

Sourcing from Cambodia

LIGHT MANUFACTURING

Product & Supplier Brochure



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Cambodia at a Glance

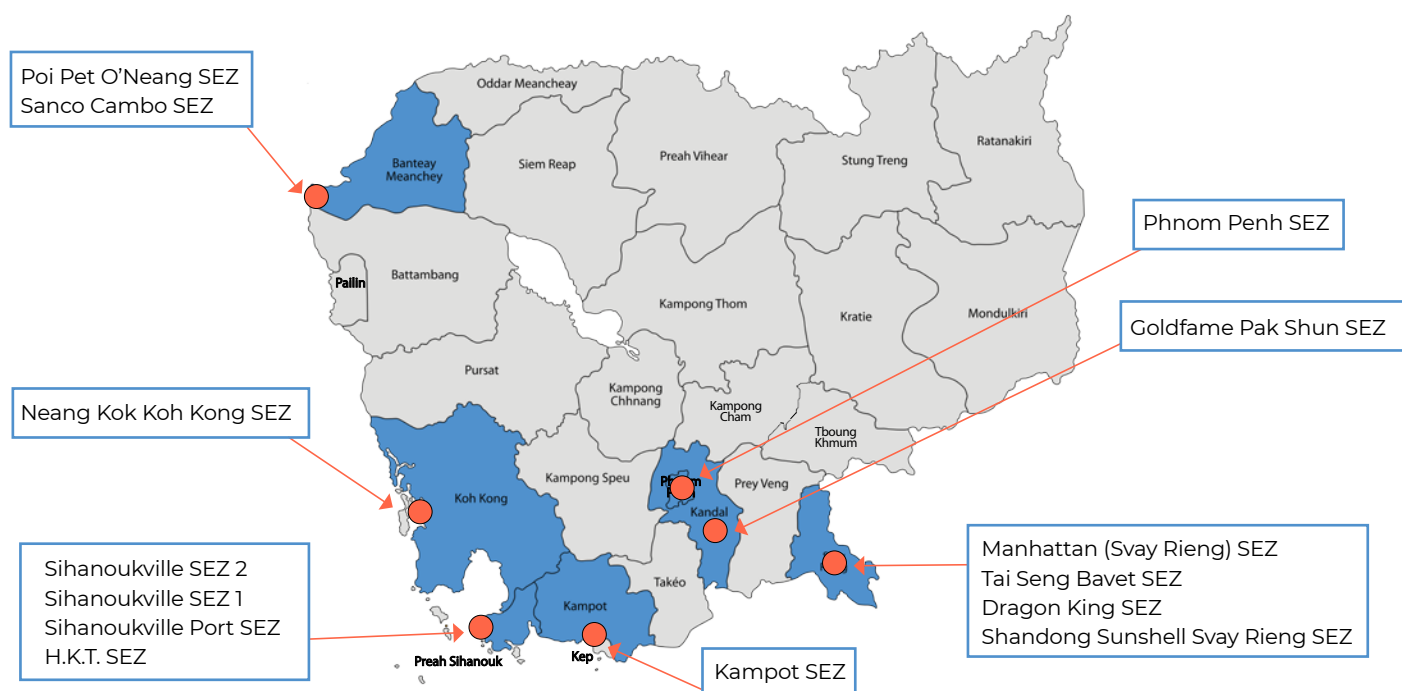
Cambodia has enjoyed over two decades of economic and urban development, averaging an annual rate of Gross Domestic Product (GDP) growth of 7% from 2010 to 2019. Growth is explained by favourable internal and external conditions.

The country has a young, growing population and an increasing middle class, which will fuel future consumption and investment. The Royal Government has embraced free market principles and sees the opening of the country to foreign investment as a priority. For example, selected investment projects – called Qualified Investment Projects (QIPs) – are offered several benefits, including tax holidays.

Cambodia also benefits from its strategic location, at the crossroads between major trading partners. The recent signing of free trade agreements (FTAs) is expected to connect Cambodia's economy to international markets. Examples of such agreements include the China-Cambodia FTA and the Regional Comprehensive Economic Partnership. Volumes of international trade have been increasing, in part thanks to ballooning garment and footwear exports to major international suppliers. Exports rose by 17% between 2018 and 2019, from 12.7 to 14.8 USD billion. Imports also increased by 17%, from 17.4 USD billion in 2018 to 20.3 USD billion in 2019.

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Cambodia's SEZs



Cambodia Factsheet

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Currency

Riel (KHR): 1USD \approx 4,100 KHR. Dollarised economy between 82 to 84%

GDP

27.08 USD billion (2019)

GDP growth rate

7.1% (2019)

GDP per capita

1,643 USD (2019)

Official language

Khmer, English widely used

Capital city

Phnom Penh

Major cities

Siem Reap, Sihanoukville, Battambang

Government type

Constitutional Monarchy

Head of State

His Majesty King Norodom Sihamoni

Population

16.49 million (2019), annual growth 1.4 %, <25 years old: 47%

Economy

Garments, Tourism, Construction, Agriculture

Climate

Wet season: May to October

Dry season: November to April, average temperature: 27°C

Major religion

Buddhism (95%)



Source: Freepik



Source: Freepik

Light Manufacturing

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Light manufacturing is on the rise in Cambodia. As the country seeks to diversify its exports away from low value-added garments and footwear, higher-value manufacturing offers broader and more sustainable growth opportunities, starting from light consumer goods.

Currently, new clusters of electronics, auto parts and bicycle manufacturing are emerging, focusing on the assembly of internationally-sourced parts. They take advantage of cheaper labour costs in Cambodia compared to other manufacturing countries in the region. Most of the investing companies are Japanese, with target locations being Cambodia's Special Economic Zones (SEZ), pictured on page 5.

These companies aim to establish the country as another hub in the regional supply chain, close to major manufacturing clusters in neighbouring Thailand and Vietnam (the so-called Thailand/Vietnam-Plus-One effect).

Looking into the future, a major appeal of Cambodia's manufacturing clusters for European investors could be the country's increasing interconnectedness with China, potentially sparking a "China-Plus-One strategy". The country is also generally open to new investors, and has a history of successfully attracting European companies to the market. Newcomers will find a tightly-knit community of European entrepreneurs and business associations (for example, EuroCham Cambodia and German Business Cambodia), which can help integration into Cambodian business life.

The size of Cambodia's light manufacturing still pales in comparison to its mammoth brothers - textile and footwear exports: data from 2019 shows that garment and footwear combined constitute almost 72% of the value of the country's exports, whilst the share of light manufacturing is 2.8%. Nevertheless, Cambodian light manufacturing is destined to grow and is a promising sector.



The Cambodian government and international donors are actively supporting the diversification of the country's manufacturing sector and its value chain upscaling. To help achieve the overarching goal of becoming a high-middle income country by 2050 (set out in the Rectangular Strategy – the key economic development document), the government has published the accompanying Industrial Development Policy 2015-2025 and Cambodia Trade Integration Strategy 2019-2023, which identify priority manufacturing sectors to support in the future (for example: bicycles, mechanic, electronic and electrical assembly, supporting segments of various industries' value chains) and key actors to support in the country's future trade integration, particularly young entrepreneurs and SMEs. Donors have contributed reports highlighting the current weaknesses and opportunities for digitalisation in the Cambodian manufacturing sector (ODI/CDRI/AusAid, 2020), as well those pertaining to the adoption of Industry

4.0 principles across the industry (UNDP, 2020).

One of the difficulties hampering Cambodia's economic growth and diversification is the lack of technical skills among the work force. Long cited as a primary obstacle in attracting higher value-added industries in the country, it has now caught the attention of government officials and development partners alike. The government has instituted the Skills Development Fund, a financing platform that support local firms in training their workers in relevant market skills. As of early 2021, the Japanese International Cooperation Agency had mobilised Japanese experts to provide TVET training to Cambodian workers of the manufacturing industry through its Standard Training Package (STP), using equipment built in the country's newly-emerging polytechnics, such as the National Polytechnic Institute of Cambodia.

As Cambodia is coming to terms with the partial withdrawal of its preferential trade status with the European Union (EU) market, it is worth noting that light manufacturing products have not been affected by this change, and continue to enjoy tariff-free access to the EU. Bicycle producers even enjoy a 14 percent tax relief by Cambodian authorities on exports to the EU.

The following are summaries of economic trends in three sub-sectors: automotive parts, electronics/electrics, and bicycles. Electronics and electrics have been grouped together for convenience. Export statistics were obtained from the ITC Trade Map, using 2- and 4-digit HS codes.



Source: Unsplash







Source: Freepik

Automotive Parts

New auto part manufacturing plants have been set up in recent years. Most of them are Japanese-owned and are located on the border with Thailand, in the Poipet Special Economic Zone. Here, plants can take advantage of a favourable input combination involving cheap Cambodian labour and Thai-sourced electricity supply. They mostly produce labour-intensive components (eg. engine radiators), which are then supplied to industrial complexes in Thailand and other countries for higher-value added assembling.

A few examples include major Japanese carmaker Toyota, which opened its first factory in 2016, with plans to increase investments in the future. US conglomerate Ford opened

an assembly plant in 2017. As of early 2021, Samyo Part, another Japanese manufacturer, announced the construction of the first recycled auto parts factory in the Kingdom.

With the HS code being 87-08, exports of auto parts from Cambodia amounted to 15.8 USD million in 2019, up by 19% compared to 2018 (13.2 USD million). The top three export destinations for the same year were: Thailand (6.8 million USD), Netherlands (2.1 million) and the USA (1.8 million).

Electronics / Electrics

New plants producing electronic and electrical items (wire cables, lamps and lights, lighting poles, lighters, motors, computer parts) have been set up in Cambodia, mostly by Japanese investors. Investment flows picked up in 2011.

Examples include MinebeaMitsumi – a major Japanese electronic device manufacturer – which inaugurated a precision motor plant in Phnom Penh in December 2011. Subsequently, it opened a second and third plant to diversify into the production of dynamos and generators, bringing the firm's total investment up to 250 million USD. In December 2012,

Japanese Yazaki Corp opened a wire harness factory, whilst Sumitronics Manufacturing set up a plant in 2018. Estimates from 2017 show that around 37,000 workers were employed in this sub-sector.

Electronic and electrical items are covered under HS codes 85 (electrical machinery) and 90 (instruments, including TV displays). The combined value of exports in 2019 for these categories was 583 million USD, up by 14% compared to 2018 (518 million). The top three export destinations in the same year were: Thailand (164 million USD), Japan (84 million) and China (75 million).

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Bicycles

A number of foreign companies have set up manufacturing plants producing bicycles, mostly located near the Vietnamese border, in the Bavet Special Economic Zone.

Five prominent examples – almost all of which are Taiwanese-owned – are A&J Cambodia, Speedtech, Smart Tech, Xds Bicycle and Evergrand. Kent International, a major US bike manufacturer, is also investing in a new plant and has pledged to move around 30% of its cycling manufacturing to Cambodia in the coming future. The sector is known to employ thousands of people, although the exact number is unavailable.

The HS code is 87-12. As a note, Cambodia became the largest supplier of bicycles to the EU in 2017, supplanting Taiwan. Total exports in 2019 amounted to 413 USD million, +10% compared to 2018 (376 million USD). Top export destinations were all in Europe: Germany (131.8 million USD), Belgium (72 million), and the UK (55.5 million).

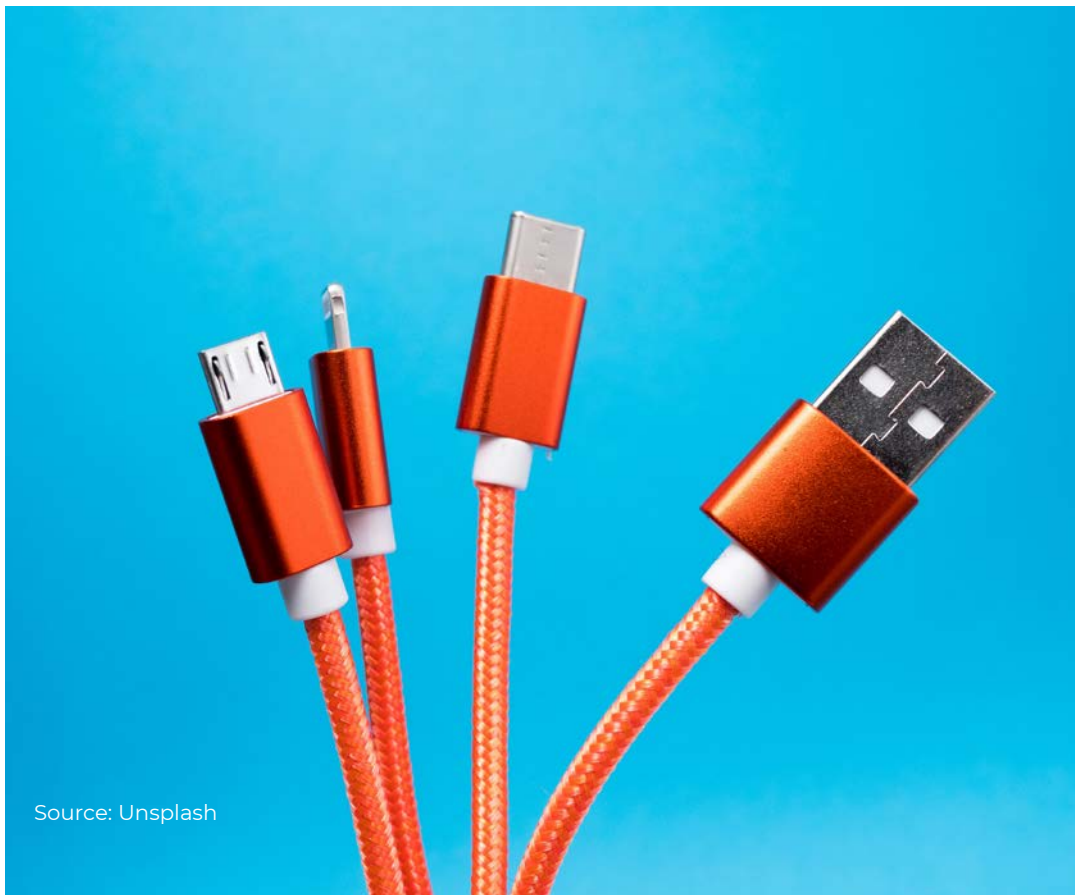


Source: Pixabay

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Company Profiles

The following section features selected light manufacturing companies.





PIT&GO

Japan-standard car repair workshop powered by Team Toyota. They are also authorized distributor of the well-known brand Denso parts, oil filter, air filter and cabin air filter (air-con filter) in Cambodia.

PIT&GO opened in July 2013 under the instruction and cooperation of Team Toyota. They are engaged in many kinds of car services to care about the conditions of customers' cars: original car checks, computer scanning, diagnosis, repair and maintenance, hybrid-related repair and knocking and painting.

PIT & GO

MAIN PRODUCTS

Auto and Motorcycle Parts

Pit&Go manufactures auto and motorcycle parts, including oil coolers, washer hoses, magnetos.

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CONTACT

<https://web.facebook.com/pitandgocambodia/> | +855.23.223.456 | tfuka@firstparts-dn.com

#277, St.163, Toul Tompong 2, Chamkarmorn, Phnom Penh



SUMITOMO

Sumitomo Corporation is a Fortune 500 Japanese holding. It operates in 66 countries and regions worldwide, in diverse areas such as metal making, transportation, infrastructure, real estate, media, and energy resources. In 2000, they opened a Cambodian subsidiary, Sumitronics Manufacturing (Cambodia) Corporation, to produce low-cost electronic components for appliances and automotive systems. Their local investments have grown to a total of 11 USD million, culminating in the inauguration of an impressive new factory in Poipet Special Economic Zone, in late 2019.

SUMITOMO

MAIN PRODUCTS

Low-Cost Electronic Components

Sumitronics Manufacturing (Cambodia) Corporation, produces low-cost electronic components for appliances and automotive system.

CONTACT

<https://www.sumitomocorp.com/region-selector/> | +855.23.964.162

13A Floor, Phnom Penh Tower, No. 445, Sangkat Boeung Prolit, Phnom Penh, Cambodia



A&J

A&J is a Taiwanese bicycle manufacturer supplying many of the world's biggest and most famous international and national brands. The company has been present in Cambodia since 2006 through a local subsidiary, A&J Cambodia.

The manufacturing plant is located in the Bavet Special Economic Zone, near the Vietnamese border. A&J produces around 850,000 bikes each year, with the number of sales recently booming due to a higher, Covid-related demand. The company focuses on mid to high end level adult bikes including carbon frame bikes and E bikes. Around 70% of the bikes produced are destined for the European market and the rest are heading to the USA, Canada and the rest of the world.



MAIN PRODUCTS

Bicycles

Annual production volume:
850,000 bicycles

CONTACT

jon@anjbike.com.tw

Tai Seng Bavet Special Economic Zone, National Road No. 1, Svay Rieng Province, Cambodia

Other Contacts

SECTOR STAKEHOLDERS

Cambodian Bicycle Coalition

<https://www.cambodian-bicycle.org/> | jon@anjbike.com.tw

Cambodian Federation of Employers and Business Associations

<https://www.camfeba.com/>

Cambodia Chamber of Commerce

<https://www.ccc.org.kh/>

Cambodian Ministry of Commerce

<http://www.moc.gov.kh/en-us/>

Cambodia Development Resource Institute

<https://cdri.org.kh/>

European Chamber of Commerce in Cambodia (EuroCham)

<https://www.eurocham-cambodia.org/>

Japan Business Association of Cambodia

<https://jbac.info/>

Cambodia-Japan Association for Business and Investment

<https://cjbti.asia/>

Manhattan Special Economic Zone, Bavet

<https://www.manhattansez.com/>

Phnom Penh Special Economic Zone

<https://www.ppsez.com/en/home>

Sanco Poipet Special Economic Zone

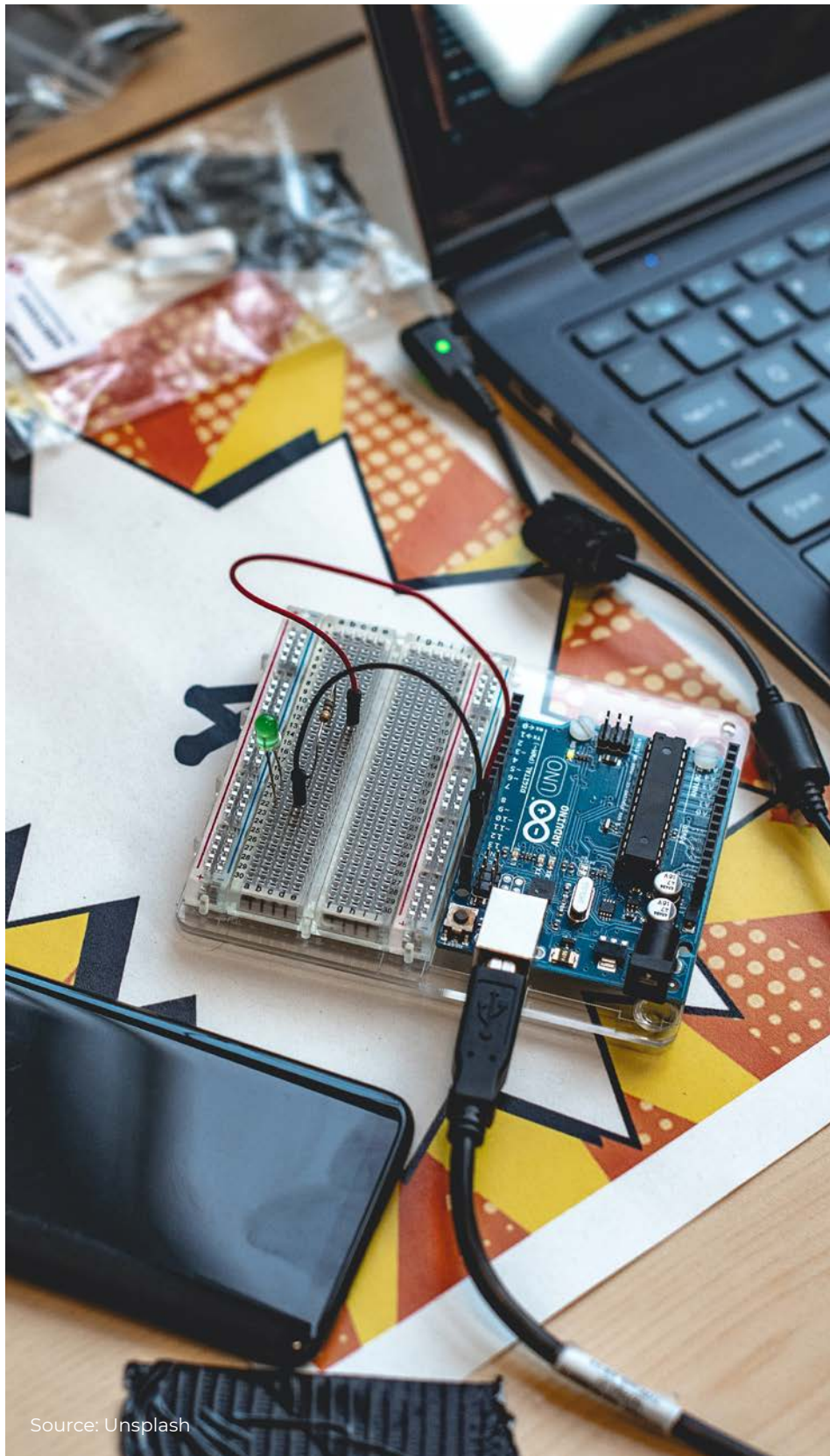
<http://www.sancosez.com/>

Thai Business Council in Cambodia

<http://www.tbcccambodia.org/>

ZEG (largest European buyer of Cambodian bikes)

<https://www.zeg.de/>



Source: Unsplash

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