

BUSINESS
OPPORTUNITIES
in
Cambodia

17 September
2018

Sheraton
Grande
Sukhumvit
Bangkok

01

MIND THE GAP...















MALL
PENING

BONIA

LOCK



Copyright © Michael Na
<http://www.michaelnagle.com>



2008



2016



The country has undergone a lot of changes in the last decade...



... although some things have remained the same!

An aerial night-time photograph of Cambodia, showing the country's outline and internal features like the Tonle Sap and coastal areas. The image is framed by a dark blue circular border with a thin white line. The text is overlaid on the left side of the image.

02

KEY FACTS

All the basics you need to know
about Cambodia....

OVERVIEW : LOCATION



- 181,035 km²
- South of the Indochina Peninsula
- Bordered by Thailand, Laos, Vietnam, and the Gulf of Thailand
- Landscape: low-lying central plain surrounded by low mountains
- Water: Tonle Sap, Mekong River & 443km of coastline

OVERVIEW : MAIN DATA



Currency	Riel (KHR): 1USD \approx 4,000 KHR. Dollarized economy at 85%
GDP	22 billion USD (2017: World Bank)
Official language	Khmer, English widely used
Capital city	Phnom Penh
Major cities	Siem Reap, Sihanoukville, Battambang
Government type	Constitutional Monarchy
Head of State	King Norodom Sihamoni
Head of Government	Prime Minister Hun Sen
Population	15.93 million , annual growth 1.6 %, <25 years old: 50.26%
Time zone	GMT +07:00
Climate	Wet season: May to October, dry season: November to April, average temperature: 27°C
Major religion	Buddhism

MAIN CITIES





4000 Riels

=



1 USD

Dollarized Economy at 85 %



LANGUAGE



Khmer
(official)



English
(widely used)



A scenic view of a waterfront at dusk. The sky is a mix of deep blue and soft orange from the setting sun. In the foreground, several silhouetted figures are sitting on a dark ledge or pier. To the right, a row of flagpoles stands with flags flying. A tall palm tree is prominent on the right side. In the background, a body of water reflects the light, and a small boat with lights is visible. A decorative lamp post is also visible on the right.

GOVERNMENT TYPE

Constitutional Monarchy

HEAD OF STATE



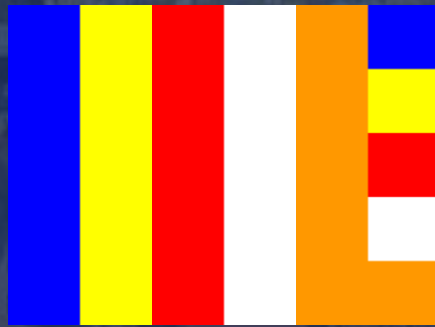
King Norodom Sihamoni

HEAD OF GOVERNMENT



Prime Minister Hun Sen

MAJOR RELIGION



Buddhism

POLITICAL STRUCTURE

- Constitutional monarchy with an elected government
- “Multiparty democracy”, **political stability**
- Monarch & head of state since 2004: King Norodom Sihamoni
- The Cambodian People’s Party is the current ruling party, led by Prime Minister Hun Sen since 1985
- Cambodia is a member of various international organizations including:



MACROECONOMIC STABILITY

- Stable
6.9% in
2017

GROWTH



- Low
inflation
3.4% in
2017

INFLATION



- US\$ 11.7
billion in
2017

INTERNATIONAL
RESERVES



- Low
0.9% in
2017

BUDGET
DEFICIT



- Stable
1\$ = 4008
Riels

EXCHANGE
RATE

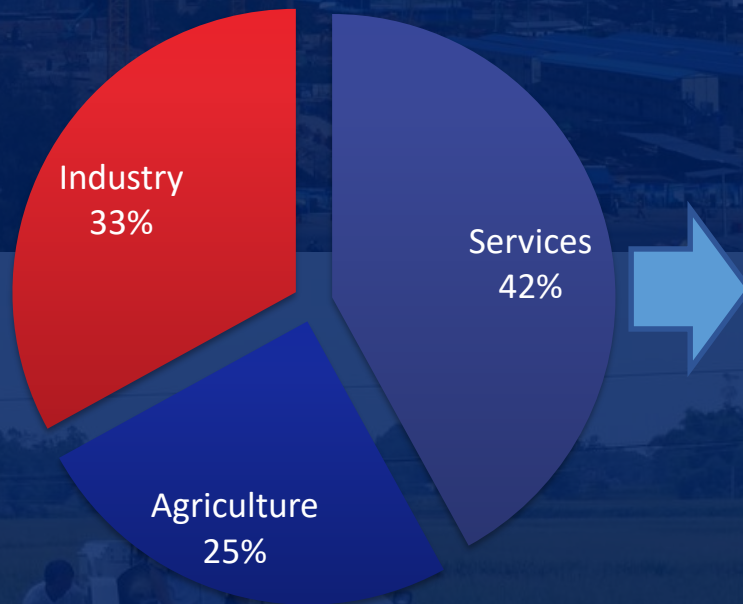


- Averaged
32-33% in
2017.

DEBT TO GDP
RATIO



Composition of GDP by sector, 2017



PILLARS OF GROWTH

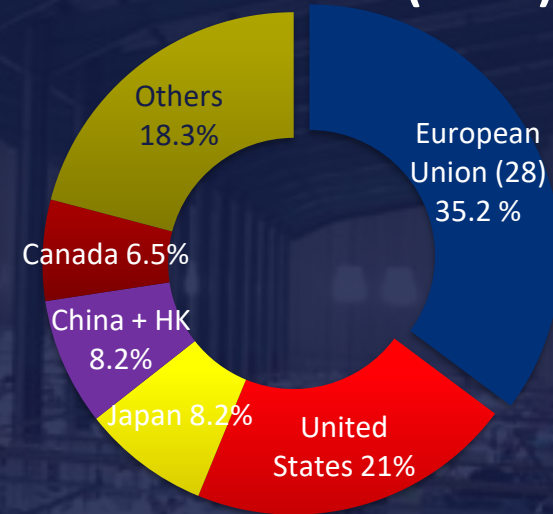
1. Agriculture
2. Real Estate & Construction
3. Tourism
4. Garment Industry



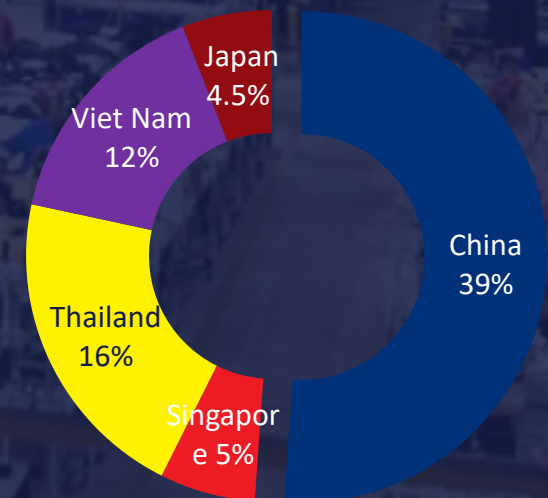
LIMITED DIVERSIFICATION OF EXPORTS

	2016	2017	% change
TOTAL (in millions)	10,069	17,261	71.40%
Apparel: Knit	61%	45%	28%
Apparel : not knit	5%	20%	572%
Footwear	8%	11%	143%
Leather Goods	1%	3%	196%
Electrical, electronic equipment	4%	3%	1%
Vehicles	4%	3%	22%
Cereals	3%	2%	15%
Precious stones & Metals	2%	2%	64%
Furskins and artificial fur	2%	2%	66%
Vegetables	0%	2%	1251%
Plastics	1%	1%	29%
Others	9%	8%	49%

Exports destination (2016)



Imports origin (2016)



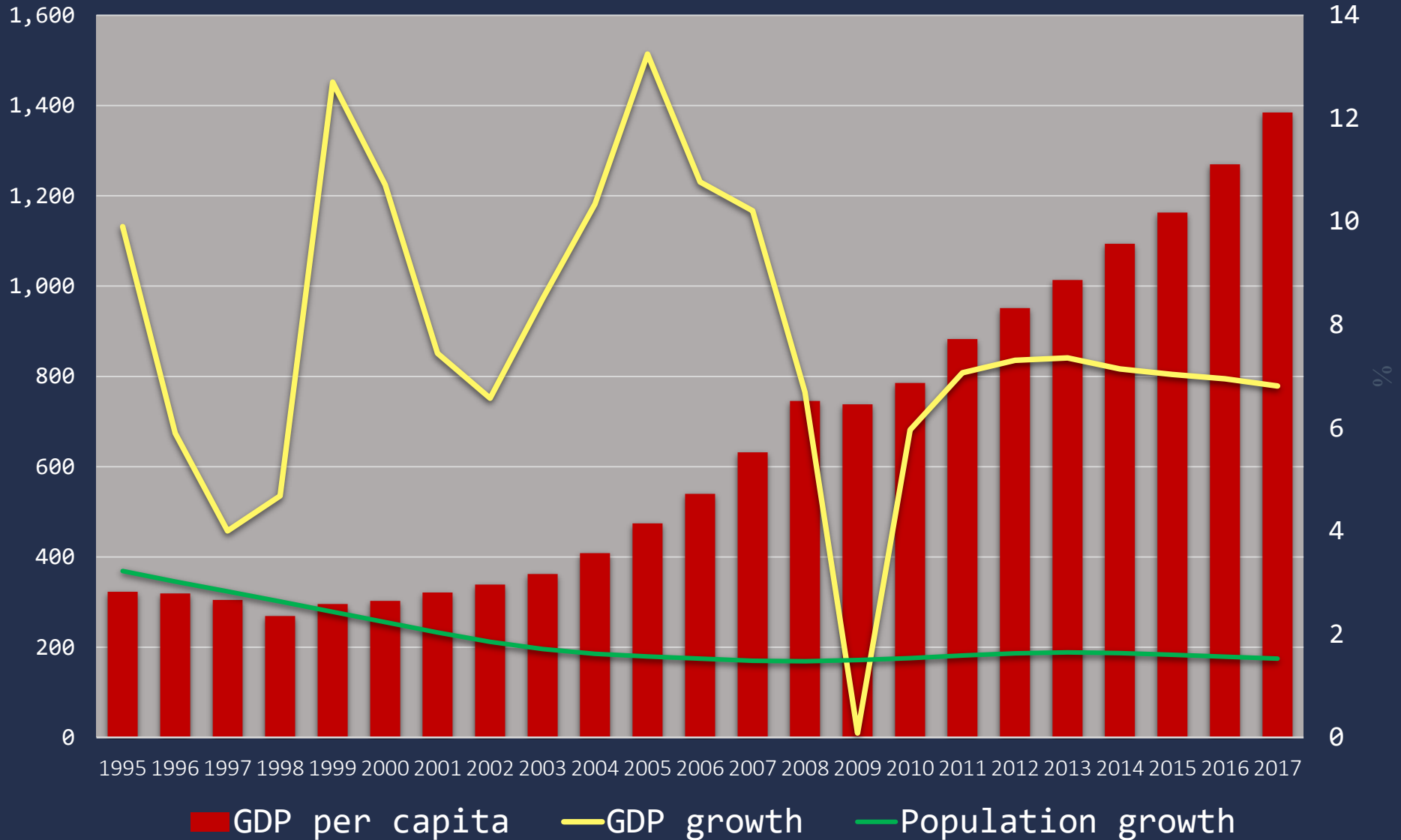


03

WHY INVEST IN CAMBODIA ?

Because this country deserves
much more than its temples...

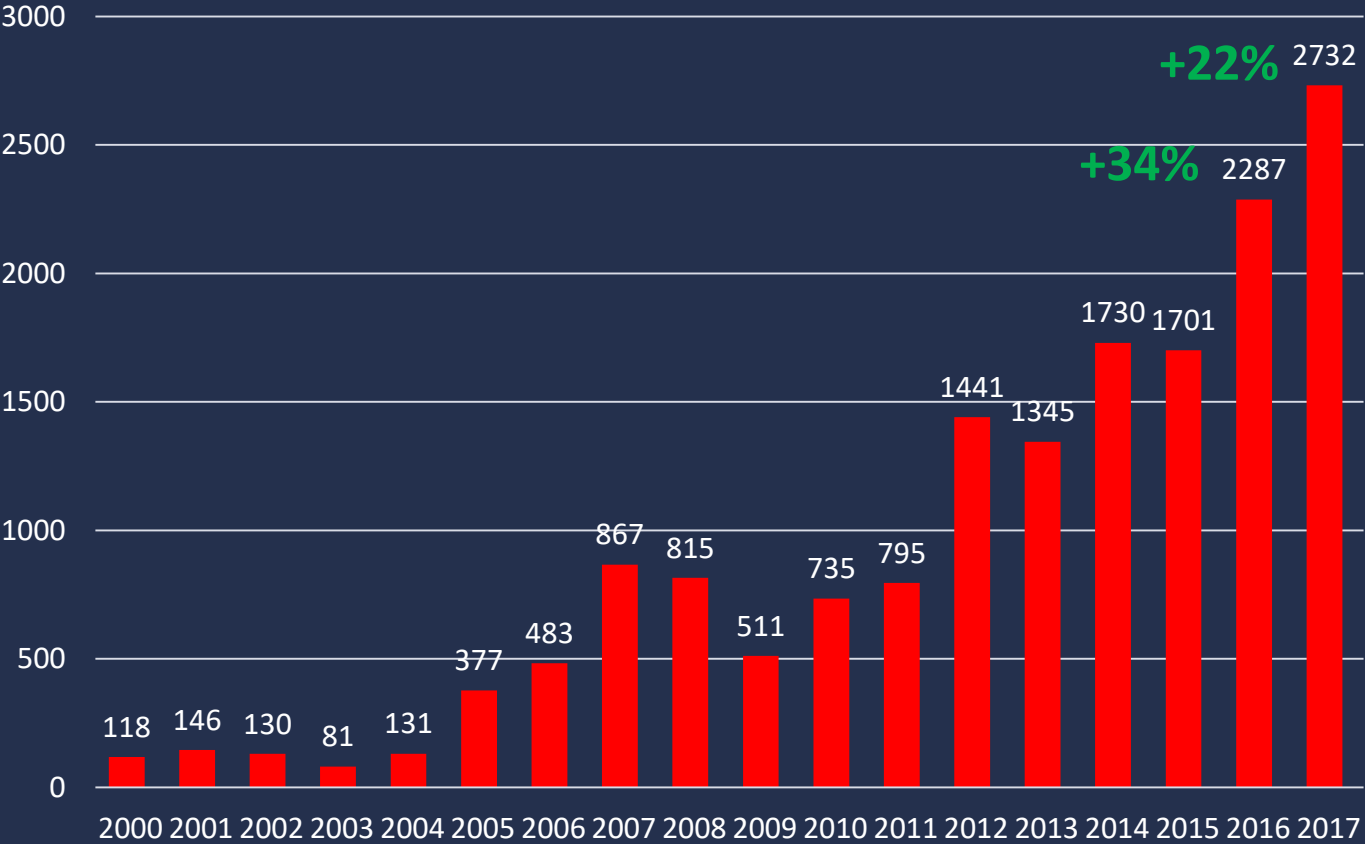
IMPRESSIVE GROWTH



Source: World Bank

STEADY INCREASE OF FDI

Cambodia FDI inflows (Millions USD)



Main investors (mostly Asian)

- China
- Japan
- Korea
- Vietnam
- Malaysia

Source: World Bank



**BUSINESS-FRIENDLY
GOVERNMENT**

Open economy

**PREFERENTIAL
MARKET ACCESS**

*Strategic geographic
location*

**UNTAPPED
MARKET**

*Opportunities in all
sectors*

QUALITY OF LIFE

Growing middle-class

**COMPETITIVE
LABOR FORCE**

*Abundant & cheap
land, labor*

**COMPETITIVE
ADVANTAGES**

COMPETITIVE INVESTMENT INCENTIVES

- Tax holiday up to 9 Years
- Full import and export duty exemption (QIP Projects)
- No discrimination, no nationalization
- No local participation requirement
- No price control on any products or services
- No foreign exchange control
- No restriction on capital repatriation: free repatriation of profits & free
- Remittance of royalty, interest, loan repayment, dividend, investment capital, etc.
- No trade restrictions
- Long-term land lease

REGULATORY FRAMEWORK

- **100% foreign ownership** permitted, except in certain sectors/national defense.
- **USD 1,000 minimum capital** requirement, except in certain sectors (such as insurers, or banking) or if investment incentives are sought.
- **Foreign secured lending** possible.
- **Industry specific licenses** in certain sectors (such as banks, MFIs, insurers, pharma, mining, energy, agriculture & telco).
- **No foreign exchange controls**, except in limited circumstances.
- **Foreign investors cannot own land** (but can enter into a JV with a Cambodian national).

TAX FRAMEWORK

Jurisdiction	CIT rate	VAT/Sales Tax	WHT Dividends	WHT Interest	WHT Royalties	Capital Gains Tax
Thailand	20%	7%	10% / 0%	15%	15%	15% to non-residents
Cambodia	20%	10%	14%	14%	14%	none for non-residents
Lao PDR	24%	10%	10%	10%	5%	10%
Myanmar	25%	5% (3-30)	0%	15%	20%	10%/40-50%

- **Corporate Tax: 20% Taxable Profit**
- **VAT: 10% Domestic Sales; 0% Export**
- **Incentives: 3 to 9 years Income Tax Holiday or special depreciation rules**
- **Withholding Tax on Payments to Non-residents: 14% on interest, dividends, lease, royalties, management & technical services fees**
- **Interest rate deduction caps**
- **Access to Preferential Tariffs**
- **No Personal Income Tax except Salary Income**
- **Recent tax treaties (Singapore)**

REFORMS, REFORMS, REFORMS...

Since the last election in 2013, the government has engaged in reforms

e-services and general compliance are promoted

Key ministries :
education,
environment, labor,
tax, customs...

Investment & SEZ laws to be amended
e-commerce law drafted

New Industrial Development Policy to diversify and add value



THE SPECIAL ECONOMIC ZONES (SEZ)



- Established in 2005; 48 registered and 17 active SEZ today
- Attract most of the FDI to Cambodia
- Generate 14% of Cambodia's exports
- Employ 90,000 people
- 36% of SEZ investment is garment, footwear and bags

LOCATION

- 1 Phnom Penh
- 2 Sihanoukville
- 3 Svay Rieng
- 4 Bavet
- 5 Poipet
- 6 Koh Kong
- 7 Svay Rieng
- 8 Sihanoukville Port
- 9 Sihanoukville
- 10 Poi Pet
- 11 Svay Rieng
- 12 Sihanoukville
- 13 Kampot
- 14 Phnom Penh

COMPETITIVE ENVIRONMENT

- **Business Friendly Environment**
- **No discrimination, little limitation**
- **Limited capital required to open a business**
- **Competitive Tax Framework**
- **Ongoing reforms**

In conclusion, a very liberal environment, fuelled by the willingness from the Government to implement more reforms.

04

CHALLENGES

Challenges exist but Cambodia
suffers from a perception lag...

CHALLENGES

Top 5 concerns for Businesses

Poor work ethic in national labor force



Tax regulations



Inefficient Government Bureaucracy



Inadequately educated workforce



Corruption



0

5

10

15

20

GROWTH MEANS NEW CHALLENGES

- Skill gap
- Rising wages
- Limited productivity
- Lack of capital investment
- Compliance

Cambodia will no longer be able to rely on cheap labor intensive industries to grow



BUSINESS CONFIDENCE SURVEY

2017



Main competitive advantage:
Low Cost of Human Resources (79%)
Main obstacle: Non transparent practices and unofficial fees

Not much changes in ease of doing business (70%) after the reforms ... but 63% reached or exceed profitability target

Major Improvement:
upgrades in infrastructure (43.5% - same as 2015)
Least area of Improvement:
transparency (54%)

Need for greater transparency
49.6%

60% still plan to expand their activities in Cambodia

75% of respondents predict further growth for their business in Cambodia

Impact of AEC : 53% somewhat positive

STABILITY...vs Democracy?



76 Recommendations
9 Committees
+60% policy responses

Current political situation is perceived from the West as a democratic step back...

... but businesses were pleased with the end of political bickering.

The Government did put an end to the opposition...

... but also adopted several of their policy proposals.

Public-private dialogue remains active and open.

05

SECTORS OF OPPORTUNITIES

Opportunities lie in all sectors but
more in niche markets.



CONSTRUCTION & DESIGN

- Sector is 9.8% of GDP, largest contributor
- High demand for condominiums
- 3,000 construction projects @ \$6 billion in investment in 2017
- Growing middle class require more housing and retail space, particularly large shopping malls

WHAT DOES CAMBODIA NEED?

- New infrastructure (road, bridges, etc.)
- Equipment (lighting, furniture)
- Services (interior design)



HR, TRAINING & EDUCATION

- More than 50% of the population has less than 25 years old
- Skills gap issue
- Inadequation between needs and curriculum
- Huge needs in training in almost all sectors
- Lack of technical certifications
- Lack of technicians
- But...Cambodian workforce is highly trainable





FOOD & BEVERAGES

- F&B is 2nd largest EU import
- 44% of per capita income spent on food and non-alcoholic beverages
- Emerging middle class and expat community

CAMBODIAN MARKET DEMANDS

- Premium delicatessen products
- Baby and nutritional products
- Gourmet confectionary and baked goods
- Soft drinks, coffee and tea
- Preserved goods and FMCG

AGRICULTURE & AGRO-INDUSTRY

Land available

Sector that has not reached its full potential.

Opportunities for more diversification & professionalization

Potential for organic and other niche products

Opportunities for supporting businesses

- Heavy machinery for farming
- Agro-processing equipment
- Targeted financing
- Irrigation, fertilizers, storage...



CONSULTING SERVICES

A blue-tinted photograph of a person in a suit holding a pen, with a laptop keyboard visible in the foreground. The image is split vertically, with the left side being a solid blue overlay containing text and the right side showing the person's hands and suit.

- Need for expertise in several fields
- Technical fields are needed
- Local companies understand the need for upgrade
- International expertise is valued

CONCLUSION

*Niche Market + Right Timing = **Great Opportunities***

- ✓ Can be considered as an additional market for Companies that are already present in the region. +1 strategy
- ✓ Take advantage from specific niches market in Cambodia: leisure industry, food & beverage, organic products, precision industry, renewable energy...etc.
- ✓ Gateway to ASEAN countries

*“In Cambodia, nothing is easy
but everything is possible”*

EUROCHAM OVERVIEW

An overview of our history, our membership, and the services we specialize in.

EUROCHAM AT A GLANCE

2011

Founded

330

Members

20

Employees

Largest Western
business association
in Cambodia

Supported by the European
Union via the **ICI+ program**
since September 2014

Bridge between European
investors and stakeholders in
the Kingdom



EUROCHAM EXPERTISE



Advocacy



*Outreach &
Consulting Services*



*Private &
Institutional Network*



CONSULTING

- Market surveys
- Regulatory overviews
- Market analysis
- Feasibility studies
- Qualified contact lists
- Business partner matching
- Trade missions



OUR PUBLICATIONS

- **Popular Publications** : White Book (3000 copies English, 1000 Copies khmer) Membership Directory (2000 copies), Year in Review (1000 copies), Business Confidence Survey (1000 copies), Business Opportunities (1000 copies), Getting started (1000 copies)
- More sponsorship opportunities to come for our publications



Winners of the APAC 2018 International Chamber of Commerce Awards



APAC 2018
International
Chambers of
Commerce
Awards &
Conference

European Chamber of Commerce
in Cambodia
**MEDIUM CHAMBER OF THE
YEAR 2018 AWARD**

“ In 3 years, they have grown from a modest, little known Chamber to the most visible, respected and successful Chamber in Cambodia, recognized not only by the business community, but also by the Government, development agencies and international organizations and institutions (OECD, ADB, IMF, Asia Foundation, World Bank, etc.). Their network today is connected to a large number of local networks but also to the development partners in Cambodia and to the Government. As such they are constantly in touch with a wide range of stakeholders who enjoy attending their events but also reach out to the Chamber for information and expertise. French, German, Italian, Nordic and British are all part of EuroCham. EuroCham Cambodia is very passionate about their work and extremely committed to Cambodia and their members. ”

THANK YOU !



Blaise Kilian
Executive Director
EuroCham Cambodia

Email: director@eurocham-Cambodia.org
www.eurocham-cambodia.org

More info about Cambodia:
www.eurocham-cambodia.org/publications

- White Book 2017
- Business Confidence Survey 2017
- Business Opportunities in Cambodia 2016
- Getting Started in Cambodia 2017