



Kingdom of the Netherlands

Doing Business in Cambodia

Cambodia is a developing market economy in Southeast Asia with a population of nearly 16 million people and a GDP of around USD 18.5 billion (2015). The country's economy is growing rapidly and liberal trade and investment policies have been introduced to promote trade and foreign investment. Despite its still challenging business climate, business opportunities can be found in several sectors, in particular in agri-food, horticulture, garments, tourism and construction/real estate.

Cambodia began its transformation from a planned economy to a free market economy in the late 1980s and has been one of the fastest growing economies among Asia's developing economies in recent years. Its annual growth averaged 7.5 percent over the last decade, driven by robust garments exports, services, real estate and construction. The country's economic growth is expected to remain robust in the coming years, although Cambodia is increasingly exposed to greater competition from other countries in the region, in particular from Myanmar and Vietnam.

Cambodia became a member of the World Trade Organisation (WTO) in 2004. Its membership of the Association of Southeast Asian Nations (ASEAN) provides businesses in Cambodia the advantages of the ASEAN Economic Community, a single market of over 600 million people covering ten countries in the region. In addition, free trade agreements have been concluded between ASEAN and China, Japan, South Korea, India, Australia and New Zealand. The US and the EU are Cambodia's main export markets, while its main foreign investors include China, Vietnam, Japan and South Korea. Despite having one of the smaller populations in the region, Cambodia's employment rate is comparatively high.

Although poverty rates continue to fall, Cambodia remains one of the poorest countries in the region, with the benefits of economic

progress unevenly distributed among the population. Agriculture still employs 42 percent of the labour force and accounts for around a third of the country's gross domestic product (GDP). Industry is another major economic sector, with garments, tourism and construction being the main industries. The kingdom's sizeable service sector - contributing to around 40 percent of the country's GDP - is heavily concentrated on trading activities and catering-related services.

Cambodia is keen to attract higher volumes of foreign investment and as such has developed liberal trade and investment policies in order to create an open business environment in the country. There are few restrictions on which sectors foreign investment can be directed towards and the country enjoys a high degree of investment freedom. Investment incentives available to foreign investors include wholly foreign ownership of companies, corporate tax holidays of up to nine years, a 20 percent corporate tax rate after the incentive period ends, duty-free import of capital goods and no restrictions on capital repatriation. In addition, the country is competitive in terms of the corporate taxation, with one of the lowest headline tax rates in the region and a relatively competitive tax compliance system, which reduces the fiscal burden placed on businesses. As the country is classified as a Least Developed Country (LDC), it is eligible for duty free or preferential export



access to many developed economies, including the EU and US. To stimulate FDI inflows, 21 Special Economic Zones have been approved, of which 14 are in operation as of September 2015. Projects within the SEZs are offered with incentives benefits such as tax holidays, zero rate VAT and import duty exemption for raw materials, machinery and equipment. The primary authority responsible for SEZs is the Cambodia Special Economic Zone Board (CSEZB).

Despite its improving business climate, there remain significant challenges to doing business in Cambodia. Those most commonly cited by the private sector include a weak rule of law, poor infrastructure, high energy costs, red tape and corruption and under-developed human resources. Land appropriation and the lack of adequate intellectual property protection are also significant risks. Human rights concerns remain, in particular with respect to freedom of expression, freedom of assembly and media freedoms.

Priority sectors

Agri-food and horticulture

Although the agriculture sector became relatively less important in overall GDP in recent years, it remains one of Cambodia's largest economic sectors. Rice is still the country's main crop, but over the past decade production has been diversifying towards more profitable products, such as vegetables, sugarcane, cassava, soy bean and maize.

Livestock is another fast growing industry. Although pig farming is traditionally dominating the livestock market, the poultry industry is growing fast, despite being highly volatile due to flows of surplus production from Thailand and Vietnam. The market for eggs is dominated by duck eggs. Layer ducks are most preferred as the ducks are fed free-range on leftovers from the rice harvests. However, chicken layer hens are becoming more popular due to better feed efficiency and the milder flavour of their eggs.

Cambodia's large Tonlé Sap lake and the Mekong rivers, provide around 500,000 tons of wild fish yearly. Although aquaculture production is still low compared to other countries in the region, this industry is growing rapidly, due to an increasing domestic demand and export opportunities.

Despite its impressive growth, Cambodia's agribusiness is basic and most commodities are exported in raw form. Technological know-how on production, food safety and post-harvest chains is often lacking and the country is still heavily relying on the import of genetics, feed (additives), medicines, vaccines, etc. Increasing productivity, diversification of production and commercialization will be key to sustain the sector's growth and competitiveness.

Garments and footwear

The garment industry in Cambodia was established in the early 1990s when foreign investors started to set up manufacturing facilities. The garment industry has grown significantly over the past twenty years, contributing to one third of the country's economy and employing over 700,000 in more than 1,000 garment factories. Most factories are foreign owned, using Cambodia for the CMT (cut, make and trim) process and arrange sourcing for textile from other countries, in particular from China. Garment exports account for about 80 percent of the country's total exports. The two main export destinations for garments and footwear are the EU and the United States.

Construction and real estate

The construction industry in Cambodia has grown substantially over the last years. The majority of the construction projects concern condominiums, residential units, commercial buildings, shopping malls, hotels and factories. Increasing numbers of tourists visiting Cambodia supported growth, particularly in Siem Reap. Phnom Penh also witnesses a growth in the construction and real estate sector, aided by a regulatory change in 2009 allowing foreign ownership of houses, apartments and condominiums from the second floor up. Major foreign investors in this sector are from South Korea, China, Japan, Malaysia, India and Vietnam.

Infrastructure and logistics

Cambodia's transport infrastructure leaves a great deal to be desired and in many cases is a serious impediment to future growth in the country. Public works and transportation, including the road network, are high priorities for the Cambodian government. The



total investment in infrastructure projects in Cambodia is estimated to be in the range of USD 12-16 billion from 2013 to 2022. Infrastructure investment is state-led, and the public-sector capital investment rate as a percentage of GDP is approximately six percent per year. The Japanese government, World Bank, Asian Development Bank (ADB), and the Chinese government are especially active in road, bridge, and railway construction in Cambodia. China's One Belt One Road (OBOR) initiative and the establishment of investment vehicles such as the Asian Infrastructure Investment Bank (AIIB) will provide additional funding sources for infrastructure projects.

Tourism

With more direct flights to Cambodia the number of foreign arrivals reached 4.8 million in 2015, providing USD 3 billion annually, or 13 percent of the country's GDP, and employing around 620,000 people. The majority of tourists are attracted to the historical/cultural complex of Angkor Wat, but an increasing number of tourists are also visiting the beaches in the southern town of Sihanoukville. Ecotourism in Cambodia is underdeveloped, but has a large potential together with the development of coastal areas.

Starting up a business

Under Cambodia's Law on Commercial Enterprise, permitted forms of business organization include a (wholly foreign owned) limited liability company, branch office, representative office, partnership, and sole proprietorship. Investors who are not eligible for investment incentives, must register directly with the Ministry of Commerce. Businesses seeking investment incentives must submit an application to the Cambodian Investment Board (CIB). The CIB is a division of the Council for the Development of Cambodia (CDC), which is responsible for accepting and reviewing applications for investment incentives. 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. A Final Registration Certificate must be issued within 28 working days of the issuance of the Conditional Registration Certificate. Upon receipt of the Final Registration Certificate from the CIB, the registration forms for the formal business license can be filed with the Ministry of Commerce.



Do's and don'ts in Cambodia

Be prepared

Good preparation is essential before coming to Cambodia. Get to know the country and its culture, as well as the economic and political climate. Make good use of the knowledge and services available from branch organizations and government authorities. Talk to entrepreneurs with experience doing business in Cambodia.

Build relationships

- Building and maintaining personal relationships is essential for doing business in Cambodia.
- A reliable local partner can speed up the preparatory work considerably, as it can provide market knowledge and access to established networks.

Understand business etiquette

- English is the business language. However, reliable interpreters are useful for profound business discussions with SMEs.
- The safe dress code is to go formal and use conservative colours. Handshakes are common when Cambodians greet foreigners.
- Do show up exactly on the agreed time, especially at meetings with the authorities and introductory/first business meetings.
- Do not show your temper and do avoid conflict. Be patient, very often things do not move at the same pace as in the West.

Know your challenges

Cambodia has a lot to offer, but there are undoubtedly many challenges in doing business here:

- Understand where to expect challenges: culture and language, laws and regulations, trade barriers, personnel and bureaucracy.
- Develop a solid business plan and do market research: set clear goals and ambitions, know your market and your competitors.
- Make sure you do due diligence prior to entering into contracts or other commercial arrangements.

Act responsible

- Corruption can pose a serious barrier for doing business in Cambodia. The Embassy offers counselling to avoid corruption and reduce the risks of doing business in Cambodia.
- Dutch businesses are expected to integrate social, environmental, ethical and human rights concerns into their business strategy and operations.

Official name	The Kingdom of Cambodia
Government type	Constitutional Monarchy Head of State: H.M. King Norodom Sihamoni Head of Government: H.E. Prime Minister Hun Sen (Cambodian People's Party, CPP)
Population	16 million (January 2016)
Area	181,035 km ² (4.4 times bigger than the Netherlands), coastline 443 km
Main cities	Phnom Penh (capital, around 1.55 million), Sihanouk Ville, Koh Kong
Time difference	+ 6 hrs. (NL winter time), + 5 hrs. (NL summer time)
Currency	Cambodian Riel (KHR), 1 EUR = 4,635 KHR (29/04/2016). US dollars are widely accepted in Cambodia.
GDP growth rate	7.0% (2015), 7.1% (2014), 7.4 % (2013), 7.3% (2012), 7.1% (2011)
FDI	Registered FDI (USD billion): 1.41 (2015), 1.04 (2014), 1.63 (2013), 1.68 (2012), 3.35 (2011)
Trade volume	Export USD 8.2 billion (2015), import USD 11.5 billion (2015)
Inflation	3.0% (2015 est.)
Global Competitiveness Index	Rank 90/140 (2015/2016)
Ease of Doing Business	Rank 127/189 (2016)
Global Corruption Perception Index	2015: Rank 150/168 (Score 21/100)
Memberships	WCO, WTO, ASEAN, APEC, GMS, ACMECS
Main trading partners	EU, US, China, Korea, Japan, Thailand, Vietnam, Singapore and Malaysia
Major exports	Textile goods, vehicles, footwear, natural rubber and fish
Major imports	Petroleum products, fabrics, vehicles, wholesale yarn, cigarettes, electrical communications equipment and medicines
Dutch – Cambodian trade	Export to NL: EUR 167 million (2015), import from NL: EUR 28 million (2015)
Bilateral treaties	Bilateral Investment Treaty between the Netherlands and Cambodia (2006)

We support your business

The number of Dutch businesses active in Cambodia is limited, but steadily increasing. The Netherlands does not have a diplomatic or consular representation in Cambodia. However, the Embassy in Bangkok offers active support to Dutch companies interested in doing business in Cambodia.

Our main services are the following:

- Finding potential business partners.
- Providing information on sectors and rules and regulations.
- Supporting trade missions and visiting programs to Thailand.
- Organising meetings with relevant authorities at local, provincial or government level.
- Monitoring business opportunities.
- Trouble shooting and assistance in conflict situations.
- Advising on available instruments and services.
- Promoting Dutch business in Cambodia.

If your company is in need of support, do not hesitate to contact the Netherlands Embassy in Bangkok.

Published by:

Netherlands Embassy in Bangkok
Follow us on [Facebook](#) (Netherlands Embassy in Bangkok) and [LinkedIn](#) (ASEAN-Neth: Dutch Business in Southeast Asia)

© Ministry of Foreign Affairs | May 2016

Trade fairs

Interesting trade fairs are mostly to be found outside Cambodia in the Southeast Asian region. At several of these exhibitions, Netherlands Embassies and Consulates organise events, such as Holland pavilions, visiting programs or networking events. Please contact us for more information on relevant trade fairs and events.

Business support instruments

The Netherlands government has developed several instruments to support Dutch companies in doing business in Cambodia. For more information, please visit the country page for Cambodia on the website of the Netherlands Enterprise Agency at www.rvo.nl/cambodja (in Dutch).

Other relevant links and contacts

'NL exporteert' App

A free export app, designed for entrepreneurs with international ambitions. It provides information on events, the do's and don'ts of doing business, economic data and financing possibilities. Download the app in the [App Store](#) (iOS) or in [Google Play](#).

EuroCham Cambodia

www.eurocham-cambodia.org

Cambodian Investment Board (CIB)

www.cambodiainvestment.gov.kh