



Business Opportunities in Cambodia

Bangkok, 19 May 2015

Contents





Cambodia Key Facts

Overview: main data

Currency

Riel (KHR): 1USD \approx 4,000 KHR.
Dollarized economy at 85%

GDP

16.7 billion USD (2014. World Bank)

Official language

Khmer, English widely used

Capital city

Phnom Penh

Major cities

Siem Reap, Sihanoukville, Battambang

Government type

Constitutional Monarchy

Head of State

King Norodom Sihamoni

Head of Government

Prime Minister Hun Sen

Population

15.46 million, annual growth 1.8 %, <25 years old: 52%

Time zone

GMT +07:00

Climate

Wet season: May to October, dry season: November to April,
average temperature: 27°C

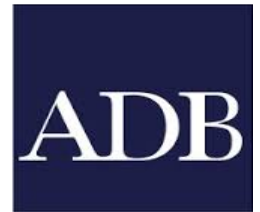
Major religion

Buddhism

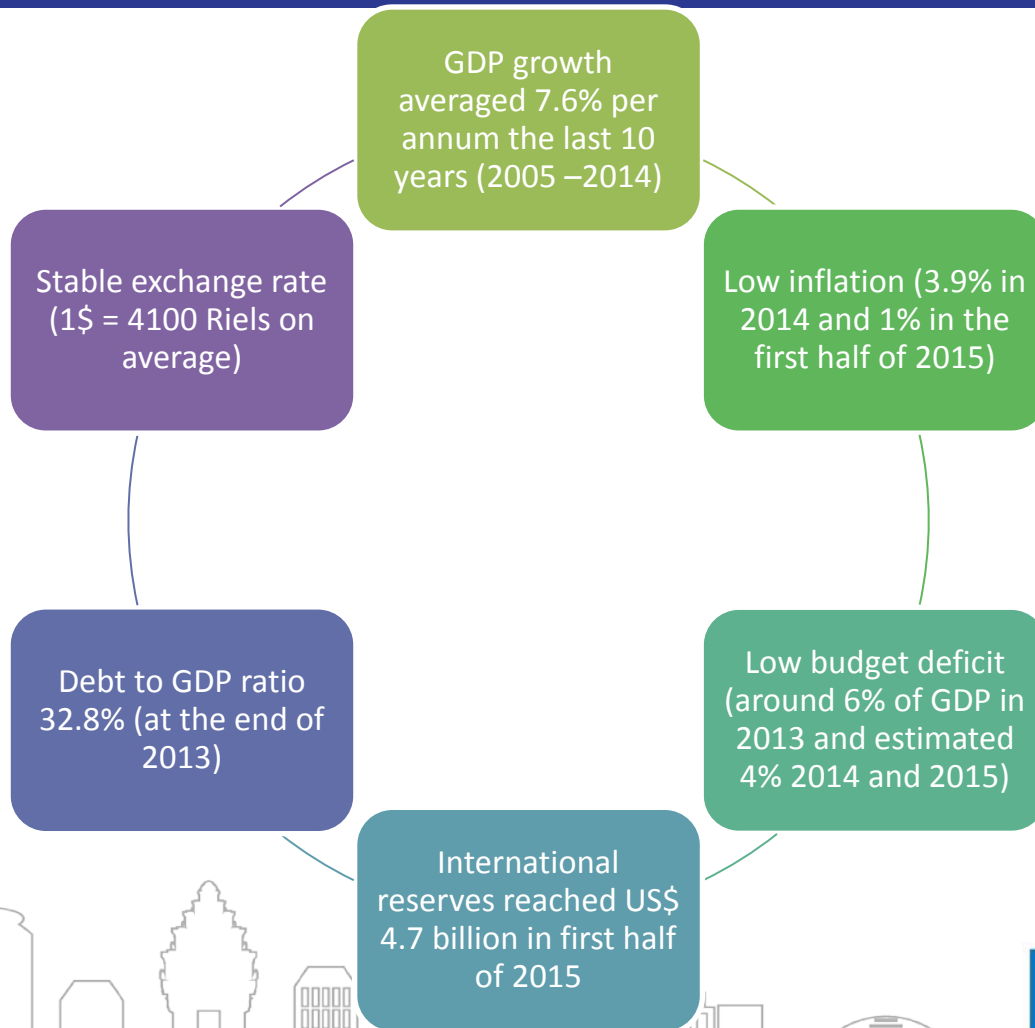


Overview: political & legal structure

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

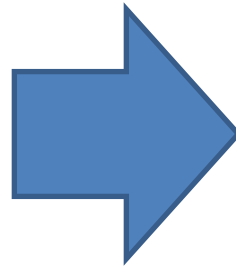
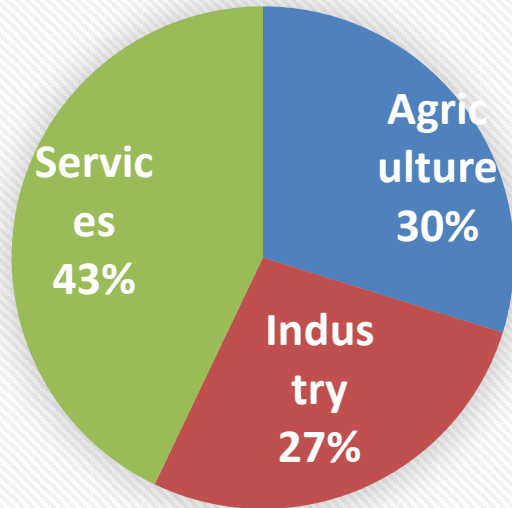


Macroeconomic Stability



Pillars of growth

Composition of GDP
by sector, 2014

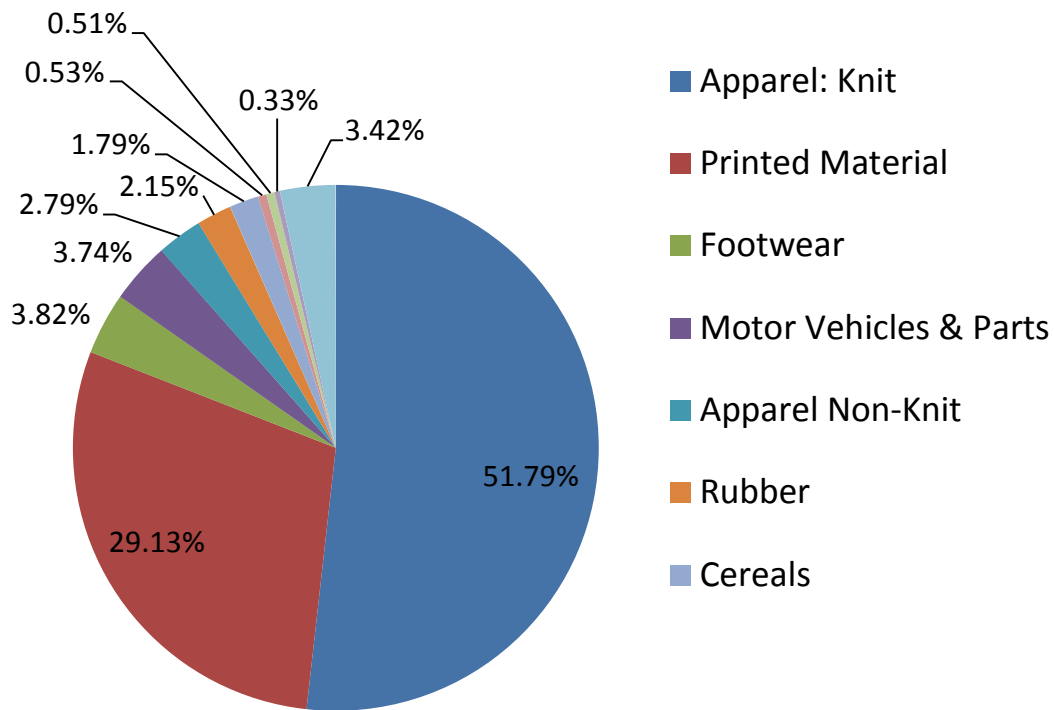


1. Agriculture
2. Real Estate and Construction
3. Tourism
4. Garment Industry

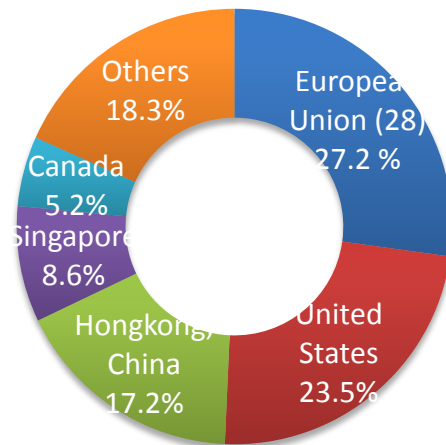
■ Agriculture ■ Industry ■ Services

Limited diversification for exports

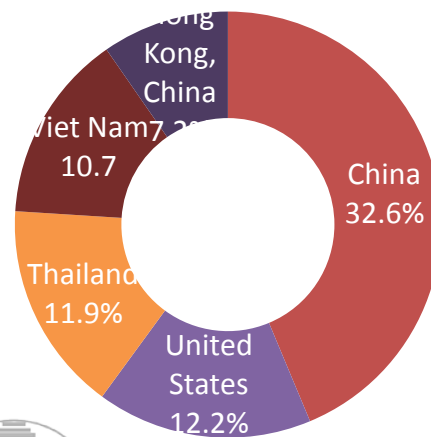
Export by goods



Export by destination



Import by destination

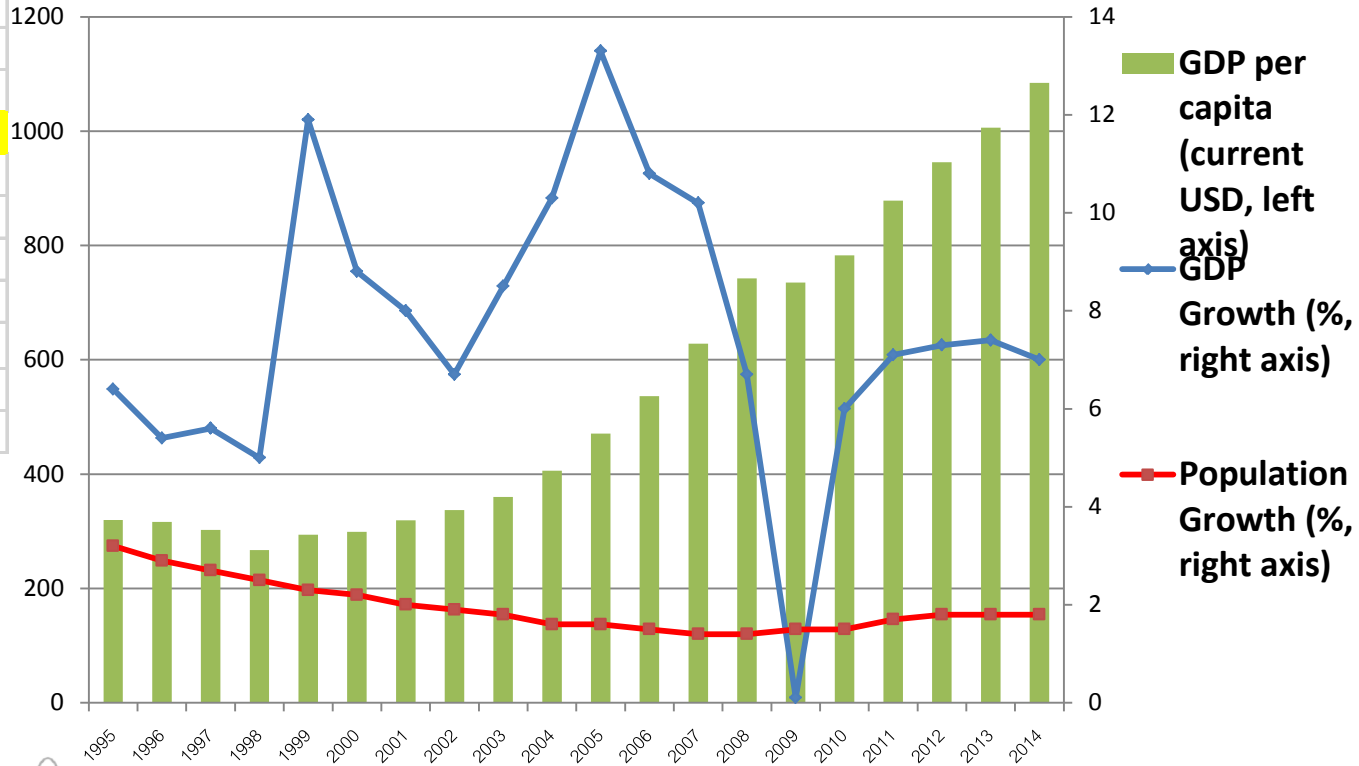




Why invest in Cambodia ?

One of ASEAN's fastest-growing economies

	Country	2014 GDP Growth (%)
	Myanmar	8.5
	Laos	7.4
	Cambodia	7.0
	Philippines	6.2
	Malaysia	5.9
	Vietnam	5.5
	Brunei	5.3
	Indonesia	5.2
	Singapore	3.0
	Thailand	1.0



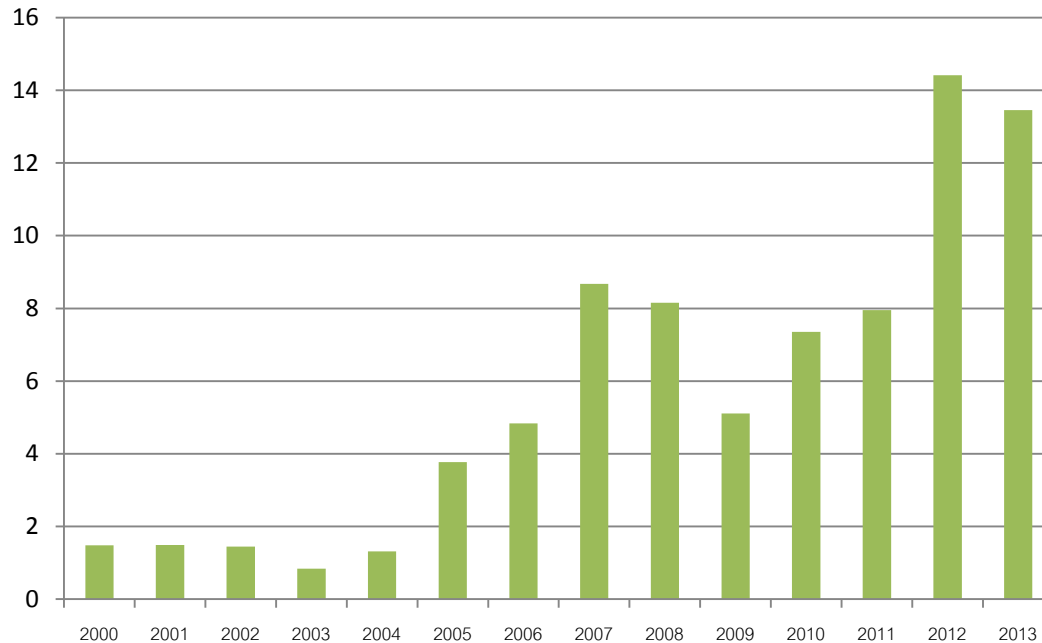
Source: CIA World Factbook, estimate figures



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FDI has increased almost tenfold since 2000

Cambodia FDI inflows, current USD (1 unit = \$100M)



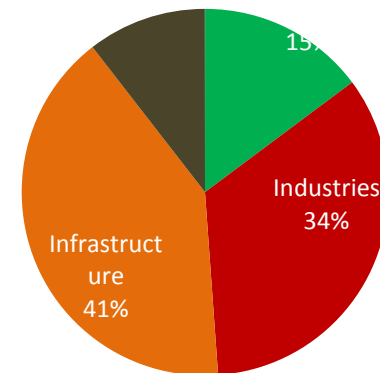
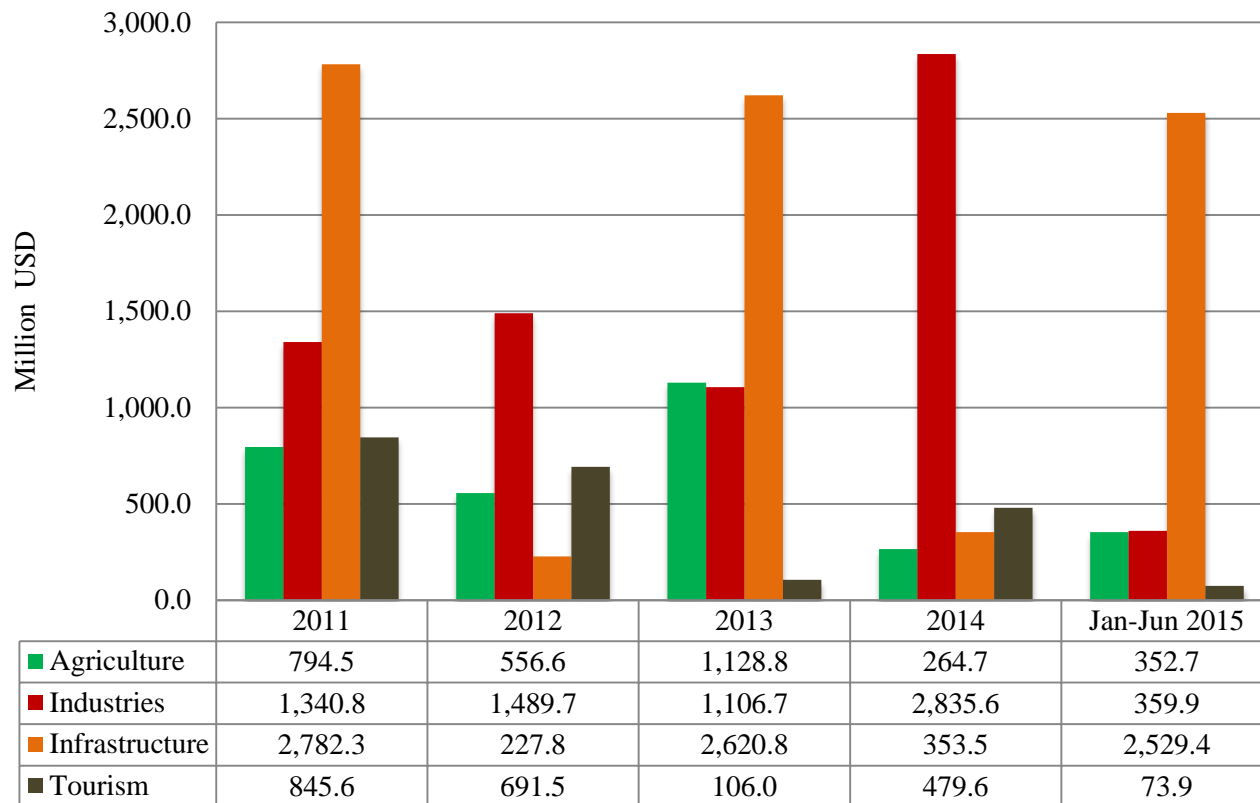
Source: World Bank

Main investors (mostly Asian)

- China
- Korea
- Vietnam
- Malaysia
- Japan

Committed Investment

Investments by sector (2011- June 2015)



Source: Council of Development of Cambodia

Competitive Advantages - overview

Preferential Market
Access

Strategic Geographic
Location

Business-friendly
government

Open economy

Competitive labor
force

Abundant and cheap
resources : land, labor

Quality of life
Growing Middle-Class

Untapped market :
opportunities exist in
all sectors of the
economy



Pro-Business Government

- Government and Private sector Working Groups and forums
- Easy Access to relevant government officials
- Competitive Investment Incentives
- One-Stop Service Investment Promotion Agency (CDC)
- Preferential Access to Regional & World Markets
- Investment Protection Agreements



Competitive Investment Incentives

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



Reforms, reforms, reforms...

- ✓ Since the last election in 2013, the government has engaged in the course of reforms
- ✓ New Industrial development Policy to upgrade the industrial sector
- ✓ Investment law to be amended
- ✓ Reforms in the Ministry of Commerce (CoO, online company registration)
- ✓ Key ministries : education, environment, industry, Labor, tourism, Customs...etc

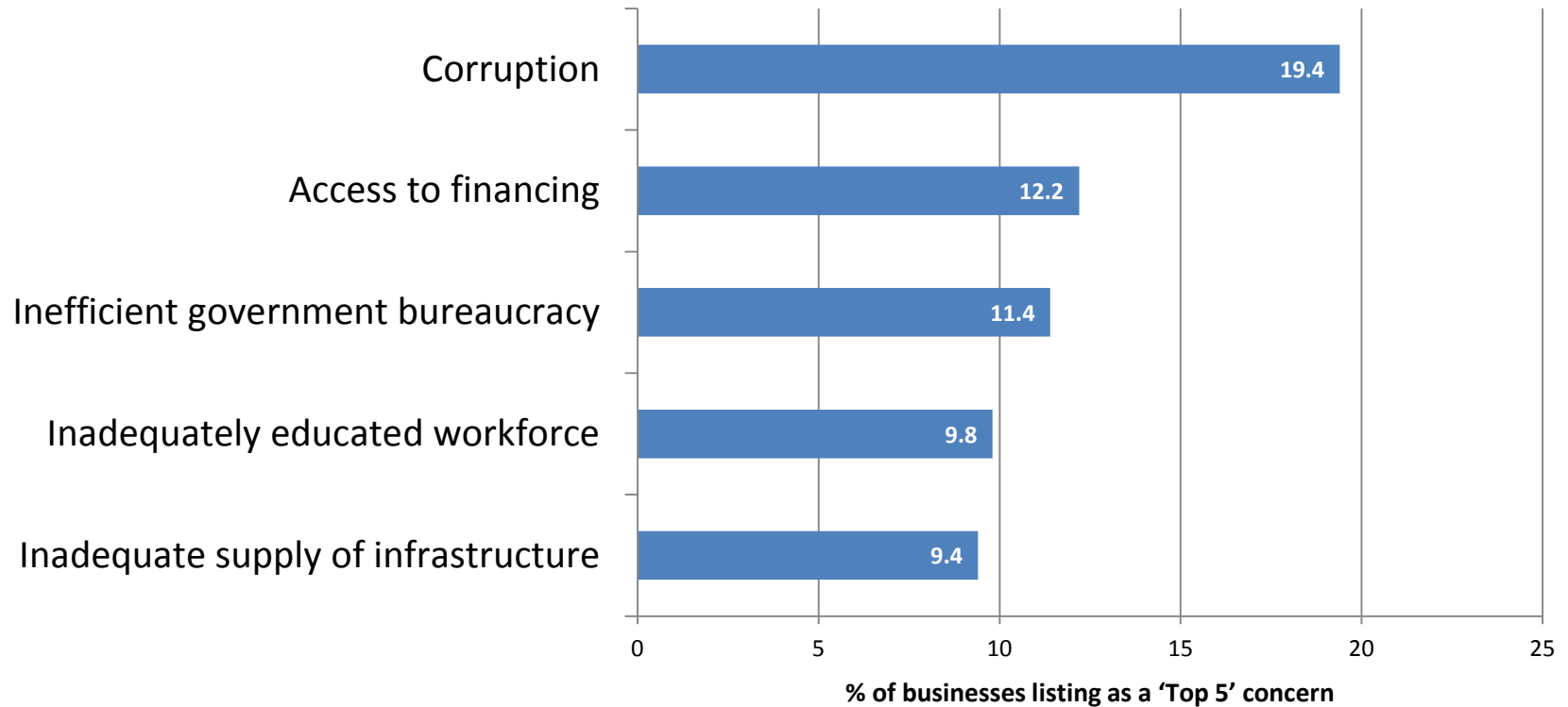


Cambodia Myths & Reality



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Top 5 Obstacles to doing business



Business Sentiment Survey (Amcham)

In comparison with its neighbours...



Low cost of labor

Low protectionism

Office costs

Taxation

Business incentives

Tax structure

HR availability

Corruption

Infrastructure

Laws and
regulations

Stable Political
Systems

Ease of Customs

Business Confidence Survey (EuroCham)

Main competitive advantage:
Low cost of labor (79%)
Main obstacle: Lack of
availability of HR

Need for greater
transparency
64%

Not much changes in
ease of doing business
(69%) after the
reforms ...but **71%**
reached or exceed
profitability target

Major Improvement:
upgrades in infrastructure
(45%)
Least area of Improvement:
transparency

58% of respondents
predict a large or very
large growth in
Cambodia for their
company

81% planned to invest
further in 2016 and
expand

Impact of AEC : **53%**
somewhat positive

Investing in Cambodia today

COMPLAINTS

- 1- Electricity is expensive
- 2- Corruption / transparency
- 3- Frequent labor disputes and strikes
- 4- Low Productivity Levels
- 5- Poor infrastructure and Environment
- 6- Slow Customs procedures
- 7- Difficult to set up a

business

REALITY

- 1- Investment in domestic power generation has resulted in Electricity rates **planned at \$0.129/kwh by 2016.**
- 2- Creation of ACU (anti-corruption unit)
- 3- Work Stoppage inexistent in non-garment factories
- 4- Work Force is young and easily trained if conditions and incentives are good
- 5- SHK port development
- 6- Automated Customs Procedures are now in place in key locations
- 7- New automated business system by

MoC

Perceptions and uncertainty...

Cambodia suffers from a perception lag

It is more easy to do business in Cambodia than in some other countries in the region

Progress made are impressive

Strong willingness from the Government to push for reforms

Implementation and transition are painful but all goes to the right direction...

However, next elections in 2018 can bring some turbulences...





Sectors of Opportunities

Overview

Energy

- No national grid
- Oil & gas, hydro potential
- Open market, high tariffs

Financial Services

- Banking/MFIs saturated
- Insurance growth potential

Mining

- Gold, bauxite & gems
- Mid-stage exploration
- Developing

Manufacturing

- Garments, textile & footwear
- Labor intensive+ Processing industry
- Minimum wage issues

Education, Training (HR development)

- Huge Needs

Agriculture & Agro-industry

- Rubber, cassava, timber & rice (moratorium)
- Attractive incentives

Tourism

- Angkor Wat & coast
- Casinos
- Rapid growth

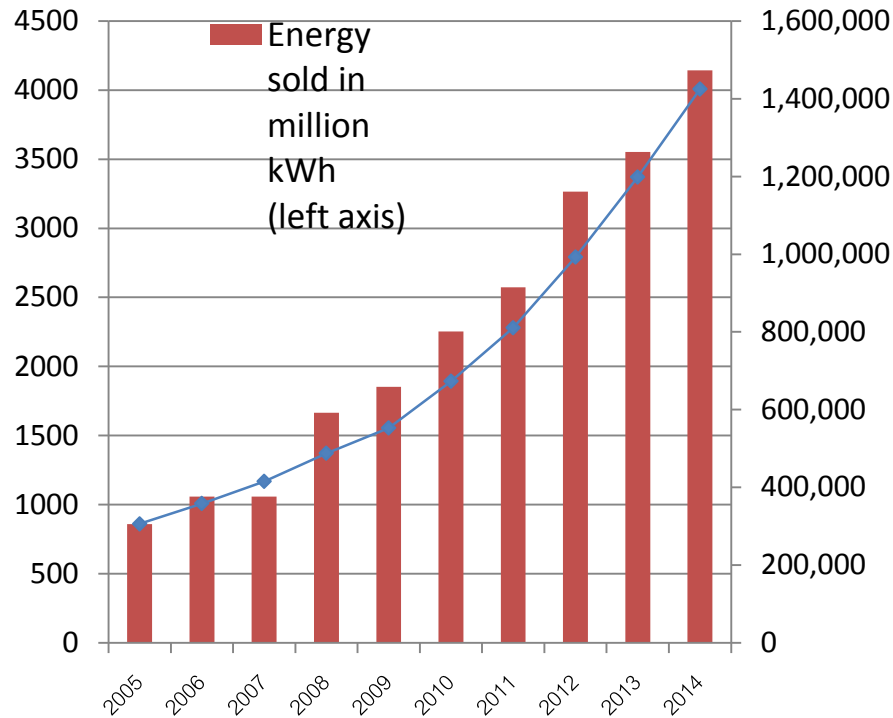
Real Estate

- Phnom Penh & coast
- Buoyant residential Commercial development

ICT

- Important needs
- Potential : e-commerce...

ENERGY



Source: Electricity Authority of Cambodia 2015

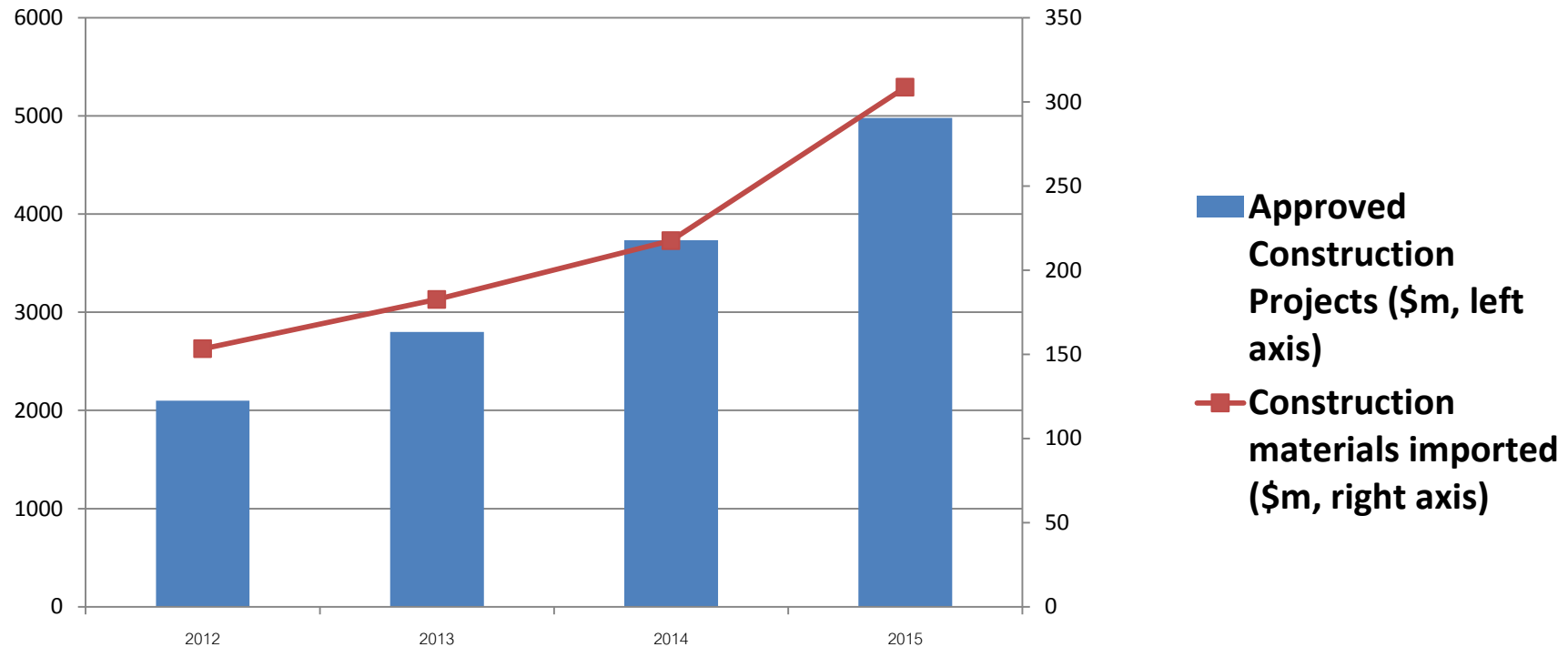
Considerable opportunities to be found in renewable energy projects.

Opportunities in

- equipment such as solar panels, biodigestors or biomass gasifiers,
- in maintenance and repair services, quality control, R&D, marketing and targeted financing.

- ✓ Growing Energy Demand
- ✓ Reduced reliance on imported energy
- ✓ Importance of Hydropower projects

Real Estate & Construction : FDI fueling a construction boom



Approved construction projects: Ministry of Land Management, Urban Planning and Construction.

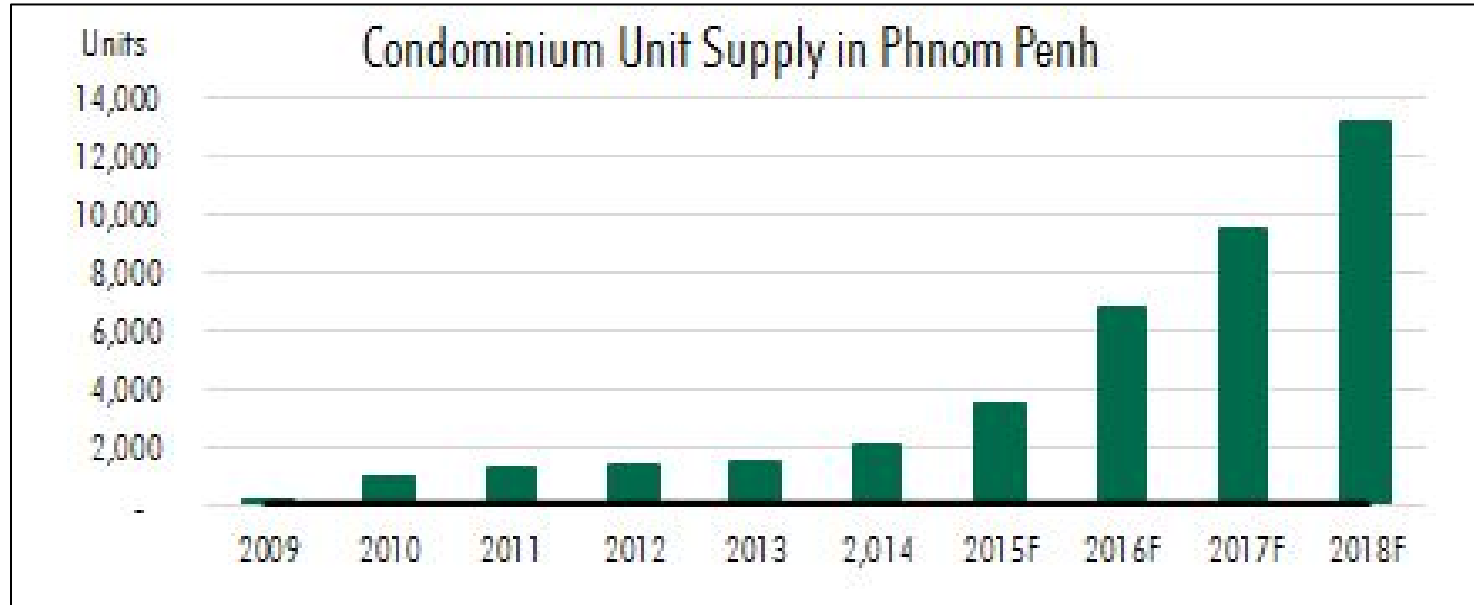
Construction materials imported: Ministry of Economy and Finance

2014 and 2015 are unofficial estimates

Rapidly-growing condominium supply

As of December 2014, 35 condominium projects within Phnom Penh (completed and under construction).

Large-scale projects set to increase supply of condominiums by 533.75% by end of 2018.



Source: CBRE <http://www.cbre.com.kh/2015/01/20/phnom-penh-condominium-market-cbre-cambodia-market-view-in-december-2014/>



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Non-Garment manufacturers

Some manufacturers in Cambodia today...(non-garment)

- Laurelton Diamond (USA)
- Minebea (JP)
- Shinih (TW)
- SVI Pubic Ltd (TH).
- Aprati Foods (USA)
- Denso (JP)
- Vinamilk (VN)
- Sumitomo Wiring (JP)
- Yamaha Motorcycle (JP)
- Betagro (TH)
- Stratco (AUS)
- EuroStar Diamond (BE)
- Coca Cola (USA)



Agro-industries : Opportunities

Heavy Machinery for Farming

As farmers seek to enhance productivity, increasing demand for equipment such as tractors and combine harvesters. Growth of around 10% per year.

Agro-Processing Equipment

As the country enhances its milling and agro-processing capacities, will need industrial machinery such as rice milling equipment and automated packaging systems.

Targeted Financing

Significant opportunities in targeted financing packages for farmers and agro-processors looking to acquire equipment or needing cashflow during procurement cycle.

Services

Opportunities for service providers (eg. Repair and maintenance, quality control, laboratory testing, employee training and development)

Conclusion

Niche Market + Right Timing = Great Opportunities

- ✓ Can be considered as an additional market for Companies that are already present in the region (Roll down an existing strategy)
- ✓ Leverage experience and Synergies from the proximity of the neighboring countries (economies of scale, efficiencies)
- ✓ Take advantage from specific niches market in Cambodia : leisure industry, food & beverage, organic products, precision industry, renewable energy...etc.
- ✓ In a market with much less competitors...
- ✓ And a changing environment (growing middle-class looking for more quality products)

Conclusion

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

Key to success is to keep a long term stance
and expectations at a right level





EuroCham Cambodia



Programme co-funded by the
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EuroCham overview

- Founded in June 2nd, 2011, EuroCham is now the largest western business association in Cambodia with more than 220 members.
- Supported by the European Union via the **ICI+ program** since September 2014.
- Provide a bridge between European investors and various stakeholders in the Kingdom



Your Gateway to Cambodia !

Thank you !



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www.eurocham-cambodia.org

