



# AEC GUIDE FOR BUSINESS IN CAMBODIA

---

**Guidebook Launching**

**6 June 2016**

**Phnom Penh Cambodia**

# PRESENTATION OUTLINE

1. About AEC Guidebook
2. What is AEC?
3. What does AEC mean for Cambodian businesses?
4. How enterprises views AEC?
5. How should businesses adapt?

# **ABOUT THE AEC GUIDE**

## WHY AEC GUIDEBOOK?

*The development of the 'ASEAN Economic Community (AEC): Guide for Business in Cambodia' responds to two critical circumstances:*

- The formal establishment of the AEC and its growing influence on regional economic and business growth;
- Low enterprise awareness on opportunities that the AEC brings and lack of preparation among Cambodian businesses for such dynamic trend.

## WHAT IS THE GUIDE FOR?

Help business owners– big and small–, business associations, human resource managers and corporate employees to:

- Understand the AEC and its implications for businesses;
- Assist them to better respond and react to the AEC;
- Assess their needs in relation to AEC.

# **AEC: WHAT & WHERE IS IT NOW?**

## GOALS AND COMPONENTS

- To establish ASEAN as a single market and production base, transforming it into a more integrated, dynamic and competitive region for trade and commerce;
- The AEC Blueprint as a comprehensive master plan to chart the region's integration journey;
- The establishment of AEC will see greater openness in five fundamental economic sectors: goods, services, investment, capital and skilled labour.

# IT'S A WORKING PROGRESS



- Gradual Implementation → No abrupt change
- Journey, rather than destination, toward a more open ASEAN
- The establishment of AEC 2015 is a major milestone in ASEAN integration agenda
- ASEAN leaders agreed on post-2015 measures and action plans toward AEC 2025 vision



# FREE FLOW OF GOODS

## ➤ *What is it?*

- ✓ Eliminate tariff and non-tariff barriers
- ✓ Trade facilitation such as harmonisation of tariff lines, and simplifying and harmonising customs procedures

## ➤ *What is the likely impact?*

- ✓ Reduced time and cost of cross-border trade;
- ✓ Increase in intra-ASEAN trade.

# FREE FLOW OF SERVICES

## ➤ *What is it?*

- ✓ It involves the removal of restrictions on barriers to trade in services such as foreign ownership, market access, and mobility of service providers.

## ➤ *What is the likely impact?*

- ✓ Investors can move more freely in the region to provide services
- ✓ The provision and consumption of services across borders are also expected to increase

# FREE FLOW OF SKILLED LABOUR

## ➤ *What is it?*

- ✓ Facilitate mobility of professional within ASEAN
- ✓ Covers 8 professions: engineering, nursing, architecture, surveying, medicine, dentistry, accountancy and tourism.

## ➤ *What is likely impact?*

- ✓ Mobility will increase and so will diversity among the workforce;
- ✓ High-skilled labour migration will not increase significantly in short-term but in long-term;
- ✓ Low-/medium-skilled labour migration is likely to increase significantly

# FREE FLOW OF INVESTMENT

## ➤ *What is it?*

- ✓ Provide enhanced investment protection
- ✓ Progressive liberalisation of investment regimes

## ➤ *What is the likely impact?*

- ✓ Investment flow from within and outside ASEAN is likely to increase

# FREE FLOW OF CAPITAL

## ➤ *What is it?*

- ✓ Strengthens ASEAN capital market development and integration
- ✓ Allows greater capital mobility

## ➤ *What is the likely impact?*

- ✓ Companies will be able to access deeper and wider pools of liquidity for raising money.

# **WHAT DOES AEC MEAN FOR CAMBODIAN BUSINESSES?**

## THE AEC PRESENTS OPPORTUNITIES FOR PRODUCER AND CONSUMER

- With lower tariffs and easier access to regional markets, export firms expand their market share more easily;
- Producers will benefit from lower production costs due to cheaper inputs sourced from other ASEAN countries;
- Consumers will benefit from access to cheaper and a wider range of imported goods and services.

## **AEC MEANS MORE BUSINESS OPTIONS**

There will be newer and more business models and approaches such as joint venture arrangements, overseas distribution, and outsourcing.



## **MOBILITY WILL INCREASE AND SO WILL DIVERSITY AMONG THE WORKFORCE**

- This will ease pressure on Cambodia's current labour market caused by skills mismatch and skills gaps
- Firms will have easier access to a greater pool of talents and diverse levels of qualification and experience across the region.

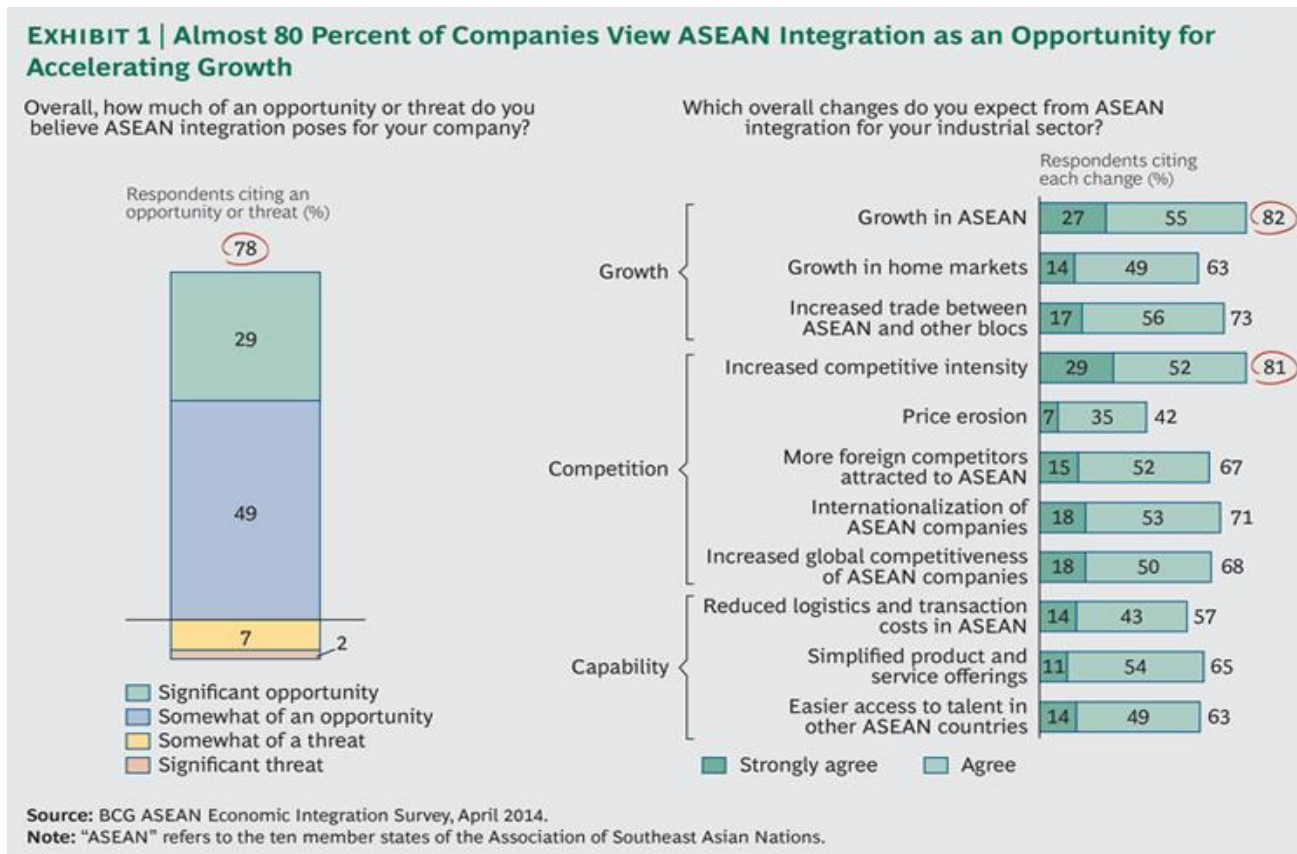
## ATTRACTIVENESS OF CAMBODIA AS AN INVESTMENT DESTINATION

- ✓ Companies from China, United States, European Union, South Korea, Japan and Australia are looking for cost and production efficiencies;
- ✓ Cambodia emerges as an attractive location.

# **HOW INTERNATIONAL COMPANIES VIEW AEC?**

# HIGH OPTIMISM

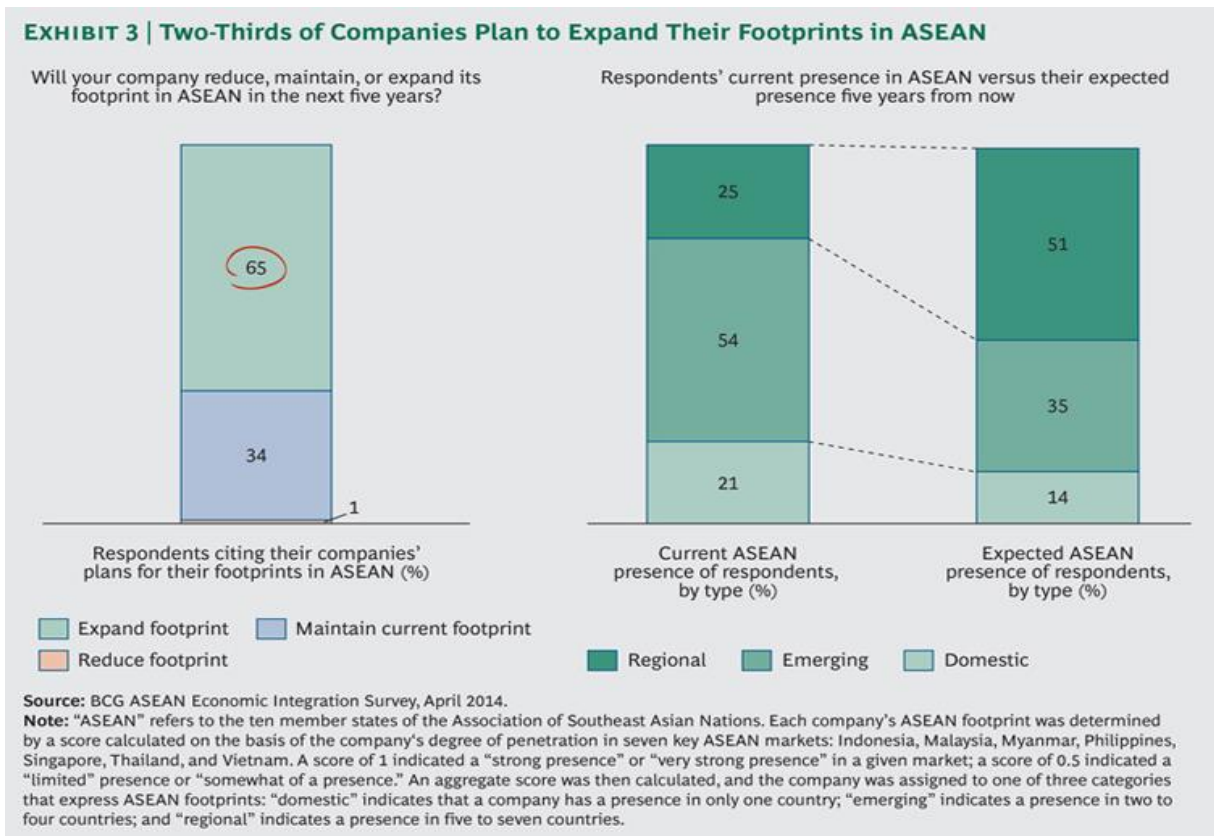
International companies' attitude toward integration are overwhelmingly positive with regard to both their business and the regional economy



Source: BCG (2014), *Winning in ASEAN: How Companies Are Preparing for Economic Integration*, Boston: Boston Consulting Group

# ASPIRATION FOR REGIONAL EXPANSION

A clear majority of companies view integration as an opportunity to grow their businesses



# PREPARING FOR INTEGRATION

The vast majority of companies reported that they are taking action to prepare their organizations

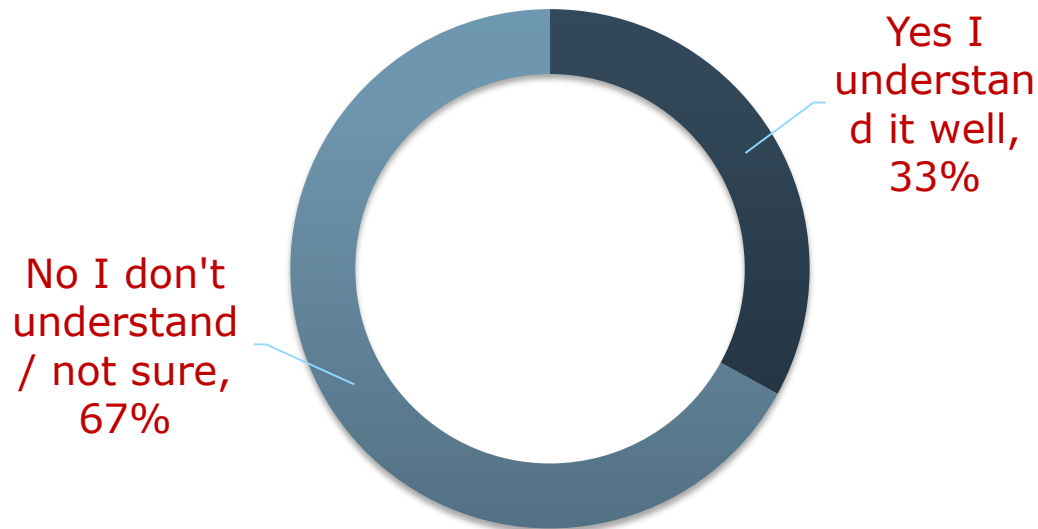


# **VIEW OF CAMBODIAN BUSINESSES?**

## LOW AWARENESS LEVEL

Majority of enterprises are neither fully aware of the challenges the AEC will present nor prepared to capitalise on concomitant opportunities

### Do you understand the AEC and its implication for your business



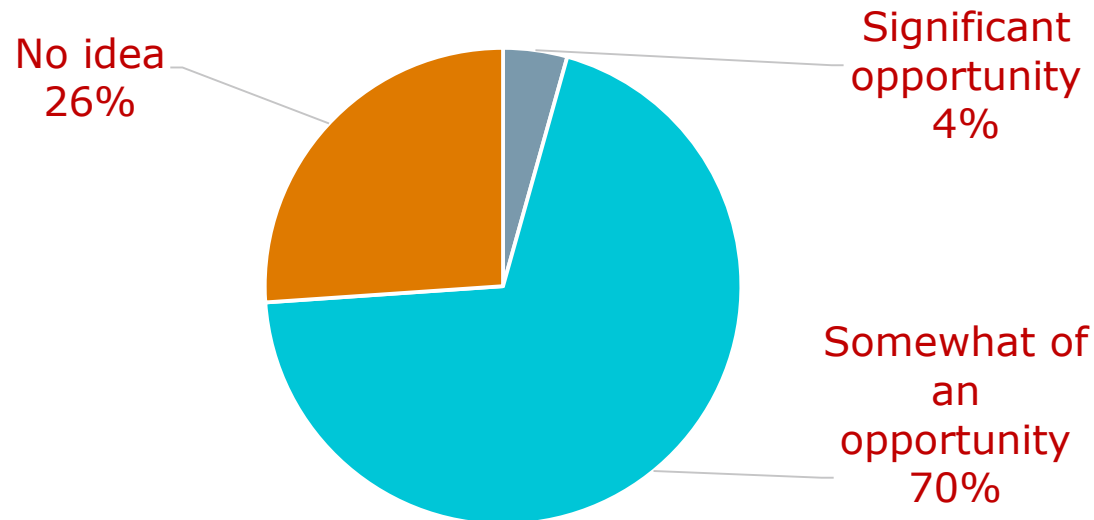
Source: CAMFEBA(2016), AEC Guide for Businesses in Cambodia



# OPTIMISM

Nevertheless, majority of firms believe that AEC will bring some opportunities for their companies

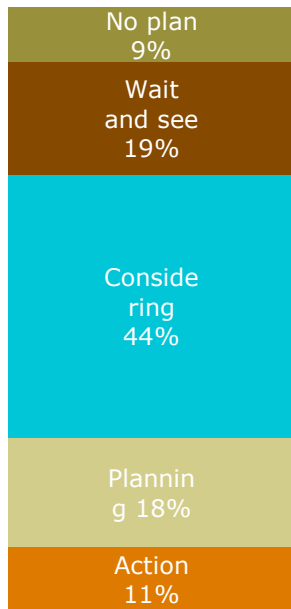
**How much of an opportunity do you believe the AEC poses to your company?**



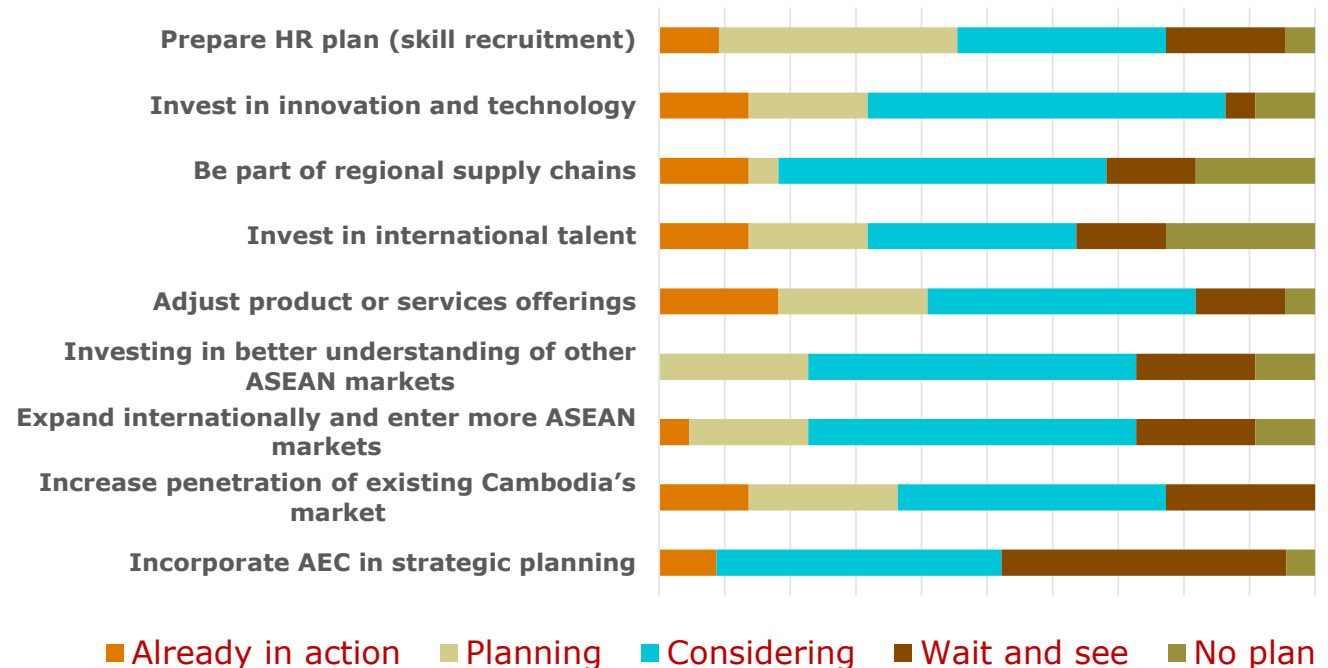
# NEITHER PROACTIVE NOR AGGRESSIVE ENOUGH

Majority of Cambodian firms surveyed are generally not yet well prepared for the AEC

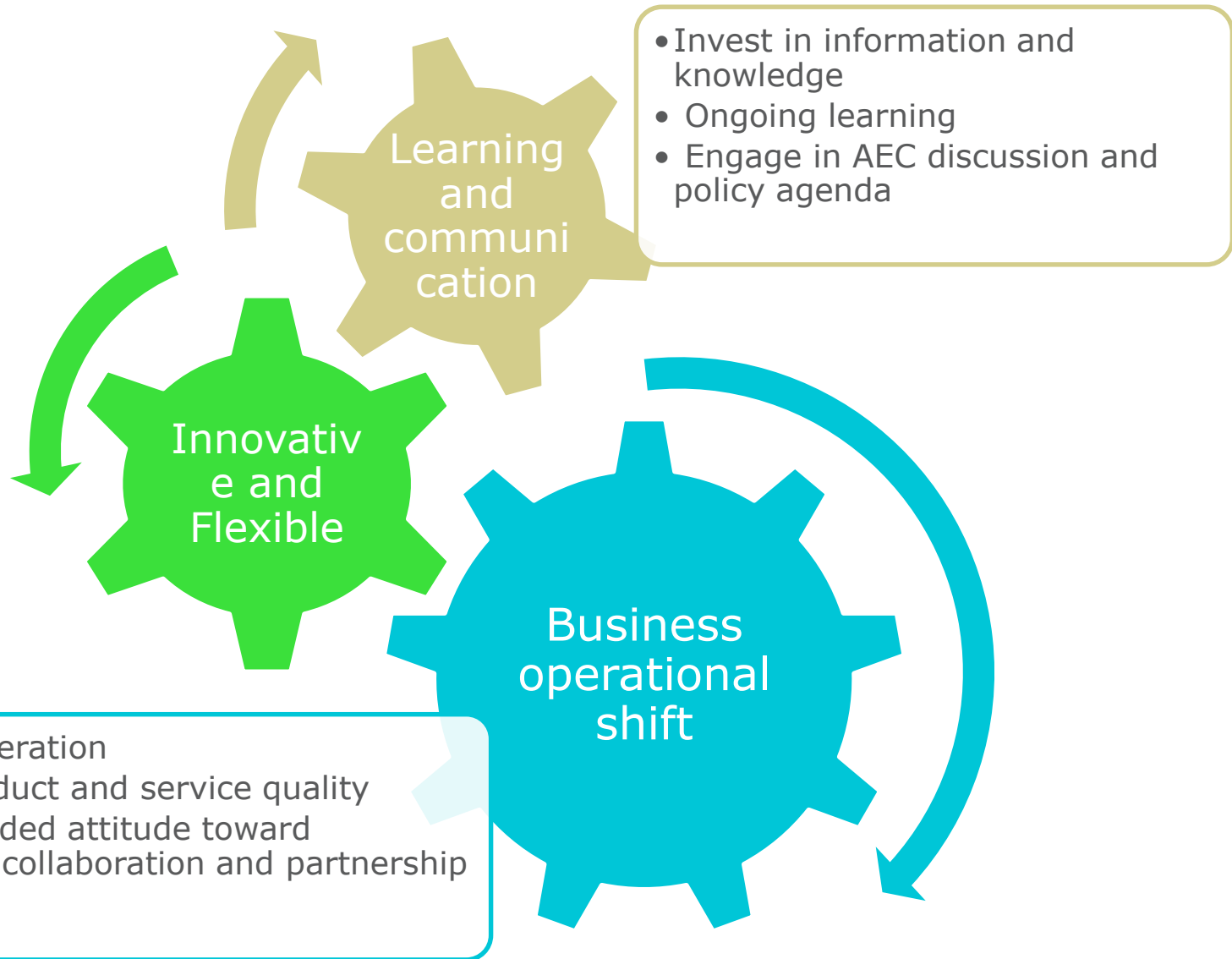
## PREPARING FOR AEC



## To what extent is your enterprise making the following adjustment/preparation for AEC?



**HOW SHOULD BUSINESSES ADAPT?**



# THANK YOU

Further information contact:

Mr. Hing Vutha

Head, Economics Unit, CDRI

Email: [Vutha@cdri.org.kh](mailto:Vutha@cdri.org.kh)

Tel: 011 766268