US-Cambodian Economic and Trade Relations

Since the resumption of diplomatic relations with Cambodia in 1992, the United States has been at the forefront of Cambodian development. In 1996, President Clinton signed a bill formally extending Most Favored Nation (MFN) status to Cambodia. The US Government subsequently designated Cambodia as a beneficiary under the Generalized System of Preferences (GSP) in 1997. In 1999, Cambodia and the US signed a Bilateral Textile Agreement (BTA), a unique agreement that links labor standards to trade.

The BTA has been an unqualified success. It has boosted Cambodia’s image as a labor-friendly country and contributed significantly to its economic development by generating employment for over 250,000, mostly rural women, as well as providing significant amounts of foreign exchange. The BTA is responsible for a robust and booming garment industry with exports of $1.6 billion in 2003, representing some 40% of Cambodia’s nominal Gross Domestic Product (GDP) and 73% of Cambodia’s total exports.

The US has been Cambodia’s single largest trading partner by far since 1998. Exports to the US totaled $1.5 billion in 2004, accounting for at least 70% of Cambodia’s total exports and over 35% of Cambodia’s entire GDP. US exports to the Cambodia have been minuscule in comparison, albeit increasing from approximately $20 million in 1999 to $59 million in 2004.

The US is the second largest bilateral donor to Cambodia after Japan. Assistance from the U.S. Agency for International Development (USAID) reached $57 million in 2004 and is expected to exceed $55 million in 2005, the highest levels in more than a decade. During the 1990s, USAID rebuilt highway number 4 connecting Phnom Penh to the port city of Sihanoukville. More recently, the focus has been on three major areas--good health; good education; and good governance. More than half of all USAID assistance is devoted to health. This includes significant funding for HIV/AIDS, where U.S. assistance accounts for roughly half of all international assistance in this important area. While Cambodia still has the highest HIV/AIDS prevalence rate in South East Asia, this rate declined by more than one-third, from more than 3 percent five years ago to less than 2 percent today.

Tourism is another major sector of the Cambodian economy. In 2004, the number tourist arrivals reached a record high of 1 million tourists, generating approximately $511 million in revenue. Since 1997, the United States has consistently been one of the top three providers of tourists to Cambodia. In 2004, the United States ranked third after Korea and Japan. The number of tourists from the US reached a record high of some 100,000.

Despite a long-term decline in overall foreign direct investment (FDI) in Cambodia, the US is still one of the major investors in terms of the cumulative amount of the foreign direct investment, ranking third behind Taiwan and Malaysia in FDI. Major US businesses in Cambodia include Caltex, ChevronTexaco, Coca Cola, Unocal, Conoco, Jupiter, Northbridge and R.M. Asia.
Although since 1997 the US government has limited direct assistance to the Cambodian government, the economic and trade role of the US remains influential.

The US trade balance with Cambodia has been in a deficit since 1997. The deficit jumped from $84 million in 1997 to $794 million in 2000. In 2003, US imports from Cambodia reached $1.2 billion, of which the garment industry accounted for 85.4%. Exports to Cambodia have increased slightly since 1998. In 2004, US imports from Cambodia was $1.497 billion, accounting for 70% of Cambodia’s total exports.

Cumulatively, the US is among the top three foreign investors in Cambodia at some $500 million. However, the overall investment picture in Cambodia, including FDI from the U.S. as shown on the left, has been quite modest since 1998.

In 2004, US FDI in Cambodia was $2.4 million.

The number of US travelers to Cambodia has been increasing since 1998 albeit with a slight decline in 2003 due to war in Iraq and SARS. The number of US tourist arrivals was 79,363 (11% of total) in 2002 and 66,123 in 2003. In 2004, the US remained one of the largest tourism markets for Cambodia with nearly 100,000 arrivals, ranking third after Korea and Japan.
Source: Ministry of Tourism

US assistance to Cambodia comes from several sources. USAID plays a lead role but a number of other US departments and agencies are also involved, including the Center for Disease Control, the US Department of Labor and the US Department of Agriculture. With regard to USAID specifically, annual funding levels have increased substantially in recent years, from less than $30 million in 2001 to more than $55 million in 2004 and again in 2005. At this point, the United States is the second largest bilateral donor in Cambodia after Japan. The US also makes important contributions to the various multilateral donor agencies working in Cambodia, including the IMF, ADB, World Bank and the various UN Agencies.

Source: USAID, Phnom Penh, from 1992 to 2004