

SME EXPORT TALK

Export Opportunities for Cambodian Cosmetic Products



INTRODUCTION



Implemented by



ARISE Plus Cambodia:

- Is co-funded by the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ).
- Is implemented by GIZ, the German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit).
- Aims to support greater connectivity and economic integration between Cambodia and the rest of ASEAN, by implementing the ASEAN Economic Community Blueprint 2025.

Among others, **ARISE Plus Cambodia** aims to assist **Cambodian SMEs** in increasing and/or **diversifying exports**. SMEs contribute greatly to job creation, new income opportunities and economic development in rural areas. Exporting is a possible solution to achieve the long-term sustainability of such enterprises. In this regard, the key for successful business is the ability to access reliable and accurate information, particularly with regards to export requirements and strategies. Therefore, together with EuroCham, **ARISE Plus Cambodia** is organising a series of information events, the **“SME Export Talk”**. These events will cover several topics related to exporting and SMEs, and will last until the end of 2022.

The content of the **SME Export Talk** includes, for instance: social media for SMEs, export opportunities in ASEAN, product/process quality standards, product branding, ASEAN Non-Tariff Measures (NTMs), effective business matching and negotiation, participating in trade fairs, third-party logistics and others.

COSMETIC PRODUCTS DEFINITION

The Ministry of Health defines “Cosmetic Products” through the Sub-degree No. 122 on Cosmetic Product Control as follows:

“Cosmetic products refer to products that are compounded of chemical substances, bio-products, plants or minerals and are to be applied to the external parts of the human body (skin, hair, nail, lips and external parts of sex organs) or applied to teeth and the soft tissue of the palate with the aim of cleaning, protecting, maintaining, scenting, altering the external image or eliminating body odor”.

Examples of cosmetic products include:

- Creams, emulsions, lotions, gels and oils for the skin (hands, face, feet, etc)
- Face masks
- Tinted bases (liquid, pastes, powders)
- Make-up powders, after-bath powders, hygienic powders, etc
- Perfumes
- Bath and shower preparations
- Deodorants and antiperspirants
- Hair care
- Shaving products (creams, foams, lotions etc.)
- Make up and make up removers (face, eyes, lips)
- Teeth and mouth care
- Nail care and make up
- Anti-wrinkle products
- Skin-whitening products
- Tanning or sunbathing products
- More ...



TRADE STATISTICS OF THE COSMETIC SECTOR IN CAMBODIA

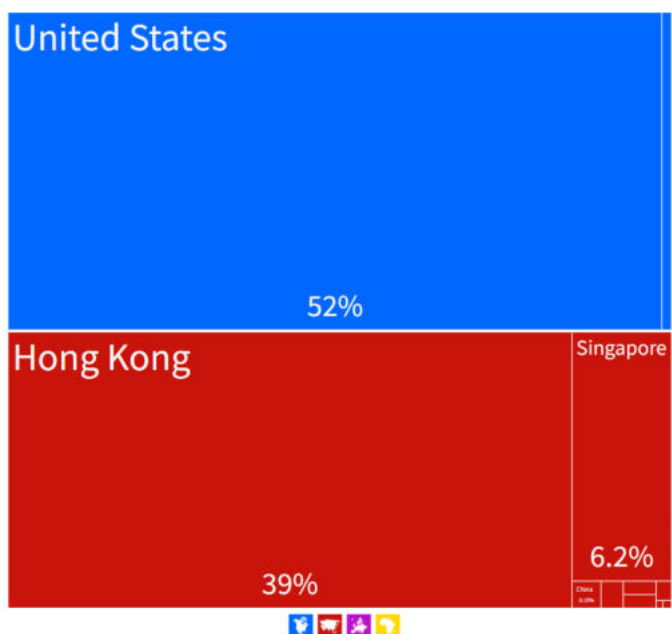
Cosmetic exports from Cambodia were valued at \$3.16 million in 2020 (UNcomtrade, 2022). The main export destinations are the United States (52%), Hong Kong (39%), and Singapore (6.2%).

The Cosmetic sector has great export potential in both, domestic and international markets for Cambodian producers. According to Statista (2022), domestic beauty, the cosmetics market is projected at US\$119.94m in 2023, while the number users of cosmetics product are expected to grow up-to 2.2m by 2027. Meanwhile, global exports of beauty, cosmetic & skincare were US\$69.8 billion in 2021, and the average annual growth rate is 8.14% (*World's Top Exports, 2022*).

Export Destination and Import Origins of Cambodia's cosmetic products in 2020

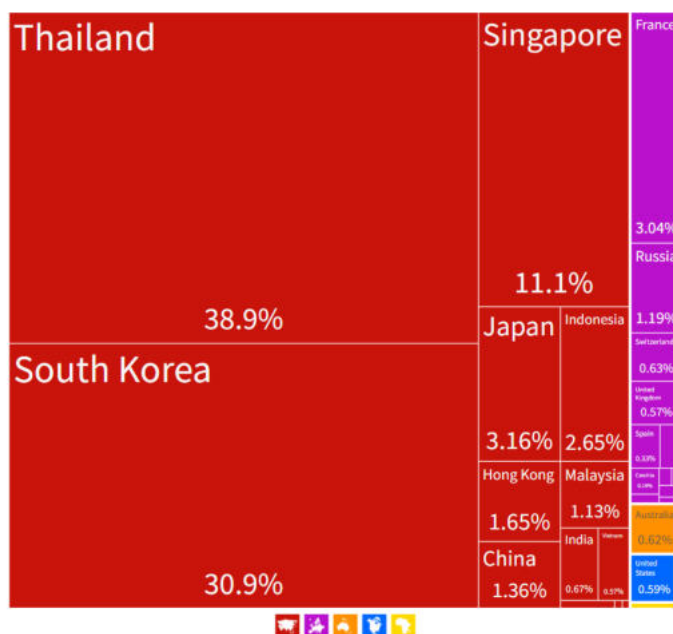
Export Destinations (2020)

Total: \$3.16M



Import Origins (2020)

Total: \$47.5M



Source: The Observatory of Economic Complexity (OEC)

Cosmetic products being exported and imported in Cambodia

List of products exported by Cambodia

Code	Product Label	2017	2018	2019	2020	2021
3304	Beauty or make-up preparations and preparations for the care of the skin, incl. sunscreen or ...	31	21	0	1,646	1,447
3302	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or ...	45	36	0	0	112
3301	Essential oils, whether or not terpeneless, incl. concretes and absolutes; resinoids; extracted ...	27	9	23	0	54
3303	Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)	54	123	118	0	0
3305	Preparations for use on the hair	0	0	1	0	0
3306	"Preparations for oral or dental hygiene, incl. denture fixative pastes and powders; yarn used ...	0	0	2	36	0
3307	Shaving preparations, incl. pre-shave and aftershave products, personal deodorants, bath and ...	12	18	4	0	0

List of products imported by Cambodia

Code	Product Label	2017	2018	2019	2020	2021
3302	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions, based on one or ...	4,611	5,319	12,133	19,464	30,754
3305	Preparations for use on the hair	23,278	28,590	29,446	26,592	28,379
3304	Beauty or make-up preparations and preparations for the care of the skin, incl. sunscreen or ...	29,091	52,188	35,500	18,366	19,547
3306	"Preparations for oral or dental hygiene, incl. denture fixative pastes and powders; yarn used ...	5,086	5,264	5,204	6,848	8,751
3307	Shaving preparations, incl. pre-shave and aftershave products, personal deodorants, bath and ...	7,040	8,741	8,977	8,678	8,366
3301	Essential oils, whether or not terpeneless, incl. concretes and absolutes; resinoids; extracted ...	28	93	80	87	6,695
3303	Perfumes and toilet waters (excluding aftershave lotions, personal deodorants and hair lotions)	3,281	5,653	2,523	507	978

REGULATIONS CONCERNING COSMETIC EXPORT OPERATION



Any cosmetic product produced or traded in Cambodia is required to comply with the Cambodian legal framework for cosmetics. The Ministry of Health (MoH) is the designated authority responsible for providing approval to open, close or regulate cosmetic product imports and export establishments.

Requirements for Operating a Cosmetic Export Business

To operate as a cosmetic export company, one must meet the following criteria:

- » Must be a local registered entity at the Ministry of Commerce
- » Obtain a cosmetic export establishment license from the MoH (valid for 2 years, can be renewed).
To obtain a cosmetic establishment license, the following conditions apply:
 - The operator must employ a Technical Person (pharmacist or person with master's degree related to cosmetic)
 - MoH approval of the company premises (warehouse and/or manufacturing site)



EXPORTING COSMETIC PRODUCTS TO THE EU

All cosmetic products export to the EU must comply with the EU cosmetics regulation, which is the Regulation (EC) 1223/2009. The first step in determining the compliance requirements is verifying if the product to be exported fits the “cosmetic product” definition as defined by the regulation. The EU Regulation defines a “cosmetic product” to be:

“Any substance or mixture intended to be placed in contact with the external parts of the human body (epidermis, hair system, nails, lips, and external genital organs) or with the teeth and the mucous membranes of the oral cavity with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance, protecting them, keeping them in good condition or correcting body odours”

The definition is similar as the one of Cambodia, which means if a product is a cosmetic in Cambodia, it is very likely that it is under EU rules.



The Regulation (EC) 1223/2009 sets that any cosmetic product may be marketed freely within the EU, it must comply with four fundamental rules as followings:

1. The product is subject to the oversight of a “Responsible Person”.

Regulation (EC) 1223/2009, Article 4 provides that *“Only cosmetic products for which a legal or natural person is designated within the [EU] as ‘responsible person’ shall be placed on the market. For each cosmetic product placed on the market, the responsible person shall ensure compliance with the relevant obligations set out in this Regulation.”* In other words, the Responsible Person bears legal responsibilities for the product within the EU. As an exporter to the EU, one will need to find a partner that will be the “Responsible Person” for their product with the EU.

In the EU, legal responsibilities for the product include, but not limited to, ensuring:

- The product complies with the EU regulations
- The product undergoes a safety assessment - Art 10
- Submission for product notification – Art 13
- Keeping up to date safety information (including PIF) – Art 11
- Providing information to authorities when requested
- Monitor the product on the market
- Recall unsafe products

2. The product is supported by a Product Information File (PIF).

When a cosmetic product is placed on the EU market, the responsible person shall keep a product information file for it. The product information file shall be kept for a period of ten years following the date on which the last batch of the cosmetic product was placed on the market. Regulation (EC) 1223/2009, Article 11 provides the *“Product information file shall contain the following information and data which shall be updated as necessary”*:

- a) A description of the cosmetic product which enables the product information file to be clearly attributed to the cosmetic product
- b) The cosmetic product safety report
- c) A description of the method of manufacturing and a statement on compliance with good manufacturing practice
- d) Where justified by the nature or the effect of the cosmetic product, proof of the effect claimed for the cosmetic product
- e) Data on any animal testing performed by the manufacturer, his agents or suppliers, relating to the development or safety assessment of the cosmetic product or its ingredients, including any animal testing performed to meet the legislative or regulatory requirements of third countries.

3. The product has been duly notified on the Cosmetic Products Notification Portal (CPNP) of the EU.

Prior to being sold on the market, the Responsible Person must notify the EU Cosmetic Products Notification Portal (CPNP), providing the following information:

- The category of cosmetic product and its name or names, enabling its specific identification;
- The name and address of the responsible person where the product information file is made readily accessible;
- The country of origin in the case of import
- The Member State(s) in which the cosmetic product is to be placed on the market
- The contact details of a physical person to contact in the case of necessity
- The presence of substances in the form of nanomaterials including their identification and the reasonably foreseeable exposure conditions
- The name and the Chemicals Abstracts Service (CAS) or EC number of substances classified as carcinogenic, mutagenic or toxic for reproduction (CMR) (following EU rules)
- The frame formulation allowing for prompt and appropriate medical treatment in the event of difficulties
- The original labelling, and, where reasonably legible, a photograph of the corresponding packaging.

The above information suggests that one of the key roles for the responsible person is to fulfill this requirement, and the Cambodian exporting entity needs to generate substantial documentation to fulfill the documentation requirements.

4. The product has the correct labeling.

Regulation (EC) 1223/2009, Article 19 provides that *“the container and the outer packaging of cosmetic products have to bear the following information in indelible, easily legible and visible lettering”*:

- The name and address of the responsible person
- The country of origin if the product is imported from countries outside of the EU
- Nominal content of the product at the time of packaging, given by weight or volume
- Date of minimum durability or period after opening
- Precautions for use
- Batch number of manufacture or the reference for identifying the cosmetic product
- Function of the cosmetic product, unless it's clear from its presentation
- List of ingredients (which may be indicated on the outer packaging alone)

Some of these elements may also be mentioned on an enclosed or attached leaflet, label, tape, tag or card - if it's impossible to list them on the labels. In that case an open book symbol should be placed on the label, which indicates that some information about the product can be found elsewhere.

Moreover, national legislation within the EU may pose additional requirements. An EU national legislation usually dictates the need for use of a local language. Meaning that, if for example, you market your product in the Netherlands, it requires Dutch language, at least for certain labeling items.



EXPORTING COSMETIC PRODUCTS TO ASEAN



Cosmetic exports from Cambodia to the other ASEAN markets remain small. SMEs looking to export these markets are advised to further consult with the followings:

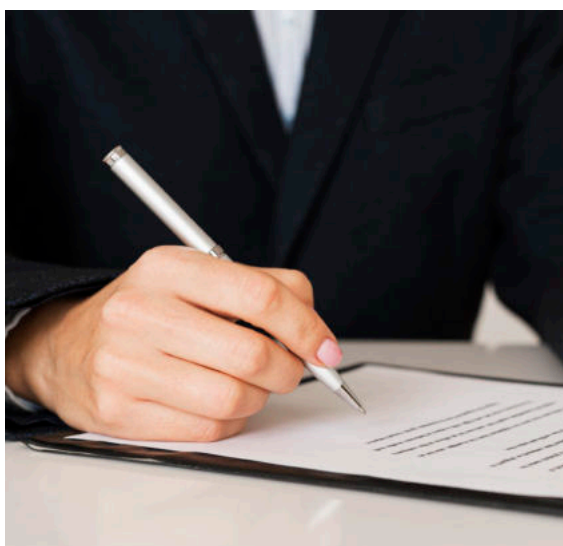
ASEAN Harmonized Cosmetic Regulatory Scheme (AHCERS): The AHCERS lays down the requirements for cosmetic products for all signatory ASEAN Member Countries starting from 1 January 2008. A product produced or marketed in any signatory country and meeting the requirements of AHCERS would be able to enter other signatory countries.

ASEAN Cosmetic Directive (ACD): The ACD is an agreement among ASEAN countries to harmonise requirements of cosmetic products so as to reduce technical barriers to trade⁷ in the region.

⁷ Technical barriers to trade (TBT) are measures that include technical regulations and procedures for the assessment of conformity with technical regulations and standards, except for measures that qualify as SPS measures. Some TBT measures include: Prohibitions/restrictions of imports; tolerance limits for residues and restricted use of substances; labelling, marking, and packaging requirements; production or post-production requirements; product identity requirement; product-quality or -performance requirement; conformity assessment, etc.

RELEVANT STANDARDS AND CERTIFICATIONS FOR COSMETIC EXPORTS

Exporters trading cosmetic products around the world need to comply with certain certification requirements to ensure smooth customs clearance in those countries they are trading with. Different markets require specific standards and certifications. Cambodian SMEs are advised to consult with credible sources and/or with their importing partners carefully before investing on any specific certification process, which is typically costly and lengthy. The followings are some common certifications required when exporting cosmetic products.



Certificate of Free Sale:

This certificate is a declaration attesting that the product intended to be imported is compliant with the Cambodia Cosmetic Products Regulation and may therefore be freely sold across the Cambodia. In Cambodia, this certificate is issued by the Ministry of Health.



ISO 22716:2007 Cosmetics — Good Manufacturing Practices (GMP):

Attesting that the products were manufactured in accordance with Current Good Manufacturing Practices for those products.



BSE-Free Certificate (Bovine Spongiform Encephalopathy):

To protect against bovine spongiform encephalopathy (BSE), also known as "mad cow disease," cosmetics may not be manufactured from, processed with, or otherwise contain, prohibited cattle materials.



Certificate of Sanitation:

Certain countries require certification that the products were manufactured in a safe or sanitary facility, that the materials used (particularly water) are from safe and sanitary sources, that waste materials are disposed of properly and that personnel are appropriately trained to monitor production.



Certificates of Conformity:

This certificate is required to show that the product to be exported meets the quality and safety standards of the importing country. Failure to do so can mean that the shipment is delayed at customs or returned to the exporter. In some cases, the exporter could also be fined.

RESOURCES

Joint Prakas Ministry of Health and Ministry of Information on Conditions of Advertisements of Modern Medicines, Traditional Medicines, Cosmetic, Feeding Products for Infants and Children, Tobacco, and Private Medical, Paramedical, and Medical Aide Services (2006)

http://moh.gov.kh/content/uploads/Laws_and_Regulations/Prakas/Joint%20Prakas%20on%20Condition%20for%20Advertisements%20of%20Medicine,%20Traditional%20Medicine,%20Cosmetic%202006%20Eng.pdf

Sub-Decree on Cosmetic Products Control (2008)

http://moh.gov.kh/content/uploads/Laws_and_Regulations/Sub%20Decree/Sub%20Decree%20on%20Cosmetic%20Product%20Control%202008%20Eng.pdf

Prakas on Cosmetic Business Control (2011)

http://moh.gov.kh/content/uploads/Laws_and_Regulations/Prakas/Prakas%20on%20Roles%20and%20Responsibilities%20of%20Control%20Agent%20for%20Pharmaceuticals,%20Food,%20Medical%20Equipment%202011%20Eng.pdf

ASEAN Harmonized Cosmetic Regulatory Scheme (AHCRS)

<https://asean.org/wp-content/uploads/images/archive/18354.pdf>

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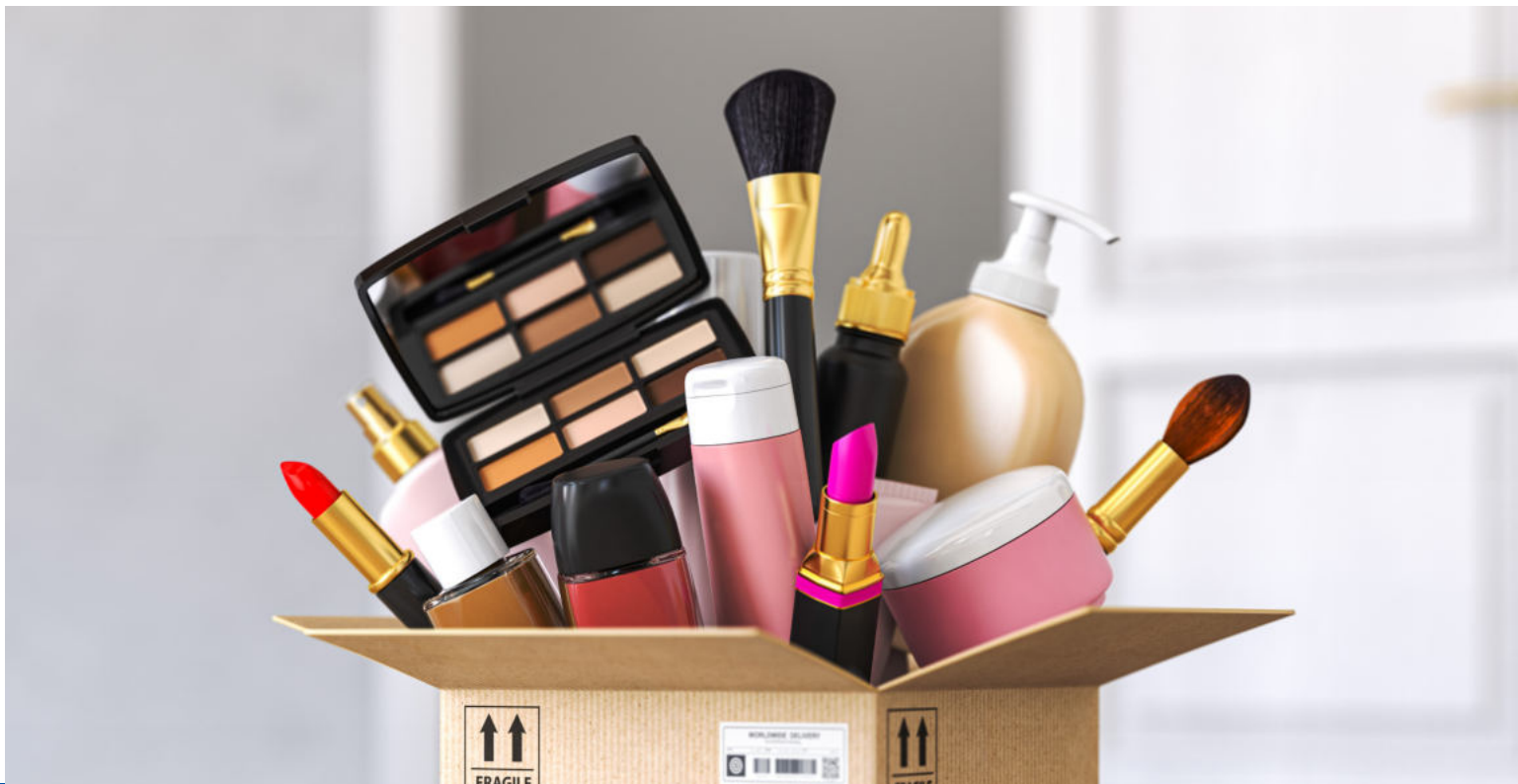
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