

SME EXPORT TALK

Export Opportunities for Cambodian Service 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.

CAMBODIA'S SERVICE EXPORTS DEFINITION

The definition of services trade under the World Trade Organisation (WTO) General Agreement on Trade in Services (GATS) is four-pronged, depending on the location of the supplier and the consumer at the time of the transaction. Pursuant to Article I:2, the GATS covers services supplied:

**a. From the territory of one Member into the territory of any other Member
(Mode 1 – Cross border trade);**

E.g. A user in country A receives services from abroad through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training, or architectural drawings.

**b. In the territory of one Member to the service consumer of any other Member
(Mode 2 – Consumption abroad);**

E.g. Nationals of A have moved abroad as tourists, students, or patients to consume the respective services.

c. By a service supplier of one Member, through commercial presence, in the territory of any other Member (Mode 3 – Commercial presence);

E.g. The service is provided within A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and – controlled company (bank, hotel group, construction company, etc.).

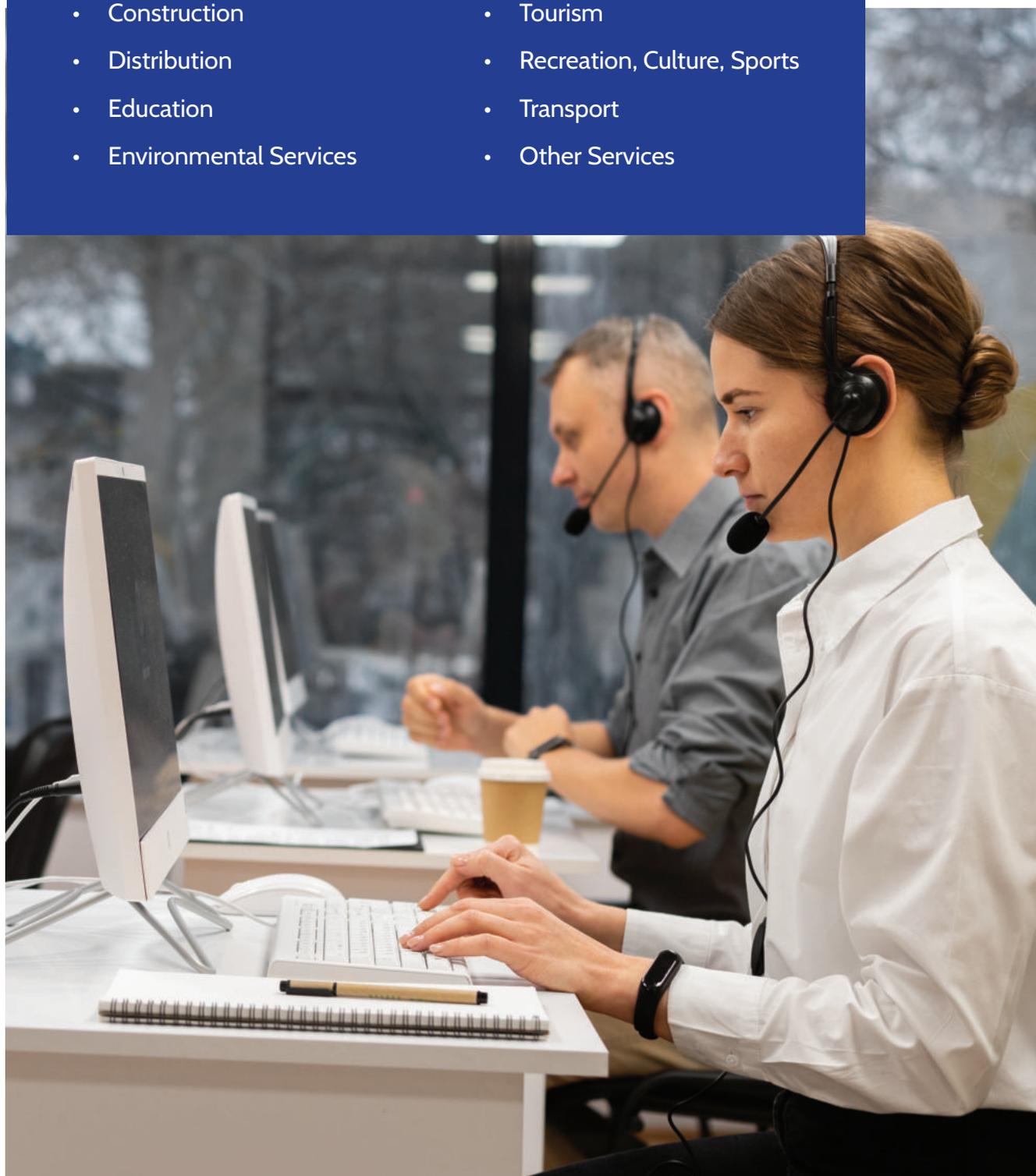
d. By a service supplier of one Member, through the presence of natural persons of a Member in the territory of any other Member (Mode 4 – Presence of natural persons);

E.g. A foreign national provides a service within A as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).

Source: WTO General Agreement on Trade in Services (GATS)

According to the Ministry of Commerce in Cambodia, examples of service products include the followings:

- Business Services
- Communication
- Construction
- Distribution
- Education
- Environmental Services
- Health Related Services
- Financial Services
- Tourism
- Recreation, Culture, Sports
- Transport
- Other Services

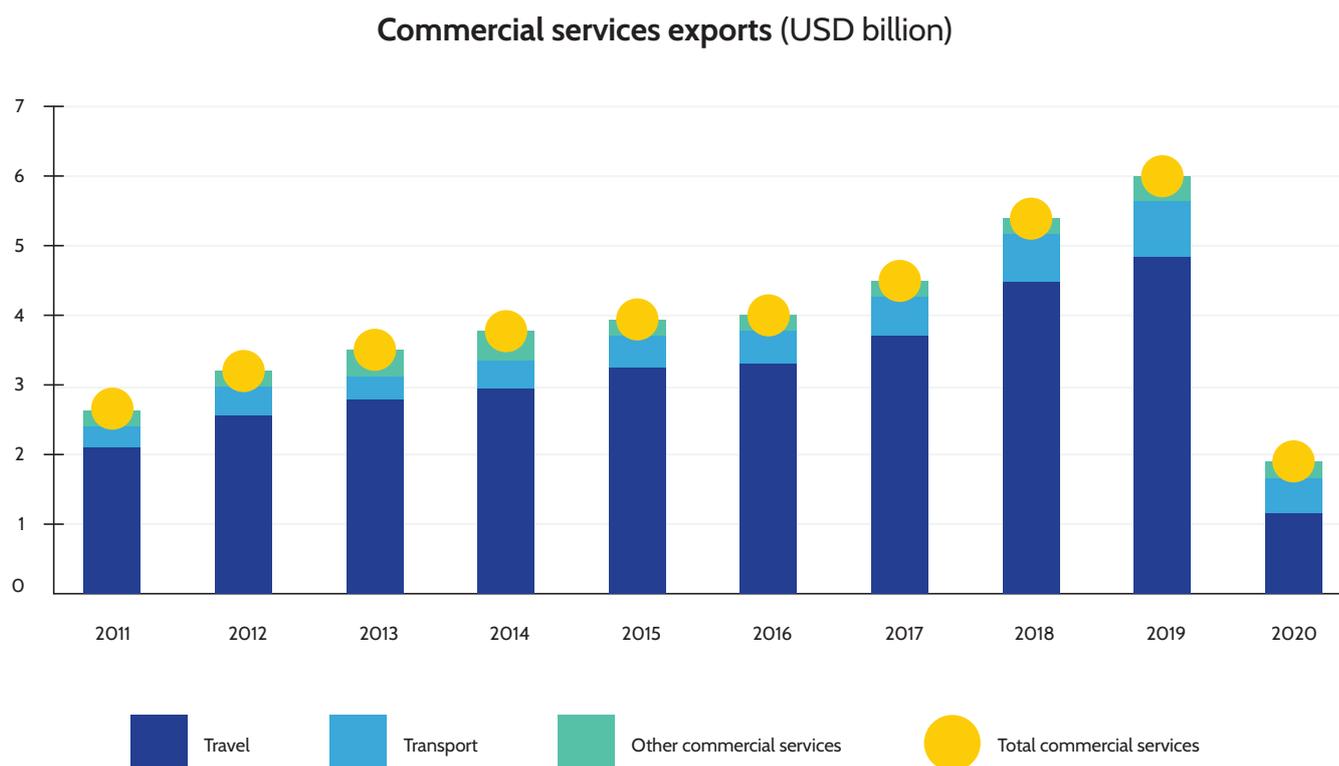


TRADE STATISTICS OF CAMBODIA'S TRADE IN SERVICES

The service sector plays increasingly important roles in Cambodia's economic development. The sector accounts nearly a quarter of the total GDP in 2019 (UN Comtrade, 2019).

Cambodia's services exports more than doubled from USD 2.6 billion to USD 6.1 billion between 2011 and 2019 but decreased to below USD 2 billion in 2020, mainly due to a collapse of travel services induced by the pandemic.

Export of services from Cambodia (2011-2020)



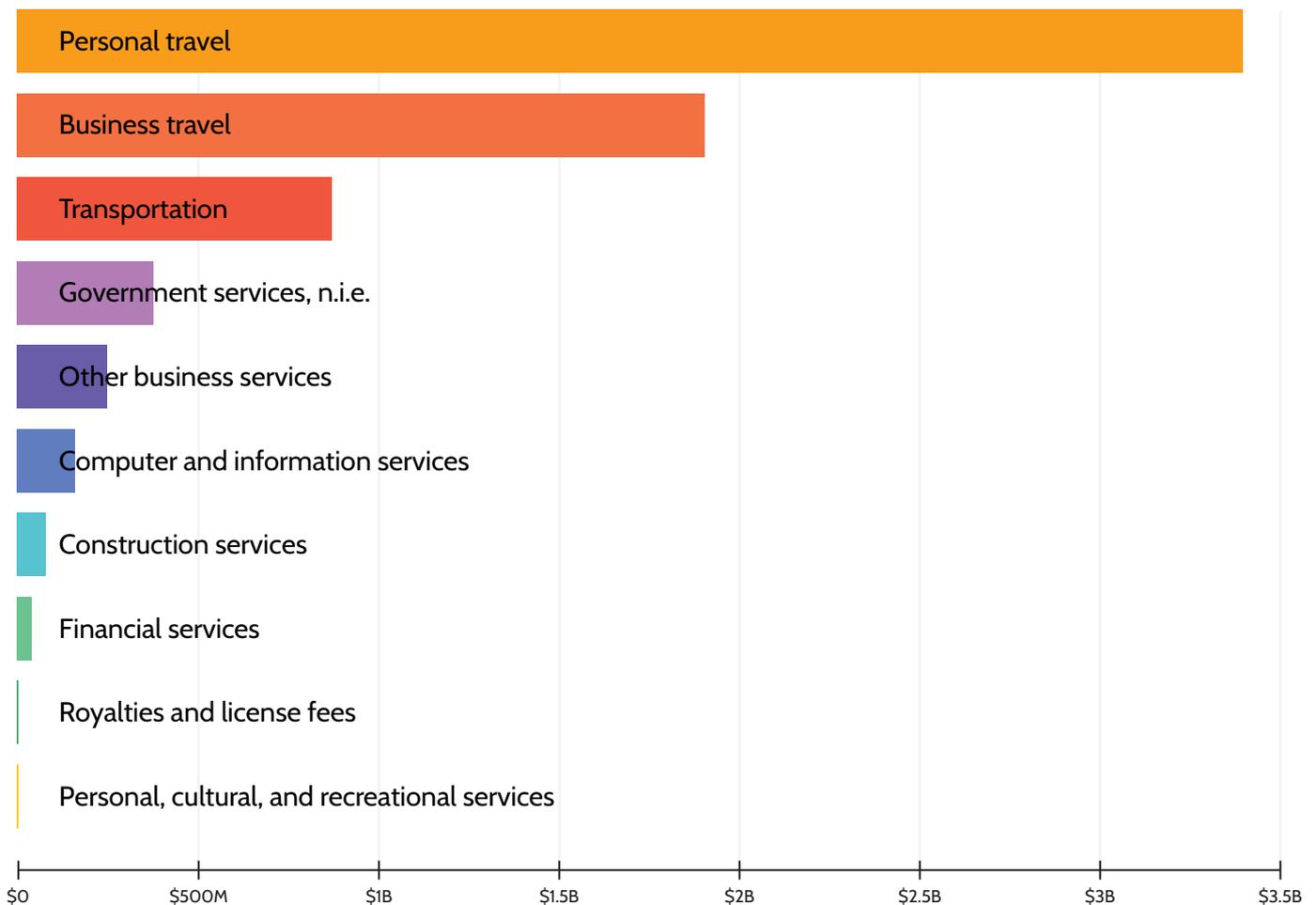
Source: World Trade Organisation (WTO) (2022)

In 2019, Cambodia exported \$6.08B worth of services, which accounted approximately 42% of its total exports (UN Comtrade Database). Major service products exported by Cambodia in 2019, which were Personal Travel (\$3.42B), Business Travel (\$1.35B), Transportation (\$786M), Government Services (\$232M), and other business services (\$117M).

At the same time, the country imported services of about \$3.27B in the same year (UN Comtrade Database). Major services imported by Cambodia in 2019, which were Transportation (\$1.68B), Personal Travel (\$825M), Insurance Services (\$167M), Construction Services (\$166M), and Computer and Information Services (\$141M).

Service Exports by Cambodia (2019)

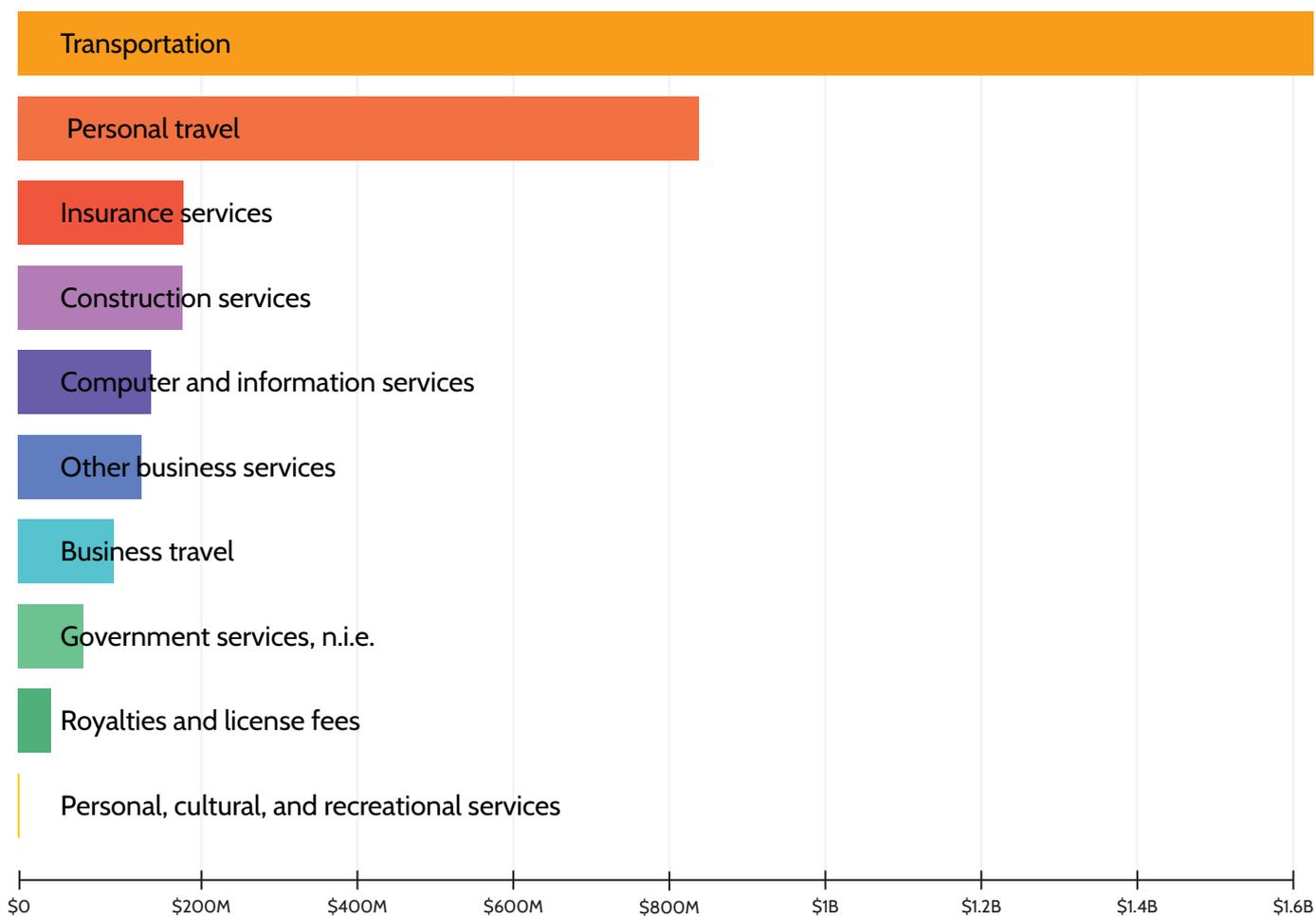
Total: \$6.08B



Source: UN Comtrade Database

Service Imports by Cambodia (2019)

Total: \$3.27B



Source: UN Comtrade Database

2.1. Trade Agreements Relevant to Service Exports

Cambodia is currently a member of various regional and international free trade agreements as part of its strategy in promoting trade diversification, including trade in services. To export services to these FTA Members, exporters should check the schedule of specific commitments of these individual countries. To date, Cambodia is a member in the following agreements:

- » **General Agreement on Trade in Services (GATS):** The GATS, which is a treaty of the World Trade Organization, is designed to ensure that the laws and regulations that WTO member governments apply to services trade are transparent and fair. Its key market-opening element is the Schedule of Specific Commitments that each signatory nations annexed to the GATS as an integral part of the Agreement.
- » **ASEAN Trade in Services Agreement (ATISA):** Signed in 2020, the agreement affirms ASEAN's commitment to free and open trade and regional economic integration, against the present multifaceted challenges of trade tensions, the global pandemic and economic uncertainties. ATISA deepens the integration of the services sectors, and creates a more liberal, stable and predictable environment for service suppliers in the region.
- » **Australia–New Zealand Closer Economic Relations Trade Agreement (AANZFTA):** The AANZFTA is a comprehensive and single-undertaking free trade agreement that opens and creates new opportunities for approximately 663 million people of ASEAN, Australia and New Zealand - a region with a combined Gross Domestic Product of approximately USD 4 trillion as of 2016. In line with the ASEAN Community Vision 2025, the AANZFTA aims for sustainable economic growth in the region by providing a more liberal, facilitative and transparent market and investment regimes among the twelve signatories to the Agreement.
- » **ASEAN-China Free Trade Agreement (ACFTA):** In 2002, China and ASEAN Countries signed the Framework Agreement on Comprehensive Economic Cooperation, which formed the legal basis for the creation of the ACFTA. ACFTA covers three agreements aiming at a mutual free flow of goods, services, and investments. One of the agreements is the **Agreement on Trade in Services**, which aims to liberalize and substantially eliminate discriminatory measures with respect to trade in services among the parties in various service sectors.
- » **ASEAN-Japan Free Trade Agreement (AJFTA):** Signed in April 2008, the Agreement covers trade in goods, trade in services, investments, and economic cooperation. Some of the major provisions of AJFTA are elimination of tariff rates on tariff lines and trade value for goods in the Normal Track and Rules of Origin (ROO) which allows regional cumulation of inputs and dispute settlement mechanism. Yet, Trade in Services is still under negotiation.

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- » **ASEAN-Korea Free Trade Agreement (AKFTA):** The Agreement signed in 2005 aiming strengthening and enhancing economic, trade and investment cooperation among ASEAN Member States and Korea. **The ASEAN-Korea Agreement on Trade in Services (AK-TISA),** signed on 21 November 2007, provides a platform to further open greater market access for ASEAN and Korean service providers. Building on their existing commitments in the WTO under General Agreement on Trade in Services (GATS), ASEAN and Korea both improved their levels and depth of commitments through the addition of new sectors/subsectors in the list of commitments and easing up of restrictions on entry and treatment on a wide range of service sectors, including business, construction, education, communication services, environmental, tourism services, and transport services.
 - » **Regional Comprehensive Economic Partnership (RCEP):** RCEP is a free trade agreement between the ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and its five FTA partners (Australia, China, Japan, New Zealand and Republic of Korea). The objective of the RCEP Agreement is to establish modern, comprehensive, high-quality, and mutually beneficial economic partnerships that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development. RCEP includes Trade in Services financial and professional services and telecommunications.



2.2. Mutual Recognition Arrangements (MRA)

In addition to Services Chapters concluded in WTO and other FTAs, Mutual Recognition Arrangements (MRA) form another important area of ASEAN cooperation on trade in services. MRAs are enabling tools to allow mutual recognition of qualifications of professional services suppliers by signatory ASEAN Member States. This will facilitate mobility of professional service providers in the region. At present, ASEAN has concluded MRAs in seven professional services signed by the ASEAN Economic Ministers (AEM) as followings:



**MRA on
Engineering Services**



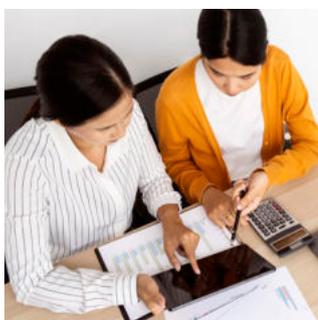
**MRA on
Nursing Services**



**MRA on
Surveying Qualifications**



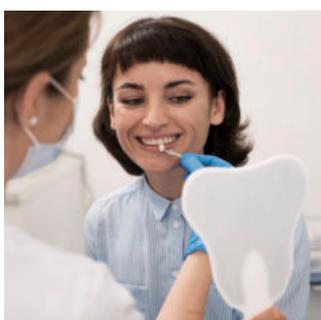
**MRA on
Architecture Services**



**MRA on
Accountancy Services**



**MRA on
Medical Practitioners**



**MRA on
Dental Practitioners**

RESOURCES

WTO General Agreement on Trade in Services (GATS)

https://www.wto.org/english/tratop_e/serv_e/serv_sectors_e.htm

ASEAN Trade in Services Agreement (ATISA)

<https://asean.org/our-communities/economic-community/services/agreements/>

Australia–New Zealand Closer Economic Relations Trade Agreement (AANZFTA)

<https://aanzfta.asean.org/>

ASEAN- China FTA

<https://asean.org/asean-and-china-meet-to-upgrade-asean-china-free-trade-area/>

ASEAN Japan FTA

<https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20AJCEP.pdf>

ASEAN Korea FTA

<https://www.asean.org/wp-content/uploads/images/2015/October/outreach-document/Edited%20AKFTA.pdf>

Regional Comprehensive Economic Partnership (RCEP)

<https://asean.org/the-regional-comprehensive-economic-partnership-rcep/>

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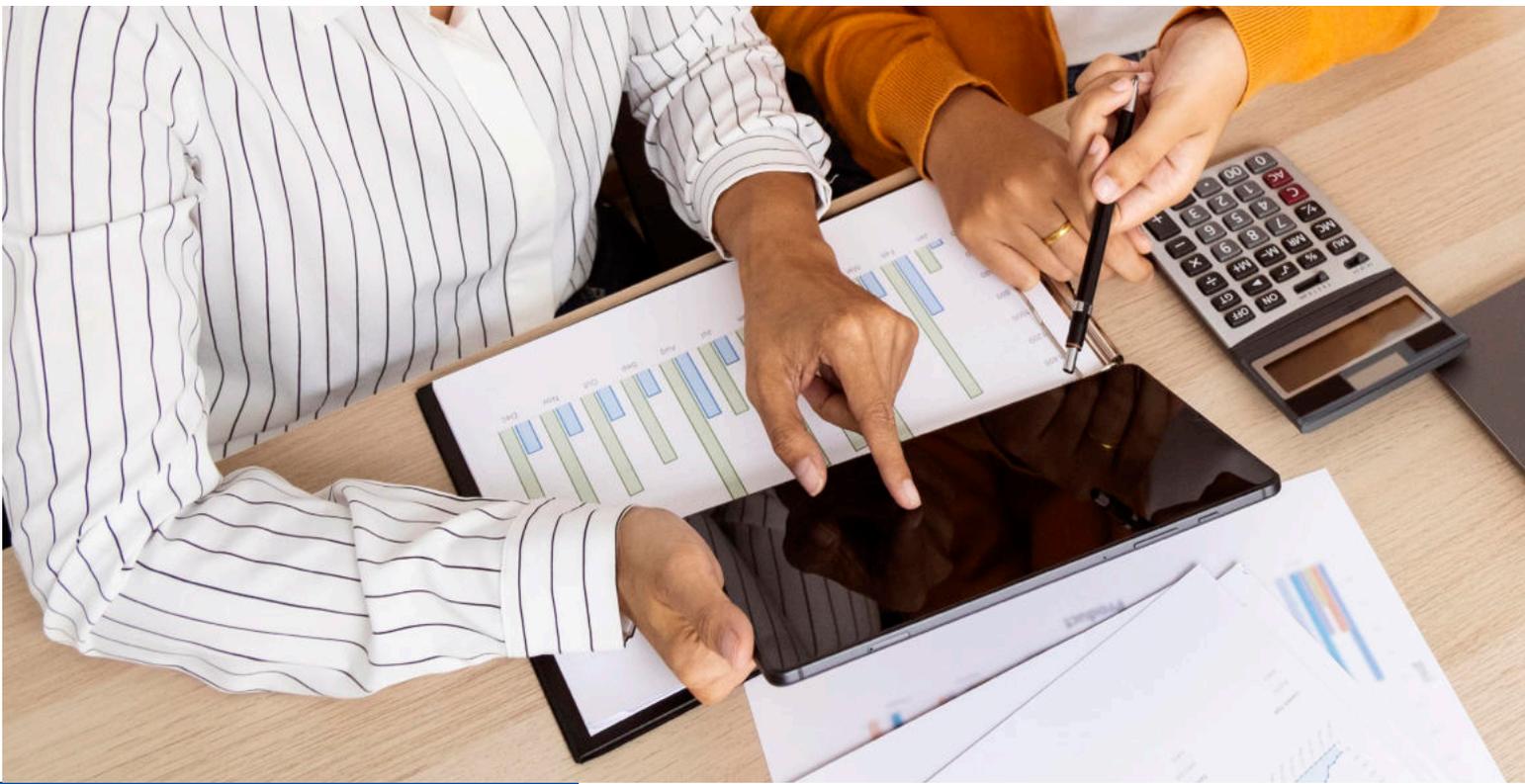
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