

Cambodia's Open Door Investment Policies

Bangkok Post, June 2, 2007

Thai companies that have gained expertise locally and are looking to venture in neighbouring countries are being encouraged to consider Cambodia for its low-cost labour force, various privileges and liberal foreign direct investment policy.

"We are more than happy to welcome Thai investors to our country and we offer among the freest and most investor-friendly policies," Kong Vibol, first secretary of state for the government of Cambodia, said at a briefing in Bangkok this week.

He said the country was looking to attract companies in agricultural and agro-industries, transport, telecommunications, infrastructure, energy and electrical goods, tourism, mining, labour-intensive and export-oriented processing and manufacturing sectors.

Thai companies including the Charoen Pokphand Group, Siam Cement, Samart Corp, and the TCC Group have already made their mark in Thailand's neighbour, with which relations at the national level have sometimes been rocky.

In 2003, the Thai embassy in Phnom Penh and some businesses were burned by mobs reacting to anti-Cambodian statements erroneously attributed by the local press to a Thai actress. Relations have since improved and the incident was one of the factors prompting Cambodia to improve its protection for investors.

"Let's put the past behind us and build the future. That was a political issue and we took responsibility," said Mr Kong Vibol, referring to the compensation that Phnom Penh agreed to pay for the 2003 damages.

"Now we provide a guarantee to Thai investors in order to make them more confident."

Cambodia, he said, was among the freest countries in the region and had set itself firmly on the development path, offering a free hand to foreign investors to set up businesses. They cannot own land but can lease it for 99 years.

As well, he said, Cambodia had no foreign-exchange controls on current-account transactions.

Cambodia's economy is among the smallest in the region but it grew by 10.8% in 2006 and 13.4% the previous year. The government expects gross domestic product (GDP) to grow by at

least 9.5% this year, Mr Kong Vibol said. Cambodia's average growth for the past five years has been 9.8%.

He said that real-sector growth, coupled with low inflation, expansion of the banking system and the overall development of the region had helped Cambodia expand its economic base.

In addition to having a fast-growing hospitality sector, Cambodia has become the base for low-skilled and labour-intensive industries such as garments. Its garment export industry grew by 22% in value terms year-on-year and nearly 40% in volume terms to more than \$2 billion as of October 2006.

Tourism, which is one of the country's highest foreign-exchange earners, has also been surging with 1.18 million foreign arrivals or growth of nearly 20% year on year.

To support this growth, the banking system has expanded with private-sector deposits rising close to 18%, while bank lending to the private sector has increased by around 12% from a year earlier.

Cambodia, which had a per-capita GDP of just US\$513 in 2006 against \$454 in 2005, aims to attract more investment and has set up a "Council for the Development of Cambodia" headed by Prime Minister Hun Sen, as well as creating special economic zones.

Mr Kong Vibol described the Cambodia Special Economic Zone Board (CSEZB) as a "one-stop service provider with an open-door policy to foreign investors".

The CSEZB gives out information and applications, approves applications, takes care of customs duty and tax exemptions, issues visas and work permits, and registers companies, normally within 31 working days.

The open-door policy has helped attract investment of \$12 billion from 1994 to 2006. South Korea is the biggest investor at \$2.36 billion, followed by Malaysia at \$1.98 billion and China at \$1.58 billion. Thai companies have invested a mere \$431 million during that period.

"I therefore encourage Thai investors to participate in our growth story as not only will they reap good returns but companies can benefit from the Generalised System of Preferences privileges with some more developed nations such as Australia, as Cambodia is still considered among the least-developed countries," Mr Kong Vibol said.

