

Essay of Investment in Cambodia

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Cambodia is located in South-East Asia. Its landmass is 181,035 km². It has population of 15,458,332 (Estimated in 2014). The government of Cambodia implements a constitutional monarchy. In 2014 its total GDP nominal was USD 16.55 billion whereas its total GDP PPP was USD 49.96 billion. Also in 2014, GDP nominal per capita was USD 1,080 whereas GDP PPP per capita was USD 3,262. Its currency is Riel (current rate USD 1= Riel 4,038)

The foreign trade of Cambodia is described as following: export in 2012 was USD 5.49 billion while export in 2011 was USD 5.22 billion. The exported commodities are clothing, footwear, timber, rubber, rice, fish and tobacco. The main export partners in 2012 were US (47%), UK (8.4%), Canada (7.7%), Germany (7.7%), Singapore (6.6%), Vietnam (5.8%), Japan (4.7%)...etc.

Import in 2012 was USD 8.14 billion while import in 2011 was USD 6.71 billion. The imported commodities are petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles and pharmaceutical products. The main import partners in 2012 were Thailand (27.2%), Vietnam (20%), China (19.5%), Singapore (7.1%), Hong Kong (6%), South-Korea (4.3%)...etc.

Revenue of public finance in 2012 was USD 2.22 billion while expense of public finance in 2012 was USD 2.93 billion. Economic aid worth of USD 934 million was pledged in grants and concessional loans for the 2011 state budget by international donors from the international community. There are some agencies rating Cambodia as following: B+ by a domestic credit rating agency, B2 by Moody agency and BB- by S&P agency. In 2012, foreign reserves were USD 3.84 billion (by National Bank of Cambodia).

Banking System: The minimum capital requirement for commercial banks is USD 37.5 million according to the law. As of December 2012: In Cambodia there were 32 commercial banks, 7 specialized banks and 34 licensed microfinance institutions. Bank deposits increased from USD 347 million in 2000 to USD 6.2 billion in 2012.

A success story in financial sector in Cambodia: ACLEDA`s capital raised from USD 4 million to USD 265.7 million in 15 years. ACLEDA is a currently commercial bank and has 236 offices covering all provinces and cities as well as 25 in a neighboring country Laos. It was founded in January 1993 as a national NGO for micro and small enterprises. It was initially supported by major international development agencies. Remarkably in October 2010 it evolved in a transformation from NGO to become a specialized bank: transferred its assets and on-lent its liabilities (long-term loans from donors) to the new ACLEDA bank. Consequently it has received 44.91% of the bank`s capital worth of USD 4 million. The ACLEDA Staff Association (ASA), a trust established to give its staff the equity interest, has purchased 6.09%. The remaining 49% of the bank`s capital was taken up in equal parts by four foreign investors: The International Financial Corporation (a division of the World Bank), DEG (Germany), FMO and Triodos Bank (The Netherlands).

Cambodia Stock Exchange (CSX) was established in July 2011 under a joint-venture between the Royal Government of Cambodia 55% and Korea Exchange Inc. (KOSPI) 45%. Currently it consists of 6 underwriter firms, 1 dealer firm and 3 broker firms. Its cash settlement is carried out by 3 agents such as ACLEDA, CANADIA and BIDC) whereas the operation of securities registration and transfer is carried out by ACLEDA bank and TRICO securities services. On 18th April 2012, The first IPO shares (Phnom Penh Water Supply) went up 48% on the first day.

Market opportunities apart from banking are as following: Tourism infrastructure and resorts, education, architecture, construction and engineering services, household goods and appliances, agribusiness and food processing, used cars and automotive parts, power generation equipment, fast food and beverage franchises, pharmaceuticals, medical supplies and medical equipment.

Policies towards FDI are very tolerant except land ownerships for foreign investors. Special Economic Zone (SEZ) is established in 22 locations. The benefits from this establishment are offered such as one-stop service, infrastructure/utilities, various investment incentives (Up to 9 years tax holiday, 0% rate on VAT, full import duty exemption on: raw materials, machinery and equipment), no export tax and long-term lease up to 99 years...etc.

In conclusion, Cambodia is on a positive path in financial sector since there has been a significantly growing number of new financial entities. Moreover there is an optimism towards the launching by the end of 2015 of the ASEAN Economic Community which consists of 10 countries in the region or approximately 600 million population enormous market. The financial sector is set to play a crucial role in integrating these member states.