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

Source: Hang (2011)
Per capita GDP since 1993
Percentage Share of GDP

Source: ADB
Share of employment by sector

![Chart showing share of employment by sector from 1993 to 2010. The chart indicates a decrease in the share of employment in agriculture, an increase in industry, and a consistent increase in services.](chart.png)
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

Source: MEF (2010)
Export by commodities, predominantly garments

Source: Ministry of Commerce
Garment Export and its share

Food price soaring lead to more agriculture export.
Ownership of Garment Factories in Cambodia

Source: MEF
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 (%)

- Food, Beverages and Tobacco
- Textile, Wearing Apparel and Footware
- Other

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Distribution of 77,048 Industrial Establishments by their Age
Spatial distribution of 32,257 FBT establishments
Spatial distribution of 25,156 TWA establishments

- Phnom Penh: 61%
- Kandal: 20%
- Prey Veng: 1%
- Pursat: 0%
- Svay Rieng: 1%
- Sihanuk Vill: 1%
- Battambang: 1%
- Kampong Cham: 2%
- Kampong Chnang: 2%
- Kampong Thom: 2%
- Takeo: 3%
- Siem Reap: 2%
- Kampong Speu: 2%
- Kampong Chhnang: 2%
Sunrise and Sunset Industries
(Average growth of value added)

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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
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!