

and that count with strong government support, in consequence EU GATE will build upon the progress made towards further compliance with the WTO FTA agreement. ARISE+ also implemented a pilot action of export support services to 15 SMEs that will be basis for the system of export support services under EU GATE.

This action contributes to key EU Strategies such as the Indo-Pacific Cooperation Strategy, which calls to engage with Indo-Pacific partners to build more resilient and sustainable global value chains through diversification as well as through the development of technological standards and regulations in line with European ones. It is also a Global Gateway action, as it contributes to boost competitiveness and sustainable value chains.

The action is also in line with the Joint European Strategy 2021-2027. In coherence with the MIP 2021-2027, EU GATE is a key element of the EU support to Green Growth and Decent Jobs promotion, and an enabler of the actions CAPSAFE – Cambodian Partnership for Sustainable Agriculture and Food Systems, and EU Partnership for Sustainable Energy Practices in Industry, for the greening of the garment sector. EU GATE works with the value chains selected by those actions by addressing the challenges, (such as their greening in line with they European Green Deal, and competitiveness following the Global Gateway) they face in accessing regional and EU markets. This support focuses on market analysis, compliance, and market promotion, and on simplifying customs procedures for faster and predictable international logistics. These two actions are part of two Team Europe Initiatives (TEIs) in Cambodia respectively: Sustainable landscapes, forests and agriculture, and Green energy and industrial value chains.

At a regional level, EU GATE adds to the EU-ASEAN Sustainable Connectivity Package. This is the main contribution to the Team Europe Initiative on ASEAN Sustainable Connectivity, notably its trade component, where EU focuses on sustainable trade and investment, intellectual property, and sustainable value chains in ASEAN.

2.2 Problem Analysis

Trade is the cornerstone of Cambodia's extraordinary growth since 2010. This growth has created formal employment opportunities and some improvements in social protection, notably in Garment, Footwear and Travel Goods (GFT). Cambodian export competitiveness is based on low labour costs, with limited value added. That is especially the case in agroindustry. This results in low margins and a vicious circle of informality, lack of adequate skills, and decent work deficit. This makes exports also highly vulnerable to external shocks such as the COVID-19 pandemic or the Russia's war against Ukraine, which have disrupted supply chains and increased the prices of key supplies (fertilizers, pesticides) exponentially.

The upcoming LDC graduation (expected in 2027) with the loss of preferential tariffs, will challenge a business model that is mainly based on low labour costs. This is why the RGC is now prioritising a different trade model where upskilled workers contribute to exports with higher value added in Cambodia, resulting in improved working conditions, and increased competitiveness. To improve the business and trade policy environment, the RGC has undertaken significant reforms (new Investment Law, Law on Competition, Law on Consumer Protection, and Law on e-Commerce) and developed comprehensive strategies for each (CTIS, E-Commerce Strategy, etc.). However, their implementation requires further capacity building and support, for instance to set up an effective complaint mechanism for consumers or to guarantee data protection for e-commerce users.

Despite improvements, Cambodia lags behind other ASEAN Member States in trade facilitation and compliance with WTO-FTA and ASEAN commitments.³ Documentary requirements are excessive and time-consuming. Businesses complain about the co-existence of online procedures with paper-based ones as well as the impact of "informal" fees to expedite customs clearance. This situation is aggravated by the fact that permits and licenses are issued by different Ministries, which makes export-import procedures cumbersome, especially to SMEs.

Cambodian SMEs lack information on market opportunities and on how to comply with market regulations (e.g. Sanitary and Phytosanitary measures -SPS- and quality certifications, packaging and labelling regulations, environmental standards), including with those referring to social and environmental due diligence. The network of business support providers for exports is weak and sector associations lack capacity to provide business support services in a sustainable and effective way. Moreover, the current mechanisms for dialogue with the government such as the G-PSF (Government - Private Sector Support Forum) are not as effective as they should be due to the failure to structure and follow reform proposals at the three different stages of the process.

³ ASEAN Trade Facilitation Work Programme