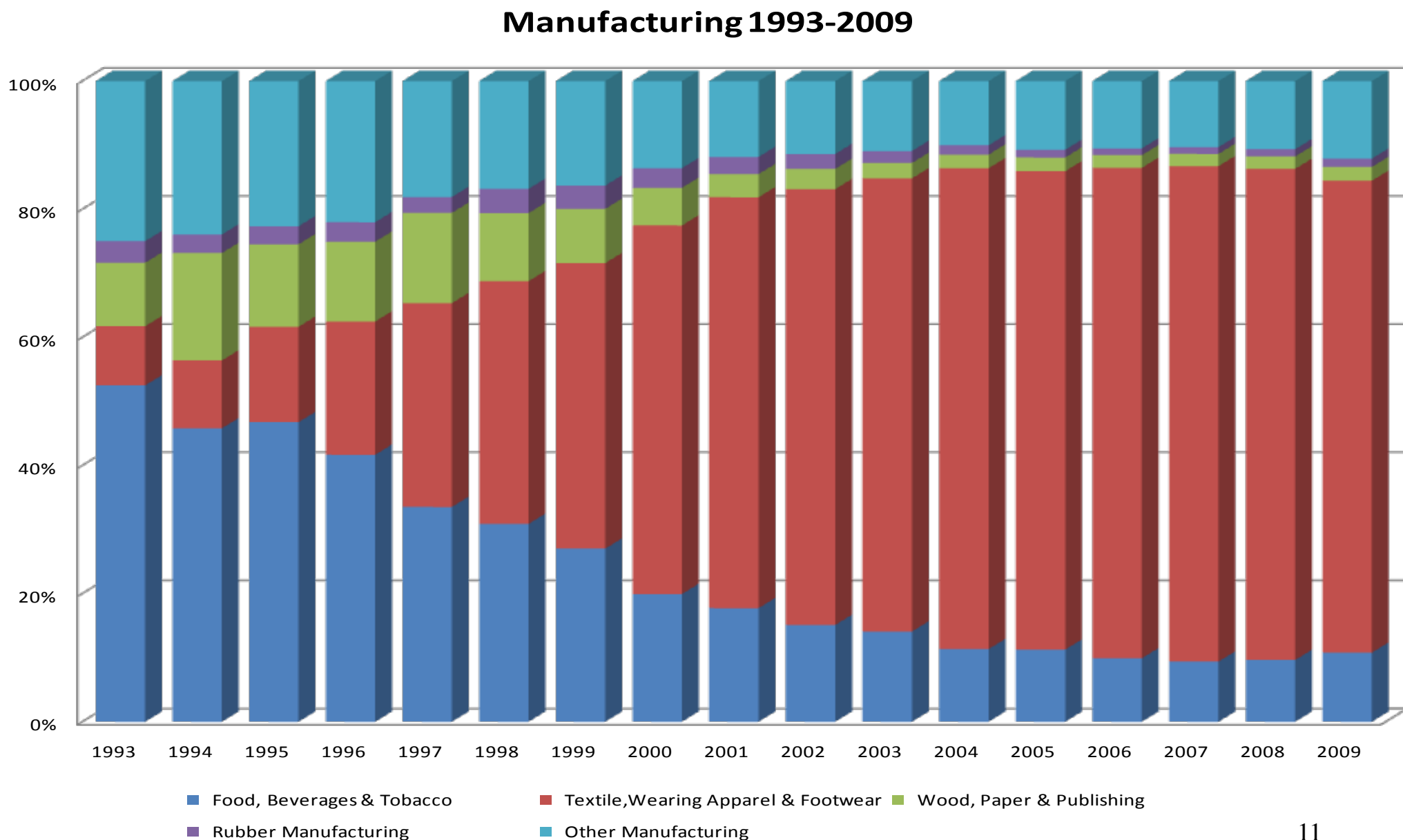
➤ Manufacturing : 72.8%

➤ Construction : 23.7%

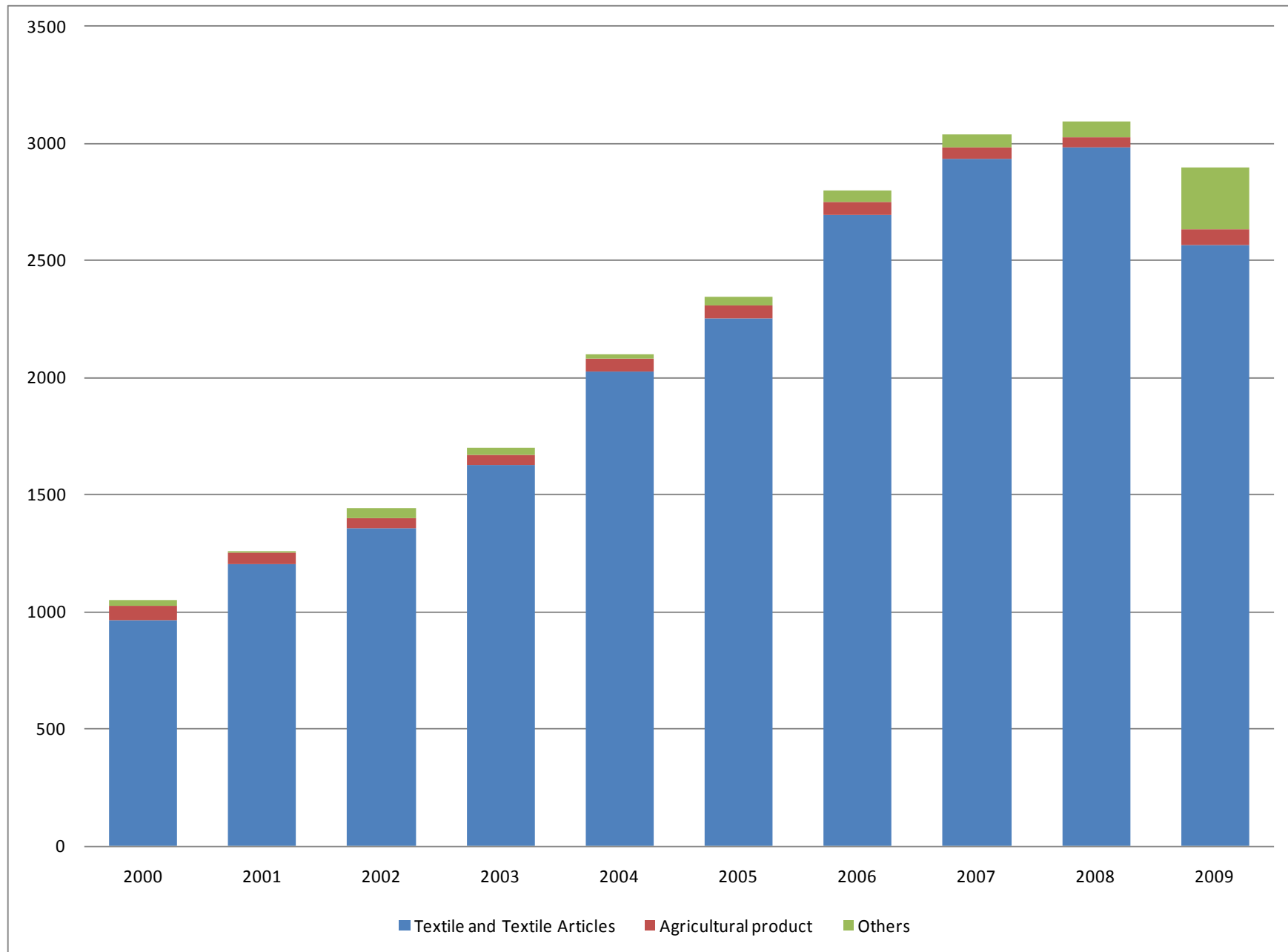
➤ Electricity, gas, and water : 2%

➤ Mining : 1.5%

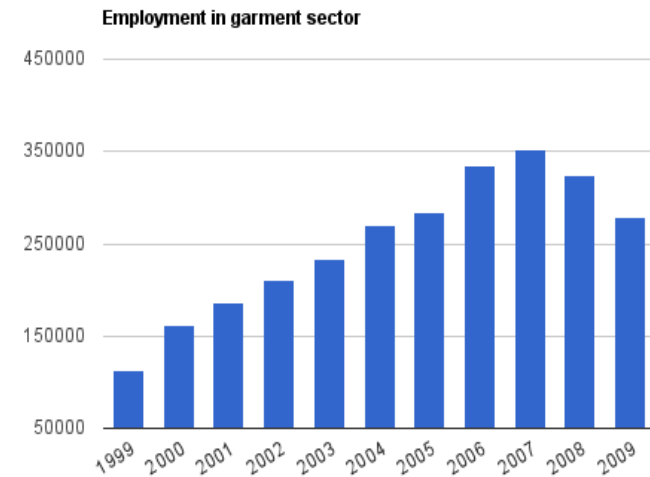
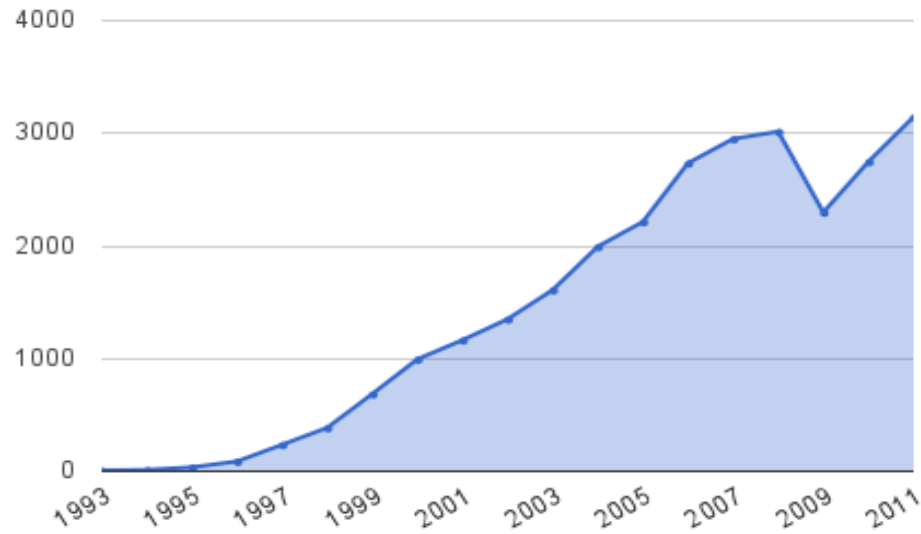
Structure of manufacturing sector 1993-2009 by output



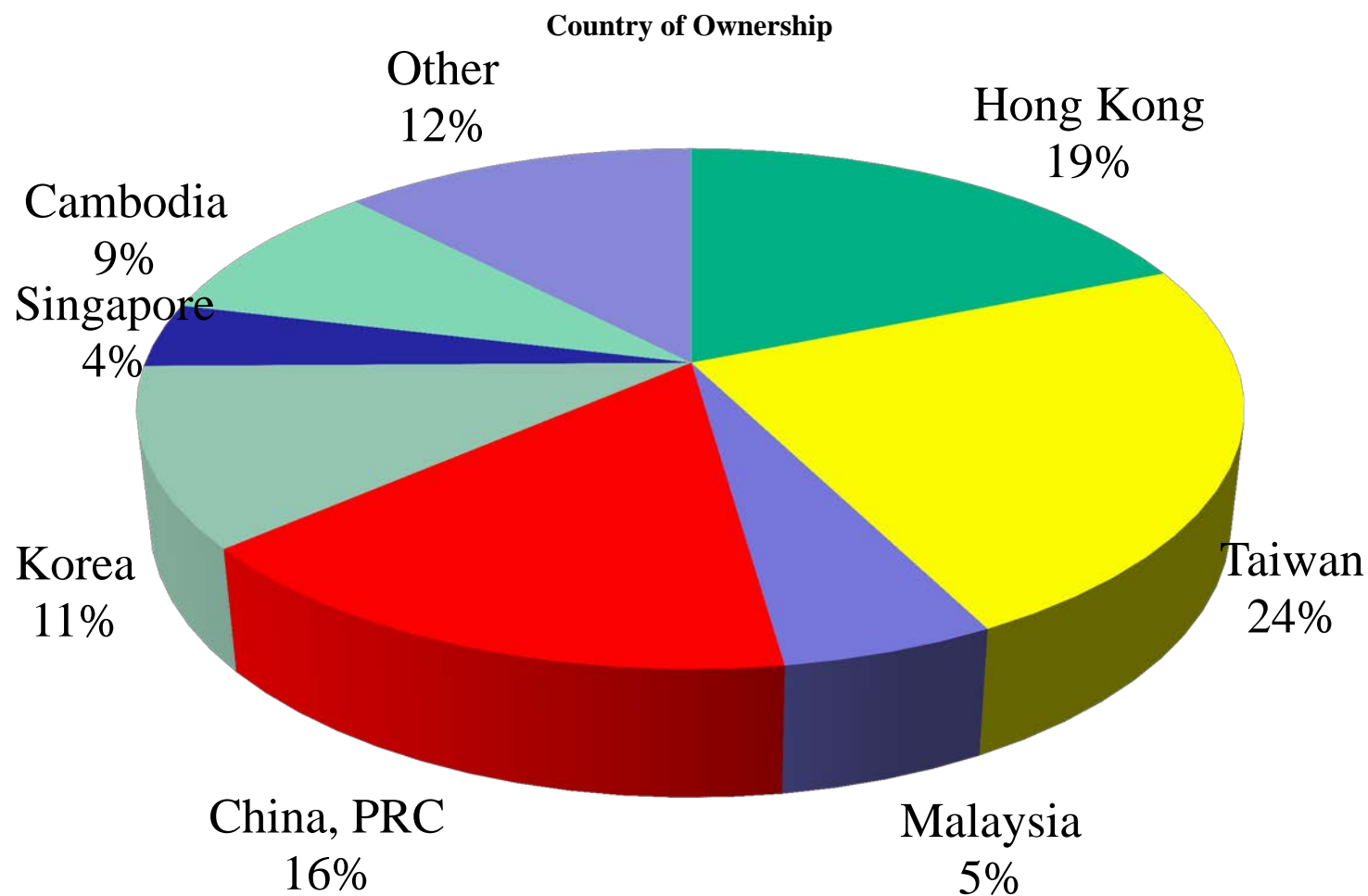
Export by commodities, predominantly garments



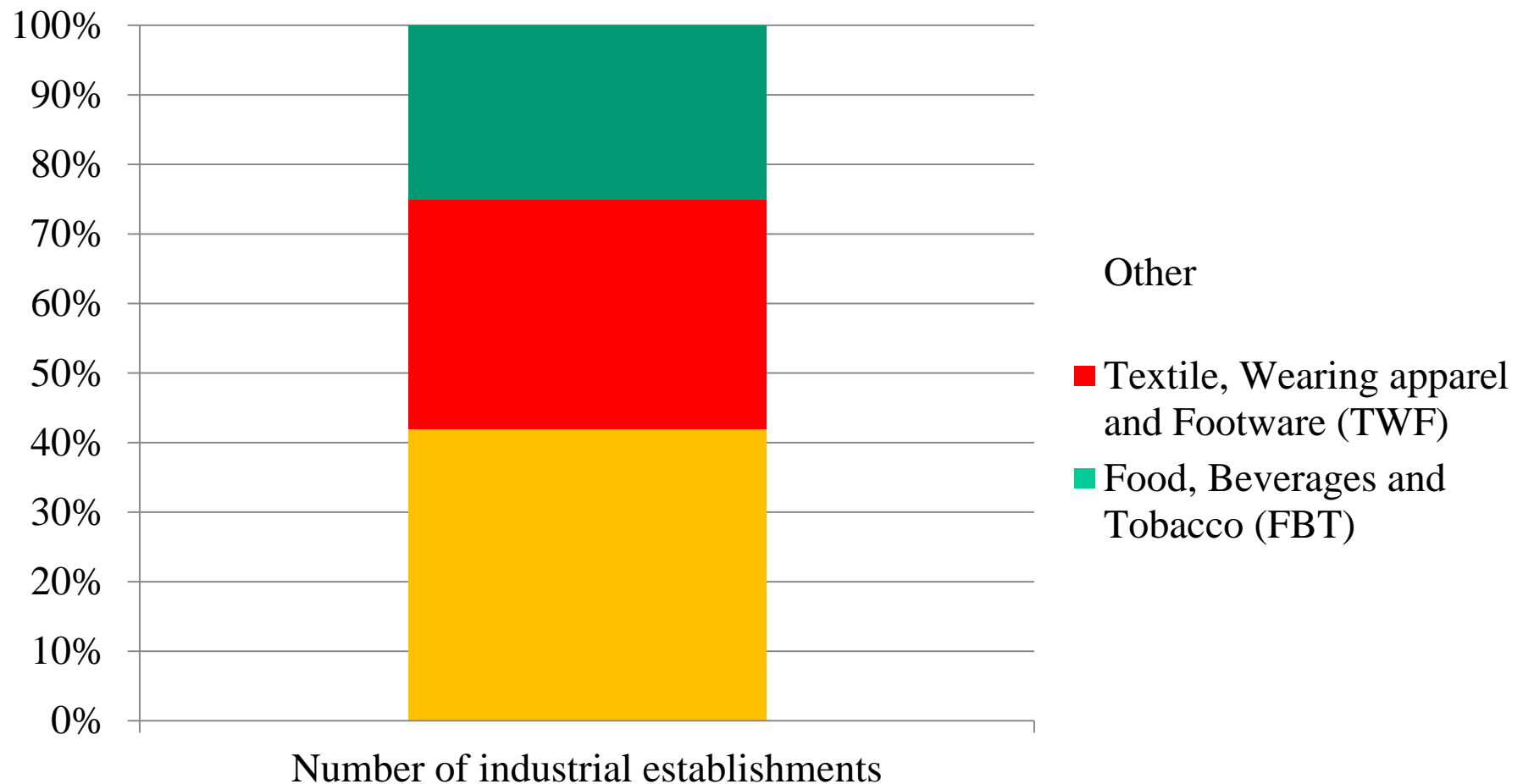
Garment Export and its share



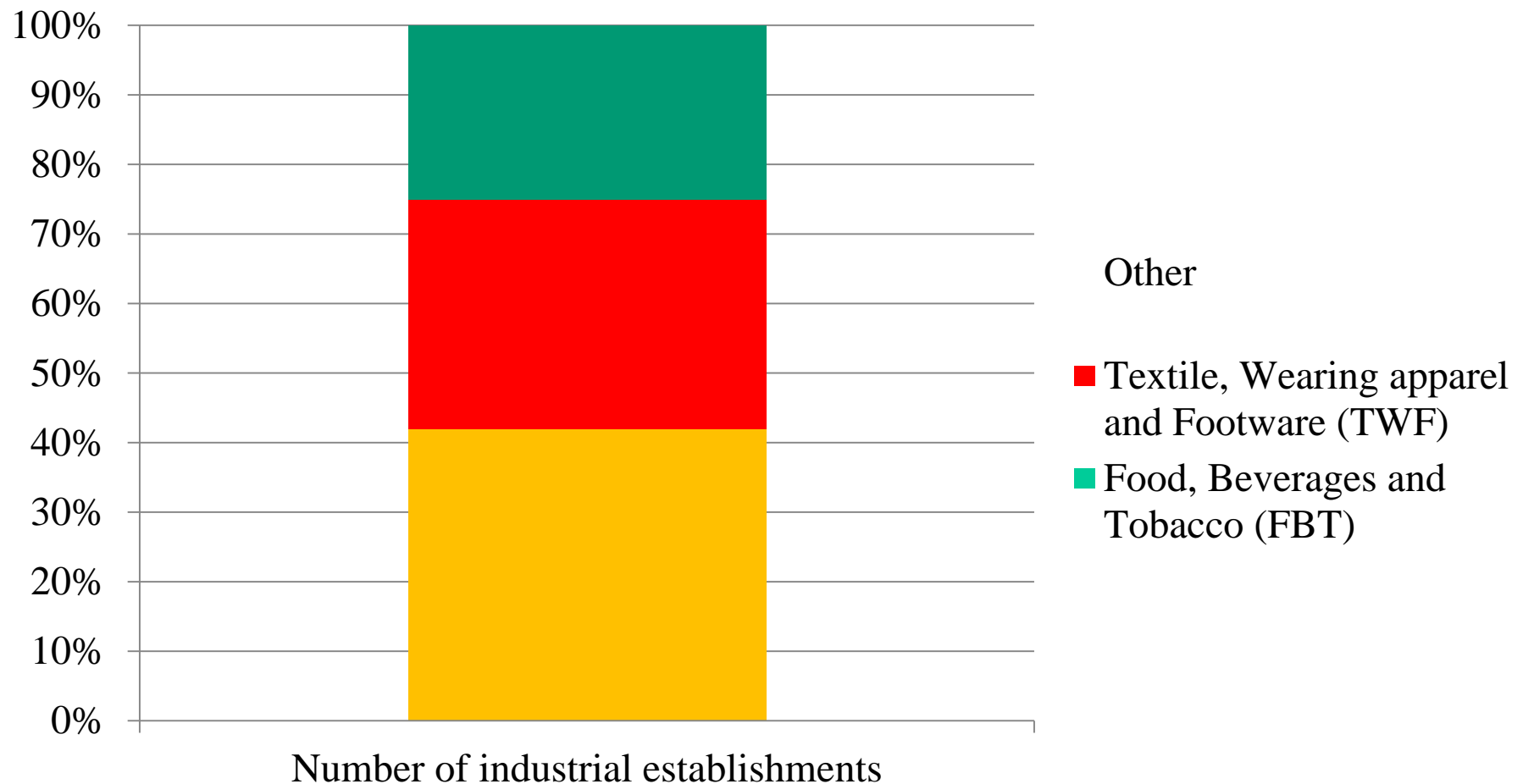
Ownership of Garment Factories in Cambodia



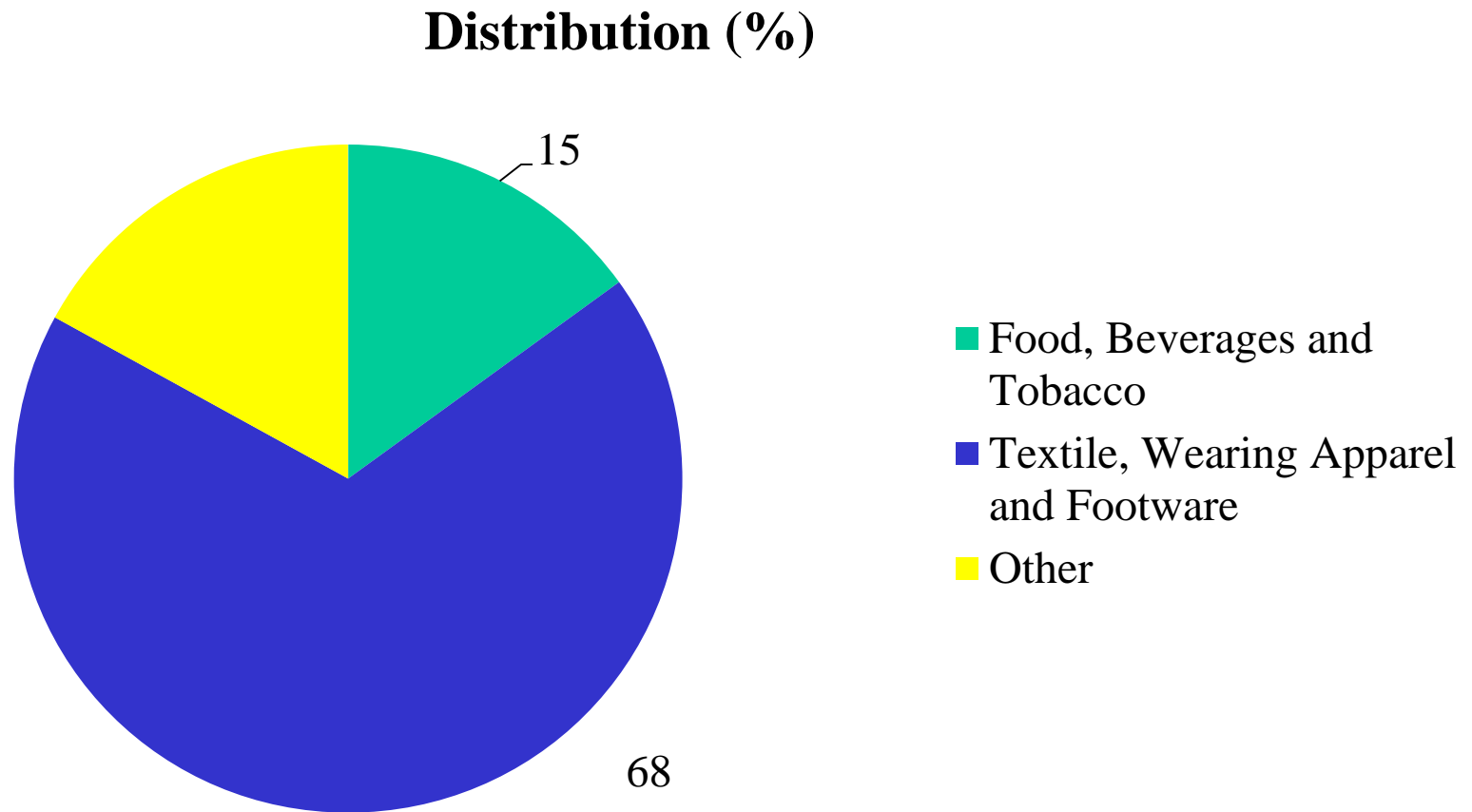
77,048 Industrial Establishments
only 1.5% are medium or large, sharing 36% of
industrial employment (Economic Census 2011)



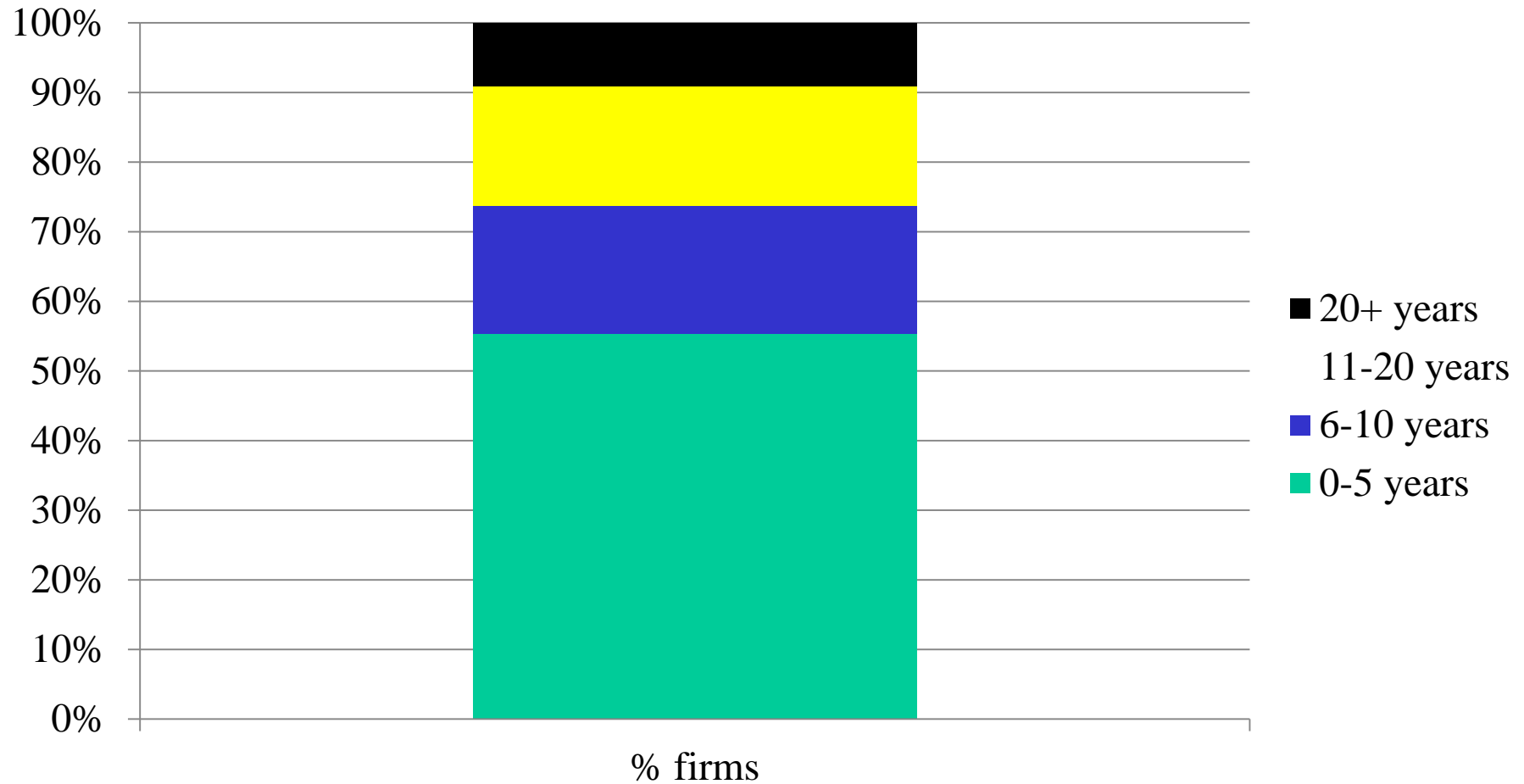
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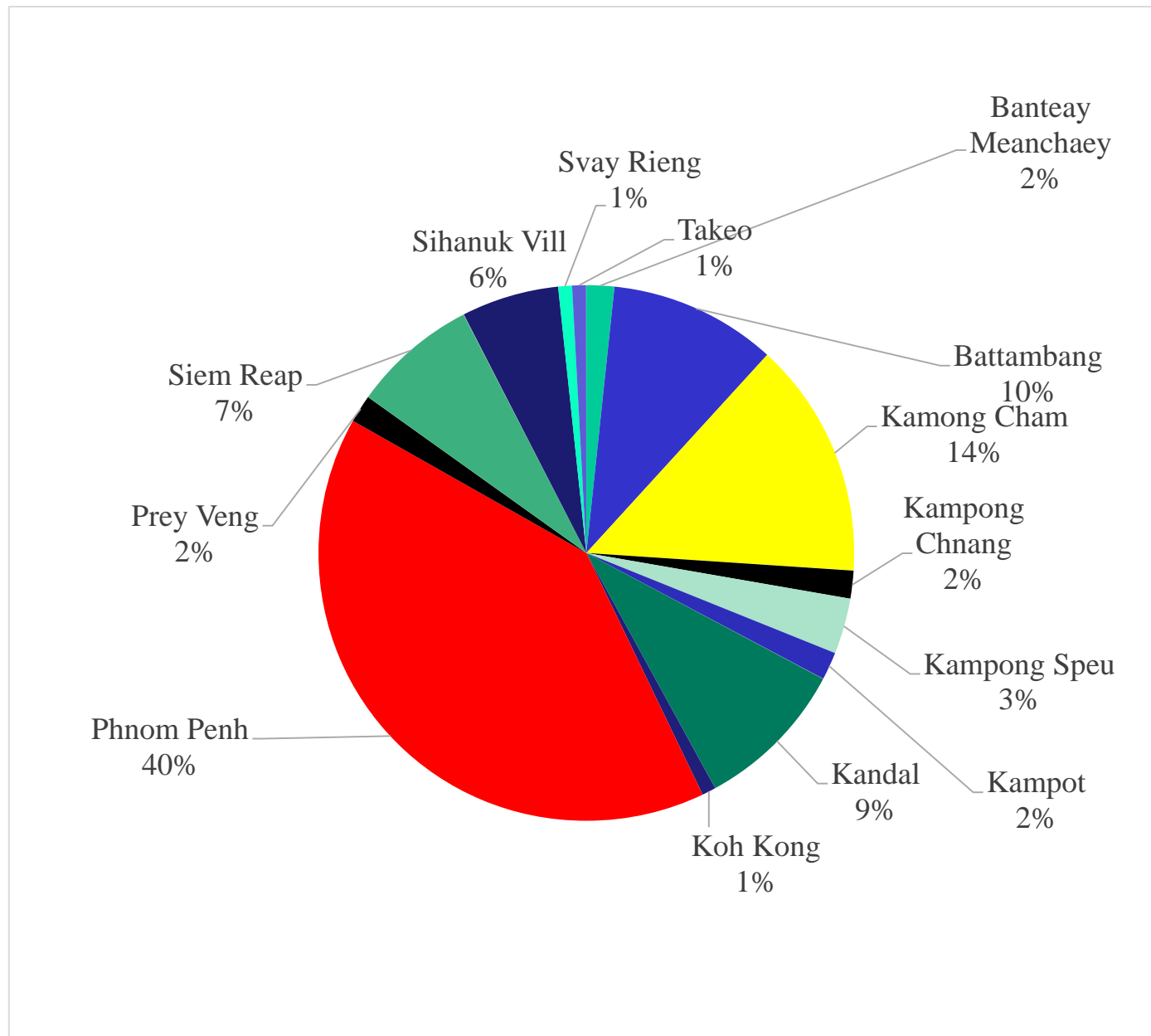
Distribution of employment by 77,048 industrial establishments



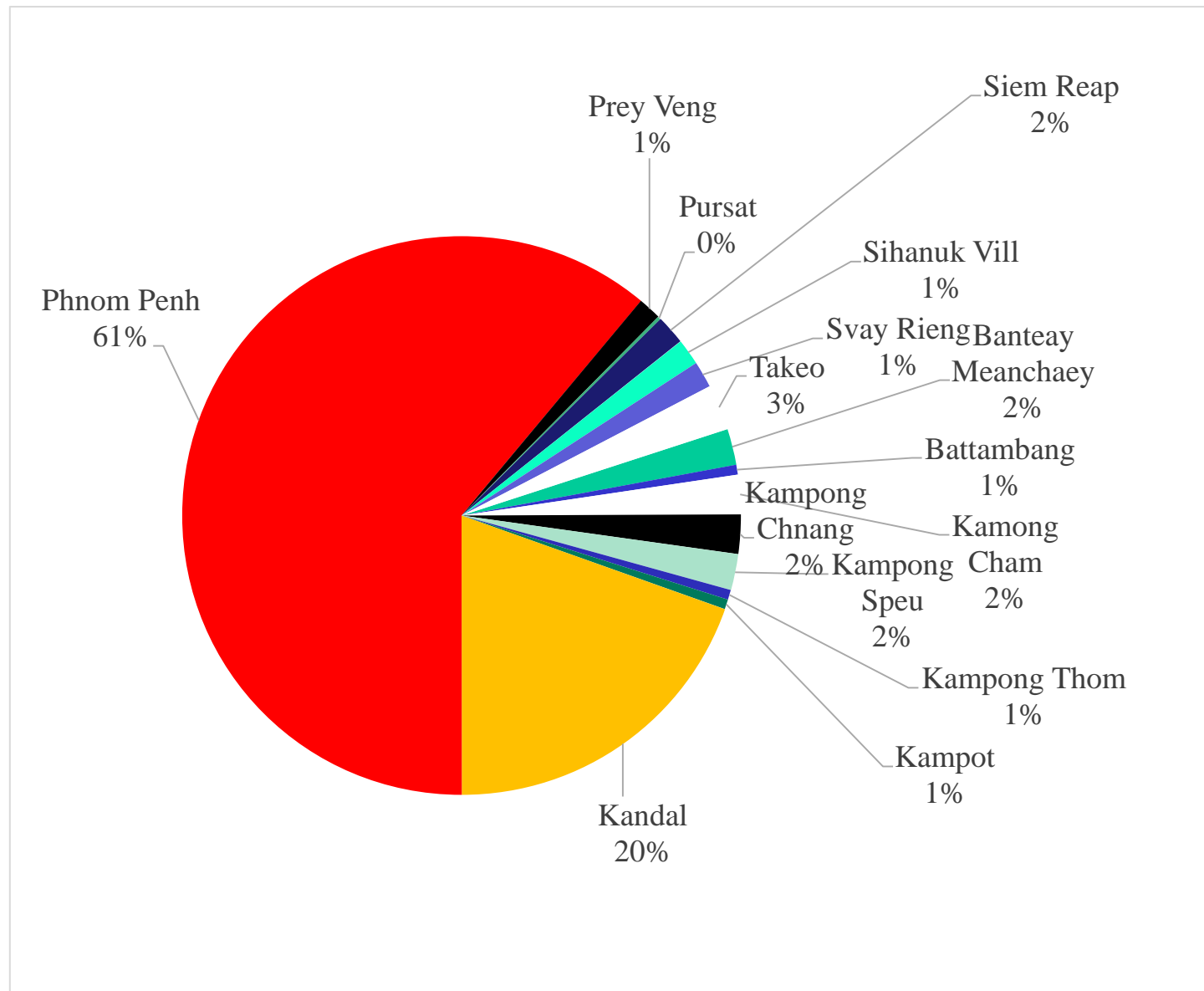
Distribution of 77,048 Industrial Establishments by their Age



Spatial distribution of 32,257 FBT establishments



Spatial distribution of 25,156 TWA establishments



Sunrise and Sunset Industries

(Average growth of value added)

	1993-1997	1998-2004	2005-2007	2008-Present
Sunrise (Average share growth rate >0.05%)	Textile, Wearing Apparel & Footwear Wood, Paper & Publishing Rubber Manufacturing Electricity, Gas & Water	Textile, Wearing Apparel & Footwear Mining Construction	Mining Textile, Wearing Apparel & Footwear Non-Metallic Manufacturing Construction	Mining Textile, Wearing Apparel & Footwear Food, Beverages & Tobacco Non-Metallic Manufacturing Electricity, Gas & Water
Sunset (Average share growth rate <-0.05%)	Mining Food, Beverages & Tobacco Non-Metallic Manufacturing Basic Metal and Metal Products Construction	Food, Beverages & Tobacco Wood, Paper & Publishing Rubber Manufacturing	Food, Beverages & Tobacco Rubber Manufacturing Wood, Paper & Publishing	Wood, Paper & Publishing Construction

Major Issues:

- FDI projects received very generous tax exemptions. It yields little revenue for government.
- SMEs face high tax regimes, thus most stay informal and as a result face constraints to growth capital.
- Little backward and forward linkages within the country. Most garment factories are just sites of Chinese or ethnic Chinese overseas.
- Need to diversify industrial base.
- => Industrial development policy is being prepared

Conclusion

1. Political stability, location of the country and openness to FDI allowed cheap labor and global market access to be well exploited, contributing to high economic growth in the past 20 years (about 8% per annum).
2. The next stage of high growth will soon depend more on efficiency from both domestically free and fair competition and international competitiveness.
3. Regional integration and globalization provide Cambodia with opportunities for constructive engagement and learning to compete.
4. Given the turbulent history in the past century, it is difficult to expect more. Cautious optimism for the future!

THANK FOR YOUR ATTENTION!

