

INVEST IN CAMBODIA

AN INSIDE LOOK INTO FRONTIER MARKETS

Government and
FOREIGN RELATIONS

The Driving Forces Behind
THE ECONOMY

Business,
INVESTMENT,
and **DIGITAL MARKET**

**TODAY, TOMORROW, and
OPPORTUNITIES**



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EXECUTIVE SUMMARY

Invest in Cambodia: An Inside Look into Frontier Markets is an e-book on the investment climate in Cambodia. Through this e-book, we aim to introduce you to the last frontier market in Southeast Asia and walk you through its investment climate. In order to make a foray into any foreign country, you must first know the land and its people, rather than plunge headfirst into unknown territory. We begin by establishing Cambodia as a country – understanding the history, people and the culture, rather than a mere plot of money-making land. The e-book then segues into the political scene in Cambodia, providing a timeline for the historical political strife up till the political stability of today, and establishing some groundwork for how the governmental system in Cambodia works. We then discuss the economic growth and current economic climate in Cambodia. This is supplemented with information about the main industries that move the economy, with tourism as a growing sector set to become another driving force of the economy. We further analyse the commercial, investment, and digital market of Cambodia, detailing the reasons as to why investors are so drawn to Cambodia. Upon that, we take a closer look at the investment climate in Cambodia and how the business market is gradually evolving to become a digital market. Finally, the e-book is concluded, detailing Cambodia as it is today, and profiling it for the opportunities it will provide tomorrow – positioning it as the frontier country worth investing in.



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CAMBODIA AT A GLANCE

1.1 GETTING TO KNOW CAMBODIA

Before you invest in a foreign country, it is important to know the culture and customs of the place, so you don't end up breaking any rules or offending anyone. Here is some information about Cambodia, so you can acquaint yourself with the country.

From the disparity between the rich and the poor, to its contrasting picturesque countryside and bustling city areas, Cambodia comes across as a beautiful unique country of paradoxes. With a population of over 15 million, the country spanning 181,035 square kilometres is located between Thailand, Vietnam, and Laos. Apart from the occasional monsoons the country experiences, the weather in Cambodia is generally warm and sunny, remaining in the summer season all year round.

Every year, the country attracts more than 2 million international visitors to its kingdom of wonder and historic splendour. Cambodia has a rich wildlife teeming with flora and fauna. Although increasing urbanisation is beginning to encroach parts of the country's natural habitat, Cambodia still manages to retain its luscious share of nature through its existing forests, tropical islands, rice paddies, and natural rivers.

A popular destination not only for tourists but also expatriates, Cambodia's low cost of living, rising employment opportunities, and foreigner-friendly regulations make it an increasingly popular option to consider visiting or for relocation.

1.2 THE PEOPLE OF CAMBODIA

POPULATION (2016)

51.15%
UNDER 25 YEARS OLD

Citation: United Nations Department of Economic and Social Affairs: Population Division

Population
15 875 216



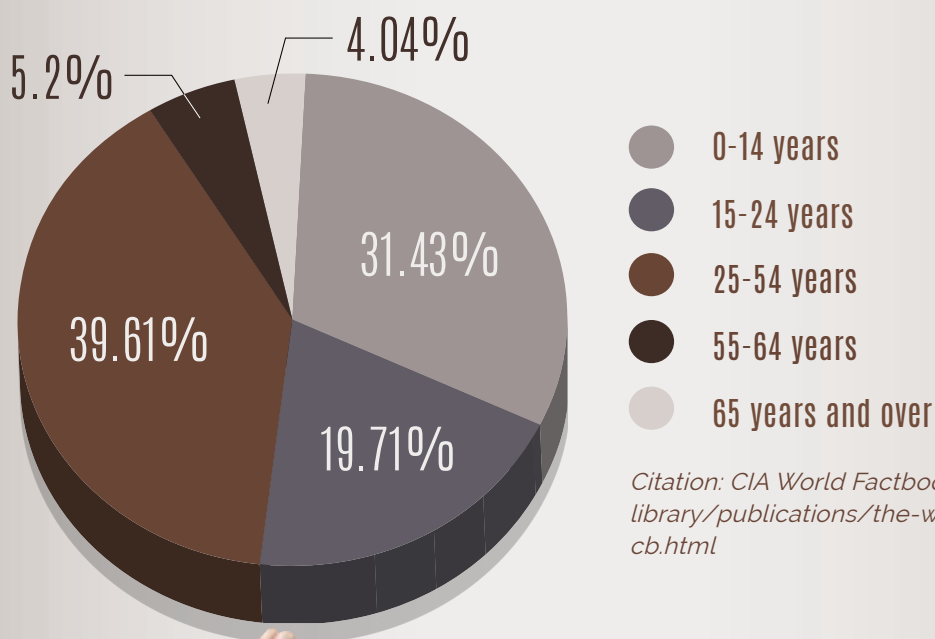
Female population
8 104 024



Male population
7 771 192

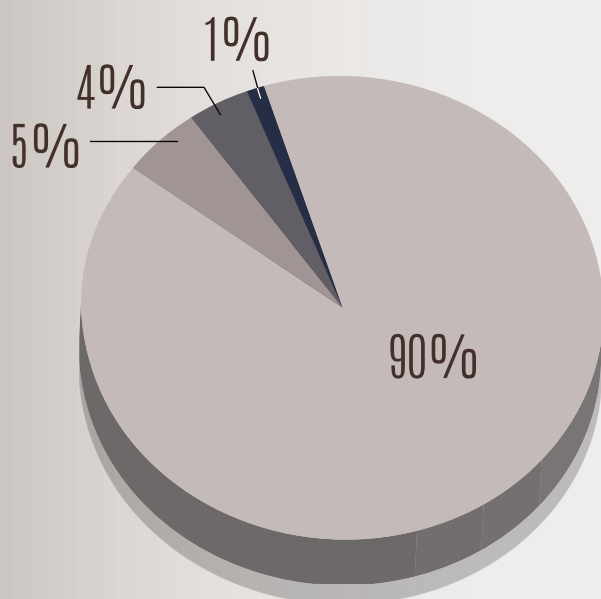


With a median age of 24, Cambodia's young population is a result of the Khmer Rouge genocide that took place over the course of 1975 to 1979.



Citation: CIA World Factbook <https://www.cia.gov/library/publications/the-world-factbook/geos/cb.html>





The majority of Cambodians are ethnically Khmers, with the other ethnic groups known as 'non-indigenous ethnic minorities' – immigrants and their descendants; and 'indigenous ethnic minorities' – the Khmer Loeu (the aboriginal peoples of Cambodia).

Khmer	13,684,985
Vietnamese	760,277
Other	608,222
Chinese	152,055

Citation: CIA World Factbook

The official language in Cambodia is Khmer, with majority of the population being able to speak it. The Cambodian people are educated in English, and 3% of the population are able to speak French.

Official language	Khmer (96.3%)
Minority languages	Cham (2.2%), Vietnamese (0.8%), Tumpoon (0.4%); Lao, Jarai, Yue Chinese, and many small Mon-Khmer languages at < 0.25%
Languages of education	English, French (3%, 423,000 French speakers)
Sign languages	American Sign Language

Citation: CIA World Factbook



1.3 A CONCOCTION OF THE OLD AND THE NEW – PHNOM PENH, THE CAPITAL OF CAMBODIA

Consisting of approximately 2 million people, Phnom Penh is the capital of Cambodia. It is often considered as the 25th province of the country although it has technically been designated as a special administrative area. Graced by a beautiful waterfront, Phnom Penh is situated right at the meeting point of the Mekong River and the Tonlé Sap Lake.

As the most populous city of Cambodia, Phnom Penh is known for its old meets new landscape, with a fusion of breathtaking historical architecture and modern hip bars and clubs. This is perhaps the primary reason why the capital is home to most of Cambodia's expatriates.

Cambodia Royal Palace, Silver
Pagoda and stupa, Phnom Penh ➤



1.4 CAMBODIA'S HISTORY AT A GLANCE – A COUNTRY ON THE RISE

Subjected to a long and tumultuous history, Cambodia has had a pretty rough experience with foreign invasion. In 1863, Cambodia officially became a protectorate of France. Prior to the infamous Khmer Rouge ruling led by Pol Pot in 1975, Cambodia was occupied by Japan during World War II from 1941 to 1945.

Due to its geographical location between Vietnam and Thailand, Cambodia has been engulfed in the two countries' fight for it for centuries. Between 1969 to 1973, the United States' secret bombing of Cambodia cost tens of thousands of lives, and displaced hundreds of thousands more. This calamity effectively pathed way for the communist Khmer Rouge's takeover in 1975, resulting in millions of deaths during Pol Pot's four-year reign.

During this period, the people of Cambodia were forced to relocate to the countryside to become agriculture workers under the orders of Pol Pot to double the agriculture production within 4 years. Historical sites such as the Killing Fields dating back to the Khmer Rouge period, and monuments like the Tuol Sleng Genocide Musuem chronicling Cambodia's history can still be found in the country today.

Fast forward to the present day, Cambodia is governed by Prime Minister Hun Sen, with last year marking his 30th year in power. Today, Cambodia is a developing country that is expanding its architecture and infrastructure by the day. The Cambodian economy is also rapidly growing, holding great promise for its future as tourism and international interest towards the country spur. Enjoying a comparatively improved and better maintained political climate compared to its trying times, Cambodia now sees an emerging middle class signifying the country's potential to continually improve and develop, and hopefully eventually soar.



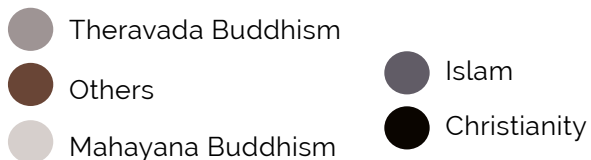
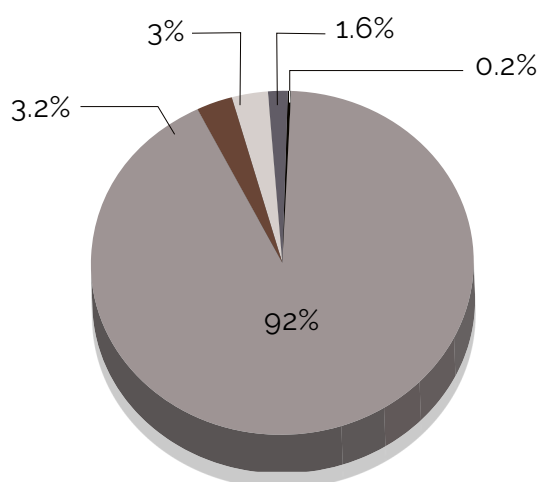
1.5 APPRECIATING THE CAMBODIAN CULTURE

RELIGION

Theravada Buddhism, the dominating religion in Cambodia, advocates against bad karma and holds the belief that what goes around comes back around. Buddhist monks are highly revered by the Cambodian people.



INFORMATION



Citation: CIA World Factbook



FOOD

Cambodian cuisine finds itself in a middle ground between Thai food and Vietnamese food, being less spicy than the former and spicier than the latter. Most Cambodian food consists of rice, soup and fish, and Cambodians love to season their dishes with a spice blend paste called *kroeung*. Some of the star ingredients that go into this staple in Cambodian cooking are cardamom, cilantro, cinnamon, cloves, ginger, lemongrass, shallots, and turmeric. Another characteristic flavor of Cambodian food comes from *prahok*, a fermented fish paste which has a distinctive salty taste and sets Cambodian food apart from that of its neighbours. What most foreigners are more familiar with, however, is Angkor beer – Cambodia's national beer

INFORMATION



◀ A classic Cambodian dish, amok trey, is fish marinated in *kroeung* and steamed in banana leaves, much like our *otak-otak* (or otah).



◀ A traditional Cambodian soup, *samlor kako* is a national dish of Cambodia.



◀ A soupy noodle dish common to Southeast Asia, the Cambodian dish *kuy teav* is similar to *kway teow*.



ART

Dance is a significant art form in Cambodian culture. Classical dance is often performed during royal occasions and other entertainment occasions. Folk dance is mostly engaged for traditional and cultural occasions, whereas social dances are more casually performed during social gatherings.

Apart from the beauty of dance, traditional Cambodian art consists of beautifully weaved textiles, ceramics, wat murals, and lacquerware. Unfortunately, a huge portion of traditional Khmer art was destroyed or stolen during the Khmer Rouge period, leaving little art for the country to preserve.

◀ Face of Bayon castle in Angkor Thom, Cambodia. Khmer art and sculpture from Angkor Wat.



FESTIVALS AND HOLIDAYS

KHMER NEW YEAR

The Khmer New Year is the most important holiday in Cambodia, with the 3 days in April marking the country's much celebrated New Year's Day. Usually falling on the 13th or 14th of the month, Khmer New Year is a celebratory period during which farmers enjoy their fruits of labour as the harvesting season comes to an end. A significant and meaningful time for families to gather and play traditional games, every home will also be cleaned then decorated before food occupies the shrines.



PCHUM BEN

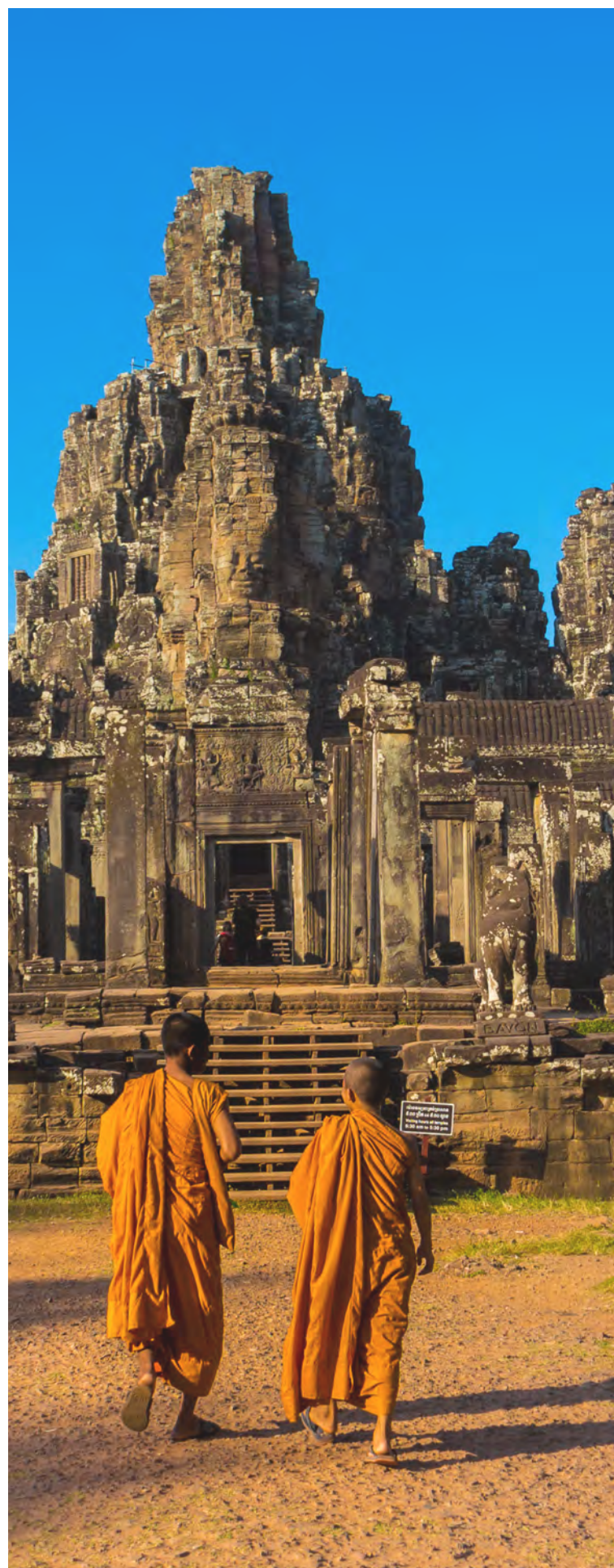
A 15-day long religious event, *Pchum Ben* is a colourful festival during which household members visit Buddhist temples and pagodas to make their sincere offerings. Usually falling in September and/or October, *Pchum Ben* is also a time when many Cambodians pay their respects to ancestors and other deceased relatives and friends.

BOM OM TOUK

The Cambodian Water Festival, *Bom Om Touk*, is often celebrated in the month of November. The biggest events mostly take place in Phnom Penh, with ongoing activities such as boat racing, night-time fireworks and lighted boat floats believed to bring good luck to people. The 3-day event commemorates the end of the rainy season and also the reverse flow of the Tonlé Sap River. Concerts will also be held to celebrate this fun-filled occasion.



Although the Cambodian culture is still very much steeped in tradition, the Cambodia of today is a far cry from being a remote village stuck in the boondocks. Cambodia is now a colourful blend of new and old, set against the natural scenic landscape the country has to offer. Traditional festivals and practices are still being honoured today, interspersed with the increasing proliferation of modern amenities, making it a very attractive location for anyone who plans on visiting Cambodia.



POLITICS, GOVERNMENT, & FOREIGN RELATIONS

2.1 POLITICS THROUGH THE AGES

YEAR

1953

Independence from France

1955

Sihanouk era of 'Buddhist Socialism' begins

1968

Civil war begins

1970

End of Sihanouk era, Cambodia is renamed the Khmer Republic

1975

Beginning of Khmer Rouge rule and genocide

1978

Vietnamese troops end Khmer Rouge reign

1989

Vietnamese troops leave Cambodia

1991

Signing of Paris Peace Accords

1993

First government election and constitutional monarch

1997

Hun Sen begins rule as Prime Minister

Ever since the beginning of the Khmer Empire in the 9th Century, Cambodia has had a long standing history of being under monarchy rule. However, the Cambodian constitutional monarchy political structure as we know today only began in 1993.

Shortly after Cambodia gained full independence on 9 November 1953, the Sihanouk era of "Buddhist Socialism" as a political movement began in 1955. However, Sihanouk's reign began to collapse with beginnings of a civil war started by communists in 1968. In 1970, after Sihanouk was removed from the position of Chief of State, Cambodia was renamed the Khmer Republic. On 17 April, the communists captured Phnom Penh and reign of terror under Pol Pot and the Khmer Rouge began. During this reign, many farmers were overworked to the point of death, and the Khmer Rouge went on a killing spree, executing people for reasons such as being religious, being an 'intellectual' or wearing spectacles, and even laziness, resulting in the genocide that cost millions of Cambodian lives.

Fortunately, the nightmarish reign of terror eventually came to an end, following the invasion of Vietnamese troops in December 1978. The Vietnamese forces then pulled their troops from Cambodia in 1989, and the Paris Peace Accords were signed in 1991. Communism was abolished that year and a temporary government was put in place up till the first government elections in 1993. Cambodia was then governed by dual governing bodies – FUNCINPEC and Cambodian People's Party (CPP), with King Sihanouk chosen as the country's first constitutional monarch. In 1997, Prime Minister Hun Sen came into power following a coup against FUNCINPEC, and has been serving as Prime Minister for over 25 years, with CPP as the governing party of Cambodia.



Rusty guns in War Museum in Siem Reap Cambodia. ➤

2.2 CAMBODIA'S POLITICAL SYSTEM

Cambodia's political system is that of constitutional monarchy with the King reigning over the country but effectively not ruling it. Constitutional Monarchy is not necessarily hereditary monarchy, as the King is not able to select his own successor – the Royal Council of the Throne chooses the new king from a list of candidates with royal blood. The current Head of State is King Norodom Sihamoni, following Sihanouk's abdication of the throne in 2004; while the Head of Government is Prime Minister Hun Sen.

The Parliament of Cambodia is constituted by the upper house – the Senate, and the lower house – the National Assembly. The Senate consists of 61 members serving a six-year term, two of whom are selected by the King, with another two being elected by the National Assembly, and the rest of the members are elected via vote from local governments. The National Assembly consists of 123 members, elected by the general public to serve a five-year term. Voters must be at least 18 years of age in order to be eligible to vote, and at least 25 years of age to be elected as a member of the National Assembly. As of the last election in 2013, CPP holds the majority of 68 seats, while the second largest political party in Cambodia – Cambodian National Rescue Party (CNRP), holds the remaining 55 seats. After the central government, there are also 24 provincial and municipal governments in Cambodia.

Royal Palace of Phnom Penh, Cambodia. >



2.3 RULE UNDER HUN SEN

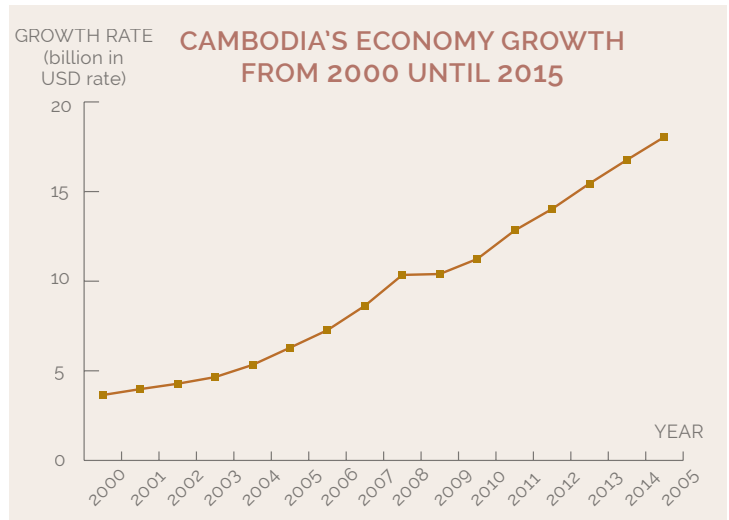
The current Prime Minister of Cambodia, Hun Sen, is the longest serving Head of Government in Cambodia, governing with his political party, CPP. He was the youngest Prime Minister – 33 years old, at the time of his appointment; and is currently one of the longest serving world leaders. His governmental party, CPP is also one of the longest ruling political parties in the world, having been the only ruling party in Cambodia since 1979 (previously known as the Kampuchean People's Revolutionary Party). Although Cambodia is officially a multiparty democracy, the perpetuation of CPP's rule effectively makes Cambodia a one-party state.

An ex-Khmer Rouge himself, Hun Sen's securing of the Prime Ministerial role marked the end of the civil war in the late 1990s – as he abolished the Khmer Rouge forces, and unified ex-members with the Royal Cambodian Armed Forces (RCAF). This move brought political stability to the country and ensured his position as Prime Minister. The current peaceful state of the political system is evident of Cambodia's growth as a frontier country.

During his time as Head of Government, Hun Sen has brought about significant changes to Cambodia, with his desire for Cambodia's socio-economic development, and to strengthen the peace and security in Cambodia. With Hun Sen at the helm, development was increasingly rapid over the past 2 decades, and Cambodia's average yearly GDP growth rate, at 7.7%, is the highest among Southeast Asian Countries, including Singapore. *(Refer to Chart A and B on the right)*

With Cambodia's economy steadily on the rise, Hun Sen has plans for Cambodia to become a mid-income country by 2030, and a high-income country by 2050 – pushing Cambodia to greater heights.

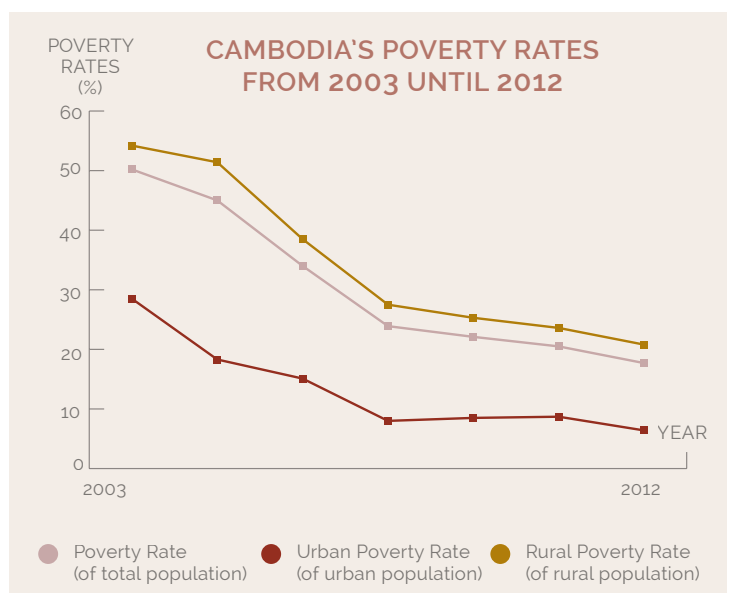
CHART A



Cambodia's economy has seen tremendous growth over the past two decades, with an annual average Gross Domestic Product (GDP) growth of 7.7% from 2000 to 2015

Citation: <http://data.worldbank.org/country/cambodia>

CHART B



The poverty rates in Cambodia have fallen from a staggering 50.2% of the population in 2003 to 17.7% in 2012.

Citation: <http://data.worldbank.org/country/cambodia>

2.4 FOREIGN RELATIONS

Although his ruling might be markedly oppressive toward the Cambodian citizens, Hun Sen strives for peace and stability within Cambodia, and good relations with other countries. In order to maintain good bilateral ties, Cambodia is currently a member of many major international organisations such as the United Nations (UN), World Bank, International Monetary Fund (IMF), Asian Development Bank (ADB), Association of South East Asian Nations (ASEAN), and World Trade Organisation (WTO). Hun Sen's goals for peace and stability have also resulted in Cambodia dispatching over 1700 UN peacekeepers internationally, and an active involvement in the International Campaign to Ban Landmines (ICBL).

Apart from involvement in organisations, Cambodia has also maintained diplomatic relations with several countries, with 20 foreign embassies located within the country including Australia, Canada, China, the European Union (EU), Japan, and the US. In a further bid to maintain friendly international relations, the Ministry of Foreign Affairs and International Cooperation has launched an e-Visa system for easier entry into Cambodia rather than visitors having to go through the hassle of physical applications at the embassy. The establishments of these diplomatic ties have led to significant socio-economic assistance from many international charitable organisations, aiding in further development of the country.

Currently, a large part of Cambodia's economic growth is fueled by China's monetary investments. As Cambodia's largest foreign investor, China has pumped in US\$9.17 billion in investments – including some major projects in the agricultural, mining, and tourism sectors. Furthermore, a sizable sum of this monetary aid has been used for improvements in infrastructure and further developments to the country. China has certainly taken an early step into Cambodia, and the risk taken to invest in Cambodia has certainly paid off, with the rapid increase in GDP and improvement to employment rates over the years, bringing Cambodia into the forefront of frontier markets.



2.5 CHANGES FOR A BETTER FUTURE

Cambodia's political system is currently stable, with a 2013 International Republican Institute (IRI) poll showing that 79% of Cambodians believed that Cambodia is generally headed in the right direction, citing their satisfaction with CPP's ability to deliver better infrastructure – especially school buildings and roads, to Cambodia. While CPP and Hun Sen have brought about a host of positive changes to Cambodia, going completely uncontested would mean that the government has no challenges to aid in their growth as a political body. Although CPP has been the ruling party since 1979, their biggest contender for political governance is CNRP, the second largest political party in Cambodia.

In order to keep up with, and get an edge on their competition, CPP needs to constantly better their regimes. One of their changes toward a better future for Cambodia is the Anti-Corruption Law ruled in 2010, in a bid to prevent corruption and strengthen peace in the country. As the majority of the Cambodian population is under the age of 30, CPP has included youth leaders to the committee, in order to garner crucial support from the Cambodian youth. These seemingly small changes contribute to the durability of the governmental regime over time, which will help Cambodia to continue to grow in all aspects under CPP and Hun Sen's governing. Furthermore, the current stability of the political system and the constant rate of economic growth come as an assurance to foreign investors that there would be continued political stability and growth in the economic sector.



THE DRIVING FORCES BEHIND THE ECONOMY

3.1 ECONOMIC GROWTH

Ever since the global financial crisis in 2009, the current economic climate has been on a slow path to recovery, with the UN predicting the world economy to grow by a projected 3.2% in 2017. The emerging markets of the world – countries that have the characteristics of, but are not yet classified as developed markets, have been at the forefront of global economic growth within the past few years. Some of the characteristics of emerging markets are an intermediate per capita income, a rapid economic growth that narrowed the income gap with more developed economies, and institutional growth. As the developed markets' economies are anticipated to once again increase contribution to the global economic growth, economic development will also be stimulated in frontier markets with further investments from developed markets.

Frontier markets, also commonly known as pre-emerging markets, are developing countries with high potential for investment. These countries, usually at a slower development rate than emerging markets, tend to have rapidly developing economies and are politically and economically stable. Certainly there has been marked economic growth in Cambodia, with a Gross Domestic Product (GDP) increase from USD 7.27 billion in 2006, to USD 18.05 billion in 2015. The 7.7%

average annual GDP growth is a steady display of Cambodia's sustainability of economic growth and development.

One of the most swiftly growing economies among the ASEAN frontier countries, Cambodia has been positioned by Euromonitor International's data as part of the 20 Markets of the Future, providing promising opportunities for international companies to invest in. This rapid economic development, along with more cost effective labour rates, and Cambodia's strategic location in the heart of Southeast Asia have brought in various foreign investments to the country. With Cambodia's economy on the rise, there are certainly more industries opening up. The unemployment rate has also been brought down to 0.5% in 2015 due to rising opportunities for employment. The main industries that are driving the Cambodian economy are the garment industry, agriculture, and tourism.

3.2 WHAT DRIVES THE ECONOMY

With favorable climate conditions and arable land abound, agriculture has traditionally been the main industry in Cambodia, attributing to an all-time high of about 90% of GDP in 1985. A staple diet in Cambodia, rice is naturally the principal commodity of the agriculture industry. Cambodian agriculture flourished well over the past decade, with the World Bank reporting an annual agricultural sector growth of 5.3% between 2004 and 2012 being one of the highest worldwide. During this period, crop yields increased by 4% and Cambodia's agricultural exports were comparable with that of Thailand, Vietnam, and Myanmar. This has directly benefitted the Cambodian farmers, with an increment in salaries, and a fall in poverty.

Although rice is still the primary produce, Cambodian farmers have begun to migrate their harvests toward other crops such as vegetables, cassava, and maize to generate higher profits. This expansion to include other



types of agricultural crops will hopefully be a long-term diversification of agricultural produce for better sustainability of agriculture as an industry. The importance of agriculture to the Cambodian economy is such that there are tax exemptions on agricultural production, with up to 46% of the GDP coming from agricultural produce. As such, there are also aims for shifts from traditional farming to include usage of modern farming technology for further improvements on the agricultural economy. The United Nations Food and Agricultural Organization (FAO) has added USD 23 million to its budget for the operational food security and agricultural plan, to aid in further development of Cambodia's agricultural sector, making it more sustainable in the future.

As the second largest revenue generator, the garment industry accounts for about 80% of Cambodian exports and is the biggest industry in the manufacturing sector, with over 700,000 workers employed and raking in an approximate revenue of USD 5 billion. Over the years, changes have been implemented to improve working conditions in factories. Furthermore, there have been many programs put in place to train garment workers, giving them a more specialized skillset that is integral to their livelihood. The Garment Manufacturers Association in Cambodia (GMAC) is one such institute that provides training not only for factory workers, but also university students in the operations side of the garment industry. Some of these institutions also educate workers on workplace gender and sexual harassment, to create better working conditions, especially for women, who make up majority of garment industry workers.

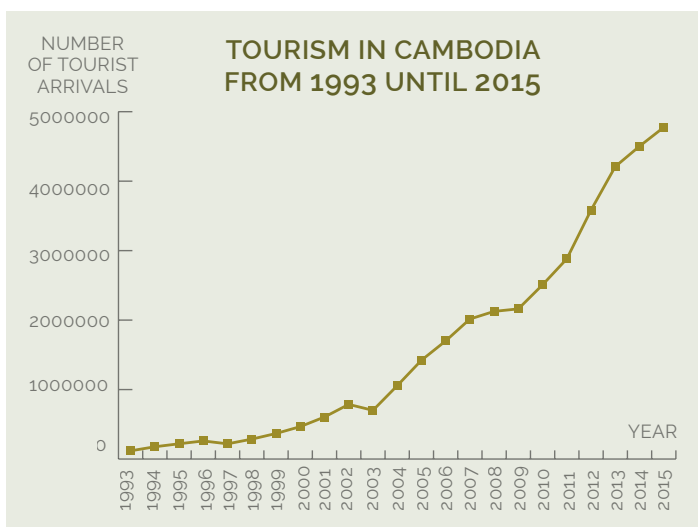


3.3 THE TOURISM BUSINESS

Tourism, one of the largest sources of revenue, is vital to Cambodia's economic growth. With the rate of international tourists on a steady incline over the past two decades – from 118,183 visitors in 1993 to 4,775,231 visitors in 2015, Cambodia has its geographic location to thank for its international allure. Bordering the Gulf of Thailand, and situated between Thailand, Vietnam, and Laos, Cambodia is geographically accessible from air, land, and sea, making it a convenient travel destination. Many visitors from nearby Asian countries have made Cambodia a popular destination for their travels, especially tourists hailing from the surrounding ASEAN countries, with a total of 938,235 arrivals into Cambodia between January to June 2016.



INFORMATION



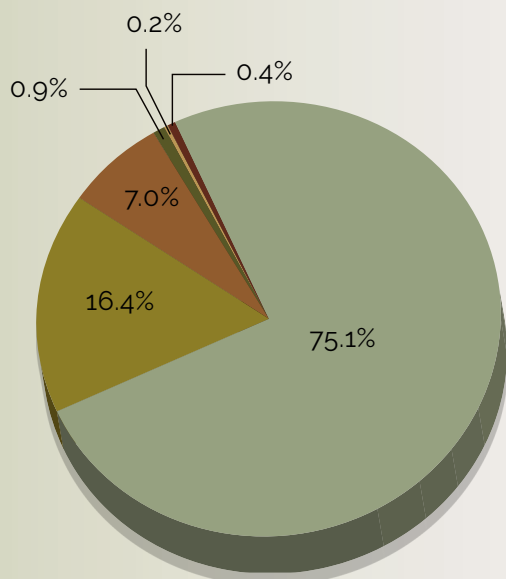
Tourism in Cambodia has been on a steady incline over the past two decades.

Citation: http://www.tourismcambodia.org/images/mot/statistic_reports/tourism_statistics_june_2016.pdf

National Museum of Cambodia in Phnom Penh. ➤



Visitors from Asia make up the bulk of tourists in Cambodia in 2016.

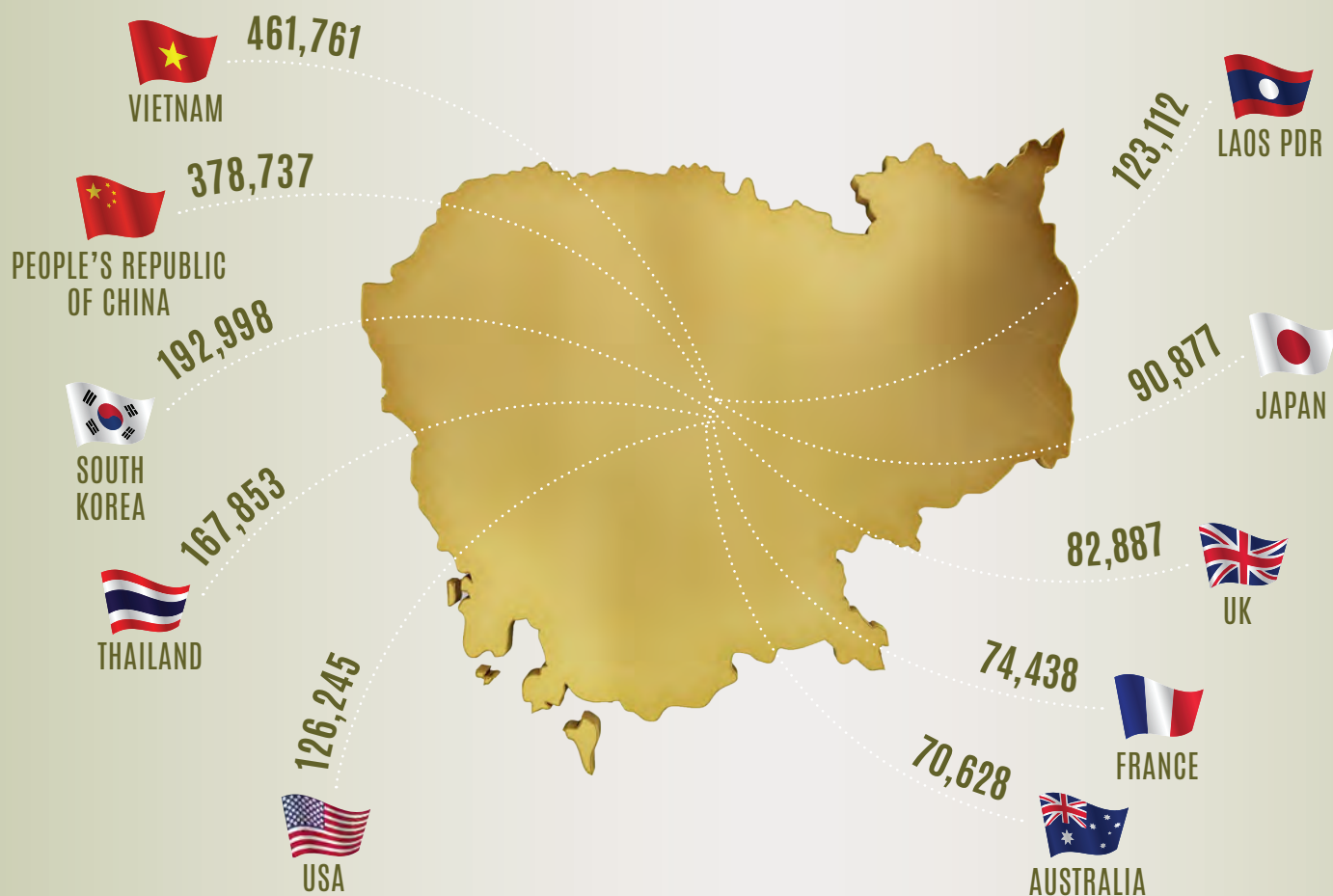


TOTAL OF 2,360,932 INTERNATIONAL ARRIVALS

Asia	1,773,771
Europe	386,283
North America	164,027
South America	23,201
Africa	4,993
Middle East	8,657

Citation: http://www.tourismcambodia.org/images/mot/statistic_reports/tourism_statistics_june_2016.pdf

TOP 10 INTERNATIONAL ARRIVALS IN CAMBODIA IN 2016



Citation: http://www.tourismcambodia.org/images/mot/statistic_reports/tourism_statistics_june_2016.pdf

Cambodia's tropical climate, lush forests, and the magnificent Mekong River bring beautiful scenes of exoticism to mind. It comes as no surprise that Cambodia promotes itself to tourists as the 'Kingdom of Wonder'. The

charm of a tropical Southeast Asian country brings in frequent tourists, with the more popular tourist sites being Angkor, Phnom Penh, Kratié, Sihanoukville, and Siem Reap.

1 ANGKOR

When one thinks of Cambodia, images of beautiful temples and lush greenery come to mind. Home of the majestic Angkor Wat, the iconic monument of Cambodia, Angkor is definitely on the must-visit list for a first time traveler in the Kingdom of Wonder. Do keep an eye out for the famous stegosaurus carving along the temple walls while you're there!

2 BANTEAY SREI

Also known as the Citadel of the women, Banteay Srei temple is the ideal spot for your photography. Hidden in a lush forest, the miniature Indian style temple holds much wonder for visitors, almost like you've stumbled upon a mysterious fairy palace frozen in time.

3 RATTANAKIRI

If you're interested to know more about the ethnic minorities and indigenous tribes of Cambodia, Rattanakiri is definitely the place to visit. There are 8 different ethnic tribes living in Rattanakiri, and due to the sparse population, the land is mostly unspoiled, with various waterfalls and forests to visit. Stop by the Banlung market before you leave, to shop for local handmade crafts and more.

4 KRATIÉ

If you want to see dolphins frolicking in their natural habitat, The Dolphin Habitat in Kratié is the place for you. As the Irrawaddy dolphins are an endangered species, the Cambodian Mekong Dolphin Conservation Project was established to protect these beautiful creatures.

5 TONLÉ SAP

The Great Lake of Cambodia is the largest freshwater lake in Southeast Asia and has the unique feature of an annual flow reversal. If you're interested in the freshwater biodiversity of Cambodia, you should take a boat ride along Tonlé Sap to the floating village, Chong Khneas, and take in the sights along the way.

6 SIHANOUKVILLE

If you're a fan of the sun and the sea, you don't have to limit your beach getaways to just Bali and Phuket. Cambodia's Sihanoukville boasts postcard worthy sandy white beaches and clear aquamarine seas – perfect for your weekend getaway from the hustle and bustle of city life.



Cultural heritage tourism is one of the main draws for foreigners visiting Cambodia; with the natural association one has of Cambodia being the majestic Angkor Wat. Located north of Siem Reap, the early 12th century construction is a representation of the universe, with the towers representing the peaks of Mount Meru of Hindu mythology. In 1992, Angkor Wat was named as a UNESCO World Heritage site, helping cement its position as a must-see site for cultural heritage tourism. Although there were only 7,650 visitors to the temple in 1993, the number of visitors yearly has now grown to over 2 million. Mondulkiri, home to various communities of hill tribes, the French built city, Phnom Penh, and the Preah Vihear Temple are among other popular tourist sites that are rich in cultural heritage. Alongside cultural heritage tourism, ecotourism is also rapidly gaining a foothold in Cambodia, with the beautiful unspoiled waterfalls and forests of Rattanakiri enticing tourists to return to nature.

3.4 IMPACTS OF ECONOMIC AND INDUSTRY GROWTH

The developments in the Cambodian economy and various industries have created more opportunities for the Cambodian public. Tourism, in particular, has introduced various other businesses and industries, providing more employment for Cambodians. Due to the burgeoning popularity in tourism, the hospitality industry has naturally also improved greatly over the years to accommodate the growth of tourists. As the number of tourists has increased through the past 2 decades, hotel occupancy has also increased, with 70.2% of tourists staying in hotels as of 2015. The growth in the hotel industry requires that hotel staff be kept up to date with hospitality training, and the Ministry of Tourism has teamed up with private groups to provide training programs for the improvement of hotel services. This training will provide hospitality staff with a skillset that can better their further employability prospects.



Other businesses that have benefited greatly from the tourism industry are the retail trade industry and the gambling industry. Several food and beverage franchise stores such as KFC, Pizza Hut, and Burger King have sprung up in Cambodia, geared towards both tourists who hanker for a taste of home and locals who have been influenced by Western culture. Fashion retail brands like Skechers, Giordano, and Mango have also opened their doors in Cambodia in response to a demand for brand-name clothing brought on by exposure to foreign trends. Within the retail sector, 32% of the working population are expected to be middle or high income workers by 2017. The gambling and tourism industry have a bilateral relationship, with one fueling the other and vice versa. As gambling is illegal for Cambodians, the main revenue for casinos comes from foreign gamblers. As Cambodia is located so close to Thailand, where gambling is also illegal, many Thai tourists enter Cambodia in order to gamble, greatly boosting the gambling industry. The thriving gambling industry brings in good revenue for the economy and provides more jobs for Cambodians.

As Cambodia develops further, the government has also laid plans for further development of the infrastructure. Apart from roadworks, there are also tracks being laid for improvements to the major railway lines. These infrastructural developments, along with investments in renewable energy and new power plants will aid in the enhancement of the business climate and the economy.



COMMERCIAL, INVESTMENT, AND DIGITAL MARKET

4.1 WHAT BRINGS INVESTORS TO CAMBODIA?

As the last frontier market in the Southeast Asian region, Cambodia promises a world of opportunities for investors and business owners. Many mega corporations have taken the chance to enter the Cambodian market and strike while the iron is hot.

Located in the heart of Southeast Asia, Cambodia is in a prime location of economic activity, with the chance of benefiting from economic spillover from the surrounding emerging markets. The proximity to the Gulf of Thailand also allows for maritime trade, making Cambodia a very inviting location for investment. In addition to its location, the fertile land and tropical climate in Cambodia provide favorable conditions for the agriculture – a mainstay of the Cambodian economy. Its natural resources remain mostly untapped, such as unmined mineral deposits, oil and gas reserves, and tourism sites, which can be used for further development

With more than 50% of the population under 25 years old, and the average age of Cambodian

nationals being 24, there is great appeal in the young workforce, knowing the current labour force could offer about 30 years of productivity and bring greater economic growth within the next few years. Apart from the efficiencies of youth, Cambodia's workforce is also relatively inexpensive, with a minimum wage of approximately USD 140 per month. This is significantly lower compared to neighboring Thailand at USD 257.61 monthly, and Vietnam with an average wage of USD 155.37 each month. Along with lower wages, telecommunication and internet costs are also lower, due to competition among various companies within the mobile and internet sectors.

4.2 WHAT IS THE GOVERNMENT DOING FOR INVESTORS?

Under Prime Minister Hun Sen's rule, the Cambodian government has been consistently pro-business, attracting foreign investments and businesses. Some of the key features of the pro-business model the government has decided to undertake are the granting of full foreign ownership (with the exception of land), tax exemption for capital gains, and attractive investment incentives such as duty free imports of production materials and equipment. There are also no currency exchange controls put in place by the government, making it easier for Foreign Direct Investments (FDI) to take place.

The growth of trade has expanded steadily since Cambodia became part of the World Trade Organization (WTO) in 2004 – the first least-developed country (LDC) to do so. At about 80%, garments and textiles make up the majority of the trading exports from Cambodia, bringing in USD 5 billion in revenue. Cambodia has also joined International Organization for Standardization in 1995, and is involved in the ASEAN Consultative Committee on Standard and Quality (ACCSQ), along with signing various trade agreements such as the Asian Free Trade Agreement (AFTA) in order to improve on trade and the quality of exports.



The improvements to infrastructure in Cambodia have certainly enabled the facilitation of investments by providing better access to various parts of Cambodia, resulting in the ease of trade and business. There are also various Special Economic Zones (SEZ) located around Cambodia, regulated by Minister of Commerce, offering tax exemptions on material and equipment imports, alongside possible entitlements to a period of exemption from profit tax. Furthermore, the Cambodian government ensures that the banking sector is safe through their central bank, the National Bank of Cambodia (NBC). The government's efforts in maintaining a pro-business environment has certainly been a positive draw for investors and business owners hoping to establish themselves in the Cambodian market.

4.3 INVESTMENTS AND BUSINESSES IN CAMBODIA

Official development assistance (ODA) and foreign direct investment were the largest sources of income for the past two decades and have greatly benefitted Cambodia, boosting the economic climate, making it more favorable for more businesses to enter the market. FDI from international businesses and companies enter foreign markets for the sake of profitability, but in the process, end up creating jobs, transferring technology, and providing training for their employees. One of the largest contributors to the Cambodian economy is China, with major projects in sectors such as the agriculture, garments, tourism, mining, and oil industries.

Making their decisions based on the main industries that have been continually sustaining Cambodia as a country, the initial investors who made their foray in to Cambodia conveniently tapped into the pre-existing garment and agricultural industries. The United States is one of the largest investors in the garment industry, accountable for about a third of Cambodia's total exports, with major fashion brands like Levi, Gap, Nike, and



Disney setting up factories in Cambodia. Other major fashion giants such as H&M and Adidas have also entered the Cambodian market, with factories set up for textile production. Investment in the property sector has also been popular, with countries like South Korea, Japan, China, Malaysia, and Singapore holding the most international developments.

High-end jewelry manufacturing company Tiffany & Co has also brought its manufacturing process to Cambodia with a diamond polishing factory in the Phnom Penh Special Economic Zone established in 2014. Making a positive leap from sweatshop horror stories that often affect developing countries, Tiffany & Co has provided good and proper working conditions for the 3,000 odd workers employed at the factory – with comforts like air conditioning, daily meals, medical benefits, and better wages of about USD 160 monthly. Better wages result in the growth of the range of middle class workers in Cambodia, bringing Cambodia up the developmental chain, and improving Cambodian standards, in order to entice more foreign investments in the future.

Over the years, opportunities further developed and more industries have become available for investment – the fast food industry being one of the popular choices in more recent years, with the yearly revenue at about USD 40 million. Major fast food chains such as KFC, Pizza Hut, and Burger King have established themselves in Cambodia and have caught the fancy of Cambodian hearts, and their stomachs. While businesses that set up factories in Cambodia do not have to make any concessions for locational and cultural reasons, many fast food businesses – especially those hailing from Western countries, have to adapt to appeal to Southeast Asian taste buds. Like some other countries in Asia, KFC in Cambodia offers rice as an alternative to mashed potatoes. Meanwhile, Asian fast food chains are also making a steady headway into the market, with Lotteria, Pepper Lunch, and Yoshinoya leading the fray, injecting new flavour into the Cambodian fast food market, as items on their menu tend to appeal more to the Asian palates of Cambodia.



4.4 THE INFLUENCE OF THE INTERNET AND THE DIGITAL MARKET

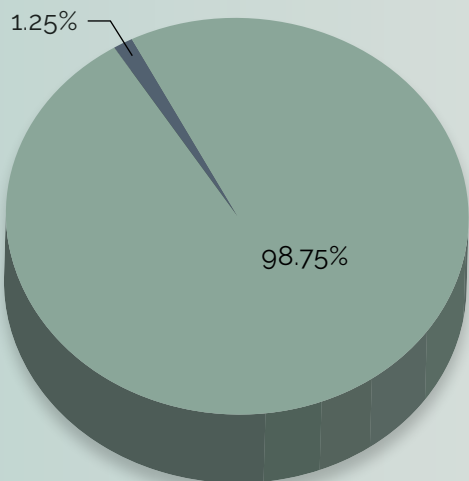
91.48% **YOUTH LITERACY**
(PERSONS BELOW THE AGE OF 15)

77.14% **ADULT LITERACY**

With these age and literacy demographics, it is no wonder that the presence of digital media in Cambodia is proliferating. With free Wi-Fi readily available just about everywhere in Cambodia, the number of internet users has risen steadily over the past five years, from just 320,190 users in 2010 to over 6.3 million people accessing the internet as of December 2015. Meanwhile, mobile telephone subscriptions have also shot through the

roof, with 20,540,736 subscriptions as of December 2015. Rapid development has contributed to the burgeoning demand for internet, with Cambodia plunging straight into a cyber world of high speed optic fiber internet connectivity. Not only is internet fast and easily accessible in Cambodia, it is also cheap, costing about USD 5 for a 3.5Gb data card.

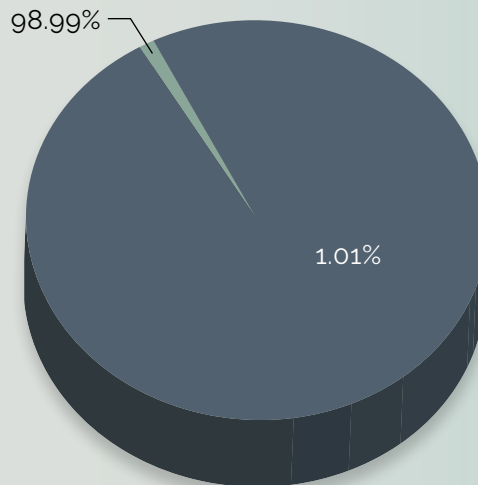
TELEPHONE SUBSCRIBERS
IN DECEMBER 2015



Total 20,801,686

● Mobile Phone ● Fixed Phone

INTERNET SUBSCRIBERS
IN DECEMBER 2015



Total 6,414,835

● Mobile Internet ● Wired Internet

http://www.mptc.gov.kh/files/2016/02/474/en_factsheet_dec.pdf

Increased access to the internet also means the number of social media users has increased. With 3,400,000 of the population engaging in social media, and many turning to popular networking site, Facebook, for their daily news. Cambodia is no longer the sleepy backward country that people mistakenly believe it to be. The emergence of a rapidly increasing tech-savvy population has prompted businesses to rethink their methods of advertising and engaging with their target audience. By the end of 2015, mobile penetration was reported to have reached 139%, meaning many Cambodians own more than one mobile phone. With social mobile users (people who access social media via apps on mobile devices) on the rise, at 2.9 million and counting, many businesses have begun to gear their marketing to the digital sector, allowing Cambodians access to advertisements and information at their fingertips. This shift to digital marketing allows businesses to reach out to the Cambodian public at a much lower cost and allows their reach to be wider across the entire country.

The constant access to the internet and digital advertising has created more brand awareness. With a growing young domestic consumer market, the retail market has begun to see a shift away from small traditional markets to new shopping malls to cater to the growing demand for branded items, bringing in larger revenues. Notable retail developers Aeon Co Ltd and Parkson Corporation Sdn Bhd have constructed major shopping malls in Cambodia, touting brand names like Skechers, Giordano, and Mango as their tenants. These changes to the retail sphere are among industries which have benefitted from the penetration of the internet and digital marketing into Cambodia, which in turn helps to raise Cambodia's economic development to new heights.

Type of user / Year	2015	2015
Social Media	2,400,000	3,400,000
Social Mobile	2,200,000	2,900,000

According to Forbes, the number of social media and social mobile users have risen over the past year.

Citation: Forbes



TODAY, TOMORROW, AND OPPORTUNITIES

5.1 THE LAST FRONTIER MARKET IN ASIA

With its rapid growth over the past few years, and increasing developments to the infrastructure and educational sectors, Cambodia has been touted as the last frontier country in Asia, but what cements its position as the last frontier market in Asia? One would think that the neighbouring southeast Asian countries in similar stages of development, such as Lao People's Democratic Republic (Lao PDR), Myanmar, and Vietnam, would also be considered frontier markets with lucrative opportunities. However, Vietnam has developed so rapidly with various investments such that many opportunities have already been snapped up, while Lao PDR, which has been under communist rule since 1975, is not very open to foreign investments. Myanmar, on the other hand, is at the same level of development as Cambodia, but higher capital is required for business and investments, and there is not much in terms of legal protection for foreign investors, making it less appealing than the more cost-effective Cambodia. With all the factors positioning Cambodia as a prime market for investment, it is, as of right now, the most attractive market in Asia – the last frontier market.

5.2 THE INVESTMENT CLIMATE TODAY

As a frontier market still in the midst of development, Cambodia is essentially still raw, with further opportunities for growth and investment. The pro-business government certainly does draw in investment from foreign investors, knowing that their businesses can be 100% foreign owned. Due to the fact that businesses can be fully owned by the investor, it is easy for a business to be sold off to a local buyer if the investor no longer wishes to continue with the business. Due to the political and economic stability in Cambodia, more and more investors are beginning to look at Cambodia as the frontier market with much potential for growth and high returns. Although Cambodia has its own currency, the Cambodian riel, a lot of trade and business in Cambodia is done through USD rather than riels. Having a dollarized economy (an economy which trades in USD) is another benefit that Cambodia has, compared to the neighbouring countries who prefer to trade in their own currency. Due to the use of USD, there wouldn't be a fear of currency depreciation – earnings don't depreciate and salary costs don't really fluctuate.

With any foreign investments, there are definitely worries that investors consider before taking the leap. Naturally there are also fears for investors looking for opportunities in Cambodia. As a pro-business government, the CPP is looking into ways to alleviate these fears. One common fear is corruption in developing countries, but Prime Minister Hun Sen has implemented the Anti-Corruption Law in March 2010 in order to prevent corruption. Furthermore, as the population is very young – a complete opposite from the aging populations around the rest of the world – there is worry about education levels as the workforce is generally very young. Education is quickly becoming more important in Cambodia, with more educational institutions being built and improvements to infrastructure made, providing better access to schools.



As investments pool into Cambodia, the GDP continues to grow, spurring further rapid developments throughout Cambodia, and thus inviting more investors into the favorable investment climate. With more investments come more employment opportunities for Cambodians, which raises the range of middle to high income Cambodians, and in turn, increases the development opportunities for Cambodia. Cambodia's growth in recent years could be evidenced through the planned mega development project helmed by ING Holdings, ING City. Similar to the new towns built in Singapore from the 1950s to the 1970s, ING City is planned to be a self-contained city in Phnom Penh. Due to the population growth in Phnom Penh – both foreign migrants and local relocations – the self-contained city is being developed in order to reduce congestion in the heart of Phnom Penh, and provide an inclusive environment for residents.

5.3 WHERE IS CAMBODIA HEADED?

Unlike other countries with aging populations, Cambodia has the benefit of having a young population – leading to a more efficient workforce. On top of efficiency, the young workforce also provides more years of labour, and security in the knowledge that there will always be young Cambodians at an age eligible for employment and ready to join the workforce. This means greater productivity through the years, and a lower aged dependency ratio – less burdens on the working population. The young population and availability of cheap and fast internet also means more people are connected to the internet and in touch with social media, which could result in further forays into digital businesses in Cambodia. Development in Cambodia is also driven by improvements in the education sector, leading to a broadening of skills and mindsets; and foreign influence which helps Cambodians to break away from their traditional molds towards newer ideas and developments.



The investment prospects in Cambodia have been constantly evolving alongside the growth of Cambodia as a country. Where Cambodia used to be a blank slate, with scant opportunities in a mere few industries such as textile and agriculture, it has now become a country teeming with various different sectors available for investment, and further opportunities for growth. With all the positive developments in Cambodia, the country can only move forward from here towards greater heights, making this the most opportunistic time to invest in Asia's last frontier country.



INVEST IN CAMBODIA

AN INSIDE LOOK INTO FRONTIER MARKETS

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First Edition 2016

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