



## CAMBODIA

### What's happening in this economy

Cambodia is one of the fastest growing economies in the Indo-Pacific region. Gross domestic product (GDP) grew by 7.3 per cent in 2018 and it is forecast to remain robust over the next few years. The economic structure continues to shift from agriculture towards industry but is still quite concentrated on tourism, garments and construction.

Manufacturing and construction have made up the largest shares of Cambodia's industry sector over the last two decades. Textile, apparel and footwear continues to be by far the key driver of the manufacturing sector.

Cambodia's labour force is both a strength due to the large youth cohort (around 60 per cent of the population is under the age of 30) and a challenge due to their relatively low skills, productivity and growing wages (minimum wage for garment factory workers will increase to USD 190 a month in 2020).

Cambodia ranks 138 of 190 countries in the World Bank's Ease of Doing Business Index (ahead of Laos and Myanmar in ASEAN). More than 80 per cent of transactions in Cambodia are in US dollars, which aids investment but limits government control over macroeconomic policy.

Foreign direct investment net inflows increased to 12.6 per cent of GDP from 10.8 per cent in 2017. Most investment is concentrated in real estate, construction and tourism.

Australia's economic development cooperation focuses on assisting Cambodia to build economic resilience through supporting Cambodia to diversify its economy, improve its competitiveness, attract quality investment, manage infrastructure development more strategically and promote economic opportunities in rural and peri-urban areas.

### Trade, investment, and commercial opportunities and activities

- Cambodia's main exports to Australia are textiles, clothing, footwear and garments.
- Many of Cambodia's imports from Australia are consumer goods, including cereal preparation, toys, games and sporting goods, beef, computers and computer parts.

#### Key facts and figures

- Population: 16.3 million (March 2019)
- GDP growth: 7.3% (2018)
- GDP per capita: USD 1,508.8
- Inflation (yoy change): 2.4%
- Political system: constitutional monarchy
- Australia total export of goods and services (2018): AUD 213 million
- Australia total import of goods and services (2017): AUD 451 million
- Aid relationship (2019-20 anticipated): total ODA AUD 66 million, total bilateral program AUD 43.4 million



connecting Australian business to the world

- Australia is the most popular English-language educational destination for Cambodia’s students. Education services make up over 80 per cent of Australian services exports to Cambodia, with around 2,800 Cambodians currently enrolled in Australian educational institutions.
- Demand for quality education is increasing in Cambodia even though the education market is relatively small. Around 60 per cent of the population is under the age of 30, enrolment rates in school are improving and there is a growing middle class able to afford private education.
- The number of foreign tourists visiting Cambodia each year is growing significantly and Cambodia has signalled that it is interested in attracting further foreign investment in this sector, including for ecotourism projects to develop tourist destinations outside Siem Reap.
- Education services, premium food and beverage, inbound and outbound tourism, consumer goods, agribusiness, renewable energy, e-commerce platforms and other technology-based businesses are all potential areas for trade and investment opportunities for Australia.

## Trade policy and negotiations

Australia and Cambodia are parties to the ASEAN–Australia–New Zealand FTA (AANZFTA) which entered into force in January 2010 for Australia and eight other signatories. Cambodia, Laos and Indonesia followed in 2011–12. Australia and Cambodia are also negotiating parties to the Regional Comprehensive Economic Partnership (RCEP) agreement.

Cambodia joined the World Trade Organization in 2004 and has a relatively open trading regime. The country is a member of the ASEAN Economic Community.

The European Union has initiated a formal process to review and possibly suspend trade preferences to Cambodia under its Everything but Arms (EBA) trade preferences scheme. A decision is expected in relation to this review in early 2020.

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