



Kingdom of the Netherlands



LOGISTICS & INFRASTRUCTURE IN CAMBODIA

Cambodia's robust economic growth has been driven by export-oriented businesses. Increased integration into regional and global value chains has made the logistics sector central to the country's development strategy. According to the World Bank, it is estimated that by 2030, Cambodian firms will move four times more goods through highways, ports, airports and warehouses. Following the same trend, exports are on the rise (12% increase between 2015 and 2016) and trade partners are diversifying (149 countries as of 2016, 34 more than 2015). Presently, Cambodia's infrastructure remains underdeveloped and the country's performance in logistics is significantly lower than other nations in the region, resulting in higher costs. However, joint efforts by the Cambodian government, international partners and the private sector are deployed to resolve these bottlenecks.

Logistics in Cambodia

Located in South-East Asia, Cambodia is one of the fastest developing countries in Asia, with an average GDP growth rate around 7% over the past decade. As a result, it is now considered by the World Bank as a lower-middle income country, alongside Laos and Indonesia for example.

This economic boom, combined with a growing population, has resulted in increased pressure on the country's transport infrastructure. Several projects are already underway, and more are planned over the next decade, in order to tackle this issue. In particular, the strengthening of two Economic Corridors (Sihanoukville-Phnom Penh and Poipet-Bavet) has been prioritized by the government, with projects including roadworks, railway, and port infrastructure and air cargo hubs.

In addition, further developments are taking place to address some of the main challenges faced by Cambodia's logistics sector. As such, the government puts emphasis on transnational cooperation and simplified administrative procedures

with the objective of making border-crossing a more transparent and seamless process. Integrated logistical hubs are also established in strategic locations (Sihanoukville and Phnom Penh ports, border areas, Phnom Penh airport) to improve multimodal connectivity.

Logistics agents are numerous and diverse in the kingdom. Multinational firms and family-run businesses operate side-by-side in Cambodia, which implies considerable discrepancies in terms of the services offered. Besides, freight forwarders are typically independent from transport companies, making the market difficult to apprehend.

Maritime trade

Many businesses in Cambodia rely on international shipping, which is mostly carried out at the two major ports: Sihanoukville Autonomous Port and Phnom Penh Autonomous Port. Shipping line connections to and from Cambodia are mostly sourced from regional hubs, like Singapore, Hong Kong or Shanghai, where loads are

transshipped from regional vessels to intercontinental cargoes. This implies that all shipping lines serving Cambodia are regional companies, which explains the absence of major Dutch players.

Despite the importance of these two ports in Cambodia, their capacities remain limited compared to others within the region, and the container throughput is small considering Cambodia's strategic geographic position. In 2017, Phnom Penh Autonomous Port and Sihanoukville Autonomous Port recorded container throughput of 150,000 TEU and 460,000 TEUs respectively. Future expansion projects should allow Sihanoukville to welcome deep-sea cargoes up to 14.5 meters by 2022 while Phnom Penh's capacity will be expanded to 500,000 TEU by 2025. Following these infrastructure upgrades, logistical developments are expected to take place. Assisting local agents in dealing with these increased flows could offer interesting opportunities for Dutch consultants and organizations specialized in training. Port-level collaboration, for instance, could be an option to explore.



Road logistics

Current figures indicate that 43.10% (6,627 Km out of 15,376Km) of Cambodian roads are paved, and most are single lane carriageways. This is a significant improvement from 1991. However, several infrastructure projects are ongoing to increase these numbers.

The state of Cambodia's road network partly explains the government's willingness to impose strict norms regarding truck characteristics. Currently, most trucks and trailers on Cambodian roads are old lorries imported from Vietnam or Thailand, which are not adapted to the specificities of Cambodia. To counter this, the government is starting to implement standards aimed at reducing traffic congestion, excessive carbon emissions and deterioration of existing roadways. Hence, supplying compliant modern trucks to the Cambodian market could represent a fruitful opportunity.



Air cargo

Cambodia has 3 international airports, located in Phnom Penh, Siem Reap and Sihanoukville - all operated by French firm Vinci. Enhancement plans are already underway to upgrade the passenger welcoming facilities and keep up with the rise of international arrivals, particularly in Sihanoukville, for which there are ambitious plans to transform the airport into a regional cargo hub.

In January 2018, an additional project was announced to build a second, large scale, airport in Kandal province to serve the city of Phnom Penh. This \$ 1.5 billion project has been approved by the Council of Ministers and should cover a surface area of 2,600 hectares. Construction is expected to begin in early 2019.

Among the already-existing facilities, only Phnom Penh (Pochentong) Airport offers freight services. In 2017, the airport handled 63,000 tons of goods, a 23% increase compared to 2016. To match this surge, Cambodia Airports is currently considering the creation of a new cargo and logistics complex that should be organized according to supply chain requirements.

The rapid expansion of airfreight in Cambodia creates demand for airlines to link Cambodia to the rest of the world. Between 2013 and 2017, 8 cargo airlines started operations in Cambodia, highlighting the dynamism of the sector. The development of air freight and enhanced logistical solutions can lay the groundwork for advanced, timely international logistic services.



Modern logistics

Smart logistics solutions are mostly lacking in Cambodia, where the majority of agents still rely on conservative models. Therefore, disruptive approaches are needed to strengthen the competitiveness of the sector. Systems like International Vendor Management Inventory (VMI), Less Container Load (LCL) bear potential as they could contribute to reduce the overall costs of logistics in the country.

Economic development and diversification, globalization, urbanization and digitization are all ongoing trends in Cambodia. This context is very favorable for the development of modern logistic solutions. As for now, sectors like e-commerce, cold chain logistics or last-mile delivery are merely niche markets. However, there might be potential for innovative companies, including startups, to explore them.

Opportunities & Challenges

Dutch companies should consider the following:

Opportunities	Challenges
<ul style="list-style-type: none"> • Seaport logistics 	<ul style="list-style-type: none"> • High logistics cost
<ul style="list-style-type: none"> • Supply of modern truck equipment 	<ul style="list-style-type: none"> • Market fragmentation
<ul style="list-style-type: none"> • Airfreight 	<ul style="list-style-type: none"> • Border-crossing congestion
<ul style="list-style-type: none"> • Consultancy and capacity building 	<ul style="list-style-type: none"> • Insufficient training
<ul style="list-style-type: none"> • Modern and smart logistics solutions (last-mile delivery, milk-run logistics, cold chain etc.) 	<ul style="list-style-type: none"> • Non-transparent custom clearance procedures

Trade fairs

Eurofair Cambodia, Phnom Penh

<https://www.facebook.com/eurofaircambodia/>

Relevant contacts

Ministry of Public Works and Transport

<https://www.mpwt.gov.kh/?lang=en>

Cambodia Freight Forwarders Association (CAMFFA)

<http://www.camffa.org.kh/>

Sihanoukville Autonomous Port

<http://www.pas.gov.kh/en>

Phnom Penh Autonomous Port

<http://www.ppap.com.kh/>

Cambodian Investment Board

www.cambodiainvestment.gov.kh

Delegation of the European Union to Cambodia

eeas.europa.eu/delegations/cambodia_en

European Chamber of Commerce in Cambodia

www.eurocham-cambodia.org

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