Cambodia

RISK & COMPLIANCE REPORT

Date: March 2017

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Executive Summary - Cambodia	
Sanctions:	None
FAFT list of AML Deficient Countries	No removed from list in February 2015
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

rice, rubber, corn, vegetables, cashews, cassava (manioc), silk

Industries:

tourism, garments, construction, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles

Exports - commodities:

clothing, timber, rubber, rice, fish, tobacco, footwear

Exports - partners:

US 32.7%, UK 8.4%, Germany 7.7%, Canada 7.7%, Singapore 6.6%, Vietnam 5.8%, Japan 4.7% (2012)

Imports - commodities:

petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products

Imports - partners:

Thailand 27.2%, Vietnam 20%, China 19.5%, Singapore 7.1%, Hong Kong 5.9%, South Korea 4.3% (2012)

Investment Restrictions:

All sectors of the economy are open to foreign investment and 100 percent foreign ownership is permitted in most sectors. In a few sectors, foreign investment is subject to conditions, local equity participation, or prior authorization from authorities. These include cigarette manufacturing, movie production, rice milling, gemstone mining and processing, publishing and printing, radio and television, wood and stone carving production, and silk weaving.

Although the Constitution prohibits foreigners from owning land, the new law allows them to sign 15-year leases or more.

Contents

Section 1 - Background

Most Cambodians consider themselves to be Khmers, descendants of the Angkor Empire that extended over much of Southeast Asia and reached its zenith between the 10th and 13th centuries. Attacks by the Thai and Cham (from present-day Vietnam) weakened the empire, ushering in a long period of decline. The king placed the country under French protection in 1863, and it became part of French Indochina in 1887. Following Japanese occupation in World War II, Cambodia gained full independence from France in 1953. In April 1975, after a five-year struggle, communist Khmer Rouge forces captured Phnom Penh and evacuated all cities and towns. The 1991 Paris Peace Accords mandated democratic elections and a ceasefire, which was not fully respected by the Khmer Rouge. UN-sponsored elections in 1993 helped restore some semblance of normalcy under a coalition government. Factional fighting in 1997 ended the first coalition government, but a second round of national elections in 1998 led to the formation of another coalition government and renewed political stability. The remaining elements of the Khmer Rouge surrendered in early 1999. Some of the surviving Khmer Rouge leaders have been tried or are awaiting trial for crimes against humanity by a hybrid UN-Cambodian tribunal supported by international assistance. Elections in July 2003 were relatively peaceful, but it took one year of negotiations between contending political parties before a coalition government was formed. In October 2004, King Norodom SIHANOUK abdicated the throne and his son, Prince Norodom SIHAMONI, was selected to succeed him. Local elections were held in Cambodia in April 2007, with little of the pre-election violence that preceded prior elections. National elections in July 2008 were relatively peaceful, as were commune council elections in June 2012.

Section 2 - Anti – Money Laundering / Terrorist Financing

Cambodia is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

FATF Statement re AML Strategic Deficiencies: 25 February 2015

The FATF welcomes Cambodia's significant progress in improving its AML/CFT regime and notes that Cambodia has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2011. Cambodia is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Cambodia will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

Compliance with FATF Recommendations

The last Mutual Evaluation follow-up Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Cambodia was undertaken by the Financial Action Task Force (FATF) in 2014. According to that Evaluation, Cambodia was deemed Compliant for 0 and Largely Compliant for 0 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 Core Recommendations.

Key Findings

This AR finds that Cambodia has made substantial and commendable progress since the 2013 Annual Meeting. Cambodia's AML/CFT law was enacted in 2014 and the Sub-Decree on the Freezing of Property of Designated Terrorists and Organizations was enacted by the Prime Minister in March 2014. This important legislative progress, as well as demonstrated increased effectiveness in a number of areas (including suspicious transaction reporting and counter terrorism measures), has led the review team to conclude that R.1, R.3, R.13, R35, SR. 1, SR. III and SR.IV can now be considered to be at a level essentially equivalent to LC. However, significant deficiencies remain in relation to six core/key Recommendations rated NC/PC in the MER.

Key Findings

Cambodia faces the legacy of more than two decades of internal conflicts which started in the 1970s and not only depleted the country's reserves of human talent, but also disrupted the continuity of social institutions and formal and informal rules. The legal and judicial systems are still marred by structural shortcomings despite efforts of public authorities undertaken since the second half of the 1990s. Revised civil and criminal laws are expected to be enacted before the end of 2007. Draft laws on counter terrorism and anti-corruption are actively being prepared. Corruption is widely perceived as widespread. Since the 1990s, the country has moved toward a market-based economy and restrictions to foreign exchange transactions have been lifted.

A very high degree of informality characterizes the Cambodian economy which often makes it difficult to know on whose behalf activities and transactions are undertaken. US dollar banknotes are the most common means of payment, even for large amount transactions. Worth noting is the existence of informal financial service providers whose activities are difficult to gauge and the lack of a comprehensive framework for real estate transactions. Real estate prices in large cities are booming and can reach hundreds of thousands of US dollars for houses which are commonly settled in cash directly from the seller to the buyer.

Although no estimates of ML and TF occurring in Cambodia are available, the mission was informed that criminal proceeds are deemed to come primarily from human exploitation and trafficking, corruption and drug trafficking, Besides, the mission was informed that the most common ML techniques are supposed to involve real estate investments, banking transactions and casino gambling. Both Cambodians and foreigners are considered to be involved in ML and TF, with foreigners deemed to have to rely more heavily on formal frameworks.

The AML framework undertook a major change following the on-site mission with the enactment of an AML law. Implementing regulations still need to be taken and the capacity of the authorities to have the AML law implemented demonstrated.

US State Department Money Laundering Report

Cambodia is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Cambodia is neither a regional nor an offshore financial center. Cambodia’s money laundering vulnerabilities include a weak and ineffective AML regime; a cash-based, dollarized economy; porous borders; loose oversight of casinos; and the National Bank of Cambodia’s limited capacity to oversee the fast-growing financial and banking industries. A weak judicial system and endemic corruption also constrain effective enforcement.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of methamphetamine. Both legal and illicit transactions, regardless of size, are frequently conducted outside of formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, and other forms of property without passing through the formal banking sector. Casinos along the Thailand and Vietnam borders are other potential avenues to launder money.

Cambodia's AML law allows authorities to freeze assets relating to money laundering until courts issue final decisions. The AML regime lacks a clear system for sharing assets with foreign governments. In December 2014, Cambodia revised Strategy 5 in the National Strategies on AML/CFT 2013-2017 (National Strategies) by adding seven more actions to build capacity of the Cambodia Financial Intelligence Unit (CAFIU) and law enforcement officials and to strengthen cooperation among relevant domestic agencies in AML activities.

The government should continue its work to increase the volume and quality of STRs and CTRs from reporting entities of all types and increase the operational independence of the nascent and understaffed CAFIU.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The sources of illicit funds are not identifiable. The national risk assessment (NRA) is being drafted to help identify the types of offense where illicit funds may be generated. According to the draft NRA, requests from relevant domestic and foreign authorities on money laundering- related fraud and scam cases have all been sent to competent authorities for investigation.

Cambodia's non-financial sectors, including -- most significantly -- the gaming and real property industries, are unregulated or under-regulated. Although gaming is illegal for Cambodian citizens, Cambodians often participate in illegal gaming. Gaming is legal for foreigners in Cambodia, and there are 57 legal casinos. The Cambodian town of Poipet, located along the Cambodia/Thailand border, has 10 casinos in operation. According to a UNODC report, more than 90 percent of the patrons in these casinos are Thai. Visas are not required for Thai citizens, and Thai baht is accepted. As a result, large amounts of money flow through Poipet's casinos; in 2015, it was estimated approximately $12 million of cash destined for border casinos crossed the Poipet border every day. No casino located in Cambodia has ever submitted a cash or suspicious transaction report to CAFIU.

KEY AML LAWS AND REGULATIONS

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), a permanent and senior-level coordination mechanism, is responsible for ensuring the effective implementation of the AML law, including the development of national policy and a monitoring system to measure AML efforts. Both technical compliance with international standards and effectiveness are being discussed by a domestic working group, created by the NCC to answer questions and implement recommendations from the country's mutual evaluation. The working group is comprised of officials from relevant ministries and private sector representatives. Action plans to strengthen the AML regime will be issued after completion of the NRA.

The KYC policy was issued in 2003 to help identify potential money launderers. KYC-covered entities include banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs, and foundations.

The CAFIU uses automated tools and filters to determine the flow of financial transactions and determine suspicious transactions filed with law enforcement agencies.

Cambodia is a member of the APG, a FATF-style regional body.

AML DEFICIENCIES

Pervasive corruption among law enforcement entities and a weak judiciary are major deficiencies in the government's ability to fight money laundering.

The AML law excludes pawn shops from its explicit list of covered entities but allows the CAFIU to designate any other profession or institution to be included within the scope of the law.

Cambodia is not subject to any U.S. or international sanctions/penalties.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The NCC has been active in proposing legal and policy reforms to tackle AML deficiencies.

The Government of Cambodia established a review panel as part of the supplementary measures laid out in the National Strategies. The panel, comprised of the CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation among AML regulatory and law enforcement bodies.

There have been no money laundering convictions in Cambodia.

EU White list of Equivalent Jurisdictions

Cambodia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Cambodia is not considered an Offshore Financial Centre

US State Dept Narcotics Report 2017:

Cambodia faces a significant and growing problem with narcotics consumption and trafficking, and production. The manufacture, trafficking, and use of illegal drugs within Cambodia, particularly of methamphetamine and other amphetamine-type stimulants (ATS), escalated in 2016, cutting across all socio-economic lines.

Transnational criminal organizations from Asia and Africa target Cambodia as a transshipment point and final destination for illegal drugs. Large quantities of heroin and methamphetamine from Burma, Africa-sourced crystal methamphetamine, and South America-sourced cocaine are smuggled into the country for local consumption and for transshipment to Thailand, Australia, and China.

The National Authority for Combating Drugs (NACD) reported in 2016 that ATS was the most prevalent illicit drug within Cambodia. Methamphetamine pills, known locally as “yama,” are the most widely available form of ATS, though crystal methamphetamine is becoming more available, particularly in Phnom Penh. Cocaine trafficking into Cambodia for limited local consumption and further transshipment has also increased. Though there is some consumption of heroin, the majority entering Cambodia is destined for other regional markets. Cannabis is widely used, though eradication efforts in 2016 had some modest impact in reducing its availability. Cambodia is one of three countries in the region known to process safrole oil, a precursor chemical for MDMA (ecstasy). Production may be declining due to deforestation.

In 2015, the most recent year for which data is available, NACD reported seizing 96.5 kilograms (kg) of illicit drugs and opening 2,356 cases. Cambodian law enforcement arrested 5,032 individuals on drug charges, including 127 foreigners. NACD reported seizing 66.6 kg of crystal methamphetamine, 20.1 kg of methamphetamine tablets, 2.46 kg of heroin, trace amounts of cocaine and MDMA, 1.5 metric tons of marijuana, and numerous assets. Although NACD did not provide comparable figures for the first half of 2016, media reports indicate that Cambodian authorities seized approximately 10.4 kg of crystal methamphetamine, 110,750 methamphetamine tablets, 2.8kg of heroin, and 4 kg of cocaine during this period, and eradicated more than 44,692 marijuana plants in March, more than in 2013 and 2014 combined. It remains unclear whether these figures indicate an increase in drug activity or improved reporting of them.

Cambodia’s cooperation with the U.S. Drug Enforcement Administration (DEA) has steadily improved. The impact of U.S.-provided law enforcement training, coupled with a more efficient Cambodian Anti-Drugs Department (CADD), led to notable successes against drug trafficking organizations by Cambodian authorities in 2016. The NACD and CADD cooperated closely with DEA, regional counterparts such as Australia, and the UN Office on Drugs and Crime. In August 2016, acting on information provided by DEA, CADD seized approximately five kilograms of cocaine at the Phnom Penh International Airport and arrested one Nigerian and one Romanian national. Cambodia has no bilateral extradition treaty with the United States. Although Cambodia does not have a bilateral mutual legal assistance treaty with the United States, it has acceded to relevant multilateral conventions that enable such cooperation.

US State Dept Trafficking in Persons Report 2014 (introduction):

Cambodia is classified a Tier 2 (watch list) country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Cambodia is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Cambodian adults and children migrate to countries within the region and, increasingly, to Africa for work; many are subsequently subjected to sex trafficking, domestic servitude, debt bondage, or forced labor on fishing vessels, in the agricultural sector, or in factories. Cambodian migrant workers—especially in Thailand and Malaysia—are vulnerable to forced labor and debt bondage; employers in destination countries have withheld copies of employment contracts and confiscated passports. Recruitment agencies have falsified legal identification and age verification documents to facilitate illegal recruitment of children. Despite an ongoing ban, Cambodian women and girls continue to migrate to Malaysia to work in domestic service. These women often travel on tourist visas and transit through Thailand; some subsequently become victims of domestic servitude.

Male Cambodians continue to be subjected to forced labor on Thai-flagged fishing boats operating in international waters; the number of Cambodians subjected to this form of exploitation is unknown, but local observers have expressed concern over the increasing trend of victims trafficked in the fishing industry. Cambodian victims escaping fishing industry traffickers have been identified in Malaysia, Indonesia, Mauritius, Fiji, Senegal, and South Africa. Cambodian men report being deceived about the expected length of service and their wages by fishing boat owners in Thailand, where the majority were recruited for work in fishing; some have reported severe abuses by Thai captains and being forced to remain aboard vessels for years.

Children from impoverished families are highly vulnerable to forced labor, including domestic servitude and forced begging in Thailand and Vietnam. Parents are often complicit in this practice. The Svay Pak area outside Phnom Penh, where many young children have been exploited in the sex trade, operated as a transit point for child sex trafficking victims from Vietnam who were subsequently exploited in hotels and other establishments in Phnom Penh. Within the country, Cambodian and ethnic Vietnamese women and girls move from rural areas to Phnom Penh, Siem Reap, Poipet, Koh Kong, and Sihanoukville, where they are subjected to sex trafficking in brothels and increasingly in venues such as beer gardens, massage parlors, salons, karaoke bars, and non-commercial sites. Sex trafficking of children under the age of 15, once promoted through highly visible methods, has become increasingly clandestine. The sale of virgin women and girls continues to be a problem in Cambodia. Cambodian men form the largest source of demand for child prostitution; however, men from other Asian countries, the United States, and Europe travel to Cambodia to engage in child sex tourism.

Vietnamese women and children, many of whom are victims of debt bondage, travel to Cambodia and are forced into commercial sex. NGOs report that some Vietnamese victims were transported through Cambodia by criminal gangs before being exploited in Thailand and Malaysia. Corrupt officials in Cambodia, Thailand, and Malaysia cooperate with labor brokers to facilitate the transport of victims across the border. Additionally, an unknown number of unidentified trafficking victims are among the large number of migrants deported from Thailand each year.

The Government of Cambodia does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government developed draft guidelines for a standardized, nationwide system for the proactive identification of victims among vulnerable groups, and it implemented a pilot program to test them in two provinces. Despite these measures, the government did not demonstrate evidence of overall increasing efforts to address human trafficking over the previous year. Therefore, Cambodia is placed on Tier 2 Watch List. It failed to make progress in holding trafficking offenders accountable. Although numerous forms of human trafficking continued to occur in Cambodia, the government prosecuted and convicted fewer trafficking offenders and identified fewer victims than it did in the previous year. The Supreme Court's acquittal of a former police chief convicted in 2011 of trafficking, as well as an overall failure to address trafficking-related complicity, contributed to a climate of impunity for trafficking offenders and a denial of justice to victims. Despite increased attention from the government and NGOs to the prevalence of male victims, the availability of services for this population remained limited. The government reported posting labor attachés to three of its embassies in countries with large numbers of Cambodian workers and providing general anti-trafficking training to all diplomats before being posted overseas, but it lacked systematic procedures for its diplomatic missions abroad to assist trafficking victims. The government did not explicitly grant police the authority to conduct undercover anti-trafficking operations, although the Ministry of Justice encouraged officials to utilize procedures for approval of undercover investigations allowed within the current legal framework during a donor-funded workshop in December.

US State Dept Terrorism Report

Overview: Cambodia's political leadership has demonstrated a strong commitment to taking legal action against terrorists and, since the passage in 2007 of separate laws on terrorism and terrorist financing, the Government of Cambodia has remained committed to strengthening its counterterrorism capability through training and international cooperation.

Legislation and Law Enforcement: In September, the Cambodian National Counterterrorism Committee (NCTC) took delivery of an Emergency Communication Vehicle system, which strengthens response capabilities by enabling communications in the event of failed power and telecommunications systems. Cambodia continued to process travellers on entry and departure at two international airports and three land border sites with the U.S.-provided Personal Identification Secure Comparison and Evaluation System (PISCES).

Regional and International Cooperation: In June, Cambodia became the fourth ASEAN member state to ratify the ASEAN Convention on Counterterrorism. In July, Cambodia hosted a large-scale multinational peacekeeping exercise as part of the U.S.-UN 2010 Global Peace Operations Initiative. In September, the NCTC hosted the Pacific Area Sector Working Group with representatives from the partner nations of ASEAN. The workshop provided a forum for increasing cooperation on counterterrorism, disaster management, and information sharing in a multilateral, interagency environment.

In July, Cambodian authorities arrested two Thai nationals and returned them to Thailand, where they faced criminal charges for their alleged role in detonating a grenade outside the headquarters office of a political party. Cambodian officials pointed to the arrests and repatriation, which took place despite then-fractious ties between Cambodia and Thailand, as an indicator of Cambodia's commitment to cross-border cooperation on terrorism.

Countering Terrorist Finance: While the Cambodian government made some progress in strengthening its counterterrorist finance regime, it is subject to prima facie review by the Financial Action Task Force's International Cooperation Review Group for apparent deficiencies in its anti-money laundering and counterterrorist finance regime. The Financial Intelligence Unit, which operates within the framework of the National Bank of Cambodia, conducted on-site examinations of banks and financial institutions to gauge their implementation of measures designed to counter terrorist financing and money laundering.

Sanctions:

None applicable

Bribery & Corruption

Index	**Rating (100-Good / 0-Bad)**
Transparency International Corruption Index	21
World Governance Indicator – Control of Corruption	13

US State Department

The Anti-Corruption Law was adopted in 2010 to combat corruption through education, prevention, and more effective enforcement. Under this law, all civil servants are obligated to declare their financial assets to the government every two years. The third round of asset and debt declaration took place during the month of January 2014. The Anti-Corruption Unit, which was formed in 2010, has launched several high-profile prosecutions against public officials, including members of the police and judiciary.

Cambodia ratified the UN Convention against Corruption in 2007 and endorsed the Action Plan of the Asian Development Bank/Organization for Economic Co-operation and Development (OECD) Anti-Corruption Initiative for Asia and the Pacific in 2003. Cambodia is not a party to the OECD Convention on Combating Bribery.

Business people, both local and foreign, have identified corruption, particularly within the judiciary, customs service, and tax authorities, as the single greatest deterrent to investment in Cambodia. Corruption was cited by a plurality of respondents to the World Economic Forum survey as the most problematic factor for doing business in Cambodia. The average base salary for all civil servants is about $105 per month. Although salaries have increased by 20 percent annually over the last few years, these wages remain below the level required to maintain a suitable quality of life in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Local and foreign businesses report that they must often pay facilitation fees to expedite any business transaction. Even though the Cambodian government has published the official fees of public services since early 2013, the practice of paying additional fees remains common. Furthermore, the process for awarding government contracts is not transparent and is susceptible to corruption.

Transparency International - September 2014 - Transparency International Report: Corruption and Cambodia's Governance System

Extract: Key Weaknesses of the National Integrity System

The Judiciary and law enforcement agencies are the two weakest pillars. This finding is supported by Transparency International's Global Corruption Barometer 2013, which showed the Judiciary and Police to be the institutions to which bribes are most commonly paid. In comparison to other institutions, the legal framework regulating the law enforcement agencies is weak. Key laws that apply to both institutions including the Law on the Organisation and Functioning of the Courts, and, the Law on the Status of Judges and Prosecutors have just been passed. Yet their content has come under strong protest from relevant stakeholders, especially civil society, on the grounds that they fail to ensure real independence of the Judiciary. Moreover, the salaries for judicial and law enforcement officials are not considered adequate to ensure a middle class living standard. This contributes to the reliance on supplementary income which may constitute conflict of interest and result in corruption. Both the Judiciary and law enforcement agencies are highly politicised, restricting the professionalism and objectivity of their activities.

Read Full Report

Corruption and Government Transparency - Report by Global Security

Political Climate

The Kingdom of Cambodia is a constitutional monarchy. The Cambodian People's Party (CPP) is the current governing party with Hun Sen as the country's Prime Minister. The CPP won by a landslide in both the 2007 and 2008 elections, despite some irregularities being reported. Corruption within the government is pervasive, as reported by the US Department of State 2012, and government officials engage in corrupt practices with impunity.

Cambodia is a large recipient of international aid due to its high levels of poverty and instability. Nevertheless, according to a 2013 article by Voice of America, foreign financial aid has further encouraged official corruption. This is supported by U4 Anti-Corruption Research Centre 2009 report, which notes that the Cambodian government has been accused of siphoning off financial aid through ministries and government offices. The World Bank suspended USD 64 million in loans, after finding evidence of corruption and fraud in 43 contracts in 2006, and asked Cambodia to repay USD 7 million in aid money. In 2007, the World Bank resumed lending for Cambodian development projects after a good governance framework had been adopted.

Although the Cambodian government has adopted the Anti-Corruption Action Plan for Asia and the Pacific in 2003, it is of little practical use because no anti-corruption laws had been implemented before that. According to a March 2010 article by Reuters, despite calls from the United Nations and civil society groups to postpone the vote to allow adequate time for the general public to be consulted, the Parliament finally passed a long-awaited, controversial anti-graft law in 2010. Several observers have expressed concern about the new law as it leaves room for corruption, amongst other things, by providing no or little protection to whistleblowers, nor are government officials and their families required to declare their assets. So far, the Cambodian government has only shown a minimum amount of commitment to the anti-corruption agenda. Despite of all these concerns, 72% of Cambodians perceive that the government’s effort in the fight against corruption are ‘effective’, while 15% of Cambodians perceive it as 'ineffective', as illustrated in Transparency International's Global Corruption Barometer 2010/2011.

Business and Corruption

In the World Economic Forum Global Competitiveness Report 2012-2013 corruption is identified as the most problematic factor for doing business in Cambodia. A June 2010 news article by IRIN reports that Cambodia loses around USD 500 million to corruption each year, signifying pervasive and large-scale corruption. According to the Bertelsmann Foundation 2012, Cambodia's informal economy activities account for 80% of GDP and nearly 90% of overall employment. This phenomenon facilitates corruption as many business transactions are made in cash. The use of bank transactions may not eradicate corruption completely; however, the paper/electronic trails generated through such transactions create deterrence. The Investment Climate Statement 2013 also notes that facilitation payments often occur to facilitate and expedite business transactions in Cambodia. The same report also suggests that a law addressing secured transactions was promulgated in May 2007. Normally, bribes are paid to secure efficiency of services. In Cambodia, however, there does not seem to be any correlation between the size of the bribe and the speed of the administrative procedure. According to Global Integrity 2008, there is no regulation governing gifts and hospitality given to civil servants.

According to the Asian Intelligence 2013 Report on Asian business and politics, the survey has shown that corruption is heavily influencing the business environment in Cambodia. This is further corroborated by a finding by the IFC & the Asia Foundation Provincial Business Environment Scorecard in Cambodia 2009, which reports that around 72% of the surveyed companies in Phnom Penh view that connections are important for winning procurement contracts, while a little more than 41% of companies in Phnom Penh consider corruption as a 'major' or 'severe' obstacle to business operations. Furthermore, business executives surveyed by the World Economic Forum Global Competitiveness Report 2012-2013 report that public funds are sometimes diverted to companies, individuals or groups due to corruption.

According to the Bertelsmann Foundation 2012, the Cambodian government has privatised several state-owned enterprises since the late 1980s. Some important sectors such as electricity generation and transmission remain under the control of state-owned enterprises. Other sectors such as water and telecommunications are partly privatised, providing some level of competition between state-owned enterprises and partly privatised enterprises. Nevertheless, Global Integrity 2008 reports that the process of privatisation is not transparent, and there is no regulation either addressing conflict of interests for government officials involved in privatisation or requiring the government to publicly announce the results of privatisation decisions. According to Global Witness 2009 and Freedom House 2010, oil exploration licences were granted through an opaque channel and petroleum contracts are regularly drafted on an ad hoc basis, undermining consistency and providing opportunities for kickbacks. Furthermore, Freedom House 2010 notes that the discovery of oil and gas in Cambodia will be a fertile ground for the occurrence of high-level corruption in the short and medium term. For these reasons, companies are recommended to use a specialised public procurement due diligence tool in order to mitigate corruption risks related to public procurement in Cambodia. In addition, companies planning to invest in or are already doing business in Cambodia are highly recommended to implement integrity systems and to conduct extensive due diligence when contracting agents to facilitate business transactions in the country.

Regulatory Environment

According to the World Bank & IFC Doing Business 2013, Cambodia's regulatory environment is both cumbersome and time-consuming for businesses. Starting a company requires 9 procedures and can take up to 85 days, which is 49 days longer than the average of the Asia-Pacific region. The cost is around 110% of per capita income, whereas the average cost for Asia-Pacific countries is around 23% of per capita income. According to the World Economic Forum Global Competitiveness Report 2012-2013, business executives consider government regulations in Cambodia are burdensome. Companies should be aware that they have to deal with extensive red tape when obtaining licences and permits, especially construction related permits. Furthermore, demand for and supply of bribes are commonplace in this process, as indicated by the nearly 92% of surveyed companies who expect to give gifts in order to receive a construction permit. The same survey also reports that 78% of companies surveyed express that a typical firm reports less than 100% of sales for tax purposes, and nearly 33% of companies surveyed identify competition from the informal sector as a major constraint in doing business in Cambodia. According to Bertelsmann Foundation 2012, the informal economy dominates the private sector, which makes up 80% of Cambodia's GDP and accounts for nearly 90% of overall employment. The same source states that there are only about 7,000 registered enterprises and that the business registration process has been inefficient and plagued with corruption.

The revised Land Law, passed in 2001, provides the legal basis for real property security and a system for recording titles and ownership. However, the land title system does not function in practice, and most property owners lack documentation proving ownership. Even where title records exist, recognition of legal title to land has been a problem in some court cases where judges have sought additional proof of ownership. Although the Constitution prohibits foreigners from owning land, the new law allows them to sign 15-year leases or more. There are examples of foreign companies being granted land concessions that run for 70 years, but these are illegal. Foreigners may also construct buildings and make improvements on the land that they lease.

U4 Anti-Corruption Research Centre 2009 states that Cambodian courts are often understaffed, and judges are perceived to be either inexperienced or incompetent - only 1 in 6 judges have a law degree and positions within the judiciary are often bought. According to the US Department of State 2013, numerous cases of inconsistent rulings and outright corruption in commercial disputes have been reported. For that reason, most of the commercial disputes are currently resolved by negotiations facilitated by the Ministry of Commerce, the Cambodian Chamber of Commerce, and other concerned institutions. In 2010, the government established the National Arbitration Centre, Cambodia's first alternative dispute resolution mechanism, to enable companies to resolve commercial disputes more quickly and inexpensively than through the court system. However, official operation of the centre was delayed until early 2012. Cambodia is also a member of the International Centre for the Settlement of Investment Disputes (ICSID) and has ratified the New York Convention 1958. Access the Lexadin World Law Guide for a collection of legislation in Cambodia.

Section 3 - Economy

Since 2004, garments, construction, agriculture, and tourism have driven Cambodia's growth. GDP climbed more than 7% per year between 2010 and 2013. The garment industry currently employs more about 400,000 people and accounts for about 70% of Cambodia's total exports. In 2005, exploitable oil deposits were found beneath Cambodia's territorial waters, representing a potential revenue stream for the government, if commercial extraction becomes feasible. Mining also is attracting some investor interest and the government has touted opportunities for mining bauxite, gold, iron and gems. The tourism industry has continued to grow rapidly with foreign arrivals exceeding 2 million per year since 2007 and reaching over 3 million visitors in 2012. Cambodia, nevertheless, remains one of the poorest countries in Asia and long-term economic development remains a daunting challenge, inhibited by endemic corruption, limited educational opportunities, high income inequality, and poor job prospects. Approximately 4 million people live on less than $1.25 per day, and 37% of Cambodian children under the age of 5 suffer from chronic malnutrition. More than 50% of the population is less than 25 years old. The population lacks education and productive skills, particularly in the impoverished countryside, which also lacks basic infrastructure. The Cambodian Government is working with bilateral and multilateral donors, including the Asian Development Bank, the World Bank and IMF, to address the country's many pressing needs; more than 50% of the government budget comes from donor assistance. The major economic challenge for Cambodia over the next decade will be fashioning an economic environment in which the private sector can create enough jobs to handle Cambodia's demographic imbalance.

Agriculture - products:

rice, rubber, corn, vegetables, cashews, cassava (manioc), silk

Industries:

tourism, garments, construction, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles

Exports - commodities:

clothing, timber, rubber, rice, fish, tobacco, footwear

Exports - partners:

US 32.7%, UK 8.4%, Germany 7.7%, Canada 7.7%, Singapore 6.6%, Vietnam 5.8%, Japan 4.7% (2012)

Imports - commodities:

petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products

Imports - partners:

Thailand 27.2%, Vietnam 20%, China 19.5%, Singapore 7.1%, Hong Kong 5.9%, South Korea 4.3% (2012)

Banking

Cambodia's banking sector is relatively small but is rapidly expanding, with 31 commercial banks, 6 specialized banks and 20 licensed Microfinance Institutions (MFIs). The banking sector has shown significant improvement, but requires continued progress to gain international confidence. With increased political stability in Cambodia after decades of war and instability, bank deposits rose on average by approximately 41.6% per year from 2004 to 2007. In 2010, deposits rose roughly 32% to US$3.4. Loans in 2009 increased only 10%, coupled with declining banking industry profits.

Stock Exchange

Cambodia is moving to address the need for capital markets. In November 2006, the National Assembly passed legislation to permit the government to issue bonds and use the capital to make up budget deficits. However no bonds have been issued since 2007 and Prime Minister Hun Sen said in 2008 that the government does not plan to issue bonds in the near future. In 2007, the government also passed the Law on the Issuance and Trading of Non-government Securities. In partnership with the Korean Stock Exchange, Cambodia is planning to establish a stock market in the near future.

Section 4 - Investment Climate

Executive Summary

Cambodia has experienced rapid economic growth over the last decade. Cambodian gross domestic product (GDP) grew at an average annual rate of over eight percent between 2000 and 2010 and over seven percent since 2011. The tourism, garment, construction and real estate, and agriculture sectors accounted for the bulk of growth. The percentage of the population living in poverty also decreased to approximately 20 percent in 2011, the latest figures available. GDP per capita increased to over $1,000 in 2013.

Cambodia has an open and liberal foreign investment regime with a relatively pro-investor legal and policy framework. Investment incentives available to foreign investors include 100 percent foreign ownership of companies, corporate tax holidays of up to eight years, 20 percent corporate tax rate after the incentive period ends, duty-free import of capital goods, and no restrictions on capital repatriation.

These incentives, however, have not been able to attract significant U.S. capital due to various factors including high levels of corruption, a limited supply of skilled labor, inadequate infrastructure (including high energy costs), and a lack of transparency in government approval processes. The current political impasse and recent labor unrest were additional deterrents to investment.

Following the 2013 national elections, the government announced a variety of economic and business reforms. The government is also moving forward with new legislation to meet the 2015 deadline for the Association of Southeast Asian Nations (ASEAN) Economic Community.

1. Openness to, and Restrictions upon, Foreign Investment

Cambodia began the transformation from a command economy to the free market in the late 1980s. It is now integrating into the regional and world trading framework. Cambodia joined ASEAN in 1999 and served as ASEAN chair in 2012. In 2001, the country joined the World Customs Organization, and in September 2004, it became a member of the World Trade Organization (WTO).

Attitude Towards FDI

Cambodia's 1994 Law on Investment established an open and liberal foreign investment regime. All sectors of the economy are open to foreign investment and the government permits 100 percent foreign ownership of companies in most sectors. In a few sectors, such as cigarette manufacturing, movie production, rice milling, gemstone mining and processing, publishing and printing, radio and television, wood and stone carving production, and silk weaving, foreign investment is subject to local equity participation or prior authorization from authorities. There is little or no discrimination against foreign investors either at the time of initial investment or after investment. Some foreign businesses, however, have reported that they are at a disadvantage vis-a-vis Cambodian or other foreign rivals, who engage in acts of corruption or tax evasion or take advantage of Cambodia's poor enforcement of laws and regulations.

More information about investment and investment incentives in Cambodia may be found on the Council for the Development of Cambodia's website via the following link: http://www.cambodiainvestment.gov.kh.

Other Investment Policy Reviews (IPRs)

In compliance with WTO requirements, Cambodia conducted its first review of trade policies and practices in November 2011. The next review will be conducted in 2017. Cambodia's full trade policy review report can be found at: http://www.wto.org/english/tratop_e/tpr_e/tp353_e.htm.

In response to the trade policy review recommendations, Cambodia has undertaken the following reforms:

- Elimination of the Certificate of Origin requirement for exports to countries where a certificate is not required;
- Implementation of online business registration;
- Adoption of competitive hiring process for Ministry of Commerce staff;
- Implementation of risk evaluation measures for the Cambodia Import-Export Inspection and Fraud Repression Directorate General (CamControl) and creation of a CamControl risk management unit; and
- Enactment of Law on Public Procurement. The Ministry of Economy and Finance is currently drafting a sub-decree to improve the public procurement process.

Ongoing or planned reforms include the following:

- Creation of a commercial court system; and
- Amendment to the Law on Standards.

Laws/Regulations of Foreign Direct Investment

As described more fully in Section 4 below, Cambodian courts are ostensibly independent, and the government has no right to intervene in private commercial disputes. Foreign investors, however, are generally reluctant to resort to the Cambodian judicial system to resolve commercial disputes because the courts are perceived as unreliable and susceptible to external political influence or bribery. To address these concerns, the Cambodian government is in the process of creating a commercial court, which it hopes will increase the judiciary's professionalism and discourage corruption and external political influence.

Cambodia's 1994 Law on Investment created an investment licensing scheme to regulate the approval process for foreign direct investment and provide incentives to potential investors. In March 2003, the government simplified the licensing scheme and increased transparency and predictability by enacting the Law on the Amendment to the Law on Investment (Amended Law on Investment). The licensing scheme for investments of less than $2 million was clarified in a sub-decree on the Establishment of the Sub-Committee on Investment in the Provinces-Municipalities of the Kingdom of Cambodia in February 2005. Sub-decree No. 111 on the Implementation of the Law on the Amendment to the Law on Investment, issued in September 2005, lays out detailed procedures for registering a Qualified

Investment Project with the Council for the Development of Cambodia and provincial/municipal investment sub-committees.

Cambodia is currently reviewing its investment laws and regulations in connection with the formation of the ASEAN Economic Community in 2015.

Industrial Strategy

The agricultural sector, which contributed about 36 percent to Cambodia's GDP in 2013, is a key driver of the country's economy. As part of the government's policy to support the agriculture industry, materials and equipment used in agricultural production are exempt from import duties. The government hopes these policies will increase milled rice exports from 379,000 tons to one million tons by 2015. Cambodia also plans to finalize its industrial policy before the end of 2014.

Limits on Foreign Control

There are few limitations on foreign control in Cambodia. Foreign investors may own 100 percent of their investment projects except in the sectors of cigarette manufacturing, movie production, rice milling, gemstone mining and processing, publishing and printing, radio and television, wood and stone carving production, and silk weaving. According to Cambodia's Amended Law on Investment and related sub-decrees, there are no limitations based on shareholder nationality or discrimination against foreign investors except in relation to investments in real property or state-owned enterprises. The Law on Investment and the Amended Law on Investment state that the majority interest in land must be held by one or more Cambodian citizens. Pursuant to the Law on Public Enterprise, the Cambodian government must directly or indirectly hold more than 51 percent of the capital or the right to vote in state-owned enterprises.

Screening of FDI

Foreign direct investment must be registered at the Ministry of Commerce, and investors must obtain operating permits from the relevant line ministries. If a foreign investor seeks investment incentives as a Qualified Investment Project, he/she must register and receive approval from the Council for the Development of Cambodia or the Provincial-Municipal Investment Sub-Committee. The application to the Council for the Development of Cambodia may be made either before or after the registration at the Ministry of Commerce. More information about the Qualified Investment Project process may be found at http://www.cambodiainvestment.gov.kh/investment-scheme/investment-application-procedures.html.

Competition Law

The government is in the process of drafting a competition law. The Ministry of Commerce expects to submit a draft Law on Competition to the Council of Ministers in 2014.

Investment Trends

The total stocks of foreign direct investment registered capital and fixed assets in Cambodia from 1994 to 2013 were $5.2 billion and $28.14 billion, respectively. The average annual foreign direct investment inflow based on fixed assets between 2011 and 2013 amounted to approximately $2.55 billion. Foreign direct investment inflow based on fixed assets decreased by about 11 percent to $1.22 billion in 2013.

Rankings

The following table lists Cambodia's most recent rankings by organizations that monitor economic freedom, business regulations, and perceived level of corruption.

TABLE 1: Summary of several indices and rankings

Measure	**Year**	**Rank or value**	**Website Address**
Transparency International's Corruption Perceptions Index	2013	160/177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom Index	2013	58.5/177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	137/189	http//doingbusiness.org/rankings
Global Innovation Index	2013	110/142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank Gross National Income Per Capita	2012	$880	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B: Scorecards

Measure	**Year**	**Score**
MCC Government Effectiveness	FY2014	0.09/58 percent

MCC Rule of Law	FY2014	-0.07/42 percent
MCC Control of Corruption	FY2014	-0.13/38 percent
MCC Fiscal Policy	FY2014	-3.2/47 percent
MCC Trade Policy	FY2014	71.0/58 percent
MCC Regulatory Quality	FY2014	0.40/84 percent
MCC Business Start-Up	FY2014	0.54/84 percent
MCC Land Rights and Access	FY2014	0.69/68 percent
MCC Natural Resource Protection	FY2014	100.0/100 percent
MCC Access to Credit	FY2014	44/83 percent

The Millennium Challenge Corporation, a U.S. government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions on the conversion of capital for investors. Cambodia's 1997 Law on Foreign Exchange states that there shall be no restrictions on foreign exchange operations through authorized banks. Authorized banks are required, however, to report the amount of any transfer equaling or exceeding $100,000 to the National Bank of Cambodia on a regular basis.

Loans and borrowings, including trade credits, are freely contracted between residents and nonresidents, provided that loan disbursements and repayments are made through an authorized intermediary.

The Foreign Exchange Law allows the National Bank to implement exchange controls in the event of a foreign exchange crisis. In the event of such a crisis, the National Bank may impose certain temporary restrictions for a maximum period of three months on the activity or foreign exchange position of authorized intermediaries or on any loans in domestic currency extended to nonresidents. The Department of State is not aware of any cases in which investors have encountered obstacles in converting local to foreign currency or in sending capital out of the country.

Remittance Policies

Article 11 of the Law on the Amendment to the Law on Investment of 2003 states that Qualified Investment Projects can freely remit abroad foreign currencies, purchased through authorized banks, for the discharge of financial obligations incurred in connection with their investments. These financial obligations include:

- Payment for imports and repayment of principal and interest on international loans;
- Payment of royalties and management fees;
- Remittance of profits; and
- Repatriation of invested capital in case of dissolution.

Financial Action Task Force (FATF) status

Despite Cambodia's commitment to work with FATF and the Asia Pacific Group to address its strategic Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) deficiencies, FATF's website states that it is not yet satisfied that Cambodia has made sufficient progress toward improving its AML/CFT regime and certain strategic AML/CFT deficiencies remain. FATF recommends that Cambodia continue to work on implementing its action plan to address these deficiencies, including: (1) establishing and implementing adequate procedures to identify and freeze terrorist assets, and (2) implementing effective controls for cross-border cash transactions. If Cambodia does not take sufficient steps to implement its action plan by June 2014, FATF may determine that the country is out of compliance.

3. Expropriation and Compensation

Land rights are a contentious issue in Cambodia, complicated by the fact that most property holders do not have legal documentation of their ownership rights as a result of the Khmer Rouge era. Numerous cases have been reported of influential individuals or groups acquiring land titles or concessions through political and/or financial connections, and then using force to displace communities to make way for commercial enterprises. In late 2009, the National Assembly approved the Law on Expropriation, which sets broad guidelines on land-taking procedures for public interest purposes. It defines public interest activities to include construction, rehabilitation, preservation, or expansion of infrastructure projects, and development of buildings for national defense and civil security. These provisions include construction of border crossing posts, construction of facilities for research and exploitation of natural resources, and construction of oil pipeline and gas networks. Property can also be expropriated for natural disasters and emergencies, as determined by the government. Legal procedures regarding compensation and appeals are expected to be established in a forthcoming sub-decree, which is under review by the Ministry of Economy and Finance. The Department of State is not aware of any cases in which Cambodia has expropriated a U.S. investment.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

American investors are generally reluctant to resort to the Cambodian judicial system to resolve commercial disputes because the courts are perceived as unreliable and susceptible to external political influence or bribery. Both local and foreign businesses report frequent problems with inconsistent judicial rulings, corruption, and difficulty enforcing judgments. For these reasons, most commercial disputes are currently resolved through negotiations facilitated by the Ministry of Commerce, the Council for the Development of Cambodia, the Cambodian Chamber of Commerce, or other concerned institutions.

Cambodia adopted a Commercial Arbitration Law in 2006. In 2010, the government provided for the establishment of the National Arbitration Center (NAC), Cambodia's first alternative dispute resolution mechanism, to enable companies to resolve commercial disputes more quickly and inexpensively than through the court system. The NAC was officially launched in March 2013 but has not yet begun accepting cases because the body lacks operating procedures, facilities, and staff. Cambodia has also announced plans to create a commercial court system. The status and structure of the commercial court will become clear after the government enacts Cambodia's Law on Court Structures, which it expects to do in 2014.

Bankruptcy

Cambodia's 2007 Law on Insolvency was intended to provide collective, orderly, and fair satisfaction of creditor claims from debtor properties and, where appropriate, the rehabilitation of the debtor's business. The Law on Insolvency applies to the assets of all business people and legal entities in Cambodia. The 2013 World Bank's Doing Business Report ranks Cambodia 163 out of 189 in terms of the "ease of resolving insolvency."

International Arbitration

International arbitration is available for Cambodian commercial disputes. Cambodia became a member of the World Bank's International Center for Settlement of Investment Disputes in January 2005. In 2009, the International Center approved a U.S. investor's request for arbitration in a case against the Cambodian government, and in 2013 the tribunal rendered an award in favor of Cambodia.

Duration of Dispute Resolution

Due to corruption and an overly bureaucratic system, investment/commercial disputes may take years to resolve.

5. Performance Requirements and Incentives

WTO/TRIMS

To date, Cambodia has not notified the WTO of any measurements that were inconsistent with the Trade Related Investment Measure (TRIMs) requirements.

Investment Incentives

All investments need to be registered with the Ministry of Commerce. Cambodia's Law on Investment and Amended Law on Investment also provide a mechanism for investment incentives (there are varying types of incentives) that meet specified criteria. Investors seeking an investment incentive must submit an application to the Cambodian Investment Board, the division of the Council for the Development of Cambodia charged with reviewing investment applications. Investment activities excluded from incentives are detailed in the September 2005 Sub-Decree on the Implementation of the Amendment to the Law on Investment. These include the following sectors: retail, wholesale, and duty-free stores;

entertainment establishments (including restaurants, bars, nightclubs, massage parlors, and casinos); tourism service providers; currency and financial services; press and media-related activities; professional services; and production and processing of tobacco and wood products. Incentives also may not be applied to investments in the production of certain products if the investment is less than $500,000. This includes food and beverages; textiles, garments, and footwear; and plastic, rubber, and paper products. Investors are not required to place a deposit guaranteeing their investment except in cases involving a concession contract or real estate development project. Investors who wish to apply are required to pay an application fee of seven million riel (approximately $1,750), which represents the administrative fees for securing necessary approvals, authorizations, licenses, or registrations from all relevant ministries and entities, including stamp duties. Under a 2008 sub-decree, the Council for the Development of Cambodia is required to seek approval from the Council of Ministers for investment proposals that involve an investment of capital of $50 million or more, politically sensitive issues, the exploration and exploitation of mineral or natural resources, or infrastructure concessions. The Council for the Development of Cambodia is also required to seek approval from the Council of Ministers for investment proposals that will have a negative impact on the environment or the government’s long-term strategy.

Qualified Investment Projects are entitled to receive different incentives such as profit tax exemptions, special depreciation, and duty-free import of production equipment and construction materials. Investment projects located in designated special promotion zones or export processing zones are also entitled to the same incentives. Industry-specific investment incentives, such as a three-year profit tax exemption, may be available in the agriculture and agro-industry sectors. Agricultural materials used as inputs in export industries may be exempt from the value-added tax. More information about the criteria and investment areas eligible for incentives may be found at the following link: http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html .

Performance Requirements

Under Cambodian law, most foreign investments and foreign investors will be affected by the following taxes: corporate profits tax (20 percent), tax on individual salaries (0 to 20 percent), withholding taxes (4 to 15 percent), value-added taxes (0 to 10 percent), and import duties (0 to 35 percent).

The Law on Investment permits investors to hire foreign nationals for employment as managers, technicians, or skilled workers if the qualifications and/or expertise are not available in Cambodia.

6. Right to Private Ownership and Establishment

There are no limits on the rights of foreign and domestic entities to establish and own business enterprises or to compete with public enterprises. Only Cambodian citizens or legal entities, however, have the right to own land. Under the 2001 Land Law, foreign investors may secure control over land through Economic Land Concessions (ELCs), long-term leases, or renewable short-term leases. In May 2012, the government issued a moratorium on granting new ELCs. Since that time, however, there have been several new ELCs granted, which the government justified by stating that any ELC in which the parties were in private negotiations or had reached an agreement “in principle” prior to the directive could continue through to issuance. In October 2012, Prime Minister Hun Sen reiterated that until his retirement, no new ELCs would be granted.

Qualified investors approved by the Council for the Development of Cambodia have the right to own buildings built on leased property. The law, however, is unclear as to whether buildings from qualified projects can be transferred between foreign investors or whether foreign investors can own buildings built through projects not approved by the Council for the Development of Cambodia.

In 2010, Cambodia adopted a law allowing limited foreign ownership in multi-story buildings from the second floor up, such that ownership may not exceed 70 percent of the area of all private units of the co-owned building. Foreigners are not authorized to acquire ownership rights in buildings located within 30 kilometers of the land borders of Cambodia, except in Special Economic Zones or other areas, as determined by the government.

7. Protection of Property Rights

Cambodia has adopted legislation concerning the protection of property rights, including the Land Law, the Law on Copyrights, and the Law on Patent and Industrial Design. Cambodia is a member of the World Intellectual Property Organization and the Paris Convention for the Protection of Industrial Property, and is a party to the ASEAN Framework Agreement on Intellectual Property Cooperation. Cambodia has also concluded bilateral agreements on intellectual property protection and cooperation with the United States, China, and Thailand.

Real Property

The 2001 Land Law provides a framework for real property security and a system for recording titles and ownership. Land titles issued prior to the end of the Khmer Rouge regime in 1979 are not recognized due to the severe dislocations that occurred during the Khmer Rouge period. The government is making efforts to accelerate the issuance of land titles, but in practice the titling system is cumbersome, expensive, and subject to corruption. The majority of property owners lack documentation proving ownership. Even where title records exist, recognition of legal title to land has not been uniform, and there are reports of court cases in which judges have sought additional proof of ownership. Although foreigners are constitutionally forbidden to own land, the 2001 law allows long- or short-term leases to foreigners. As noted above, Cambodia also allows foreign ownership in multi-story buildings from the second floor up.

Intellectual Property Rights (IPR)

Cambodia has enacted several laws pursuant to its WTO commitments on intellectual property. Copyrights are governed by the Law on Copyrights and Related Rights, which was enacted in January 2003. Trademarks are governed by the Law Concerning Marks, Trade Names and Acts of Unfair Competition, which was enacted in 2002. A patent law has been in place since 2003. Some gaps in intellectual property protection remain, however, and outstanding legislation includes a draft law for protecting trade secrets, a law on integrated circuit protection, and legislation on protecting encrypted satellite signals required by the World Intellectual Property Organization. In January 2014, Cambodia enacted the Law on Geographical Indications, recognizing geographical indications of local and foreign products. Infringement of IPR is pervasive, particularly related to software, compact discs and music, books, cigarettes, alcohol, and pharmaceuticals. Although Cambodia is not a major center for the production and export of pirated compact discs, digital video discs (DVD), or other copyrighted materials, local businesses report Cambodia is growing as a source of pirated material due to weak enforcement. An inter-ministerial committee was established to combat piracy of compact discs and DVDs in the domestic market. Infringement complaints may be made to the Economic Police, Customs, the Cambodia Import-Export Inspection and Fraud Repression Directorate General, or the Ministry of Commerce. The division of responsibility among each agency, however, is not clearly defined. The National Intellectual Property Rights Committee is planning to create two new sub-committees: a sub-committee on IPR enforcement and a sub-committee on the education and dissemination of IPR rules and regulations. The sub-decree on the establishment of the two sub-committees is currently under review by the Council of Ministers.

For additional information about treaty obligations and points of contact at local IP offices, please see the World Intellectual Property Organization's country profiles at: http://www.wipo.int/directory/en/details.jsp?country_code=KH.

Resources for Rights Holders:

- Mr. Peter N. Fowler
- Regional IP Attaché
- Telephone number: (662) 205-5913
- Email address: Peter.Fowler@trade.gov
- Local lawyers list: http://cambodia.usembassy.gov/list_of_lawyers.html

8. Transparency of the Regulatory System

There is no pattern of systematic discrimination by the government against foreign investors in Cambodia. Numerous issues of transparency in the regulatory regime arise, however, from the lack of legislation and capacity of key institutions. Investors often complain that the decisions of Cambodian regulatory agencies are inconsistent, arbitrary, or corrupt. Cambodia has indicated a desire to discourage monopolistic trading arrangements in most sectors, but it has yet to pass the Law on Competition as part of its WTO accession obligations. The Ministry of Commerce expects Cambodia to enact competition legislation by 2015. Under the most recent draft, a National Committee on Competition would be established.

9. Efficient Capital Markets and Portfolio Investment

The Cambodian government does not use regulation of capital markets to restrict foreign investment. Banks have been free to set their own interest rates since 1995, and increased competition between local institutions has led to a gradual lowering of interest rates from year to year. Domestic financing, however, is still difficult to obtain at competitive interest rates. The average annual interest rate on loans in U.S. dollars stood at 11.30 percent in September 2013. A law addressing secured transactions, which includes a system for registering such secured interests, was promulgated in May 2007. Most loans are secured by real property mortgages or deposits of cash or other liquid assets, as provided for in existing contract and real property laws. In 2012, credit (through commercial and specialized banks) grew by 35 percent to $1.5 billion. Commercial loans constituted 65.8 percent of all loans, followed by consumer loans (17 percent) and overdrafts (14.9 percent). The ratio of nonperforming loans stood at 2.45 percent at the end of 2012, largely the same as in 2011. Figures for 2013 are not yet available.

In March 2014, Moody's Investors Service affirmed Cambodia's government issuer rating at B2 with a stable outlook. The rating was based on Cambodia's healthy economic growth outlook and a stable external payment position, which balanced structural weaknesses.

In 2008, the National Bank raised the minimum capital reserve requirements for banks from $13 million to $37.5 million. By the end of 2012, total assets in the banking system had reached $10.9 billion, an increase of 37 percent compared with 2011 and equivalent to 77 percent of GDP. The infusion of capital from newly created banks and additional customer deposits were the primary drivers underlying the growth.

As of September 2013, the banking system in Cambodia consisted of 35 commercial banks; eight specialized banks (banks set up to finance specific turn-key projects such as real estate development); 37 licensed microfinance institutions, of which seven were licensed microfinance deposit taking institutions; and 33 registered rural credit operators (NGOs). The National Bank has also granted licenses to one financial leasing company, four third-party processors (Wing, Western Union, Money Gram, and AM GSM), and one Credit Bureau Company to improve transparency and credit risk management and encourage more lending to small- and medium-sized enterprise customers.

In a move designed to address the need for capital markets in Cambodia, the Cambodian Securities Exchange was launched on July 11, 2011. In April 2012, the Phnom Penh Water Supply Authority, a state-owned enterprise, was the first domestically registered company on the Cambodian Security Exchange. Two other state-owned enterprises -- the Autonomous Port of Sihanoukville and Telecom Cambodia -- are preparing for initial public offerings, but a listing date has yet to be announced. In November 2006, the National Assembly passed legislation to permit the government to issue bonds to address the country's budget deficits. No bonds, however, have been issued since 2007, and Prime Minister Hun Sen said in 2008 that the government did not plan to issue bonds in the near future. In 2007, the government also passed the Law on the Issuance and Trading of Non-government Securities.

10. Competition from State-Owned Enterprises

Cambodia has four main state-owned enterprises: Electricité du Cambodge, which is in charge of producing and distributing power nationwide; Phnom Penh Water Supply Authority, which is responsible for water treatment and supply; Rural Development Bank, which services and refinances loans to licensed financial institutions, commercial banks, specialized banks, micro-finance institutions, associations, development communities, and small- and medium-sized enterprises that take part in rural development in Cambodia; and Green Trade Company, which manages Cambodia's national reserve of rice through purchases and sales made at market prices.

Each state-owned enterprise is under the supervision of a line ministry or government institution and is overseen by a board of directors drawn from among senior government officials. Private enterprises are generally allowed to compete with state-owned enterprises under equal terms and conditions. These entities are also subject to the same taxes and value-added tax rebate policies as private-sector enterprises. State-owned enterprises are covered under the law on public procurement, which was promulgated in January 2012, and their financial reports are audited by the appropriate line ministry, Ministry of Economy and Finance, and the National Audit Authority.

Cambodia does not have a sovereign wealth fund.

11. Corporate Social Responsibility

Corporate social responsibility is a new concept to Cambodia and is not widely understood by local businesses or consumers. The vast majority of corporate social responsibility programs in Cambodia are run by U.S., European, or Australian companies.

The government neither encourages nor discourages foreign and local enterprises to follow corporate social responsibility principles. Although Cambodia has a number of laws related to labor and employment rights, consumer protection, and environmental protection, the enforcement is often inadequate and corruption remains a significant issue for many companies.

The Cambodian government has not enacted any laws or adopted any regulations concerning corporate governance, accounting, and executive compensation standards to protect the interests of shareholders. Companies operating in Cambodia are not required to publicly disclose information related to corporate governance, accounting, or executive compensation, and post is unaware of any NGOs in Cambodia that promote public disclosure.

12. Political Violence

The risk of political violence directed at foreign companies operating in Cambodia is low. Foreign companies have been the targets of violent protests in the past, such as the 2003 anti-Thai riots against the Embassy of Thailand and Thai-owned commercial establishments. More recently, there were unconfirmed reports that one or two Vietnamese-owned establishments were looted during a January 2014 labor protest. Such incidents, however, are rare. Post is unaware of any incidents directed at American or other Western interests.

Political uncertainty persists in the aftermath of the disputed national elections held in July 2013. Following a parliamentary boycott by the opposition Cambodia National Rescue Party, the ruling Cambodian People's Party formed a one-party government. The two parties have held periodic negotiations to resolve the impasse over the past six months but have yet to reach a settlement.

13. Corruption

The Anti-Corruption Law was adopted in 2010 to combat corruption through education, prevention, and more effective enforcement. Under this law, all civil servants are obligated to declare their financial assets to the government every two years. The third round of asset and debt declaration took place during the month of January 2014. The Anti-Corruption Unit, which was formed in 2010, has launched several high-profile prosecutions against public officials, including members of the police and judiciary.

Cambodia ratified the UN Convention against Corruption in 2007 and endorsed the Action Plan of the Asian Development Bank/Organization for Economic Co-operation and Development (OECD) Anti-Corruption Initiative for Asia and the Pacific in 2003. Cambodia is not a party to the OECD Convention on Combating Bribery.

Business people, both local and foreign, have identified corruption, particularly within the judiciary, customs service, and tax authorities, as the single greatest deterrent to investment in Cambodia. Corruption was cited by a plurality of respondents to the World Economic Forum survey as the most problematic factor for doing business in Cambodia. The average base salary for all civil servants is about $105 per month. Although salaries have increased by 20 percent annually over the last few years, these wages remain below the level required to maintain a suitable quality of life in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Local and foreign businesses report that they must often pay facilitation fees to expedite any business transaction. Even though the Cambodian government has published the official fees of public services since early 2013, the practice of paying additional fees remains common. Furthermore, the process for awarding government contracts is not transparent and is susceptible to corruption.

14. Bilateral Investment Agreements

Bilateral investment treaties provide reciprocal national treatment to investors, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation. These agreements preclude expropriations except those that are non-discriminatory, undertaken for a lawful or public purpose, and accompanied by prompt, adequate, and effective compensation at the fair market value of the property prior to expropriation. The agreements also guarantee repatriation of investments and provide for settlement of investment disputes via arbitration. Cambodia has signed bilateral investment agreements with Austria, Australia, China, Croatia, Cuba, Czech Republic, France, Germany, Indonesia, Kuwait, Japan, Laos, Malaysia, the Netherlands, Democratic People's Republic of Korea, Pakistan, the Philippines, Singapore, Republic of Korea, Switzerland, Thailand, Vietnam, and the Organization of the Petroleum Exporting Countries. Future agreements with Algeria, Bangladesh, Belarus, Belgium-Luxembourg Economic Union, Bulgaria, Myanmar, Egypt, Hungary, Israel, Iran, Libya, Macedonia, Malta, Qatar, Russia, Turkey, the United Kingdom, and Ukraine are planned.

In July 2006, Cambodia signed a Trade and Investment Framework Agreement with the United States to promote greater trade and investment in both countries and provide a forum to address bilateral trade and investment issues. In August 2012, the United States and Cambodia agreed to begin exploratory discussions on a potential bilateral investment treaty. Those negotiations are ongoing.

15. OPIC and Other Investment Insurance Programs

Cambodia has an agreement with the Overseas Private Investment Corporation to encourage investment and is eligible for the Quick Cover Program under which the Overseas Private Investment Corporation offers financing and political risk insurance coverage for projects on an expedited basis. With most investment contracts written in U.S. dollars, there is little exchange rate risk. Even for riel-denominated transactions, the fact that Cambodia has adopted a managed floating exchange rate regime based on the U.S. dollar means that exchange rates are likely to remain stable. Cambodia is a member of the Multilateral Investment Guarantee Agency of the World Bank, which offers political-risk insurance to foreign investors. The Export-Import Bank of the United States (Ex-Im Bank) provides financing for purchases of U.S. exports by private-sector buyers in Cambodia on repayment terms of up to seven years. Ex-Im Bank support typically will be limited to transactions with a commercial bank functioning as an obligor or guarantor. The Ex-Im Bank will, however, consider transactions without a bank undertaking on a case-by-case basis.

16. Labor

Approximately 65 - 70 percent of the labor force is engaged in subsistence agriculture. Around 500,000 people, the majority of whom are women, are employed in the garment and footwear sector. An additional 350,000 Cambodians are employed in the tourism sector, and a further 50,000 people in construction. According to the 2013 Inter-Censal Population Survey of Cambodia, the country's annual population growth rate was 1.46 percent from 2008 to 2013. Around 55 percent of the population is under the age of 25. The United Nations has estimated that around 300,000 new job seekers enter the labor market each year.

Given the severe disruption to the Cambodian education system and loss of skilled Cambodians during the 1975-79 Khmer Rouge period, workers with higher education or specialized skills are few and in high demand. The Cambodia Socio-Economic Survey conducted in 2012 found that about 28 percent of the labor force had completed an elementary education. Only 2.8 percent of the labor force had completed post-secondary education. The 2013-2014 Global Competitiveness Report of the World Economic Forum identified an inadequately educated workforce as one of the most serious problems to doing business in Cambodia.

Cambodia's 1997 Labor Code protects the right of association and the right to organize and bargain collectively. Specifically, the law provides for the right of private-sector workers to form and join trade unions of their own choice without prior authorization, the right to strike, and the right to bargain collectively. While unions may affiliate freely, the law does not explicitly address their right to affiliate internationally.

The law requires trade unions to file their charters and lists of their officials with the Ministry of Labor and Vocational Training (MOLVT). The Bureau of Labor Relations is responsible for facilitating the process of union registration and certification of "most representative status" for unions, which entitles a union representing a majority of workers in a given enterprise to represent all the workers in that establishment.

Civil servants, including teachers, judges, and military personnel, as well as household workers, do not have the right to form or join a trade union. Personnel in the air and maritime transportation industries are free to form unions but are not entitled to social security and pension benefits and are exempt from the limitations on work hours prescribed by the labor law.

The law stipulates that workers can strike only after several requirements have been met, including the failure of other methods of dispute resolution (such as negotiation, conciliation, or arbitration), a secret-ballot vote of the union membership, and seven-days advance notice to the employer and the MOLVT. There is no law prohibiting strikes by civil servants, workers in public sectors, or workers in essential services. Legal protections are in place to guard strikers from reprisal.

The labor code prohibits forced or compulsory labor, establishes 15 as the minimum allowable age for paid work, and 18 as the minimum age for anyone engaged in work that is hazardous, unhealthy, or unsafe. The statute also guarantees an eight-hour workday and 48-hour work week, and provides for time-and-a-half pay for overtime or work on an employee's day off. To increase competitiveness of garment manufacturers, the labor code was amended in 2007 to establish a night shift wage of 130 percent of daytime wages.

As of October 2010, the minimum wage for garment and footwear workers was officially set at $61 per month. There is no minimum wage for any other industry. In November 2011, to help workers meet basic needs like healthcare, the government approved an increase of $5 per month starting in January 2012. More recently, garment workers pushed for an increase to $160 per month. In December 2013, the tripartite Labor Advisory Committee agreed to raise the minimum wage to $100, effective February 1, 2014. Following the Labor Advisory Committee's decision, violent clashes broke out in early January 2014, resulting in the deaths of at least four protesters. Labor leaders continue to advocate for an increase to $160, and the government has established a commission to review the minimum-wage level and report to the Labor Advisory Committee.

Enforcement of many aspects of the labor code is poor, and many labor disputes involve workers simply demanding conditions to which they are legally entitled. Collective labor disputes between employers and employees may be resolved through conciliation and arbitration by the Arbitration Council, which is an independent, national institution with quasi-judicial authority under Cambodian labor law.

The U.S. government, the International Labor Organization, and others have been working closely with Cambodia to improve enforcement of the labor code and workers' rights in general. The 1999 U.S.-Cambodia Bilateral Textile Agreement linked Cambodian compliance with internationally recognized core labor standards with the level of textile quota the United States granted to Cambodia. Under the terms of that agreement, the U.S. government committed to increase the size of Cambodia's textile export quota if the country demonstrated improvements in labor standards. This was the first bilateral trade agreement to positively link market access with progress in compliance with labor obligations. The International Labor Organization, which works with the government to monitor adherence to international labor standards in the garment sector, succeeded in improving compliance with workplace standards, virtually eliminating the worst labor abuses, such as forced labor and child labor. While the quota regime ended on January 1, 2005 following Cambodia's accession to the WTO, the International Labor Organization's Better Factories Cambodia program continues to monitor and report on working conditions in garment factories. All export garment factories in Cambodia must agree to be monitored by the program in order to receive an export license. Since March 2014, monitoring reports summarizing compliance issues, tracking trends, and analyzing progress in Cambodia's garment and footwear industries are available online.

The Cambodian government is currently drafting a Union Law and expects passage by the end of 2014.

17. Foreign Trade Zones/Free Trade Zones

To facilitate the country's development, the Cambodian government has shown great interest in increasing exports via geographically defined special economic zones. In December 2005, the government adopted the Sub-Decree on Special Economic Zones to speed up the creation of the zones by detailing the procedures, conditions, and incentives for investors. Since issuing the sub-decree, the Cambodia Special Economic Zones Board has approved 33 special economic zones, which are located in Phnom Penh, Koh Kong, Kandal, Kampot, Sihanoukville, and near the borders of Thailand and Vietnam. The main investment sectors in these zones include garments, shoes, bicycles, food processing, car and motorcycle assembly, and electrical equipment manufacturing.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the Council for the Development of Cambodia, the total stocks of foreign direct investment registered capital and reported fixed assets in Cambodia from 1994 to 2013 were $5.2 billion and $28.14 billion, respectively. The average annual foreign direct investment inflows of registered capital and reported fixed assets during the period 1994-2013 were about $274 million and $1.48 billion, respectively. These foreign direct investment figures, however, may not represent actual investments. While the Council for the Development of Cambodia provides statistics for fixed assets, these numbers were based on projections and not actual investments. Foreign direct investment inflow based on fixed assets decreased by about 11 percent to $1.22 billion in 2013.

TABLE 2: Key Macroeconomic Data, U.S. FDI in Cambodia

	Ministry of Economy and Finance		Asian Development Bank		US government or International Data Source
Economic Data	Year	Amount	Year	Amount	
Cambodia Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2013	15,191	2013	15,248	http://www.adb.org/countries/cambodia/economy
Foreign Direct Investment	Council for the Development of Cambodia		US government or International Statistical Source		US government or International Data Source
U.S. FDI in Cambodia (*Millions U.S. Dollars, stock positions)*	2013	79.6	2012	54	http://www.ustr.gov/node/7961
Cambodia's FDI in the United States (*Millions U.S. Dollars,*	N/A	N/A	N/A	N/A	

stock positions)					
Total inbound stock of FDI as % of Cambodia GDP	2013	0.52%	2012	0.38%	U.S. FDI in Cambodia: $54 million (USTR source) GDP in 2012: $14,038 million (ADB source)

By end of 2013, the Council for the Development of Cambodia had registered approximately $80 million in U.S. investments since August 1994. This represents 0.52 percent of GDP. These investors include Caltex, which has a nationwide chain of service stations and a petroleum holding facility in Sihanoukville; Crown Beverage Cans Cambodia Limited, a part of Crown Holdings Inc., which produces aluminum cans; CBRE Group, Inc., which is one of the largest real estate companies in Cambodia; Motorola Solutions Inc., which has invested in a trunk radio system for the Cambodian Ministry of Interior; RM Asia, which owns a Ford automobile assembly plant, a John Deere distributorship, and franchises for Swensen's Ice Cream, Pizza Company, Kohler, and Dairy Queen; GE Health Care and GE Consumer and Industrial, which have local distributors; and Chevron, which is actively exploring offshore petroleum deposits. W2E Siang Phong Co., Ltd., a joint venture between U.S. and Dutch investors, has invested in biogas power generation. There are also U.S. investors in several Cambodian garment factories.

Since 2007, several well-known U.S. companies opened or upgraded their presence in Cambodia. General Electric and DuPont, for example, have representative offices. Otis Elevators, a division of United Technologies, also upgraded to a branch office, and Microsoft initiated a presence through its Market Development Program.

Major non-U.S. foreign investors in Cambodia include Asia Pacific Breweries (Singapore), Asia Insurance (Hong Kong), ANZ Bank (Australia), BHP Billiton (Australia), Oxiana (Australia), Infinity Financial Solutions (Malaysia), Total (France), Cambodia Airport Management Services (CAMS) (France), Manulife Cambodia PLC (Canada), Prudential (United Kingdom), Smart Mobile Phone (Malaysia), Shinawatra Mobile Phone (Singapore), Thakral Cambodia Industries (Singapore), Petronas Cambodia (Malaysia), Charoeun Pokphand (Thailand), Siam Cement (Thailand), Bank of China (China), and Cambrew (Malaysia).

Some major local companies and their sectors are Sokimex Group (petroleum, tourism, and garments), Royal Group of Companies (telecommunications and information technology, banking and insurance, media and entertainment, hotel and resort properties and development, trading, and transportation), AZ Distribution (construction and telecommunications), Mong Reththy Group (construction, agro-industry, and rubber and palm oil plantations), KT Pacific Group (airport projects, construction, tobacco, food, and electronics distribution), Hero King (cigarettes, casinos, and power), Anco Brothers (cigarettes, casinos, and power), Canadia Bank (banking and real estate), Acleda Bank (banking), Men Sarun Import and Export (agro-industry and rice and rubber exports), and Vattanac Capital (banking, real estate, and golf resorts). In 2009, Acleda Bank opened its first bank branch outside of Cambodia in Laos, and in 2013 it opened offices in Burma. Statistics on Cambodian investment overseas are not available, but such investments are likely minimal.

TABLE 3: Sources and Destination of FDI Cambodia (2012)

Direct Investment from/in Cambodia Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	2,628	100%	Total Outward	370	100%
Republic of Korea	1,393	53%	China, P.R.: Mainland	299	81%
Malaysia	451	17%	Singapore	77	21%
Thailand	406	15%	Republic of Korea	2	1%
France	218	8%			
Denmark	106	4%			

Source: http://cdis.imf.org

According to International Monetary Fund data, total foreign direct investment in Cambodia amounted to $2.63 billion in 2012, with the Republic of Korea constituting the largest proportion (53 percent of total investment). The other top four foreign direct investment countries in Cambodia were Malaysia, Thailand, France, and Denmark. The number of Cambodian investments outside the country was quite small compared to inward foreign direct investment. In 2012, outward foreign direct investment was $370 million, with 81 percent of the total investment going to China. Two other major countries were Singapore ($77 million) and the Republic of Korea ($2 million).

The International Monetary Fund's 2013 data is not yet available. The Council for the Development of Cambodia provided updated stock foreign direct investment data on registered capital and fixed assets for approved projects, including domestic investment, broken down by country of origin. The top 15 approved foreign direct investment registered capital figures by country below may overstate investment because they include ongoing projects and/or projects that may never be completed. Retention of dormant or defunct projects from earlier years makes the investment figures appear higher.

TABLE 3B: Total Cumulative Registered Investment Projects by Country of Origin (August 1994 to December 2013)

Countries	**$ Millions**	**Percent**
Cambodia	1,949	27%
Malaysia	1,609	22%

China	893	12%
Vietnam	529	7%
Taiwan	522	7%
Korea	299	4%
Thailand	236	3%
Singapore	228	3%
Hong Kong	205	3%
United Kingdom	140	2%
United Sates	80	1%
Japan	75	1%
Canada	69	1%
Australia	59	1%
Indonesia	56	1%
Other	201	3%
Total	**7,150**	**100%**

Source: The Council for the Development of Cambodia

TABLE 4: Sources of Portfolio Investment (Cambodia, 2012)

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	2,417	100%	**All countries**	**1,396**	100%	**All countries**	**1,021**	100%
Republic of Korea	1,395	58%	Republic of Korea	547	39%	Republic of Korea	848	83%
Thailand	391	16%	Thailand	252	18%	Thailand	139	14%

France	218	9%	France	185	13%	France	33	3%
Denmark	106	4%	Denmark	106	8%	Denmark	0	0%
Poland	1	0%	Poland	0	0%	Poland	1	0%

Source: http://cdis.imf.org

All the figures in the above tables are provided by the country of origin of the investments. Cambodian-supplied data is not available.

The total value of portfolio investment assets was $2.47 billion in 2012, the latest figures available. Among the top five partners, Korea was the largest holder of equity securities with 39 percent and debt securities with 83 percent. Thailand and France were the second and third largest holders of equity securities and debt securities.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Political parties and leaders:

Cambodian People's Party or CPP [CHEA SIM]
Cambodian National Rescue Party or CNRP [SAM RANGSI also spelled SAM RAINSY]
National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia or FUNCINPEC [KEV PUT REAKSMEI]
Nationalist Party or NP former Norodom Ranariddh Party or NRP [SAO RANY]
note: the CNRP is a merger between the former Human Rights Party or HRP [KHEM SOKHA, also spelled KEM SOKHA] and the Sam Rangsi Party or SRP

Legal system:

Civil law system (influenced by the UN Transitional Authority in Cambodia) customary law, Communist legal theory, and common law

International organization participation:

ADB, ARF, ASEAN, CICA, CICA (observer), EAS, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITU, MIGA, NAM, OIF, OPCW, PCA, UN, UNCTAD, UNESCO, UNIDO, UNIFIL, UNMISS, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Generally, there are no foreign exchange control in place.

Treaty and non-treaty withholding tax rates

Cambodia does not have any bilateral or multilateral international double tax treaties currently in force although Treaty negotiations are anticipated between Cambodia and a number of the other Association of South-East Asian Nations (ASEAN) countries, including Thailand, ahead of the planned economic area in 2015.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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Gary Youinou

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