

OCT. 10 2016

## Cambodia

OAV Handelskammer Hamburg









Largest Western
business association
in Cambodia

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

**Bridge** between
European investors
and stakeholders in
the Kingdom

#### EUROCHAM'S EXPERTISE







Advocacy

Services

Network









#### CONSULTING

#### **BUSINESS SUPPORT**

#### MARKETING & PR

#### HR, LEGAL, REAL ESTATE

Insight, market research and match making.

Technical assistance for business prospecting and establishment. Promotion for new brands in the Cambodian market.

Robust partner network provides bestin-class consultancy services.

- Market surveys
- Market analysis
- Qualified contact lists
- Trade missions

- Business registration
- Bureaucratic procedures
- Translation and interpretation
- Verification of local companies
- Helpdesk

- Develop communication tools
- Press packs
- Sponsored events & product launches

- Job posting
- Recruitment
- Induction program
- Employment contracts
- Legal, tax and investment advisory services



## OVERVIEW: LOCATION



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

## OVERVIEW: MAIN DATA



Currency

**GDP** 

Official language

Capital city

Major cities

Government type

Head of State

Head of Government

Population

Time zone

Climate

Major religion

Riel (KHR): 1USD  $\approx 4,000$  KHR.

Dollarized economy at 85%

16.7 billion USD (2014: World Bank)

Khmer, English widely used

Phnom Penh

Siem Reap, Sihanoukville, Battambang

Constitutional Monarchy

King Norodom Sihamoni

Prime Minister Hun Sen

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

GMT + 07:00

Wet season: May to October, dry season: November to April,

average temperature: 27°C

Buddhism

## POLITICAL 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

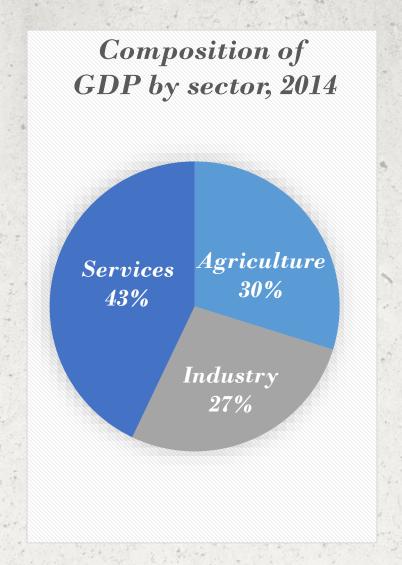
GDP growth averaged 7.6% per annum the last 10 years (2005 –2014)

Stable exchange rate (1\$ = 4100 Riels on average) Low inflation (3.9% in 2014 and 1% in the first half of 2015)

Debt to GDP ratio 32.8% (at the end of 2013) Low budget deficit (around 6% of GDP in 2013 and estimated 4% 2014 and 2015)

International reserves reached US\$ 4.7 billion in first half of 2015

## PILLARS OF GROWTH

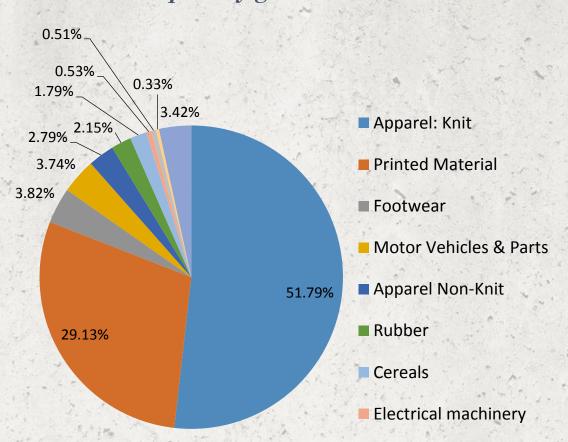


- 1. Agriculture
- 2. Real Estate and Construction
- 3. Tourism
- 4. Garment Industry

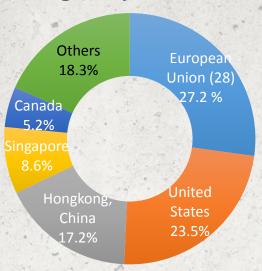


## LIMITED DIVERSIFICATION OF EXPORTS

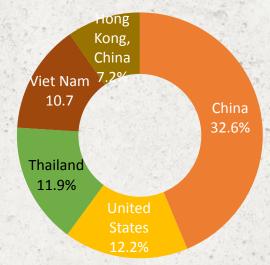




#### Export by destination

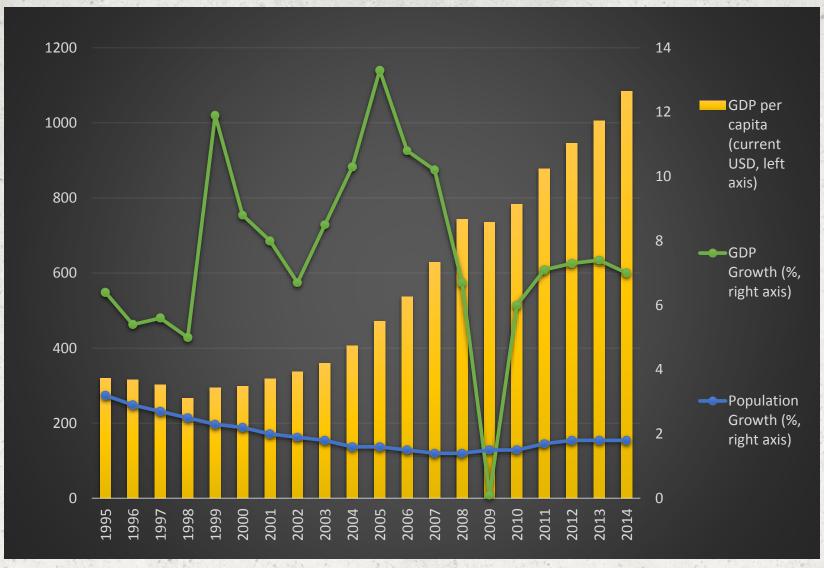


#### Import by destination



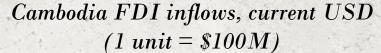


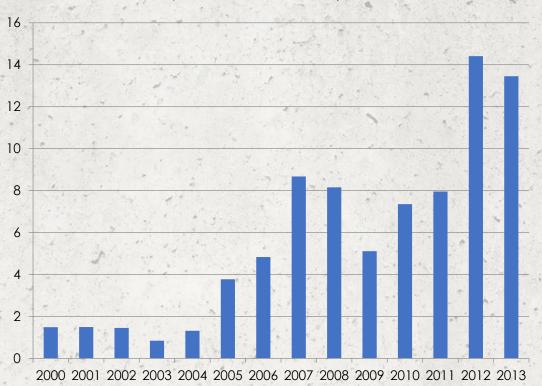
## IMPRESSIVE GROWTH



Source: CIA World Factbook, estimate figures

## FDI HAS INCREASED ALMOST TENFOLD SINCE 2000





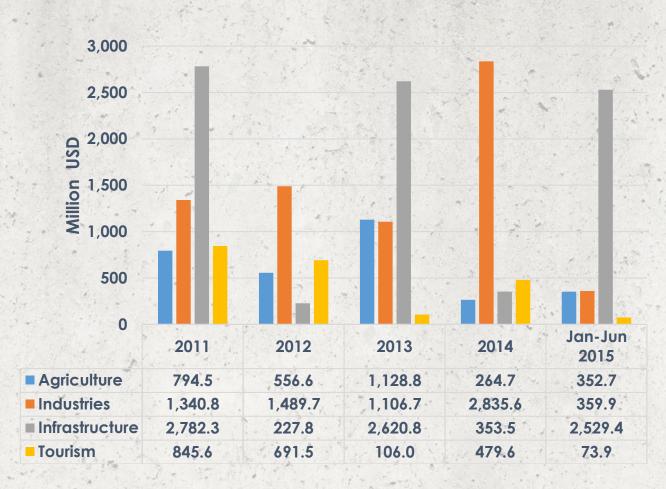
Source: World Bank

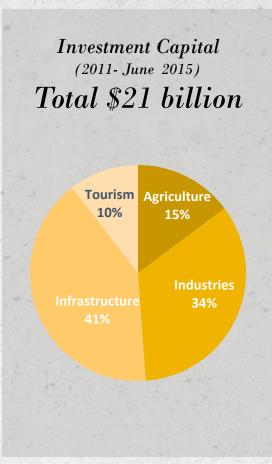
## Main investors (mostly Asian)

- China
- Korea
- Vietnam
- Malaysia
- Japan

## COMMITTED INVESTMENTS

#### Investments by Sector (2011-June 2015)







Open economy

PREFERENTIAL MARKET ACCESS

Strategic geographic location

# COMPETITIVE ADVANTAGES

#### UNTAPPED MARKET

Opportunities in all sectors

**QUALITY OF LIFE** 

Growing middle-class

COMPETITIVE LABOR FORCE

Abundant & cheap land, labor



## COMPETITIVE INVESTMENT INCENTIVES

- Tax holiday up to 9Years
- 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
- Remittance of royalty, interest, loan repayment, dividend, investment capital, etc.
- No trade restrictions
- Long-term land lease

## REGULATORY FRAMEWORK

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

## TAX FRAMEWORK

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

- Corporate Tax: Higher of 1% Revenue or 20% Taxable Profit
- VAT: 10% Domestic Sales; 0% Export
- Incentives: 3 to 9 years Income Tax Holiday or special depreciation rules
- Withholding Tax on Payments to Non-residents: 14% on interest, dividends, lease, royalties, management & technical services fees
- Interest rate deduction caps
- Access to Preferential Tariffs
- No Personal Income Tax except Salary Income
- No tax treaties

## 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



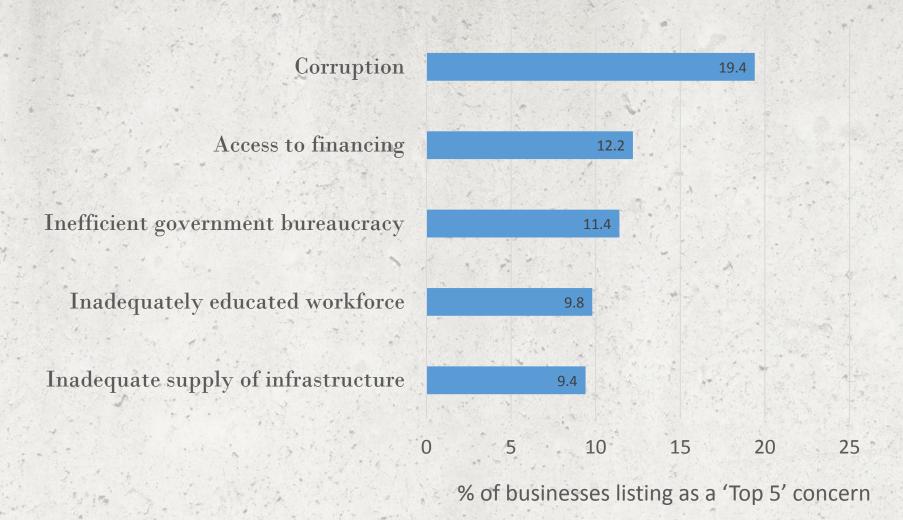
Key ministries:
education,
environment,
industry, Labor,
tourism, Customs...



Reforms in the Ministry of Commerce (CoO, online company registration)



## CHALLENGES



Global Competitiveness Report 2014-2015

## BUSINESS CONFIDENCE SURVEY

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



# PERCEPTION & UNCERTAINTY...

Cambodia suffers from a perception lag

The truth: it is much 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 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
developemt

Huge Needs

Agricultur
e & Agroindusty

- 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 : ecommerce



## CONSTRUCTION

October 2017







#### WHY SHOULD YOU JOIN?

- Sector is 8% of GDP, second largest contributor
- High demand for condominiums
- 915 construction projects @ \$808 million in investment in 2015
- Growing middle class require more retail space, particularly large shopping malls

#### WHAT DOES CAMBODIA NEED?

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

#### **AGRICULTURE**

March 2017







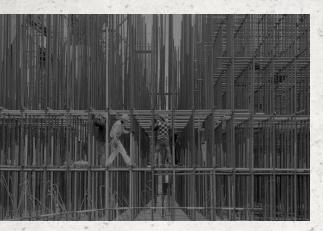
#### WHY SHOULD YOU JOIN?

- Sector is 28% of national GDP
- Covers 45% of employment
- · Rice is branded World's Best Rice
- GI-protected goods (Kampot Pepper)

#### WHAT DOES CAMBODIA NEED?

- · Heavy equipment for farming
- · Agro-processing equipment
- · Organic fertilizers, pesticides and seeds
- Veterinary products
- Irrigation systems
- Supporting sectors (transport & logistics, packaging, marketing, financing, insurance)

#### FMCG October 2017







#### WHY SHOULD YOU JOIN?

- Average GDP growth over 7%
- Asia is 23% of global FMCG market
- Young and wealthier population is interested in international brands
- Emerging middle class and expat community

#### CAMBODIAN MARKET DEMANDS

- Processed food
- · Soft drinks
- Personal and beauty care products
- Over-the-counter drugs
- Household items

## 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)
- ✓ Take advantage from specific niches market in Cambodia: leisure industry, food & beverage, organic products, precision industry, renewable energy...etc.
- ✓ Gateway to ASEAN countries
  - "In Cambodia, nothing is easy but everything is possible"





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