

Cambodia

RISK & COMPLIANCE REPORT

Date: November 2018

Executive Summary - Cambodia

Sanctions:	None
FATF list of AML Deficient Countries	No removed from list in February 2015
Higher Risk Areas:	<p>US Dept of State Money Laundering Assessment</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
Medium Risk Areas	Non - Compliance with FATF 40 Recommendations
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>rice, rubber, corn, vegetables, cashews, cassava (manioc), silk</p> <p>Industries:</p> <p>tourism, garments, construction, rice milling, fishing, wood and wood products, rubber, cement, gem mining, textiles</p> <p>Exports - commodities:</p> <p>clothing, timber, rubber, rice, fish, tobacco, footwear</p> <p>Exports - partners:</p> <p>US 32.7%, UK 8.4%, Germany 7.7%, Canada 7.7%, Singapore 6.6%, Vietnam 5.8%, Japan 4.7% (2012)</p> <p>Imports - commodities:</p> <p>petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, pharmaceutical products</p> <p>Imports - partners:</p> <p>Thailand 27.2%, Vietnam 20%, China 19.5%, Singapore 7.1%, Hong Kong 5.9%, South Korea 4.3% (2012)</p>	

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.

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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 in 2018. According to that Evaluation, Cambodia was deemed Compliant for 2 and Largely Compliant for 20 of the FATF 40 Recommendations. It was deemed Highly Effective for 0 and Substantially Effective for 1 of the Effectiveness & Technical Compliance ratings.

Key Findings from Mutual Evaluation Report

Cambodia has made significant improvements to its level of technical compliance with the FATF Standards since its 2007 mutual evaluation, including in relation to important 'building block' FATF Recommendations (criminalisation of money laundering and terrorist financing, customer due diligence, record-keeping and suspicious transaction reporting). However, further improvements in technical compliance are necessary to make Cambodia's regime effective in the context of serious money laundering (ML) threats and vulnerabilities.

Cambodia finalised its first national risk assessment (NRA) in November 2016, immediately before the assessment team's on-site visit, and has developed some understanding of its ML and terrorist financing (TF) risks. The main risks faced by Cambodia include ML from fraud/scams, corruption and bribery, drug trafficking, human trafficking, illegal logging, wildlife crime and goods and cash smuggling. There are gaps in the scope of the NRA with respect to risks posed by legal persons, foreign trusts, the NPO sector and dealers in precious metals and stones. The NRA also did not consider the risks associated with illicit inflow and outflow of funds (both through movement of cash and trade-based money laundering). In terms of ML vulnerabilities, there are higher risks associated with the casino and real estate sectors, as well as the banking sector. However, the ML risks associated with banking, remittance and lawyers are higher than as assessed by Cambodia. To be more

comprehensive, future assessments of ML/TF risks will require better data, case studies and feedback from stakeholders, within and outside government.

Cambodia has not yet sufficiently shared the results of its 2016 NRA with the private sector or within the public sector, nor has it implemented a comprehensive, risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF. However, agencies with responsibility for AML/CFT work were generally aware of the risks identified in the NRA. Cambodia has a good institutional basis for national co-operation and co-ordination, but effectiveness needs to be improved, particularly at offences, including in developing evidence or tracing proceeds related to ML/TF. The limited ability of Cambodia's Financial Intelligence Unit (CAFIU) to produce financial intelligence significantly undermines use of financial intelligence by competent authorities and levels of dissemination do not satisfy the operational needs of LEAs.

The narrow scope of STR reporting (95% received from banks) and low number of cross-border cash declarations limit the data available to CAFIU for analysis and do not align with the assessed ML/TF risks. The NRA rated casinos and real estate as areas of higher risk but there are limited reports received from entities outside the banking sector.

While Cambodia's legal system provides a broad set of powers and responsibilities for law enforcement agencies (LEAs) to investigate and prosecute ML offences, there is no policy or practice of 'following the money' to identify and investigate ML and only three ML investigations have been conducted, none of which proceeded to prosecution. Despite investigations of some predicate offences, no prosecutions or convictions have occurred for ML. Sanctions available for ML are not sufficiently dissuasive.

Cambodia's legal framework for confiscation is generally sound. However, despite some confiscation in relation to drug trafficking and corruption, Cambodia does not demonstrate many of the characteristics of an effective system for confiscating proceeds and instrumentalities of crime. Confiscation is not pursued as a policy objective and it is not clear that LEAs consider confiscation when investigating predicate offences, or that the amount sought to be confiscated fully represents the available proceeds.

Cambodia has a good legal framework to combat TF and has allocated substantial resources to combating terrorism and its financing. There have been no prosecutions or convictions for TF activity in Cambodia, but this is not inconsistent with the TF risk profile. Historically, however, Cambodia has demonstrated an ability to identify and investigate potential and actual cases of terrorism and TF and to cooperate domestically and internationally in the course of an investigation.

Cambodia has a reasonable legal framework to deprive terrorists, terrorist organisations and terrorist financiers of assets and instrumentalities related to TF activities, though some improvements are required to the legal framework and to mechanisms to disseminate updates to United Nations sanctions lists. Cambodia can designate individuals and entities as terrorists under United Nations Security Council Resolution (UNSCR) 1373 if the need arises. No terrorist assets have been identified or frozen under relevant UNSCRs.

Cambodia has a large NGO/NPO sector overseen by the Ministry of Interior (MOI), for domestic NGOs, and the Ministry of Foreign Affairs and International (MFA-IC) for foreign and

international NGOs. No review has been conducted of the TF risks and vulnerabilities within the NPO sector, and no outreach has been delivered to the sector on the threat of terrorist abuse.

Cambodia does not have a legislative basis for, nor has it taken steps to implement, targeted financial sanctions (TFS) relating to combating proliferation of weapons of mass destruction. The authorities do not systematically disseminate UN notices on proliferation financing (PF) to financial institutions (FIs) or designated non-financial businesses and professions (DNFBPs), despite there being a good diplomatic and political varies within the financial sector. Commercial banks, securities firms and insurance companies have a more advanced understanding as compared to the specialised banks, micro-finance institutions (MFIs), money remittance operators, money changers and financial leasing companies.

There has been limited interaction between supervisors and DNFBPs, particularly real estate agents, small casinos, dealers in precious metals and stones, lawyers, stand-alone accounting and auditing firms. As a result, there is low understanding of ML/TF risks and AML/CFT obligations among these entities. Implementation of customer due diligence (CDD) obligations, including the collection of beneficial ownership information, is low. The CDD threshold for casinos is set at USD 10,000, which is higher than required under the FATF standards.

AML/CFT supervision has focused on banks and deposit taking MFIs, with few supervisory activities conducted on other FIs and no supervision of DNFBPs. This is problematic given the inherent risk of some DNFBPs and the vulnerabilities stemming from a lack of supervision. Risk-based AML/CFT supervision is only applied to the banking sector. No sanctions have been imposed on REs for breaches of AML/CFT obligations, however, CAFIU has identified deficiencies during on-site inspections and required FIs to submit remedial plans to rectify the deficiencies.

The vast majority of legal persons in Cambodia are registered in the online business register. Basic information held in the register is publicly available online and competent authorities can gain timely access to shareholder information held by the Ministry of Commerce (MOC). However, there are some concerns regarding the accuracy and currency of this information. The best source of beneficial ownership information is the information collected by reporting entities (REs) pursuant to their CDD obligations. However, many DNFBPs and some non-bank FIs fail to comply with their obligations. There are no mechanisms in place to mitigate the, admittedly low, risks posed by bearer shares, bearer share warrants, nominee shares or nominee directors.

While trusts cannot be created under Cambodian law, there is no explicit prohibition on foreign trusts operating in Cambodia. There are no mitigating measures in place to prevent the misuse of foreign trusts for ML/TF purposes.

Cambodia has a reasonable legal framework for international cooperation. However, in the absence of a general mutual legal assistance (MLA) law (currently in draft), there is no domestic legal framework for the provision and receipt of MLA outside of the ASEAN MLA Treaty and special laws relating to drugs, corruption and terrorism. Broadly, while Cambodia is responsive to incoming international requests for cooperation, as permitted by limited

capacity and resources, its use of international cooperation is limited and does not match its ML risk profile.

Risks and General Situation

Despite its world-renowned ancient history, Cambodia's economy, bureaucracy and institutions are young and still developing. It was as recently as 1993 that Cambodia completed its transition to the present day State of Cambodia. Previously, under the rule of the Khmer Rouge, it had experienced large scale loss of life (approximately two million lives lost to executions, disease, starvation, and forced labour) and complete destruction of governance infrastructure. In this context Cambodia is commended for its commitment to AML/CFT efforts and the improvements made since its 2007 mutual evaluation.

Cambodia's significant cash economy, systemic capacity and resource constraints of supervisors and LEAs, geographical position and porous borders increase its vulnerabilities to ML/TF. Cambodia is exposed to a range of ML threats, with its most significant threats coming from fraud/scams, corruption and bribery, drug trafficking, human trafficking, illegal logging, wildlife crime and goods and cash smuggling. The sectors most vulnerable to ML are the casino, real estate, lawyers, remittance and banking sectors, due to their materiality and/or lack of supervision.

While Cambodia has benefited from a period of political stability and has demonstrated highlevel commitment to addressing AML/CFT issues, the capability, integrity and transparency of institutions, rule of law, and the effectiveness of Cambodia's judicial system are hindered by capacity constraints and high levels of corruption. There are capacity constraints in many key agencies, both in terms of insufficient staffing levels and staff capability.

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 AML regime; a cash-based, largely 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, deeply politicized judicial system and 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 vehicles, 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 has not adopted any significant additional AML legislation since 2014. 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 as well as capacity of the nascent and understaffed Cambodia Financial Intelligence Unit (CAFIU). Any steps taken by the government to increase the independence and capacity of the judiciary would likely positively impact AML effectiveness.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Information on the sources of illicit funds is not readily identifiable. A national risk assessment (NRA) has been drafted by CAFIU to help identify sectors 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 to be sent to law enforcement authorities for investigation. The government has not finalized or implemented the draft NRA.

Although gaming is illegal for Cambodian citizens, illegal gaming flourishes. Gaming is legal for foreigners, and there are 57 legal casinos. The town of Poipet, along the Cambodia/Thailand border, has 10 operating casinos. Reportedly, more than 90 percent of the patrons 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 U.S. \$12 million of cash destined for border casinos crossed the Poipet border every day.

KEY AML LAWS AND REGULATIONS

The Cambodian government adopted its AML/CFT law in 2007. The law allows authorities to freeze assets relating to money laundering until courts issue final decisions. In 2014, Cambodia revised the National Strategies on AML/CFT 2013-2017 by adding actions to build capacity of the CAFIU and law enforcement officials, and strengthen cooperation among relevant domestic agencies. Donors have provided capacity-building assistance.

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), a permanent and senior-level AML/CFT coordination mechanism, is responsible for ensuring the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML efforts. A domestic working group, created by the NCC to implement recommendations from the country's mutual evaluation, continues to discuss both technical compliance and effectiveness. The group is comprised of officials from relevant ministries and private sector representatives. Once the NRA has been finalized, the Cambodian government intends to create an action plan to strengthen the AML regime.

Cambodia has KYC and STR requirements in place. Cambodia has information sharing agreements with 22 countries. The United States does not have an agreement or MOU with the CAFIU on record sharing, although information sharing should be possible through Cambodia's Egmont Group membership.

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

AML DEFICIENCIES

Corruption among some law enforcement entities, low capacity, and a weak and often politicized judiciary are major deficiencies in the government's ability to fight money laundering. The law on AML/CFT excludes pawn shops from its explicit list of covered entities. Cambodia's non-financial sectors, including, most significantly, the gaming and real property industries, are unregulated or under-regulated. The CAFIU records casino STRs and CTRs separately from those from other entities. No casino located in Cambodia has ever submitted a CTR, and the volume of filed STRs is very small, reportedly less than five out of an estimated 2,000 STRs filed in 2017.

The NCC has been active in the past in proposing legal and policy reforms to tackle AML deficiencies. Limited resources remain one of the big challenges for AML implementation. CAFIU has been building its capacity through various trainings supported by the Cambodian government and donor community. Since late 2016, donors have provided Cambodia with technical assistance on using risk-based supervisory tools and analysis.

The AML regime lacks a clear system for sharing information with foreign governments.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government established a Review Panel as part of the supplementary measures laid out in the National Strategies on AML/CFT 2013-2017. The panel, comprised of the CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation among regulatory and law enforcement bodies. CAFIU, when requested, has generally cooperated with U.S. law enforcement in the past.

Information on money laundering convictions is not publicly available.

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 2016 (introduction):

Cambodia is classified a Tier 2 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 other countries within the region and increasingly to the Middle East for work; many are subjected to forced labor on fishing vessels, in agriculture, in construction, in factories, and in domestic servitude—often through debt bondage—or to sex trafficking. Migrants using irregular migration channels, often with the assistance of unlicensed brokers, were at an increased risk of trafficking, but those using licensed recruiting agents also became victims of forced labor or sex trafficking. Children from impoverished families are vulnerable to forced labor, often with the complicity of their families, including in domestic servitude and forced begging or street vending in Thailand and Vietnam. Significant numbers of male Cambodians continued to be recruited in Thailand for work on fishing boats and subjected to forced labor on Thai-owned vessels in international waters. Cambodian victims escaping this form of exploitation have been identified in Malaysia, Indonesia, Mauritius, Fiji, Senegal, South Africa, and Papua New Guinea. Cambodian men reported severe abuses by Thai captains, deceptive recruitment, underpaid wages, and being forced to remain aboard vessels for years. NGOs report significant numbers of women from rural areas are recruited under false pretenses to travel to China to enter into marriages with Chinese men; some are subjected to forced factory labor or forced prostitution.

All of Cambodia's provinces are sources for human trafficking. Sex trafficking is largely clandestine; Cambodian and ethnic Vietnamese women and girls move from rural areas to cities and tourist destinations, where they are subjected to sex trafficking in brothels and, more frequently, "indirect" sex establishments such as beer gardens, massage parlors, salons, karaoke bars, and non-commercial sites. An NGO report released in 2013 examined the prevalence of children among individuals in commercial sex establishments in three Cambodian cities and found that children comprised 8.2 percent of this population. The study concluded that the 2013 finding represented a significant decline in this form of child sex trafficking compared to earlier reports by different entities published in 1997 and 2000. The same NGO reported that a March 2015 assessment found that the prevalence of children among this population declined further to 2.2 percent; the NGO had not yet formally published these results at the close of the reporting period. Cambodian men form the largest source of demand for children exploited in prostitution; however, men from other Asian countries, the United States, Australia, South Africa, 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 subjected to sex trafficking. NGOs report criminal gangs transport some Vietnamese victims through Cambodia before they are exploited in Thailand and Malaysia. Traffickers in Cambodia are most commonly family or community members or small networks of independent brokers. Trafficking-related corruption remained a significant concern. Corrupt officials in Cambodia, Thailand, and Malaysia

cooperate with labor brokers to facilitate the transport of victims between countries. Local observers report corrupt officials often thwart progress in cases where the perpetrators are believed to have political, criminal, or economic ties to government officials.

The Government of Cambodia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government finalized national guidelines for the identification and referral of victims, and local authorities identified 589 victims, an increase from 326 in the previous year. The government lacked comprehensive data on law enforcement efforts, but information collected from various sources indicates progress on prosecutions and convictions, particularly for labor trafficking offenses. The government began implementing the national action plan launched during the previous reporting period and allocated \$500,000 to the interagency committee that leads Cambodia's anti-trafficking efforts. However, the government failed to investigate, prosecute, or convict any complicit officials. The government did not issue formal guidance allowing the use of undercover investigation techniques in trafficking investigations, and the lack of explicit authority continued to impede officials' ability to fully hold sex traffickers accountable.

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	8

Corruption is rampant in Cambodia. Companies should expect to deal with extensive red tape to obtain the proper licenses and business permits. The judiciary is understaffed, lacks qualified resources and receives insufficient financing, leading to widespread corruption and deterring foreign investment. Cambodia's Anti-Corruption Law is in line with international standards but is poorly enforced and public officials continue to engage in corrupt practices with impunity. Corrupt acts are covered in the Criminal Code, which criminalizes corruption in the form of active and passive bribery, abuse of office for private gain and extortion. It also criminalizes accepting bribes in the form of donations or promises. There is no set limit on the value of gifts, but they are forbidden if given with a corrupt intent. Facilitation payments are prohibited in Cambodia. Nonetheless, businesses report that both gifts and facilitation payments are extremely prevalent. **Information provided by GAN Integrity.**

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

Cambodia has experienced strong economic growth over the last decade; GDP grew at an average annual rate of over 8% between 2000 and 2010 and at least 7% since 2011. The tourism, garment, construction and real estate, and agriculture sectors accounted for the bulk of growth. Around 600,000 people, the majority of whom are women, are employed in the garment and footwear sector. An additional 500,000 Cambodians are employed in the tourism sector, and a further 50,000 people in construction. Tourism has continued to grow rapidly with foreign arrivals exceeding 2 million per year since 2007 and reaching around 4.5 million visitors in 2014. Mining also is attracting some investor interest and the government has touted opportunities for mining bauxite, gold, iron and gems.

Cambodia remains one of the poorest countries in Asia and long-term economic development remains a daunting challenge, inhibited by endemic corruption, limited human resources, high income inequality, and poor job prospects. As of 2012, approximately 2.66 million people live on less than \$1.20 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 has been 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 30% of the government budget comes from donor assistance. A 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, tapioca), 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 23.1%, UK 8.8%, Germany 8.2%, Japan 7.4%, Canada 6.7%, China 5.1%, Vietnam 5%, Thailand 4.9%, Netherlands 4.1% (2015)

Imports - commodities:

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

Imports - partners:

Thailand 28.7%, China 22.2%, Vietnam 16.4%, Hong Kong 6.1%, Singapore 5.7% (2015)

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. Cambodia's gross domestic product (GDP) grew at an average annual rate of nearly eight percent during the past fifteen years. 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 17.7 percent in 2012, the latest figures available. GDP per capita increased to an estimated USD 1,228 in 2015.

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, a 20 percent corporate tax rate after the incentive period ends, duty-free import of capital goods, and no restrictions on capital repatriation.

Historically, these incentives have not been able to attract significant U.S. capital due to various factors including pervasive corruption, a limited supply of skilled labor, inadequate infrastructure (including high energy costs), and a lack of transparency in government approval processes. The political impasse and labor unrest that followed the 2013 national elections were additional deterrents to investment. Despite these challenges, the Phnom Penh Special Economic Zone has attracted more than USD 100 million in investments from several large American companies, including Coca Cola, Tiffany & Co., and American Licorice.

Following the 2013 national elections, the government announced a variety of economic and business reforms. In 2015, the government also issued an Industrial Development Plan identifying key challenges to economic growth in Cambodia.

According to International Monetary Fund (IMF) data, the total stock of foreign direct investment (FDI) in Cambodia in 2014, the most recent year available, jumped to USD 41 billion, largely due to a USD 38.7 billion investment from Thailand in 2014. Annual foreign direct investment inflow based on fixed assets decreased to USD 785 million in 2015.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	150/168	www.transparency.org/country/#KHM
World Bank's Doing Business Report "Ease of Doing Business"	2016	127 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	91 of 141	globalinnovationindex.org/content/page/data-analysis

U.S. FDI in partner country (\$M USD, stock positions)	2015	85	http://www.cambodiainvestment.gov.kh/
World Bank GNI per capita	2014	1,020 USD	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

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 per capita gross national income (GNI) of USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

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

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 that engage in acts of corruption or tax evasion or take advantage of Cambodia's poor enforcement of laws and regulations. The Cambodian Bar Council has periodically taken actions to restrict or impede the work of foreign lawyers or foreign law firms. 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: www.cambodiainvestment.gov.kh.

Other Investment Policy Reviews

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 completed 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 a 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;
- Enactment of the Law on Public Procurement;
- Enactment of three judicial system laws: the Law on Court Structures, the Law on the Duties and Discipline of Judges and Prosecutors, and the Law on the Organization and Functioning of the Supreme Council of Magistracy;
- Creation of the Commercial Court as a specialized Court of First Instance;
- The creation of a credit bureau;
- Establishment of a Telecom Regulator of Cambodia (TRC); in 2012, the Ministry of Posts and Telecommunication transferred its regulatory role to the TRC;
- Enactment of the Law on Telecommunications in December 2015; and
- Enactment of the Law on Animal Health and Production in February 2016.
- Ongoing or planned reforms include the following:
 - Amendment to the Law on Standards;
 - Enacting a competition law;
 - Enacting a Law on Special Economic Zones;
 - Enacting a Law on Food Safety; and
 - Enacting a Law on E-Commerce.

Laws/Regulations on Foreign Direct Investment

Although the Cambodian Constitution calls for an independent judiciary, foreign investors are generally reluctant to use the Cambodian judicial system to resolve commercial disputes because the courts are perceived as unreliable and susceptible to political influence or bribery. Although the Cambodian government enacted the Law on Court Structure in July 2014 in an effort to increase the judiciary's professionalism and discourage corruption and political influence, corruption remains endemic in the judicial system.

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 USD 2 million was clarified in February 2005 in a sub-decree on the Establishment of the

Subcommittee on Investment in the Provinces-Municipalities of the Kingdom of Cambodia. 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 (QIP), which is entitled to certain taxation incentives, with the Council for the Development of Cambodia and provincial/municipal investment subcommittees.

The website of the Council for the Development of Cambodia, www.cambodiainvestment.gov.kh, provides a list of laws, rules, procedures and regulations which could be useful for foreign investors.

Business Registration

A. All businesses are required to register with the Ministry of Commerce (MoC) and the General Department of Taxation (GDT). In January 2016, the Ministry of Commerce launched an online business registration portal that allows all existing and new businesses to register their companies at: <http://www.businessregistration.moc.gov.kh>. Information about the online business registration process is available on the website of the MoC at www.moc.gov.kh/en-us/company-registration. The link also provides sources of information for various types of business registration documents. New business registration takes about two weeks. Depending on the types of business activities, new businesses are also required to register with other relevant ministries. For example, travel agencies must register at the Ministry of Tourism and private universities must register with the Ministry of Education, Youth and Sport, in addition to registering with the MoC and the GDT. Foreign companies may use the online registration system. However, difficulties in completing the registration, such as technical or language issues, have led some foreign and domestic companies to seek professional assistance to register or re-register.

B. The Council for the Development of Cambodia promotes and approves investments in Cambodia and provides investment incentives to companies with QIPs. Criteria used to evaluate the eligibility of QIPs include the amount of registered investment capital and activities of the business. Additional information about criteria to qualify for QIPs can be found at <http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>.

C. The "SME Development Framework" developed by the SME Sub-Committee of the Private Sector Steering Committee classifies Small and Medium Enterprises (SMEs) according to the number of employees and the value of their assets. The calculation of employees is based on the equivalent of full-time employees. The classification levels of Micro, Small, and Medium Size Enterprises are listed in the below chart:

Classification	Government Definition	
	Employees	Assets
Micro	Fewer than 10 employees	Less than \$50,000
Small	11 – 50 employees	\$50,000 - \$250,000
Medium	51 – 100 employees	\$250,000 - \$500,000
Large	Over 100 employees	Over \$500,000

Industrial Promotion

The government has identified the agricultural sector and export-oriented investments as priority sectors. In an effort to promote and attract investment in these sectors, the government offers incentive programs including reductions or exemptions on import taxes for materials.

Limits on Foreign Control and Right to Private Ownership and Establishment

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, 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, however, 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. The Cambodian Bar has periodically taken actions to restrict or impede the work of foreign lawyers or foreign law firms.

Privatization Program

There are no ongoing privatization programs.

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 QIP 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 has consulted an expert from the Australian Competition and Consumer Commission (ACCC) and plans to submit a draft Law on Competition to the Council of Ministers in 2016.

2. Conversion and Transfer Policies

Foreign Exchange

Though Cambodia has its own currency, the riel, U.S. dollars are in wide circulation in Cambodia and remain the primary currency for most large transactions. 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 USD 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 U.S. Embassy is not aware of any cases in which investors have encountered obstacles in converting local currency 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 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

Cambodia has committed to work with the FATF and the Asia Pacific Group (APG) to address its strategic Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) deficiencies. The FATF's website states that Cambodia has made 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 ongoing global AML/CFT compliance process. Cambodia committed to working with the APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

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 as a result of official policies and social upheaval during 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, facilities for research and exploitation of natural resources, and 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 internal discussion within the technical team of the Ministry of Economy and Finance. The U.S. Embassy 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

Most investors are generally reluctant to use 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 institutions.

Cambodia adopted a Commercial Arbitration Law in 2006. In 2010, the government provided for the establishment of the National Commercial Arbitration Center (NCAC), Cambodia's first alternative dispute resolution mechanism, to enable companies to resolve commercial disputes more quickly and inexpensively than through the court system. The NCAC was officially launched in March 2013, but has limited capacity and has received only one case to date. Three laws related to the judicial system were enacted in July 2014: the Law on Court Structures, the Law on the Duties and Discipline of Judges and Prosecutors, and the Law on the Organization and Functioning of the Supreme Council of Magistracy. Under the Law on Court Structure, the Commercial Court, established as one of the four specialized Courts of First Instance, will have jurisdiction over all commercial matters, including insolvency cases. The Commercial Chambers will hear all appeals arising out of the Commercial Court.

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 World Bank's 2016 Doing Business Report ranks Cambodia 82 out of 189 in terms of the "ease of resolving insolvency," a two-point decrease from 2015.

Investment Disputes

The Embassy has received no reports on investment disputes and the government does not publicize any relevant reports.

International Arbitration

International arbitration is available for Cambodian commercial disputes. In March 2014, the Supreme Court of Cambodia confirmed a decision of the Cambodian Court of Appeal, which had ruled in favor of the recognition and enforcement of an arbitral award issued by

the Korean Commercial Arbitration Board (KCAB) of Seoul, South Korea. 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.

Domestically, commercial disputes could also be resolved through the National Commercial Arbitration Center (NCAC), Cambodia's first alternative dispute resolution mechanism, which was officially launched in March 2013.

ICSID Convention and New York Convention

Cambodia has been a member of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention - also known as the Washington Convention) since 2005. Cambodia is also a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the New York Convention) since 1960. In 2001, Cambodia passed the Law on Agreement and Implementation of the United National Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution – Local Courts

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

5. Performance Requirements and Investment 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 varying types of investment incentives that meet specified criteria. Investors seeking an incentive must submit an application to the Cambodian Investment Board within the Council for the Development of Cambodia. 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 USD 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 USD 1,750), which covers 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 capital of USD 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 economic 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 can be found at the following link:

www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html

Research and Development

The government does not have any restrictions on foreign firms participating in government financed and subsidized research and development programs. The government has public procurement procedures that companies can follow.

Performance Requirements

Under Cambodian law, most foreign investments and foreign investors are subject to the following taxes: corporate profits tax (20 percent), tax on individual salaries (zero to 20 percent), withholding taxes (four to 15 percent), value-added taxes (zero to ten percent), and import duties (zero 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. According to the Cambodian Labor Law, the number of foreign employees should not exceed ten percent of the total number of Cambodian employees. In practice, companies can request an increase in this ratio.

Data Storage

Cambodia does not have any forced localization policy that obligates foreign investors to use domestic contents in goods or technology. Cambodia also does not require foreign Information Technology providers to turn over source code.

The General Department of Information and Communications Technology (ICT) in the Ministry of Post and Telecommunications oversees ICT-related policy in Cambodia.

6. Protection of Property Rights

Real Property

Mortgages exist and Cambodian banks often require certificates of property ownership as collateral before approving loans. The mortgages recording system, which is handled by private banks, is generally considered reliable.

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. Cambodia was ranked 121 out of 177 economies for ease of registering property in the 2016 World Bank Doing Business Report.

Intellectual Property Rights

Cambodia has adopted legislation concerning the protection of intellectual property rights, including 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, Thailand, Japan, and South Korea.

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. In March 2015, the Cambodian government submitted its instrument of accession to the Madrid Protocol for International Registration of Marks at the World Intellectual Property Organization.

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 subcommittees: a subcommittee on IPR enforcement and a subcommittee on the education and dissemination of IPR rules and regulations. The sub-decree on the establishment of the two subcommittees is under review by the Council of Ministers.

Cambodia was not listed in the U.S. Trade Representative (USTR)'s Special 301 report or notorious markets report.

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

Regional Contact:

- Mr. Peter N. Fowler
- Regional IP Attaché
- Telephone number: (662) 205-5913
- Email address: Peter.Fowler@trade.gov

Country resources:

- American Chamber of Commerce Cambodia
- Email address: ed@amchamcambodia.net
- Website: www.amchamcambodia.net

List of local lawyers: http://cambodia.usembassy.gov/list_of_lawyers.html.

7. 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 limited 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 which was part of its WTO accession obligations. The Ministry of Commerce expects Cambodia to enact competition legislation in 2016. Under the most recent draft, a National Committee on Competition would be established.

8. 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 11.61 percent in October 2015. 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. Commercial and specialized bank deposits increased by 17 percent in 2015 over the previous year, equivalent to 62 percent of GDP. Loans also increased by 26 percent to 63 percent of GDP in 2015. The ratio of non-performing loans stood at two percent at the end of 2015, a decrease of 0.2 percentage points compared to 2014.

Cambodia has 36 commercial banks, 11 specialized banks (set up to finance specific turn-key projects such as real estate development), and 41 licensed microfinance institutions, of which seven were licensed microfinance deposit taking institutions. There were 38 registered rural credit operators as of end of 2014. The National Bank has also granted licenses to six financial leasing companies, six third-party processor companies (Wing Limited, Western Union Network Limited, Money Gram Payment System Inc, Pay Go SEA Ltd, Viettel PTE., Ltd, and IME (M) SDN BHD), 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 (CSX) 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 CSX. In June 2014, Grand Twins International (Cambodia) Plc, a garment factory from Taiwan, became the second company to list on the CSX. Phnom Penh Autonomous Port listed its company in December 2015. The Phnom Penh Special Economic Zone launched its IPO on the CSX in April 2016. Two other state-owned enterprises, the Autonomous Port of Sihanoukville and Telecom Cambodia, and a private local company, Express Food Group Co., Ltd, are preparing for initial public offerings, but listing dates have 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.

Money and Banking System, Hostile Takeovers

In August 2015, Moody's Investors Service affirmed Cambodia's government issuer rating at B2 based on its healthy growth path and modest debt burden. However, Moody's report noted Cambodia could face sovereign credit challenges due to its low per capita income and weak institutional framework. The report noted China's slower economic growth could negatively impact Cambodia's economy because Cambodia benefits from Chinese trade, concessional loans, and investment.

In 2008, the National Bank of Cambodia (NBC) raised the minimum capital reserve requirements for banks from USD 13 million to USD 37.5 million. In March 2016, the NBC doubled the minimum requirement to USD 75 million for commercial bank and USD 15 million for specialized banks. Based on the new regulations, microfinance deposit taking institutions are required to increase capital reserves from USD 2.5 million to USD 30 million and other microfinance institutions need to increase to USD 1.5 million.

By the end of 2014 (the latest figure available), total assets in the banking system (commercial and specialized banks) had reached USD 16.2 billion, an increase of 29.6 percent compared with 2013 and equivalent to 95 percent of GDP. The infusion of capital from newly created banks and additional customer deposits were the primary drivers underlying the growth. Two large local banks, Aceda bank and Canadia bank, have the largest assets in the market with 19 percent and 14.4 percent respectively.

9. 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; the Phnom Penh Water Supply Authority, which is responsible for water treatment and supply; the 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 the Green Trade Company, which manages Cambodia's national reserve of rice through purchases and sales made at market prices. In March 2015, the Cambodian government through the Ministry of Mines and Energy announced it is exploring the possibility of establishing a national oil company to invest in oil and gas sector.

OECD Guidelines on Corporate Governance of SOEs

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, the Ministry of Economy and Finance, and the National Audit Authority.

Sovereign Wealth Funds

Cambodia does not have a sovereign wealth fund.

10 Responsible Business Conduct

The Government does not have policies to promote responsible business conduct (RBC) or corporate social responsibility (CSR). However, there is increasing awareness of RBC among larger and multinational companies in the country. In 2015, a group of private sector and NGO representatives formed a National CSR Working Group to urge the government to adopt a national CSR framework. Initiated by the NGO Forum on Cambodia and Oxfam, the group meets quarterly to discuss CSR practices and seek solutions to problems caused by state and private investments. A number of economic land concessions in Cambodia have led to high profile land rights cases. The Cambodian government has recognized the problem, but in general, has not effectively and fairly resolved land rights claims. The Cambodian government does not have a national contact point for Organization for Economic Cooperation and Development (OECD) multinational enterprises guidelines and does not participate in the Extractive Industries Transparency Initiative.

11. 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 reports that Vietnamese-owned establishments were looted during a January 2014 labor protest. Authorities have also used force, including truncheons, electric cattle prods, fire hoses, and even gunfire, to disperse protestors. Incidents of violence directed at businesses, however, are rare. Post is unaware of any incidents of political violence directed at American or other non-regional interests.

Since mid-2015, the government's pressure on the opposition party has intensified. Two opposition Cambodia National Rescue Party (CNRP) parliamentarians were beaten by plainclothes security personnel on grounds of the National Assembly October 2015, and the leader of the Party fled the country to avoid being imprisoned on politically motivated defamation charges. In April 2016, the CNRP deputy leader was threatened with multiple prosecutions from various government agencies, including the Anti-Corruption Unit, based on private phone conversations he had that were mysteriously leaked to the public. The decline in political freedom over the past year has not so far manifested itself in the economic realm.

12. 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 fourth round of asset and debt declaration took place during January 2015. The Anti-Corruption Unit (ACU), which was formed in 2010, has launched several high-profile prosecutions against public officials, including members of the police and judiciary. The ACU has also been accused of deliberately targeting the political opposition.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

Despite the passage of the Anti-Corruption Law and creation of the ACU, business people, both local and foreign (including U.S. companies), 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 minimum salary for administrative civil servants was raised from USD 138 to USD 175 per month in 2016, however, these wages still remain below the level required to maintain a suitable quality of life in Cambodia. As a result, public employees remain susceptible to corruption. Local and foreign businesses report that they must often pay facilitation fees to expedite business transactions. 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. The ACU has been criticized for initiating a series of politically motivated investigations in 2016 while being slow to investigate government corruption.

In 2015, the ACU, in collaboration with the private sector, established guidelines encouraging private companies to create internal codes of conduct prohibiting bribery and corrupt practices. The guidebook is publicly available on the website of the ACU at http://www.acu.gov.kh/en_index.php. Private companies can sign a Memorandum of Understanding (MoU) with the ACU pledging to operate corruption-free and cooperate on anti-corruption efforts. There are currently more than 20 private companies that have signed an MoU with ACU.

Resources to Report Corruption

Government point of contact:

- Om Yentieng
- President
- Anti-Corruption Unit
- Building No. 54, Preah Norodom Blvd, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh
- Telephone number: +855-23-223954
- Email address: info@acu.gov.kh

NGO point of contact:

- Preap Kol
- Executive Director
- Transparency International Cambodia
- Telephone number: +855-23-214430
- Email address: info@ticambodia.org

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

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, Belarus, Burma (Myanmar), China, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, France, Germany, Hungary, Indonesia (later terminated), Japan, Kuwait, Laos, Malaysia, the Netherlands, Pakistan, the Philippines, the Republic of Korea, Russia, Singapore, Switzerland, Thailand, Vietnam, and the Organization of the Petroleum Exporting Countries. Future agreements are planned with Algeria, Bangladesh, the Belgium-Luxembourg Economic Union, Bulgaria, Egypt, Hungary, Israel, Iran, Libya, Macedonia, Malta, Qatar, Russia, Turkey, the United Kingdom, and Ukraine.

In July 2006, Cambodia signed a Trade and Investment Framework Agreement (TIFA) 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 February 2016, the third TIFA meeting was held in Phnom Penh. In August 2012, the United States and Cambodia agreed to begin exploratory discussions on a potential bilateral investment treaty (BIT). Additional exploratory talks on a BIT were held in February 2016.

Cambodia does not have a bilateral taxation treaty with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

To facilitate the country's development, the Cambodian government has shown great interest in increasing exports via geographically defined special economic zones (SEZs). 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 then, the Cambodia Special Economic Zones Board has approved 36 SEZs, 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.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to IMF data, total FDI in Cambodia as reported by counterpart economies reached USD 41 billion in 2014, with Thailand responsible for a USD 38.7 billion that year. The IMF's 2015 data is not yet available. According to the Council for the Development of Cambodia, the total stock of FDI for reported fixed assets in Cambodia was USD 30.2 billion in 2015. The Council for the Development of Cambodia numbers are based on projections and not actual investments. Foreign direct investment inflow based on fixed assets were projected to be USD 785 million in 2015.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Ministry of Economy and Finance		World Bank		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	18,502	2015	16,780	www.worldbank.org/en/country/cambodia
Foreign Direct Investment	Council for the Development of Cambodia		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	85	2012	54	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the	N/A	N/A	N/A	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

United States (\$M USD, stock positions)					
Total inbound stock of FDI as % host GDP	2015	31.3	2015	221	Total FDI Stock (2014 IMF data): \$41 billion 2015 Cambodia GDP: \$18.5 billion

By end of 2015, the Council for the Development of Cambodia had recorded approximately USD 85 million in U.S. registered capital investments since August 1994, equivalent to 0.5 percent of Cambodia's GDP. Major U.S. business investments in Cambodia include: Caltex, which has a nationwide chain of service stations and a petroleum holding facility in Sihanoukville; GE; Crown Beverage Cans Cambodia Limited, which produces aluminum cans; CBRE Group, Inc.; Motorola Solutions Inc; Coca Cola; Tiffany's, which has a diamond polishing factory; American Licorice; Otis Elevators; DuPont; and W2E Siang Phong Co., Ltd., a biogas power generation joint venture between U.S. and Dutch investors. U.S. franchises and brands with local distribution include: John Deere, Ford, Chevy, Gallo Wines, Swensen's Ice Cream, Dairy Queen, Krispy Kreme doughnuts, Carl Jr's, Cold Stone Creamery, Microsoft, Kohler, Domino's Pizza, Burger King, Hard Rock Café; Coffee Bean and Tea Leaf, Starbucks Coffee, and Burger King. There are also U.S. investors in several Cambodian garment factories.

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), PTT Cambodia (Thailand), Cambodia Airport Management Services (CAMS) (France), Forte Insurance (France), Manulife Cambodia PLC (Canada), Prudential (United Kingdom), Smart Axiata Co., Ltd (Malaysia), Thakral Cambodia Industries (Singapore), Petronas Cambodia (Malaysia), Charoeeun Pokphand (Thailand), Siam Cement (Thailand), Bank of China (China), Cambrew (Malaysia), Aeon shopping mall (Japan), Parkson mall (Malaysia), and Metfone (Vietnam).

Some major local companies include: Sokimex Group (petroleum, hotel and 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), SOMA Group (agriculture production and processing, education, energy, infrastructure, and trading), Vattanac Capital (banking, real estate, and golf resorts), and Worldbridge Group (logistics, real estate, industrial complex, construction, entertainment and media, e-commerce, and franchises). In 2009, Acleda Bank opened its first bank branch outside of Cambodia in Laos, and in 2013 it opened offices in Burma.

Table 3: Sources and Destination of FDI

According to IMF data, total FDI in Cambodia as reported by counterpart economies skyrocketed from USD 2.69 billion in 2013 to USD 41 billion in 2014, with Thailand responsible for the lion's share, at 94.42 percent of total investment. The other top four foreign direct investment countries in Cambodia were Republic of Korea, Malaysia, France, and Denmark. The number of Cambodian investments outside the country was quite small compared to inward foreign direct investment. In 2014, outward foreign direct investment totaled USD 233 million (a 51 percent decrease compared to 2013), with around 62 percent of the total investment going to Singapore. Outward investment to the Philippines (USD 7.34 million) decreased by 72 percent compared to 2013. The IMF's 2015 data is not yet available.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	41,027.91	100%	Total Outward	233.33	100%
Thailand	38,738.36	94.42%	Singapore	144.48	61.92%
Republic of Korea	1,214.26	2.96%	China, P.R. Mainland	76.46	32.77%
Malaysia	623.74	1.52%	Philippines	7.34	3.15%
France	224.63	0.55%	Czech Republic	5.31	2.27%
Denmark	94.91	0.23%	Republic of Korea	1.83	0.79%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF's Coordinated Direct Investment Survey (<http://data.imf.org/CDIS>)

Table 4: Sources of Portfolio Investment

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 USD 40.4 billion in 2014, the latest figures available. Among the top five partners, Thailand holds the largest equity securities (96 percent share). Korea ranked first in term of debt securities investment in Cambodia with 74.8 percent of total debt securities.

Data on Cambodia from the IMF's Coordinated Portfolio Investment Survey (CPIS) site is not available.

Investment Assets		
Top Five Partners (Millions, US Dollars)		
Total	Equity	Total Debt

All Countries	40,391.05	100%	All Countries	39,382.88	100%	All Countries	1,008.17	100%
Thailand	38,749.63	95.94%	Thailand	38,514.54	97.80%	Korea, Republic of	754.46	74.83%
Korea	1,216.09	3.01%	Korea, Republic of	461.63	1.17%	Thailand	235.08	23.32%
France	224.63	0.56%	France	202.80	0.51%	France	21.83	2.17%
Denmark	94.91	0.23%	Denmark	94.91	0.24%	Belgium	4.61	0.46%
China, P.R.: Mainland	76.46	0.19%	China, P.R.: Mainland	76.46	0.19%	Philippines	7.00	0.69%

Source: the IMF's Coordinated Investment Survey (CDIS)

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, IFRC, 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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