



# Business Opportunities in Cambodia: The Electrical and Electronic Equipment Industry

implemented by

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH

in cooperation with

**GBC** **FABRIC** Cambodia  
GERMAN BUSINESS CAMBODIA  
AGENCY FOR ECONOMIC COOPERATION

# Background

## GIZ Business Scout for Development Cambodia



implemented by


in cooperation with

- 1) Introduction of the publication "Sector Brief on EEE Industry"
- 2) Introduction of Support Programs offered by Development Cooperation



# Publications

## Sector Brief on the Electrical and Electronic Equipment (EEE) Industry



**Business Scouts for Development**

**SECTOR BRIEF CAMBODIA:**  
**Electrical and Electronic Equipment Industry**

**Introduction**

Cambodia's first Electrical and Electronic Equipment (EEE) company was established in 2005 to manufacture construction wires, power cables, aluminium overhead wires and telecommunication cables. As of April 2023, there are 99 EEE companies registered with so-called Qualified Investment Projects (QIPs) in Cambodia, most of them in assembly, including major players such as Sumitronics, Minebea, WFCO, Nidec, Hana, Yazaki and SVI. Very few of these companies source material inputs from domestic suppliers, the majority obtaining inputs – i.e. wires, cables, diodes, transistors and electrical transformers – abroad, mostly from China, Japan, and Thailand. The main reason for the lack of domestic sourcing is the difficulty of suppliers to meet product quality standards demanded by buyers. In terms of scope, scale and complexity of EEE production, Cambodia still faces some challenges catching up with other countries in the region.

In 2020, Cambodia counted approximately 54,000 people working in electrical and electronics manufacturing, which represents about 1.43% of the country's total employment. For comparison, the industry employed 600,000 persons in Thailand (1.57% of the workforce) and more than a million in Vietnam (1.78% of the workforce). In addition, approximately 47% of the workers were women. By 2027, the Cambodian government aims to create more than 16,000 additional jobs in the industry.

The growth of the EEE industry has largely been made possible by extensive foreign capital inflows into the country. These important foreign investments can be attributed to low wages, international trade agreements, and Special Economic Zones (SEZs) at strategic locations. These features make Cambodia a particularly attractive location for low value-added and labour-intensive production, such as (sub) assembly. Most EEE companies are located in the Royal Group Phnom Penh Special Economic Zone (PPSEZ), near ports such as the Sihanoukville Special Economic Zone, or in industrial border zones with Thailand and Vietnam – such as Giga Special Economic Zone Bavet – where favourable tariffs and tax incentives are offered to companies.



**GBN** Partnership Ready Cambodia: Solar PV potential in the commercial and industrial sector

**GBN** Partnership Ready Cambodia: Water supply and wastewater treatment

**GBN** Partnership Ready Cambodia: Waste management

**Business Scouts for Development**

**SECTOR BRIEF CAMBODIA: Organic Market**

**Business Scouts for Development**

**SECTOR BRIEF CAMBODIA: Handicrafts**



**GBN** Partnership Ready Cambodia: Sustainable mobility

**GBN** Partnership Ready Cambodia: The construction sector

**GBN** Partnership Ready Cambodia: Agriculture and Food Processing

**Business Scouts for Development**

**SECTOR BRIEF CAMBODIA: Health Care**

### Briefing papers on key sectors in Cambodia

1. Sector Brief "EEE Industry"
2. Sector Brief "Health Care"
3. Sector Brief "Agriculture and food-processing"
4. Sector Brief "Water supply and wastewater"
5. Sector Brief "Waste management"
6. Sector Brief "Construction"
7. Sector Brief "Solar energy"
8. Sector Brief "Sustainable mobility"
9. Sector Brief "Organic products"
10. Sector Brief "Handicrafts"

Available at:

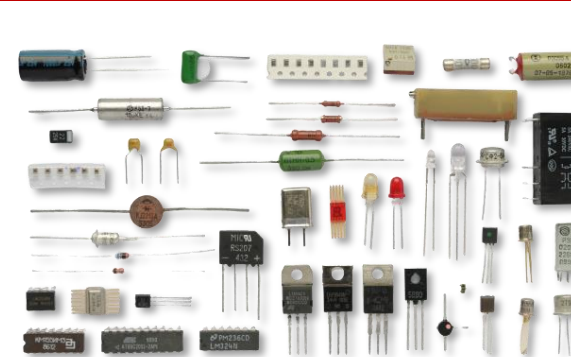
<http://adw-cambodia.org/resources/market-information/>

## Definition: Electrical and Electronic Equipment

- Electronic components
- Consumer electronics
- Industrial electronics
- Electrical products

Sector Brief focusses on HS Code 85: Electrical Machinery and Electronics, though HS 84 & 90 also partly relevant

**Electrical machinery and electronics (HS 85) are the world's most traded products!**



# Overview

## Manufacturing and Assembly

- First EEE company in 2005, today ca. 100 registered with QIPs
- 1.43% of local workforce working in EEE (ca. 54,000 people in 2020)
- Main Players: Large foreign multinational companies, mostly in assembly
  - Sumitronics: Electronic components and equipment (Sumitronics)
  - WCFO: Optic fibre connection assembly
  - SVI: Industrial electronics and micro-electronics
  - Minebea: Electronic components, pressed & molded parts
  - Nidec: Components for precision motors
  - Yazaki: Wires & cables (wire harnesses)
- Other smaller local manufacturers cover a wide range of products (e.g. photovoltaic cells, wires, switchboards)



## Foreign Direct Investment (FDI)

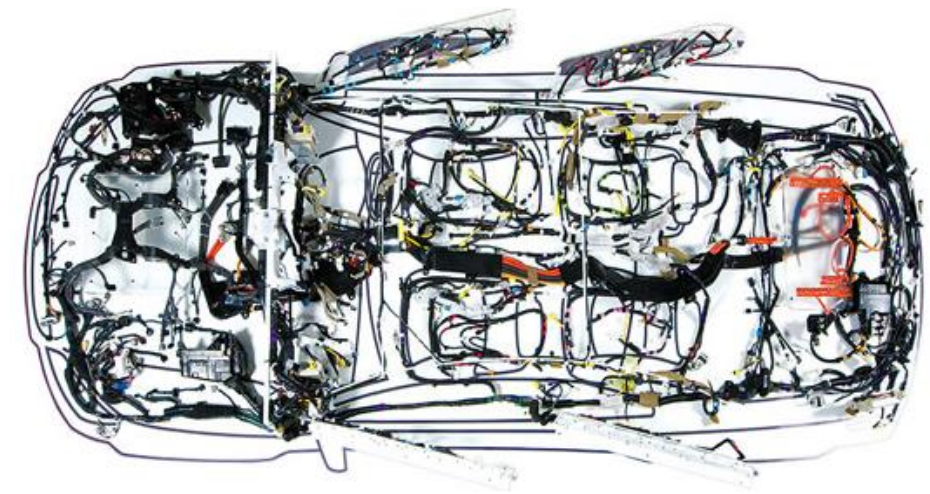
- Sector growth due to extensive foreign capital inflows into electronic and electrical assembly, beginning in 2011 by Japanese corporations ('Thailand Plus One Strategy')
- FDI originates from other Asian countries (China, Japan, Thailand, Taiwan), mostly for electronic parts, small-size motors and wire harnesses
- FDI in other sectors also spurred growth of local EEE industry:
  - e.g. \$21m investment in a car assembly plant by Ford in Pursat, inaugurated 06/2022
  - Total investment in vehicle assembly plants in Cambodia: \$78.4mh
  - New solar panel plants opening (US 24-month import tariff suspension for solar panels)
- As of 2022, cumulative investment in EEE sector reached \$450 million

## Thailand Plus One: Yazaki

- Japanese automotive component maker Yazaki opened \$24 million wire harness factory in Koh Kong in 2012 at Thai border
- Produces wire harnesses for supplying power to various devices in cars
- No tariffs under ASEAN Economic Community (AEC): duty-free import of electrical wires and tapes from Thailand for assembly, then shuttling back to Thailand
- Employs over 3,000 staff in Cambodia, training by Thai staff



↑ Yazaki Factory in Koh Kong, ↓ Yazaki Wire Harness





## European Presence

- Limited European brand presence, active in distribution of imported goods via sales offices in Phnom Penh (many being French, such as Legrand & Schneider Electric)
- Relying on network of local partners / distributors with large variety of products (white goods & lighting, electrical equipment, electronic accessories, ...)
- Largest local distributors: Mega Electrical, GGear Group, Triangle
- Goal: premium market, due to cheap Chinese competition

*LG Monitor,  
LG is exclusively  
distributed by  
Ggear Group*



*Circuit breaker by  
Schneider Electric,  
distributed by Mega  
Electrical*

in cooperation with

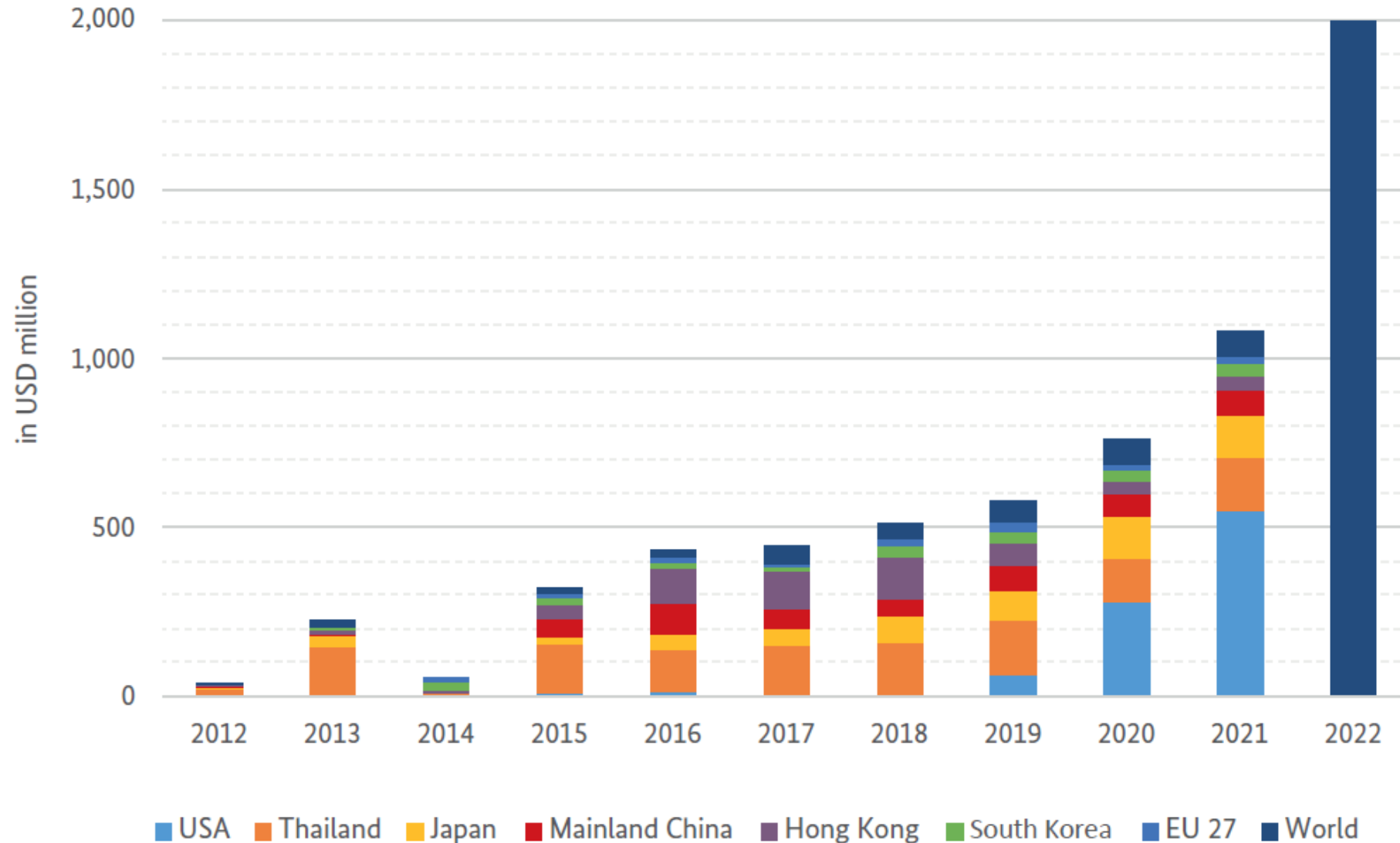
# International Trade - Exports

## HS Code 85

- EEE Exports worth \$1.99 billion (2022), first registered trade surplus (\$538 million)
- Sector's rising share of total Cambodian exports: 5.6% in 2021, 8.9% in 2022
- Extraordinary export growth since 2014, especially 2022 stands out
  - Primarily driven by less complex products such as wire harnesses, lighting cables, and light-emitting diodes (LEDs)
- Minor role of EU with offtake share of only 2.1% (Germany largest with 0.48% = \$5.2m)
- Rise of the USA as the key export market: Export markets in 2021 USA (50.7% share), Thailand (14.5%), Japan (11.9%), Mainland China (6.7%), Hong Kong (4%) and South Korea (3.3%)

# International Trade - Exports

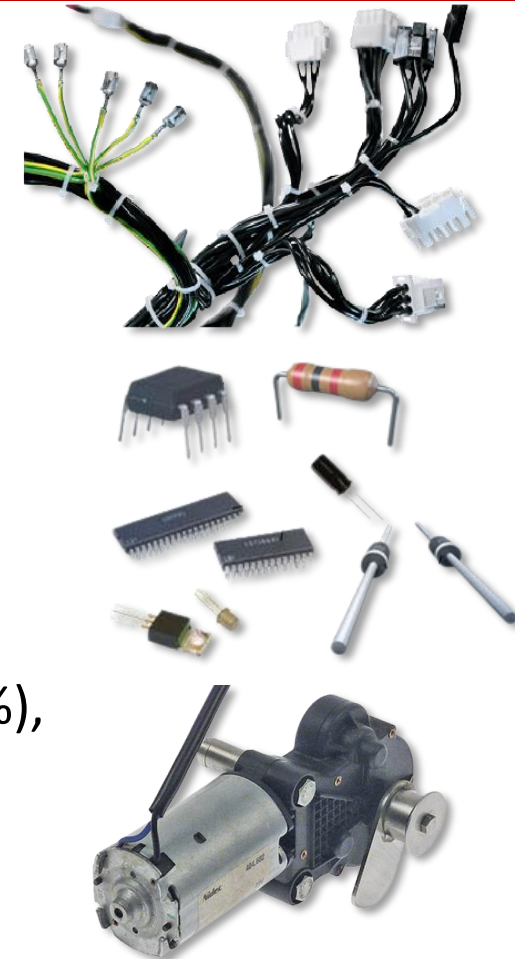
Cambodia's top 6 export destinations plus EU 27 under HS Code 85



implemented by

## HS Code 85 – Top 3 Export Commodity Groups (2021)

- 1) *Insulated wire, cable, and other insulated electric conductors* (HS Code 8544)  
Export value: \$425.4 million, representing 39.3% of EEE exports  
Main buyers: USA (40%), Japan (26.3%), Thailand (22%), South Korea (7.7%)
- 2) *Diodes, Transistors and Similar Semi-conductor Devices* (HS Code 8541)  
Export value: \$273.2 million, representing 25.3% of EEE exports  
Main buyers: USA (94%), Vietnam (2.3%), India (1.3%), Mainland China (1%)
- 3) *Electric motors and generators* (HS Code 8501)  
Export value: \$84.5 million, representing 7.8% of EEE exports  
Main buyers: Mainland China (25.7%), Thailand (20.4%), Hong Kong (16.3%), Japan (9.2%)



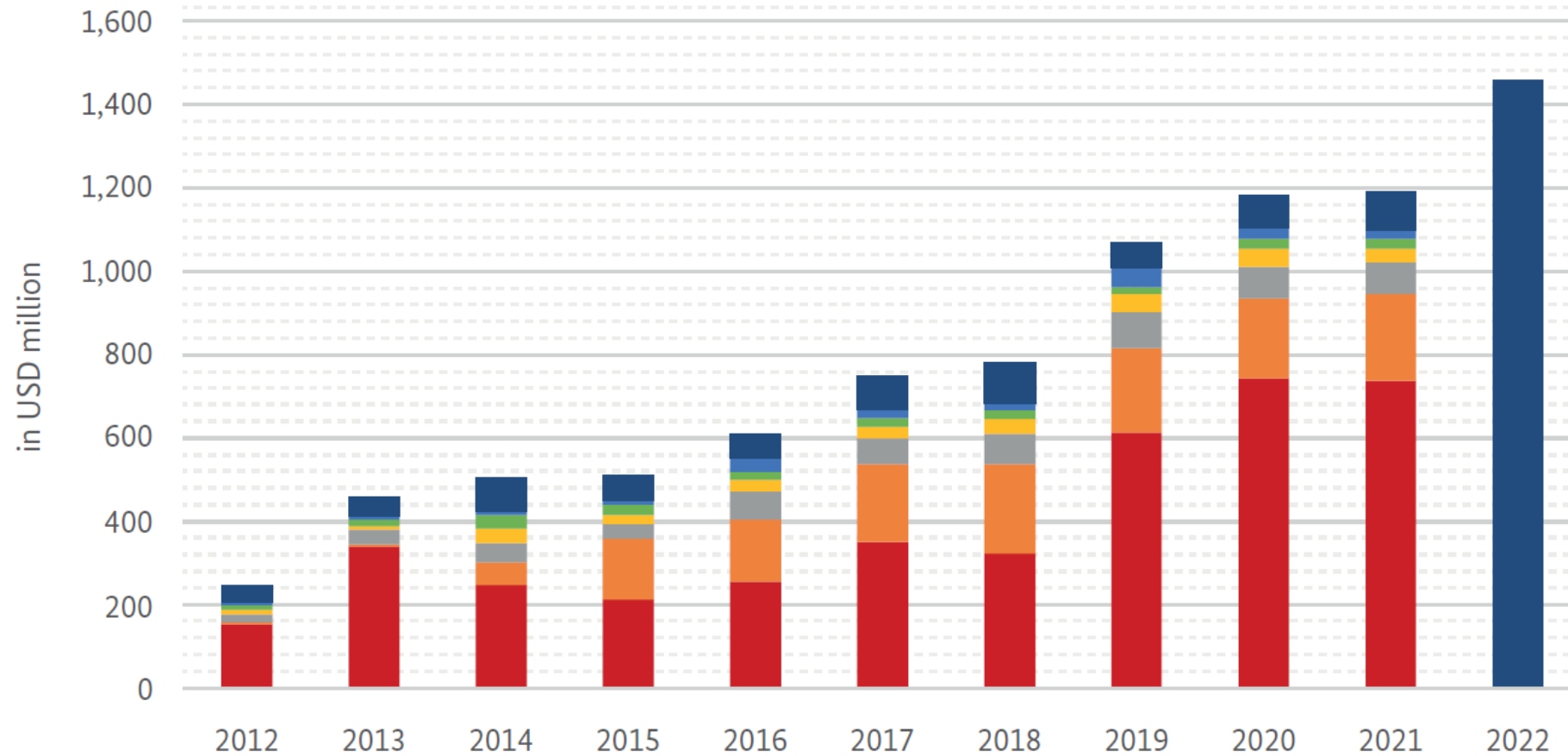
in cooperation with

## HS Code 85

- EEE Imports worth \$1.46 billion (2022) & \$1.19 billion in (2021)
- Sector's rising share of total Cambodian imports: 4.1% in 2021, 4.9% in 2022
- Lack of domestic sourcing due to low industry level: most inputs sourced from Asia
  - i.e. wires, cables, diodes, transistors and electrical transformers
- Minor role of EU with fluctuating import shares between 5.3% (2016) and 1.5% (2021), Germany supplying 0.55%, worth \$6.5m (2021)
- Main supplier: Mainland China (market share 61.9%), Thailand (17.6%), Vietnam (6.3%), Japan (2.8%), and South Korea (2.1%)

# International Trade - Imports

Cambodia's top-5 suppliers plus EU 27 under HS Code 85



implemented by

## HS Code 85 – Top 3 Import Commodity Groups (2021)

1) *Insulated wire, cable, and other insulated electric conductors (HS Code 8544)*

Import value: \$305.4 million, representing 25.6% of EEE imports

Main suppliers: Mainland China (54.1%), Thailand (30.4%), Vietnam (7.7%), South Korea (4%)

2) *Electrical Apparatus for Switching or Protecting Electrical Circuits (HS Code 8536)*

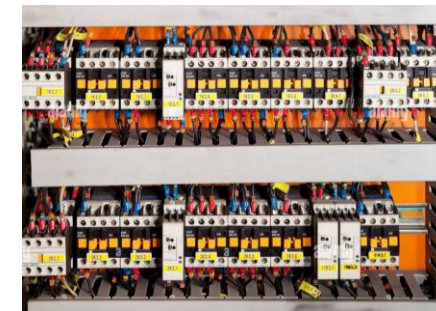
Import value: \$118 million, representing 9.9% of EEE imports

Main suppliers: Mainland China (53.2%), Thailand (15.3%), Japan (12.7%), Vietnam (3.1%)

3) *Bases for Electric Control or the Distribution of Electricity (HS Code 8537)*

Import value: \$91.1 million, representing 7.6% of EEE imports

Main suppliers: Mainland China (79.4%), Thailand (2.7%), Vietnam (2.5%)



in cooperation with

## Policy Framework

- *Law on Investment (2021)*: electrical and electronic industries entitled to conditional investment incentives under Qualified Investment Projects (QIPs)

### Two key documents relating to EEE Sector:

- *Industrial Development Policy (IDP) 2015-2025*: EEE assembly first of five industrial priority sectors

Goal: Increase technical skills training & establishment of technical secondary schools

- *Automotive and Electronics Sectors Development Roadmap*: Automotive & electronics sectors as new growth engines

Goal: raising EEE exports by ca. \$1.6 billion by 2027 & creating 16,000 new EEE jobs

⇒ Overall goal: Move from simple components and sub-assembly to becoming higher value-added integrated electronics production hub in the midterm



## Sales Offices and Local Distribution

### EEE products available in Cambodia:

- Highly price-competitive products, mostly of Chinese origin
- Premium products, i.e. Schneider Electric / Bosch, demand by industrial & end customers
- Ownership rate of consumer devices relatively low (except: cell phones)
  - e.g. for household appliances: microwaves, toasters, coffee makers, etc.
- Rising household income, increasing demand for higher quality end consumer products
- Yet, related exports from EU relatively low, ca. \$20 million annually

### Possible options to enter the Cambodian EEE market:

- Establishing sales office / partnering with local distributors, e.g. GGear Group, Mega-Electrical, Euro-Electrical, or Triangle

# Business Opportunities

## Sourcing / Investing

- Attempt to replicate the USA's success story of sourcing from Cambodia
- Germany: world's 5<sup>th</sup> largest exporter and 4<sup>th</sup> largest importer of EEE products
  - Imports \$2.5 billion worth of EEE products from Vietnam (2021)
  - German investments in Vietnam in electronics: Magnetec, Friwo, Pepperl + Fuchs



⇒ Cambodia as an additional, not as an alternative location

# Business Opportunities

## Training, Skills and Capacity building

- Lack of skilled workers & engineers, difficult to meet private EEE sector demands
- Companies mostly recruit and train their employees themselves
- ⇒ European education institutes could step in to support the training of electrical & environmental engineers through partnerships with local universities / TVET institutes

### Example from mechanical engineering:

- Cambodia-Japan Digitalised Manufacturing Centre (CJDM) at Royal University of Phnom Penh
- Partner: German-Japanese DMG MORI Academy
- Courses: Highly specialized training in engineering & manufacturing



## E-waste Recycling

- Significant increase in e-waste by 10% annually, 4 million tonnes in 2020
  - TVs, PCs, refrigerators, air conditioners, printers, cables, circuit boards, lamps, ...
- Batteries collected by Ministry of Environment and exported to Spain and South Korea, but currently no recycling partners for other electronic waste products

### **Shipped E-waste soon to be declared separately from EEE items for repair / refurbishment**

- Opportunity: setting-up a specialised e-waste recycling plant or EEE repair factory
- Trading second-hand machinery for e-waste recycling



## Challenges

- Structural limits: lack of domestic production and processing facilities for primary products (using e.g. copper, rubber, silicon, glass), causing reliance on imports
  - Lack of skilled labor, infrastructure and market information
  - Relatively high electricity & transport cost
  - Scarce access to finance
  - EU tariff and non-tariff trade barriers
- ⇒ In terms of scope, scale and complexity of EEE production, Cambodia still faces some challenges catching up with other countries in the region

# Support Programmes

## by German development cooperation

### Support to pilot projects



develoPPP

### Corporate finance



Co-financing of feasibility studies

Corporate finance – loans, equity finance, mezzanine finance

Business Support Services (BSS)

### Know-how from Germany



Senior Expert Service

Integrated Experts

Alumniportal Deutschland

Chamber and Vocational Training Partnerships

implemented by

in cooperation with

# Support Programmes

## develoPPP

### What develoPPP can do for you

- Financial or technical support, up to 2 million € funding, max. 50% public contribution for:
- Sustainable pilot investments when business interests match with development objectives
- German / European companies, companies in developing / emerging countries can apply four times a year
- Criteria: 800K EUR annual turnover, at least 8 employees, ≥ 2 operative business years

## Senior Experten Service

### Offer of the SES

- SES has more than 12,000 experts with expertise in more than 50 sectors of industry who provide advice and hands-on support nearly all around the world
- Their volunteer assignments usually last 3 - 6 weeks; max. duration: 6 months
- Assignment preparation, project handling costs, insurance paid by SES
- Local expenses & international travel to be paid for by applicants ([link](#))

## DEG

### What does the DEG offer?

- Financing for corporates (Long-term loans, equity investments, mezzanine finance, bonds)
- Co-Financing of feasibility studies (max. 50% cost, max 200,000 €)
- Business Support Services (match with external experts providing advisory solutions, non-repayable co-financing)
- Up-Scaling Programme (financing of early-stage SMEs, scaling innovative business models)

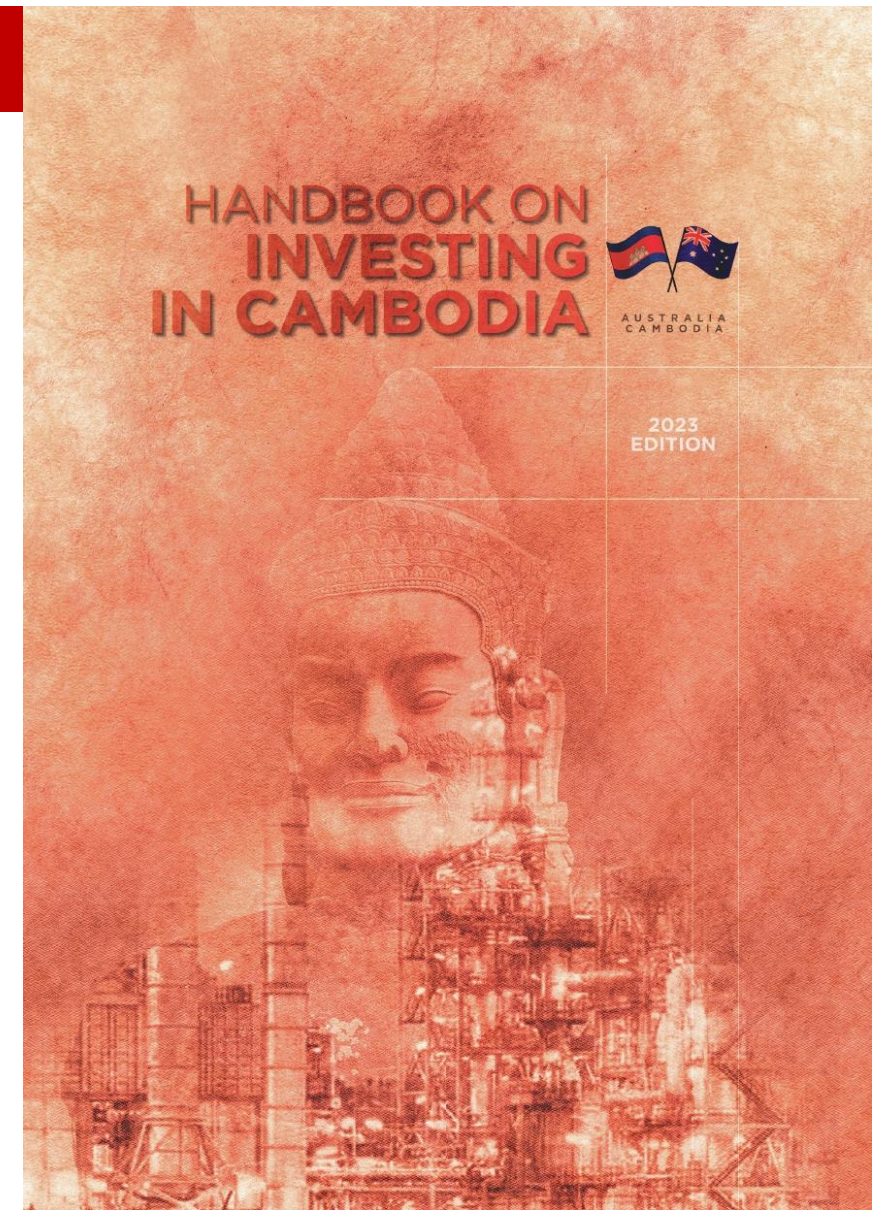
# Further Information

## Market and business opportunities

**Handbook on Investing in Cambodia (2023 Edition)**  
by CDC and Australian Government

**Link:**

<https://media.licdn.com/dms/document/media/D561FAQH3ulxMLePmtQ/feedshare-document-pdf-analyzed/0/1689039583108?e=1689811200&v=beta&t=vnRQ7omPIrYvbACX5-68wjap86e3bjCoLXFrXLRNTEA>





# Further Information

## Market and business opportunities

### Investing in Cambodia by KPMG

**Link:**

<https://assets.kpmg.com/content/dam/kpmg/kh/pdf/publication/2023/kpmg-investing-in-cambodia-2023-and-beyond.pdf>

 KPMG

# Seize the opportunity

Investing in Cambodia  
2023 and beyond

[kpmg.com.kh](https://kpmg.com.kh)



## Contact

# Thank You!



**Christoph Janensch,** Business & Cooperation Desk Cambodia

[christoph.janensch@giz.de](mailto:christoph.janensch@giz.de)

+855 (0)85 641 723