

# **BUSINESS AND INVESTOR'S GUIDE TO CAMBODIA**

## **JANUARY 2018**



Economic Diplomacy Division  
Ministry of External Affairs



EMBASSY OF INDIA  
PHNOM PENH

#### Purpose of the Investment Guide

The Investor's Guide to Cambodia is produced with the purpose of providing quick overview on investment opportunities and sector specific analysis in Cambodia. This publication is intended to provide a basis to seek advanced professional advisory services to plan your investments and reap benefits from the dynamic and open market of Cambodia.

#### Disclaimer

This guide has been prepared for general informational purpose. You should obtain specific professional advice before acting on the informed contained in this publication. This publication and any extract from it must not be copied, redistributed or placed on any website without the publisher's prior written consent.

## FOREWORD

Relations between India and Cambodia go back to centuries when Hindu and Buddhist religious and cultural influences emanated out of India to various parts of South-East Asia. India-Cambodia has maintained warm and friendly relations in the modern times. We have witnessed cooperation in diverse fields such as institutional capacity building, human resource development, investments and extension of financial assistance in infrastructure, social and cultural projects and defense. With increased interaction in all sectors, the people to people contact has also increased. More Indians have been travelling to Cambodia, may it be, for tourism or business. Indian professional have also been brought to work in Cambodia. At present, there are about 1500 persons of Indian origin settled in Cambodia. I believe that this number will grow with the expansion in business and trade.

Cambodia is one of the fastest growing economies in the region and it has witnessed a remarkable growth rate of about 7 per cent year on year since past two decades. The country also has distinction of achieving Millennium Development Goals (MGDs) in a very short period and has lifted its status from the low income to lower middle income bracket. With it's business friendly policies, the country provides a right platform for Indian investors to commence economic activities in Cambodia and take advantage of 600 Million strong market of ASEAN.

Cambodia has been strong proponent of enhanced interaction between India and ASEAN and has played a pivotal role in formalization of India-ASEAN relationship. Further, Cambodia is not only a part of CMLV group but is also central to Mekong Ganga Cooperation. Big business in the region and outside is focusing on Cambodia. I would urge Indian businesses, small or big, to have a fresh look at the opportunities in Cambodia and take advantage of USD 2.5 trillion worth of ASEAN economy.

I am happy to release this booklet "Investor's Guide to Cambodia" on the eve of the visit of H.E. Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of Kingdom of Cambodia to India. This booklet has been prepared by the Indian Chamber of Commerce in Cambodia in collaboration with Indian Embassy, Phnom Penh. I congratulate executive members of InCham Board and my team members, who have worked very hard on this project, for their endeavor. I further hope that this publication will provide valuable information and advice to Indian businessmen and will serve as a reference guide for future Indian entrepreneurs and businessmen alike.

(Manika Jain)  
Ambassador of India to Kingdom of Cambodia

## FOREWORD

Cambodia has sustained very high levels of economic growth and maintains strong positive growth outlook in future as well. Macro-economic stability, reforms-oriented government, business friendly environment along with preferential access into ASEAN and advanced markets make Cambodia an attractive destination for investing. Rapidly growing middle class and relatively young and dynamic population further strengthen the business attractiveness of the country. As Indian investors are venturing abroad, Cambodia provides the right moment to tap opportunities. Moreover, close cultural and political ties between India and Cambodia provide a friendly and enabling environment for Indian investors to do business in Cambodia. The Indian Chamber of Commerce in Cambodia (InCham) is dedicated to promote and facilitate investments from the Indian investment community to Cambodia while acting as the first reference point for investors. InCham provides granulated, sector-specific information to foreign investors, assists in expediting regulatory approvals and offers hand-holding services.

InCham works closely with the Embassy of India in Cambodia in improving the access of Indian business in Cambodia. Towards this end, this Investment Guide has been produced in joint collaboration between the Embassy of India and InCham. We hope that this guide shall assist Indian investors to understand the current business scenario and potential investment opportunities in Cambodia.

As the advisory platform to guide Indian investments into Cambodia, InCham can provide further inputs and support services as may be needed by Indian investors.

Mr. Sandeep Majumdar  
President  
Indian Chamber of Commerce  
Cambodia

# TABLE OF CONTENTS

Foreword	03
Foreword	04
Acknowledgements	06
List of Abbreviations	07
Executive Summary	08
Part A Introduction to Cambodia	11
1. Brief Snapshot of Cambodia	12
2. The Economy of Cambodia	14
3. Progressive reforms	19
4. Bilateral economic relationship between India and Cambodia	19
5. India's Gateway to ASEAN	21
6. Right moment of opportunity for India	21
Part B Investment opportunities for Indian Businesses	25
1. Agriculture	26
2. Education	30
3. Tourism	32
4. Healthcare	37
5. Technology	40
6. Emerging Light Manufacturing Sectors	43
Part C Policy and Regulatory Landscape	44
1. Key Government Policies	45
2. Regulatory Framework	47
3. Challenges in Doing Business in Cambodia	48
Part D Living and Working in Cambodia	49

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7. Mr. Shivam Tripathi, Member of the Board of Directors, InCham.
8. Mr. Prashanta Pradhan, Trade and Investment Policy Specialist.

## LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BPO	Business Process Outsourcing
CDC	Council for the Development of Cambodia
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
CSX	Cambodia Securities Exchange
EU	European Union
FDI	Foreign Direct Investment
FRC	Final Registration Certificate
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ITeS	IT-enabled Services
KHR	Cambodian Riel
MICE Events	Meetings, Incentives, Conferences and Events
QIP	Qualified Investment Project
RCEP	Regional Comprehensive Economic Partnership Agreement
SEZ	Special Economic Zone
STEM	Science, Technology, Engineering and Mathematics
USD	United States Dollar

## EXECUTIVE SUMMARY

Cambodia is one of the fastest growing economies in the world with GDP growth at the rate of 7.1% between 2011 and 2016. There is positive outlook for sustained growth in 2017 and 2018 by the Asian Development Bank as well as the World Bank. High economic growth performance of the country coupled with stable macro-economy, open and market-oriented regime, geostrategic location in the ASEAN region and close cultural and political ties with India provides the right platform for Indian investors to venture into Cambodia and subsequently, ASEAN, a regional market with GDP of USD 2.5 trillion and 622 million people.

United States, China, Germany, Japan and United Kingdom are important trading partners of Cambodia. Garments, footwear, construction and real estate, tourism and agriculture are main drivers of the economy. The economy has been witnessing an increasing flow of investments in non-garment manufacturing segments like automotive, beverages and consumer goods. While the trade and investment relationship between Cambodia and India are only emerging, India was one of the top ten investors in Cambodia. Cambodia mainly imported pharmaceuticals followed by raw hides and skin, leather, man-made staple fibres, cotton and aluminium from India. Cambodia's major exports to India were wood and articles of wood, rubber and articles thereof, garments and footwear.

There are unique advantages of investing in Cambodia. This is the right moment to tap the opportunities Cambodia has to offer. Businesses based in Cambodia can enjoy preferential market access provided by Cambodia by most of the advanced market of the world. The pro-business government of Cambodia applies no restriction to foreign ownership of businesses except land, levies one of the lowest tax rates in the ASEAN region, allows for easy repatriation of profits and tax exemption for up to 9 years for qualified projects. Cambodia is developing the Special Economic Zones to boost trade and investment by providing better infrastructure, public services and investment incentives. The relatively young and dynamic population of Cambodia and rapidly expanding middle class provide opportunities for venturing into emerging business areas as well.

Based on assessment of policy focus and emerging opportunities in Cambodia mapped with comparative advantage of India, the following sectors in Cambodia provide attractive opportunities for Indian investment ventures.

- Agriculture focusing on agriculture mechanization, agro-processing, agri-based ICTs, horticulture as well as research and advisory
- Education focusing on global campuses of engineering, medical and business schools as well as technical training institutes and distance education
- Tourism focusing on hotels, culture and nature based products, destination wedding, Bollywood film shooting and MICE



- Healthcare focusing on hospitals, pharmaceutical, medical equipments, telemedicine and mobile health applications
- Technology focusing on telecommunications, IT and IT-enabled Services, E-commerce, financial technologies and e-governance
- Emerging areas of automobile and electronic assembly and manufacturing

It is the right time that Cambodia's policies lay emphasis on high value added and knowledge intensive sector which are strengths of India.

Despite the plethora of opportunities that Cambodia offers, investors need to understand that Cambodia achieved remarkable progress in a very short period of time. While the government is continuously making progress, key challenges businesses may face are right match of job specific skills, infrastructure gaps and an environment in which laws and institutions are still being developed.

In a very short time span, Cambodia has become a foreigner friendly city offering a range of lifestyle choices, access to foreign banks as well as the recently started stock exchange.

## PRELUDE



The World Economic Forum ranked Cambodia as the world's 8th fastest growing economy in 2017. The economy of Cambodia is marked by an open and market-oriented regime with a stable macro-economic environment. Geostrategic location in ASEAN, youthful population along with close cultural and political ties with India provides an opportunity for India and Cambodia to enhance their economic relations. India's Act East Policy provides the right platform for Indian investors to venture into Cambodia. The World Bank moved Cambodia from the status of a low income country to a lower middle income in 2015.

# **PART A**

# **INTRODUCTION TO CAMBODIA**



## 1. BRIEF SNAPSHOT OF CAMBODIA

### a. Geography

- Location: Indochina peninsula of Southeast Asia
- Land area: 181,035 sq. kms.
- Border: Thailand, Lao PDR and Vietnam
- Major cities: Phnom Penh (capital), Siem Reap and Sihanoukville

### b. Government System

- Government system: Constitutional Monarchy
- Head of state: His Majesty King Norodom Sihamoni
- Head of government: Prime Minister Samdech Hun Sen
- Ruling Political Party: Cambodia People's Party (since 1979)
- Upcoming national election: July 2018

### c. Climate

- Main seasons: wet (May to October) and dry (November to April)
- Average temperature: 27° Celsius

#### d. Demography

- Population: 15.76 million (2016)<sup>1</sup>
- Youth population: 65.3% under the age of 30
- Population growth rate: 1.6%
- Rural population: 79%
- Life expectancy: 68 years
- Ethnic composition: Khmer (90%)
- Official languages: Khmer
- Religion: Buddhism
- Poverty rate: 13.5% (2014)<sup>2</sup>

#### e. Currency

- Local currency: Riel (KHR)<sup>3</sup>
- Exchange rate: 1 USD = 4037 KHR

At present, US Dollar (USD) is the functional currency with around 80% of the bank deposits maintained in USD. Cambodia is the only Dollarised economy in Southeast Asia.

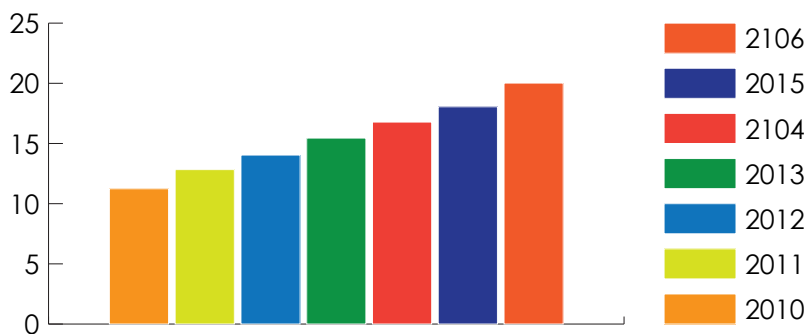
<sup>1</sup>World Bank (2016)

<sup>2</sup>UNDP

<sup>3</sup>National Bank of Cambodia

<sup>4</sup>World Bank (2016)

## CAMBODIA ANNUAL GDP GROWTH



SOURCE WORLD BANK 2016

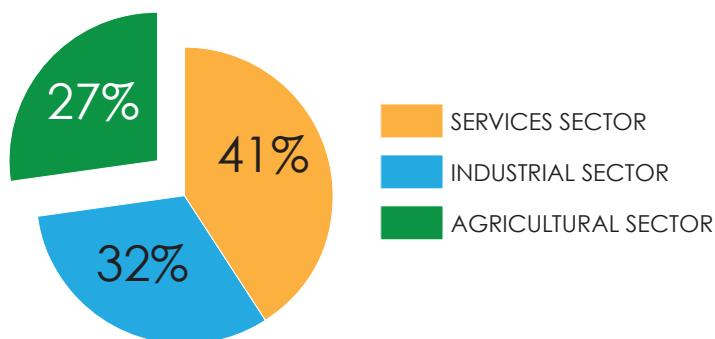
## 2. THE ECONOMY OF CAMBODIA

Cambodia is one of the fastest growing economies in the world. The country's GDP grew at an average of 7.1% between 2011 and 2016. The GDP of Cambodia was USD 20.02 billion in 2016<sup>4</sup>.

There has been increasing value added contribution of services and industry to the economy as compared to agriculture.

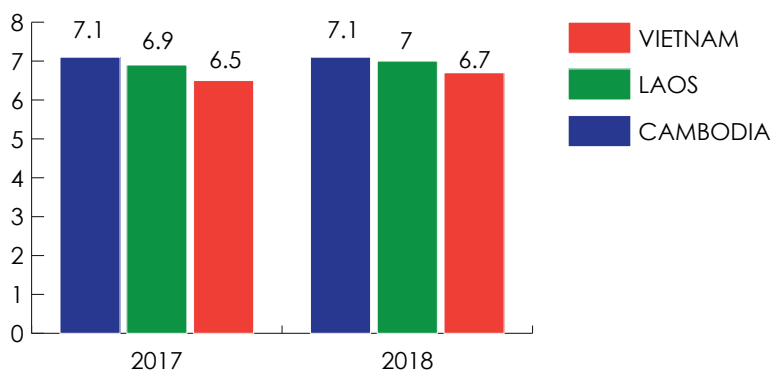
Garments and footwear, construction and real estate, tourism and agriculture are the main drivers of the economy.

## CAMBODIA GDP SHARE BY SECTORS



SOURCE WORLD BANK 2017

## COMPARATIVE GROWTH FORECAST

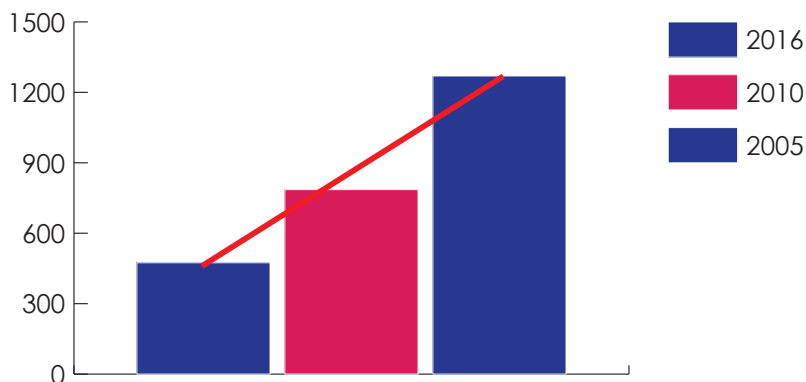


SOURCE ASIAN DEVELOPMENT BANK 2017

The Asian Development Outlook forecasts the Cambodian economy to grow by 7.1%, industrial sector by 10.8% and service sector by 6.7% in 2017<sup>5</sup>.

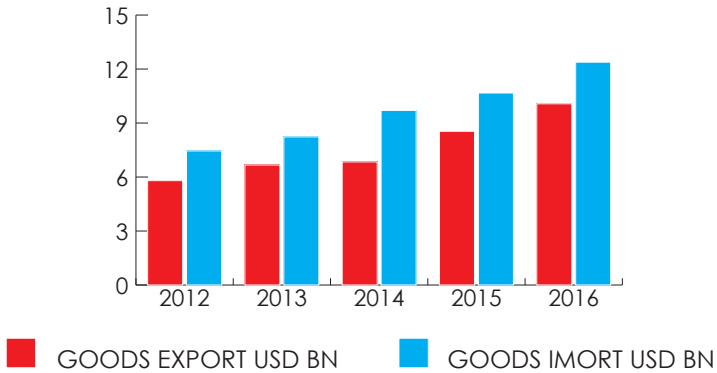
The October 2017 Cambodia Update of the World Bank shows positive outlook for the economy boosted by export diversification and healthy flows of FDI. The income levels and subsequently the purchasing power of Cambodians are rapidly rising.

## CAMBODIA GDP PER CAPITA



SOURCE WOLD BANK 2017

## GOODS TRADE



SOURCE INTERNATIONAL TRADE CENTRE 2017

There was 61% increase in GDP per capita from USD 786 in 2010 to USD 1270 in 2016. GDP per capita grew at an average of 5.4% between 2011 and 2016.

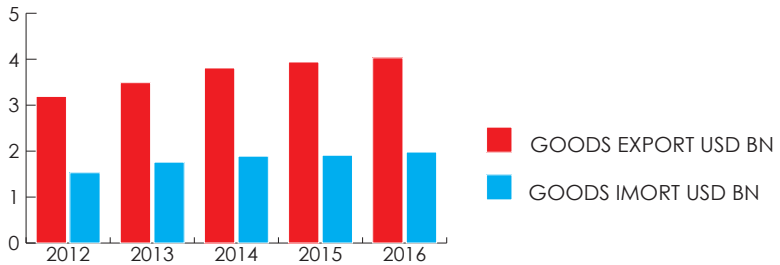
Cambodia is a net importer of goods. The total goods exports of Cambodia was USD 10.07 billion and imports was USD 12.37 billion in 2016. Its most important export destination was the United States, followed by China, Germany and United Kingdom. Major exports from Cambodia are garments, footwear, bicycles and rice. The largest source of Cambodia's import was China, followed by United States, Germany and Japan. Major imports to Cambodia are fabrics, petroleum and automobiles<sup>6</sup>.

<sup>5</sup>ADB (2017)

<sup>6</sup>Observatory of Economic Complexity (2017)



## SERVICES TRADE



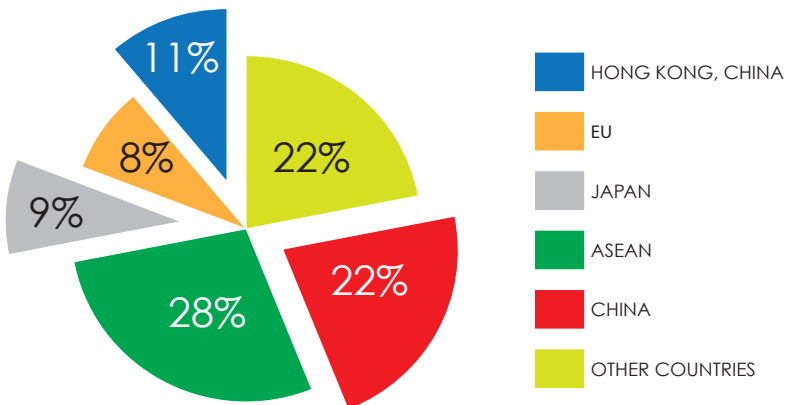
SOURCE INTERNATIONAL TRADE CENTRE 2017

Cambodia is a net exporter of services as the exports in 2016 was USD 4.03 billion compared to imports of USD 1.95 billion.

Its top three exports as well as imports were commercial services, travel and transport.

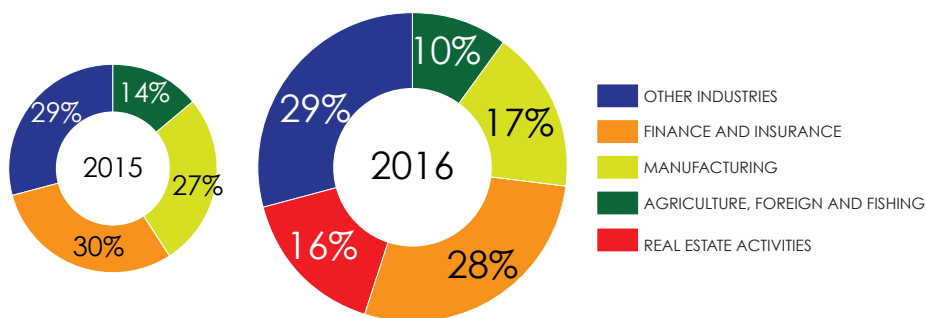
Net FDI in 2016 increased by 30.5% to USD 2.2 billion equaling to 10.7%<sup>7</sup>.

## FDI INFLOWS BY COUNTRY



SOURCE ASIAN DEVELOPMENT BANK 2017

## FDI INFLOW BY INDUSTRY



SOURCE ASIAN DEVELOPMENT BANK 2017

In 2016, ASEAN was the largest investor group in Cambodia accounting for 28% of FDI inflows followed by China at 22%. The financial sector was the largest recipient of FDI in 2016. Although there was a slight drop in FDI share of the sector compared to 2015, the actual flow saw an increase from USD 514.7 million to USD 645.5 million. While FDI in manufacturing fell by 16%, more investment was moving away from garment manufacturing to automotive, beverages and consumer goods.

<sup>7</sup>ADB (2017)

### 3. PROGRESSIVE REFORMS

The government in Cambodia is progressive and has been undertaking several reforms. Cambodia improved the ease of starting a business by simplifying company name checks, streamlining tax registration and eliminating the requirement to publish information on the new company's incorporation in the official gazette. The Credit Bureau of Cambodia has also started providing credit scores to banks and financial institutions, thus, improving access to credit information. Additionally, Cambodia has also introduced a new online system for registration of foreign workers which includes an option for self-employed individuals.

### 4. BILATERAL ECONOMIC RELATIONSHIP BETWEEN INDIA AND CAMBODIA

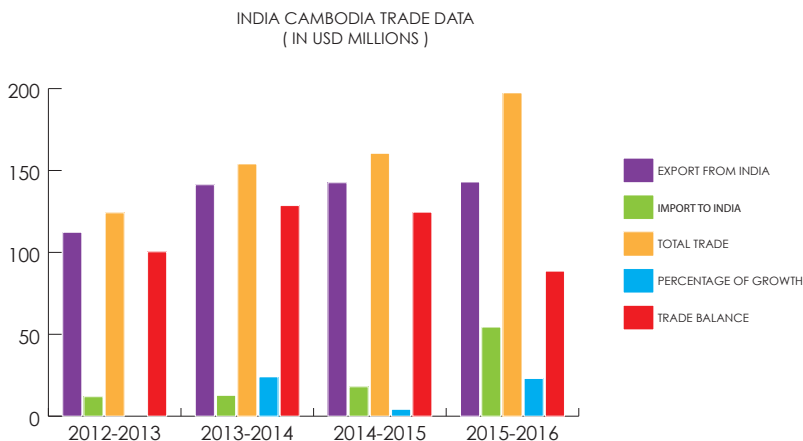
Governments of India and Cambodia enjoy friendly bilateral relationship which dates back to history. The two countries also share close religious and cultural ties dating back to the first century AD.

The two countries have been undertaking efforts to increase bilateral trade and investment flows. Cambodia is a priority country under the Government of India's Act East Policy focusing on Cambodia, Laos, Myanmar and Vietnam (CLMV). The Government of India plans to create a Special Purpose Vehicle for INR 500 crore fund to increase Indian economic presence in CLMV<sup>8</sup>. Additionally, India-Cambodia Bilateral Investment Treaty is being discussed<sup>9</sup>. Cambodia and India have signed agreements on cooperation in the areas of but not limited to agriculture, scientific and technological cooperation, entrepreneurship development and tourism. The economic relations between the

INDIA CAMBODIA TRADE DATA IN USD MILLIONS

YEAR/ ITEMS	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
EXPORT FROM INDIA	112.28	141.31	142.53	143.00
IMPORT TO INDIA	11.90	12.72	17.96	54.43
TOTAL TRADE	124.18	154.04	160.49	197.43
PERCENTAGE GROWTH	-	24.04	04.19	23.03
TRADE BALANCE	100.38	128.59	124.57	88.57

SOURCE: DIRECTORATE GENERAL OF COMMERCIAL INTELLIGENCE AND STATISTICS



SOURCE DIRECTORATE GENERAL OF COMMERCIAL INTERLLIGENCE AND STATISTICS

countries are also facilitated by the Mekong-Ganga Cooperation and the ASEAN-India Free Trade Agreement.

Data on India-Cambodia trade between 2012-2013 and 2015-2016 is shown in the table and chart below. There has been continuous increase in exports and imports between the two countries

<sup>8</sup>Outlook India, 27 February 2017

<sup>9</sup>The Khmer Times, 29 July 2017

Cambodia's import from India was USD 110.01 million in 2016. Major imports were<sup>10</sup> :

- Pharmaceuticals (32.76%)
- Raw hides and skins (other than furskins) and leather (10.98%)
- Man-made staple fibres (8.59%)
- Cotton (6.6%)
- Aluminium and articles thereof (5%)

Cambodia's export to India was USD 43.13 million in 2016. Major exports were:

- Wood, articles of woods and wood charcoal (31.20%)
- Rubber and articles thereof (19.87%)
- Articles of apparel and clothing accessories, knitted (19.12%)
- Articles of apparel and clothing accessories, not knitted (10.13%)
- Footwear, gaiters and the like, parts of such articles (7.58%)

Between April 1996 and December 2016, India's approved direct investment to Cambodia was USD 27.5 million<sup>11</sup>. India ranked as one of the top foreign investors in Cambodia in 2016<sup>12</sup>.

Over the years, there has been increasing presence of Indian businesses in Cambodia including Kirloskar Brothers, WAPCOS, Essar Group, Angelique International, Tata Steel, Tanbaxy Glenmark, Futurelinks India, Bajaj, CRISIL, Bank of India etc. Additionally, there is an ever increasing number of professionals from India who are working in banks, technology, management consulting as well as international organisations, among others.

<sup>10</sup>Ministry of Commerce and Industry, India (2017)

<sup>11</sup>Exim Bank (2017)

<sup>12</sup>CDC (2017)

## **5. INDIA'S GATEWAY TO ASEAN**

Building on the historical and advancing economic relationships between the two countries, Cambodia is an attractive location to provide India a gateway to ASEAN. Cambodia is centrally located in the heart of ASEAN bordering three dynamic ASEAN economies – Thailand, Vietnam and Laos. As ASEAN is gearing towards a single market and production base, Cambodia can serve as India's gateway to the regional market with combined GDP of USD 2.5 trillion and market size of 622 million across 10 countries<sup>13</sup>. Cambodia has free visa for all ASEAN nationals and relaxed visa on arrival/e-visa regime for a large number of countries. There are direct flights from Cambodia to important ASEAN destinations including Singapore, Kuala Lumpur, Bangkok, Yangon, Vientiane and Hanoi. There are also direct flights to Hong Kong, Tokyo, Seoul and Guangzhou. Business operations in Cambodia can benefit from greater flow of trade, investment and skilled labour through the ASEAN Free Trade Agreement, ASEAN Comprehensive Investment Agreement and the ASEAN Mutual Recognition Arrangements. As India moves forward to expand its economic cooperation and linkages in the East, there are enormous opportunities that the two countries can tap.

## **6. RIGHT MOMENT OF OPPORTUNITY FOR INDIA**

India is the world's seventh largest economy in the world and the third largest economy in Asia after China and Japan<sup>14</sup>. At the rate of 7.1% in 2016, India was growing faster than any other large economy including China that grew at 6.7%<sup>15</sup>. Moreover, India is expected to grow at 7.6% in 2018 as compared to China's 6.25%. As India plans to expand its investment in Southeast Asia, the fast and steady Cambodia with business-friendly investment environment will be the right launch pad. Cambodia is increasingly becoming a destination for companies to extend their operations under China Plus One and Thailand Plus One Strategy.

a. Preferential access to the world market

Exports from Cambodia enjoy preferential market access with reduced or free duties to many advanced economies. Under Everything But Arms Scheme of the European Union, all exports from Cambodia to the EU are duty free and quota free, except arms and ammunitions. Exporters from Cambodia also benefit from the preferential market access under ASEAN's free trade agreements with China, South Korea, Japan, India, Australia and New Zealand<sup>16</sup>. Cambodia is also part of the in-progress Regional Comprehensive Economic Partnership Agreement (RCEP) between 16 countries contributing to 30% of the world economy. China is a sought after destination under Thailand Plus One and China Plus One strategies.

b. Pro-business government

i. Non-discrimination to foreign investors

Cambodia has very liberal foreign investment regime. There is no restriction on foreign ownership including telecom and banking except for land holding. The Law on Investment specifies that a foreign investor shall not be treated in any discriminatory manner except in respect of land ownership<sup>17</sup>. Although foreigners cannot own land in Cambodia, they can be leased on long-term basis for up to 70 years which provides substantial incentive to undertake land based investments as well<sup>18</sup>.

ii. Business friendly tax regime

The corporate tax rate on profits is 20% for most businesses except 30% for oil and gas or exploration of natural resources. This rate is the **third lowest** in ASEAN after Singapore (17%) and Brunei (18.50%), thus, provide high incentives to businesses.

There is no capital gains tax<sup>19</sup>. Cambodia is progressive rate on personal income ranging from 0 to 20%.

iii. Repatriation of profits and foreign exchange

Cambodia has minimum restriction on repatriation of profits or capital from Cambodia. Foreign currencies can be freely exchanged Cambodia.

iv. Investment Incentives

The Council for the Development of Cambodia (CDC) is the focal agency responsible for administering incentive schemes for foreign investors in Cambodia. Investors can apply for Qualified Investment Project (QIP) scheme which comes with a range of benefits after receiving

the Final Registration Certificate (FRC) as follows.

- Exemption of profit tax for up to 9 years OR 40% special depreciation allowance on the value of the new or used tangible properties used in the production or processing
- Duty free import of production equipment, construction materials, etc.
- 100% exemption of export tax for most of the products
- Selected supporting industry QIPs and sub-contractors in packaging and garment related segments can avail of VAT incentives
- QIPs benefit from various investment guarantees
  - o Equal treatment of all investors regardless of nationality, except for land ownership
  - o No nationalisation that would adversely affect private properties of investors
  - o No fixation of price or fee of products or services of QIP
  - o Remittance of foreign currencies abroad

v. Special Economic Zones

Cambodia has been promoting the development of Special Economic Zones (SEZs) around the country to boost trade and investment by providing better infrastructure, public services and investment incentives. There are five main SEZs – Manhattan SEZ, Sihanoukville SEZ, Sanco Poipet SEZ, Phnom Penh SEZ and Tai Seng Bavet SEZ. SEZs provide one stop service to facilitate

- Company registration and investment license
- Export/import permit
- Work permit and labour books
- On-site immediate legal and administrative assistance

Sihanoukville SEZ, the largest SEZ spread over 1,100 hectares, has presence of 110 companies employing more than 17,000 people. They are trying to attract 300 businesses and grow the workforce size to 80,000 within the next five years<sup>20</sup>.

c. Young and competitive labour force

Cambodia boasts of a large young population with improving education standards and competitive costs. The current minimum wage of Cambodia is USD 140 which is one of the lowest in the ASEAN region<sup>21</sup>. However, the current minimum wage for workers in garment and footwear industries is USD 153 which is set to rise to USD 170 in 2018<sup>22</sup>. Additionally, Cambodia also has a relatively easy procedure for hiring foreign staff with the approval of the Department of Labour.

d. Macroeconomic Stability

Cambodia has enjoyed sustained levels of high economic growth, relatively low inflation, US dollar based payments and low debt levels providing a stable macroeconomic environment providing a low risk environment for foreign investors. Moody's Investors Service has provided B2 rating with stable outlook to Cambodia<sup>23</sup>.

e. Early mover advantage in a rapidly growing domestic market

As Cambodia is growing at a very fast pace, the size of the middle class is also growing with increased needs for better lifestyle, quality education and modern healthcare. While the purchasing power of people has increased, many of the modern services and amenities are yet to be offered in the market. Hence, there is an advantage of being early mover in the market. Over the years, Cambodia is increasingly becoming a sophisticated market to supply and invest in. In the Global Competitiveness Report, Cambodia has moved from the rank of 102 to 95 in Technological Readiness, 111 to 106 in Business Sophistication and 116 to 110 in Innovation over a period of 4 years from 2014-15 to 2017-18. In the same period, it has moved from 87 to 84 in terms of market size.

<sup>10</sup>Ministry of Commerce and Industry, India (2017)

<sup>11</sup>Exim Bank (2017)

<sup>12</sup>CDC (2017)

<sup>13</sup>ASEAN (2012)

<sup>14</sup>WEF (2017)

<sup>15</sup>World Bank (2016)

<sup>16</sup>ASEAN (2016)

<sup>17</sup>CDC (2017)

<sup>18</sup>CDC (2017)

<sup>19</sup>Deloitte (2017)

<sup>20</sup>The Phnom Penh Post, 14 September 2017

<sup>21</sup>ILO (2017)

<sup>22</sup>Reuters, 5 October 2017

<sup>23</sup>Moody's (2017)



## **PART B**

# **INVESTMENT OPPORTUNITIES FOR INDIAN BUSINESSES**

Cambodia offers investment opportunities in a diverse range of sectors in all segments – agriculture, manufacturing and services. Traditionally, tourism, garment and agriculture have been major economic sectors in the country. Over the years, the economy has grown significantly. There is increasing focus on high value added and skill intensive sectors as Cambodia aspires to be a knowledge-based middle income country. Moreover, the business achievements, consumer needs and human resource skill sets in India match the emerging economic priorities of Cambodia. This part discusses various sectors and sub-sectors that are emerging as priorities in Cambodia that provide opportunities for investments from India.

## 1. AGRICULTURE

Natural resource processing and agro-industrial production are priority areas under the Industrial Development Policy of Cambodia. Agriculture has contributed significantly to poverty reduction and economic growth largely driven by expansion of cultivated area, mainly, paddy. Increasingly, the agriculture sector is diversifying into vegetables, maize and cassava. In future, Cambodia's agriculture growth will be driven by productivity and competitiveness based approaches.

The Social Economic Survey of Cambodia reported that 51% of Cambodia's labour force was engaged in agriculture as of 2012 but evidence also suggests that is increasing adoption of mechanization (tractors, power tillers, water pumps, threshers, harvesters and rice mills) to replace labour in farming.

- Agriculture mechanisation



Increasing migration of rural youth to urban areas, rising farm labour costs and efficiency gains are fuelling increase in agriculture mechanisation in Cambodia. Reports suggest that the use of agriculture machinery rose by 7% between 2015 and 2016<sup>24</sup>. Reports suggest that the use of agriculture machinery has doubled in the past five years with agriculture being used over 90% of farming land. There has been three-fold increase in the use of tractors to 18,317, 320% increase in the use of harvesters, 13% increase in the use of milling machinery to 54,965 and four-fold increase in the use of power tillers to 343,764 over the past five years<sup>25</sup>.

Opportunity: Manufacturing, Sales and Rental India has a strong farm machinery industry with a dynamic export performance that rose from USD 491.88 in 2008-09 to USD 1221.1 in 2015-16<sup>26</sup>. Farm equipment rental businesses are on the rise with companies like Tringo, Ravgo etc. to meet the needs of small holder and marginal farmers. Both these strength areas of India can create opportunities in Cambodia. Indian companies (eg. Mahindra and Mahindra) are under taking acquisitions overseas (eg. Japan) and expanding foreign operations in agricultural machinery segment. Coupled with investment incentives in Cambodia, there are opportunities in manufacturing.

- Agro-processing

The Industrial Development Policy of Cambodia emphasizes promoting the development of agro-processing industries in furniture manufacturing, rubber processing, seafood processing and food processing by way of encouraging FDI, among others. Cambodia is planning to set up a Special Economic Zone dedicated to agriculture processing<sup>27</sup>. Most of the agricultural production in Cambodia are not processed in Cambodia which provides an opportunity for investment in agro-processing sector. Agro-processing opportunities exist in beverage production, rice, cassava, sugar cane, maize, cashew nuts, soy beans, fruits, vegetables, meat, rubber, paper, textile and leather.

Opportunity: Sourcing and Setting up Processing Plants

The Indian packaged processed food industry is estimated at USD 13.05 billion witnessing a growth of 15% per annum<sup>28</sup>. During FY 2011-2016, India exported USD 16.2 billion worth of processed food and related products. Southeast Asia was one of its major destinations<sup>29</sup>.

There are opportunities for Indian food processing businesses to invest in Cambodia to meet the East Asia and the Pacific market while utilizing the agricultural production in the country.

- Information and Communication Technologies (ICTs) in agriculture

There is wide scale penetration of wireless networks and smart-phone across the country in Cambodia. It is important for farmers and agro-businesses to stay up-dated on modern market dynamics and agricultural practices to remain competitive. Initiatives are being undertaken by development agencies to set up e-agriculture platform<sup>30</sup> and digital innovation centres<sup>31</sup> to empower farmers with ICT tools. Moreover, precision agriculture has already started in Cambodia with the use of drones in assessing and managing crops<sup>32</sup>. There is a viable opportunity to cater to this segment.

Opportunity: Technology transfer advisory businesses

India has taken strides in ICT for agricultural development. Some examples are ITC's e-choupal (ICT based agricultural supply chain), Mahindra & Mahindra's Tringo (mobile-based app for farm equipment rental), electronic National Agriculture Market (unified online market platform), Tata's mKRISHI (mobilephone based personalized agriculture advisory services) and Skymet Weather Services (monitoring and predicting weather and providing agri-risk solutions).

There are opportunities to bring these experiences and ventures to advance agriculture development in Cambodia.

- Agriculture research and advisory

There is demand of private provision of technical advice on agriculture production and business development as most of the extension services is provided by the government and NGOs<sup>33</sup>. Moreover, there is still limited recognition of the value of extension services among farmers<sup>34</sup>. Additionally, there is room for improvement in agriculture education and training in Cambodia<sup>35</sup>.

Opportunity: Education Cooperation and Advisory

India has a number of internationally acclaimed science and technology universities that can collaborate with public and private actors in Cambodia to enhance the institutional and professional capacities in Cambodia. Moreover, the rapidly emerging technology based agri-advisory services in India are highly relevant for replication in Cambodia.

- Horticulture

Cambodia has a lot of potential for horticulture production but

up to 400 tonnes of vegetables are imported daily from neighbouring countries valued at upto USD 250 million<sup>36</sup>. The government plans to increase local production of vegetable by 160 tonnes per day<sup>37</sup>. Cambodia exported first shipment of 100 tonnes of bananas to China earlier this year<sup>38</sup>. A local subsidiary of Korean Hyundai Corporation is investing USD 4 million to set up a processing and distribution centre for mangoes and other fruits<sup>39</sup>. Cambodia has abundance of land that can be certified for organic farming.

#### Opportunity: Production, Processing and Sourcing

India has particular strength in horticulture. In 2016-17, the horticulture production was estimated at 295 million tones, 3.2% higher than a year earlier and fifth consecutive year when horticulture production surpassed food grain production<sup>40</sup>. Moreover, between April 2016 and February 2017, fruit exports increased 20.95% in volumes. There are opportunities for Indian businesses to invest in horticulture production, processing and/or sourcing in Cambodia.

<sup>24</sup>The Khmer Times, 23 January 2017

<sup>25</sup>The Phnom Penh Post, 30 January 2017

<sup>26</sup>FICCI (2017)

<sup>27</sup>The Phnom Penh Post, 4 July 2017

<sup>28</sup>Grant Thornton (2017)

<sup>29</sup>IBEF (2017)

<sup>30</sup>Development Asia

<sup>32</sup>Oxfam (2017)

<sup>32</sup>The Phnom Penh Post, 15 February 2017

<sup>33</sup>World Bank (2015)

<sup>34</sup>World Bank (2015)

<sup>35</sup>Innovate (2014)

<sup>36</sup>The Khmer Times, 9 August 2017

<sup>37</sup>The Phnom Penh Post, 2 June 2017

<sup>38</sup>The Khmer Times, 25 July 2017

<sup>39</sup>The Khmer Times, 25 July 2017

<sup>40</sup>The Times of India, 30 May 2017

## 2. EDUCATION

The education level in Cambodia is not able to meet the industry needs. 55.9% of professionals and 50.7% of technicians and associate professionals were found to be undereducated<sup>41</sup>. Increasing investment in non-garment manufacturing and construction, need to enhance skills of the work force and government's priority on education and skill development are likely to bring about expansion of the education sector and create more jobs.

- Primary, secondary and tertiary education

There has been an increasing number of private and international schools at primary, secondary and tertiary levels. Private provision of kindergarden education is also expanding. Some of the leading international high schools are International School of Phnom Penh, ICAN British International School, CIA First International School etc. In 2013, the American University of Phnom Penh started as the only university providing American accredited degree is further expanding this year. Some of the foreign accredited higher education institutions are Limkokwing University of Technology (Malaysia) and Raffles International College (Singapore).

Increasingly, more students are going abroad for studies. 4,221 Cambodian students at the tertiary level study outside the country with top destination as Thailand, followed by Australia, Vietnam, France and Saudi Arabia<sup>42</sup>. The average total cost including tuition and living expenses of studying in advanced countries is USD 29,000 per year. If the students rather study locally at a university of international standard, it will be a fraction of the cost.

- Technical and vocational education and training

There is a strong focus of the government for promoting Technical and Vocational Education and Training (TVET) as Cambodia aims to transform and modernise the industrial structure from labour-intensive to skills driven by 2025<sup>43</sup>. Skills gaps have also been identified in tourism, modern agriculture technologies and healthcare. A recent report published by the British Chamber of Commerce highlighted significant skills gaps in the IT sector as well<sup>44</sup>.

- Professional development education

There are opportunities for provision of professional development courses that impart skills necessary for work place entry and advancement, for example, soft skills. Some of the top skill

in shortage employers are facing are oral communication, problem solving, team work and customer handling, among others<sup>45</sup>.

- Education Delivery and Management

There have been ongoing efforts on enhancing the quality of education delivery and management of institutions. Improving teacher quality, developing results management system and educational financial management are priorities in the country. There are opportunities for provision of advisory and capacity development in these segments.

#### Opportunity: Setting up global campuses and advisory

Globally, Indian education system is highly recognised. Graduates of the prestigious Indian Institutes of Technology, Indian Institutes of Management, Indian School of Business, All India Institute of Medical Sciences are highly regarded around the world. Out of the recognition of Indian education institutions, they are also venturing abroad for setting campus and running courses. A few examples are Manipal Group (United States, Dubai, Malaysia, Nepal and Malaysia), S. P. Jain School of Global Management (Australia, Singapore and Dubai), BITS Pilani (Dubai) etc. Developing Science, Technology Engineering and Mathematics (STEM) education is a priority for the government. Strong education system and education management also open opportunities for advisory to enhance the delivery and management of education institutions and systems.

<sup>41</sup>ADB (2015)

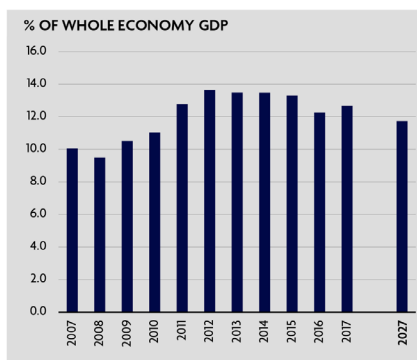
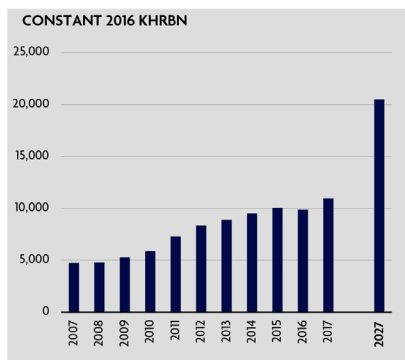
<sup>42</sup>The Phnom Penh Post, 7 March 2016

<sup>43</sup>Industrial Development Policy

<sup>44</sup>Digital Rain (2017)

<sup>45</sup>ADB (2013)

## CAMBODIA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO GDP



SOURCE WTTC 2017

### 3. TOURISM

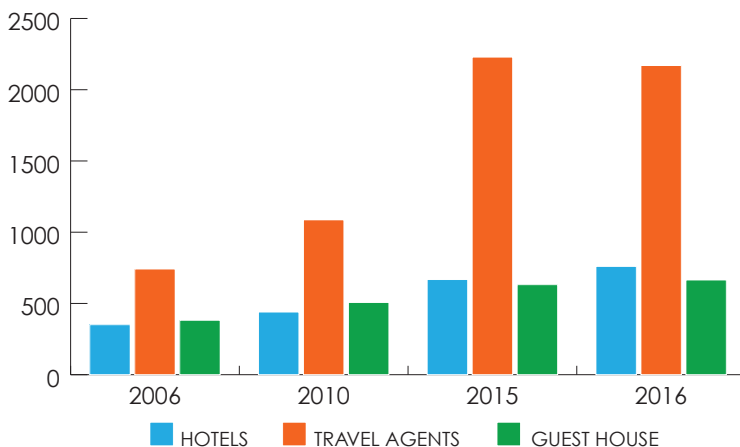
Tourism is one of the most important economic sector in Cambodia. Tourism contributed to USD 5.5 billion amounting to 28.3% of GDP in 2016 with forecast to rise by 9.9% in 2017 by 6.6% per year in 2027<sup>46</sup>. A total of USD 0.6 billion was invested in this sector resulting in 15.5% of total investment in 2016<sup>47</sup>. This is expected to rise by 5.1% in 2017 and by 6.4% per year until 2027<sup>48</sup>.

There has been continuous increase in visitor arrivals from 1.4 million in 2005 yielding USD 832 million receipts to 5 million in 2016 yielding USD 3.2 billion receipts<sup>49</sup>. In 2016, top shares of international arrivals were 19.1% from Vietnam followed by 16.5% from China, 7.9% from Thailand, 7.4% from Lao and 7.1% from Republic of Korea. The arrivals from India was 46,131 in 2016, an increase by 25.8% from 2015 whereas the total arrival from South Asia was 54,910, an increase by 22.3% from 2015<sup>50</sup>. There are plans to start direct flight between India and Cambodia. The Government of Cambodia envisions to attract 7 million tourists a year by 2020 under the Tourism Development Strategic Plan 2012-2020<sup>51</sup> and 2 million Chinese tourists a year by 2020 under the China Ready Programme.

Although Cambodia is endowed with abundance of historical, cultural and natural tourist destinations, international visitors are driven largely by the Angkor Wat Temple complex. The governments has prioritized development of tourism products focusing on cultural tourism sites beyond the Angkor Wat area, coastal ecotourism site in the Southern corridor, north-eastern ecotourism sites, Great lake peri-zone and areas along Mekong rivers<sup>52</sup>.



## NUMBER OF HOTELS, GUESTHOUSES AND TRAVEL AGENTS



SOURCE WORLD BANK 2017

As Cambodia is expanding airport capacity, developing new air connectivity routes and upgrading urban infrastructure, more tourists are expected to flow.

- Accommodation and Food & Beverage Services

The hotel sector in Cambodian tourist destinations is booming fuelled by strong economic growth, increase in tourist flows and enhanced flight connectivity. Hyatt Regency and Fairfield by Marriott are expected to open in Phnom Penh by 2020<sup>53</sup> and 2021 respectively<sup>54</sup>. Song Saa Collective, a luxury hotel developer, has announced its plan to develop an eco tourism city comprising hotels, villas, schools, religious centres and natural resorts on 400 hectares land in Siem Reap<sup>55</sup>. AccorHotels plans to open branches of its hotels in Phnom Penh, Siem Reap and Sihanoukville by the end of 2018<sup>56</sup>. There has been increasing investments in Sihanoukville directed towards luxury hotels and integrated resorts<sup>57</sup> following the expansion of the airport and development of the Special Economic Zone and Deep Sea Port. With the increase in the flows of tourists and expansion of hotels, there will also be accompanied increase in demand for restaurants and food services.

### Opportunity: Investments in Hotels

In 2016, Indian FDI into ASEAN was USD 1.05 billion out of which USD 271.59 million went into real estate<sup>58</sup>. Oberoi Hotels & Resorts Group has presence in Dubai, Egypt, Indonesia, Mauritius and

Saudi Arabia. Taj Hotels Group has presence in Bhutan, Malaysia, Maldives, Nepal, Sri Lanka, Dubai, London, United States and Zambia. It is ripe time for Indian businesses to invest in the hospitality sector in Cambodia.

- Cultural, sports and recreational services

Cambodia has largely been a cultural tourism destination around the Angkor Wat Temple Complex. Additionally, there are a number of other cultural destinations which can be promoted for tourism. The Angkor Wat International Half Marathon is a global sport event organised every year in Siem Reap that attracts thousands of tourists from around the world. Adventure sports activities like rock climbing, zip line and water sports are on the rise attracting domestic as well as foreign tourists. There is also increasing popularity of yoga and meditation.

Opportunity: Adventure and well-being based tourism products

As incomes are rising in India, the growing middle class with enhanced purchasing power prefer to experience adventure and relaxation in exotic destinations. Indian tourism businesses can find opportunities to operate such services catering to Indian-specific needs.

- Destination Weddings and Bollywood shoot

On the one hand, Cambodia boasts of historical heritage com-





bined with confluence of Hinduism, Buddhism and Indian architecture. On the other hand, Cambodia harbours beaches that are not yet engulfed by commercial tourism, thus, still providing a quiet and serene holiday destination. A blend of these two factors makes Cambodia an exotic choice for destination tourism, especially, for Indians. Building on the same attributes, Cambodian historical and natural beauty sites can be attractive destination for Bollywood film shooting as well.

Opportunity: Tourism products based on Indian Destination Weddings and Bollywood shoot locations

Indians have been travelling to Malaysia, Thailand, Sri Lanka, Maldives, Oman and Dubai for destination weddings. The Indian destination wedding market is estimated at USD 3.6 billion<sup>59</sup>. It is estimated that at least 35 Indian weddings take place overseas. There are opportunities for Indian tourism companies to tap this segment<sup>60</sup>. Tourism boards of many countries incentivise Bollywood films to shoot movies in their countries. This also works to attract high income Indians to visit those destinations. It is common for many Bollywood films to shoot in overseas locations. The same reasons that attract destination weddings also serve well to attract Bollywood movies.

- Meetings, Incentives, Conferences and Events (MICE)

Cambodia offers an attractive mix of cultural, historical and natural sites close to luxury hotels, cities and international airports.

Meetings in world class hotels, gala dinner at the Angkor temple grounds, championship golf course along with low costs, relaxed visa regime and easy connectivity to Indian and ASEAN cities make Cambodia an attractive MICE destination. Nagaworld, Diamond Island Convention Centre and Sokha Convention Centres are popular MICE venues in the country. There are also business friendly hotels like Sofitel Angkor Phokeethra Golf and Spa Resort, Intercontinental Phnom Penh, SokhaSiem Reap Resort and Convention Centre and Thansur Bokor Highland Resort. Cambodia has hosted important international global conferences including the World Economic Forum on ASEAN in May 2017 and the UNWTO/UNESCO World Conference on Tourism and Culture in 2015. There is focus of the government for bringing in MICE focused investments.

#### Opportunity: Outbound South Asians targeting MICE

There has been growth in outbound tourists from India. MICE is an important contributor to this growth. As more Indians travel outbound for MICE, there are opportunities for businesses to invest in this segment catering to specific needs of Indians and South Asians.

<sup>46</sup>WTTC (2017)

<sup>47</sup>WTTC (2017)

<sup>48</sup>WTTC (2017)

<sup>48</sup>WTTC (2017)

<sup>49</sup>WTTC (2017)

<sup>50</sup>MoT (2017)

<sup>51</sup>MoT (2017)

<sup>52</sup>MoT (2017)

<sup>53</sup>The Khmer Times, 23 March 2017

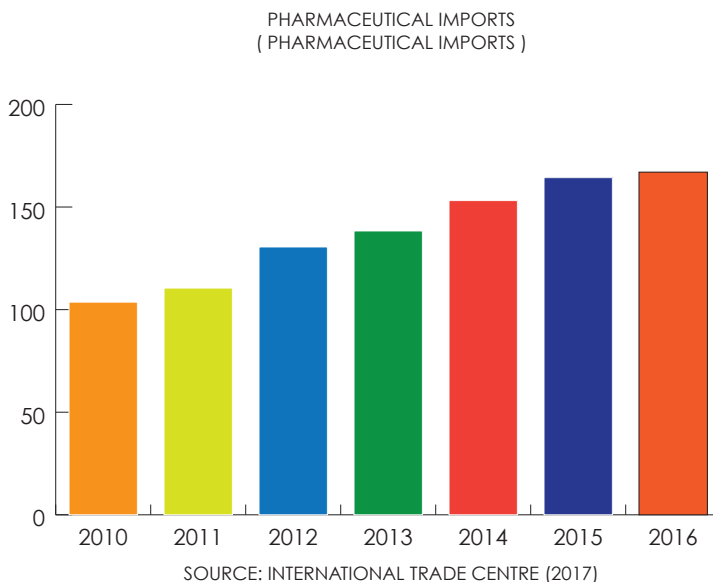
<sup>54</sup>Marriott International (2017)

<sup>55</sup>The Khmer Times, 6 December 2017

<sup>56</sup>The Khmer Times, 28 November 2017

<sup>57</sup>The Khmer Times, 14 December 2016

<sup>58</sup>ASEAN (2017)



## 4. HEALTHCARE

- Hospitals

The healthcare situation in Cambodia is generally perceived to be low. Hence, there is a tendency for Cambodians to visit overseas for seeking medical treatment, especially, Thailand, Singapore, Malaysia and Vietnam<sup>61</sup>. Recently, the Thai government announced a 90 day visa free stay for Cambodians seeking medical treatment in Thailand<sup>62</sup>. The Republic of Korea is also trying to attract more medical tourists from Cambodia<sup>63</sup>. There has been an increase in the number of outbound travelers from Cambodia, a significant chunk of which comprises medical tourists<sup>64</sup>.

Cambodia is getting popular as a dental tourism destination offering dental care of regional standard but lower costs. Patients are also coming from Australia and New Zealand seeking dental treatment in Cambodia<sup>65</sup>. This also indicates a possible opportunity to develop Cambodia as a competitive inbound medical tourism destination. There are at least 20 dental clinics in Phnom Penh that meet international standards with appropriate ISO certification and western-trained dentists<sup>66</sup>.

The top five health hazards putting people at risk in Cambodia are lower respiratory tract infection, cerebrovascular diseases, ischemic heart disease, neonatal preterm birth and road injuries<sup>67</sup>. In 2014, out of pocket expenses on health was USD 2.1 billion which is expected to rise to USD 8.3 billion by 2040<sup>68</sup>.

Over the years, the purchasing power of Cambodians is rising, thus, seeking better life style and quality healthcare. There are a number of insurance companies offering health insurance products in Cambodia. The National Social Security Fund of Cambodia has also started offering Health Insurance Scheme. These have enabled Cambodia to access better quality health care. Additionally, there is a rising demand for cosmetic surgeries in the country.

There are a number of foreign owned hospitals in Cambodia. Royal Phnom Penh Hospital, Royal Rattanak Hospital, Royal Angkor International Hospital and Sunrise Japan Hospital are some well-known foreign hospitals in Cambodia.

Opportunity: Set up Multispeciality hospitals and dentals clinics

International standard healthcare is a key industry strength in India. Critical patients from South Asia, Middle East and Africa visit Indian hospitals for advanced medical treatment. There are opportunities to set international standard multi-speciality hospitals and dental clinics in Cambodia. India-based Apollo Hospitals has a representative office to bring medical tourists to India. The Indian government also plans to facilitate set up of hospital or medical college in Cambodia under the Act East Initiative.

- Pharmaceuticals and medical equipments

With both demand for and supply of quality healthcare improving, the demand for pharmaceuticals, diagnostic devices and imaging equipments are expected to increase. There is strong demand for quality and affordable medical supplies in the country. Cambodia imported USD 167 million worth of pharmaceutical products in 2016 which is 30% higher than the imports in 2012<sup>69</sup>. Apart from the Ministry of Health, with the growth of a number of private hospitals and clinics, opportunities will rise for sales of medical supplies and equipments<sup>70</sup>. In 2015, there were approximately 2,000 registered pharmacies, 300 drug import/export companies, and 13 medical manufacturing institutions in Cambodia<sup>71</sup>. GlaxoSmithKline already has a presence in Cambodia.

Opportunity: Manufacturing and Distribution

As pharmaceuticals form the largest import of Cambodia from India, there is clear opportunity for India in this segment in Cambodia. As Cambodia is promoting industrial investments and setting up SEZs, Indian businesses will find opportunities set



up pharmaceutical manufacturing units in Cambodia in addition to expanding distribution sales networks. VTSIX, a pharmaceutical company from India, will set up factory operations in the Phnom Penh SEZ in early 2018<sup>72</sup>.

- Telemedicine and Mobile Health Applications

Technological advancement and enhanced access to internet and smartphones provide opportunities in telemedicine and mobile health applications to bridge the gap in demand and supply between rural and urban areas. Recently, there has been a rise in mobile app based service provision in a range of lifestyle based services in Cambodia including payment, transportation and health, among others. While the present health apps focus on providing networking and information platform, there are opportunities to scale up to provide advanced services.

#### Opportunity: Set up Telemedicine Centres, Advisory Services

India can boast its strength in technology and health. Hence, there are opportunities for Indian businesses to set up or provide advisory services for set up of telemedicine centres in Cambodia. India has a total of 105 telemedicine centres using satellite technology to provide life saving treatment to people remote areas at fraction of costs of travelling long distance and paying accommodation costs. Apollo Hospitals from India has already started operating a telemedicine centre in Cambodia.

<sup>59</sup>The Tribune, 5 November 2017

<sup>60</sup>The Tribune, 5 November 2017

<sup>61</sup>International Medical Travel Journal (2015)

<sup>62</sup>TTR Weekly (2017)

<sup>63</sup>International Medical Travel Journal (2015)

<sup>64</sup>The Phnom Penh Post, 16 January 2015

<sup>65</sup>The Khmer Times, 19 May 2015

<sup>66</sup>US Department of Commerce (2016)

<sup>67</sup>Institute for Health Metrics and Evaluation

<sup>68</sup><http://www.healthdata.org/cambodia>

<sup>69</sup>International Trade Centre (2017)

<sup>70</sup>US Department of Commerce (2016)

<sup>71</sup>US Department of Commerce (2016)

<sup>72</sup>The Khmer Times, 27 November 2017

## 5. TECHNOLOGY

- Telecommunications

The telecommunications sector in Cambodia has seen a very strong growth. Mobile phone subscriptions doubled from 10.5 million in 2010 to 20.8 million in 2015<sup>73</sup>. Moreover, internet subscriptions increased dramatically more than 21 times from 0.32 million in 2010 to 6.79 million in 2015<sup>74</sup>. As of February 2016, 31 licenses were given to ISPs, 18 to VoIPs service providers, 8 to Fixed and WLL operators, 7 mobile operators and 3 optical cable network and submarine cable operators<sup>75</sup>. There are opportunities in Cambodia to expand the existing mobile and internet coverage as well as deploy advanced technologies and infrastructure as the government plans to provide regular internet access to 9.5 million people by 2020<sup>76</sup>.

The Cambodian telecommunication sector is a dynamic platform for technological advancement as well as financial deals. This year has seen the race of Cellcard, Smart Axiata and Metfone towards expanding their 4G capabilities. Earlier this year, Mitsui, the Japanese business group, acquired 10% stake in the Smart Axiata, a leading telecommunications company in Cambodia<sup>77</sup>. Subsequently, Smart Axiata acquired 30% stake in Sa-bay, a leading digital content and entertainment provider in Cambodia<sup>78</sup>.

Opportunity: Operate telecom service, Infrastructure upgrade and advisory

The Indian government aims to promote exports as part of the ASEAN-India Digital Partnership<sup>79</sup>. Indian telecom tower companies are expected to grow 10% by 2019. Airtel is already operating in a number of African countries. Indus Towers is one of the largest wireless infrastructure companies with shared held by BhartiInfratel, Vodafone India, Idea Cellular and Providence Equity Partners. Opportunities exist for Indian companies to eye telecom operation as well as infrastructure management and upgradation in Cambodia.

- IT and IT-enabled Services (ITeS)

In 2015, IT service spending increased by 5.8% to USD 28.92 million<sup>80</sup>. This sector is expected to grow due to investments in financial institutions, governments, communications and media. Key products offering opportunities include operating systems and subsystem software, financial applications, services operations management, authoring and publishing software, and relational database management systems.



## Opportunity: Transcription based BPO and emerging avenues of IT

IT and ITeS is the largest contributor to services exports of India with a share of more than 38%<sup>81</sup>. The exports grew from USD 38.6 billion in 2011-12 to USD 89.6 billion in 2015-16 with BPO services accounting for 80% and engineering services accounting for the remaining share of exports<sup>82</sup>. India's IT skills and products are highly regarded in Cambodia. There is a potential to explore opportunities in transcription based BPO services in Cambodia. Indian ITeS companies have expertise in strength. Additionally, as Cambodia is growing with business needs emerging, there will be opportunities to extend services. There are more than 3,100 startups in India covering Internet of Things, big data and analytics, cloud computing, edutech, adtech and healthtech which are upcoming avenues for Cambodia as the country marches towards being a knowledge based economy. As Cambodia prepared to be a knowledge-based middle income economy, India's IT training companies can explore business opportunities in training segment focusing on software development, project management, Enterprise Resource Planning, IT service management standards, among others.

- E-commerce and Financial Technologies

While the penetration of technologies has been very rapid, only 22% of Cambodians had bank accounts in 2014 and only 10% had bank cards<sup>83</sup>. While e-commerce is on the rise, currently, e-commerce caters to meeting the customer needs for those products that are not available through regular retail outlets<sup>84</sup>. Electronic payments are still at an early stage in Cambodia but they have grown rapidly in the last few years. Cambodia still has a cash-based culture which provides untapped opportunities to companies in e-commerce and financial technologies. The central bank has initiated the launch of a system to allow interoperability between banks. At present, selected commercial bank allow online and mobile bank facilities. There are also mobile app based payment systems like Wing, Pi Pay, SmartLuy among others. Recently, AliExpress, subsidiary of Alibaba, has also entered Cambodian market, indicative of e-commerce opportunities in the country. The E-commerce law of Cambodia has been drafted awaiting approval<sup>85</sup>.

## Opportunity: New technologies and avenues in fintech

The Indian fintech software market is forecasted to reach USD 2.4 billion by 2020 from USD 1.2 billion in 2016. India benefits from a fairly proficient, cost efficient and easy to hire talent which

provides a platform along with a robust fintech ecosystem has led to the development of the sector in India. Next-generation payments (eg. Unified Payments Interface), blockchain technology, security and biometrics and India's extensive experience in financial inclusion will provide opportunities in Cambodia to set up operations and advisory services. Extending this, Indian companies can also tap opportunities in stock exchange capacity development.

- E-governance

Promoting e-government and e-public services is a priority under the ICT Master Plan 2020 of Cambodia<sup>86</sup>. Components under e-government will include e-office, ICT based government business function such as financial management and human resource management, nationwide data sharing system, among others. E-public services include the provision of ICT based public services such as public safety, public health as well as establish social infrastructure. The government has already launched one window services to speed up efficient delivery of public service<sup>87</sup> and is scaling up the initiative across the country.

#### Opportunity: Technology advisory and deployment

India has taken strides in advancing e-governance services to its citizens. Some of the initiatives are Umang (Unified Mobile Application offering over 100 government services), PAHAL Scheme (Beneficiaries receive subsidies direct into their bank account whereas goods are sold at market price to reduce malpractices in subsidies transfer), Digi Locker (facility to store crucial documents like Voter ID card, education certificates etc. in the cloud), Aadhaar (unique identify number issued to Indian residents based on their biometric and demographic data) etc. Considering the development and social challenges in deploying new technologies, the experience will be valuable for Cambodia creating opportunities for Indian businesses in technology advisory and deployment.

<sup>73</sup>TRC (2017)

<sup>74</sup>TRC (2017)

<sup>75</sup>TRC (2017)

<sup>76</sup>UNCTAD (2017)

<sup>77</sup>Mitsui (2017)

<sup>78</sup>Smart Axiata (2017)

<sup>79</sup>Gol (2017)

<sup>80</sup>DC (2016)

<sup>81</sup>Nasscom

<sup>82</sup>RBI

<sup>83</sup>UNCTAD (2017)

<sup>84</sup>UNCTAD (2017)



## 6. EMERGING LIGHT MANUFACTURING SECTORS

Automobile assembly and electronic manufacturing are emerging areas of light manufacturing in Cambodia. An MoU has been signed with a China-based company to set up a 100 hectare automobile assembly plant with initial capital of USD 30 million. Tan Chong Motor Holdings, franchise holder of Nissan in Malaysia and IndoChina, has requested approval for setting up automobile assembly plant in the country. Sumitomo Corporation announced plans to set up electronic manufacturing services in Cambodia under Thailand Plus One Strategy. Automobile was the second largest import of Cambodia with a share of 9.2% whereas electrical and electronics was the sixth largest import with a share of 4.9%.

Opportunity: Manufacturing, distribution and service centres

Automobile is one of the key imports of Cambodia from India. They include mainly tractors and two and three wheelers vehicles. Automobile is the third largest export product of India. On the electronics front, India is adopting an active export strategy. In the context of Cambodia offering investment incentives on manufacturing sector, Indian businesses have the opportunity to set up automobile and electronics manufacturing operations, distribution sales network as well as service centres in Cambodia.

<sup>85</sup>The Khmer Times, 7 November 2017

<sup>86</sup>KOICA ( 2014 )

<sup>87</sup>The Khmer Times, 17 February 2017

# **PART C**

## **POLICY AND REGULATORY LANDSCAPE**

# 1. KEY GOVERNMENT POLICIES

a. The Industrial Development Policy 2015-2025 aims to address structural challenges and to invest in key industrial infrastructure, both hard and soft, to be in line with the potentials, competitive advantage and development of the Cambodian industry. This Policy has three targets as follows. There are four pillars under this policy as follows.

- Attracting FDI and mobilizing domestic private investment
- Developing and modernizing SMEs
- Improving the legal environment
- Coordinating supporting policies

b. The Public Private Partnership Policy 2016-2020 aims to promote and encourage investments by private sector and financial institutions to contribute to restoring, building, operating and maintaining public infrastructure and other economic productivity enhancement sectors in an innovative and effective manner and in accordance with international standards.

Priority sector for selecting public investment projects through PPP are as follows.

- Transportation system
- Production, transmission and distribution of electricity
- Production, distribution and supply of clean water
- Development, modernization of markets and public car parks or public commercial centres
- Development of public infrastructure in industrial zones
- Waste collection and management services
- Vocational skill development
- Social housing infrastructure
- Tourist infrastructure

c. The ICT Master Plan 2020 of Cambodia envisions to build Cambodia as an intelligent and comfortable nation highly desirable and perfect qualities geared by ICT. It has four strategic thrust areas as below.

- Empowering People: ICT Human Resource Development and e-awareness
- Ensuring Connectivities: National ICT Infrastructure, Legal Framework and Cyber Security
- Enhancing Capabilities: ICT industry, ICT standards, Research and Development
- Enriching e-Services: e-Government Services, e-Public Services, e-Economy Services and e-Education Services

d. The Tourism Strategic Plan 2012-2020 envisions to encourage nature and cultural tourism development in a responsible and sustainable manner, in a way that tourism benefits socio-economic development, job creation and poverty alleviation. The Plan focusses on six main strategic directions as below.

- Tourism product development and product quality improvement
- Marketing and promotion
- Travel facilitation and transportation and regional and international connectivity
- Tourism safety management and management of tourism's negative impact on society, culture, environment and economy
- Legal systems and management mechanisms with effective implementation
- Human resource development

e. Agriculture Sector Strategic Development Plan 2014-2018 aims to increase agricultural growth to around 5% per annum through enhancement of the agricultural productivity, diversification and commercialization and livestock and aquaculture farming by taking into account the consideration the sustainable forestry and fisheries resource management. The Plan has four basic pillars as follows.

- Enhancement of the agricultural productivity, diversification and commercialization
- Promotion of livestock and aquaculture
- Sustainable Fisheries and Forestry resource management
- Strengthening the institutional capacity and increasing efficient supporting services and human resource development

f. The Education Strategic Plan 2014-2018. The priority programmes under the Plan are as follows.

- Early childhood care and education expansion programme
- School establishment and development programme
- School quality system and quality assurance programme
- National and international student assessment systems strengthening programme
- Scholarship programme
- Technical and vocational education programme
- Teacher performance management and appraisal programme
- Higher education development programme
- Result based management system development programme
- Education financial management reform and financing programme
- Literacy and lifelong learning programme

## 2. REGULATORY FRAMEWORK

### a. Setting up business

Generally, there are no restrictions on setting up business in Cambodia. However, many businesses require a license or permit to operate, including areas such as banking and finance institutions, tour agencies, real estate agencies, telecommunications, industrial factories etc.

A new entity is registered with the Ministry of Commerce. Since January 2016, company registration is done via online or automated registration system. Approval for registration usually takes approximately ten and a half working days upon submission of all required documents. In general, businesses operate in Cambodia via the following vehicles:

- A company incorporated in Cambodia (limited Liability Company)
- A branch of a company incorporated outside Cambodia
- A representative office of a company incorporated outside Cambodia

Further information of business registration is available on the website of the Ministry of Commerce (<https://www.businessregistration.moc.gov.kh/>).

### b. Taxation

Corporate taxpayers in Cambodia are classified as either resident taxpayers, or non-resident taxpayers. A resident taxpayer is primarily an enterprise that has a place of management and carries on business in Cambodia. A company is resident in Cambodia if

- It is organised or managed in Cambodia, or
- It has its principal place of business in Cambodia

A non-resident taxpayer is an enterprise that derives Cambodian source income but does not have a place of management in Cambodia. A non-resident taxpayer will be deemed to be Cambodian resident for tax purpose if it is found to have a Permanent Establishment (PE) in Cambodia.

A resident taxpayer is subject to Tax on Profit (ToP) or Corporate Income Tax (CIT) on income derived from both Cambodian and foreign currencies, whereas, a non-resident taxpayer is subject to ToP/CIT in respect of its Cambodian source income only. The standard rate is 20%.

Dividends received from resident companies that are subject to standard profit tax of 20% are not subject to dividend tax. Dividends received from non-resident companies are subject to income tax in Cambodia. A credit is allowed for tax paid on foreign source income, subject to certain conditions.

Further information on taxation in Cambodia is available on the website of the General Department of Taxation (<http://www.tax.gov.kh/en/>).

### **3. CHALLENGES IN DOING BUSINESS IN CAMBODIA**

While Cambodia offers a dynamic set of opportunities to invest and do business, there are also some challenges.

- Skill gaps

Employers find it difficult to find it difficult to fill the vacancies due to mismatch of right skills for the job. However, the education and skill standards of Cambodia are improving. Education and skill development are priorities of the government.

- Infrastructure gaps

The government has made rapid progress in infrastructure delivery in the last few years. Currently, there is regular supply of electricity in most parts of the country and the road network is being expanded quality improvements. However, the costs of electricity high compared to similar countries and there is further need to expand the transport network and connectivity.

- Laws and institutions still being developed

While the government is progressive and reforms oriented, the country achieved a very high level of economic growth in a short period of time. The legal and regulatory framework of the country is still being developed.



## **Part D**

# **Living and Working in Cambodia**

## **1. FINANCIAL MARKET**

### **a. Banks**

As of mid 2016, there were 36 commercial banks, 8 representative offices, 13 specialised banks, 54 microfinance institutions and 23 insurance companies. Bank of India, ANZ Royal, CIMB, Maybank, RHB etc. are some of the foreign banks operating in Cambodia.

### **b. Stock exchange**

The Securities and Exchange Commission of Cambodia regulates the Cambodia Securities Exchange (CSX) which is a joint venture between the Ministry of Economy and Finance of Cambodia with 55% control and the Korea Exchange with 45% stake. There are five companies listed on CSX – Sihanoukville Autonomous Port, Phnom Penh SEZ Plc, Phnom Penh Autonomous Port, Grand Twins International (Cambodia) Plc and Phnom Penh Water Supply Authority. The market is open from 8 am to 11:30 am on Monday to Friday.

## **2. LIVING IN CAMBODIA**

Cambodia offers the benefits of low cost of living, safe urban environment and multiple leisure options. There are a range of multi-cuisine restaurants and entertainment facilities. There is significant real estate development happening in all major cities in the country providing a range of condominium and hotel options. English is widely spoken in the cities. Cambodia is considered to be open to foreigners, thus, making the stay in the country warm and pleasant.

## **3. INTERNATIONAL BUSINESS NETWORKS IN CAMBODIA**

The expat population is very diverse in Cambodia operating several types of businesses. International business associations in Cambodia are Indian Chamber of Commerce, European Chamber of Commerce, British Chamber of Commerce, Australian Chamber of Commerce, American Chamber of Commerce, Japanese Business Association of Cambodia, China Chamber of Commerce etc. representing businesses from a wide group of countries.

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Participants at International Day of Yoga, Siem Reap, against the backdrop of World famous Angkor Wat in Cambodia. Initiated by Government of India with active support from Kingdom of Cambodia.