



Doing Business in Cambodia

2011 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Cambodia

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Market Overview

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Cambodia is a developing market economy that grew at an average of approximately 10 percent per year from 2004-2008, driven largely by an expansion in the garment, construction, agriculture, and tourism sectors. The global economic crisis has adversely affected the economy's key pillars and economic growth contracted by approximately 2 percent in 2009. Growth rebounded in 2010 at approximately 6 percent, and is forecast to continue at the same pace in 2011. Roughly one-third of 13.3 million Cambodians live in poverty, however the government hopes to raise the living standard of citizens through one of the most liberal investment regimes in Asia.

Cambodia is one of the few Least Developed Countries (LDCs) to export over \$2 billion. Since Cambodia became the first LDC to join the World Trade Organization (WTO) in 2004, trade has steadily increased, and the U.S. has been Cambodia's largest trading partner. At least 83 percent of Cambodia's total exports are to the U.S., primarily consisting of garments and footwear. In 2010, exports to the U.S. were \$2.3 billion. U.S. exports to Cambodia in 2010 were \$153 million, up 20 percent from 2009. In July 2006, the United States signed a Trade and Investment Framework Agreement (TIFA) with Cambodia to promote greater trade and investment in both countries and provide a forum to address bilateral trade and investment issues.

Cambodia is also a member of the Association of Southeast Asian Nations (ASEAN) and the Asia Free Trade Area (AFTA), which will enhance regional trade as tariffs within ASEAN are lowered to zero to five percent by 2015. Concurrent with ASEAN integration, an interconnected series of highways, railways, power, and telecommunications is being implemented in the Greater Mekong Subregion (GMS) countries of China, Thailand, Myanmar, Laos, Cambodia, and Vietnam which will greatly enhance intra-regional trade.

Cambodia's rapidly expanding tourism industry is led by the spectacular cultural attraction of Angkor Wat. Tourism has increased more than eleven-fold since 1998 when Cambodia received a modest 187,000 tourists, with the number of foreign arrivals exceeding 2.5 million in 2010. The government is now looking to diversify tourism options by opening up ecotourism and beach tourism attractions throughout the country. However, despite rapid growth in garments and tourism, Cambodia remains an agrarian society.

The agriculture sector employs approximately 80 percent of Cambodia's population. Cambodia's primary crop is rice, production growth of which over the past 10-12 years has been surprisingly strong, increasing at a 9 percent annual growth rate. The country also exports fish, rubber, cassava, corn, and other plantation crops. Improvements in infrastructure, agricultural inputs, and farming practices could significantly increase agricultural yields. Cambodia also has a large amount of uncultivated arable land; however, due to decades of civil war and communist rule, determining legal ownership is tenuous in many cases as most land ownership is not yet titled.

Donors have been a driving force behind the development efforts of Cambodia with financial support accounting for at least 50% of the government budget. Bilateral and multilateral donors such as the World Bank, IMF, and Asian Development Bank support and closely monitor the government's reform program. The U.S. is one of Cambodia's largest bilateral donors and official U.S. assistance amounted to over \$72 million in 2010.

Market Challenges

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Cambodia presents many attractive business opportunities. However, the country consistently ranks poorly on international surveys related to business climate. Significant challenges commonly cited by the private sector include corruption, poor infrastructure, weak institutions, and undeveloped human resources.

Market Opportunities

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Cambodia offers potential investment opportunities in tourism infrastructure and resorts; education; architecture, construction, and engineering services; household goods and appliances; agribusiness and food processing; used cars and automotive parts; power generation equipment and power transmission infrastructure; fast food and beverage franchises; pharmaceuticals, medical supplies, and medical equipment; and banking.

Market Entry Strategy

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Obtaining a local partner, such as an agent or distributor, is the most efficient and effective way to reach Cambodian buyers. The local partner can facilitate and expedite the market entry with their market knowledge and established networks. In Cambodia, personal relationships can be the key to successful business transactions.

Please refer to Chapter 3 of the Country Commercial Guide for further information on access to the Cambodian market.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/2732.htm>

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Using an Agent or Distributor

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American goods and services are well regarded in Cambodia. As such, many Cambodian firms are interested in becoming agents or distributors of U.S. companies. Working through a local partner is one of the most efficient and effective ways to sell American products in Cambodia.

U.S. companies should conduct due diligence on potential local agents or distributors to ensure they have the necessary credentials and qualifications for business deals. U.S. companies should also ensure that the partnership agreements they put into place are in compliance with existing laws of Cambodia. Commercial agreements must thoroughly document the rights and obligations of each party and clearly stipulate dispute resolution procedures.

Establishing an Office

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Investors not seeking incentives, or who are ineligible, must register companies directly with the Ministry of Commerce. The Law on Commercial Enterprise provides a comprehensive legal framework for the establishment and operation of businesses. The forms of business organization include a limited liability company, branch office, representative office, partnership, and sole proprietorship.

The Council for the Development of Cambodia (CDC) approves applications for investment incentives pursuant to the amended Investment Law adopted in 2003. The CDC-promoted sectors include agriculture and agro-processing industries, manufacturing, export-oriented industries, infrastructure development, international

standard hotels, and environmental protection activities. The Cambodian Investment Board (CIB), a division of the CDC, is responsible for accepting and reviewing applications for investment incentives. Investors seeking incentives should file an application including an investment proposal with the CIB. While the application fee can be substantial – about \$1,500-\$2,000 for processing – the incentives provided usually make the effort worthwhile (see Chapter 6 of this guide for details).

From the date of submission of the application, the CIB has three working days to issue a Conditional Registration Certificate or a Letter of Non-Compliance to investors. If the CIB fails to issue the Conditional Registration Certificate or Letter of Non-Compliance within three working days, then the Conditional Registration will be taken to have been approved. A Final Registration Certificate must be issued within 28 working days of the issuance of the Conditional Registration Certificate. A Final Registration Certificate will be revoked if the investor does not carry out an investment activity within six months of the receipt of all the required documents or the investor obtained a Final Registration Certificate through fraud or misrepresentation. Upon receipt of an agreement in principle (Final Registration Certificate) from the CIB, the investor prepares registration forms for filing with the Ministry of Commerce. The Ministry of Commerce issues the formal business license.

Franchising

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Cambodia's Commercial Enterprise Law has a provision which sets forth the regulations covering franchises. As mentioned above, American brands and products are highly regarded in Cambodia resulting in attractive franchise opportunities.

Direct Marketing

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Telemarketing via mobile phone sms messages is becoming increasingly used to target younger Cambodian consumers. However, direct marketing is still a relatively new concept in Cambodia. Techniques such as telemarketing and door-to-door sales are infrequently used.

Joint Ventures/Licensing

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Joint ventures are common, but no special laws apply. Selection of a suitable joint venture partner is very important, and great care should be taken to ensure that potential partners are suitable for your business. After entering into a local partnership, it may be difficult to dissolve the relationship without consent of the local partner. The prevailing commercial environment requires significant due diligence review of potential joint venture partners, and all terms of the agreement should be clearly articulated including provisions for dispute resolution. Joint ventures with the government exist; the government contributes a majority share, generally in real estate, while the foreign joint venture partner, with a minority share, brings cash or equipment to the deal. The government percentage fluctuates widely.

Selling to the Government

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Cambodia is not a signatory to the WTO Agreement on Government Procurement. Cambodia's government procurement regime is governed by a 1995 sub-decree. The

sub-decree requires that all international purchases over 200 million Riel (\$50,000) for civil work and 100 million Riel (\$25,000) for goods be made through public tender. While Cambodia has clear regulations pertaining to government procurement, it is often a very nontransparent process and prone to corruption. The Cambodian government often provides short time frames to respond to public announcements of tenders, which frequently are not widely publicized.

Distribution and Sales Channels

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Cambodia places almost virtually no restriction on foreign participation in the import/export and distribution sectors. Cambodia's retail landscape is undergoing rapid transformation. In addition to stalls and shops at traditional markets, goods are increasingly sold at western-style shopping malls, mini-marts, convenience stores and supermarkets, catering mostly to social elites, the urban middle class, and expatriates. Legitimate importers may obtain exclusive rights to import products of particular brand names from the Ministry of Commerce.

Selling Factors/Techniques

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Approximately 80 percent of the Cambodia's population lives in rural areas. Development conditions between those rural areas and Phnom Penh is striking. Within Phnom Penh, traditional sales techniques are more likely to apply. In the rural areas, the most effective way to reach potential consumers is through broadcast media. In particular, radio programming has deep penetration in rural Cambodia. Trade fairs are an increasingly popular way to market products. The Cambodian Ministry of Commerce and foreign companies from Thailand, China, and Vietnam have organized a number of trade fairs.

Electronic Commerce

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E-commerce is relatively undeveloped. Some impediments to the development of e-commerce include inadequate internet infrastructure, low levels of internet use, and extremely limited credit card use. Some local banks have begun to issue credit cards in order to facilitate purchases made via the Internet. There is a growing number of online shopping websites that cater mostly to the small number of urban consumers with access to the internet.

Trade Promotion and Advertising

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Local vendors use a variety of advertising methods. Special promotional campaigns such as coupons and lucky draws are popular, targeting consumers at local markets, shops, restaurants, Internet cafés, and movie theaters.

Although newspaper advertising is often used, radio and television appear to be the most effective means of reaching the Cambodian public. According to a public survey on radio programming conducted by the International Republican Institute (IRI), FM 105 and FM 103 are the most popular radio stations in Cambodia. The most popular television channel is CTN. Billboards are present on many streets in Phnom Penh and are used in provincial capitals as well. Leaflets and mobile loudspeakers are also popular advertising and campaigning techniques, especially among political parties.

Pricing

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Most consumers are extremely price sensitive, since Cambodia is a developing country with most of its population concentrated in the rural areas. While American products are generally seen as higher quality, many consumers will opt for products from China or Thailand because they are cheaper. In Phnom Penh, where government and industry is centered, prices are higher and branded products are popular. There is evidence of an expanding middle class, supported by the presence of numerous international organizations, diplomatic missions, and international businesses.

Sales Service/Customer Support

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After-sales service and customer support are new concepts which are important to both current and future sales of products in Cambodia. The limited supply of spare parts for some brands of automobiles has contributed to the failure of those makes to increase market share against brands whose parts are more readily available. The arrival of company certified maintenance facilities for specific product lines, particularly for electronic equipment, indicates that the local market is beginning to evolve away from a “fix it shop” approach to a more formal system of repair.

Depending on the products and services, Cambodian agents, distributors and consumers may expect after-sale services from their U.S. suppliers, including product warranty for a specified period, training, advertising and promotion, and availability of spare parts. Providing after-sales service could be an effective method of boosting sales and winning customer loyalty and contrasts sharply with the preponderance of imports which consumers buy at their own risk.

Protecting Your Intellectual Property

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Protecting Your Intellectual Property in Cambodia:

Several general principles are important for effective management of intellectual property (“IP”) rights in Cambodia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Cambodia than in the U.S. Third, rights must be registered and enforced in Cambodia, under local laws. Your U.S. trademark and patent registrations will not protect you in Cambodia. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Cambodia market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Cambodia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or

IP consultants who are experts in Cambodia law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Cambodia require constant attention. Work with legal counsel familiar with Cambodia laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Cambodia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Cambodia at: Jennie Ness, Regional Intellectual Property Attaché for Southeast Asia, U.S. Embassy Bangkok, jennie.ness@trade.gov

Due Diligence

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It is difficult to understate the importance of sufficient due diligence for the Cambodian market. Cambodia ranked 158 out of 180 countries on Transparency International's 2009 corruption index. It is very important to screen potential partners for reliability and trustworthiness, and ensure that all terms of any potential agreement are clearly articulated, including processes for dispute resolution. Companies are advised to hire international or local lawyers or professional services to assist with due diligence requirements.

Local Professional Services

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BNG – Advocates & Solicitors

Contact person: Mr. Hem Naryth
 Address: #84, Street 217, Phnom Penh
 Tel: (855) 23 217 510
 Fax: (855) 23 212 840
 Email: hnh@bngkh.net
 Website: www.bngkh.net

DFDL

Contact person: Mr. Martin DeSautels
 Address: #45, Preah Suramarit Blvd., Phnom Penh

Mobile: (855) 12 815 274
Tel: (855) 23 210 400
Fax: (855) 23 428 227
Email: cambodia@dfdlmekong.com
Website: www.dfdlmekong.com

KPMG Cambodia Limited

Contact person: David King, Director
2, Street 208, Sangkat Boeung Prolit, Phnom Penh
Tel: (855) 23 216 899 Fax: (855) 23 216 405
Email: davidking@kpmg.com.kh
Website: www.kpmg.com

Morrison Kak and Associates

Contact person: Mr. Key Kak
#25, Street 360, Sangkat Boeung Keng, Kang, Phnom Penh
Tel: (855) 16 884 887
Fax: (855) 23 218 993
Email: mka.audit@morrisonkak.com
Website: <http://www.morisonkak.com>

PriceWaterhouseCoopers

#124, Norodom Blvd., Phnom Penh
Tel: (855) 23 218 086
Fax: (855) 23 211 594
Website: www.pwc.com/cambodia

Sarin & Associates

Contact Person: Mr. Denora Sarin
Address: #45, Street 355, Phnom Penh
Tel: (855) 12 828 007
Fax: (855) 23 882 943
Email: sarin-associates@camnet.com.kh

Sciaroni and Associates (Legal Advisors)

56, Samdech Sothearos Blvd, Phnom Penh
Tel: (855) 23 210 225
Fax: (855) 23 213 089
Contact: Mr. Bretton Sciaroni
Email: info@sa-cambodia.com
Website: www.sa-cambodia.com

Web Resources

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World Bank-International Finance Corporation Doing Business in Cambodia 2010

Website: www.doingbusiness.org/exploreconomies/?economyid+33

Phnom Penh Hotel Association (PPHA)

Website: www.phnompenh-hotels.org

Cambodian Postal Service

Email: mptc@cambodia.gov.kh

Website: www.mptc.gov.kh

Cambodian Telephone Service

Telecom Cambodia

Email: customer-td-mptc@camnet.com.kh

Website: www.tc.com.kh

Cambodian Yellow Pages

Email: yp@interquess.com

Website: www.yp.com.kh

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Tourism Infrastructure and Resorts
- Education
- Architecture, Construction, and Engineering Services
- Household Goods and Appliances
- Used Car and Automotive Parts
- Power Generation Equipment
- Fast Food and Beverage Franchises
- Pharmaceuticals, Medical Supplies and Medical Equipment
- Agribusiness and Food Processing

Tourism Infrastructure and Resorts

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The tourism industry in Cambodia has matured steadily over the past few years due to political and economic stability with the number of foreign arrivals exceeding two million in 2009 despite the effects of the global economic slowdown on the overall macro economy. The majority of tourists are attracted to the historical/cultural complex of Angkor Wat and an increasing number to the beaches at the southern town of Sihanoukville. Earnings from the sector are estimated at more than \$1.5 billion annually or about 10 percent of the total GDP.

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The government expects tourist numbers to continue increasing as it opens up new attractions in different parts of Cambodia. The airport in the southern beach town of Sihanoukville was recently expanded and upgraded to accommodate large aircraft, and the government has approved many resort development projects by international and local developers for local islands, the southern coastline, and mountain properties. The government is also looking to open up the country's ample forested areas to ecotourism which include natural resources such as mountains, rivers, lakes, waterfalls, and rare species such as the Mekong dolphin.

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Collectively, these developments will likely broaden significantly the potential experiences for tourists and present very good market opportunities for American companies in developing resorts, tourist attractions, or supplying tourism-related products or infrastructure.

Web Resources

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Ministry of Tourism: www.mot.gov.kh

Education

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Demand for education services is very high, as the majority of the population is still school-age, and many Cambodians recognize the importance of education in securing better opportunities. Ever since the Khmer Rouge regime eliminated the intellectual classes in Cambodia from 1975 - 1979, the country has been struggling to redevelop its human resources. To this day, the country remains woefully short of well-educated people to develop the sciences, professions, and vocations. A common complaint among local companies is difficulty in finding well-qualified employees, particularly for technical positions. Well educated and trained individuals are increasingly required as Cambodia's economy grows and diversifies.

Sub-Sector Best Prospects

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Both formal and vocational training is still lacking in quality. Local schools have mushroomed in response to the enormous demand for all types of education, however overall quality remains relatively low, with some exceptions. NGOs provide a great deal of useful vocational training for underprivileged Cambodians to join the work force, but professional vocational training targeted at mid-level workers is particularly underdeveloped. Cambodians are eager to learn, and U.S.-sourced education is very highly regarded in all fields.

Opportunities

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Significant commercial opportunities exist in vocational, specialized, pre-school, elementary, secondary, and post-secondary education resources.

Web Resources

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Ministry of Education, Youth, and Sport, www.moeys.gov.kh

Architecture, Construction, and Engineering Services

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After over 25 years of war, Cambodia is reconstructing its devastated infrastructure, principally with assistance from international donors. Given the extent of the collapse of infrastructure elements such as the road network, construction and engineering services will be in great demand for the foreseeable future. Public works and transportation are a high priority for the Cambodian government and donors alike. In addition to infrastructure construction, Cambodia has witnessed a major boom in residential and commercial construction over the last few years. Several large residential, office, and commercial development projects have been approved including several skyscrapers, shopping malls, and suburban commercial-residential developments. However, due to the global economic slowdown, a number of these projects have been put on hold and are unlikely to proceed as quickly as originally planned.

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The Japanese government, World Bank, Asian Development Bank, and recently the Chinese government are especially active in road construction in Cambodia. The Cambodian government has also offered Build-Operate-Transfer (BOT) concessions to several companies to rehabilitate portions of Cambodia's badly degraded national highway system. Cambodia is also eager to upgrade its provincial airports. Because there is no money in the national budget to perform these activities, Cambodia has offered BOT concessions for the provincial airports as well. The government has shown a willingness to grant rights of operation and maintenance of already paved roads to private sector companies due to a shortage of public funding. A local company, AZ distribution, has been awarded a contract by the government to maintain and operate the U.S.-built National Route 4. Several special economic zones (SEZ) located near the borders of Thailand and Vietnam as well in Phnom Penh, Sihanoukville, and Kampot are being developed to provide a one-stop shop for production and export. The SEZs approved by the Council for the Development of Cambodia and developed by private companies present numerous opportunities for development of power, water, and road infrastructure within the zones. The main sources of foreign expertise and construction materials for large commercial and residential projects are currently from Korea, Thailand, Vietnam, and China, but high quality American materials and fixtures enjoy a market with Cambodia's urban elite and foreign residents.

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Prospects exist in road, commercial, and residential construction working with international donors or private companies. There is also a growing market for engineering service providers.

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World Bank: www.worldbank.org/kh

Asian Development Bank: www.adb.org/cambodia

Ministry of Public Works and Transport: www.mpwt.gov.kh

Council for the Development of Cambodia: www.cambodiainvestment.gov.kh

Household Goods and Appliances

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Cambodia's economy rapidly grew over the past decade, averaging near double digit growth, and new wealthy and middle classes have emerged. Although few, but increasing in number, Cambodia's urban elite are willing to pay for quality. Cambodia's emerging middle class also increasingly demands higher levels of comfort and convenience. Anecdotal evidence from shopping mall outlets indicates a growing demand for new and innovative devices to increase the quality of life for Cambodians.

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Numerous American food and consumer products, from condiments to cleansers, are available in Phnom Penh's expanding number of supermarkets. U.S. appliances such as refrigerators and washing machines are sold. They sell well against the poor-quality goods now sold in Cambodia, but they still have not achieved a large market share. There is also potential for items such as domestic water purification equipment, for example.

Because of Cambodia's tropical climate, there is significant demand for air conditioning equipment, and several U.S. brands are available in Cambodian markets. The most popular models are split units with remote control features. Very few buildings have central air conditioning, but there is a market for industrial scale equipment in Cambodia's garment and footwear industries. High electricity and fuel costs mean that energy efficiency is a strong selling point for any type of appliance in Cambodia.

Opportunities

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Domestic water purification equipment, refrigerators, washing machines, air conditioning equipment, and energy-efficient household appliances are all in demand.

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Lucky Market Group: www.luckymarketgroup.com
Shopping Center Sorya Ltd.: www.shoppingcentersorya.com
Sovanna Shopping Center: www.sovannashoppingcenter.com

Used Car and Automotive Parts

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Cambodia has no municipal public transportation. The majority of people travel via motorbike or car. With Cambodia's growing prosperity, automobile ownership is rapidly increasing. The vast majority of cars are imported second-hand vehicles. The most popular models are 4-wheel drive vehicles and mid-sized Japanese sedans; the latter are usually U.S.-made models. All car imports must be left-hand drive.

The actual size of the automobile market is difficult to estimate due the routine occurrence of smuggling. However a local company estimates that Cambodia's demand for new vehicles could be around 2,000 cars a year. The U.S. appears to be the largest supplier of used vehicles. U.S. export of new and used passenger cars to Cambodia accounted for some \$114 million in 2008.

A number of companies sell used and new cars in Phnom Penh. Ford has a local dealership, and the market also supports Chevrolet, Mercedes, Ssanyong, Nissan, Subaru, Great Wall Motor, Hyundai and Peugeot dealers as well as representatives of all major Japanese companies such as Toyota, Nissan, and Mitsubishi.

Sub-Sector Best Prospects

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Automobile parts and accessories from the U.S. are available in Cambodian markets, particularly for Toyota, Ford, and General Motors vehicles. Limited availability of parts for other companies' models has led customers to choose Toyotas because parts are available and affordable. As with other products, U.S. auto parts have a reputation for quality and attract a higher price than parts produced in Thailand, Taiwan, or other Asian countries.

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Further opportunities exist in used cars, accessories, and spare parts.

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Ministry of Public Works and Transport: www.mpwt.gov.kh

Power Generation Equipment

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Cambodia's public utilities are unreliable, expensive, and cover only the major cities. Cambodian electricity is among the most expensive in the region as approximately 90 percent is generated using imported fuel oil. Power in provincial cities is priced even higher than the \$0.17 per kilowatt-hour in Phnom Penh. As only roughly 20 percent of Cambodians are connected to the electricity grid, in rural areas, the only source of electricity is often an automobile battery charged by an entrepreneur with a small portable generator.

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There is tremendous demand in Cambodia for diesel generators as backup power, on-site power plants, and for power generation in rural areas not served by public utilities. Sources from Electricite du Cambodge state that capacity output in Phnom Penh was only 1,271 GWh in 2008 and is projected to grow to 16,244 GWh in 2024. At present, only 20 percent of households have access to electricity. The annual energy consumption per capita is 103 KWh. Currently, there are 22 small isolated power systems.

The Ministry of Industry, Mines, and Energy has prepared a detailed energy development plan involving the proposed construction of several hydropower and thermal power plants, as well as several regional power transmission grids. As with other types of infrastructure development, the government does not have funding for all of these proposed facilities, but U.S. suppliers should check World Bank and ADB web sites regularly for potential new projects in the energy sector. The Cambodian government has stated that it is amenable to private ownership and private financing of power plants, and that it is seeking \$3 billion in investment over the next 10 years. Some build-operate-transfer (BOT) hydropower deals have already been concluded.

Opportunities

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Opportunities exist for power generation and transmission equipment in cooperation with international donors or private companies.

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World Bank: www.worldbank.org/kh

Asian Development Bank: www.adb.org/cambodia

Ministry of Industry, Mines, and Energy: www.mime.gov.kh

Electricite du Cambodge: www.edc.com.kh

Fast Food and Beverage Franchises

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Most of the best-known fast food and beverage franchises are absent from Cambodia; however, franchises are slowly beginning to arrive. Despite Cambodia's poverty, there may be a sufficiently large urban middle class to support such businesses. The few local enterprises emulating U.S.-style fast food restaurants are popular and busy. In 2005, Thailand's The Pizza Company was the first international-standard pizza business in Cambodia, and the company has done well and is expanding. In November 2008, Swensen's opened its first ice cream outlet, which remains popular, and is expanding nationally. In April 2008, KFC was the first American fast food brand to enter Cambodia, and the company has plans to expand rapidly throughout the country.

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The major American soft-drink companies have bottling plants in Phnom Penh. Cambodia's air and land links to Thailand and Vietnam make it easy for local restaurants to secure adequate supplies of fresh ingredients which meet western standards, and the government offers generous investment incentives in the agricultural sector, which would potentially be available to any franchise interested in local production.

Opportunities

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Significant opportunities exist in the range of fast food/drink options from hamburgers to coffee shops to mid-range restaurant franchise chains.

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The Pizza Company: www.pizza.co.th
KFC: www.kfc.com
Swensen's: www.swensensicecream.com
Lucky Market Group: www.luckymarketgroup.com

Pharmaceuticals, Medical Supplies and Medical Equipment

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Due to years of war and civil conflict, the health system in Cambodia remains relatively primitive, but is improving as the country modernizes. While the population remains overwhelmingly young, an estimated \$100 million of specialized medicines is consumed annually in Cambodia, the vast majority of which is imported. Only companies licensed by the Ministry of Health may import drugs, medical supplies, or medical equipment. Approximately 4,000 pharmacies exist in Cambodia, about 50 percent of which are officially registered. In addition to the formal market, there is a large parallel market of smuggled (and often counterfeit) pharmaceuticals.

Sub-Sector Best Prospects

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The Ministry of Health is the single largest purchaser of drugs, medical supplies, and medical equipment, but the proportion of health care provided by the private sector is increasing. A number of new private hospitals and clinics have opened in the past few years, and more are expected in the future, offering potential opportunities for sales of medical supplies and medical equipment.

Opportunities

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Since U.S.-made drugs and medical equipment are well perceived here, there is great potential for increasing the market share. Local major pharmaceutical importers are eager to import U.S.-made products, and Cambodian consumers are keen to receive high-quality options presented by American medical equipment.

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Ministry of Health: www.moh.gov.kh

Royal Rattanak Hospital: www.royalrattanakhospital.com

Agribusiness and Food Processing

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With a low population density and abundant arable land, the conventional wisdom is that Cambodia's comparative advantage is in the agricultural sector. Cambodia has approximately 2 million hectares of unforested, uncultivated land which is arable if provided with irrigation. Roughly 80 percent of Cambodia's population is engaged in agriculture. As a matter of policy, the Cambodian government encourages investment in agriculture, diversification of agricultural products, and investment in improved irrigation and water control, but the government lacks funds to promote such activities on a large scale. Most of the demand for water pumps, well-drilling machines, tractors, tilling equipment, rice milling, drying, and packaging equipment, fertilizers, insecticides, and seed currently comes from NGOs and private agribusiness investors.

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There is significant potential to expand the production and processing of high yield varieties of rice, corn, and other crops, and several investment projects in oil palm, tapioca, rubber, cotton, corn, and cashew plantations are underway.

Opportunities

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Higher quality seeds, fertilizers, and other agricultural inputs and equipment would greatly benefit the agriculture sector which currently relies on outdated methods of farming.

The presence of an increasing number of plantations also creates growing opportunities for the establishment of processing plants to add value to basic products for export and domestic consumption. Relatively high operating costs, including electricity, however, limit opportunities for establishment of processing plants. The special economic zones (SEZ), with efficient and accessible supplies of electricity, labor force, and government services, being established near Phnom Penh, Sihanoukville, and the borders of Thailand and Vietnam are providing more attractive sites to establish processing plants in the future.

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Ministry of Agriculture, Forestry, and Fisheries: www.maff.gov.kh

Ministry of Industry, Mines, and Energy: www.mime.gov.kh

Council for the Development of Cambodia: www.cambodiainvestment.com

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Importers have to pay three types of duties and taxes before the imports are released: customs import duties with an ad-valorem rate, special tax for certain goods, and value added tax (VAT). All imports are subject to a 10% flat VAT. However, certain imports receive special preferences. Under the ASEAN Free Trade Area (AFTA), Cambodia has specific commitments and obligations to reduce and eliminate tariffs on imports from ASEAN member countries by 2018. The new ASEAN tariff lines are rescheduled between 0% - 5% effective from 2010, 0% starting in 2015 with some sensitive items retaining a 5% duty until 2018, and 0% by 2018 for all tariff lines. The rates depend on the types of imports. Customs duties have been reduced from a twelve- to a four-band system, with rates ranging from 0 to 35 %, as follows:

- There are certain goods which government policy exempts from duty. (See below)
- Raw materials and primary products carry a tariff of 7% percent.
- Capital goods, machinery, and equipment carry tariffs of 15%.
- Finished products, alcohol, petroleum products, vehicles, and precious metals and stones carry a tariff of 35%.

The following items are exempt from import duties: agricultural equipment and inputs, school materials and equipment, pharmaceutical products, and sporting goods. However, importers of these products must pay a 10% VAT, except for numerous agricultural equipment and inputs which are subject to 0% VAT. Duties are not levied on exports, except for the following restricted products: natural rubber, unprocessed or uncut precious stones, processed wood, and fish, crustaceans, mollusks, and other aquatic products. In May 2008, the government declared a reduction of certain existing customs tariffs to 0% and placed VAT obligation on the government as an incentive to promote investment and trade in the agricultural sector. Goods receiving this tariff reduction and VAT exemption include agricultural equipment and inputs, such as tractors, machines, seeds, animal feeds, physical chemical substances to make fertilizers, and agriculture-related raw materials.

In December 2010, the government issued a new sub-decree to adjust specific tax rates on certain imports and export tariff rates. In this regulation, certain import tariffs are reduced and numerous others are increased. Additionally, exports of rubber are now subject to unit-based tax rates, ranging from US\$30 to US\$300 per ton. In separate December 2010 regulation, import tariffs on oil and petroleum products, including gasoline, diesel and kerosene, are reduced from 35% to 15% and from 15% and 7% to 0%. The complete listings of tariff rates can be found in Cambodia's Customs Tariff Nomenclatures 2010, available for purchase at the General Department of Customs and Excise. New regulations on tariff rates can be obtained from the Ministry of Economy and Finance homepage. Cambodia has not yet completed its implementation of the WTO Customs Valuation Agreement (WTO CVA). A new Law on Customs, based on the Kyoto Convention on the Simplification and Harmonization of Customs Procedures, was promulgated in July 2007.

General Department of Customs and Excise website: www.customs.gov.kh
Ministry of Economy and Finance website: www.mef.gov.kh

Trade Barriers

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Cambodia has increased trade with the region and the world since its critical economic reforms and accession to ASEAN in 1999 and the WTO in 2004. The Cambodian government does not basically restrict trade by imposing tariff or quota. It has taken measures to reduce technical and non-technical trade barriers. Since its admission to the WTO, Cambodia has been working on trade and trade-related laws and regulations to comply with the WTO principles. The Cambodian government has so far eliminated most non-tariff barriers to trade. In 2006, a U.S.-Cambodia Bilateral Trade and Investment Framework Agreement (TIFA) was signed. Several rounds of discussions have been held to promote trade and investment between the two countries, to help monitor and support Cambodia's efforts to implement its WTO commitments, and to address bilateral trade issues and coordinate on regional and multilateral issues. In 2009, Cambodia declared the elimination of import duties and non-trade barriers on Information and Communication Technology (ICT) goods from ASEAN, effective from 2010. Cambodia will benefit from the removal of numerous tariff lines by 2015 under the ASEAN-China Trade Agreement, ASEAN-Japan, ASEAN-Australia-New Zealand, and ASEAN-Korea.

Cambodia discontinued its service contract with BIVAC International of Bureau Veritas Group for Pre-shipment Inspection (PSI) in mid-2009. The Ministry of Economy and Finance in February 2009 issued a Prakas on Establishment and Functioning of Transaction Value Management Unit (TVMU) under the General Department of Customs and Excise (GDCE). This unit develops national customs valuation policies, implements valuation regulations, provides rulings at the private sector's request, and conducts research on transaction values of imports. Importers and exporters are advised to contact the Cambodian Customs on customs valuation, valuation procedures and regulations. Under the newly established Customs-Private Sector Partnership Mechanism, the TVMU works closely with the private sector to solve issues related to customs valuation based on the PSI value database, market research, and accounting records of well-established compliance.

For WTO compliance, the Cambodian Customs decentralizes customs valuation allowing Customs Valuation Officers (CVOs) at the front-line customs stations to

evaluate and verify transaction value. If the reported transaction value of imports are 20% or lower than the standard PSI database values and if importers have sufficient proof to present to the CVOs, CVOs will release the goods. If the reported transaction value of imports are over 20% of the standard PSI database values, importers are required to deposit the difference with the CVOs in order to secure the goods' release. The importer can file a request to the GDCE to reclaim the deposits. Since 2005, the valuation of certain imported items, such as construction steel, floor tiles, cements, cigarettes, and food stuffs, have been decentralized to local customs offices. There is no restriction on the values of shipments or on the types of these goods.

Import Requirements and Documentation

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As part of its WTO accession, Cambodia adopted a new Customs Law in June 2007 to bring the country into conformity with the terms of GATT/WTO Codes on Customs Valuation. The Cambodian government has been making efforts to modernize and harmonize its customs administration. Cambodian customs requires importers and exporters to lodge declarations accompanied by such documents as a bill of lading/airway bill, packing list, or invoice and insurance, inspector report of finding, if applicable, and other documents as well if required. Lodgment fee for imports and exports is \$40. Transportation and inspection lead time for both imports and exports have recently been reduced. The government has encouraged the use of single administrative document (SAD) system and one-stop service mechanism to facilitate trade and risk management. Under the one-stop-service mechanism, there is only one inspection by the inter-ministerial joint body and customs operation procedures are reduced and made more facilitative, reducing bureaucracy and paperwork to serve investors. By the end of 2009, the Cambodian Customs had launched the Automatic System for Customs Data (ASYCUDA) operations at the Sihanoukville Autonomous Port, Phnom Penh International Airport, Phnom Penh Dry Port, and Exports Office and Excise Department, to facilitate customs procedures as part of one-stop service implementation. Other administrative one-stop service is still limited to the currently operating Special Economic Zones (SEZs). ASYCUDA is not yet available at the SEZs nor is it available at land border crossings. For details on the import and export clearance procedures, please visit the General Department of Customs and Excise's website: www.customs.gov.kh

U.S. Export Controls

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For information on the latest U.S. export and re-export regulations, please visit the following website: www.bis.doc.gov.

Temporary Entry

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A certain number of goods may be temporarily imported. These commodities need to be re-exported within certain periods as specified by the Cambodian Customs Law. The commodities can be granted partial or full exemption from payment of import duties and taxes. Importers should contact the Customs Administration to ensure re-exportation within the specified period. The Customs Administration may require the importers to pay a security deposit to guarantee import taxes and duties, which is not to exceed the amount of taxes and duties of taxed imports.

Additional details on temporary entry can be found at the General Department of Customs and Excise's website: www.customs.gov.kh/temp_admission.html

Labeling and Marking Requirements

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Labels or marks are not mandatory for all imports. However, all regulated products must have a label or mark issued by the Industrial Standards Department and these products must be registered. The Institute of Standards of Cambodia (ISC) is charged with issuing the label or the mark and the certificate. Each ministry has their own regulated products. Mandatory standards required by ISC include electrical and electronic products, for example. The ISC is charged with drafting and issuing regulations, while CamControl of the Ministry of Commerce is charged with registration of regulated products.

More information on labeling and marking requirements can be found at the ISC website, at: www.isc.gov.kh

Prohibited and Restricted Imports

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Cambodia currently prohibits the commercial importation of the following products: narcotics, psychotropic substances and their precursors, toxic waste and poisonous chemicals and substances, and certain pesticides. Government regulations also prohibit the importation of used computers and spare parts, household waste (discarded from dwellings, public buildings, factories, markets, hotels, business buildings, restaurants, transport facilities, recreation sites, etc.) and hazardous waste (for example PCB waste from discarded air conditioners). To curb the spread of bird flu, Cambodia created and implemented more stringent quality control and inspection of poultry imports. Certain imports are subject to quantitative restrictions and importers of these products are required to seek approval from relevant government ministries or technical agencies. Import permit or license is required from relevant government agencies depending on the nature and type of the import commodity. Import licenses are required for firearms and pharmaceuticals. Firearm import licenses can be obtained from the Ministry of Interior, while pharmaceutical licenses can be obtained from the Ministry of Health. Other special requirements apply to imports of food products and pharmaceuticals to have a 50 percent minimum remaining shelf life at the time of inspection, and pharmaceuticals must have a minimum 18 months remaining shelf life.

- Ministry of Interior: www.interior.gov.kh
- National Laboratory for Drug Quality Control, Ministry of Health: www.moh.gov.kh

Customs Regulations and Contact Information

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The government adopted a new Customs Law and issued an implementing sub-decree on the promulgation of lists of prohibited and restricted goods in 2007. Further details on customs regulations can be found at: General Department of Customs and Excise, #6-8, Norodom Blvd., Phnom Penh Tel & Fax: (855) 23 214 065
Email: customs@camnet.com.kh or info@customs.gov.kh
Website: www.customs.gov.kh/

Standards

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Cambodia has a body of law governing standards for imports and exports. The sub-decree on Industrial Standards, passed in 2001, provides the basis for rules and procedures for developing new standards, technical regulations, and conformity assessment procedures. Cambodia adopted the Law on Standards of Cambodia in 2007 with the stated goals to improve the quality of products, services and management; raise and rationalize production efficiency; ensure fair and simplified trade; rationalize product use; and to enhance consumer protection and public welfare. Several government bodies and agencies share oversight and control over these standards.

Standards Organizations

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The Department of Industrial Standards of Cambodia was elevated to the Institute of Standards of Cambodia (ISC) in June 2008 and was officially established in January 2009. ISC has a mandate to draft laws and regulations, conduct production surveillance, provide supervision and technical support, provide training and consultancy to help companies register and certify their products, to disseminate technical regulations, and to develop national standards for products and management. The Ministry of Industry, Mines, and Energy is developing a new product certification scheme conforming to the requirement of ISO/IEC Guide 65 and on the establishment of standards and other technical measures based on international standards, conformity, guidelines, and recommendations. The Ministry of Health is charged with prescribing standards, quality control, distribution, and labeling requirements for pharmaceuticals, medical equipment, and cosmetics. The Ministry of Agriculture, Forestry and Fisheries is responsible for agricultural products. The National Standards Council (NSC), established in 2009, leads coordination of development of national standards, advises the ISC the criteria and procedures pertinent to the preparation, approval, acceptance and selection of the standards, and considers and approves proposals for Cambodian standards prepared and recommended by ISC to develop, adopt, review, revise and cancel Cambodian standards. The NSC is chaired by the Minister of Industry, Mines and Energy, with representatives from relevant technical line ministries, including Ministry of Agriculture, Forestry and Fisheries, Ministry of Health, and Ministry of Commerce. Overall, the NSC is the national secretariat which oversees, regulates, verifies, and adopts or certifies standards proposed by each technical ministry. The mandate of the NSC is to ensure quality and standard conformity with national and international standards.

□ Institute of Standards of Cambodia (of Ministry of Industry, Mines, and Energy)
Website: www.isc.gov.kh

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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The ISC develops national standards, performs conformity assessment, inspects and controls the quality of laboratories, and certifies product and service standards and compliance for locally consumed goods and export goods. It helps rectify minor errors in standards compliance. The Ministry of Health and the Ministry of Agriculture, Forestry, and Fisheries are each responsible for implementing their own regulations on standards, safety, and quality of respective imports, exports, and locally consumed goods. On the whole, the ISC has a mandate to supervise and provide technical support to the line ministries to help these ministries develop their standards to conform to national standards. The ISC also tests for compliance with mandatory Cambodian standards, conducts conformity assessment and production surveillance, and monitors and verifies the compliance of the technical regulations by each respective ministry/agency. Other services provided include education, training, consultancy, and dissemination of technical information on standards and quality.

Product Certification

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The responsibility for establishing industrial standards and certifications resides with the ISC. Certification includes product standard compliance, product safety standard compliance, and production and service management system compliance. Not all imports require a certificate or license. Importers of regulated products, however, must request a certificate or a license before importing. To date, the ISC has not strictly inspected standard compliance or regularly certified product standards for both locally consumed goods and products for export. It has not suspended, withdrawn, or revoked any product certificate or license.

Accreditation

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The ISC is responsible for accreditation. However, the ISC currently does not provide any accreditation services due to limited capacity and resources.

Publication of Technical Regulations

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Law, rules, and regulations on Standards of Cambodia were published and made available after their adoption in 2007. Most rules and regulations concerning standards are available at the ISC homepage. Hard copies of the law, rules and regulations are published in the Royal Gazette by the General Directorate of Royal Gazettes and Computer Services of the Council of Ministers.

□ Institute of Standards of Cambodia of Ministry of Industry, Mines, and Energy
www.isc.gov.kh

□ General Directorate of Royal Gazettes and Computer Services, Office of the Council of Ministers: www.pressocm.gov.kh

Labeling and Marking

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For information on standards related to this issue, see “Labeling and Marking Requirements” earlier in Chapter 5: Trade Regulations, Customs and Standards.

Contacts

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Further information can be obtained from the website of the Institute of Standards of Cambodia at www.isc.gov.kh

The U.S. Embassy point of contact on standards-related issues is Economic and Commercial Assistant Succes Mao: (855) 23728137, MaoS1@state.gov

Trade Agreements

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Cambodia joined the International Organization for Standardization (ISO) in 1995 and is also a member of the ASEAN Consultative Committee on Standards and Quality (ACCSQ). Cambodia ratified the ASEAN Framework Agreement on Mutual Recognition Arrangements. It has also signed numerous trade agreements, including the U.S.-Cambodia Trade and Investment Framework Agreement (TIFA) in 2006, and several rounds of discussion have been held since to promote greater trade and investment between the two countries and to help monitor and support Cambodia’s efforts to implement its WTO commitments. The TIFA also provides a forum to address bilateral trade issues and allows us to coordinate on regional and multilateral issues. Additional information on trade agreements can be found at:

□ Bilateral Trade Department of Ministry of Commerce
Website: www.moc.gov.kh

□ Cambodian Investment Board of the Council for the Development of Cambodia
Website: www.cambodiainvestment.gov.kh

Web Resources

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Institute of Standards of Cambodia of Ministry of Industry, Mines and Energy
www.isc.gov.kh

□ General Directorate of Royal Gazettes and Computer Services, Office of the Council of Ministers www.pressocm.gov.kh

□ General Department of Customs and Excise
www.customs.gov.kh

□ Ministry of Interior
www.interior.gov.kh

□ National Laboratory for Drug Quality Control, Ministry of Health
www.moh.gov.kh

□ Bilateral Trade Department of Ministry of Commerce
www.moc.gov.kh

□ Cambodian Investment Board of the Council for the Development of Cambodia
www.cambodiainvestment.gov.kh

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Openness to Foreign Investment

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Cambodia, a developing country, began the transformation from a command economy to the free market in the late 1980s. It is now integrating into the regional and world trading framework. In 1999, Cambodia joined the Association of Southeast Asian Nations (ASEAN). In September 2004, it became a member of the World Trade Organization (WTO).

Cambodia's 1994 Law on Investment established an open and liberal foreign investment regime. All sectors of the economy are open to foreign investment and 100 percent foreign ownership is permitted in most sectors. In a few sectors, foreign investment is subject to conditions, local equity participation, or prior authorization from authorities. These include the manufacturing of cigarettes, movie production, rice milling, exploitation of gemstones, publishing and printing, radio and television, manufacturing wood and stone carvings, and silk weaving. There is little or no discrimination against foreign investors either at the time of initial investment or after investment. However, some foreign businesses have reported that they are at a disadvantage vis-a-vis Cambodian or other foreign rivals, who engage in acts of corruption or tax evasion, or take advantage of Cambodia's poor enforcement of legal regulations.

Rankings

The following table lists Cambodia's most recent rankings by organizations that monitor economies' economic freedom, business regulations, and perceived level of corruption.

Measure	Year	Index/Ranking
TI Corruption Index	2010	2.1/154
Heritage Economic Freedom	2010	56.6/107
World Bank Doing Business	2011	147
MCC Govnt Effectiveness	2010	-0.01/45 percent
MCC Rule of Law	2010	-0.19/31 percent
MCC Control Corruption	2010	-0.36/21 percent
MCC Fiscal Policy	2010	-0.2/69 percent
MCC Trade Policy	2010	70.0/67 percent
MCC Regulatory Quality	2010	0.16/63 percent
MCC Business Start Up	2010	0.801/15 percent
MCC Land Rights Access	2010	0.705/75 percent
MCC Natural Resource Mgmt	2010	68.27/67 percent

Conversion and Transfer Policies

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There are no restrictions on the conversion of capital for investors. The Foreign Exchange Law allows the NBC to implement exchange controls in the event of a foreign exchange crisis. In the event of such a crisis, the NBC may issue regulations to be implemented for a maximum period of three months, imposing certain temporary restrictions on the activity of authorized intermediaries, or their foreign exchange position, or any loans in domestic currency extended to nonresidents. The Department of State is not aware of any cases in which investors have encountered obstacles in converting local to foreign currency or in sending capital out of the country.

Expropriation and Compensation

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Land rights are a contentious issue in Cambodia, complicated by the fact that most property holders do not have legal documentation of their ownership rights as a result of the Khmer Rouge era. Numerous cases have been reported of influential individuals or groups acquiring land titles or concessions through political and/or financial connections, and then using strong arm measures to displace communities to make way for commercial enterprises.

In late 2009, the National Assembly approved the Law on Expropriation which sets broad guidelines on land-taking procedures for public interest purposes. It defines public interest activities to include construction of infrastructure projects, development of

buildings for national protection and civil security, construction of facilities for research and exploitation of natural resources, and construction of oil pipeline and gas networks. Property can also be expropriated for natural disasters and emergencies, as determined by the government. Legal procedures regarding compensation and appeals are expected to be established in a forthcoming sub-degree. The Department of State is not aware of any cases in which Cambodia has expropriated a U.S. investment.

Dispute Settlement

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American investors are generally reluctant to resort to the Cambodian judicial system to resolve commercial disputes because the courts are perceived as unreliable and susceptible to external political and commercial influence. The local and foreign business community reports frequent problems with inconsistent judicial rulings, corruption, and difficulty enforcing judgments. For these reasons, most commercial disputes are currently resolved by negotiations facilitated by the Ministry of Commerce, the Cambodian Chamber of Commerce, and other concerned institutions.

Cambodia adopted a Commercial Arbitration Law in 2006. In 2010, the government established the National Arbitration Center, Cambodia's first alternative dispute resolution mechanism, to enable companies to resolve commercial disputes more quickly and inexpensively than through the court system. Commercial disputes can also be resolved through international arbitration. In 2009, the World Bank's International Center for the Settlement of Investment Disputes (ICSID) approved a U.S. investor's Request for Arbitration in a case against the Kingdom of Cambodia.

Performance Requirements and Incentives

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In 2003, Cambodia amended its Law on Investment. The amended law creates regimes for profit (20 percent), salary (5 to 20 percent), withholding (4 to 15 percent), value-added (10 percent) and excise taxes (rates vary). While some incentives have been eliminated, the law provides a simplified, more transparent, and faster mechanism for investment approval. Investors who wish to take advantage of investment incentives must submit an application to the Cambodian Investment Board (CIB), the division of the CDC charged with reviewing investment applications.

A September 2005 Sub-Decree on the Implementation of the Amendment to the Law on Investment details investment activities that are excluded from incentives. They include the following sectors: retail, wholesale, and duty-free stores; entertainment (including restaurants, bars, nightclubs, massage parlors, and casinos); tourism service providers; currency and financial services; press and media related activities; professional services; and production and processing of tobacco and wood products. Incentives are also excluded in the production of certain products with an investment of less than USD 500,000 such as food and beverages; textiles, garments and footwear; and plastic, rubber, and paper products. The sub-decree does not require investors to place a deposit guaranteeing their investment except in cases in which the deposit is required in a concession contract or real estate development project. Investors who wish to apply

are required to pay an application fee of seven million riel (approx. USD 1,750) representing the administration fees for securing the approvals, authorizations, licenses, or registrations from all relevant ministries and entities including stamp duty.

Under a 2008 sub-decree, the CDC is required to submit to the Council of Ministers for approval investment proposals with an investment capital of USD 50 million or more; involve politically sensitive issues; involve the exploration and the exploitation of mineral or natural resources; may have a negative impact on the environment; have long-term strategy; or, involve infrastructure concessions.

Right to Private Ownership and Establishment

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There are no limits on the rights of foreign and domestic entities to establish and own business enterprises or to compete with public enterprises. However, only Cambodian citizens or legal entities have the right to own land. Under the 2001 Land Law, foreign investors may secure control over land through concessions, long-term leases, or renewable short-term leases. Qualified investors approved by the CDC have the right to own buildings built on leased property. However, the law is unclear as to whether buildings from qualified projects can be transferred between foreign investors or whether foreign investors can own buildings built through projects not approved by the CDC.

In 2010, Cambodia adopted a law allowing limited foreign ownership in multi-story buildings from the second floor up and such that ownership may not exceed 70% of the area size of all private units of the co-owned building. Foreigners are not authorized to acquire ownership rights in buildings located within 30 kilometers of the land borders of Cambodia except for in Special Economic Zones and in other areas, as determined by the government.

Protection of Property Rights

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Cambodia has adopted legislation concerning the protection of property rights, including the Land Law and the Law on Copyrights and Law on Patent and Industrial Design. Cambodia is a member of the World Intellectual Property Organization (WIPO) and the Paris Convention for the Protection of Industrial Property.

Chattel and Real Property

The 2001 Land Law provides a framework for real property security and a system for recording titles and ownership. Land titles issued prior to the end of the Khmer Rouge regime in 1979 are not recognized due to the severe dislocations that occurred during the Khmer Rouge period. The government is making efforts to accelerate the issuance of land titles, but in practice, the titling system is cumbersome, expensive, and subject to corruption. The majority of property owners lack documentation proving ownership. Even where title records exist, recognition of legal title to land has been a problem in some court cases where judges have sought additional proof of ownership. Although

foreigners are constitutionally forbidden to own land, the 2001 law allows long or short-term leases to foreigners.

Intellectual Property Rights (IPR)

Cambodia's IPR legal regime is in compliance with its WTO member commitments. Copyrights are governed by the Law on Copyrights and Related Rights, which was enacted in January 2003. Trademarks are governed by the Law Concerning Marks, Trade Names and Acts of Unfair Competition, which was enacted in 2002. A patent law was enacted in 2003. The Ministry of Commerce is preparing a draft law for trade secrets while the Ministry of Industry, Mines, and Energy is drafting a law on integrated circuit protection. Cambodia has not yet made significant progress toward enacting required legislation on encrypted satellite signals, although it obtained a model law on encrypted satellite signals and semiconductor layout designs from WIPO in March 1999.

Infringement of IPR is pervasive, ranging from software, compact discs and music, to photocopied books and the sale of counterfeit products, including cigarettes, alcohol, and pharmaceuticals. In 2008, the Business Software Alliance estimated a 95 percent software piracy rate in Cambodia which cost the industry USD 47 million in 2007. Although Cambodia is not a major center for the production and export of pirated CDs, videos, and other copyrighted materials, local businesses report Cambodia is becoming an increasingly popular source of pirated material due to weak enforcement.

Transparency of Regulatory System

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There is no pattern of discrimination against foreign investors in Cambodia through a regulatory regime. Numerous issues of transparency in the regulatory regime arise, however, from the lack of legislation and the weakness of key institutions. Investors often complain that the decisions of Cambodian regulatory agencies are inconsistent, irrational, or corrupt.

Cambodia currently has no anti-monopoly or anti-trust statutes. On a practical level, Cambodia has indicated a desire to discourage monopolistic trading arrangements in most sectors.

Efficient Capital Markets and Portfolio Investment

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The Cambodian government does not use regulation of capital markets to restrict foreign investment. Domestic financing is difficult to obtain at competitive interest rates. Banks have been free to set their own interest rates since 1995 and average annual interest rate spread has slightly increased from 16.34 percent in December 2009 to 16.11 percent in December 2010. A law addressing secured transactions, which includes a system for registering such secured interests, was promulgated in May 2007. Most loans are secured by real property mortgages or deposits of cash or other liquid assets, as provided for in the existing contract law and land law.

Under the amended Law on Banking and Financial Institutions, all of Cambodia's commercial banks had to reapply for licenses from the NBC and meet new, stricter capital and prudential requirements by the end of 2001. As a result, there was a significant shakeout and consolidation within the banking sector with the closure and liquidation of 12 banks. In January 2008, Cambodia's banks were given their first-ever risk assessment from Standard & Poor's of a 'B+/B' rating with stable outlook. Their placement was alongside that of banks in Venezuela, Bolivia, Ukraine, and Jamaica.

By the end of 2009, the banking system in Cambodia consisted of 27 commercial banks, 6 specialized banks, 20 licensed microfinance institutions, of which 2 were licensed microfinance deposit taking institutions, and 26 registered rural credit operators. Total assets in the banking system grew by 20% in 2009 reaching USD 5 billion, an equivalent of 48% to GDP. Such growth was largely contributed by the capital of the new entrant banks and additional customer deposits. During 2010, three more commercial banks were licensed. The total assets of Cambodia's banking system as of September 2010 were approximately USD 6.3 billion.

Cambodia is moving to address the need for capital markets. In November 2006, the National Assembly passed legislation to permit the government to issue bonds and use the capital to make up budget deficits. However no bonds have been issued since 2007 and Prime Minister Hun Sen said in 2008 that the government does not plan to issue bonds in the near future. In 2007, the government also passed the Law on the Issuance and Trading of Non-government Securities. In partnership with the Korean Stock Exchange, Cambodia is planning to establish a stock market in the near future.

Competition from State Owned Enterprises

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Cambodia has several state-owned enterprises and two joint-venture enterprises with a majority state holding. These include rubber plantations and an agricultural inputs company, infrastructure operating companies, the Phnom Penh Water Supply, the Electricity Authority of Cambodia, the Rural Development Bank, and two joint-venture companies – telecommunication operator Camintel and Cambodia Pharmaceutical Enterprise. Currently, the country does not have a sovereign wealth fund. All SOEs are under the supervision of certain line Ministries or government institutions and are overseen by boards of directors drawn from among senior government officials. Private enterprises are generally allowed to compete with public enterprises under the same terms and conditions.

Cambodia has yet to pass the Law on Competition as part of its WTO accession obligations. Under the draft law, a National Committee on Competition will be established.

Corporate Social Responsibility

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Corporate social responsibility (CSR) is a new concept to Cambodia and is not widely understood among local producers or consumers. However, certain labor and social

standards have been established in key industries, particularly in the garment sector. Under the terms of the 1999 U.S.-Cambodia Trade Agreement, the U.S. Government committed to increase the size of Cambodia's garment export quota if the country could demonstrate improvements in labor standards. This was the first bilateral trade agreement to positively link market access with progress in compliance with labor obligations. Currently labor standard monitoring in the garment sector is being conducted by the International Labor Office (ILO) in coordination with the government. The ILO project succeeded in improving compliance with labor standards, virtually eliminating the worst labor abuses such as forced labor and child labor within the garment sector. Socially responsible businesses continue to source garments from Cambodia due to its well-deserved reputation for high labor standards.

Currently, the ILO's Better Work and Better Factories Cambodia program is developing a training package on planning and implementing the transition of the inspections regime towards substantial compliance with international labor standard such as the OECD Guidelines for Multinational Enterprises. In addition, several multinational enterprises conduct CSR programs in Cambodia which are viewed favorably by the local community.

Political Violence

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The risk of political violence directed at foreign companies operating in Cambodia is relatively small. Some violent protests have occurred in the past, such as anti-Thai riots in 2003 against the Embassy of Thailand and Thai-owned commercial establishments. However, the Department of State is unaware of any recent incidents directed at American or other Western interests.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a

competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, remains a major challenge for U.S. firms operating in Cambodia. Business people, both local and foreign, have identified corruption, particularly within the judiciary, as the single biggest deterrent to investment in Cambodia. Corruption was cited by a plurality of respondents to the World Economic Forum survey as the most problematic factor for doing business in Cambodia.

Public sector salaries range from USD 25-60 per month for working level officials. Although there is an annual salary increase of 10-15 percent, these wages are far below the level required to maintain a suitable quality of life in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Local and foreign businesses report that they must often pay extra facilitation fees to expedite any business transaction. Additionally, for those seeking to enter the Cambodian market, the process for awarding government contracts is not transparent and is subject to major irregularities.

An Anti-corruption Law was adopted in 2010 with the objective to combat corruption through education, prevention, and law enforcement with public participation and support and international cooperation. Under the new law, all civil servants are obligated to declare their financial assets to the government every two years. The newly formed Anti-Corruption Unit has launched several high-profile prosecutions against public officials, including members of the judiciary, in 2010.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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Cambodia has signed bilateral investment agreements with Australia, China, Croatia, Cuba, the Czech Republic, France, Germany, Indonesia, Kuwait, Japan, Laos, Malaysia, the Netherlands, North Korea, the Organization of the Petroleum Exporting Countries (OPEC), Pakistan, the Philippines, Singapore, South Korea, Switzerland, Thailand, and Vietnam. Future agreements with Algeria, Bulgaria, Burma, Egypt, Hungary, Libya, Malta, Qatar, Russia, the United Kingdom, and Ukraine are planned. The agreements provide reciprocal national treatment to investors, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation. The agreements preclude expropriations except those that are undertaken for a lawful or public purpose, are non-discriminatory, and are accompanied by prompt, adequate and effective compensation at the fair market value of the property prior to expropriation. The agreements also guarantee repatriation of investments and provide for settlement of investment disputes via arbitration.

In July 2006, Cambodia signed a Trade and Investment Framework Agreement (TIFA) with the United States to promote greater trade and investment in both countries and provide a forum to address bilateral trade and investment issues.

OPIC and Other Investment Insurance Programs

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Cambodia is eligible for the Quick Cover Program under which the Overseas Private Investment Corporation (OPIC) offers financing and political risk insurance coverage for projects on an expedited basis. With most investment contracts written in U.S. dollars, there is little exchange risk. Even for riel-denominated transactions, there is only one exchange rate, which is fairly stable. Cambodia is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, which offers political-risk insurance to foreign investors.

The Export-Import Bank of the United States (Ex-Im Bank) provides financing for purchases of U.S. exports by private-sector buyers in Cambodia on repayment terms of up to seven years. Ex-Im Bank support typically will be limited to transactions with a commercial bank functioning as an obligor or guarantor; however, it will consider transactions without a bank undertaking on a case-by-case basis.

Approximately 65 - 70 percent of the labor force is engaged in subsistence agriculture. At the end of 2009, about 278,000 people, the majority of whom are women, were employed in the garment sector, with 300,000 Cambodians employed in the tourism sector, and a further 50,000 people in construction.

The economy is not able to generate enough jobs in the formal sector to handle the large number of entrants to the job market. This dilemma is likely to become more pronounced over the next decade since Cambodia suffers from a large demographic imbalance. According to the 2008 General Population Census of Cambodia, Cambodia's annual population growth rate is 1.54 percent. Persons 20 years of age or younger account for 48.1 percent of the total population. As a result, over the next decade at least 275,000 new job seekers will enter the labor market each year.

Given the severe disruption to the Cambodian education system and loss of skilled Cambodians during the 1975-79 Khmer Rouge period, workers with higher education or specialized skills are few and in high demand. A Cambodia Socio-Economic Survey conducted in 2004 found that about 12 percent of the labor force has completed at least an elementary education. Only 1.2 percent of the labor force completed post-secondary education. The 2009-2010 Global Competitiveness Report of the World Economic Forum identified an inadequately educated workforce as one of the most serious problems in doing business in Cambodia.

Cambodia's 1997 Labor Code protects the right of association and the rights to organize and bargain collectively. The code prohibits forced or compulsory labor, establishes 15 as the minimum allowable age for paid work, and 18 as the minimum age for anyone engaged in work that is hazardous, unhealthy or unsafe. The statute also guarantees an eight-hour workday and 48-hour work week, and provides for time-and-a-half pay for overtime or work on the employee's day off. As of October 2010, the minimum wage for garment and footwear workers was officially set at USD 61 per month. There is no minimum wage for any other industry. To increase competitiveness of garment manufacturers, the labor code was amended in 2007 to establish a night shift wage of 130 percent of day time wages.

Enforcement of many aspects of the labor code is poor, albeit improving. Labor disputes can be problematic and may involve workers simply demanding conditions to which they are legally entitled. The U.S. Government, the ILO, and others are working closely with Cambodia to improve enforcement of the labor code and workers' rights in general. The U.S.-Cambodia Bilateral Textile Agreement linked Cambodian compliance with internationally recognized core labor standards with the level of textile quota the U.S. granted to Cambodia. While the quota regime ended on January 1, 2005, a "Better Factories" program continues to build on the labor standards established.

To facilitate the country's development, the Cambodian government has shown great interest in increasing exports via geographically defined special economic zones (SEZs), with the goal of attracting much-needed foreign direct investment. The government adopted a Sub-Decree on Special Economic Zones which define SEZs and establishes the rules under which they operate. In late December 2005, the Council of Ministers passed a Sub-Decree on Establishment and Management of Special Economic Zones to speed up the creation of the zones. The sub-decree details procedures, conditions and incentives for the investors in the zone.

Since issuing the sub-decree, the Cambodia Special Economic Zones Board (CSEZB) has approved 21 SEZs as of December 2010, of which 4 are in operation, located near the borders of Thailand and Vietnam, and in Phnom Penh, Kampot, and Sihanoukville.

Foreign Direct Investment Statistics

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Foreign direct investment (FDI) registered capital into Cambodia has been modest since 1998, with an average inflow of USD 180 million in the period 1998-2010. The FDI registered capital figures probably understate actual investment, since they report only registered capital and not fixed assets. CDC statistics for fixed assets, however, are based on projections, and the CDC has no effective monitoring mechanism to determine the veracity of the numbers.

In 2010, investment was concentrated in the following sectors: garment factories (20.2 percent), commercial banks (13.3 percent), tourism (11.6 percent), and telecommunication (10.7 percent), and agriculture (9.7 percent).

Total FDI registered capital flows into Cambodia for the years 1998-2010 are presented in the table below, in USD million. (Source: CDC) (Note: statistics from the NBC differ significantly from CDC's figures.)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
320	135	74	81	50	30	45	383	209	473	260	105	164

There has been approximately USD 74 million in U.S. investment since August 1994. Caltex has a chain of service stations and a petroleum holding facility in Sihanoukville; Crown Beverage Cans Cambodia Limited, a part of Crown Holdings Inc., produces aluminum cans; and Chevron is actively exploring offshore petroleum deposits. W2E Siang Phong Co., Ltd., a joint venture between U.S.- Dutch investors, invested in biogas power generation. There are also U.S. investors in a number of Cambodia's garment factories.

In 2008, several Cambodia-focused private equity funds emerged seeking to raise between USD 100 million and USD 500 million each for investments in infrastructure, agriculture, tourism, and real estate development, among other sectors. However it appears the global economic slowdown is limiting fund-raising abilities, and widespread investments by these funds have not yet materialized.

Major non-U.S. foreign investors include Asia Pacific Breweries (Singapore), Asia Insurance (Hong Kong), ANZ Bank (Australia), BHP Billiton (Australia), Oxiana (Australia), Infinity Financial Solutions (Malaysia), Total (France), Cambodia Airport Management Services (CAMS) (France), Samart Mobil Phone (Malaysia), Shinawatra Mobile Phone (Singapore), Thakral Cambodia Industries (Singapore), Petronas Cambodia (Malaysia), Charoeun Pokphand (Thailand), Siam Cement (Thailand), Bank of China (China), and Cambrew (Malaysia).

Since 2007, several well-known U.S. companies opened or upgraded their presence in Cambodia. General Electric and DuPont have established representative offices. Otis Elevators, a division of United Technologies, also upgraded to a branch office, and Microsoft initiated a presence through its Market Development Program.

Some major local companies and their sectors are: Sokimex (petroleum, tourism, garment), Royal Group of Companies (mobile phone, telecommunication, banking, insurance), AZ Distribution (construction, telecommunication), Mong Rethy Groups (construction, agro-industry, rubber and oil palm plantation), KT Pacific Group (airport project, construction, tobacco, food and electronics distribution), Hero King (cigarettes, casinos and power), Anco Brothers (cigarettes, casinos and power), Canadia Bank (banking and real estate), Acleda Bank (microfinance), and Men Sarun Import and Export (agro-industry, rice and rubber export).

In 2009 Acleda Bank opened its first bank branch outside of Cambodia in Laos, and has announced plans for further expansion into Vietnam and China. Statistics on Cambodian investment overseas are not available, but such investments are likely minimal.

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The most common method of payment is the use of Letters of Credit. Other payment methods such as Forward Exchange Contract, Standby Letters of Credit, Foreign Currency Loans, Import and Export Letters of Credit can be tailor-made to an individual importer or exporter. Instruments that banks offer and methods of payment vary, ranging from Import and Export Documentary Collections, Documentary Export and Import Credits, Open Account, Consignments, Cash-in-Advance and Guarantees. For a large-scale business transaction, exporters and importers are required to have Bank Guarantees, such as Shipping, Bid, Payment, Advance Payment, Performance, and Retention Money guarantees. Letters of Credit are more common than bank guarantees, cash-in advance, and open account. Private commercial banks, including ANZ Royal Bank, Acleda Bank, Campu Bank, Canadia Bank, Foreign Trade Bank, and several others provide trade finance services and have their foreign correspondent banks in the U.S., Europe, Asia, and elsewhere. However, not all Cambodian commercial and specialized banks handle trade finance. Letters of Credit, the most commonly used payment method, are available through those banks having correspondent banking relationships with banks in the U.S. Cambodia does not have a credit rating agency. Commercial banks in Cambodia may use an external credit rating agency, such as Standard & Poor's.

How Does the Banking System Operate

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Cambodia's banking sector is relatively small but is rapidly expanding, with 31 commercial banks, 6 specialized banks and 20 licensed Microfinance Institutions (MFIs). The banking sector has shown significant improvement, but requires continued progress to gain international confidence. With increased political stability in Cambodia after decades of war and instability, bank deposits rose on average by approximately 41.6% per year from 2004 to 2007. In 2010, deposits rose roughly 32% to US\$3.4. Loans in 2009 increased only 10%, coupled with declining banking industry profits.

The financial deepening in the financial sector keeps rising as domestic business activities increase in urban areas. The total assets of Cambodia's banking sector as of December 2009 were approximately US\$5 billion, an increase of 20.5% compared to 2008. Loans account for about 56% of the banking system's assets. Nonperforming loans (NPLs) fell to historic lows between -3.7% in 2008 due to dramatic increases in property values through mid-2008. However, the NPLs increased to 5% in 2009 as business activity slowed and the property prices stagnated as a result of the global economic slowdown. In 2010, credit granted by the commercial banks is estimated to amount to \$3 billion. Loans made to services and the wholesale and retail sectors accounted for over 50% of total loans. In 2009, private credit accounted for \$2.5 billion. Despite an increase in the use of banking and finance systems, overall lending and banking activities remain low due to lack of trust and prohibitive interest rates on loans. Increased borrowing and loans are due mainly to expansion in the construction and real estate sectors. In December 2009, private credits rose roughly 3.2% compared to the same period in 2008. Economists note that while a typical country would have a bank deposit to GDP ratio of roughly 60%, Cambodia's ratio is only 32% (December 2009), low even by developing economy standards. Cambodia's banking system is highly consolidated, with 4 banks— Cambodia Public Bank, Aceda Bank, Canadia Bank, and ANZ Royal—accounting for roughly 69% of all bank deposits. Interest rates on commercial loans are fully liberalized for all operations by commercial banks, specialized banks, and MFIs.

Foreign-Exchange Controls

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Cambodia has a free exchange system. Under the 1997 Foreign Exchange Law, there is no restriction on foreign exchange operations, including the purchase and sale of foreign exchange, and the transfer of all types of international settlements. The government intervenes, however, to promote macroeconomic stability by managing the exchange rate to fluctuate at a rate of US\$1= 4,100 Riels. The law stipulates that only authorized intermediaries may perform these transactions. In reality, many unregistered money exchangers perform currency exchange services. The authorized financial intermediaries are lawfully established banks, which are required to report to the National Bank of Cambodia (NBC) on the types of transfers and outflow or inflow of capital. Investors are not required to report on transactions of funds. The burden rests solely on the bank as the authorized intermediary. Article 13(1) of the Law of Foreign Exchange requires the import or export of any means of payment equal to or exceeding US\$10,000 or equivalent to be reported to the Customs authorities at the border crossing point and the Customs should transmit this information on a monthly basis to the NBC. While foreign exchange transfers are not currently restricted, the law does allow the National Bank to implement exchange controls in case of a foreign exchange crisis. However, Cambodia does not clearly specify what constitutes a crisis. There are currently no restrictions on the repatriation of profits or capital derived from investments either in Cambodia or on most transfers of funds abroad. The 1994 Investment Law guarantees that investors may freely remit foreign currencies abroad for the purpose of the following payments:

- Payment for imports and repayment of principal and interest on international loans;
- Payment of royalties and management fees;
- Remittance of profits; and
- Repatriation of invested capital on dissolution of an investment project.

U.S. Banks and Local Correspondent Banks

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The following are the major banks that have correspondent U.S. banking arrangements:

☐ Angkor Capital Bank Plc.

Tel: (855-23) 993168 Fax: (855-23) 994168

Email: info@angkorcapitalbank.com.kh

☐ Aceda Bank Plc.

Tel: (855-23) 998-777 Fax: (855-23) 998-666

Email: acedabank@acedabank.com.kh

☐ ANZ Royal Bank

Tel: (855-23) 999-000 Fax: (855-23) 221-310

Email: ccc@anz.com

☐ Campu Bank

Tel: (855-23) 214-111 Fax: (855-23) 217-655

Email: campupnh@campubank.com.kh

☐ Canadia Bank

Tel: (855-23) 215-286 Fax: (855-23) 427-064

Email: canadia@canadiabank.com.kh

☐ Foreign Trade Bank

Tel: (855-23) 724 466 Fax: (855-23) 426 108

Email: ftb@camnet.com.kh

Project Financing

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Commercial lenders rely more on collateral rather than financial cash flow. Trade and investment financing is available through most foreign bank branches and local banks. There is a large but unmet demand for loans for local small and medium enterprises (SMEs). Most loans are short-term and provide working capital to traders. While the average interest rate on deposits in U.S. dollars dropped from roughly 4.5% to 2%-3%, the average interest rate on loans in U.S. dollars rose slightly from approximately 16 % to roughly 17 %. Additionally, repayment terms are short. Loan interest rates vary according to banks and types of loans. The overall interest rates set by financial institutions on borrowing are on a downward trend, making the environment more competitive.

In June 2009, President Obama determined that Cambodia is no longer a Marxist-Leninist economy, as defined under section 2(b)(2B)(i) of the Export-Import Bank (Ex-Im Bank) Act of 1945, removing the long-standing determination which had prohibited the Ex-Im Bank from providing financing in Cambodia. The Ex-Im Bank now offers financing for the purchase of U.S. exports for private-sector buyers in Cambodia for the short-term (repayment up to one year) and the medium-term (repayment from one to seven years).

Ex-Im Bank's support typically will be limited to transactions with a commercial bank functioning as an obligor or guarantor.

Cambodia became a member of the World Bank in 1970, and began borrowing in 1993. The World Bank has a country office in Phnom Penh and has provided loans since 1994 in a variety of sectors with energy, road rehabilitation, education, governance and public sector reform, trade and poverty reduction, disease control and health, and social fund projects constituting the largest shares. The International Monetary Fund (IMF) and other banks, such as Japan Bank for International Cooperation (JBIC), have also provided loans to finance the government's Public Investment Programs. In 1966, Cambodia became a member of the Asian Development Bank (ADB). Since the early 1990s, ADB has approved U.S.\$1,019.40 million in loans as of December 2009 in a variety of sectors, but with emphasis on infrastructure, including road, rail road, and irrigation, the energy and power sectors, private sector development, health, and education. The U.S. Government maintains a commercial liaison office at ADB headquarters in Manila, which reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington. It assists U.S. companies in bidding on contracts and activities funded by the ADB. The Bank of China recently started to provide private loans to a Cambodian telecommunication firm.

Commercial financial leasing, which allows commercial and specialized banks to provide financial leasing, including moveable property to SMEs, started in May 2008 under a Decree (Prakas) on Financial Leasing. The Law on Financial Leasing was adopted in May 2009 and was promulgated in June 2009 to formalize leasing arrangements. Large-scale and long-term financial leasing is growing, yet it remains minimal. For the private sector to access commercial loans for private projects, collateral or other forms of guarantees are required. Through financial leasing, small and medium investment projects can get capital lease assets from leasing firms. Commercial and specialized banks may provide loans for most private sector projects. Cambodia is eligible for the Quick Cover Program under which the Overseas Private Investment Corporation (OPIC) offers financing and political risk insurance coverage for projects on an expedited basis. With most investment contracts written in U.S. dollars, there is little exchange risk. Even for riel-denominated transactions, there is only one exchange rate, which is fairly stable. Cambodia is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, which offers political-risk insurance to foreign investors.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Multilateral Investment Guarantee Agency (MIGA): www.miga.org

Angkor Capital Bank Plc: www.angkorcapitalbank.com

Asian Development Bank (ADB): www.adb.org

Acleda Bank Plc: www.acledabank.com.kh

ANZ Bank: www.anzroyal.com

Campu Bank: www.campubank.com.kh

Canadia Bank: www.canadiabank.com

Foreign Trade Bank: www.ftbbank.com

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Business Customs

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Like many other countries in Asia, many business relationships in Cambodia have their foundations in personal relationships. Connections are important in making contacts and establishing trust. Cambodians are open, approachable and friendly. It is recommended that you approach potential business contacts with a prior introduction or personal reference. Cambodians are more receptive if you arrive with an introduction or letter from a known government official or business contact. Although not absolutely required, small gifts with a company logo are appreciated, as are luncheon or dinner invitations.

Business travelers to Cambodia should have business cards. As in many countries, the cards are exchanged to formalize the introduction process. Always distribute and receive business cards with both hands as a sign of respect to the person you are dealing with and always take a few seconds to study a person's card after it has been handed to you. This is particularly important when dealing with Cambodia's ethnic Chinese minority, many of whom hold influential positions in the country's business community.

Cambodian names are in most cases not anglicized. It is customary for Cambodians to address each other by their given names rather than their family names. Addressing people by their family name is considered rude. The "Sampeah" – placing your palms together in a prayer-like position – remains a traditional gesture of greeting particularly for women although it is becoming more popular to shake hands. Foreigners may shake hands with men and women, but should wait until the woman offers her hand, otherwise you should go with the traditional Sampeah greeting. Touching someone on the head, pointing with your feet, or pointing in someone's face are deemed extremely rude and offensive. Wearing hats in houses, buildings, and particularly in temples is also considered rude.

Cambodia is a tropical hot country, which is not suitable for formal western business attire. But in a strictly formal meeting, it is advisable that you wear a suit and tie

for men and dress for women. In a less formal setting, shirt and tie (or pant suit for women) would be suitable.

Travel Advisory

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Travel within cities and provincial towns is generally safe, but business travelers should consult with the U.S. Department of State prior to arrival in Cambodia for a current travel advisory (this information is available on the web at <http://travel.state.gov>). Travelers should also consult the U.S. Embassy's current Consular Information Sheet, available at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1080.html

Americans may register on-line with U.S. Embassy Phnom Penh to obtain updated information on travel and security within Cambodia.

http://cambodia.usembassy.gov/register_your_stay_abroad.htm

Visa Requirements

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A valid passport and a Cambodian visa are required. Tourist and business visas for U.S. passport holders are valid for one month beginning with the date of entry into Cambodia. Cambodia offers on-line visa processing at <http://evisa.mfaic.gov.kh>. You may also apply in person at the Cambodian Embassy located at 4530 16th Street NW, Washington, DC 20011, tel. 202-726-7742, fax 202-726-8381. Tourists and business travelers may also obtain a Cambodian visa upon arrival at the airports in Phnom Penh, Siem Reap, and at all major border crossings. Any method of obtaining a Cambodian visa requires passport-sized photographs and a passport that is valid for a minimum of six months beyond the date of entry into Cambodia.

The fee is \$20 for tourist visas and \$25 for business visas. Travelers should bring with them two passport-sized photos for the visa application. A tourist visa can be extended for one month, but only one time. For individuals who need to stay longer than the standard one month, a three-month visa will be granted upon application to the Ministry of Interior; the fee for this visa is \$60. Business visas can be extended for \$45 for one month, \$75 for three months, \$155 for six months, and \$285 for one year. These fees are for fast track processing (two working days). Fees for normal processing are lower. Individuals with a business license issued by the Council for the Development of Cambodia (CDC) may apply for a business visa valid for a year. The fee is \$180. The Ministry of Interior has a team at the CDC to assist investors in obtaining long-term business visas.

Travelers should note that Cambodia regularly imposes fines for overstay on an expired visa. If the overstay is 30 days or less, the charge is USD 5.00 per day, while for overstays of over 30 days, the charge is USD 6.00 per day.

Overseas inquiries may be made at the nearest embassy or consulate of Cambodia or visit the Embassy of the Kingdom of Cambodia web site www.embassyofcambodia.org/ for the most current visa information.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>
U.S Embassy in Phnom Penh: http://cambodia.usembassy.gov/general_information.html

Telecommunications

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Telephone (landlines as well as cell phones), fax, Internet, and telegram services are available in Cambodia. Telephone service may be unreliable (more so for landlines than cell phones), especially for calls coming into Cambodia, or in remote areas. International telephone charges are relatively expensive compared to other countries in the region although phone tariffs are trending downward. The cost of telephone landline connection/installation s has gone down. However, there are often long delays in installation and telephone exchanges, and connecting cables are subject to problems; most people opt to use cell phones exclusively, which are inexpensive and readily available.

Cell phone service covers most urban areas throughout the country and is provided by several companies, including M Fone (www.mfone.com.kh), Mobitel (www.mobitel.com.kh), Hello (www.hellogsm.com.kh), and Beeline (www.beeline.com.kh). International roaming service for mobile phones is available but can be very expensive. Internet services are rapidly improving both in terms of prices and service. However, unlimited broadband is still relatively expensive. Internet access via a wireless system is provided in major hotels and is free of charge in some restaurants and cafés. There is also a plethora of internet cafés in Phnom Penh, Battambang, Preah Sihanouk, and other major provinces which charge modest prices.

Transportation

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Cambodia has three airports: Phnom Penh International Airport, Siem Reap International Airport and Sihanoukville International Airport. These three airports have been dramatically upgraded over recent years with modern terminals. Domestic air service links Phnom Penh with Siem Reap. In early 2010, carriers were in negotiation with the airport concession regarding flights to Sihanoukville.

There have been great improvements to the Cambodian road network over the last several years. While connections are not perfect, it is much easier to move around the country now than it was just a few years ago. The safety of road travel outside urban areas varies; traveling only during daylight hours can reduce the potential risk. During the rainy season, some locations cannot be reached by road. Persons planning a lengthy visit to Cambodia should register with the U.S. Embassy Consular Section upon arrival in Cambodia.

Cars and buses offer a cheap way to travel to most provincial capitals. Phnom Penh does not have a bus system and has very few metered taxis. Motorcycle-taxi (locally known as motodup) and cyclos are popular forms of transportation. The U.S. Embassy does not recommend using motodup or cyclos mainly because they are prone to accidents and street crime. Private cars are available for rental in most cities upon arrival. Rental fees run between \$25 and \$50 per day. If contracting with an

independent taxi service, visitors should agree on the price with the driver before embarking. In Phnom Penh, travel at night on foot or motorbike is not recommended.

Cambodia has an international and commercial deepwater port at Sihanoukville.

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

Language

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Khmer is the official language. Even with the increasing use of English, it is advisable to hire a reliable interpreter, as most business and official meetings are conducted in Khmer. Chinese, French, Thai, and Vietnamese are also widely spoken.

Health

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Medical facilities and services in Cambodia do not meet international standards. Both Phnom Penh and Siem Reap have a limited number of internationally-run clinics and hospitals that can provide basic medical care and stabilization. Medical care outside these two cities is almost non-existent. Local pharmacies provide a limited supply of prescription and over-the-counter medications, but because the quality of locally obtained medications can vary greatly, travelers should bring adequate supplies of their medications for the duration of their stay in Cambodia.

A current list of clinics, hospitals, and pharmacies with names, addresses and telephone numbers may be obtained from the U.S. Embassy consular section website, at: http://cambodia.usembassy.gov/medical_information.html

For information on avian influenza (bird flu), please refer to the Department of State's Avian Influenza Fact Sheet. The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Cambodia.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's web site at <http://wwwn.cdc.gov/travel/default.aspx>. For information about outbreaks of infectious diseases abroad consult the World Health Organization's (WHO) web site, at <http://www.who.int/en>. Further health information for travelers is available at <http://www.who.int/ith/en>.

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see our information on [medical insurance overseas](#), at: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1470.html.

Local Time, Business Hours, and Holidays

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Local Time

During U.S. Eastern Standard Time, Cambodia is twelve hours ahead of the U.S. East Coast. Cambodia consists of a single time zone and is GMT + 7.

Business Hours

Business hours for commercial offices are usually from 0730 to 1200 in the morning and from 1330 to 1700 in the afternoon Monday through Saturday morning. Government offices are officially open from 0730 to 1130 and from 1400 to 1730.

Holidays for 2011

January 1, 3	International New Year's Day
January 7	Victory over Genocide Regime
February 18	Meaka Bochea Day
March 8	International Women's Day
April 14-16, 18	Khmer New Year's Days
May 1, 2	Labour Day
May 13-15	Birthday of His Majesty Preah Bat Samdech Preah Boromneath NORODOM SIHAMONI, King of Cambodia
May 17	Visaka Bochea Day
May 21, 23	Royal Ploughing Ceremony
June 1	International and Cambodian Children's Day
June 18, 20	Birthday of Her Majesty the Queen-Mother NORODOM MONINEATH SIHANOUK of Cambodia
September 24, 26	Constitution Day
September 26-28	Pchum Ben
October 29, 31	Coronation Day of His Majesty Preah Bat Samdech Preah Boromneath NORODOM SIHAMONI, King of Cambodia
October 31	Birthday of His Majesty King Father Preah NORODOM SIHANOUK of Cambodia
November 9	Independence Day
November 9-11	Water Festival
December 10, 12	International Human Rights Day

Temporary Entry of Materials and Personal Belongings

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Certain articles can be temporarily imported to be re-exported and are exempt from import duties and taxes. The importers are required to pledge that such articles will be re-exported within the specified period and may be required to provide a guarantee which is refunded after all the obligations under the pledge have been fulfilled.

Below are a listing of goods allowed for temporary entry:

1. Display or Exhibition goods in appropriate amount
 - a. Display or Exhibition goods in trade fair or conference
 - b. Goods necessary to display the machines or foreign equipment
 - c. Construction equipment and ornaments
 - d. Advertisement equipment and for display of foreign goods such as film, sound, and documents used in advertisement
 - e. Translation equipment, filming and videoing equipment, and cultural or scientific films used in international conference
2. Technical equipment for technicians, experts, or other professionals used to perform their duties or in the field of expertise (such as PC, phone, fax machine, camera, voice recorder, and LCD), apart from the machinery used in manufacturing, packaging, or natural resource exploitation

3. Container, packages, samples of goods (with no commercial value), and other imports related to, but not part of, commercial transactions when sold or purchased
4. Goods for educational purposes and parts of scientific goods
5. Sports equipment and sportswear
6. Equipment for advertising and attracting tourists to visit other countries
7. Personal effects/belongings
8. Goods imported for humanitarian use/purposes
9. Transportation means for commercial purposes

Additional details on temporary entry can be found at the Customs and Excise Department's website: http://www.customs.gov.kh/temp_admission.html

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- Cambodian Immigration Department: www.cambodia-immigration.com/
- Royal Embassy of Cambodia in Washington D.C.: <http://www.embassyofcambodia.org/visa.htm>

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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U.S. AND CAMBODIAN CONTACTS

A – Royal Government of Cambodia

1 - Key Cambodian Government Agencies

Council for the Development of Cambodia (CDC)

Sangkat Wat Phnom, Phnom Penh, Cambodia

Contact: H.E. Mr. Sok Chenda Sophea, Secretary General

Tel: (885-23) 981-183 or 981-162

Fax: (855-23) 360-636

Website: www.cambodiainvestment.gov.kh

www.cdc-crdb.gov.kh

Ministry of Commerce

Russian Federation Blvd, Phum Teuk Thla

Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Cambodia

Contact: H.E. Cham Prasidh, Minister

Tel: (855-23) 426-024

Fax: (855-23) 426-024

Website: www.moc.gov.kh

Ministry of Industry, Mines and Energy

No. 45, Preah Norodom Blvd., Phnom Penh, Cambodia

Contact: H.E. Suy Sem, Minister

Tel: (855-23) 723-077/428-263/427-852

Fax: (855-23) 428-263

Email: mine@cambodia.gov.kh

Website: www.mine.gov.kh

Ministry of Public Works and Transport

Preah Norodom Blvd., Phnom Penh, Cambodia

Contact: H.E. Tram Iv Tek, Minister

Tel: (855-23) 722-615

Fax: (855-23) 723-708

Email: mpwt@mpwt.gov.kh

Website: www.mpwt.gov.kh

Ministry of Agriculture, Forestry and Fisheries

200 Preah Norodom Blvd., Phnom Penh, Cambodia

Contact: H.E. Chan Sarun, Minister
Tel: (855-23) 211-051/322-893
Fax: (855-23) 217-320
Email: icomaff@camnet.com.kh
Website: www.maff.gov.kh

Ministry of Posts and Telecommunications

Corner Street 13 and 102, Sangkat Wat Phnom, Phnom Penh, Cambodia
Contact: H.E. So Khun, Minister
Tel: (855-23) 426-993/426-510
Fax: (855-23) 426-992
Email: mptc@cambodia.gov.kh
Website: www.mptc.gov.kh

Ministry of Tourism

No. 63, St/348, Tuol Svay Prei II., Preah Monivong Blvd., Phnom Penh, Cambodia
Contact: H.E. Thong Khon, Minister
Tel: (855-12) 827-664
Fax: (855-23) 426-877
Email: Tourism@camnet.com.kh
Website: www.mot.gov.kh

Ministry of Economy and Finance

60 Street 92, Phnom Penh, Cambodia
Contact: H.E. Keat Chhon, Minister
Tel: (855-23) 428-634
Fax: (855-23) 427-798
Email: mefcg@hotmail.com
Website: www.mef.gov.kh

General Department of Customs and Excise

Preah Norodom Blvd., Phnom Penh
Contact: H.E. Pen Siman, Director General
Mr. Kun Nhem, Deputy Director General
Tel: (855-23) 214-065
Fax: (855-23) 214-065
Email: customs@camnet.com.kh
Website: www.camnet.com.kh/customs
www.customs.gov.kh

Municipality of Phnom Penh

#69, Preah Monivong Boulevard, Phnom Penh
Contact: H.E. Kep Chuktema, Governor
Tel: (855-23) 428-627
Fax: (855-23) 724-156
Email: phnompenh@phnompenh.gov.kh
Website: www.phnompenh.gov.kh

The National Bank of Cambodia (NBC)

No 22-24, Preah Norodom Blvd., Phnom Penh, Cambodia
Contact: H.E. Chea Chanto, Governor

Mr. Kim Vada, Director of Bank Supervision
Tel: (855-23) 722-221/275-063/724-866
Fax: (855-23) 426-117
Email: info@nbc.org.kh
Website: <http://www.nbc.org.kh>

2 – Cambodian Government Offices in the United States

Cambodian Embassy in the USA

Royal Embassy of Cambodia
4530 16th Street, NW
Washington, DC 20011
Tel: (202) 726 7742
Fax: (202) 726 8381
Contact: H.E. Mr. Hem Heng, Ambassador
Email: cambodian_embassydc@hotmail.com
Website: www.embassyofcambodia.org

Permanent Mission of the Kingdom of Cambodia to the United Nations

327 East 58th Street, New York, N.Y. 10022
Tel: (212) 336-0777/759-7129
Fax: (212) 759-7672
Contact: H.E. Dr. Sea Kosal
Email: cambodia@un.int
Website: www.un.int/cambodia

B – U.S. Government Contacts

United States Embassy Phnom Penh

Cambodian Mailing Address: #1, St. 96, Phnom Penh, Cambodia
U.S. Mailing Address: Unit 8166, Box P, APO AP 96546
Ambassador: Carol A. Rodley
Economic/Commercial Officer: Ms. Melissa A. Sweeney
Economic/Commercial Specialist: Mr. Chheng Kimlong
Tel: (855-23)728-116
Fax: (855-23)728-800
E-mail: SweeneyMA@state.gov
E-mail: ChhengK@state.gov
Website: www.cambodia.usembassy.gov

United States Commercial Service

(Washington, DC)

Trade Information Center

Tel: (800) USA-TRADE
Fax: (202) 482-4473
Website: www.ita.doc.gov/uscs

United States Commercial Service

U.S. Embassy Bangkok
Diethelm Tower A, 304, 93/1 Wireless Rd., Bangkok 10330, Thailand
Contact: Cynthia Griffin, Commercial Counselor

Tel: [66](2) 205-5090
Fax: [66](2) 255-2915
E-Mail: Ann.Bacher@mail.doc.gov
Website: www.buyusa.gov/thailand/en/

Export-Import Bank of the United States (Exim Bank)

811 Vermont Ave. NW
Washington, DC 20571
Tel: 202-565-3510
Fax: 202-565-3380
Website: www.exim.gov

Overseas Private Investment Corporation (OPIC)

Mr. Bruce Cameron, Business Development Officer
1100 New York Avenue NW
Washington, DC 20527, USA
Tel: (202) 336-8745
Fax: (202) 408-5154
E-Mail: Bcame@opic.gov
Website: www.opic.gov

C – Multilateral Contacts:

Asian Development Bank (ADB)

Box 789, 0890 Manila, Philippines
Tel: [63](2)632-6050
Fax: [63](2)632-4003
manila.adb.office.box@mail.doc.gov
Website: www.adb.org

Asian Development Bank (ADB) – Cambodia Resident Mission

No. 29, Suramarit Boulevard, Sangkat Chaktomuk, Khan Daun Penh, Phnom Penh
Tel: (855-23) 215-805
Fax: (855-23) 215-807
Email: adbcarm@adb.org
Website: www.adb.org/carm

International Finance Corp. (IFC)

1850 I (Eye) St. NW
Room I-11-063
Washington, DC 20433, USA
Cambodia Investment Officer: Mr. Morgan Landy
Tel: 202-473-9350
Fax: 202-676-0820
Website: www.ifc.org

International Finance Corp. (IFC) – Cambodia Office

No. 70, Norodom Blvd., Sangkat Chaktomuk, Phnom Penh
Tel: (855-23) 210-922
Fax: (855-23) 215-157
Website: www.ifc.org

Multilateral Investment Guarantee Agency (MIGA)

1818 H St. NW
Washington, DC 20433
Tel: 202-477-1234
Fax: 202-522-2630
Website: www.miga.org

D – Trade Associations**Phnom Penh Chamber of Commerce**

7B Street 81 corner Street 109,
Sangkat Beung Raing, Khan Daun Penh, Phnom Penh, Cambodia
Contact: Okhna Kith Meng, President
Tel: (855-23) 212-265
Fax: (855-23) 212-270
Email: ppcc@camnet.com.kh
Website: www.ppcc.org.kh

Cambodia Federation of Employers and Business Associations (CAMFEBA)

No. 44A, Street 320, Phnom Penh, Cambodia
Mr. Som Chamnan, Executive Manager
Tel: (855-23) 222-186
Fax: (855-23) 222-185
E-mail: camfeba@camfeba.com

The Garment Manufacturers Association in Cambodia (GMAC)

175, Jawaharlal Nehru Blvd., (St. 125), Phnom Penh, Cambodia
Chairman – Mr. Van Sou Ieng
Tel: (855-23) 301-180
Fax: (855-23) 311-181
Contact person: Dr. Ken Loo
Email: info@gmac-cambodia.org
Website: www.gmac-cambodia.org

Phnom Penh Hotel Association (PPHA)

Hotel Cambodiana
313, Sisowath Quay Phnom Penh
Tel: (855-23) 990-577
Email: info@phnompenh-hotels.org
Website: www.phnompenh-hotels.org

E– Local Professional Services

Some professional services, local law firms, or U.S. law firms affiliated with Cambodian attorneys can be contacted through the following entities (listed alphabetically):

BNG – Advocates & Solicitors

Contact person: Mr. Hem Naryth
Address: #84, Street 217, Phnom Penh
Tel: (855-23) 217-510

Fax: (855-23) 212-840
Email: hnh@bngkh.net
Website: www.bngkh.net

DFDL Mekong

Contact person: Mr. L-Martin DeSautels
Address: #45, Preah Suramarit Blvd., Phnom Penh
Tel: (855-23) 210-400
Fax: (855-23) 428-227
Email: cambodia@dfdlmekong.com
Website: www.dfdlmekong.com

KPMG Cambodia Limited

Contact person: David King, Director
#2, Street 208, Sangkat Boeung Prolit, Phnom Penh
Tel: (855-23) 216-899
Fax: (855-23) 217-279
Email: davidking@kpmg.com.kh
Website: www.kpmg.com

Morrison, Kak, and Associates

Contact person: Mr. Key Kak
#25, Street 360, Sangkat Boeung Keng, Kang, Phnom Penh
Tel: (855-16) 884-887
Fax: (855-23) 218-993
Email: mka.audit@morrisonkak.com
Website: www.morisonkak.com

Price Waterhouse Coopers

#124, Norodom Blvd., Phnom Penh
Tel: (855-23) 218 086
Fax: (855-23) 211 594
Website: www.pwc.com/cambodia

Sarin & Associates

Contact Person: Mr. Denora Sarin
Address: #45, Street 355, Phnom Penh
Tel: (855-12) 828 007
Fax: (855-23) 882-943
Email: sarin-associates@camnet.com.kh

Sciaroni and Associates (Legal Advisors)

56, Samdech Sothearos Blvd., Phnom Penh
Tel: (855-23) 210 225
Fax: (855-23) 213-089
Contact: Mr. Bretton Sciaroni
Email: info@sa-cambodia.com
Website: www.sa-cambodia.com

United Studies Group Ltd

Contact: Mr. Christian Berger

Tel/Fax: (855-23) 212-872
Email: info@usg-cambodia.com
Website: www.usg-cambodia.com

F– Foreign Business Association

U.S.-ASEAN Business Council

1101 17th Street NW, Suite 411
Washington, DC 20036

Contact: Ms. Frances Zwenig

Tel: 202 289-1911

Fax 202 289-0519

Email: mail@usasean.org

Website: www.us-asean.org

Description: The U.S.-ASEAN Business Council is a private Organization in the United States representing private sector interests in ASEAN, the Association of Southeast Asian Nations.

American Cambodian Business Council (AmCham)

56, Samdech Sothearos Blvd., Phnom Penh

Tel: (855-23) 362-670

Fax: (855-23) 362-671

Email: info@sa-cambodia.com

Website: www.sa-cambodia.com

Contact: Mr. Bretton Sciaroni (President)

Note: AmCham represents U.S. Business interests in Cambodia

Australian Business Association of Cambodia

#9, Mao Tse Toung Blvd., 245, Phnom Penh

Tel: (855-23) 213-470

Email: abac@irl.com.kh

Website: www.abac.com.kh

BBAC - British Business Association of Cambodia

124, Norodom

Tel: (855-23) 218-086

Mobile: (855-12) 803-891

Email: britemb@online.com.kh

Chambre de Commerce Franco-Cambodgienne

313, Sisowath, Office 13A, Ground Floor, Hotel Cambodiana

Tel & Fax: 023 221 453

Mobile: 012 801 950

Email: ccfc@online.com.kh

www.cfcambodge.org

International Business Club of Cambodia

56, Samdech Sothearos (St. 3)

Tel: (855-23) 210-225

Tel: (855-23) 362-671

Fax: (855-23) 362-871

Mobile Phone: (855-12) 819-596
Email: zirconium@online.com.kh

Canadian Trade Commissioner Service

9, Senei Vinna Vaut Oum (St. 254), Embassy of Canada
Tel: (855-23) 213-470, Ext 417
Fax: (855-23) 211-389
www.infoexport.gc.ca/kh

BCC - Malaysian Business Council of Cambodia

113, Mao Tse Toung (St. 245), Unit G21, Ground Floor, Parkway Square
Tel & Fax: (855-23) 221-386
Mobile: (855-16) 229-168 or (855-12) 808-852
Email: mbcc.secretariat@gmail.com

International Business Club

56, Samdech Sothearos Blvd., Phnom Penh
Tel: (855-23) 362-670
Fax: (855-23) 362-671
Email: info@sa-cambodia.com
Contact: Mr. Bretton Sciaroni (President)

Japanese Business Association

75-5, Preah Sisowath Blvd., Phnom Penh, Cambodia
Tel: (855-23) 426 506
Fax: (855-23) 426 505
Email: mcpnh.manager@online.com.kh

Singapore Business Club (Cambodia)

92, Preah Norodom Blvd., Phnom Penh
Tel: (855-23) 360-855
Fax: (855-23) 360-850
Email: singcamb@online.com.kh

Thai Business Council of Cambodia

196, Preah Norodom Blvd., Phnom Penh
Tel: (855-23) 428-596
Fax: (855-12) 218-578
Email: thaibusinesspnp@yahoo.com
Or mpp.admin@online.com.kh

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

Readers may also contact the U.S.-ASEAN Business Council for information on possible events:

U.S.-ASEAN BUSINESS COUNCIL

1101 17th Street NW, Suite 411

Washington, DC 20036

Tel: 202 289-1911

Fax: 202 289-0519

Email: mail@usasean.org

Internet: www.us-asean.org

Note: The US-ASEAN Business Council is the premier national private organization in the United States representing private sector interests in ASEAN, the Association of Southeast Asian Nations.

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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