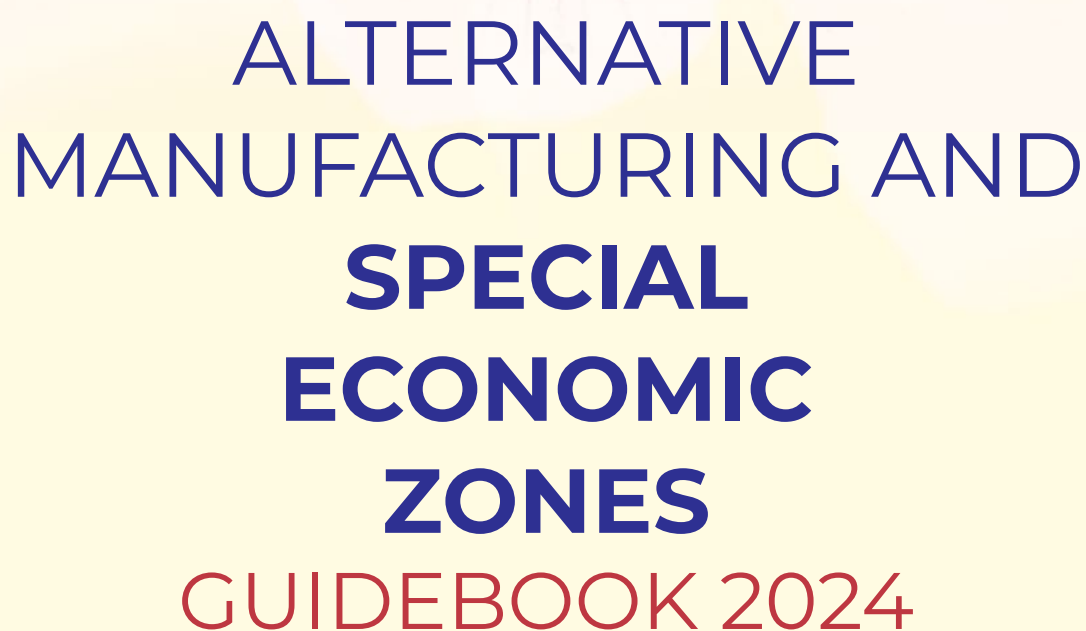




Special thanks to



**ALTERNATIVE
MANUFACTURING AND
SPECIAL ECONOMIC ZONES
GUIDEBOOK 2024**

FOREWORD

It is with great pleasure and a sense of optimism that I introduce this guidebook on Alternative Manufacturing and Special Economic Zones (SEZs) in Cambodia, published by EuroCham as part of a grant provided by the Business Scouts for Development Programme of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. As the Chairman of EuroCham, I am honored to contribute to the dissemination of valuable knowledge and insights that will undoubtedly support the growth and success of businesses operating within SEZs.

Cambodia's economic landscape has witnessed remarkable transformations in recent years, and SEZs have played a pivotal role in driving this progress. These designated zones have become catalysts for attracting foreign direct investment, stimulating industrial development, generating employment opportunities, and fostering technological advancements. They have become vibrant ecosystems where businesses thrive, innovation flourishes, and economic prosperity takes root.

This guidebook serves as a comprehensive reference for entrepreneurs, investors, and industry stakeholders who seek to delve into the realm of alternative manufacturing within the context of Cambodia's SEZs. It provides a wealth of information on the legal and regulatory frameworks, investment incentives, and infrastructure facilities available within these zones.

I would like to extend my heartfelt appreciation to the GIZ Business Scouts for Development Programme for their support in making this publication possible. Their commitment to fostering

economic development and promoting sustainable business practices is commendable, and this guidebook represents a significant milestone in our collaborative efforts to enhance trade and investment opportunities in Cambodia.

I would also like to express my gratitude to the EuroCham team, whose dedication and expertise have been instrumental in compiling this guidebook. Their tireless efforts in collecting data, conducting research, and analyzing industry trends have resulted in a comprehensive and reliable source of information that will undoubtedly serve as a valuable reference for all stakeholders involved.

Lastly, I encourage readers to explore the vast array of opportunities that SEZs in Cambodia offer. Whether you are a seasoned investor or an aspiring entrepreneur, this guidebook will equip you with the knowledge and insights needed to navigate the intricacies of establishing and operating within these zones successfully.

On behalf of EuroCham, I extend my best wishes for your endeavors in Cambodia's SEZs. May this guidebook serve as a guiding light, helping you unlock the immense potential that awaits within these dynamic economic enclaves.

Sincerely,



Tassilo Brinzer
Chairman, EuroCham Cambodia

ACKNOWLEDGEMENTS

Creating a comprehensive guidebook on Alternative Manufacturing and Special Economic Zones (SEZs) in Cambodia would not have been possible without the dedicated efforts and contributions of numerous individuals and organizations. We extend our heartfelt gratitude to all those who have played a pivotal role in making this publication a reality.

First and foremost, we would like to express our sincere appreciation to the GIZ Business Scouts for Development Programme for their generous support and funding. Their commitment to promoting sustainable business practices and fostering economic development has been instrumental in bringing this guidebook to fruition. We are grateful for their partnership and the opportunity to collaborate on this important initiative.

We would like to extend our deepest gratitude to the SEZ management staff and companies that graciously shared their time, knowledge, and experiences during the interview process. Their invaluable insights and firsthand accounts have enriched this guidebook, providing readers with practical examples and a deeper understanding of alternative manufacturing practices within SEZs. We are indebted to their willingness to contribute and share their expertise.

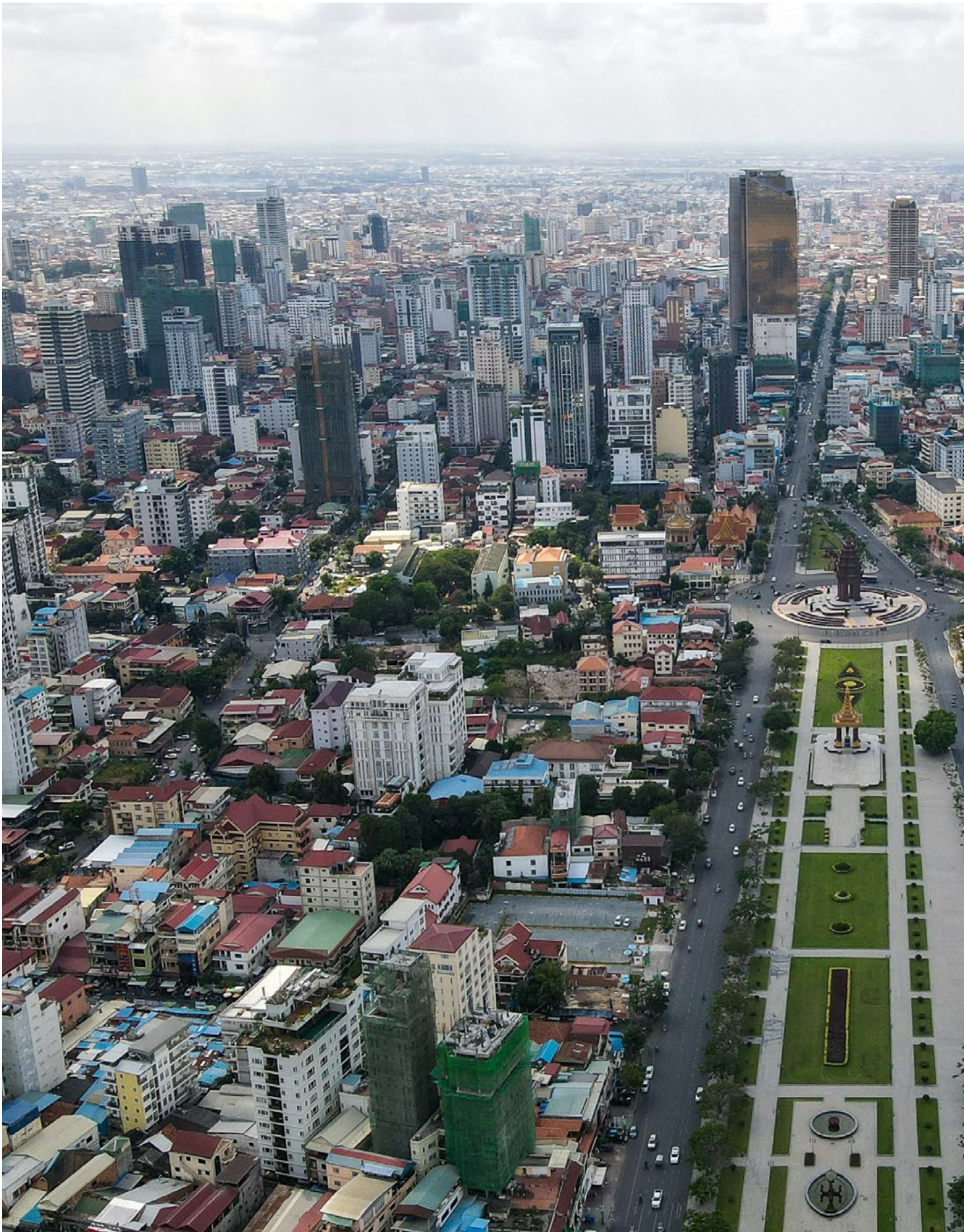
We would also like to thank Knight Frank for their support and provision of data during the research process. Their resources and insights have been instrumental in shaping the content of this guidebook, and we are grateful for their cooperation and assistance.

Lastly, we extend our appreciation to the readers of this guidebook. It is our hope that this resource will serve as a valuable reference and guide for entrepreneurs, investors, and industry professionals

seeking to explore the realm of alternative manufacturing within SEZs in Cambodia. Your interest and engagement are what drive us to continue our efforts in supporting and promoting business growth in the region.

Special Economic Zones (SEZs) have emerged as a critical component of Cambodia's economic development strategy. Over the past decade, the country has actively sought to attract foreign direct investment and diversify its export base. Garments and textiles have been a cornerstone of Cambodia's export-driven economy, but efforts are being made to expand into areas like electronics and automotive. Cambodia's participation in regional trade agreements, such as the ASEAN Economic Community and the Regional Comprehensive Economic Partnership (RCEP), has facilitated trade integration. The country has also benefitted from preferential trade agreements with entities such as the European Union through the "Everything But Arms" initiative.

SEZs have played a pivotal role in Cambodia's remarkable success story by providing crucial infrastructure improvements and fostering connectivity with its key trade partners. These strategically located zones have acted as one-stop service hubs, streamlining administrative processes and simplifying business operations. Moreover, they have created a fertile ground for collaboration among factories, enabling joint investments and synergistic growth. As a result, SEZs have emerged as dynamic catalysts for attracting substantial Foreign direct investment (FDI) and boosting international trade, underpinning Cambodia's economic prosperity. As the country looks to diversify and upgrade its industrial base, SEZs will continue to be at the forefront of these efforts.





This comprehensive Alternative Manufacturing and SEZs guide equips European investors with the essential insights required for a well-informed entry into Cambodia's burgeoning economy. By offering a perspective on Cambodia's economic landscape, encompassing investment opportunities and trade dynamics, it provides a solid foundation for strategic decision-making. The guide delves into Cambodia's appeal for non-traditional manufacturing investments, shedding light on its evolving potential. It also offers an overview of the country's new Law on Investment and its accompanying incentives. Furthermore, the in-depth exploration of SEZs within the guide, accompanied by real examples and feedback from tenants, offers a practical and invaluable toolkit for European investors seeking to establish their presence in Cambodia.

About EuroCham

EuroCham Cambodia was founded in 2011 by the existing French, German and British business associations to act as the official chamber of the European business community in the Kingdom. Since then, it has grown to over 400 members and 7 national chapters, comprising most of the countries within the European Economic Area. EuroCham Cambodia's core activities are to promote, support, and represent its members and European business interests in dialogue with the Royal Government of Cambodia, with the aim of developing a more efficient and fertile business and investment environment.

Contact us at: info@eurocham-Cambodia.org



METHODOLOGY

The Alternative Manufacturing and SEZ Guidebook 2024 developed by EuroCham as part of the grant provided by GIZ Business Scouts for Development is the result of a meticulous and comprehensive research process from April to October 2023. The methodology employed in creating this guidebook involved a combination of desk research, interviews with SEZ management, and interviews with companies with firsthand experience in establishing their firms within SEZs in Cambodia.

Desk Research:

Extensive desk research was conducted to gather a wide range of information pertaining to the Alternative Manufacturing and SEZs in Cambodia. This involved a review of existing literature, government reports, academic studies, industry publications, and relevant online resources. The purpose of this research was to gain a comprehensive understanding of the legal and regulatory framework, investment incentives, infrastructure facilities, sector-specific opportunities, and other key aspects related to SEZs.

Interviews with SEZ Management:

To provide an in-depth and up-to-date perspective on the SEZ landscape in Cambodia, interviews were conducted with SEZ management. These interviews aimed to gather valuable insights into the establishment, operation, and management of SEZs. The discussions covered a wide range of topics, including the overall vision and objectives of the SEZs, the processes involved in attracting and supporting investors, the infrastructure and facilities available within the zones, and the challenges and opportunities they face.

Interviews with Companies:

To enrich the guidebook with practical experiences and real-life examples, interviews were conducted with companies that have established their firms within SEZs in Cambodia. These interviews provided firsthand accounts of the challenges, benefits, and best practices associated with setting up and running businesses within SEZs. The discussions delved into topics such as the decision-making process for selecting an SEZ, the registration and licensing procedures, the availability of supportive services, the labor pool and workforce development, as well as the overall business environment within the zones.

Data Analysis and Compilation:

The information gathered from desk research, interviews with SEZ management, and interviews with companies was meticulously analysed, organised and compiled to create a cohesive and informative guidebook. The data were cross-referenced and validated to ensure accuracy and reliability. The guidebook presents a comprehensive overview of SEZs in Cambodia, incorporating relevant insights, practical examples, and up-to-date information wherever possible.

The methodology adopted in the development of this guidebook ensures that it serves as a reliable and valuable resource for readers, offering practical insights and guidance for those interested in exploring the opportunities and benefits of operating within SEZs in Cambodia.

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Outsourcing Alternative Manufacturing to Cambodia

Cambodia's Macroeconomic Overview

Cambodia has a population of approximately 17 million people and a young demographic with a median age of 25. Two-thirds of the population is of working age. Cambodia's capital city, Phnom Penh, has a population of approximately 1.7 million people.

Cambodia's economy grew by an average of 7% per year between 2010 and 2019¹, making it one of the fastest growing economies in the world. Since COVID-19, Cambodia's GDP growth has varied between 5% and 6% depending on the monitoring agency. This rapid growth was underpinned by

macroeconomic stability, openness to trade and foreign direct investment. In June 2023, the industry sector accounted for 38% of GDP, the service sector for 35%, and agriculture for 21%. The service sector is expected to overtake industry as the government puts a greater importance on tourism post COVID-19. Cambodia's main exports are garments, footwear, and travel goods. Figure 1 shows that Cambodia's economy has undergone a significant shift in the past 10 years, with a move from agriculture toward the industry sector, mainly garment manufacturing.

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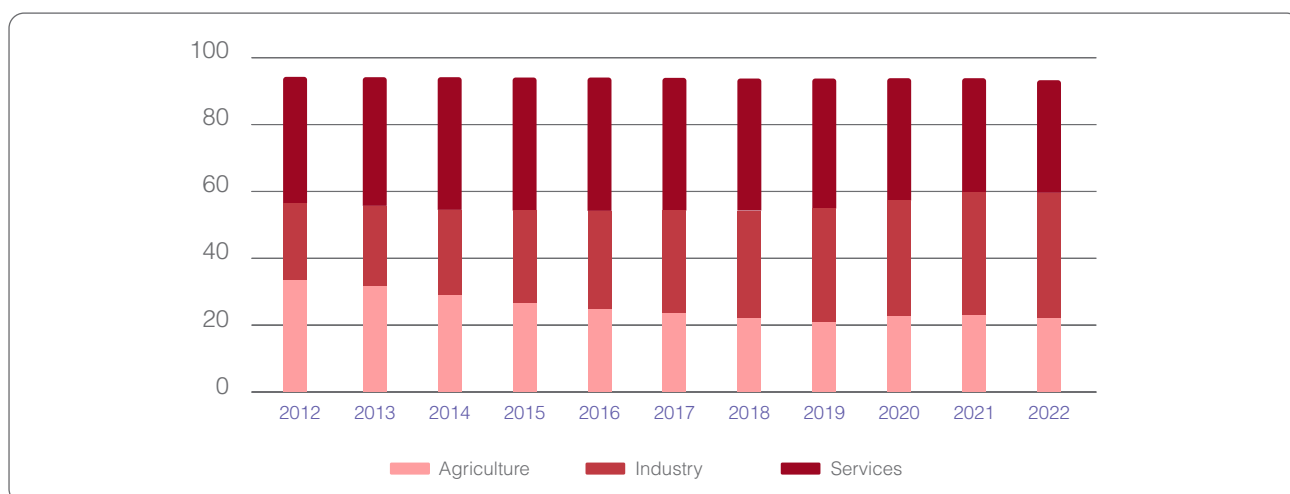
The biggest drive behind [our] large investment in a USD 100 million bottling plant in 2015 came from the booming investment climate in Cambodia since 2009.

”

Coca-Cola

¹ The World Bank in Cambodia - Overview (2023) World Bank. Available at: <https://www.worldbank.org/en/country/cambodia/overview>.

Figure 1: Share of Economic Sectors in Cambodia's GDP, 2012-2022



Source: World Bank via Statista

Interest Rates

Cambodia allows banks to set their own interest rates. On average interest rates have risen, following the US Federal Reserve hikes. In February 2023, US dollar-denominated and Riel-denominated term loans rose to 10.19% per year and 12.61% per year on average. The government has capped monetary financial institution (MFI) interest rates at 18%.

Currency

The Cambodian Riel is pegged to the USD with a conversion rate of around 4,100 to USD 1. Recent US interest rate hikes have put pressure on the Riel, appreciating it, which has affected Cambodia's exports, and forced the government to spend dollar reserves to stabilise the currency. The Cambodian economy is also heavily dollarised, with the USD being legal tender for all transactions.

Foreign Direct Investment Flows

Foreign direct investment (FDI) flows have been growing rapidly over the past decade. Of the USD 1.1 billion in FDI in 2022, 80% came from China, with other major investors being from South Korea, Hong Kong, and Vietnam.

Global Innovation Index Score

Cambodia ranks 97 out of 132 countries in terms of the Global Innovation Index. The country faces certain innovation-related challenges that need to be addressed to strengthen its capacity for research, development, and technological advancement.

Investment Trends

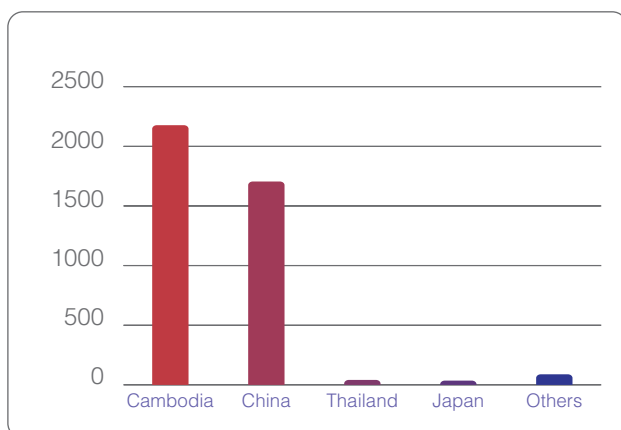


Figures 2 and 3 provide a glimpse of Cambodia's investment landscape. In 2022, the Cambodian Investment Board (CIB) and the Special Economic Zones Board (SEZB), operating under the Council for the Development of Cambodia (CDC), approved a total of 186 investment projects. Among these projects, 53.54% were driven by local investments, while the remaining 46.46% represented FDI.

Out of these projects, 175 were entirely new investments, highlighting the country's potential for greenfield investments (Foreign direct investment where a parent company starts a new venture in a

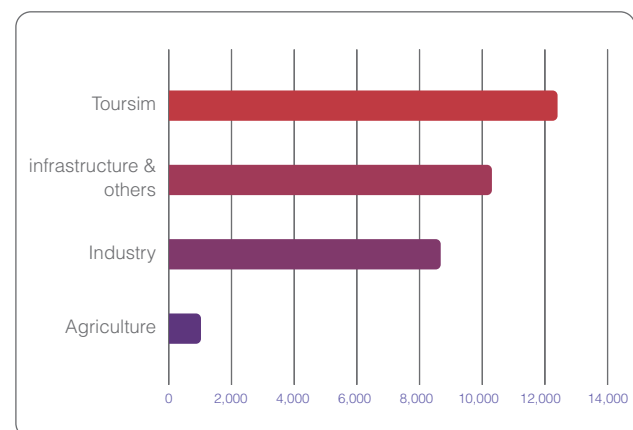
foreign country by constructing new operational facilities from the ground up). In the same year, Cambodia attracted significant investment inflows, amounting to USD 4.03 billion. This figure comes from various sources, such as FDI, portfolio investment, loans, grants, remittances, and other capital transfers. Key foreign investors in 2022 originated from China, Thailand, and Japan. These investment projects spanned various sectors, encompassing agriculture, agro-industry, manufacturing, tourism, infrastructure, and more.

Figure 2: Top 4 investing countries (USD million, 2022)



Source: CDC

Figure 3: Accumulated investment by sector (USD million, 2018-2022)



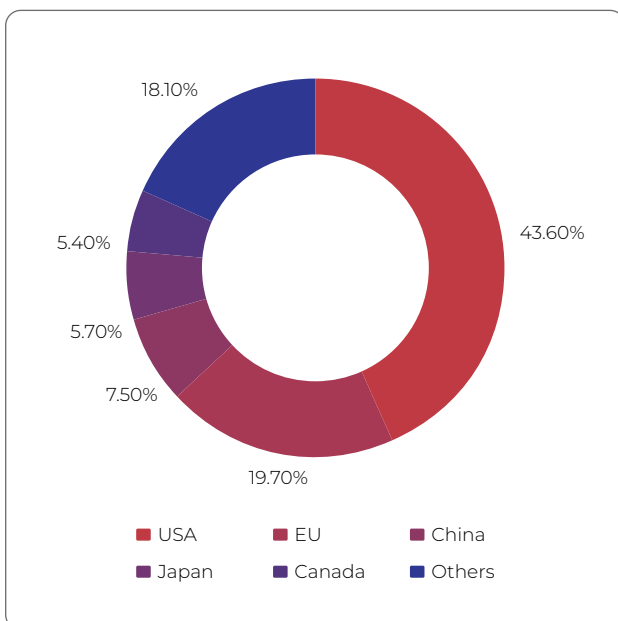
Cambodia's Export-Oriented Manufacturing



Cambodia's manufacturing sector is export-driven, with a focus on producing goods for international markets. The country has actively pursued trade agreements and preferential access to major markets, such as the European Union (the Everything But Arms scheme - EBA), the United States (Generalised System of Preferences), and neighbouring countries, to promote exports and attract foreign investment. Accounting for 80% of

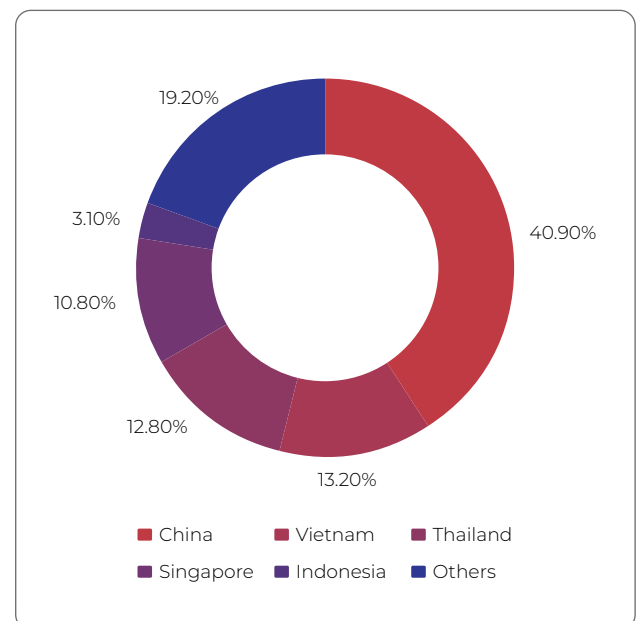
exports in 2022, the garment and footwear industry is the backbone of Cambodia's manufacturing sector. This sector attracted significant foreign investment and has been a key driver of Cambodia's economic growth and development in recent years. However, new industries, such as electronics and automotive parts, are gaining ground in Cambodia and attracting increasing amounts of foreign investment.

Figure 4: Major export markets (in %, 2022)



Source: Ministry of Commerce (MOC)

Figure 5: Major importing markets (in %, 2022)



Traditional Manufacturing Sectors

Traditionally, Cambodia's manufacturing sectors have been dominated by the garment industry, a low-value and labour-intensive industry which employs roughly 1 million workers following the Cut, Make and Trim model. Women make up a large majority (76%) of the sector, and it is the largest formal employment provider in the country. In 2019, the garment industry accounted for 13.8% of Cambodia's total employment, while agriculture and services sectors accounted for 44% and 27%, respectively.²

Other manufacturing sectors include the bicycle industry (Cambodia is the largest exporter of bicycles to Europe), rice milling, rubber, and other agricultural processing (cane sugar, fruits & vegetables).

Garments, Textiles, Footwear, and Travel Goods



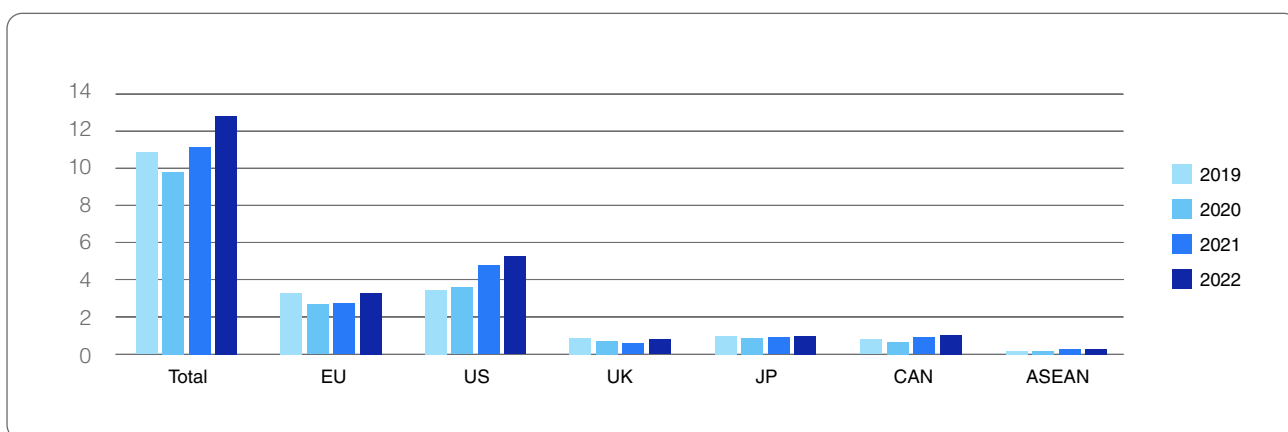
Cambodian factories produce a wide range of garments, including apparel, sportswear, and fashion accessories. The sector has thrived due to factors like low labour costs, preferential trade agreements, and the availability of a large, predominantly female workforce. Exports of garments, footwear, and travel goods (GFT) have risen dramatically, from USD 962 million in 2000 to USD 12.6 billion in 2022. 2020 was a year of transformation for the garment industry with the COVID-19 pandemic affecting consumption and value chains across the globe and the partial

removal of the EBA scheme. That year, GFT exports experienced their first negative growth rate since the global financial crisis of 2008 as the value decreased by 10% compared to 2019. GFT exports soon recovered in 2021, with a 15% increase in export value to USD 11.2 billion. In 2022, Cambodia exported more than USD 9 billion in textiles, a 13% increase compared to 2021. Footwear exports increased by 25% and were valued at USD 1.7 billion, while travel accessories exports rose by 19% and were valued at USD 1.8 billion.³

² Cambodia Garment, Footwear and Travel Goods Sector Brief (2022) Huot Chea, Eurocham Cambodia Available at: [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-(1).pdf)

³ Khmer Times (2023) 'More than half of Cambodia's 2022 exports are garment, footwear and travel accessories' Available at: <https://www.khmertimeskh.com/501232313/more-than-half-of-cambodias-2022-exports-are-garment-footwear-and-travel-accessories/>

Figure 6: GFT exports by main market (USD billion, 2019-2022)



Source: General Department of Customs and Excise and Ministry of Economics and Finance

Agricultural Processing



Only a fraction of Cambodia's agricultural output is processed domestically, and even less of it is exported. With most of the production being exported unrefined to neighbouring countries, the agro-processing sector is underdeveloped, with the exception of rice milling and some basic rubber and pepper processing. This is due to multiple challenges, including unreliable and expensive

electricity, unofficial payments for licenses and paperwork, a lack of knowledge and skills, problems acquiring development finance, and a lack of access to technology and equipment.⁴ Cambodia needs to attract private investment in post-harvest handling and processing to take advantage of the economic opportunities created by adding value to its agricultural products.

⁴ Cambodia Agriculture, Natural Resources, And Rural Development Sector Assessment, Strategy, And Road Map (2021) Asian Development Bank Available at: <https://www.adb.org/sites/default/files/publication/718806/cambodia-agriculture-rural-development-road-map.pdf>

Alternative Manufacturing Sectors

Cambodia's manufacturing sector benefits from its proximity to larger manufacturing hubs, such as Thailand and Vietnam. These countries have strong manufacturing industries in a variety of sectors, including electronics, machinery, automotive, and transportation. As a result, Cambodia has become a supplier of supporting products to these industries. In 2021, Cambodia's exports to Thailand and Vietnam were valued at USD 1.9 billion and USD 898 million, a significant portion of Cambodia's total exports. While Thailand and Vietnam are considered "China Plus One" manufacturing destinations, Cambodia can be described one tier below, as "Thailand Plus One" or "Vietnam Plus One" investment destination.

The growth of Cambodia's manufacturing sector is being driven by several factors, including its low labour costs, preferential trade agreements, and pro-business policies in the Kingdom. The sector's advancement should be bolstered through the enhancement of human resources productivity, in addition to the ongoing drive towards deeper integration into the regional and global economy. These represent two of the five key priorities outlined in Cambodia's Pentagonal Strategy Phase 1, introduced in 2023. This strategic document serves as the cornerstone for achieving the country's objectives by 2050.

As Cambodia's manufacturing sector continues to grow, it is expected to diversify away from low-value-added products such as garments and footwear to higher value ones with more complex assembling. The country is well-positioned to become a major producer of high-value manufactured goods, such as electronics and machinery.

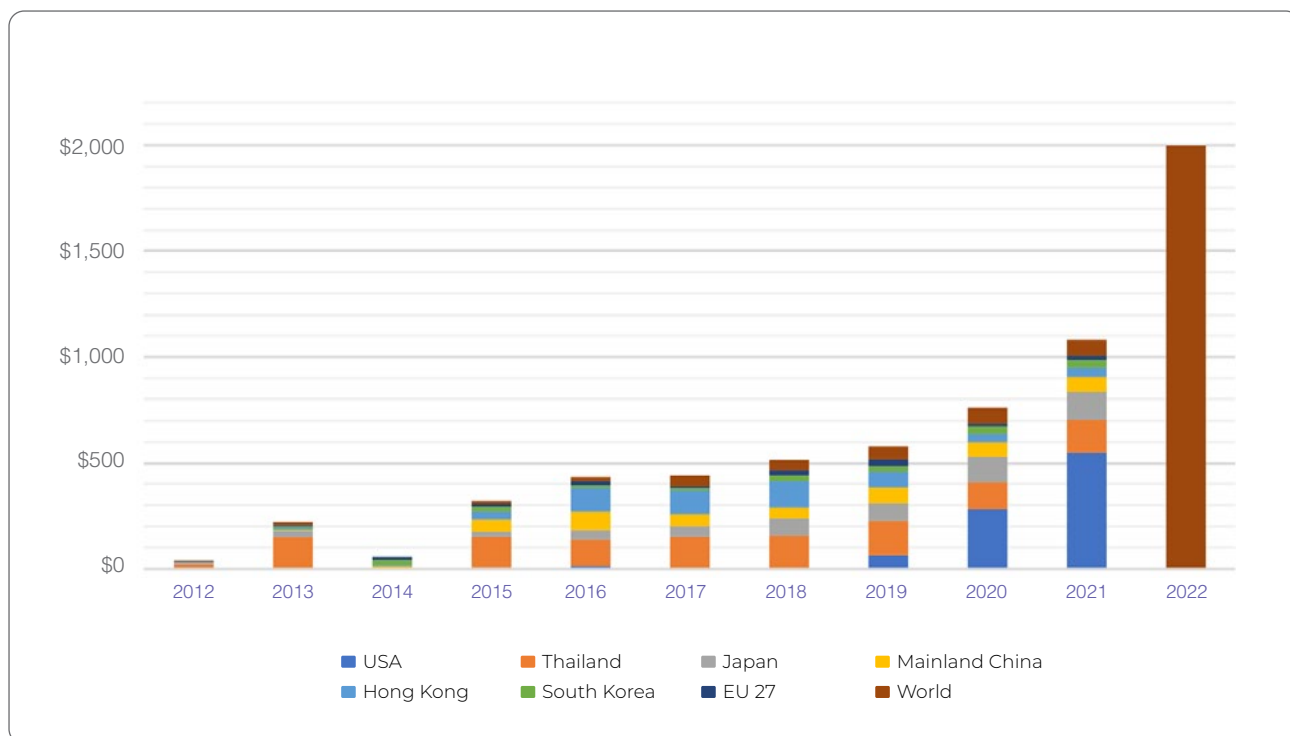
Electronics and Electrical Appliances



Cambodia has seen a surge in investment in the electronics and electrical appliances sector, with the production of wire harnesses and lighting cables increasing significantly. This growth is due to several factors, including favourable investment policies, tax incentives, and access to regional markets. Exports

have grown from practically zero in 2012 to around USD 2 billion in 2022, and the United States is now the most important export market for Cambodia's electrical and electronics products. The government is also investing in improving technical skills and supporting research and development in this field.

Figure 7: Cambodia's top-6 export destinations plus EU 27 under HS Code 85, in USD million (2012-2022)



Source: UN Comtrade

As shown in Figure 5, the export value of electronics and electrical parts has increased dramatically, from USD 321.3 million in 2015 to nearly USD 2 billion in 2022. Analysts attribute this growth to Cambodia's rapid economic diversification, as well as the country's growing production sector, expansion of export markets, and booming overall investment activity.

In the first nine months of 2023, Cambodia witnessed a substantial uptick in its imports of electrical

machinery, equipment and related products from the international market, totalling more than USD 1.1 billion. This marks an increase of over 11% over the same period last year, as per data released by the General Department of Customs and Excise (GDCE).

With increasing production capacity, it is expected that electronics and electrical part exports will play a growing role within Cambodia's industry diversification in the coming years.

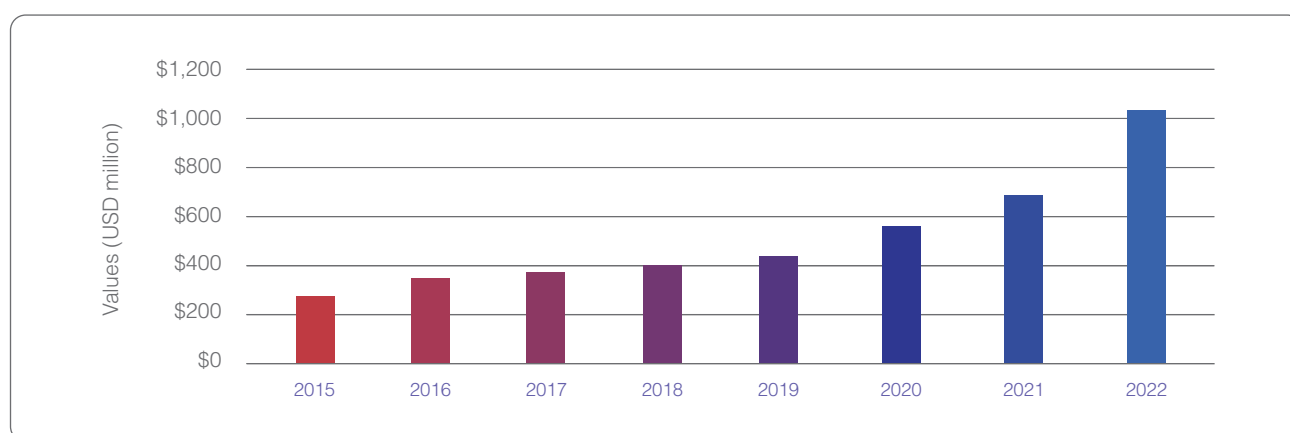
Automotive Parts



Cambodia is developing its automotive parts manufacturing sector, taking advantage of its strategic location and connectivity in the region. There is a growing trend of international companies establishing production facilities in Cambodia to manufacture components for automobile assembly in neighbouring countries.

With 4 automotive assembly plants currently in operation (Hyundai Camko Moto, Daehan Auto, RMA Cambodia & K Cambodia) and 5 in the planning phase (HGB Motors Assembly, EM Automotive, GTV Motor, Toyota Tsuho Manufacturing & China Matrix Technology Group-Horche), this sector offers opportunities for further growth and diversification of the manufacturing industry.

Figure 8: Exported values of vehicles and auto parts (HS Code 87), 2015-2022



Source: ITC Trade Map

The Cambodian government recently published a roadmap for the development of its automotive and electronics sectors. The roadmap aims to increase automotive sector exports by USD 500 million and

the electronics sector exports by USD 1.6 billion by 2027. It also aims to create 10,000 new jobs in the automotive industry and 16,000 new jobs in the electronics sector.

Investment Environment in Cambodia

The Cambodian government has a favourable and pragmatic approach to doing business, both for domestic and international companies, and considers FDI as a key to economic growth. The Cambodian government also welcomes new investors and is keen to diversify away from the traditional sectors, such as the garment industry, to higher-value industries such as the electronics

and automotive industry. Foreign investors can fully own limited liability companies in Cambodia, and there is no restriction on the nationality of the directors or shareholders, and no restriction to trade. As a member of international and regional trade organisations, Cambodia enjoys access to regional and global markets.

Enabling Factors

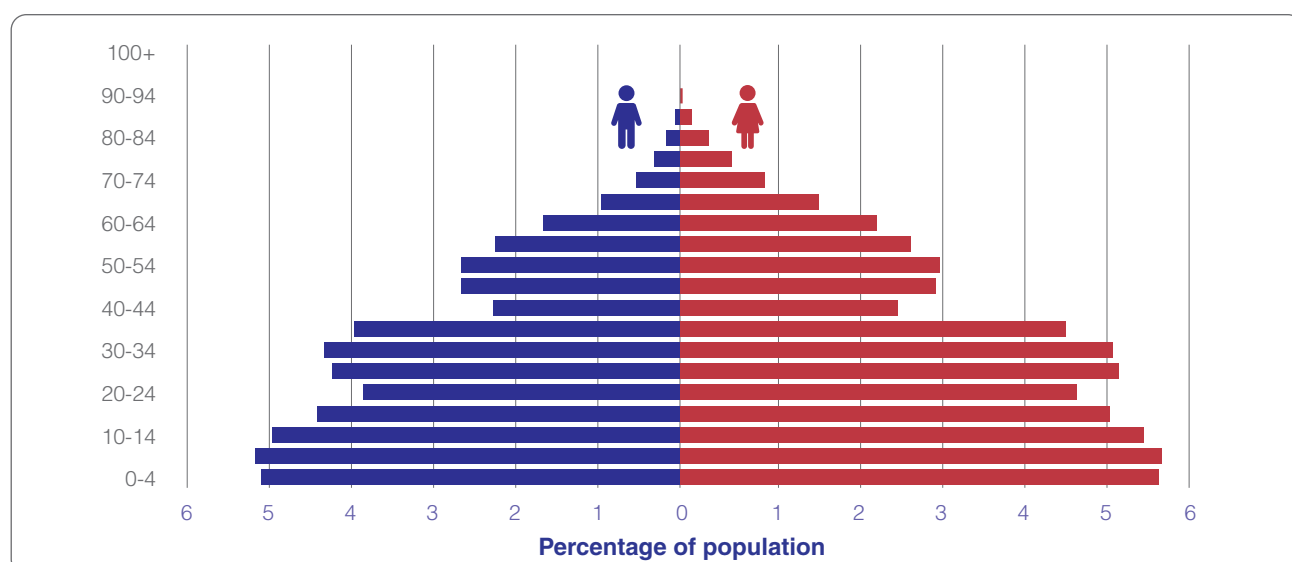
Political stability: Cambodia has maintained political stability since the late 1990s, and there are no significant signs of this stability shifting in the foreseeable future. After leading Cambodia for 38 years, former Prime Minister Hun Sen has left his seat since July 2023's election to his eldest son, Hun Manet, previously a four-star general educated in the United Kingdom and the United States.

Pro-business policies: Since the early 1990s, Cambodia has strategically positioned itself as an attractive hub for foreign investment and business development. The country offers a compelling array of incentives, including investment incentives and tax breaks, particularly in priority sectors. Cambodia's pro-business stance extends to virtually all sectors of its economy, making them accessible for private investments. Notably, Cambodia's regulatory framework permits 100% foreign ownership of private companies, a remarkable advantage that surpasses the prevailing laws in neighbouring nations. There are, of course, exceptions to this openness, with certain sectors such as narcotics, psychotropic substances production, toxic waste management, poisonous chemicals, and specific pesticides being subject to restrictions. This favourable business environment has cemented Cambodia's reputation as a foreign investor-friendly destination in the region.

Young population: Cambodia's young population is a demographic advantage for manufacturing industries. 30% of the population is under the age of 14. This means that there is a large pool of potential workers soon to enter the workforce. The World Bank estimated in 2020 that 11 million people in Cambodia were of working age.



Figure 9: Cambodia's age demographics in 2020



Source: populationpyramid.net

Low cost of labour and doing business: Cambodia's minimum wage in its largest industrial sectors, GFT, is USD 204 per month, which is indicative of the country's relative advantage in terms of cheap labour costs. Cambodia is an attractive destination for labour-intensive industries with basic assembly lines.

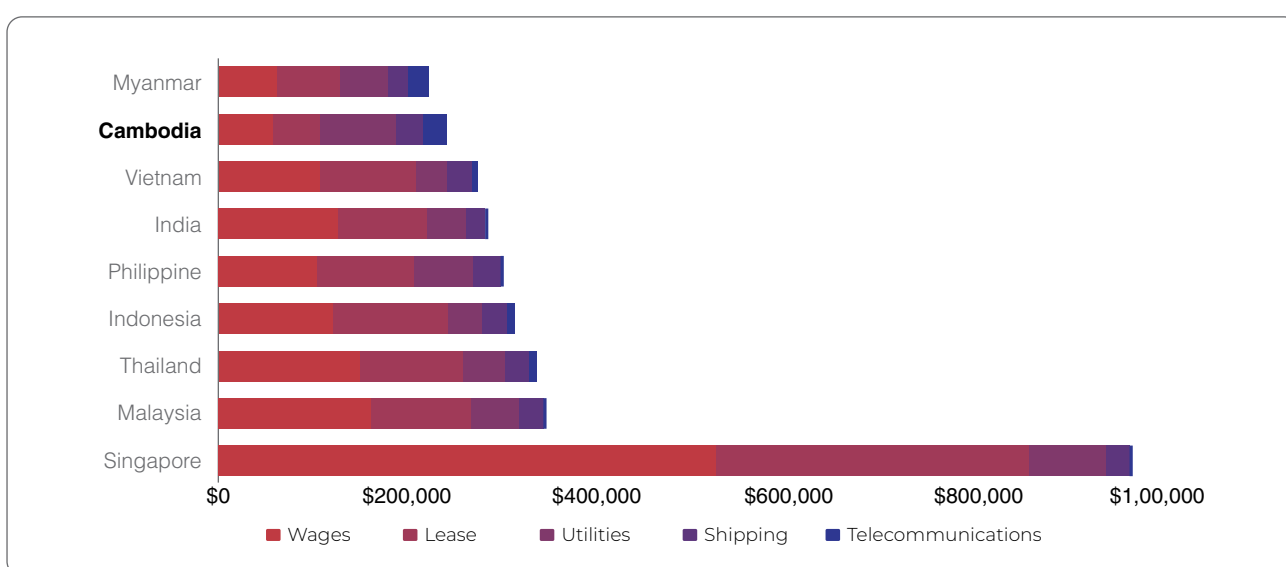
TMX, an Asia-Pacific business transformation consultancy, conducted a study to compare the operating costs of manufacturing industries across ASEAN. They used a proxy with a standardised scenario using the following parameters⁵:

⁵ Benger, M. and An, R. (2021) *The Great Supply Chain Migration – Breaking Down the Cost of Doing Business in Asia*. rep. TMX. Available at: <https://tmx.global/wp-content/uploads/2021/11/Cost-of-Doing-Business-Report-Final.pdf>.

- Labour force: 207 employees
- Lease: 20,000 square metres of warehouse space
- Logistics: 14 40-foot containers to major markets, including the United States, Europe, China, Japan, the United Arab Emirates, Australia, and New Zealand
- Electricity consumption: 400,000 kilowatt-hours (kWh) per month
- Water usage: 1,000 cubic meters per month
- Landlines, cell phones, and internet

The study found that Cambodia has one of the lowest operating costs in ASEAN, with average manufacturing costs ranging from USD 63,000 to USD 220,000 per month.

Figure 10: Operating costs by type, country comparison (2021)



Source: TMX

Access to markets: Cambodia is a member of several regional trade agreements, which gives businesses access to a large market of consumers. Cambodia is a member of the World Trade Organisation (WTO) since 2004, enabling it to import goods from the world market at a lower Most Favoured Nation (MFN) rate compared to non-WTO member countries. Additionally, as a Least Developed Country, Cambodia enjoys preferential tariffs. In addition to the ASEAN Free Trade Agreement (AFTA), Cambodia has also participated in negotiations for regional free trade agreements with some of ASEAN's dialogue partners, including the ASEAN-China Free Trade Agreement (ACFTA), the ASEAN-Republic of Korea Free Trade Agreement (AKFTA), the ASEAN-Japan Free Trade Agreement (AJFTA), the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the ASEAN-India Free Trade Agreement (AIFTA) and the ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA).

After almost ten years of negotiations, the Regional Comprehensive Economic Partnership (RCEP) was signed in 2020 between ASEAN and five dialogue partners (China, Japan, South Korea, Australia, and New Zealand). RCEP contains 20 chapters and more than 14,000 pages of country-specific commitments related to goods, services, investment, trade facilitation, intellectual property, e-commerce, standards, SMEs, government procurement, and dispute settlement.

Strategic Location: Sharing borders with Thailand, Vietnam, and Lao PDR, Cambodia is just a few hours drive away from three of ASEAN's rising markets. This provides the opportunity to integrate its economy into regional value chains. Cambodia has four Special Economic Zones (SEZs) strategically located at the Thai border and 13 SEZs at the Vietnamese border. Cambodia also recently completed the Phnom Penh-Sihanoukville expressway, connecting the capital to the coast and heavily reducing the travel time between the two cities.

“

[We] recognised the need to mitigate the risk of supply shortages and soaring processing costs in Thailand. In response to these challenges, the company decided to explore investment opportunities in Cambodia.

”



Figure 11: Map of the Greater Mekong Subregion



Source: greatermekong.org

Alignment with International Investment Framework

The National Assembly has passed a series of significant laws, including the 2019 Trust Law, the 2019 Construction Law, the 2022 Law on Public-Private Partnerships, the 2019 Law on E-commerce, the 2019 Law on Social Security Schemes, the 2019 Law on Consumer protection, the 2021 Competition Law, and the 2021 Law on Investment. Furthermore, there are additional laws in the drafting process, anticipated to take effect soon. These legislative changes aim to enhance the regulatory environment for both foreign and domestic investors, providing a better framework for their business operations.

Challenges for Manufacturing Industries in Cambodia

Despite the advantages of establishing a manufacturing industry in Cambodia, existing manufacturers face several challenges, including high electricity costs, low labour skills, and expensive logistics costs. It is important to note, however, that

Cambodia has been making progress in addressing these challenges. The government has shown commitment to improving the business environment, including addressing issues related to electricity costs, infrastructure, and labour skills.

Electricity Cost

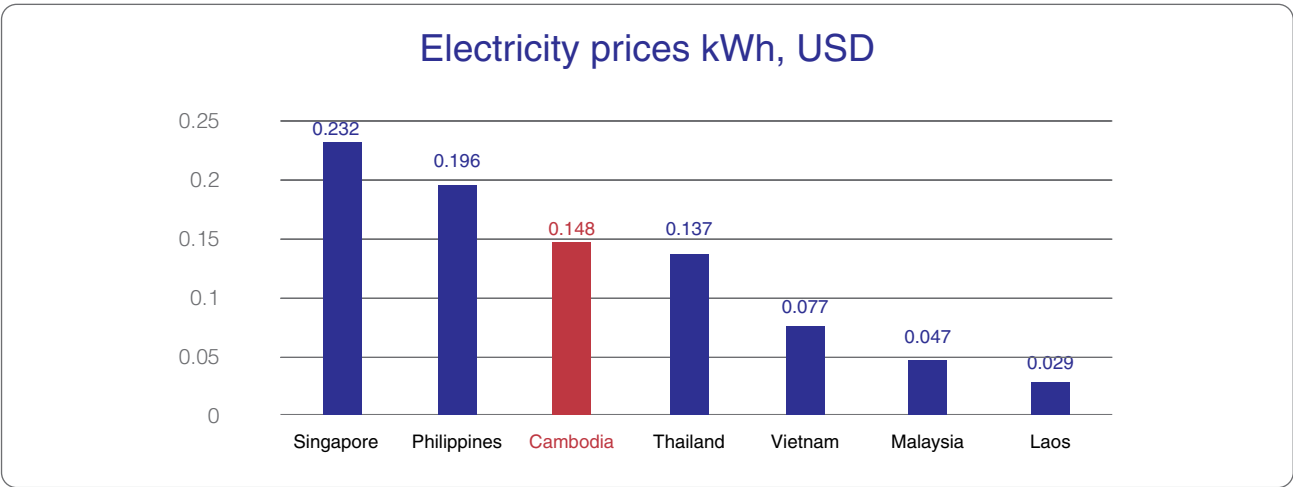


Cambodia has made significant strides in its energy landscape, increasing access to electricity from 6.6% in 2000 to 97.5% in 2021. The government has prioritised energy security through initiatives like the Power Development Master Plan 2022-2040 and the National Energy Efficiency Policy (NEEP). These measures aim to provide a consistent supply of electricity at stable prices, reducing vulnerability to global price fluctuations. However, Cambodia still suffers from relatively high electricity prices. Furthermore, the national grid does not cover all areas in Cambodia, leaving some rural areas without

power. Challenges in expanding the renewable energy sector persist due to a lack of regulatory framework, high initial costs, and limited access to affordable financing.

It should be noted that approximately 61% of Cambodia's energy production is sourced from renewable energy (coming from hydropower plants mostly) as of 2022, contributing to one of the lowest levels of CO₂ emissions per capita in the ASEAN region.

Figure 12: Comparison of electricity prices in Southeast Asia



Data source: Global Petrol Prices, 2023

To address the issue of high electricity costs and make electricity more inexpensive in the long run, the government has been decidedly developing its energy infrastructure and reducing dependency on expensive imports. Recently, they issued the “National Energy Efficiency Policy 2022-2030,” which includes measures to reduce energy use through increased energy efficiency. The initiative sets a national goal of reducing overall energy consumption (thermal and electrical) by at least

19% by 2030, from almost 90 tWh (tera-watt hours) in a business-as-usual scenario to around 72 tWh. To finance energy efficiency measures, the government intends to deploy fiscal and non-fiscal incentives, specialised funds for energy efficiency, carbon financing instruments, green bonds, and international climate and clean energy funds. It will also establish a system for monitoring and evaluation, as well as a data management system.

Low Labour Skills



Structural challenges stemming from the education system require improvement to better equip individuals for the job market. While certain sectors, such as engineering, are making progress in skill

development, there is a continued need for more university programmes to align with the evolving job market demands.

“

While it is easy to find workers in Cambodia, many of them lack the necessary skills required for their operations

”

gomi

Two key issues remain: a shortage of skilled labour in specific areas leading to low productivity and occasional reliance on expatriate staff for certain roles. Furthermore, there is a noticeable gap in the education of local managers. Despite the growing digital knowledge base, the quality of education and training for managers falls short of international standards. This deficiency extends beyond certifications, encompassing broader aspects of

education, including behaviour and work ethic.

This assessment is reflected in the country's low productivity, in terms of low GDP per hour worked, currently standing at USD 3.5. It is worth noting that the relatively low wages in Cambodia somewhat offset this lower productivity, providing the country with a competitive advantage.

Challenges with Logistics

Important Infrastructure Developments

7

Expressways

2 under study, 1 active
4 in the pipeline

13

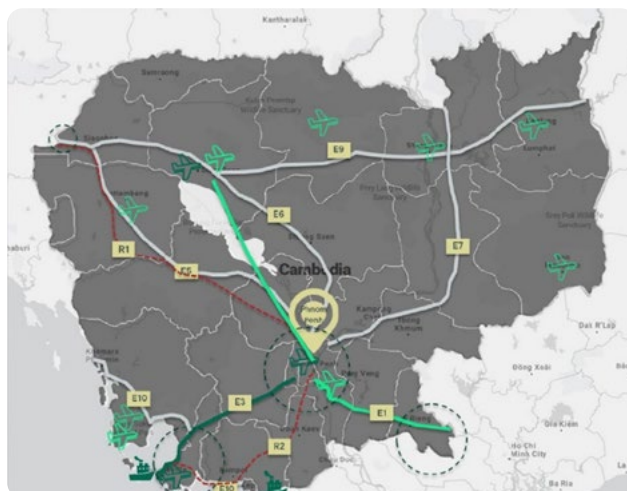
Airports

3 under construction, 3 active
7 in the pipeline

2

Deep Port Terminals

2 under construction



Legend

- Deep Port
- Railway
- Under Study Expressway
- Existing Expressway
- Processed Expressway
- Cluster of Factories
- Existing Airport
- Under Construction Airport
- Planning Airport

Source: MPWT, KOICA, December 2017 & CBRE Research, 04 2022

Investors regularly raise the logistical challenges when doing business in Cambodia, notably the quality of Cambodia's highway system and the general state of road infrastructure connecting Cambodia to neighbouring nations like Thailand and Vietnam.

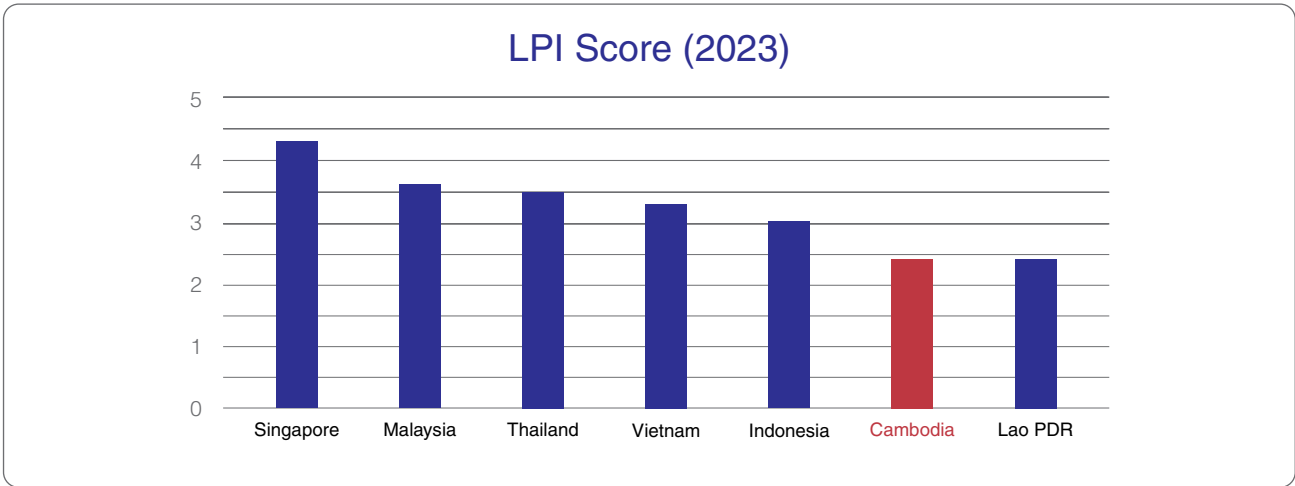
Consequently, supply chains in Cambodia are often considered underdeveloped and hinder the efficiency of logistics and transportation within the country. Prospective investors express concerns about the limited availability and potential delays in procuring essential raw materials and inputs for their industrial operations. The high transportation

costs associated with acquiring these raw materials, coupled with the possibility of operational disruptions due to delivery delays, are viewed as risks by manufacturing enterprises.

According to the World Bank, Cambodia's score on the Logistics Performance Index (LPI) in 2022 was 2.1, with 1 being the lowest and 5 being the highest. The LPI is based on two components:

- 1. A worldwide survey of international logistics operators.
- 2. Information on maritime shipping and container tracking, as well as postal and air freight services.

Figure 13: Logistics Performance Indexes of Cambodia, Indonesia, Lao PDR, Malaysia, Singapore Thailand & Vietnam



Source: World Bank

The Cambodian government recently introduced the Comprehensive Intermodal Transport Master Plan 2022-2030. The goal of this plan is to create a strong logistics ecosystem by updating critical infrastructure, such as airports, seaports, roadways, river canals, and trains. This will lead to an improvement of cargo and passenger flow. To achieve these goals, Cambodia will invest around USD 30 billion in 150 projects focused on updating essential logistics infrastructure. These investments are crucial to ensure the success of Cambodian exporters' supply chains.

Upgrades are also being made at Sihanoukville Autonomous Port (PAS), the main seaport in Cambodia, to attract mother vessels from Europe and North America. With the completion of the New Container Terminal Phase 1 in 2026, 93% of intra-Asian container ships will be able to reach Sihanoukville Port. This will greatly decrease logistics costs for shipments and enhance Cambodia's competitiveness. The New Container Terminal Phase 3, which is anticipated to be finished in 2029, will attract direct shipping lines from Europe and North America. Sihanoukville Port is expected to carry 2.5 million 20-foot-containers by 2035, 3 million 20-foot-containers by 2040, and 3.7 million 20-foot-containers by 2050.

Law on Investment

Cambodia issued a new Law on Investment on October 15, 2021, officially known as the Law on Investment in the Kingdom of Cambodia. Both local and foreign investments in the country are governed by the law. The predecessor to the law was passed by the Cambodian government in 1994 and revised in 2003, with the New Law on Investment now replacing the old law and amendment. The law aims to modernise and streamline Cambodia's investment environment by aligning rules with ASEAN best practices. The New Investment Law

was prompted, in part, by the government's desire to boost Cambodia's economic recovery following the consequences of COVID-19.

The New Law on Investment applies to all Qualified Investment Projects (QIPs), Expanded Qualified Investment Projects (EQIPs), and Guaranteed Investment Projects (GIPs), registered with the Council for the Development of Cambodia (CDC) or the Municipal-Provincial Investment Sub-Committees.

Investment guarantees and protections

Under the new Law on Investment, investors are entitled to restitution, compensation or other economic remedies for losses due to armed conflict, civil disturbance or a state of emergency. In addition, the law also provides for, inter alia:

- Fair treatment between domestic and foreign investors (albeit restrictions on land ownership still remain)
- Protection against nationalisation or expropriation
- Prohibition against price fixing by the government
- Freedom with regards to foreign exchange and profit repatriation
- Protection of the investor's intellectual property

Investment sectors and activities that are entitled to incentives

One of the most significant developments following from the New Law on Investment is the newly updated incentives for QIPs. This will be further discussed under the section "Incentives for QIPs".

Sub-decree on the 'Implementation of the Law on Investment'

Sub-decree on the 'Implementation of the Law on Investment'

On 26 June 2023, the Royal Government of Cambodia issued Sub-decree No. 139 on the Implementation of the Law on Investment. This Sub-decree addresses:

- Investment groups
- Negative lists
- Registration procedures of investment projects
- New incentive options (including additional and special incentives for car assembly/installation investment projects)
- Authority, and aftercare services, of the Council for the Development of Cambodia
- Municipal-Provincial Investment Sub-Committee
- Merger and acquisition/sale of investment projects
- Investment project nullification.

The scope of the Sub-decree is meant to bring clarity as to which investment activities are entitled to tax and non-tax incentives, details of registration and implementation of investment projects and other details relating to aftercare services. The Sub-decree is a result of feedback from companies on the 2021 Law of Investment and aims to improve and clarify the law to foster investment in the Kingdom.

The Sub-decree includes the updated list of promoted investment activities and sectors, as well as the negative list, which lists investment activities that are not entitled to incentives. The negative list consists of 213 investment activities (22 in agriculture, 46 in services, 120 in industry, 25 in infrastructure).

The Sub-decree clarified the classification of investment projects and created three different

categories with three different lists of activities to determine how long the investment project is entitled to the incentive. The first category lists 37 main investment activities entitled to 9-year corporate income tax (CIT) exemption, the second category lists 65 main investment activities entitled to a 6-year CIT exemption and finally the third category lists 32 main investment activities entitled to a 3-year CIT exemption.

Further, the Sub-decree also classifies a list of 21 investment activities eligible for production input incentives for domestic QIPs. The Sub-decree also clarifies what activities are entitled to exemptions of customs duties, special tax, and value-added tax but that are not eligible for tax incentives for the import of construction material, construction equipment, and production equipment.

Encouraged Industries



The following sectors and industries are entitled to investment incentives, thus considered encouraged industries by the Kingdom:

- High-tech industries involving innovation or research and development: information and communication technology, biotechnology, and renewable energy
- Innovative or highly competitive new industries or manufacturing with high added value: pharmaceuticals, medical devices, and aerospace
- Industries supplying regional and global production chains: automotive parts, electronics, and garments
- Industries supporting agriculture, tourism, manufacturing, regional and global production chains, and supply chains: food processing, packaging, and logistics
- Electrical and electronic industries: televisions, mobile phones, and computer components
- Spare parts, assembly, and installation industries
- Mechanical and machinery industries
- Agriculture, agro-industry, agro-processing industry, and food processing industry.

Please note that these are just a some of the encouraged industries in Cambodia. The government is continuously reviewing and updating the list of encouraged industries to ensure that it is aligned with the country's economic development goals.

Incentives for QIPs

Basic incentives

Investment activities registered as QIPs are entitled to choose between two basic incentive options:

Option 1 – Tax Exemption Period:

Income tax exemption for three to nine years, depending on the sector and investment activities, from the time of first income generation. The sectors and investment activities, as well as the period of income tax exemption, shall be determined in the law on financial management and/or the Law on Investment (LoI) sub-decree.

After the income tax exemption period has expired, the QIP's income tax will increase gradually over six years at a progressive rate proportional to the total tax due as follows: 25% for the first two years, 50% for the next two years and 75% for the final two years. Further, this option includes:

- Prepayment tax exemption during income tax exemption period
- Minimum tax exemption provided that an independent audit report has been carried out
- Export tax exemption, unless otherwise provided in other laws and regulations

Option 2 – Special Depreciation:

The second option for basic incentives entails that investors in Cambodia can deduct capital expenditure through special depreciation, which allows them to deduct up to 200% of specific expenses incurred for up to nine years. The sectors and investment activities, specific expenses, as well as the deductible period, are determined in the Law on Financial Management and/or the LoI Sub-Decree. Further, this option includes:

- Prepayment tax exemption for a specific period of time based on sectors and investment activities
- Minimum tax exemption provided that an independent audit report has been carried out
- Export tax exemption, unless otherwise provided in other laws and regulations

In addition to the incentives under option 1 or option 2:

- A. Export QIPs and Supporting Industry QIPs are entitled to an exemption of customs duties, special tax and value-added tax for the import of construction material, construction equipment, production equipment and production inputs
- B. Domestically Oriented QIPs are entitled to an exemption of customs duties, special tax and value-added tax for the import of construction material, construction equipment, and production equipment

Additional incentives

In addition to the basic incentives, investment activities registered as QIP receive additional incentives that are specifically focused on advancing local production, R&D, and improving the working conditions of local employees:

- Value-added tax exemption for the purchase of locally made production inputs for the implementation of the QIP
- Deduction of 150% from the tax base for any of the following activities:

- Research, development and innovation;
- Human resource development through the provision of vocational training and skills to Cambodian workers/employees;
- Construction of accommodation, food courts or canteens where reasonably priced foods are sold, nurseries and other facilities for workers/employees;
- Upgrade of machinery to serve the production line; and
- Provision of welfare for Cambodian workers/employees, such as comfortable means of transportation to commute from their homes to factories, accommodation, food courts or canteens where foods are sold at reasonable prices, nurseries and other facilities.

Special incentives

In addition to basic and additional incentives, the new Law on Investment paves the way for the Royal Government to provide specific incentives to sectors and investment activities that have high potential to contribute to national economic development, which are identified in the Financial Law for Management.

Summary of QIP Incentives

- Long term lease up to 50 years
- Profit/income tax exemption from 3-9 years (Starter + 3 years + priority period: 0%) plus 25% for the first 2 years, 50% for the next 2 years and 75% for the final 2 years)
- Tax exemption for customs duty, special tax and VAT (Value-added tax)
 - For export QIPs and supporting industry QIPs: construction materials, construction equipment, production equipment and production inputs.
 - For domestically oriented QIPs: import of construction material, construction equipment, production equipment and production inputs (subject to conditions)
 - VAT exemption
 - Purchase of locally made production inputs
- Deduction of 150% from the tax base for the following activities
 - Research, development and innovation
 - Human resource development for Cambodian workers or employees
 - Construction of facilities for the comfort of workers or employees
 - Upgrade of machinery
 - Provision of welfare for Cambodian workers and employees
- Income Tax Exemption for the Expansion of QIP
- Special Customs Procedures of Imports and Exports (Seamless route)
- Employment of foreign expatriates authorises up to 10% of all employees, staff and workers
- Investment Guarantees (Article 8 to 11 of “Amended Law on Investment”: equal treatment of all investors regardless of their nationality, no nationalisation adversely affecting investors’ properties, no price controls on investors’ products or services, guaranteed ability to remit foreign currencies abroad, and residency visas for spouses and dependents.)
- Customs duty exemptions
- VAT exemptions
- Profit tax holidays



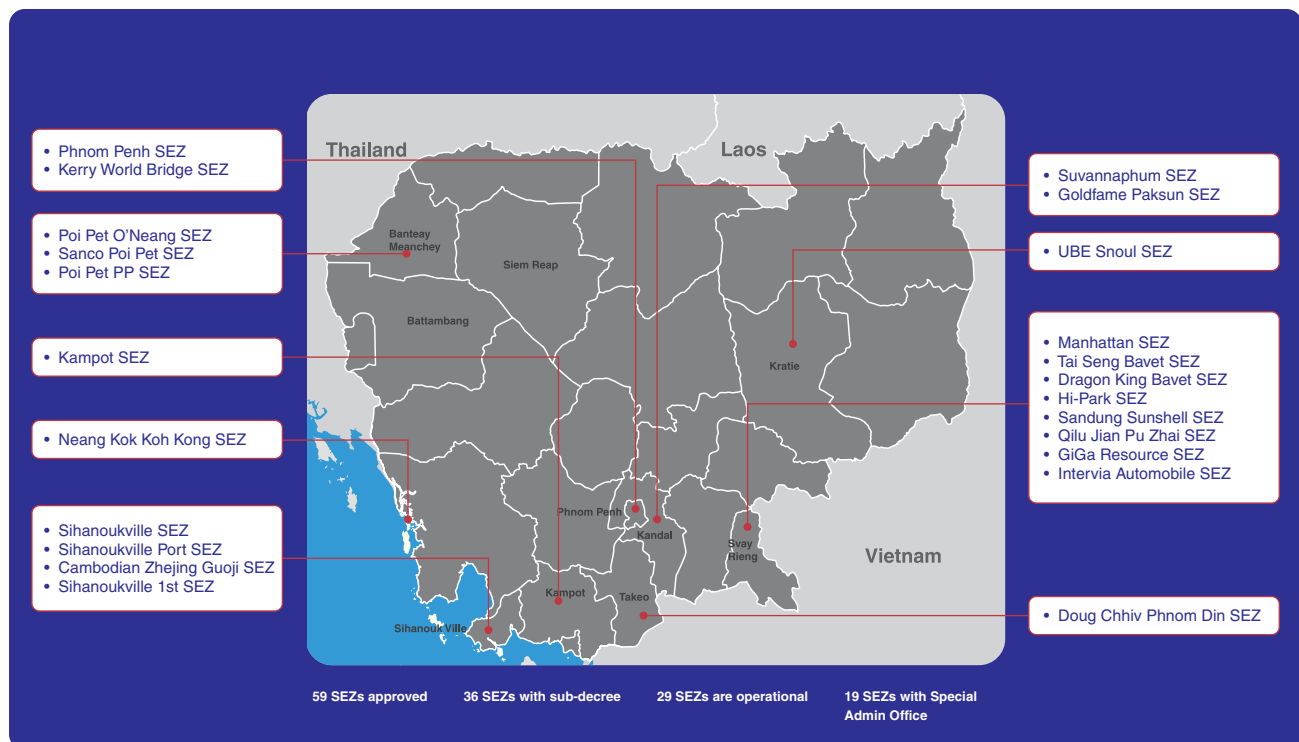
Special Economic Zones

Special Economic Zones (SEZs) are designated areas within a country that are subject to distinct trade laws and regulations. These zones are established by governments to attract domestic and foreign investments, promote economic growth, boost exports, and create employment opportunities. SEZs typically offer a range of incentives and benefits to businesses operating within their boundaries, making them attractive destinations for investment. In Cambodia, SEZs have emerged as attractive destinations for foreign investors looking to establish their companies. One such advantage

is the preferential treatment offered to companies operating within SEZs, including tax incentives, streamlined regulations, and better access to authorities in charge of trade, customs, and taxes.

Cambodia currently has 59 approved SEZs. Twenty-nine of them are operational and 19 have a special administrative office onsite. The zones have helped to start diversifying the industrial base, moving away from the textile and garment sector. SEZs in Cambodia are taking on an ever more important role in the country's export-led development strategies.

Figure 14: Cambodia SEZs map



Source: Based on CDC

In Cambodia, SEZs provide an opportunity to attract manufacturing investments that might otherwise not happen because of domestic conditions. Their aim is to reduce costs and risks that might discourage investments by offering a range of services to create a more favourable investment environment. SEZs in Cambodia host a range of industries, such as textiles and garments, manufacturing, electronics, automotive parts, agriculture and food processing, and logistics. Firms operating in an SEZ tend to be more export oriented and tend to be owned by foreigners. They are typically younger and larger companies compared to non-SEZ firms.

Cambodia has established several types of SEZs, including Export Processing Zones (EPZs), Special Economic Zones (SEZs), and industrial parks. EPZs focus on export-oriented manufacturing, SEZs promote various industries, and industrial parks primarily cater to manufacturing activities. SEZs are strategically located throughout Cambodia to maximise their economic impact. Some prominent SEZs include:

Sihanoukville SEZ:

Located in the coastal Sihanoukville province, this SEZ is one of the largest in Cambodia. It focuses on industries such as textiles, garments, construction materials, and logistics.

Phnom Penh SEZ:

Situated in the outskirts of the capital city, Phnom Penh SEZ is known for electronics manufacturing, automotive parts, and light industries.

Poipet PPSEZ:

Located in Banteay Meanchey province near the Thai border, this SEZ specialises in automobile parts, electronics, and garment production.

Manhattan SEZ:

Located in Bavet province strategically located on National Highway 1 and very close to the border with Vietnam. It specialises in bicycle and lighting fixtures production, along with garment manufacturing.

Tai Seng Bavet SEZ:

Also located in Bavet municipality very close to the border with Vietnam and National Highway 1, this SEZ specialises in lightning fixtures, bicycles and clothes manufacturing.

SEZs like Phnom Penh SEZ have been selected to issue green and sustainability bonds with support from the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and their partners. This USD 20 million support will assist in the efforts to promote green and sustainable finance in the region.

SEZs in Cambodia are governed by the Law on Special Economic Zones and various sub-decrees. The Cambodian Special Economic Zone Board (CSEZB), an authority placed under the Council for the Development of Cambodia, is responsible for overseeing the development and management of SEZs. It's worth noting that Cambodia's SEZs are established and managed by private sector developers, however the government is involved with representatives on site to assist with administrative services.

Advantages Offered by SEZs in Cambodia

By choosing to set up their operations in a SEZ, companies can generally enjoy the following benefits:

One-stop service:

SEZs have streamlined administrative processes and provide one-stop services for business registration, licensing, and permits. This makes it easier for companies to set up and operate. They provide a single point of contact for various regulatory approvals, reducing bureaucratic hurdles.

Infrastructure:

SEZs provide well-developed infrastructure, including roads, utilities, water supply, and waste management systems. These factors enhance the ease of doing business, reducing operational challenges for companies within the zone.

Opportunities to collaborate with other investors:

Setting up a factory within a SEZ enables joint projects and investments, further enhancing potential economies of scale by sharing costs.

“

[We] enjoy a sense of community, where [we] not only help each other but also perform collaborative projects, such as renewable energy, that would be difficult to do alone but as a collective [we] can bring down the cost.

”

Coca-Cola

Challenges in Cambodia's SEZs

Manufacturing in Cambodia's SEZs offers several benefits, but there are also some challenges. One challenge is that the average monthly wage tends to be slightly lower in SEZs than in other parts of the country. This can make it difficult to attract and retain workers, especially skilled workers. Another challenge is the shortage of skilled workers in Cambodia. This is especially true for managerial positions. Companies operating in SEZs may need to train their own workers or hire foreign staff, both of

which can be expensive and result in high turnover (SEZs are usually located far from urban areas where staff could find better living conditions). The lack of skilled workers has led to Cambodia missing out on investments along the Thai-Cambodian border, under the Thailand Plus One model for instance. Additionally, firms operating in the SEZs in Cambodia have reported concerns regarding management malpractices and high management and electricity fees.

Procedures of Establishing a Business in SEZs

In order to establish a business in a Cambodian SEZ, investors are recommended to follow the following procedures:

- 1. Preliminary Research:** Conduct thorough research to understand the SEZs in Cambodia, their locations, available incentives, and the industries they cater to. Identify the SEZ that aligns with your business objectives and requirements.
- 2. Engage with SEZ Management Authority:** Contact the SEZ management authority of the chosen SEZ to gather detailed information and clarify any queries related to establishing a business within the zone. They will guide you through the process and provide specific requirements.
- 3. Company Registration:** Register your company with the Cambodian Ministry of Commerce. This involves selecting a unique business name, drafting the articles of incorporation, and submitting the required documents, including identification of shareholders and directors.
- 4. Business Plan:** Prepare a comprehensive business plan that outlines your company's objectives, market analysis, financial projections, and operational strategies. This plan will demonstrate the viability of your business to the SEZ management authority and other relevant agencies.
- 5. Investment Proposal:** Prepare an investment proposal that highlights the details of your business, including investment amount, job creation potential, technology transfer, and other relevant information. Submit the proposal to the SEZ management authority for evaluation.
- 6. Obtain Investment Certificate:** Apply for an investment certificate from the CDC, which oversees SEZ investments. The application includes submitting the investment proposal, business plan, and other required documents. The CDC will review and approve the investment proposal.

- 7. Lease or Purchase Land:** Negotiate and finalise the lease or purchase agreement for the land within the SEZ. This involves discussing terms and conditions with the SEZ management authority, such as lease duration, rental rates, and land size.
 - 8. Construction and Infrastructure:** Develop the necessary infrastructure and facilities for your business within the SEZ. This may involve constructing buildings, installing utilities, and setting up necessary infrastructure to support your business operations.
 - 9. Permit and License Acquisition:** Obtain all necessary permits and licenses required for your specific business activity. This may include environmental permits, construction permits (if applicable), industry-specific licenses, and any other regulatory approvals.
 - 10. Recruitment and Work Permits:** Hire employees for your business operations. Apply for work permits for foreign employees through the Ministry of Labor and Vocational Training, following Cambodian labour regulations.
 - 11. Commence Operations:** Once construction is completed, permits and licenses are obtained, and necessary approvals are in place, you can start your business operations within the SEZ.
- It is important to note that the specific procedures and requirements may vary depending on the SEZ and the nature of your business. It is advisable to engage with the SEZ management authority and relevant government agencies for detailed and up-to-date information on the specific requirements and processes involved in establishing a business in a Cambodian SEZ. As SEZ responsiveness and professionalism may vary, choosing one of the major SEZs in the country may provide the safest approach.

Exploring Cambodia's Main SEZs



This guidebook provides more detailed information and case studies from selected SEZs in Cambodia: Phnom Penh SEZ, Manhattan SEZ, Poipet PP SEZ, Sihanoukville SEZ, Sihanoukville Port SEZ, and Tai Seng Bavet SEZ. The selection of the SEZs is justified based on several factors including their size, location, investors, infrastructure, facilities, and services, which include a thorough banking system, housing options, and services including administrative support, customs facilitation, logistical support, security, and accessibility to skilled labour. By considering these factors, our selection was made in favour of the SEZs outlined below for case studies and more in-depth information.

The chosen SEZs represent some of the largest ones in Cambodia with diverse and notable investors. For instance, the Sihanoukville SEZ and Phnom Penh SEZ manage the first and second largest number of investment projects in Cambodia. With a total area

of 1,113 hectares, Sihanoukville SEZ hosts mainly Chinese and Cambodian enterprises. On the other hand, there are around 100 international companies originating from 15 different nations invested in the Phnom Penh Zone, including Coca Cola, Toyota, Denso, and Minebea.

The selected SEZs are also strategically located in different regions of Cambodia. Phnom Penh SEZ is a prime example of an SEZ in a major urban area. The Manhattan and Tai Seng Bavet SEZs are in Bavet, a town on the border with Vietnam, which offers unique opportunities for cross-border trade. Poipet PP SEZ is located near the border of Thailand, making it strategically suited for cross-border trade and logistics. Finally, Sihanoukville Port SEZ and Sihanoukville SEZ represent SEZs geared towards maritime trade, located closely to the Sihanoukville Autonomous Port.

Figure 15: Comparison of five SEZs in Cambodia

Phnom Penh SEZ

Monthly land lease (50 years)	USD 80-90/m²
Total land area	360 ha. Expansion of another 100 ha in progress.
Rate of occupancy	99%
Current tenants' industrial type	Garment/Electronic/Wire Harness/Food/Packaging/Solar PV/automotive
Internet provider	Yes (tenant will be responsible for connection)
Infrastructure maintenance fee	USD 0.06/m²/month
Electricity fee	Electricity: Option1 (without backup) \$0.137/kwh Option2 (with backup) \$0.1565/kwh
Water fee	USD 0.30/m³
Sewage treatment fee	up to USD 0.26/m³
Freight and trade costs	N/A
Contact details	uematsu@ppsez.com
Website	www.ppsez.com
Phone	+855 23 729 798

Sihanoukville Port SEZ

Monthly land lease (50 years)	USD 70-80/m ²
Total land area	63 ha
Rate of occupancy	30.5%
Current tenants' industrial type	Packaging
Internet provider	Yes (tenant will be responsible for connection)
Infrastructure maintenance fee	Free of charge
Electricity fee	Charged based on EDC price
Water fee	USD 0.50/m ³
Sewage treatment fee	USD 0.50/m ³
Freight and trade costs	N/A
Contact details	spsez@pas.gov.kh
Website	www.pas.gov.kh
Phone	+855 34 933 511

Poipet PP SEZ

Monthly land lease (50 years)	USD 50/m ²
Total land area	69.2 ha
Rate of occupancy	12%
Current tenants' industrial type	Garment/electronic/automotive
Internet provider	Yes (tenant will be responsible for connection)
Infrastructure maintenance fee	USD 0.06/m ² /month
Electricity fee	USD 0.137/kwh
Water fee	USD 0.50/m ³
Sewage treatment fee	USD 0.46/m ³
Freight and trade costs	N/A
Contact details	uematsu@ppsez.com sotheary@ppsez.com
Website	www.ppsez.com/en/our-business/poipet-overview
Phone	+855 23 729 798

Manhattan SEZ

Monthly land lease (50 years)	USD 42-50/m ²
Total land area	Over 400 ha
Rate of occupancy	85%
Current tenants' industrial type	Mainly garment and shoes factories
Internet provider	Yes (tenant will be responsible for connection)
Infrastructure maintenance fee	USD 0.05/m ² /month
Electricity fee	USD 0.137/kwh
Water fee	USD 0.15/m ³
Sewage treatment fee	USD 0.15/m ³
Freight and trade costs	Export: USD 950 for a 20-foot container; USD 1,100 for 40-foot container. Import: USD 1,050 for a 20-foot container; USD 1,200 for a 40-foot container.
Contact details	info@manhattansez.com
Website	www.manhattansez.com
Phone	+855 44 715 125

Tai Seng Bavet SEZ

Monthly land lease (50 years)	USD 2.20/m ²
Total land area	660 ha
Rate of occupancy	65%
Current tenants' industrial type	Clothes/ bicycles/ lighting
Internet provider	Yes (tenant will be responsible for connection)
Infrastructure maintenance fee	USD .05/m ² /month
Electricity fee	USD 0.137/kwh
Water fee	Included
Sewage treatment fee	Free of charge
Freight and trade costs	N/A
Contact details	taiseng.besi168@gmail.com
Website	https://taiseng1688.com/?m=home&c=Lists&a=index&tid=171&lang=en
Phone	+855 88 672 9960

Sihanoukville SEZ*

Average rental per month**	USD 10,248
Total land area	1,113 ha
Rate of occupancy	60%
Current tenants' industrial type	Garments/travel goods/electrical and electronic components/ furniture/solar equipment/ car tyres
Internet provider	Yes (tenant will be responsible for connection)
Contact details	consult@ssez.com
Website	http://www.ssez.com/en/index.asp
Phone	+855 71 860 8066

*Sihanoukville SEZ could not be reached for provision of additional data

**Based on the survey of SEZ firms by ADB in 2014

Figure 16: List of other SEZs in Cambodia

Name of SEZ	Location	Area
MDS THMORDA SEZ	Khum Thmorda, Srock Veal Veng, Pursat Province	2265
Sisit SEZ	Koh Kong, Sre Ambel, Chroy Svay	2,142.07
Kiri Sakor Koh Kong SEZ	Khum Prek Kasach, Srock Kirisakor, Koh Kong Province	1750
Sihanoukville 2 SEZ	Preah Sihanouk, Prey Nob, Bet Trang Ream	1,113.96
UBE Snoul SEZ	Kratie, Snoul, Pi Thnu	817.8
RATANA SEZ	Koh Kong, Sre Ambel, Chroy Svay	615.62
Zhong Jian Jin Bian Jing Te Qu SEZ	Kampong Chhnang, Kampong Tralach, Ta Ches	470.28
Poi Pet O'Neang SEZ	Poipet Commune and Nimit Commune, O' Chhrov	467
Hi-Park SEZ	Chipu Cheat, Bavet City, Svay Rieng Province, Cambodia	400
H.K.T SEZ	Preah Sihanouk, Prey Nob, Teuk Thla	345.2
Neang Kok Koh Kong SEZ	Neang Kok Village, Pakkhleng Commune, Mundul Seyma District, Koh Kong Province	335.43
Kampong Saom SEZ	Village 4, Ortres Commune, Stung Hav District, Preah Sihanouk Province	255
Giga SEZ Bavet	Svay Ta Yean Commune, Svay Teab District, Svay Rieng Province, Cambodia	222
Sovannaphum SEZ	Samraong Thum Commune, Kien Svay District, Kandal Province	204.58
Stung Hav SEZ	Sangkat O Tres, Stung Hav District, Preah Sihanouk Province	196
Chhak Kampongsaom SEZ	Koh Kong, Sre Ambel, Boeung Preav Chroy Svay	185.66
Sihanoukville SEZ 1	Stung Hav District, Preah Sihanouk Province	178
Qi Lu Jian Pu Jay SEZ	Svay Rieng, Svay Rieng, Svay Toea	178
S.N.C SEZ	Sangkat Bet Trang, Khan Prey Nob, Preah Sihanouk Province	150
Kampot SEZ	Kilomet Dobpi Village, Koh Toch and Boeng Chhouk Commune, Kampot District, Kampot Province	145
Thary Kampong Cham SEZ	Da commune, Memot District, Kampong Cham Province	142.14

Sunying Pal and Paper Environmental Technology SEZ	Kampot, Bokor Municipality, Preaek Tnoat	140.72
Try Pheap Ou Ya Dav SEZ	Ratanak Kiri, Ou Ya Dav, Pak Nhai	136
Svay Rieng GIGA Resource SEZ	Svay Rieng, Svay Teab, Kandieng Reay	126.9
D&M Bavet SEZ	Bavet commune, Chantrea District, Svay Rieng Province	117.95
Intervia Automobile Industry Complex SEZ	Svay Rieng, Bavet, Chhak Mtes	111.21
Pacific (SEZ) I C	Salatean and Preytob Villages, Chhrokmates Commune, Svayteab District, Svay Rieng Province.	107.55
Dragon King SEZ	Road No.1, Ang Sala Village, Sangket Prey Ankunh, Bavet City, Svay Rieng Province	106.5
N.L.C SEZ	Phum Prey Phdao abd Phum Thlok, Khum Chrok Mtes, Srok Svay Teab, Sray Rieng Province	105
KANDAL SEZ	Kandal, Khsach Kandal, Prek Ampil	105
Tian Rui Agricultural Trade SEZ	Kampong Speu, Kong Pisay, Roka Koh	101.36
Oknha Mong SEZ	Srea Ambel District, Koh Kong Province	100
Suoy Chheng SEZ	Neang Kok Village, Pakkhleng Commune, Mundul Seyma Destrict, Koh Kong Province	100
Cam MJ Agricultural Park SEZ	Preah Sihanouk, Prey Nob, Cheung Kou	99.31
Shandong Sunshell Svay Rieng	Svay Rieng, Bavet, Prey Angkunh	96.14
Goldfame Pak Shun SEZ	SaAng District, Kandal Province	80
Doung Chhiv Phnom Den SEZ	Kiri Vong District, Takeo Province	79
Kampong Seila SEZ	Preah Sihanouk, Kampong Seila, Kampong Seila	74.87
Ultrapower Technology SEZ	Kampong Speu, Samraong Tong, Tang Krouch	67.39
Sanco Cambo SEZ	Banteay Meanchey, Poipet, Phsar Kandal	66.5
Kerry Worldbridge SEZ	Phnom Penh, Dangkor, Prek Kampues	63
Cambodia-Sino Metallic Material SEZ	Preah Sihanouk, Stung Hav, Keo Pos	55
Songoun Kandal Stung	Kandal, Kanal Stung, Trapeang Veng	50.16
Cambodian Zhejiang Guoji SEZ	Preah Sihanouk, Prey Nob, Cheung Kou	Unknown/No data

Source data: Open Development Cambodia

Royal Group Phnom Penh SEZ

Phnom Penh Special Economic Zone (PPSEZ) is a designated economic zone located approximately 15 kilometers west of the city center in the outskirts of the capital Phnom Penh. It was established in 2006 as a joint venture between the Cambodian government and a private developer, Royal Group, with the aim of attracting foreign investment, boosting economic growth, and creating employment opportunities in the

region. Phnom Penh SEZ is committed to sustainable development and environmental conservation. It implements measures to minimise environmental impacts and promotes responsible industrial practices among its tenants and is strategically located for easy access to the city's infrastructure, international airport, and major transportation routes.



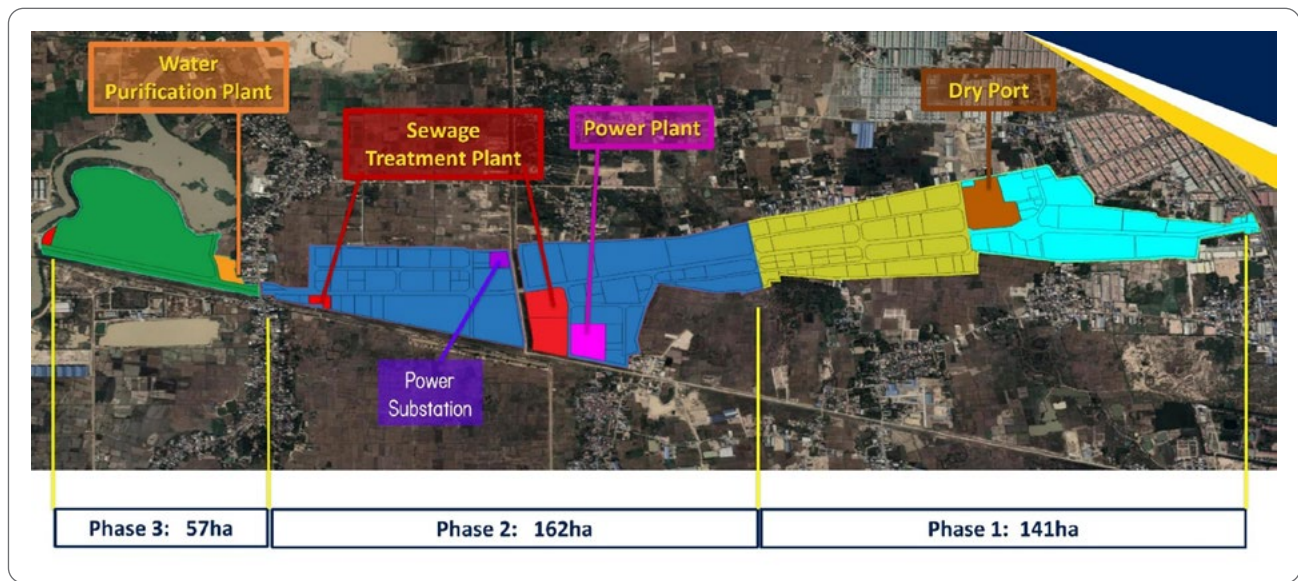
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Royal Group Phnom Penh SEZ is one of Cambodia's leading investment destinations, offering both international and national companies a secure production base. With our strategic location and experienced staff, we currently have 98 companies located in Royal Group Phnom Penh SEZ. We offer reliable, flood-safe infrastructural facilities as well as professional staff on the ground to assist your operation. Additionally, a wide range of support from government institutions is based on site, making us your ideal partner for a successful investment in Cambodia.

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**Ms. Michelle Zhao,
PPSEZ's General Manager**

Figure 17: Map of Phnom Penh SEZ



The economic zone spans an area of around 357 hectares (882 acres) and offers well-developed infrastructure, including roads, electricity, water supply, drainage systems, garbage collection and disposal along with telecommunication networks to support the operations of businesses and industries within the zone. Royal Group Phnom Penh SEZ runs an independent power plant with a national grid capacity of 20 mWh and a power plant capacity of 11mWh. The SEZ also has a water purification system with capacity of 14,900 m³/day and wastewater treatment with capacity of 4,500 m³/day. To facilitate import/export transactions, Phnom Penh SEZ established a dry port to provide reliable and quick loading and storage facilities. Investors operating in the SEZ have the option to choose between 11 internet providers in the area to facilitate their daily operation.

Phnom Penh SEZ provides a favourable business environment and offers various investment incentives to attract both domestic and international companies. It aims to accommodate a wide range of industries, including manufacturing, processing, logistics, warehousing, and services.

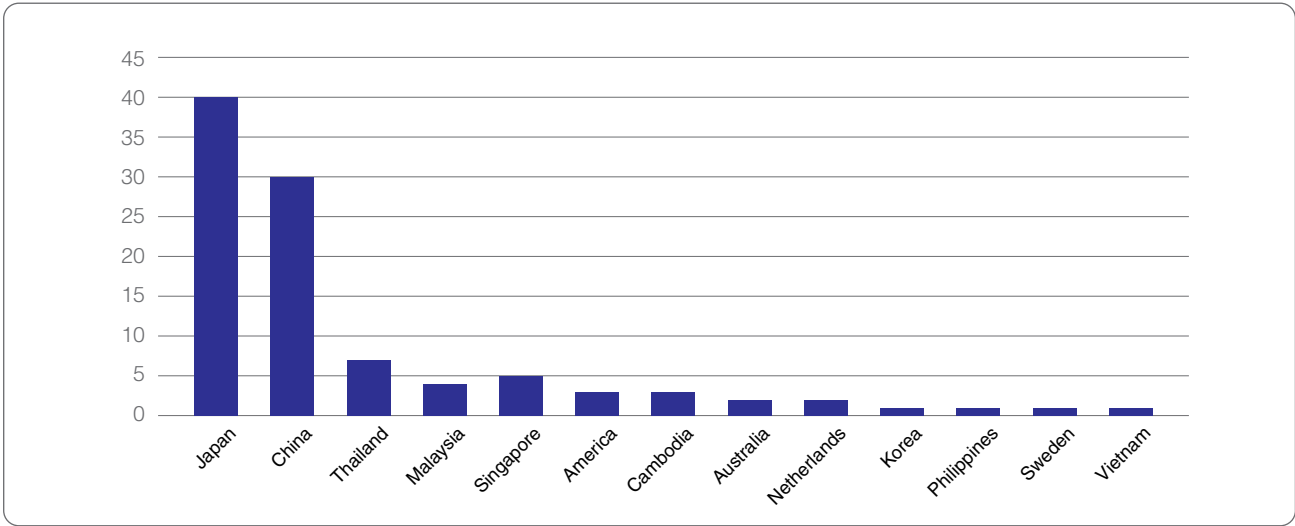
The economic zone operates as an industrial park, providing ready-built factory units, standard factories, and customised infrastructure solutions to meet the specific needs of businesses. It also offers land plots for lease, allowing companies to construct their own facilities on the premises.

Phnom Penh SEZ offers comprehensive support services to facilitate the establishment and operation of businesses within the zone. These services include administrative assistance, customs facilitation, logistics support, security, and access to skilled labour. For instance, the SEZ has built a close relationship with local authorities to establish an employment promotion network and to attract labor forces from remote areas. PPSEZ also provides qualified pre-job training in collaboration with the Thailand-Japan Technology Promotion Association (TPA), to help workers adapt to production activities smoothly. To facilitate hiring and preventing a high turnover, the SEZ also offers a canteen and dorms for the workers. PPSEZ also collaborates with vocational training centers to enhance the skills of the local workforce. In addition to this, the PPSEZ offers both recruitment support and labour management assistance in cooperation with the Ministry of Labour.

Japan and China are the top investors in the SEZ, with Japan having 40 investors and a total investment of USD 266 million, and China having 30 investors and a total investment of USD 229 million.

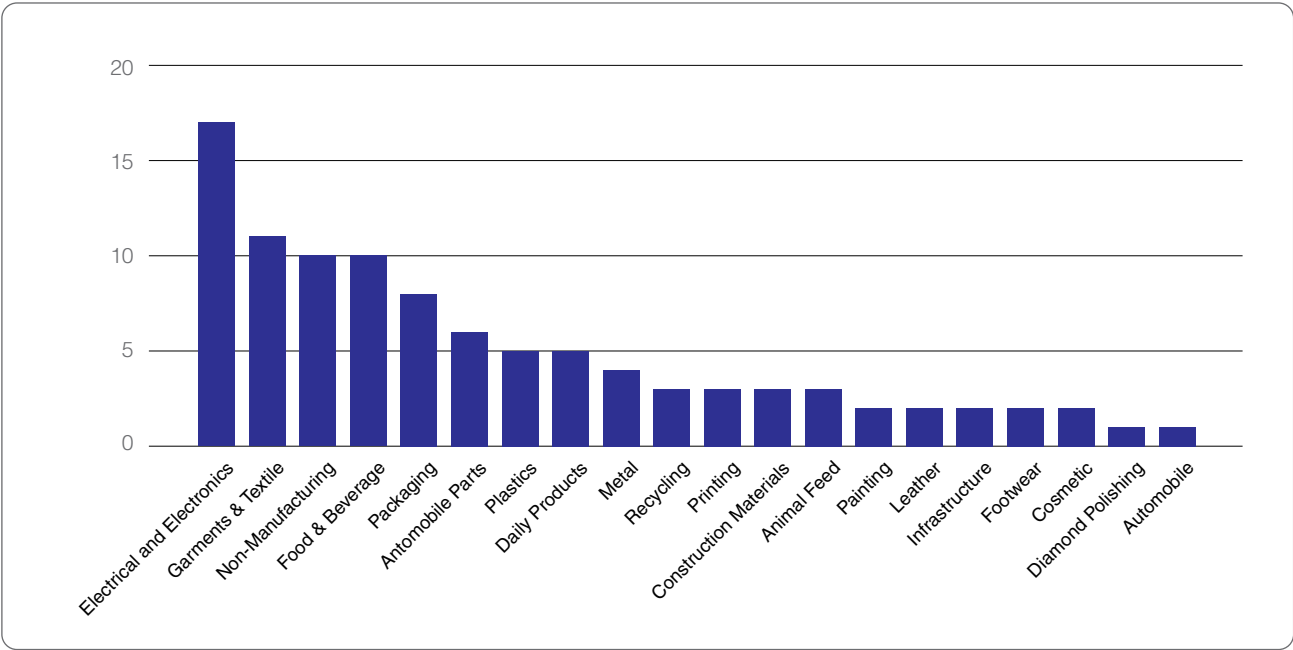
The food and beverage industry has attracted the most investment, with USD 187 million, followed by garments and textiles with USD163 million, and electrical and electronics with USD 118 million.

Figure 18: Number of investors by countries at PPSEZ



Source: PPSEZ

Figure 19: Number of companies by industry at PPSEZ



Source: PPSEZ

Sihanoukville SEZ

Established in 2008, Sihanoukville Special Economic Zone (SSEZ) is one of the key economic zones in the country and has been instrumental in attracting foreign direct investment. SSEZ operates as an industrial park, offering ready-built factory units, standard factories, and land plots for lease. The industrial park provides the necessary facilities and utilities to meet the specific requirements of

businesses operating within the zone.

SSEZ is situated in the coastal city of Sihanoukville, within a province of the same name, approximately 230 kilometers southwest of the capital Phnom Penh. Its proximity to the Sihanoukville Autonomous Port and its access to major transportation routes make it strategically suited for trade and logistics.

Figure 20: Map of Sihanoukville SEZ



The economic zone covers an area of about 1,113 hectares (2,750 acres) and offers well-developed infrastructure, including roads, electricity, water supply, drainage systems, and telecommunication networks. These infrastructure facilities support the operations of businesses within the zone. SSEZ has in-built generators (4,000 kWh) set as reserve power supply in the event of power failure. SSEZ also offers hotels and restaurants to provide services for the managers of the enterprises. It also provides staff dormitories to help investors hire labor.

SSEZ offers services to assist with exporting as well. At the time of writing, there is a direct shipment line from Sihanoukville to Bangkok which takes only a day with freight costs of USD 450 for a 40-foot container and USD 250 for a 20-foot container. There is also a weekly shipment available from Sihanoukville to Europe via Istanbul, costing USD 3,550 for a 40-foot container and USD 1,850 for a 20-foot container.

SSEZ offers comprehensive business support services to facilitate the establishment and operation of companies within the zone. These services include:

- One-stop service from the government department for document processing and administrative approval
- Local universities contact for recommendation of suitable management personnel for the enterprises
- Professional talent training from two universities: Cambodia-China Friendship Institute of Technology and Sihanoukville Institute of Business and Technology
- Logistics, customs clearance, banking, security, and property management service agencies.
- Legal advisory platform to provide legal services to investors

In addition, investors are eligible for tax incentives including free export tax, free import tax for equipment, construction materials, components, and raw materials used for production. Investors also enjoy 6-9 years free income tax, after which

the income tax becomes 20%. VAT is also free for equipment and construction materials. For raw materials, VAT is free for exported products and 10% for products sold domestically.

Sihanoukville Port SEZ

Sihanoukville Port Special Economic Zone (SPSEZ) is a development project that began operating in 2012. The SEZ is located on 63 hectares of land adjacent to the Sihanoukville Port in Cambodia. The establishment of SPSEZ was made possible through the utilisation of a Japanese development assistance loan, which facilitated the development of basic infrastructure within the zone.

SPSEZ is closely connected to the Sihanoukville Autonomous Port (PAS) in both physical and operational aspects. PAS is responsible for the management and operation of both Sihanoukville Port and SPSEZ. The primary objective of SPSEZ is to attract investments supporting port-related businesses.

Figure 21: Sihanoukville Port SEZ



Infrastructure within SPSEZ includes the following:

- **Water Supply:** SPSEZ has its own water supply system consisting of four deep wells with a capacity of 2,000 m³/day. Additionally, to ensure sufficient water availability, the public water system has been connected as a backup.
- **Electricity Supply:** The zone is currently connected to a sub-station via a direct transmission line with a capacity of 20 mWh. In case of power outages, a backup generator with a capacity of 5 megavolt ampere is available at the port.
- **Wastewater Treatment Plant:** To comply with environmental regulations, a wastewater treatment plant with a capacity of treating 2,000 m³/day has been established to treat the water discharged from factories before it is released into the sea.
- **Flood Safe Drainage System:** A comprehensive drainage system has been built to ensure the zone always remains dry, even during heavy rainfall or floods.
- **Concrete Fence:** SPSEZ is enclosed by a concrete fence to enhance security and prevent unauthorised access.



The SEZ also has additional amenities such as an SEZ centre, dorms, and serviced apartments. The SEZ Administration Centre offers services to tenants, including banking, telecom, vocational training, rental offices, a clinic, and staffing services. The center also holds the SEZ department office, three operational logistics companies, and rental office rooms. Additionally, SPSEZ offers serviced apartments for managers as well as dormitories for warehouse and industrial workers. These lodgings

come fully furnished. The table below gives a breakdown of costs required to operate a factory at the Sihanoukville Port SEZ.

Due to its location within the port zone, investors wishing to export can save time in cargo handling and reduce transportation costs for both imports and exports. The SEZ currently considers establishing a Free Port Concept in the future.

Figure 22: Rental and utility costs in Sihanoukville Port SEZ

Type of Cost	Price
Rental factory	USD 4.2/m ² /month (excluding tax), renewable 2-year contract (negotiable)
Rental office	USD 20/m ² /month
Service apartment of 20 units (detached and terrace house)	USD 950/month or USD 650/month (depending on house type)
Dormitory	USD 90/room/month
Electricity fee	Charged based on the EDC price with overhead cost of voltage losses along transmission lines
Water usage fee	USD 0.50/m ³
Management fee	USD 1/m ² /year (+10% VAT)

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Sihanoukville Port Special Economic Zone (SPSEZ) was established through the cooperation of the Government of Japan (GoJ) and the Royal Government of Cambodia, which was opened in 2012 with basic infrastructure and related facilities.

The SPSEZ is located adjacent to the Sihanoukville Autonomous Port (PAS), the only international deep seaport in Cambodia, which enables the transportation of raw materials and products at a minimum cost and lead time. PAS has been rehabilitated and expanded through the soft loans of GoJ and a new container terminal is planned to start operation by the end of 2025 in response to the increase in cargo volume.

In addition, the SPSEZ has a multi-modal transport connection to the Phnom Penh Capital by Expressway, National Road No.4, Railway, and Sihanoukville International Airport.

Taking this geographical advantage, the PAS is now working on a new initiative, the “Free Port Concept”, to offer logistics incentives and enable new businesses for investors.

We, PAS, expect that the success of this initiative will lead to further revitalisation of SPSEZ and PAS. The SPSEZ warmly welcomes and is delighted to invite prospective investors to enjoy benefits, incentives, and promotion provided by the Royal Government of Cambodia and Zone Developer (PAS) with harmonious service quality and predictability.

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- Sihanoukville Autonomous Port

Royal Group Poipet PP SEZ

Royal Group Poipet PP Special Economic Zone (Poipet PP SEZ) is a special economic zone located in Poipet, a city in Banteay Meanchey province, Cambodia. Established in 2009, it aims to attract investment, promote economic growth, and create employment opportunities in the region. Poipet PPSEZ CO., LTS is a 100% owned subsidiary of Phnom Penh SEZ PLC who manages Phnom Penh SEZ.

Poipet PP SEZ is situated near the border with Thailand, thus benefiting from cross-border trade and logistics. It is approximately 270 kilometers northwest of Phnom Penh. There are currently two investors operating in Poipet PP SEZ, one Japanese manufacturer of electronic components who exports to Thailand and one Cambodian investor who assembles automobiles for the local market.

Figure 23: Map of Royal Group Poipet PP SEZ



The economic zone covers an area of about 69.2 hectares and offers a well-developed infrastructure to support business operations. It has a proper network of roads, a steady electricity supply, water resources, drainage systems, and telecommunication facilities. For instance, Poipet PP SEZ has a dedicated transmission line from the national grid. It also entered a joint venture with B. Grimm Power from Thailand, allowing the zone to provide high quality power distribution services. In case of power outage, it has a 1,000 kVA standby backup generator. In terms of water supply, this SEZ has an underground water capacity of 980 m³/day and water treatment capacity of 2,000 m³/day. It also has a wastewater treatment plant with the capacity

of 1,610 m³/day. Finally, the zone is surrounded by a dike to prevent flooding.

With 13 years of development and operational experience, investors can rest assured that the facilities and aftercare provided by the SEZ are reliable. At Poipet PP SEZ, investors are provided different support including investment application, construction permit application, master list application (for import duty exemption), as well as staff and workers recruitment support. Poipet PP SEZ also has a Memorandum of Understanding with the Anti-Corruption Unit of Cambodia, to prevent corruption within the facility.



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Royal Group Poipet SEZ does not only offer advantageous placement with great access to the key crossing points with Thailand, but we also offer top-tier management and professionals dedicated to provide the best service to prospective investors who are looking to start a new manufacturing plant, warehouse, or distribution center.

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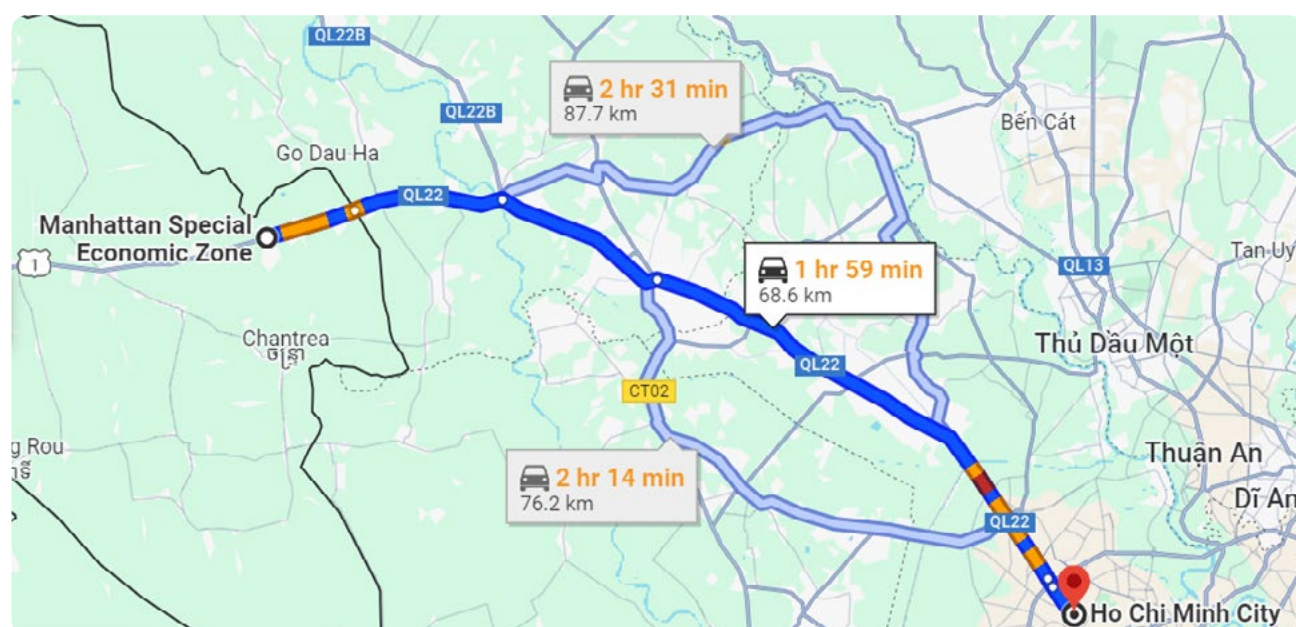
***Ms. Michelle Zhao,
Royal Group Poipet SEZ's
general manager.***

Manhattan SEZ (Bavet)

Manhattan Special Economic Zone (MSEZ) is located strategically near highways in Bavet, at the border between Cambodia and Vietnam. Currently, the 53.5km-long Ho Chi Minh City-Moc Bai Highway is scheduled to begin construction in 2023 to be completed by 2025, while the Phnom Penh-Bavet Expressway is currently undergoing a feasibility assessment, with a framework financing agreement inked in late 2022.

The Ho Chi Minh City-Moc Bai Expressway is a major infrastructure project that will alleviate traffic congestion on the existing National Highway 22. The expressway will connect Ho Chi Minh City to Vietnam's Moc Bai border gate in Tay Ninh province and Cambodia's Bavet border gate in Svay Rieng province. This will reduce travel time and improve traffic flow for containers traveling between the Manhattan Special Economic Zone (MSEZ) and Saigon Port.

Figure 24: Map of Manhattan SEZ



Spanning 400 hectares, the MSEZ is one of the largest SEZs in Cambodia. Since its establishment in 2005, it has been providing employment for over 36,000 people. The MSEZ is equipped with modern infrastructure and facilities, including access to electricity, water, and telecommunications. Like other SEZs, businesses operating within the MSEZ are eligible for a range of tax exemptions and reductions, including exemptions on corporate income tax, import duty, and value-added tax for a specified period of time.

MSEZ is Cambodia's leading provider of land development services for sale and lease. Their team

of professionals has considerable experience in land planning, zoning, and engineering to ensure that each development meets the highest quality, safety, and sustainability standards. MSEZ offers different zones for different business sectors including a developed industrial zone (300 ha), a medical industry zone (20 ha), a multifunctional zone (15-20 ha), a residential zone (25-30 ha), an education and medicare zone (5-10 ha), a commercial plot zone (20 ha), and a standard factory zone (10 ha). Their staff also has vast experience in the design and construction of factories, warehouses, and other industrial structures within the investors' budget.

Finally, investors are presented with different value-added services, which include one-stop administrative support for expedited paperwork processing, advisory service for investors, well-maintained infrastructure by on-site engineers

and electricians, essential utilities maintenance, and recreational amenities which include a comprehensive banking system. Further, the SEZ offers a marketplace, board and lodging services as well as recreational facilities for the workers.

Tai Seng Bavet SEZ

Tai Seng Bavet Special Economic Zone (SEZ) is a 660-hectare industrial park located in Svay Rieng Province, near the border with Vietnam. It was established in 2007 and has three phases of development. The SEZ is strategically situated along Cambodia's National Road 1, which connects the capital city Phnom Penh to the Vietnamese border.

Tai Seng Bavet SEZ has well-developed infrastructure, including roads, electricity, water supply, and telecommunication networks. It offers modern facilities and services to support businesses operating within the zone. The SEZ also invested more than USD 8 million in the establishment of a large-scale solar power plant to support the electricity usage of the investors.

Figure 25: Tai Seng Bavet SEZ



The SEZ primarily focuses on attracting investment in manufacturing, particularly in industries such as textiles and garments, footwear, bicycles, and lighting fixtures. The businesses within the SEZ are mainly export-oriented, taking advantage of Cambodia's preferential trade agreements with various countries, including the European Union, the United States,

and several Asian nations. The SEZ's proximity to the Vietnamese border also facilitates cross-border trade between the two countries. Like other SEZs, Tai Seng Bavet SEZ offers investors operating within the SEZs incentives such as tax exemptions or reductions, duty-free import of raw materials and machinery, and simplified administrative procedures.

Case Studies: Manufacturing Industries Around Cambodia

Case Study in Poipet PP SEZ: Sumitronics



Company Background:

Sumitronics Cambodia specialises in the manufacturing and sale of electrical products on consignment from customers. Their primary focus is on producing printed circuit board assemblies (PCBAs) for use in their clients' electronic products. As a 100% export-oriented company, Sumitronics operates under the umbrella of their parent company, located in Thailand, where sales and material procurement functions are managed. They import raw materials from Thailand and export finished products back to their parent company.

Reasons for Investing in Cambodia:

Sumitronics recognised the need to mitigate the risk of supply shortages and soaring processing costs in Thailand. In response to these challenges, the company decided to explore investment opportunities in Cambodia. By establishing a factory in Cambodia, Sumitronics aimed to diversify its manufacturing base and leverage the country's growing potential in the electronics industry.

What are the benefits of establishing a factory at Poipet PP SEZ for Sumitronics?

After initially renting factory space at Sanco Poipet PP SEZ between 2016 and 2018, Sumitronics made a strategic decision to build its own factory within Poipet PP SEZ in 2019. Some of the factors that made Sumitronics choose to establish a factory there are the proximity to the border and stable supply of electricity and water. Poipet PP SEZ's location near major truck borders offered logistical advantages, facilitating efficient transportation of goods between Cambodia and Thailand.

What challenges does Sumitronics encounter at Poipet PP SEZ?

One notable disadvantage of establishing a factory at Poipet PP SEZ is the lack of nearby living spaces for workers, such as apartments or dormitories, as well as a scarcity of markets for their daily needs. This can create challenges in terms of providing suitable accommodation and amenities for the workforce, potentially impacting their well-being and convenience. Additionally, the absence of streetlights and poor road conditions within the vicinity can pose safety concerns and hinder transportation efficiency.

Challenges faced by Sumitronics in their business operation:

While Sumitronics experienced benefits from its investment, it also encountered various challenges in its business operation. First, Sumitronics' overseas customers face difficulties placing orders in Cambodia due to the absence of a free material supply system, high import/export costs, and limited availability of production facilities within Cambodia. Furthermore, Sumitronics struggles to access necessary resources and support systems for overseas customers in Cambodia. This poses challenges in meeting customer requirements and leads to potential missed opportunities. Finally, Sumitronics faces challenges in finding engineers and managers as there is a lack of engineering graduates in the Poipet area, coupled with the difficulty of sourcing talent from Phnom Penh due to the distance. There is only a limited pool of experienced managers available, which leaves them no other option but to train staff themselves.

Recommendations for Poipet PP SEZ:

Recognising the untapped potential for improvement, Sumitronics firmly believes that Poipet PP SEZ has the capacity to significantly enhance support for companies like theirs. They propose several measures to achieve this, including the acquisition of skilled human resources, support for skills development, and assistance in government negotiations.

To specifically cater to the needs of the electronics industry, Sumitronics suggests that Poipet PP SEZ should prioritise attracting and training a highly skilled workforce. By focusing on this aspect, the SEZ can effectively address the industry's specific demands and contribute to its growth. Sumitronics anticipates that by facilitating access to competent human resources, their own operations and performance will see tangible improvements.

Finally, they hope that Poipet PP SEZ can act as a liaison between its tenant companies and government entities, ensuring clear and efficient communication. This can help resolve issues promptly, provide timely updates on regulatory changes, and foster a collaborative relationship between businesses and the government.

Would you recommend other foreign investors to establish a business at Poipet PP SEZ?

Sumitronics strongly recommends foreign investors to consider establishing a factory at Poipet PP SEZ, as it presents a remarkable opportunity to leverage the synergies that arise from an increased number of companies in the area.

Company Background:

Gomi Recycle is a waste management company that started as a family business in Japan 70 years ago. It initially focused on collecting recycled resources but later shifted focus to collecting industrial and general waste. In addition to prioritising the employment of the elderly in Japan, the company supports people with disabilities. In Cambodia, it operates two companies: Gomi Recycle 110, established in 2015, focuses on recyclable materials collection and industry waste collection, while Gomi Recycle Phnom Penh is a joint venture with Royal Group PPSEZ and focuses on recycling. Gomi Recycle Phnom Penh recently resumed operations after the COVID-19 pandemic. They work with Japanese companies in Cambodia, such as Pizza 4P's and Aeon, to recycle their plastic waste into useful products. Gomi Recycle started with a capital of USD 100,000 for Gomi Recycle 110 and USD 1.48 million for Gomi Recycle Phnom Penh. The company currently employs 50 people and is committed to sustainability and creating a positive environmental impact.

Reason for investing in Cambodia:

Gomi Recycle chose to invest in Cambodia due to several key factors. Mr. Okumura, the owner, was attracted to the presence of a supportive Japanese investor community and a tight-knit business environment. He recognised the potential for growth in Cambodia's relatively small recycling market, allowing Gomi Recycle to establish itself as a pioneer in sustainable waste management. Additionally, the availability of support from development partners like JICA further enhanced their business operations. Through their investment, Gomi Recycle aims to capitalise on market potential, contribute to sustainable development, and benefit from the collaborative opportunities in Cambodia.

What are the benefits of establishing a factory at Phnom Penh SEZ for Gomi Recycle?

Phnom Penh SEZ provides a number of advantages for Gomi Recycle, including a comprehensive one-stop service that streamlines operations and enhances coordination. Gomi Recycle appreciates PPSEZ's high standards and efficient processes, finding business set-up procedures straightforward. They also benefit from simplified logistics and administrative tasks, such as business registration and tax filing, enabling the company to focus on core activities unrestrictedly. Secondly, the presence of numerous Japanese companies within PPSEZ (40 out of 110 companies) creates a supportive and close-knit environment. Gomi Recycle values the opportunity to establish close relationships and mutually support one another. The shared culture and business practices contribute to a collaborative atmosphere that benefits all Japanese companies operating within PPSEZ. Finally, as a Qualified Investment Project (QIP), Gomi Recycle benefits from exemptions that are advantageous for their domestic operations. These exemptions contribute to cost savings and provide a competitive edge, strengthening their business within the SEZ.

What areas of improvement does Gomi Recycle think can be implemented at PPSEZ?

Gomi Recycle suggests that reducing the management and service fees at PPSEZ would be beneficial. While they do not perceive this as a major issue, a reduction in fees would further enhance the cost-effectiveness of operating within the SEZ.

Challenges faced by Gomi Recycle in their business operation:

Gomi Recycle notes that while it is easy to find workers in Cambodia, many of them lack the necessary skills required for their operations. This necessitates additional effort and resources to train and educate the workers. Furthermore, some other challenges they face include high electricity fees, low awareness of recycling among the local population, difficulties by individuals and companies in waste segregation, and the perception of high recycling service fees. These obstacles hinder the efficient operation of Gomi Recycle and require efforts to raise awareness and educate the public about the importance of recycling and sustainable waste management practices.

Recommendation for the government

Gomi Recycle believes that the government could ease the system for the Environmental Impact Assessment (EIA) to attract more waste recycling companies to Cambodia.

Would you recommend other foreign investors to establish a business at PP SEZ?

Gomi Recycle recommends other foreign investors to come to Cambodia. They believe that having more foreign investors gives a fantastic opportunity to capitalise on the beneficial interactions that occur from a greater number of enterprises in the area.



Company Background:

Cambodia Beverage Company Ltd (referred to locally as Coca-Cola Cambodia) has been present in Cambodia since the early 1960s. However, it was not until 1993 that the company started producing beverages in the country. Since then, they have become a leading manufacturer and distributor of non-alcoholic ready-to-drink beverages in Cambodia.

The company's first manufacturing facility was established in 1993 with a USD 5 million investment in a pre-existing beverage facility on the banks of Tonle Sap in Phnom Penh's Russey Keo district. In 2003, Cambodia Beverage Company invested an additional USD 30 million in a new can and PET line. Their biggest investment to date was in 2015, when they invested USD 100 million to establish a state-of-the-art bottling plant in the Phnom Penh Special Economic Zone (PPSEZ). The plant is one of the most technologically advanced and environmentally friendly production facilities in Cambodia.

Following the establishment of the new bottling plant, the old factory was transformed into the new corporate office and the company has continued to invest in their production facilities, amounting to USD 36 million accumulated investment since 2019.

Cambodia Beverage Company Ltd is one of Cambodia's leading employers, with over 850 staff in the country, including 230 employees working within the SEZ. The company is proud to be at the forefront of innovation and digital transformation in Cambodia and continues to set ambitious targets for their operations that aim to benefit not only the company, but also the entire Kingdom.

Reason for investing in Cambodia:

Cambodia Beverage Company Ltd decided to invest in their first factory in the country because they wanted to produce their product locally. After introducing a broader range of drinks and starting the production of both cans and PET bottles, the company proceeded into further local investments, including the USD 100 million bottling plant in 2015 which was mainly driven by the booming investment climate in Cambodia since 2009. After conducting careful assessment and comparing the different options with the goal of a future-proof plan, the company eventually settled on investing in Cambodia and in the PPSEZ.

What are the benefits of establishing a factory at Phnom Penh SEZ for Cambodia Beverage Company Ltd?

The decision to establish a bottling plant in PPSEZ was due to several reasons, but most notably the SEZ offered the infrastructure, security, and services Cambodia Beverage Company Ltd needed for their operations.

The company greatly appreciates the support it receives regarding customs clearance and other administrative tasks, stating that the representatives at PPSEZ are very service oriented. Furthermore, it appreciates the security the SEZ offers, with a good system in place to prevent flooding. The company had also identified a trend in Cambodia where investors establishing factories in locations that later turned into towns were then usually asked to move their facility. By establishing their plant in an SEZ, despite not being able to own the land, they felt more secure that their goal of longevity would be fulfilled.

During the pandemic, private sector operations continued smoothly within the SEZ, and Cambodia Beverage Company Ltd also appreciated the great support from the Ministry of Labour during the time, which assisted with vaccinations.

What areas of improvement does Cambodia Beverage Company Ltd think can be implemented at PPSEZ?

While the company is satisfied with the decision to establish a bottling plant in PPSEZ, it believes that the cost of electricity could be improved. These costs not only impact its own operations, but also make some locally produced raw materials needed for production too expensive. This price disparity leads Cambodia Beverage Company Ltd to import raw materials from neighbouring countries, rather than sourcing locally.

The company also sees an opportunity for PPSEZ to act as a representative for the corporations operating within it, and believes that a collective voice would be more efficient for promoting the interests of the resident companies vis-à-vis the government. Cambodia Beverage Company Ltd also sees great benefits in supporting collective action in programmes regarding waste management and the development of green energy solutions in the SEZ, potentially benefitting communities surrounding the SEZ area as well.

Furthermore, Cambodia Beverage Company Ltd wishes to highlight the importance of constructing a railroad system in Cambodia connected it with PPSEZ. This would lower transportation costs and facilitate easier movement of goods between the provinces, according to the company. While it is aware of PPSEZ's plans to expand the dry port to the national rail network, it would like to see the process sped up if possible.

Challenges faced by Cambodia Beverage Company Ltd in their business operation:

The Cambodia Beverage Company Ltd considers one of its key challenges of doing business in Cambodia to be related to its supply chain. Limited transportation options and high costs for both electricity and labour drive up the cost of production, necessitating importing raw materials from neighbouring countries such as Vietnam. Another challenge faced by the company in its business operations in Cambodia is a highly competitive market, with local options available at a lower price.

Recommendation for the government

As a manufacturer and distributor of non-alcoholic ready-to-drink beverages, Cambodia Beverage Company Ltd would like to see more support from the government regarding transit and quality control of products on the market. The company mentions that the current lack of restrictions on outside sales and promotions can lead to unfairness for investors. They would like to see more restrictions on imported products on the market, in relation to locally produced products.

Finally, the company would like to request the government to extend the notification period for changes in law or other announcements affecting company operations. This would give the company sufficient time to prepare and facilitate the changes more smoothly.

Would you recommend other foreign investors to establish a business at PP SEZ?

Cambodia Beverage Company Ltd would recommend Phnom Penh Special Economic Zone to other businesses wishing to establish themselves in Cambodia. The location is highly advantageous, acting as a hub for transportation and facilitating smooth distribution of products around the country. The services provided by the PPSEZ are good, and the community within the PPSEZ is very helpful.

