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Session 1. **Services trade, economic diversification and resilience to economic shocks**

Statement by Cambodia



UNITED NATIONS
UNCTAD

*The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



**STATEMENT OF THE KINGDOM OF CAMBODIA
DELIVERED BY EXPERTS AT THE MULTI-YEAR EXPERT MEETING (MYEM)
4 – 6 July 2022**

Session 1: Services Trade, Economic Diversification and Resilience to Economic Shocks

Thank you, **Mr. President**, for giving me the floor!

Mr. President

Excellencies, Distinguished delegates,

At the outset, I would like to express my appreciation to our discussants for their insightful and comprehensive presentations.

With regard to services trade, it is noted that the Istanbul Programme of Action (IPoA) 2011-2020 for Least Developed Countries (LDCs) had set the goal of 'doubling the share of least developed countries' exports in global exports by 2020. However, it is worth noting that LDCs' share of the world's services exports increased from **0.59%** in 2011 to only **0.72%** in 2019. This is a small achievement over a decade which means that the IPoA objective was not achieved. Nonetheless, Least-Developed Countries participation in services trade is on the rise although commercial services exports remained concentrated toward a few economies.

Mr. President and colleagues, since acceding to the WTO in 2004, Cambodia has been one of the most liberal trade in services regimes in the world, not only among the developing countries and LDCs. Services sector has been one of the major contributors to the GDP of Cambodia which is about **40%** of the total GDP, indicating its critical role in economic development. However, like most LDCs, Cambodia remains very vulnerable. The Covid-19 Pandemic has proved that Cambodia's export-led growth model is very vulnerable to shocks due to the limited diversification and the significant dependence of services exports on travel and tourism sector. Prior to the pandemic, travel and tourism sector accounted for **25.9%** of Cambodia's GDP and **18%** of total employment. Due to the restrictive measures put in place to counter the spread of the virus, in 2020 there was an 80.2% decline in international arrivals and a loss of **66.1%** of the value and **27.9%** of employment within the sub-sector. Overall, as a percentage of GDP, services declined from **34.6%** in 2019 to **14.7%** in 2020 and further recessed to **10.2%** in 2021. In 2022, with the increased in traveller arrivals, we hope to see percentage share to rebound gradually.

Mr President,

I am pleased to highlight four key areas or challenges for LDCs to be addressed and strengthened in order to increase their services trade for economic diversification and resilience and especially increase their services trade exports as follow:

- **Firstly**, LDCs need to address the challenges in supply-side constraints including access to finance, access to technology and technology transfers, institutional capacity and skills development, regulatory and legal inadequacy, and infrastructure;
- **Secondly**, services waiver and SDT provisions for LDCs under the multilateral trading system should be fully implemented and operationalised in a commercially meaningful and holistic approaches for LDCs. To do so, LDCs is in the need for accompanying technical assistance and capacity building to ensure LDC service suppliers will be able to utilise these preferences. Moreover, we should also explore other support measures beyond market access and alternative facilitation models to expand and better integrate LDC services export into the global services trade;
- **Thirdly**, the availability of complete services trade statistics is critical to provide the information needed for analytical studies in order to formulate appropriate policy responses. Hence, we urge development partners and multilateral institutions to support LDCs to address this statistical production; and
- **Fourth**, to prepare for the digital transformation of the services sector. This is another critical element and a new frontier for Cambodia as increased in technological advancement has made services increasingly tradable, scalable, accessible, and uniform. Supporting LDCs in services digitalisation would allow LDCs to improve their services supplies and diversify their economies and build resilience.

Mr. President, before I conclude, as we reflect on the outcomes of the WTO MC12, I would like to bring to your attention of the future work on MSMEs in the WTO which could benefit from more analytical works by UNCTAD, through the implementation of the Bridgetown Covenant, to support development of MSMEs in the LDCs.

In closing, we envisage that UNCTAD's Technical Cooperation Strategy, which has been recently adopted at the 69th Session of the TDB, to play critical role in providing technical assistance and capacity building to address all the challenges above in order to increase services trade for economic diversification and resilience in the LDCs.

Thank you!
