

Cambodia

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Striding into the spotlight

Economic diversification is attracting substantial sums of FDI from China and beyond

Rich in history and culture and blessed with wonderful natural and human resources that are driving its impressive economic growth and attracting record sums of foreign direct investment (FDI), the Kingdom of Cambodia offers investors a modern, friendly and welcoming business climate.

Home to the fastest-growing economy in Southeast Asia, Cambodia enjoys a strategic position and excellent bilateral political and fiscal ties to the People's Republic of China that continue to strengthen after being formed 55 years ago.

The ambitious country's economy grew by an average of 10 percent a year between 1998 and 2008 and this powerful upward momentum is forecast to continue, with a rise of 7 percent seen for 2013, and the same forecast for 2014.

A similar positive trend is seen in the rapidly-growing levels of FDI that is flooding into the ambitious country at a record rate thanks to the forward-thinking policies of the government of Prime Minister Hun Sen. FDI surged 73 percent to \$1.6 billion in 2012 from \$902 million in 2011.

Many major international companies have invested hundreds of millions of dollars in labour-intensive garment and manufacturing

industries to take advantage of the country's young population and duty free access to a number of lucrative markets such as the EU.

This success, which has been driven by rising exports, private investment, agriculture, diversification, and a robust macroeconomic position, has not gone unnoticed, with the United Nations Conference on Trade and Development describing Cambodia in June 2013 as an "emerging bright spot".

Cham Prasidh, senior minister and minister of Commerce, has played a key role in Cambodia's emergence as leading FDI destination and in the creation of more than 20 strategically-located Special Economic Zones (SEZs) around the country, including SEZs near the borders with Thailand and Vietnam.

"Political stability has allowed for macroeconomic stability and a sound legal framework and a favourable environment for investors," Minister Prasidh stated. "SEZs offer a 'one stop service' for investors where all documents and licensing can be completed on the spot."

Keat Chhon, Cambodia's deputy prime minister and minister of Economy and Finance, highlighted China's important role in his country's socioeconomic development.



"We have a historic friendship with China and hope to attract more Chinese investors."

KEAT CHHON
DEPUTY PM AND MINISTER OF ECONOMY AND FINANCE

"We have a historic friendship with China and hope to attract more Chinese investors. We want to reduce our reliance on the garment and tourism sectors by further developing our agriculture industry and aim to export one million tonnes per year of rice by 2015."

Safe banking sector

One of the authorities playing a key role in Cambodia's macroeconomic success is the National Bank of Cambodia (NBC) which has overseen trade policies, market



"There is still a lot of room for investment in many sectors and we are now looking for more strategic investors."

CHEA CHANTO
GOVERNOR, NATIONAL BANK OF CAMBODIA

liberalization and low inflation that has defined the country's economic development.

As the country's central bank and highest financial regulatory body, NBC determines the monetary and exchange policies within the framework of the economy and supervises the fast-growing banking sector and financial services industry.

Among the notable achievements are the total banking sector assets reaching 80 percent of GDP this year versus just 22 percent in 2005. Over the same eight-year period,



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Phnom Penh Autonomous Port.

credits and deposits surged to 43 percent and 46 percent of GDP, respectively, from nine percent and 15 percent.

Strong bilateral relations

The NBC recently signed a memorandum of understanding (MOU) with the China Banking Regulatory Commission. Chea Chanto, NBC governor, said the MOU will create an exchange of information and cooperation in banking supervision both inside and outside of the country. He explained how Chinese authorities will be able to inspect and supervise branch activities while at the same time to help to improve the knowledge and skills of local workers.

"The financial sector in Cambodia is very young so we have a lot that needs to be learned from others. Since 2000, the banking sector has developed in an orderly fashion. In recent years, big foreign banks

have been arriving and we can say this reform of the banking sector is our biggest achievement. There is still a lot of room for investment in many sectors and we are now looking for more strategic investors."

Established in 1986, Phnom Penh Autonomous Port is the country's second largest international port and boasts a strategic position at the intersection of four major rivers in the heart of the country.

The State-owned authority recently opened a \$28 million container terminal financed by a loan from the Chinese government.

"The loan has improved port efficiency through high-tech facilities and equipment that allowed us to cut costs," said Hei Bavy, port chairman and CEO. "This will not just benefit Cambodia, but also China as more than 60 percent of our exports are to China."

InFocus provided this story



Stability is the key to a macroeconomic and financial environment that keeps on growing

During uncertain economic times, it's good to know there are institutions working to keep the financial sector stable and resilient, with the interests of savers, borrowers, governments and private companies protected from external shocks. This is why, among its many duties and responsibilities, the National Bank of Cambodia (NBC) supervises and monitors the country's banking and financial institutions' compliance with prudential regulations and thoroughly reviews financial statements to avoid any potential risks. Such careful management has allowed NBC to maintain price stability and to contribute towards achieving macroeconomic stability. Although Cambodia's financial sector is small, the National Bank of Cambodia (NBC) prides itself on having implemented a series of important reforms that have liberalized and modernized the regulatory and monitoring system, and seen the economy grow exponentially in recent years as a result. However, despite all this, further amounts of foreign direct investment are needed for Cambodia's huge potential to be reached. NBC has nurtured the country's financial environment and contributed to outstanding growth rates that have averaged nearly seven percent for more than a decade. Now it is time to become even bigger.



National Bank of Cambodia

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Golden returns abound in banking and tourism

As tourist numbers reach 3m, there is also a stampede for range of financial services

Not content with the giant strides achieved in socioeconomic development, the country with 15 million people is striving to fulfil its vast potential and take advantage of its many competitive advantages to entice investors, create jobs and raise living standards.

Foreign investors attracted by favorable tax rates and laws that give them 100 percent ownership of their business are playing an important role, as is huge bilateral trade with China that is forecast to double to \$5 billion in 2017.

The creation of two dozen special economic zones is another Cambodian success story, as Commerce Minister Cham Prasidh explained: "We are trying to develop SEZs near the borders with Thailand and Vietnam for several reasons.

"First, it means access to their large ports. Secondly, we can hook up to their power grid, which is considerably cheaper than Cambodian electricity, and third, there is a short distance to the main export areas and ports of our neighbors, which means we have easier access to the European, Japanese or American markets."

"Because of our proximity, we can attract foreign investors to our SEZs as they can cross back over the border and export the goods produced here," he noted.

While still in its infancy compared to other countries, Cambodia's banking sector is developing at a rapid rate with competition for a wide range of financial services between over 30 commercial banks, 40 microfinancial institutions and several specialized banks.

Banks set new standards

Founded in early 1994, Union Commercial Bank Plc is a medium-sized commercial bank that has built

a proud reputation for its corporate banking excellence and now wants to repeat that success in the consumer banking sector.

One of UCB's key assets is its valuable "local expertise" which has been accumulated over the past two decades and differentiates them from some of the larger and newer players in the Cambodian banking sector.

UCB has several branches running China UnionPay services, enabling the bank to deliver even greater convenience and a wider range of card usage.

"We started Renminbi services for our Chinese clients when we signed an agreement with the Industrial and Commercial Bank of China. This facilitates transactions by Chinese people based in Cambodia,"

12
percent
of Cambodia's GDP contributed by tourism in 2012

explained UCB Chairman and CEO, Oknha Yum Sui Sang.

"I have a good connection and relationship with Chinese entrepreneurs and am chairman of the Hong Kong, Macau and Chinese Expatriates Association. We regularly gather with Chinese businessmen and have a definite competitive advantage because of our extensive relationships with the Chinese community," he said.

Another leading player in the financial sector is Canadia Bank Plc, which was established in 1991 as "Canadia Gold & Trust Corporation Ltd" - a joint-venture between Cambodian Canadians and the National Bank of Cambodia.

With more than two decades of valuable experience, the bank has very strong connections with China, as illustrated by its name translating into Chinese as "Chinese Family", its logo of a Chinese coin, large numbers of Chinese customers and Chinese-speaking employees.

The group's real estate arm, Over-



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CHAM PRASIDH
SENIOR MINISTER AND MINISTER OF COMMERCE OF CAMBODIA

seas Cambodia Investment Corporation, is developing a major construction project called "Diamond Island" in conjunction with a Chinese company.

"We have a lot of infrastructure projects to support the development of the country," said Canadia Bank CEO, Datuk Michael Lor.

"Over the next six to 12 months, we plan to become a financial services provider. We are also expanding in the region, and will go into Laos and Myanmar and hopefully will have a certain foothold in one of these countries which will make us regional financial services group," he added.

One area of financial services that is growing especially fast is the insurance industry, with total first quarter premiums jumping 30 percent year-on-year to \$12 million as businesses and individuals.

A joint venture between Royal Group (Cambodia) and Infinity Financial Solutions (Malaysia), private insurance provider Infinity Insurance has been operating in Cambodia since 2007 and continues to go from strength-to-strength through sustainable growth.

The company is regarded as the insurer of choice for international corporations operating in Cambodia, especially Chinese companies which use its policies to insure many of the major infrastructure projects taking place in the country.

"Infinity already boasts Total, ANZ Royal and British-American Tobacco as clients, and represents other big international insurance



“Cambodia is very safe and secure and we are telling Chinese investors and tourists to come here and enjoy all we have to offer.”

THONG KHON
MINISTER OF TOURISM OF CAMBODIA

companies such as AIG," Infinity Insurance CEO David Carter said.

"We take pride in being able to accommodate companies from a variety of backgrounds and have employed people who speak Japanese, Korean, Chinese, French among other languages."

Tourism at record high

Recognized by UNESCO as one of the most important archaeological sites in the region, the stunning ancient temples of Angkor Wat and Angkor Thom are the jewels in Cambodia's tourism crown, attracting millions of visitors a year to the "Kingdom of Wonder".

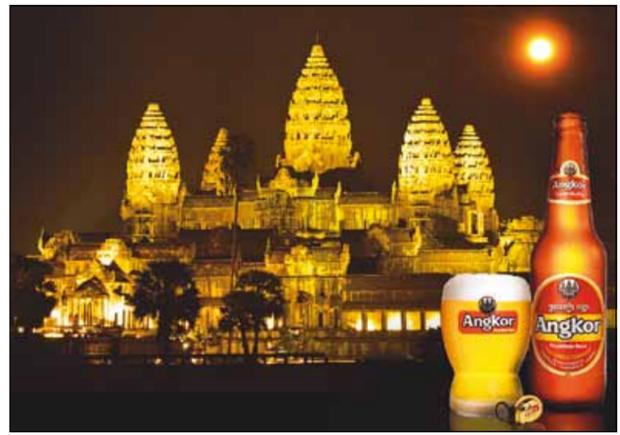
Hidden among huge forests, the monuments in Angkor Archaeological Park have helped establish tourism as one of the main pillars of Cambodian economy, with 3.5 million travellers generating \$2.2 billion of income and 400,000 direct jobs in 2012.

Tourism now generates around 12 percent of GDP with the number of visitors from China reaching a record 330,000 last year, a number that tourism officials expect to grow to more than 2 million by 2020.

To prepare for this influx of Chinese tourists, Cambodia is focusing on being "China Ready" through initiatives like restaurants and hotels offering menus and services in Chinese and new shopping malls that will sell luxury brands popular with the Chinese.

Tourism Minister Thong Khon, said: "Cambodia is very safe and secure and we are telling Chinese investors and tourists to come here and enjoy all we have to offer."

"Angkor Wat is the cultural city of Asia so it belongs to the whole Asian region. There are now more



Cambodia's pride.

PHOTOS PROVIDED TO CHINA DAILY
www.angkorbeer.com.kh



Song Saa private island.

charter flights between Cambodia and China.

"We want to create a China Town district in Phnom Penh and already have support from the private sector for this, so we are working on the planning."

Aviation sector takes off

Spearheading Cambodia's tourism and aviation sector development is national flag carrier Cambodia Angkor Air. Established just four years ago, the airline is a joint venture between the Cambodian government with a 51 percent stake and Vietnam Airlines holding the rest of corporate shares.

In 2012, the ambitious carrier doubled its passenger levels to nearly 1 million travellers despite operating domestically and only two foreign routes to Thailand and Vietnam.

The company has embarked on a major expansion project aimed at doubling its fleet size by 2015 to serve new routes to China - including Hong Kong - and, eventually, India, South Korea and Japan.

Later this year the airline will launch 28 flights a week between Siem Reap or Phnom Penh and Guangzhou or Shanghai.

"We are also looking to launch services to other major tourist destinations in China," said Cambodia Angkor Air Chairman, Tekreth Samrach.

Vice-CEO, Lim Kao, added: "We want to promote our culture through traditional food, uniform and courtesy."

“We want to promote our culture through traditional food, uniform and courtesy.”

LIM KAO
VICE-CEO
CAMBODIA ANGKOR AIR

The largest brewery in the kingdom, Cambrew Ltd is 50 percent owned by Danish drinks giant Carlsberg. The award-winning manufacturer's brands include the best-selling Angkor Beer, Bayon Beer, Black Panther and Klang Beer.

Cambrew Ltd exports its range of beverages to consumers in Europe, Japan and the United States and plans to increase exports throughout the Association of Southeast Asian Nations market.

"The most important thing for us is the quality of our beer and our workers. We have learned a lot from Carlsberg," said Cambrew Chief Operating Officer, Saysana Phommasy.

InFocus provided the story

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