

Draft Version
Cambodia country view on the LDC graduation
presented to the Expert Group Meeting of the UN Committee for Development Policy
31 January 2024

**By His Excellency Bin Troachhey, Minister of Planning and Chair of
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- Professor Sakiko Fukuda-Parr, Chair of the CDP,
- Mr. Arunabha Ghosh, the CDP country rapporteur,
- Excellencies, Ladies and Gentlemen!

On behalf of the National Committee for Cambodia's LDC Graduation, I am honored to present the view of the Royal Government of Cambodia (RGC) on Cambodia's graduation from the LDC category to the Expert Group Meeting of the United Nations Committee for Development Policy (CDP).

1. Cambodia has rebuilt the county from ground zero since 1979, achieved full peace in 1998 owing to the Win-Win Policy under the leadership of Samdech Akka Moha Sena Padei Techo Hun Sen, and attained the lower-middle income status in 2015. In the course of development, the Royal Government of Cambodia (RGC) has set an ambitious vision for the country to become an upper-middle income country by 2030 and a high-income country by 2050.
2. Cambodia's population was 16 million in 2019, with the total fertility rate of 2.5 and the annual growth rate of 1.4%. The economic performance of Cambodia had been astonishingly well over the last two decades prior to the Covid-19 pandemic. The GDP grew annually about 7.8% on average for 2010-2019. Poverty rate is impressively declined from 33.8% in 2009 to 17.8% in 2019/2020.
3. Cambodia was included in the LDC category in 1991. The 2021 triennial review revealed that Cambodia met for the first time all three objective criteria to prepare for graduating from LDC status. Given the Cambodia vision to become a high-income country by 2050 and the country's strong economic growth, with development policy agenda and tools in place, especially Pentagonal Strategy Phase I, the RGC has set the top priority for Cambodia to graduate from the LDC category. As reiterated by Samdech Moha Bovor Thipadei Hun Manet, the Prime Minister of the Kingdom of Cambodia, "Cambodia must exit from the LDC category". Nevertheless, Cambodia is well aware of the up-front costs associated with graduation.
4. First, the country's narrow and commodity-dependent economy base, relying on few growth drivers and concentrated exports of manufacturing and agricultural products, mainly unprocessed agricultural commodities, makes Cambodia vulnerable to the external shocks. Second, Cambodia's economy has been based on agricultural and labor-intensive sectors, with 36% of the population aged 15-64 working in agricultural sector in 2021, while the contribution of agriculture to the GDP growth was only 17% in 2022. Cambodia needs to improve productivity in agriculture sector during the preparatory period by investing in technology and skilled labor, as well as structural transformation, economic diversification, and supporting infrastructure. Third, Cambodia's labor force is still characterized with lower educational attainment, as well as technical and professional skills, despite a remarkable progress in education over the past decade. Therefore, Cambodia needs to promote technical and vocational education and trainings (TVET).
5. On the other hand, the loss of trade-related international support measures can be a substantial obstacle for socio-economic development after the graduation if the country is not well prepared

with appropriate effective policy measures and support from trade and development partners. Cambodia has gained a lot of benefits and market flexibilities under the WTO framework provided to LDCs, including Preferential Market Access, Special & Differential Treatment (S&DT) and other international trade-related support measures. After graduation, Cambodia's export would face higher tariff rates, stringent rules of origin, and market competition. As the graduation will have strong negative impacts on exports of agricultural products (especially rice) and manufacturing products (especially garments, footwear, travel goods, and bicycles), the loss of the above benefits could limit fiscal space for socio-economic development. As simulated in a study by UNDP, the preliminary findings show that graduation would drop Cambodia's nominal GDP by 2,947 million USD over the 4-year period from 2027-2030. In addition, Cambodia's economy remains at large vulnerable to external shocks, including the Covid-19 pandemic, the global geo-politic uncertainty, wars, and other crises. Despite the government's successful efforts in combatting the Covid-19 pandemic, its long-lasting negative impact interrupted the socio-economic development progress of the country and the well-being of the people. A number of frameworks, directives, and measures addressing the impact of Covid-19 pandemic have been developed and implemented. However, the targeted growth and development momentum have not yet been fully restored.

6. Despite the aforementioned challenges, Cambodia confirms its determination to graduation from the LDC status. The graduation is not an end in itself, but an important milestone in Cambodia's socio-economic development that can bring self-confidence, self-reliance, and self-governance in managing and mobilizing available resources for development. The RGC has established a number of policies, frameworks, programs, and action plans to address the challenges, including the Pentagonal Strategy Phase One for 2024-2028, the National Strategic Development Plan 2024-2028, and other laws, policies and sectorial strategic development plans, especially the Law on Rules of Origin.
7. Members of the World Trade Organization would need to be flexible in terms of extending to graduated countries the existing special and differential treatment measures and exemptions available to least developed countries for a period appropriate to the development situation of the country in conformity with UN General Assembly Resolutions 59/209 of 2004 and 67/221 of 2012 on smooth transition for countries graduating from the list of least developed countries. In this regard, Cambodia is pleased of the WTO General Council decision on extension of unilateral duty free and quota free preferences in favor of countries graduated from the LDC category adopted on 23 October 2023 that encourages Members to provide a smooth and sustainable transition period for withdrawal of unilateral tariff or duty-free and quota free (DFQF) preference programmes for graduated LDCs. Moreover, WTO Members would also need to look at other support measures, including LDC-specific technical assistance and capacity building programmes and facilities provided under the WTO system, LDC-specific support measures based on the provisions of WTO Agreements and Decisions and further extend those for graduated LDCs to mitigate additional impacts on graduation.
8. In this context, Cambodia is ready to move towards graduating from the LDC status. Should Cambodia meet the graduation criteria at the 2024 second triennial review, the RGC requests that the CPD recommend Cambodia for the LDC graduation with a longer preparatory period of 5 years. The 5-year preparatory period would allow Cambodia to address the challenges and potential negative impact of graduation and to work toward structural transformation; product, market, and trade diversification; reskilling and upskilling the labor force to increase productivity; building trade capacity; mobilizing resources; and equipping itself with measures to deal with the

uncertainty surrounding global shocks. With a longer preparatory period, Cambodia will have sufficient time to prepare for a smooth, irreversible, and sustainable graduation and achieve graduation with momentum. Thus, the graduation will be effective in 2029.

9. For successful and sustainable graduation, Cambodia will also require generous support from the international community during the transition period. International support measures remain crucial for Cambodia as they fill the financial gap for achieving the development agenda and safeguard the sustainable socio-economic development.
10. In conclusion, the RGC reaffirms its optimistic determination to graduating from the LDC category. The RGC commits to prepare a smooth transition strategy in consultation with national and local stakeholders – government line ministries and institutions, think tanks, private sector, civil society, and other sectors; and international stakeholders, especially bilateral and multilateral development and trade partners, by taking into account the mentioned challenges and recommendations. The National Committee for Cambodia’s LDC Graduation will coordinate the process of developing the strategy and monitoring its implementation.

Thank for your attention!

(Any comments and suggestions are highly appreciated.)