



BUILDING RESILIENCE AMID GLOBAL UNCERTAINTY

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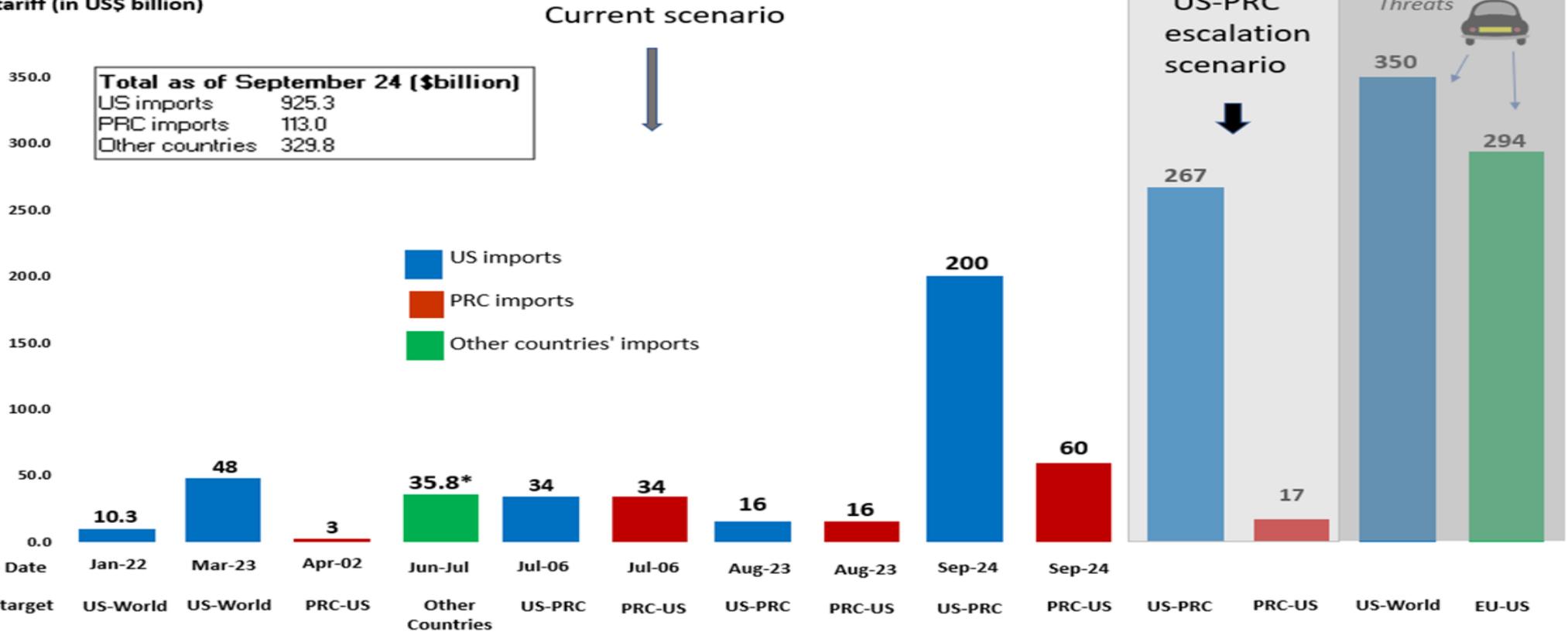
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RISING GLOBAL TRADE UNCERTAINTY

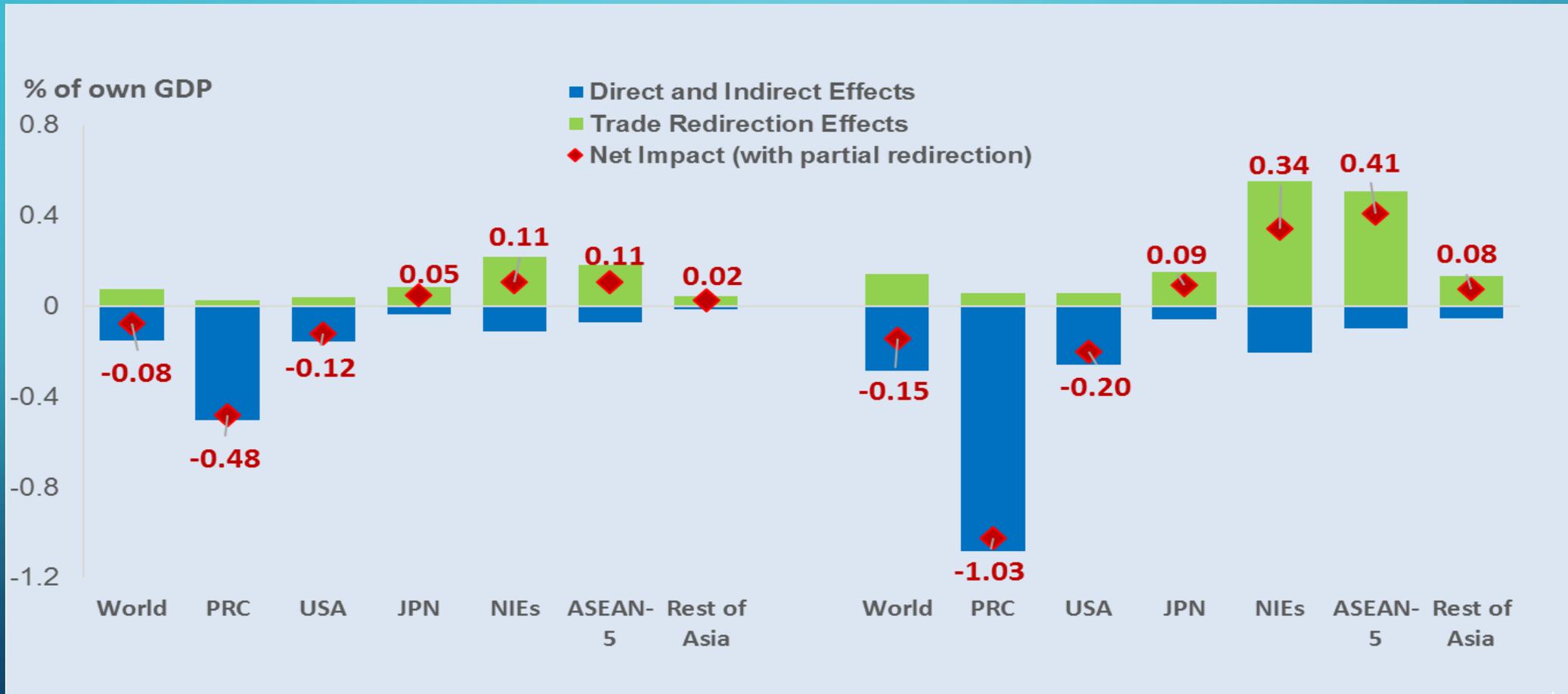
- Growing bilateral trade tensions between US and PRC
- ASEAN including Cambodia being open, trade-led economies could be affected
- PRC (17%) and US (9%) are major ASEAN trading partners.
- ASEAN tightly integrated into global value chains with PRC usually as the final assembly point

CHRONOLOGY OF TRADE CONFLICT

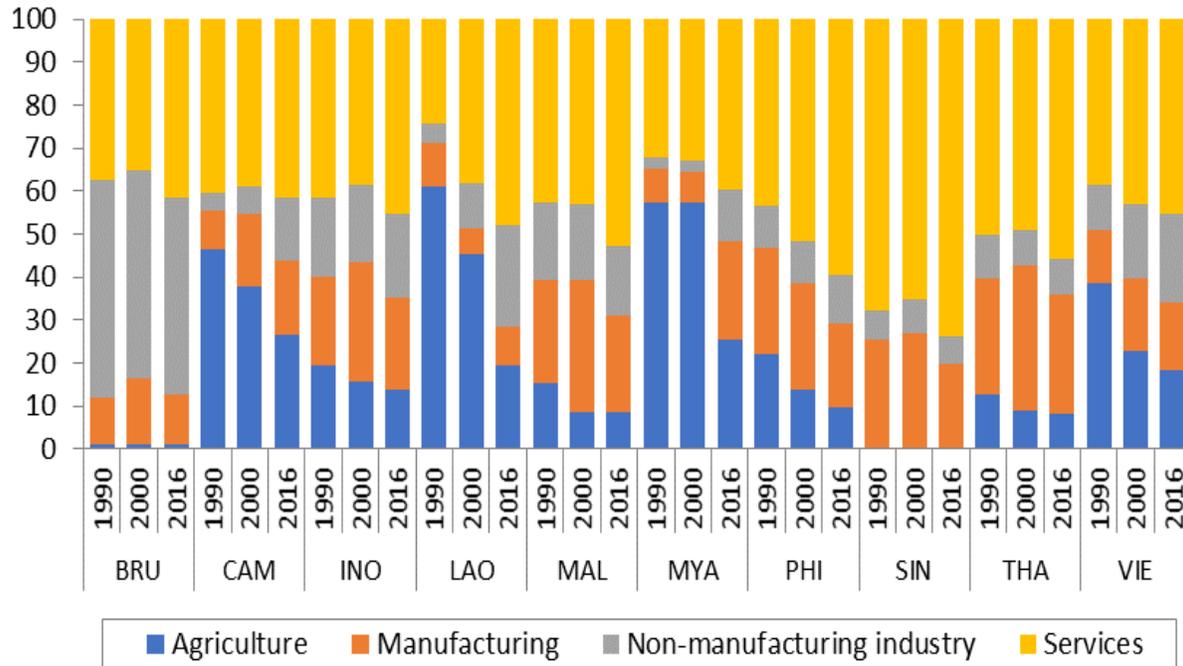
Value of imports impacted by the tariff (in US\$ billion)



IMPACT OF TARIFFS



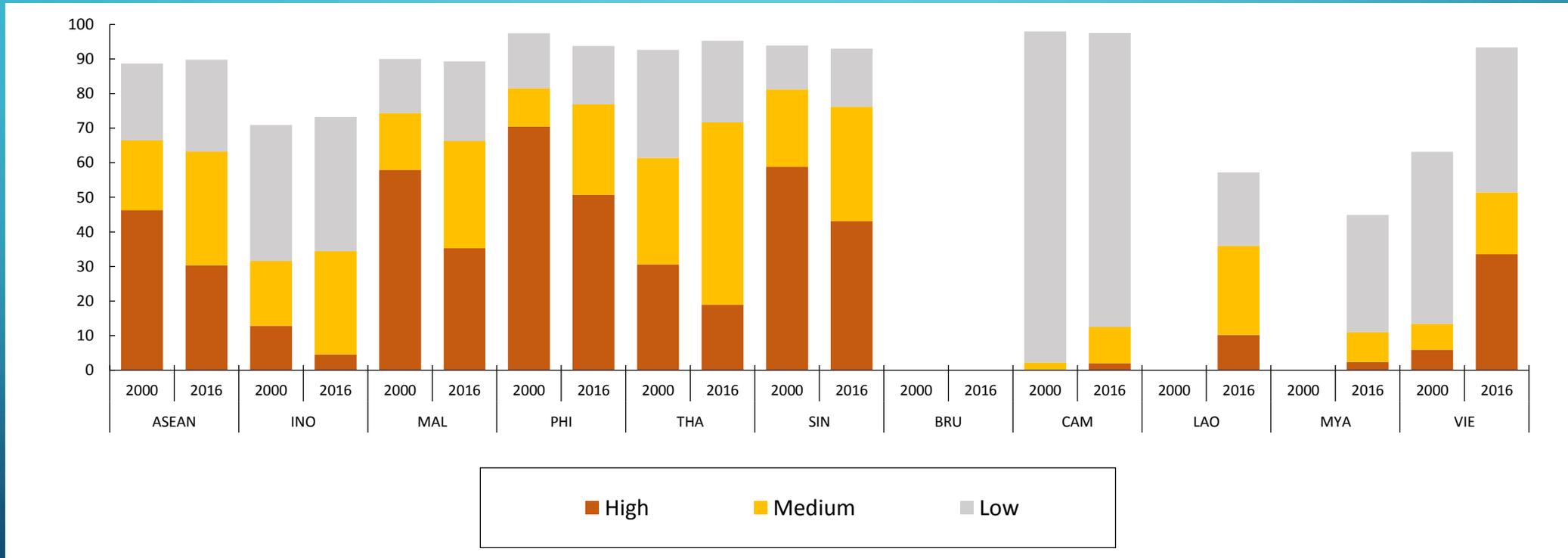
Share of GDP (%)



MANUFACTURING HAS GROWN

- ASEAN economies have undergone **structural transformation** that strengthened both their economic resilience and trade performance.
- Cambodia was an **predominantly agriculture** economies in the early 1990s, but has since expanded its manufacturing base.

TECHNOLOGY LEVEL OF MANUFACTURING EXPORTS



TOURISM HAS PICKED UP

- As the region's middle class has grown, tourism sector is expected to further expand
- Tourism earnings can serve as a useful buffer against external shocks
- Cambodia has seen a big boom in tourism



FDI GROWING FAST

- Inward **FDI** to ASEAN expanded from \$22 billion to \$134 billion between 2000 to 2017.
- FDI inflows to ASEAN were 5% of GDP in 2017 (up from 3% in 2000).
- FDI grew at an annual average of 11%—with Cambodia, the Lao PDR, Myanmar, and Viet Nam showing the most robust growth.
- Greenfield investments as the predominant mode of entry for foreign investors, at least 65% of total inflows since 2003—and mainly in manufacturing products that are relatively better linked to cross-border value chains.
- Mergers and acquisitions—primarily in services—increased shares in recent years, driven primarily by expanding domestic markets.

VULNERABILITIES IN ASEAN

- 3 groups in ASEAN
 - Malaysia, Singapore and Thailand well integrated into regional value chains
 - Indonesia, Philippines and Viet Nam have diversified to more complex products
 - Brunei Darussalam, Cambodia, Myanmar and Lao PDR still with narrow export base
- Narrow export base leads to greater volatility
- Low technology products and heavy reliance on demand in slow growing mature economies

BUILDING RESILIENCE IN ASEAN

- Structural policies to improve business environment
- Maintain open trade and investment policies
- Services liberalization can help promote services trade
- Enhance regional cooperation

CHALLENGES FACED BY CAMBODIA

- Lack of skilled workforce
- High cost of doing business
- Inadequate transport network such as rural roads, ports and inland waterways

LACK OF SKILLED WORKFORCE

Global Competitiveness Index: Higher education and training (Rank)

	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Thailand	Singapore	Viet Nam
Global Competitiveness index	94	36	98	23	56	32	3	55
5th pillar: Higher education and training	124	64	89	45	55	57	1	84
Secondary education enrollment rate gross %	117	85	106	92	80	8	25	68
Tertiary education enrollment rate gross %	108	91	101	89	77	59	4	84
Quality of the education system	79	33	53	14	46	65	2	71
Quality of math and science education	111	40	88	16	76	83	1	85
Quality of management schools	123	42	80	25	38	78	4	120
Internet access in schools	101	45	96	27	62	48	1	77
Local availability of specialized training services	117	45	95	18	43	90	4	108
Extent of staff training	84	30	74	9	38	47	5	71

Source: The Global Competitiveness Report 2017–2018

HIGH COST OF DOING BUSINESS

Ease of Doing Business Ranking for ASEAN Countries, 2018

Country	Global Rank	Starting a Business	Getting Electricity	Trading Across Borders
Singapore	2	6	12	42
Malaysia	24	111	8	61
Thailand	26	36	13	57
Brunei Darussalam	56	58	24	144
Viet Nam	68	123	64	94
Indonesia	72	144	38	112
Philippines	113	173	31	99
Cambodia	135	183	137	108
Lao PDR	141	164	149	124
Myanmar	171	155	151	163

Source: World Bank 2018, Doing Business: Reforming to Create Jobs. Washington, DC.

INFRASTRUCTURE STILL LAGGING

Logistics Performance Index, 2018 (Rank)

Economy	Mean LPI rank	Customs	Infrastructure	International shipments	Logistics quality and competence	Tracking and tracing	Timeliness
		Rank	Rank	Rank	Rank	Rank	Rank
Singapore	5	2	5	8	4	8	3
Thailand	34	37	41	32	35	35	36
Malaysia	35	38	33	30	34	38	46
Viet Nam	45	51	54	45	40	44	47
Indonesia	51	62	61	51	48	45	49
Philippines	64	70	71	39	64	58	83
Brunei							
Darussalam	73	61	77	84	84	75	78
Cambodia	89	94	120	69	106	93	82
Lao PDR	120	111	128	116	114	119	130
Myanmar	139	137	145	155	133	135	120

OPPORTUNITIES FOR CAMBODIA

- Strong growth prospects
- Highly open economy
- Strategic location in the Greater Mekong Subregion
- Young and inexpensive labor force
- Potential for greater regional integration

POLICY IMPLICATIONS

- ✓ Structural policy reforms to improve the business and investment environment.
 - Enhancing the business environment
 - Investing in quality infrastructure
 - Facilitating access to finance
 - Boosting labor quality
 - Promoting innovation
- ✓ Maintain open trade and investment policies to attract foreign direct investment—an important element for export-oriented development strategies.
- ✓ Prepare for Fourth Industrial Revolution.

The background is a solid teal color. In the four corners, there are decorative white line-art elements resembling circuit traces or a stylized tree structure, with small circles at the end of the lines.

THANK YOU

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