

Mekong Economic Research Network (MERN)

Promoting Employment through identifying SME exportable market: A Shift-share Approach

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Abstract

Small and Medium Enterprise has been the concern for the Royal Government of Cambodia (RGC) for more than a decade – noticeably, it was firstly mentioned in the National Poverty Reduction Strategies (NPRS) in 2002. As SME commonly operates in the labor-intensive industry, hires low-skill labor and is located in the rural area, promoting this sector is crucial to boost employment, diversify the country economic growth and reduce the poverty and inequality. RGC continually determine SME as the key developmental strategy in both Rectangular Strategy Phase I and Phase II to promote private sector development and employment generation. Despite the importance of this sector, SME is still facing lots of constraints. One of the most significant obstacles for the growth of this sector is market access a most of the SME products are traded domestically and haven't exported yet. This research proposes a quantitative approach to study about the exportable market for SME by using the Shift-Share method. Ten potential export markets/countries will be identified for the ten selected products of manufacturing SME. The results from this study will assist SME in identifying the potential export markets of their products and contribute to the policy of RGC in promoting SME sector and generating more employment.

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1. Introduction

Small and Medium Enterprise (hereafter SME) development is not a new concept in industrialization as well as in economic development. Generally, the role of SME keeps changing through developmental stages and varies across the countries. In the early stage, where technology and capital accumulation are still low, SME directly plays a significant role. However, it is still a controversial concept about the role of SME and the determinants of its importance in the economy. On the one hand, many researchers, policy makers as well as international organizations have claimed that SME is important for the economic development of the country. It is believed that SME is crucial in promoting firms agglomeration and industrialization, enhance the entrepreneurship, promote innovation, diversify the economic growth, and reduce poverty. SME maintains its important role since the early stage till the later stage of development (Ayyagari, Demirgüç-Kunt, & Beck, 2003). Also, in South-East Asia and East Asia, it is believed that SME is more flexible than the large enterprise; so that, it is quickly responsive to the shock than the large enterprise is (Huang, 2003; Tambunan, 2008). Nonetheless, there are some skeptical views about the importance of SME in the economic development. There are some empirical findings that SME neither foster growth nor reduce poverty reduction and income inequality (Beck, Demirguc-Kunt, & Levine, 2005). Plus, there are some other research papers mention that large firms are able to provide a better quality of job, foster more productivity growth through Research and Development (R&D) and exploit the economics of scale (Brown, Hamilton, & Medoff, 1990; Pagano & Schivardi, 2003).

Notwithstanding the above controversial concepts, the most recent and influential concept considers SME as important as large enterprise. In order to industrialize the economy, it is required both SME and large enterprise to create firm

agglomeration within the country (Uchikawa & Keola, 2008). Rather than directly compete with the large enterprise, SME is supposed to compliment or support the large enterprises, which is the case of many successful industrialized country such as Japan, Taiwan and South Korea. Therefore, the most recent research concentrated on the determinants of firm development. Although large enterprise is treated as important as SME, some empirical research found that SME is more venerable than large enterprises due to its less maturity in terms of financial condition, low technology, lack of information and unsecured market. A cross-country research done by IFC found that both the inflation and the exchange rate tend to trouble micro and small firms more than larger firms (Schiffer & Weder, 2001). Also, it continues claiming that many key factors of business regulatory environment such as the business registration processes, taxation, licensing, , labor policy, inspections, the judicial system, property rights, financial markets regulation, especially the export regulations affect the growth of SME (“Annual review small business activities,” 2004). More importantly, an empirical cross-country study done by Beck et al. (2005a) revealed that financial, legal, and corruption negatively affect the firms growth and these constraints depend very much on the firm size, which means the smaller firms are much more negatively affected by those factors than the large firms. Therefore, despite the undistinguished importance of the two sides, SME and Large Enterprises, SME should be more concentrated regarding its vulnerability and immaturity.

In Cambodia SME has been considered as the dynamic force in private sector development. Like in many other ASEAN countries, SME in Cambodia is believed to be significant to promote entrepreneurship, innovation, industrialization, to diversify the economy, and to reduce the inequality and poverty. Regarding the above claim, this sector, SME, has been targeted and prioritized by Royal Government of Cambodia

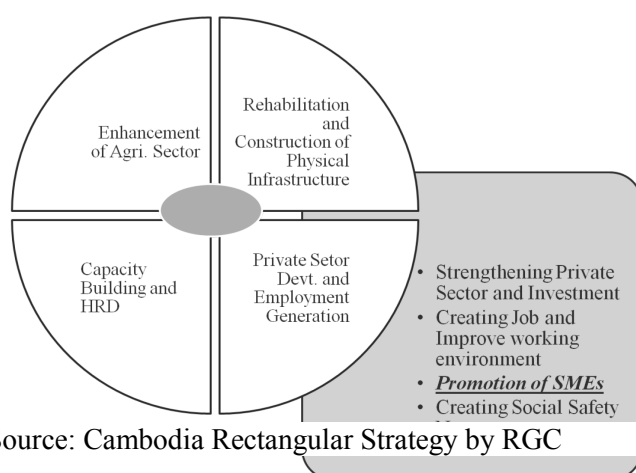
(RGC) for nearly a decade. Many policies and mechanisms have been set and implemented in order to develop this sector. The policies concentrate on both enhancing the capabilities and improving the business regulatory environment. SME generally faces the common obstacles such as low compliance with the regulation, low technology, access to finance, poor management, particularly lack of information about the market, domestically and internationally. Among those constraints, accessing to the foreign market is found to be the major one in SME development and should be focused.

Regarding the above constraint, this research proposes a quantitative approach to study about the exportable market for SME by using the Shift-Share method. Base on the available data of SME Cambodia Economic Census 2011 and trade-map database, this study will identify 10 key sectors of SME within manufacturing sector. Further, by using shift-share analysis, 10 potential export markets will be identified for the 10 products of the key sectors.

In order to figure out the key SME sector within the manufacturing sector, the analysis on the percentage share of the each product (Number of firm, Employment and Annual Sales) will be made by using the data from Cambodia Economic Census 2011. However, the number of employment that SME could absorb will be the major indicator for identifying the key products. Once the key products have been identified, the shift-share method will be employed to identify the potential markets for the key SME products that had been pinpointed. The results from this study will assist SME in identifying the potential export market of their products and contribute to the policy of RGC in promoting SME sector and generating more employment.

2. Small and Medium Enterprise in Cambodia

Figure 2.1: Rectangular Strategy Phase I and Phase II



Source: Cambodia Rectangular Strategy by RGC

2.1. General Policies and

Mechanism for Cambodia

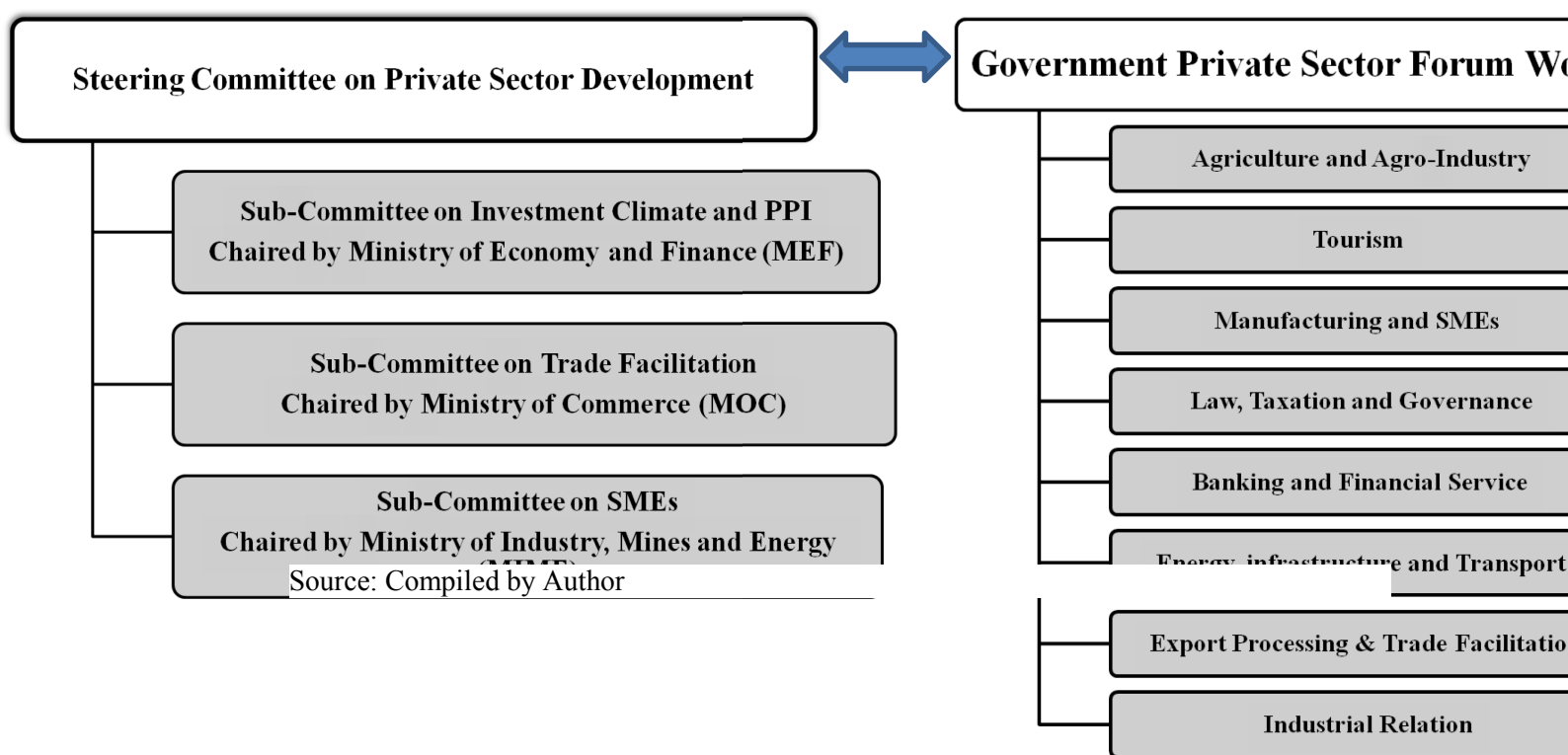
SMEs development

Small and Medium Enterprise has been the concern for the Royal Government of Cambodia (RGC) for the last decade – noticeably, it was firstly

mentioned in the National Poverty Reduction Strategies (NPRS) in 2002. More importantly, SME development has also been stated in both Rectangular Strategy Phase I and Phase II in 2003 and 2008. There are four main parts in Rectangular Strategy: Enhancement of Agriculture, Rehabilitation and Construction of Physical Infrastructure, Capacity Building and Human Resource Development, and Private Sector Development and Employment Generation. SMEs development is considered as the key factors to promote private sector development and employment generation. Since Private Sector Development and Employment Generation required the involvement and participation from various Ministries and Agencies as well as from local and international NGOs, one steering committee named Steering Committee on Private Sector Development, has been established. This steering committee consists of 3 main sub-steering committees: Sub-steering committee on Investment Climate and PPI (Chaired by Ministry of Economy and Finance, Sub-steering committee on Trade Facilitation (Chaired by Ministry of commerce) and Sub-steering committee on SMEs (Chaired by Ministry of Industry, Mines and Energy). Interestingly, in order to enhance the mutual understanding and close relationship

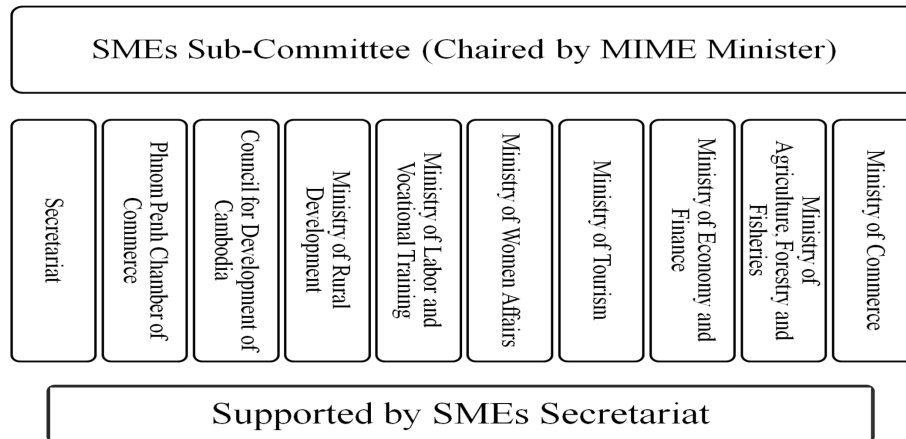
between the public and private sector, one mechanism has been set up called Government-Private Sector Forum (G-PSF) which is the mechanism that public and private sector can directly meet each others, consult and discuss about the issues of daily business and the impact of the government policy and implementation to private sector. The government can also get feedback about the effectiveness and efficiency of it policies. This Forum is formally held twice a year, chaired by Prime Minister, with a live broadcasting in Television. There are eight working groups in this forum (G-PSF) as mentioned in Figure 4.4. Practically, some of the issues to discuss in this forum resulted from the discussion between sub-steering committee on Private Sector development and the working groups. There is a close relationship between the steering committee and private sector development and G-PSF. The sub-steering committees work closely with the working groups of G-PSF; for example, the sub-steering committee on SMEs directly works with the Manufacturing and SME working group while the sub-steering committee on Trade Facilitation works closely with the Export Processing and Trade Facilitation working group. They discuss and directly deal with the issues faced by the private sector and bring the remaining issues to the formal G-PSF.

Figure 2.2: Structure and Mechanism for Private Sector Development



In Cambodia, the word SME had not been frequently used before the establishment of Rectangular Strategy phase I. Similarly, since the development of SME sector required the involvement from various ministries and agencies, seven ministries plus Councils for Development of Cambodia and Phnom Penh Chamber of Commerce was put under the SMEs sub-steering committee or SMEs sub-committee (Figure 4.5). The major role of SMEs sub-committee is to take a lead in regulatory reform that impacts on SME sector such as the licensing and inspection procedure, and to improve the business environment for SME to be full-grown. This sub-committee is supported by a secretariat called SMEs secretariat, whose role is to coordinate the activities of inter-ministries under the SMEs sub-committee and between the SMEs sub-committee with the other stockholders. Besides, the major role of SMEs secretariat is to support and implement the strategic policy of the SMEs sub-committee.

Figure 2.3: Structure of SMEs sub-committee



Source: Adopted from Small and Medium Enterprise Development Framework (2005)

After the sub-committee had been established in 2004, one SME development framework was published, aiming to serve as the general road map for all the stockholders, who have involved in the SME development. SME development framework addressed the obstacles that hinder the development of SME sector and has been used as the general guidance for inter-ministries and related organizations, particularly the SMEs sub-committee as well as the SMEs secretariat to follow.

2.2. SME definition

There was no exact definition to identify what SME is until 2005¹, when one general and official definition of SME has mentioned in SME development framework. Based on this framework, SME was defined based on two main criteria, the number of employees and the total of asset (excluding land). Table 4.4 shows how SMEs are defined based on the employment and financial indicator.

¹ National Institute of Statistics (NIS) stated that enterprises who employed less than 10 employees are considered as small enterprises.

Table 2.1: Definition of Cambodia SME

Statistical		
Micro	Less than 10 employees	
Small	Between	11-50 employees
Medium	Between	51-100 employees
Large	Over	100 employees
Financial		
Determined by Assets, excluding land		
Micro	Less than US\$50,000	
Small	Between	US\$50-250,000
Medium	Between	US\$250-500,000
Large	Over	US\$500,000

Source: Adapted from SME development framework (2005)

Tentatively, as SME sub-committee is the inter-ministries agency, who has been involved in SME development, this definition can generally apply to all kinds of SME in Cambodia, including SME in industry, trading and service sectors. However, it is evident from line-ministry that this definition is mainly employed for SME within the manufacturing sector, while the other ministries, besides Ministry of Industry Mines and Energy, have their own criteria to define SME. The Lack of formal definitions that can be applied to each sector of SME leads to the bias in SME data in Cambodia². There is no official data of SME sector in Cambodia. There were an attempt to construct and harmonize all the SME data from the various related ministries in 2007 by SME secretariat; however, they were just able to collect and compile the data without constructing and harmonizing them. According the report, the major problems in data harmonizing are: “inability to cross-reference SMEs from one ministry's database to another”. It is believed that there are some SMEs who get licenses from more than one ministry; therefore, combining them will lead to inaccurate data (the database of each ministry is incomplete and incomparable,

² It is a confusing in using the terms in Cambodia such as “Enterprise”, “Business”, “SME” establishment. These terms are using interchangeably and no differentiation.

which makes it impossible to track those SMEs)³. Plus, there are many unlicensed SMEs who do not register and operate informally (SME secretariat and SME statistics Technical Working Group, 2007).

2.3. Challenges of SME development in Cambodia

Even though it is claimed that Cambodia SME plays a very crucial role in economic development and has been prioritized by RGC, so far, little research has been done related to the challenge of Cambodia SME. Chet (2001) used his own survey around Phnom Penh (the capital city of Cambodia) area to find the determinants of SME performance. Managerial functions are the key concerns in his research. He finally concluded that Human Resource Management and the Marketing has a positively significant contribution to the profit growth of SME. Harner (2003) also conducted a research related to Cambodia SME; however, the research focused only on the barriers of SME in accessing to finance. He finally identified nine large, three Mediums and four small obstacles⁴ that hinder SME from obtaining the loan from the banks. He also provided the eight recommendations to cope with the above obstacles such as “1. A Commercial court needs to be created; 2. Banks should be permitted to provide information about borrowers’ liabilities to appropriate third-parties; 3. The

³ According to the report: “Ministry of Commerce issues both operating licenses for companies under its authority (e.g., trading companies), as well as handling business registrations for all those seeking to incorporate their businesses while other ministries issue business operating licenses and permits of various kinds.”

⁴ The nine large obstacles are “1) SMEs do not meet banks’ minimum lending criteria; 2) Absence of specialized lenders, particularly in equipment financing; 3) Lending against machinery and equipment perceived to pose unacceptable risks; 4) Bank staff inadequately trained to analyze/manage risks of long-term lending to SMEs; 5) Existing laws are inadequate to protect lenders’ interests; 6) Judicial system does not adequately protect lenders’ interests; 7) Banks do not have adequate access to long-term capital; 8) Shortage of lending officers in banks; 9) Withholding tax on offshore funding.”

The three medium obstacles are: “1) Some SMEs are unable to approach banks; 2) Banks’ preference to lend to individuals rather than corporations; 3) Banks do not know how to price risks, thus charge higher rates than appropriate.”

The four small obstacles are: “1) SMEs do not have demand for long-term capital at current interest rates; 2) Informal credit market is more efficient and SMEs prefer it over banks; 3) Bank procedures are too complicated; 4) Incentives within banks do not motivate credit officers to extend long-term loans.”

NBC should be flexible in its liquidity ratio requirements; 4. A Prakas or Sub-Decree establishing an asset registry should be issued; 5. Training to increase banks' ability to analyze and mitigate risk should be focused; 6. Local consulting services that can provide assistance to SMEs that MPDF is currently providing should be developed; 7. Specialized asset-based financing institutions should be developed; 8. Withholding tax on interest payments to depositors should be revoked."

Interestingly, Vannarith et al. (2010) did the study related to participation of Cambodia SME in production network, SME constraints and the SME assisting policy. This research was conducted with a survey of over 99 SMEs within Phnom Penh, the capital city of Cambodia. Among the enterprises surveyed only 28 are in the production network and none of them are from garment sector. 99% of the enterprises surveyed are domestically owned and domestic-market oriented enterprises. According the survey, Table 4.3 indicates that Cambodia SMEs, in general, are constrained by the "Business Environment Barriers", "Functional Barriers", "Product and Price Barriers" and "Information Barriers". Also, the survey results showed that the most effective assistance (Rank 1), either from the government and non-government, are "Information", followed by "Business Linkages and networking", and "Technology development and transfer" which ranked the second and the third while "counseling and advice" ranked the last. More interestingly, notwithstanding the effectiveness of assistance in "business linkages and networking", regarding the survey, SME still needs more assistance in this area, followed by the "Financing", "Improvement of Investment Climate" and "Information". At the end, they concluded that very few of Cambodia SME are competitive and capable of participation in export market due to the constraints they faced. However, as they found out, some key factors such as productivity, business capability and innovation can help SME to participate in the production linkage and

networking. In general, they suggested that it is to improve the access of SME to finance and to provide more business development services.

Table 2.2: Rank of SME constraints, Effectiveness of Assistance, and Perception of Needs-Assistance

Rank	Constraints faced by the Surveyed SMEs	Constraints faced by SMEs(Category)	Effectiveness of Assistance	SME perception of Needs-Assistance
1	Lack of managerial time to identify new business opportunities	Business Environment Barrier	Information	Business linkages and networking
2	Lack of production capacity to expand	Functional Barriers	Business linkages and networking	Financing
3	Offering competitive prices to customers	Product and Price Barriers	Technology development and transfer	Overall improvement in investment climate
4	Shortage of working capital to finance new business plans	Information Barriers	Training	Information
5	Establishing and maintaining trust with business partners	Distribution, logistics, and Promotion Barriers	Overall improvement in investment climate	Technology development and transfer
6	Limited Information to locate/analyze markets/business partners	Tax, Tariff and Non-Tariff Barriers	Financing	Counseling and advice
7	Inability to identify and contact potential business partners	Procedural Barriers	Counseling and advice	Training
8	Unreliable market data (costs, prices, market shares)	Other Barriers		
9	Offering technical/after-sales service			
10	Insufficient quantity of and/or untrained personnel for market expansion			

Source: Vannarith et al. (2010); compiled by Author

Regarding some empirical findings as well as the experience and policy papers of many countries, particularly in ASEAN, three main obstacles were taken into consideration by RGC, as well as SME sub-committee and secretariat in 2005.

According to SME development framework in 2005, the three main constraints to Cambodia SME are (1) Regulatory and Legal constraints, (2) Access to Finance and (3) SME Supporting Activities⁵. Figure 4.6 illustrates the barriers of SME development in Cambodia which have been identified by RGC since 2005. Such SME development policies are based on this framework which aims at enabling a better business environment for SME.

Figure 2.4: Constraints to SME development



Source: Adopted from SME development Framework (2005)

2.3.1. Regulatory and Legal Constraints

There were many complaints from enterprises as well as from the NGOs related to the Cambodia regulation and legal system. Complicated and intrasparent

⁵ These three barriers have been acknowledged and widely accepted by many countries as well as the World Bank and ADB as the main constrains for SME development.

registration procedure, unnecessary and double uncertain inspections, inefficient judicial system in dealing with commercial dispute and enforcing the contract, and the high transaction in transporting the products across the border were seen as the burdens for the enterprises as well as for the SME development in Cambodia.

➤ *Company Registration, Regulation and Recourse Mechanism:* According to Doing Business database (IFC), the registration cost of Cambodia SME is up to 109.7% of GDP per Capita in 2011, which is much higher than that of the neighboring countries such as Thailand and Laos, 6.2% and 7.6%, respectively. Further, it is required up to nine procedures to open one business (SME) while it takes only seven in Laos and five procedures in Thailand. This obstacles cause many SMEs in Cambodia to remain informal, which is the trouble for those firms to receive the advantages from government policies and hinder them from accessing to formal credit, which are the main factors constrain them from development. Complicated and intraspresent business regulation is another issues that obsess Cambodia SME development. Until 2005, there are not exact procedures for SME in obtaining the license as well as for the inspection. For example, manufacturing SMEs are required to obtain operating permit from both Ministry of Industry, Mine and Energy (MIME) and Ministry of Commerce, and they have to bear many inspections from many different ministries such as MIME, Ministry of Environment, and sometimes Ministry of Interior. According to World Bank Survey in 2004 (Cited in Bailey, 2007), the inspections for the enterprises is around 16 times per year in average. Besides the imposing opportunity cost, each inspection could provide the opportunity for corruption and demanding bribes from officials.

➤ *Commercial and Legal Framework:* Cambodia judicial system is considered as inefficient in dealing with the commercial disputes, usually unfair and bias, and poorly ranks regarding to the speed, affordability and enforcement decision (World

Bank Survey cited in Bailey, 2007). In 2011, Cambodia was ranked 142th among 183 countries in contract enforcement for business which is much higher comparing to the regional countries such as Thailand, Malaysia and Laos, which rank 24th, 31st and 110th, respectively.

➤ *Smuggling*: Smuggling creates the unfair competition for Cambodia SMEs. While the formal firms are struggling to complete all the complicated procedures to import their production input, which impose more cost to their products, many importing smuggle goods can cross the borders and compete for the same consumers in the market.

2.3.2. Access to Finance

Access to Finance is the primary constraint to SME development. None of the country rejects this obstacle. It is also considered as a big constraint for Cambodia SME by RGC as well as by SME sub-committee since 2005. IFC conducted a survey in 2010 and found out that only 50% of SME has a bank account and 90% of the enterprises surveyed started their business with their own money and/or borrow from family and friends. Further, there are only 59% of the enterprises surveyed had financial record. Regarding this issue, four factors are taken into account as the barriers to SME in accessing to finance.

➤ *Collateral and Land titling*: Collateral is the main criteria for the banks in providing loan. In Cambodia, the major collateral is land or house or other unmovable assets. Due to the war for many decades, most of the land in Cambodia was left with unclear titled. As a result, banks have to encounter additional cost to verify the land ownership before deciding to provide loan to SME owners who possess untitled land. However, during these last few years, many lands have been officially titled by Ministry of Land Management and Urban Planning.

➤ *Leasing*: The concepts of “Leasing” has not been widely employed and accepted in Cambodia. The only one formal channel that SME can obtain the fund is borrowing from the banks or MFIs.

➤ *Credit Information Sharing*: It is believed the information sharing is very beneficial for the banks as well as for the borrowers. However, in Cambodia there is no effective mechanism for sharing the credit information which can provide the advantages to all borrowers and banks.

➤ *SME Accounting*: Another crucial barrier for the banks to lend to SME is the lack of basic accounting system within the firms. Most of Cambodia SME has no formal financial statement or even transaction recording. This is due to the lack of knowledge about the benefit of those financial statements as well as the transaction recording, plus the lack of skill in preparing those statements.

2.3.3. SME Support Activities

SME sub-committee recognized the lack of supporting activities, particularly to improve the capabilities of SME. Four main activities have been taken into consideration.

➤ *Business Development Services (BDS)*: Very few business development services are provided by public sector in Cambodia. Chamber of Commerce provided some BDS to SME but it was in a limited scope.

➤ *Access to Market*: Even though some organizations (public organization, NGOs or Media) work to provide the market information, either in domestic or international markets, to SME there has not yet any formal public institution or mechanism worked to help SME in this area. Further, information from government mostly in the form of newsletter was not widely used and considered as unreliable.

➤ *Technology and human resource upgrading*: Many Cambodia SMEs are still employing the out-of-date technology which consists of inefficient machinery and

low educated staff. Severely, there were very few enterprises that provide on job-training to their staff.

➤ *Linkages:* SMEs in Cambodia are seen as the domestic market oriented firms, which mean they produce and sell their products to final consumers. There are very few formal contracts between large enterprises and SMEs or even among the SMEs themselves. Linkage here refers to not only the link between the firms but also the link between the SME and government. Those linkages tend to be weak in Cambodia. Most of the businesses rely on personal relationship rather than formal contract.

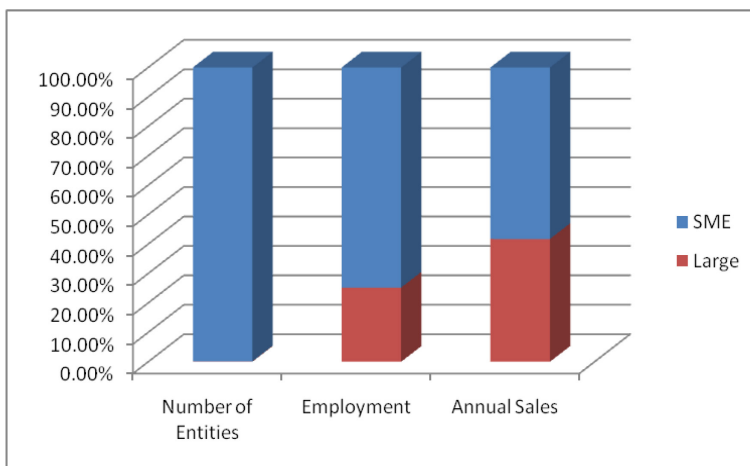
3. Key sectors of Cambodia SME Manufacturing

In Cambodia, even though the SME sub-committee and SME development framework has been established since 2005, aiming at developing the SME sector as a whole, there has no official statistics to serve as the indicators of the development of this important sector yet. There was an attempt by SME technical working group to construct this database for the SME sector in 2007, but it was not so successful. They could only collect the data from various ministries and agencies without compilation due to the complication process (there are the overlap registrations of the firms in various government agency and ministries). The available data that has been using in any research and policy papers so far is mainly the data of SME within industry sector (SMI) which is initially received from Ministry of Industry, Mines and Energy.

Different from the literatures, this research will employ the data from Cambodia economic census in 2011, which is the only source that can be used to show the characteristic of Cambodia firm establishment as well as the SME. This is a concrete survey of all the establishments and entities within Cambodia, which include

various kind of important indicator such as Number of Establishment/Entities⁶, Number of Employment, Annual Sales, Expenses, etc. In order to extract the SME data from the survey, the employment definition of SME in SME development framework will be used.

Figure 3.1: SME Vs Large Enterprise



Source: Compiled by Author, , Economic Census of Cambodia (2011)

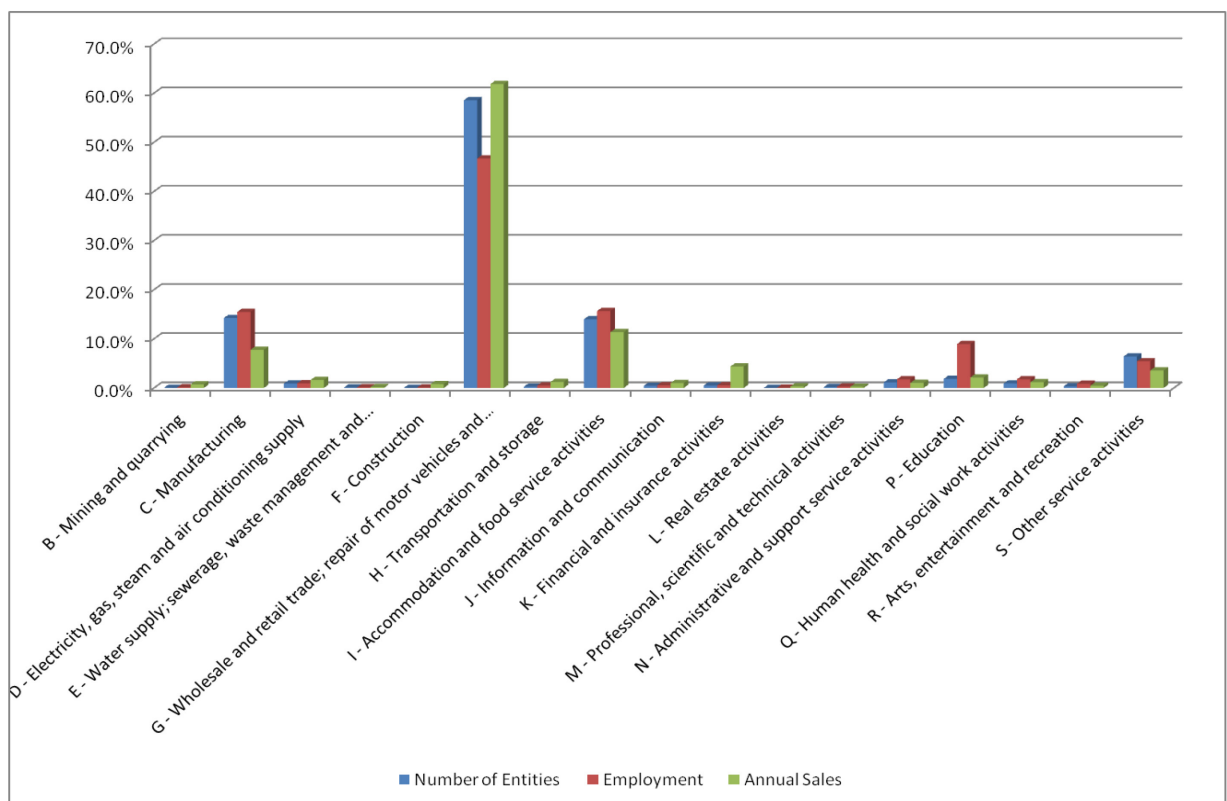
absorb up to 74.8 percents of the employment generated by all of the enterprises and left only 25.2% for the large enterprises in Cambodia. Interestingly, in spite of its minority regarding the number of establishment and employment, large enterprises could absorb up to 41.72% of the total annual sales created by all kind of enterprises. However this contribution is still less comparing to the income that SME could generated. In short, SME dominants large enterprises in all aspects, number of entities, employment and income generation, which could reflect the important of this sector in Cambodia economy.

Having seen the vital role of SME has been playing in the economy, we are now looking the characteristic of this sector. Figure 4.2 demonstrated the sector breakdown of the whole SME sector based on International Standard Industrial

⁶ "Establishment" is the number of actual business operation sites, and "Entity" is the number of enterprises registered. To be formal, this research will employ only the data of entity (number of entity, employment, and annual sales).

Classification (ISIC). It is shown that sector G - Wholesale and retail trade; repair of motor vehicles and motorcycles is the leading industry in terms of number, employment and income generation. According to the bar graph, around 60% of the total entities and total income were generated from sector G, which could absorb around 46% of the total employment created by SME sector. Noticeably, sector C - Manufacturing and Sector I - Accommodation and food service activities are the second highest part of SME sector, contributed around 14% and 15% of the number of entities and employment, respectively. However, sector I produced higher income (11.4% of the SME generated by annual sales) than sector C (7.8%).

Figure 3.2 Sector Breakdown of SME sector in Cambodia



Source: Compiled by Author, Economic Census of Cambodia (2011)

Even though sector G - wholesale and retail trade; repair of motor vehicles and motorcycle is currently seen as the largest contributor in SME sector, many research as well as theories do not recognize this sector as the core sector to promote industrialization as well as the employment. More importantly, Cambodia is an

imported country - she has been facing the trade deficit for many years since the countries started opening for trade in 1993. The trade deficit in 2010 was 1714.8 million USD, which is higher comparing to 2009 (1634 million USD). Therefore, promoting the products from this sector will promote the direct import from abroad, which could not generate more employment and industrialize the economy.

Despite the current less contribution of Sector C - Manufacturing in SME sector comparing to sector G, it is believe that Manufacturing sector should play more crucial role than this in the future; so that we could build the basis of the economy, industrialize, and reduce the unemployment. Therefore, the products of Manufacturing sector will be concentrated for export promotion.

Table 4.1 indicated the share of each industry (Number of Entities, Employment and Annual Sales) within manufacturing SME. In order to identify which industries play the most important role in SME manufacturing sector, the "rank" method was used and the average rank of the three indicators (rank of entities, employment and annual sales) was calculated. The table was sorted based on the average rank. Finally,we obtained the 6 potential industries in the SME Manufacturing sector as follow:

- a) 10 - Manufacture of food products
- b) 14 - Manufacture of wearing apparel
- c) 25 - Manufacture of fabricated metal products, except machinery and equipment
- d) 13 - Manufacture of textiles
- e) 23 - Manufacture of other non-metallic mineral products
- f) 11 - Manufacture of beverages

Only six industries were selected within SME manufacturing sector because they covered up to 90.46%, 88.46% and 76.46% of the Number of Entities, Employment and Annual Sales, respectively.

More importantly, as the data on products detail of the six selected industries was available up to 4 digits of ISIC, we could deepen the analysis up to 4 digits of ISIC by using the same method, average rank (Please see the table 3.2). However, the 4 digits of ISIC, does not reveal the single product that could be used for identifying the potential market, which will be done in next section. Therefore, this research will select 10 potential single products based on Harmonized System Codes (HS Code)⁷ by compromising those products with the identified potential industries to ensure that the 10 selected products won't be beyond the 6 selected industries (Table 3.3).

⁷HS Code is the well-known standard system practicing in international trade. It is mainly and widely used for imposing the tariff on the imported products. Therefore, each country records their imported and exported product based on this coding system.

Table 3.1: Characteristics of Cambodia Manufacturing SME

ISIC 2 digits	Percentage Share within SME Manuf.			Rank			
	Entities	Empl.	An. Sales	Entities	Empl.	A. Sales	Average
10 - Manufacture of food products	39.05%	36.10%	33.30%	1	1	1	1.00
14 - Manufacture of wearing apparel	22.11%	19.39%	17.05%	2	2	2	2.00
25 - Manufacture of fabricated metal products, except machinery and equipment	6.65%	8.44%	9.92%	4	5	3	4.00
13 - Manufacture of textiles	12.47%	9.77%	4.20%	3	3	7	4.33
23 - Manufacture of other non-metallic mineral products	3.93%	8.97%	7.75%	6	4	4	4.67
11 - Manufacture of beverages	6.24%	5.80%	4.24%	5	6	6	5.67
32 - Other manufacturing	2.58%	2.07%	4.06%	8	8	8	8.00
16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2.75%	2.89%	1.41%	7	7	12	8.67
31 - Manufacture of furniture	1.68%	1.97%	2.33%	9	9	10	9.33
33 - Repair and installation of machinery and equipment	1.32%	1.26%	2.61%	10	10	9	9.67
20 - Manufacture of chemicals and chemical products	0.18%	0.47%	6.04%	13	14	5	10.67
18 - Printing and reproduction of recorded media	0.35%	0.92%	1.15%	11	11	14	12.00
15 - Manufacture of leather and related products	0.34%	0.57%	0.44%	12	12	17	13.67
24 - Manufacture of basic metals	0.05%	0.20%	1.77%	16	16	11	14.33
22 - Manufacture of rubber and plastics products	0.06%	0.50%	0.80%	15	13	16	14.67
30 - Manufacture of other transport equipment	0.11%	0.19%	1.16%	14	17	13	14.67
17 - Manufacture of paper and paper products	0.03%	0.24%	1.06%	18	15	15	16.00
12 - Manufacture of tobacco products	0.04%	0.09%	0.26%	17	18	18	17.67
28 - Manufacture of machinery and equipment n.e.c.	0.03%	0.07%	0.23%	19	19	19	19.00
21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.01%	0.05%	0.14%	20	20	20	20.00
27 - Manufacture of electrical equipment	0.01%	0.01%	0.06%	21	21	21	21.00
26 - Manufacture of computer, electronic and optical products	0.01%	0.01%	0.01%	22	22	23	22.33
29 - Manufacture of motor vehicles, trailers and semi-trailers	0.00%	0.01%	0.01%	23	23	22	22.67
19 - Manufacture of coke and refined petroleum products	0.00%	0.00%	0.00%	24	24	24	24.00

Source: Compiled by Author, Cambodia Economic Census 2011

Table 3.2 Characteristic of the 6 Potential Industries in SME Manufacturing Sector

Rank	Main Industry (Class ISIC 4 digits)	# of Entities		Employment		Annual Sales		Average Rank
		SME	Rank	SME	Rank	SME	Rank	
1	1061 Manufacture of grain mill products	19,485	1	40,182	1	116,791,467	1	1.0
	1072 Manufacture of sugar	6,112	2	15,216	2	16,967,110	3	2.3
	1074 Manufacture of macaroni, noodles, couscous and similar farinaceous products	956	3	3,515	3	9,267,255	4	3.3
	1010 Processing and preserving of meat	299	5	1,053	5	17,313,188	2	4.0
	1071 Manufacture of bakery products	307	4	1,970	4	9,115,060	5	4.3
	1062 Manufacture of starches and starch products	143	6	629	6	7,143,149	6	6.0
	1020 Processing and preserving of fish, crustaceans and molluscs	109	7	542	7	3,632,007	8	7.3
	1030 Processing and preserving of fruit and vegetables	91	8	512	8	2,612,070	9	8.3
	1080 Manufacture of prepared animal feeds	8	11	194	10	6,929,435	7	9.3
	1079 Manufacture of other food products n.e.c.	32	10	222	9	1,111,476	10	9.7
	1050 Manufacture of dairy products	33	9	90	11	354,598	11	10.3
	1073 Manufacture of cocoa, chocolate and sugar confectionery	7	12	44	12	110,603	12	12.0
	1075 Manufacture of prepared meals and dishes	2	13	5	13	32,850	13	13.0
	1040 Manufacture of vegetable and animal oils and fats	1	14	3	14	16,800	14	14.0
2	1410 Manufacture of wearing apparel, except fur apparel	15,340	1	33,485	1	96,399,263	1	1.0
	1430 Manufacture of knitted and crocheted apparel	278	2	988	2	1,602,613	2	2.0
	1420 Manufacture of articles of fur	-	3	-	3	-	3	3.0
3	2511 Manufacture of structural metal products	2,796	1	9,332	1	34,776,963	1	1.0
	2592 Treatment and coating of metals; machining	682	2	2,208	2	8,974,469	2	2.0
	2593 Manufacture of cutlery, hand tools and general hardware	676	3	1,709	3	3,982,742	4	3.3
	2512 Manufacture of tanks, reservoirs and containers of metal	363	4	964	4	3,300,516	5	4.3
	2599 Manufacture of other fabricated metal products n.e.c.	161	5	679	5	5,305,362	3	4.3
	2591 Forging, pressing, stamping and roll-forming of metal; powder metallurgy	17	6	80	6	497,349	6	6.0
	2513 Manufacture of steam generators, except central heating hot water boilers	5	7	31	7	166,154	7	7.0
	2520 Manufacture of weapons and ammunition	-	8	-	8	-	8	8.0
4	1312 Weaving of textiles	8,413	1	16,421	1	21,984,393	1	1.0
	1392 Manufacture of made-up textile articles, except apparel	320	2	525	2	1,439,959	2	2.0
	1313 Finishing of textiles	6	7	126	3	154,740	4	4.7
	1393 Manufacture of carpets and rugs	10	6	73	5	356,410	3	4.7
	1394 Manufacture of cordage, rope, twine and netting	25	3	69	6	105,690	5	4.7
	1311 Preparation and spinning of textile fibres	22	4	45	7	36,445	6	5.7
	1399 Manufacture of other textiles n.e.c.	13	5	82	4	24,435	8	5.7
	1391 Manufacture of knitted and crocheted fabrics	2	8	24	8	25,440	7	7.7
5	2392 Manufacture of clay building materials	879	2	9,816	1	22,438,987	1	1.3
	2395 Manufacture of articles of concrete, cement and plaster	1,557	1	4,636	2	15,310,519	2	1.7
	2310 Manufacture of glass and glass products	268	3	972	3	4,061,821	3	3.0
	2393 Manufacture of other porcelain and ceramic products	44	4	240	4	629,280	6	4.7
	2394 Manufacture of cement, lime and plaster	13	5	190	5	1,119,068	4	4.7
	2396 Cutting, shaping and finishing of stone	12	6	73	6	912,500	5	5.7
	2399 Manufacture of other non-metallic mineral products n.e.c.	3	7	15	7	77,895	7	7.0
	2391 Manufacture of refractory products	1	8	1	8	2,555	8	8.0
6	1101 Distilling, rectifying and blending of spirits	4,073	1	8,229	1	15,343,482	1	1.0
	1104 Manufacture of soft drinks; production of mineral waters and other bottled waters	121	3	1,562	2	7,455,584	2	2.3
	1102 Manufacture of wines	208	2	454	3	1,330,048	3	2.7
	1103 Manufacture of malt liquors and malt	5	4	64	4	248,645	4	4.0

Source: Compiled by Author, Cambodia Economic Census 2011

Table 3.3: List of 10 Selected products

No	Selected Products		Industry (ISIC 4 digits)	Main Industry (ISIC 2 digits)	MOC Products
	HS Code	Name of product			
1	100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	1061 Manufacture of grain mill products	10 - Manufacture of food products	Rice
2	170111	Raw sugar, cane	1072 Manufacture of sugar		N/A
3	190230	Pasta nes (Include Noodle)	1074 Manufacture of macaroni, noodles, couscous and similar farinaceous products		N/A
4	210390	Sauces and preparations nes and mixed condiments and mixed seasonings (Soy sauce and chili sauce)	1020 Processing and preserving of fish, crustaceans and molluscs		N/A
5	611020	Pullovers, cardigans and similar articles of cotton, knitted (Garments)	1410 Manufacture of wearing apparel, except fur apparel	14 - Manufacture of wearing apparel	Garments
6	711319	Articles of Jewelry & Part thereof	2511 Manufacture of structural metal products	25 - Manufacture of fabricated metal products, except machinery and equipment	Footwear
7	500720	Woven fabrics of silk/silk waste,o/t noil silk,85%/more of such fibres	1312 Weaving of textiles	13 - Manufacture of textiles	Silk
8	252321	Portland cement white whether or not artificially coloured	2394 Manufacture of cement, lime and plaster	23 - Manufacture of other non-metallic mineral products	N/A
9	220600	Fermented beverages nes	1101 Distilling, rectifying and blending of spirits	11 - Manufacture of beverages	Beer
10	220210	Waters incl mineral&aeratd,containg sugar o sweeteng matter o flavourd	1104 Manufacture of soft drinks; production of mineral waters and other bottled waters		N/A

Source: Compiled by Author, Cambodia Economic Census 2011

According to Table 3.3, four products have been selected within sector 10-Manufacture of food products. One product for sector 14, 25, 13, and 23 and another two products for sector 11-Manufacture of beverages. Four products of Manufacture of food products sector and two products of Manufacture of beverages were selected because this sector is the most important sector within SME manufacturing regarding its high contribution. Plus, it is believes that these two sectors had a very high linkage with the agriculture products, in which, the majority of poor people live and work and Cambodia has potential. More importantly, each product selection is based not only on the high contribution in ISIC 4 digit code but it is also based on the list of Cambodia potential products, revealed by the Ministry of Commerce.

4. The Potential Export Markets

In order to identify the potential export market for the 10 potential products of Cambodia SME in Manufacturing sector, this research will examine the foreign demand on the selected products. Data on import of each country around the globe⁸ will be used to represent the foreign demand of the individual country on the selected products. Theoretically, market measurement can be done in two ways, absolute and relative analysis. While the absolute measures do help to analyze the percentage share of physical market size and the growth of that market, they tend to ignore the small potential markets and fail to demonstrate the relative growth of those markets in relation to the other members of the group chosen. Due to the above reason, this research will employ the Shift-Share method to determine the relative demand of each country on the selected products.

Shift-share method measures the growth of the individual market/country or demand on the selected products relative to all member of a chosen group. Historically, during 1960s this method was popularly used to analyze the regional growth rate of the market and the employment (Perloff, Dunn Jr, Lampard, & KEITH, 1960; Huff & Sherr, 1967). Later on, this method has been reviewed and examined by many researchers and employed in many different kinds of literatures such as accessing and appraising the brand and products performance (Yandle, 1978; Kerin, Mahajan, & Peterson, 1980). According to Ahmed. (1995), this method was used in three main different analysis of product portfolio: product-market growth, firm growth, and individual product growth. This technique was initially used to identify the opportunity for export by Green and Allaway (1985). Until recently, Sazmand-

⁸ The data on import of each country yearly was obtained from trade map database <http://www.trademap.org>

Asfaranjan & Ziaei-Moayyed (2012) employed this technique to access the export opportunity for Malaysia's palm oil products.

This research will employ this technique to identify the export opportunity of the 10 selected products in the previous section based upon the changes that have occurred on an imported data of those products (the 10 products) at the beginning and end of specified period of analysis. The calculation used in this method aimed at determining the percentage net shift, which is the relative gain or loss in growth of the foreign demand relative to the other countries from 2007 to 2011. Three kind of information are needed to run this method:

1. Time Period for which growth comparisons of imported demand are made. In this research it will be from 2007 to 2011.

2. Geographical Unit (Countries) for which of analysis for relative measure is to be done. All the countries, which their trade data are available in trade map database (www.trademap.org), will be entirely selected for relatively measurement and comparison.

3. Variable for measuring the relative gain or loss. This research will use the import data on the 10 selected products of all the countries to represent the foreign demand and to measure the relative gain or loss of the demand. "V" represents the value of the import data.

There are eight major steps in calculating the Net Shift and the % Net Shift of the data as follow:

1. Actual Change (AC): $\Delta V_i = V_{i,t} - V_{i,t-1}$; This is the change of import of a specific product over the period 2007 to 2011.

2. Total Value = $\sum V_{i,t}$ and $\sum V_{i,t-1}$; This is the total import of world on a specific product in year 2007 and year 2011.

3. Growth Rate (Multiple Factors) (K): $K = \frac{\sum V_{i,t}}{\sum V_{i,t-1}}$; This is general growth rate

of import of a specific product from 2007 to 2011.

4. Expected Value (EV): $E(V_{i,t}) = K \cdot V_{i,t-1}$; Given the general growth rate of the product, this is the value of import that each country is expected to reach.

5. Expected Change Value (EC): $E(\Delta V_{i,t}) = EV - V_{i,t-1}$; This is the value of import that each country is expected to change.

6. Net Shift Value (Ni): $AC - EC$; This is the difference between the actual change and expected change value. This value can be positive or negative. Positive figure means that the actual demand on a selected product is higher than its expected value. The negative figure means the demand on the selected product is relative low comparing to the general expected value. The country, which obtained the positive Net Shift Value, is considered as having a relatively high demand over 2007 and 2011 and known as a good market for export. The sum of Net Shift Value (both positive and negative value) of all the markets/countries is equal to zero.

7. Absolute Net Shift Value (Sx): $Sx = \sum Ni \text{ positive or } \sum Ni \text{ Negative}$; This is the sum of The Net Shift-share either positive or negative.

8. Percentage Net Shift (%Net Shift): $\%Net Shift = \frac{Ni}{Sx} \times 100\%$; This is the percentage share of the Net Shift (Ni) over Absolute Net Shift Value (Sx). It figures out how large the demand on a selected product. The larger percentage means that the demand of that market/country is higher comparing to the other countries; and that market is named as the potential market for exporting that product.

Table 4.1 displays the 10 potential export markets for the 10 selected products, employing the shift-share technique. The table was sorted based on the Percentage of Net Shift (% Shift) from the highest one to the lowest one. The highest % Shift means the demand on the selected product is relatively high comparing to the

other countries globally from 2007 to 2011. Interestingly, according to the table, some countries had a very high demand (In absolute terms and actual change) on a specific products; however, regarding their relatively demand over the period, comparing to the other countries globally, that country is not the best destination for exporting the SME products. For instance, France, Germany, Hong Kong, Russia Federation are the four leading countries who have the highest demand (absolute demand and actual change) on the products HS: 210390 (Soy Sauce and Chili Sauce, which is known as the potential industry in Cambodia SME Manufacturing). Nevertheless, regarding the relative terms over the period and comparing the increasing demand among the countries in the world based on shift-share analysis, these four countries is not the best destinations for exporting that product. They were replaced by Philippine, Myanmar and Nigeria.

Table 4.1: The 10 Potential Export Markets for the 10 selected products

Product	No	Importers	Imported value in 2007	Imported value in 2011	Actual Change Value (AC)	Multiple Factor (K)	Expected Value (EV)	Expected Change Value (EC)	Net Shift (+) Value	Absolute Shift Value	% Shift
100630Rice, semi-milled or wholly milled, whether or not polished or glazed	1	Iran (Islamic Republic of)		975,359	975,359	1.85577	0	0	975359	3,939,085	24.8%
	2	Nigeria	394,528	1,552,149	1,157,621	1.85577	732,154	337,626	819995	3,939,085	20.8%
	3	Indonesia	336,619	1,339,513	1,002,894	1.85577	624,688	288,069	714824.9	3,939,085	18.1%
	4	Malaysia	233,230	602,333	369,103	1.85577	432,822	199,592	169511.3	3,939,085	4.3%
	5	Libya		163,005	163,005	1.85577	0	0	163005	3,939,085	4.1%
	6	Guinea	5,505	135,469	129,964	1.85577	10,216	4,711	125253	3,939,085	3.2%
	7	Ghana	33,452	182,464	149,012	1.85577	62,079	28,627	120384.7	3,939,085	3.1%
	8	Kenya	36,209	177,069	140,860	1.85577	67,196	30,987	109873.4	3,939,085	2.8%
	9	Kuwait	139,582	356,840	217,258	1.85577	259,032	119,450	97807.65	3,939,085	2.5%
	10	Peru	34,881	130,888	96,007	1.85577	64,731	29,850	66156.82	3,939,085	1.7%
170111Raw sugar, cane	1	China	252,523	1,680,013	1,427,490	2.64096	666,904	414,381	1013109	293,620	345.0%
	2	Egypt		802,316	802,316	2.64096	0	0	802316	293,620	273.2%
	3	Nigeria	228,350	1,370,959	1,142,609	2.64096	603,064	374,714	767894.7	293,620	261.5%
	4	Iran (Islamic Republic of)		593,095	593,095	2.64096	0	0	593095	293,620	202.0%
	5	Spain	35,199	648,587	613,388	2.64096	92,959	57,760	555627.7	293,620	189.2%
	6	Belarus	92	340,152	340,060	2.64096	243	151	339909	293,620	115.8%
	7	Algeria	258,860	932,737	673,877	2.64096	683,640	424,780	249096.8	293,620	84.8%
	8	Bangladesh	197,831	706,503	508,672	2.64096	522,465	324,634	184038.3	293,620	62.7%
	9	Venezuela		178,374	178,374	2.64096	0	0	178374	293,620	60.7%
	10	Israel	2,512	174,975	172,463	2.64096	6,634	4,122	168340.9	293,620	57.3%

Table 4.1: Continue

Product	No	Importers	Imported value in 2007	Imported value in 2011	Actual Change Value (AC)	Multiple Factor (K)	Expected Value (EV)	Expected Change Value (EC)	Net Shift (+) Value	Absolute Shift Value	% Shift
190230Pastas (Include Noodle)	1	Japan	15,520	53,864	38,344	1.50752	23,397	7,877	30467.23	293,620	10.4%
	2	Malaysia	34,820	81,317	46,497	1.50752	52,492	17,672	28825.03	293,620	9.8%
	3	Australia	26,792	58,228	31,436	1.50752	40,390	13,598	17838.43	293,620	6.1%
	4	Mongolia	1,184	17,584	16,400	1.50752	1,785	601	15799.09	293,620	5.4%
	5	Myanmar		14,134	14,134	1.50752	0	0	14134	293,620	4.8%
	6	Hong Kong, China	51,440	90,755	39,315	1.50752	77,547	26,107	13207.98	293,620	4.5%
	7	Lao People's Democratic Republic	5,035	18,843	13,808	1.50752	7,590	2,555	11252.62	293,620	3.8%
	8	China	15,048	33,116	18,068	1.50752	22,685	7,637	10430.78	293,620	3.6%
	9	Timor-Leste	1	8,920	8,919	1.50752	2	1	8918.492	293,620	3.0%
	10	Egypt		8,165	8,165	1.50752	0	0	8165	293,620	2.8%
210390Sauces and preparations nes and mixed condiments and mixed seasonings (Soy sauce and chili	1	Philippines	13,835	91,934	78,099	1.46524	20,272	6,437	71662.43	642,648	11.2%
	2	Myanmar		33,818	33,818	1.46524	0	0	33818	642,648	5.3%
	3	Nigeria	22,668	66,231	43,563	1.46524	33,214	10,546	33016.98	642,648	5.1%
	4	Russian Federation	91,009	157,124	66,115	1.46524	133,350	42,341	23774.13	642,648	3.7%
	5	Germany	233,960	366,125	132,165	1.46524	342,807	108,847	23317.84	642,648	3.6%
	6	Italy	85,086	146,112	61,026	1.46524	124,671	39,585	21440.73	642,648	3.3%
	7	Hong Kong, China	107,133	178,168	71,035	1.46524	156,975	49,842	21192.62	642,648	3.3%
	8	Czech Republic	38,880	77,431	38,551	1.46524	56,968	18,088	20462.53	642,648	3.2%
	9	Austria	62,160	108,347	46,187	1.46524	91,079	28,919	17267.79	642,648	2.7%
	10	France	242,875	373,007	130,132	1.46524	355,870	112,995	17137.24	642,648	2.7%

Table 4.1: Continue

Product	No	Importers	Imported value in 2007	Imported value in 2011	Actual Change Value (AC)	Multiple Factor (K)	Expected Value (EV)	Expected Change Value (EC)	Net Shift (+) Value	Absolute Shift Value	% Shift
611020Pullovers, cardigans and similar articles of cotton, knitted (Garments)	1	Germany	1,649,160	2,121,891	472,731	1.06441	1,755,381	106,221	366510.4	1,973,021	18.6%
	2	Russian Federation	173,671	369,152	195,481	1.06441	184,857	11,186	184295	1,973,021	9.3%
	3	Netherlands	444,740	636,244	191,504	1.06441	473,385	28,645	162858.8	1,973,021	8.3%
	4	United Kingdom	1,100,488	1,328,959	228,471	1.06441	1,171,369	70,881	157589.7	1,973,021	8.0%
	5	Poland	110,851	255,883	145,032	1.06441	117,991	7,140	137892.2	1,973,021	7.0%
	6	Turkey	68,155	167,988	99,833	1.06441	72,545	4,390	95443.21	1,973,021	4.8%
	7	Canada	470,952	594,178	123,226	1.06441	501,286	30,334	92892.48	1,973,021	4.7%
	8	United Arab Emirates	22,204	115,359	93,155	1.06441	23,634	1,430	91724.86	1,973,021	4.6%
	9	Italy	802,429	936,513	134,084	1.06441	854,113	51,684	82400.4	1,973,021	4.2%
	10	France	1,066,544	1,205,269	138,725	1.06441	1,135,239	68,695	70030.03	1,973,021	3.5%
711319Articles of Jewelry & Part thereof	1	United Arab Emirates	4,723,138	15,755,759	11,032,621	1.75655	8,296,437	3,573,299	7459322	17,654,591	42.3%
	2	Hong Kong, China	3,125,947	9,252,959	6,127,012	1.75655	5,490,888	2,364,941	3762071	17,654,591	21.3%
	3	Switzerland	3,344,265	9,082,584	5,738,319	1.75655	5,874,375	2,530,110	3208209	17,654,591	18.2%
	4	Qatar	12,963	775,094	762,131	1.75655	22,770	9,807	752323.8	17,654,591	4.3%
	5	Singapore	1,397,726	2,812,463	1,414,737	1.75655	2,455,178	1,057,452	357284.6	17,654,591	2.0%
	6	Thailand	180,407	649,419	469,012	1.75655	316,894	136,487	332524.7	17,654,591	1.9%
	7	Saudi Arabia	106,163	470,750	364,587	1.75655	186,481	80,318	284269.2	17,654,591	1.6%
	8	Netherland Antilles	16,787	228,374	211,587	1.75655	29,487	12,700	198886.8	17,654,591	1.1%
	9	Malaysia	32,711	251,584	218,873	1.75655	57,459	24,748	194125.4	17,654,591	1.1%
	10	Europe Othr. Nes	39	149,414	149,375	1.75655	69	30	149345.5	17,654,591	0.8%

Table 4.1: Continue

Product	No	Importers	Imported value in 2007	Imported value in 2011	Actual Change Value (AC)	Multiple Factor (K)	Expected Value (EV)	Expected Change Value (EC)	Net Shift (+) Value	Absolute Shift Value	% Shift
500720Woven fabrics of silk/silk waste,o/t noil silk,85%/more of such fibres	1	Italy	185,431	224,575	39,144	0.94013	174,329	-11,102	50246.31	273,882	18.3%
	2	United Arab Emirates	26,272	64,081	37,809	0.94013	24,699	-1,573	39381.98	273,882	14.4%
	3	Tunisia	3,449	37,303	33,854	0.94013	3,242	-207	34060.5	273,882	12.4%
	4	Nigeria	0	31,477	31,477	0.94013	0	0	31477	273,882	11.5%
	5	Madagascar	23,272	41,127	17,855	0.94013	21,879	-1,393	19248.36	273,882	7.0%
	6	Turkey	25,320	36,715	11,395	0.94013	23,804	-1,516	12910.98	273,882	4.7%
	7	China	69,103	74,630	5,527	0.94013	64,966	-4,137	9664.405	273,882	3.5%
	8	Brazil	5,034	13,764	8,730	0.94013	4,733	-301	9031.401	273,882	3.3%
	9	Austria	4,803	13,473	8,670	0.94013	4,515	-288	8957.57	273,882	3.3%
	10	Portugal	13,210	20,792	7,582	0.94013	12,419	-791	8372.923	273,882	3.1%
252321Portland cement white whether or not artificially coloured	1	United States of America	205,951	92,733	-113,218	-0.1932	-39,800	-245,751	132532.5	293,620	45.1%
	2	Saudi Arabia	25,313	58,582	33,269	-0.1932	-4,892	-30,205	63473.68	293,620	21.6%
	3	Netherlands	22,062	41,162	19,100	-0.1932	-4,263	-26,325	45425.43	293,620	15.5%
	4	France	32,018	35,396	3,378	-0.1932	-6,187	-38,205	41583.4	293,620	14.2%
	5	Syrian Arab Republic	23,811	21,371	-2,440	-0.1932	-4,601	-28,412	25972.42	293,620	8.8%
	6	Ethiopia	102,727	5,543	-97,184	-0.1932	-19,852	-122,579	25394.74	293,620	8.6%
	7	Poland	12,426	22,540	10,114	-0.1932	-2,401	-14,827	24941.29	293,620	8.5%
	8	Iraq	3,387	23,487	20,100	-0.1932	-655	-4,042	24141.53	293,620	8.2%
	9	Israel	13,343	21,001	7,658	-0.1932	-2,579	-15,922	23579.5	293,620	8.0%
	10	Brazil	1,461	23,151	21,690	-0.1932	-282	-1,743	23433.33	293,620	8.0%

Table 4.1: Continue

Product	No	Importers	Imported value in 2007	Imported value in 2011	Actual Change Value (AC)	Multiple Factor (K)	Expected Value (EV)	Expected Change Value (EC)	Net Shift (+) Value	Absolute Shift Value	% Shift
220600Fermented beverages nes	1	Japan	66,085	270,411	204,326	1.87273	123,759	57,674	146651.8	351,819	41.7%
	2	Australia	10,205	52,029	41,824	1.87273	19,111	8,906	32917.81	351,819	9.4%
	3	Russian Federation	7,912	44,976	37,064	1.87273	14,817	6,905	30158.98	351,819	8.6%
	4	Angola	2,180	29,758	27,578	1.87273	4,083	1,903	25675.45	351,819	7.3%
	5	Hong Kong, China	9,572	33,303	23,731	1.87273	17,926	8,354	15377.25	351,819	4.4%
	6	Croatia	235	11,829	11,594	1.87273	440	205	11388.91	351,819	3.2%
	7	Republic of Korea	4,621	18,648	14,027	1.87273	8,654	4,033	9994.126	351,819	2.8%
	8	Sweden	6,896	19,825	12,929	1.87273	12,914	6,018	6910.67	351,819	2.0%
	9	Zimbabwe	393	6,422	6,029	1.87273	736	343	5686.018	351,819	1.6%
	10	Botswana	9,422	23,287	13,865	1.87273	17,645	8,223	5642.161	351,819	1.6%
220210Waters incl mineral&aeratd, containg sugar o sweeteng matter o flavourd	1	Canada	168,032	329,619	161,587	1.17242	197,004	28,972	132614.8	1,109,343	12.0%
	2	Austria	444,955	632,234	187,279	1.17242	521,674	76,719	110559.6	1,109,343	10.0%
	3	United Kingdom	323,712	473,855	150,143	1.17242	379,527	55,815	94328.41	1,109,343	8.5%
	4	Australia	90,812	190,989	100,177	1.17242	106,470	15,658	84519.15	1,109,343	7.6%
	5	United Arab Emirates	18,687	78,590	59,903	1.17242	21,909	3,222	56680.98	1,109,343	5.1%
	6	Norway	25,613	66,590	40,977	1.17242	30,029	4,416	36560.79	1,109,343	3.3%
	7	Switzerland	54,016	95,640	41,624	1.17242	63,329	9,313	32310.53	1,109,343	2.9%
	8	France	363,296	452,021	88,725	1.17242	425,936	62,640	26085.31	1,109,343	2.4%
	9	Saudi Arabia	3,016	29,158	26,142	1.17242	3,536	520	25621.98	1,109,343	2.3%
	10	Portugal	58,798	94,079	35,281	1.17242	68,936	10,138	25143.02	1,109,343	2.3%

Source: Author's own calculation

5. Conclusion

Like many other countries, Cambodia sees SME as one of the most important sector for income and employment generation, especially reducing the inequality. SME is commonly found in labor-intensive industry and employ the low and medium high tech, which has a close relationship with poor people. Many mechanisms and policies have been set up and implemented for the development of this sector. Improving the business registration and regulatory framework, access to finance, SME supporting activities, are the major concerns of the RGC for SME development. Among those constraints, access to the international markets is one of the main obstacles that need to be tackled.

Regarding the result of the analysis of the key sector and the exportable market (foreign demand) of the key products, this research revealed some significant results as follow:

- In SME sector, Wholesale and retail trade played the largest role, followed by the Manufacturing and Accommodation and food services sector, respectively. More Interestingly, by deepening the analysis on the Manufacturing sector, employing the average rank of the 3 major indicators (Number of Entities, Employment and Annual Sales), six potential industries have been identified as the key potential industries for promoting. Among the six industries, Manufacture of food and Manufacture of Beverages are believed to have the high potential regarding its high linkage with the agriculture sector.

- Employing the shift-share analysis result, 10 potential export market/countries, which is found having the highest relative demand on the selected products, have been pinpointed for the 10 selected products of the 6 potential SME manufacturing sector. This country is known as the potential export markets for the 10 selected products

All in all, in promoting the SME sector, particularly Manufacturing SME, government should concentrate more on the six key industries that have been identified in section 3 of the research. Plus, the ten countries/markets that have been notified in table 4.1 should be concretely taken into consideration for promoting export of the key products in manufacturing SME.

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