

## **Chapter 22**

### **DOING BUSINESS IN CAMBODIA**

#### **Factors to Consider**

- **Infrastructure difficulties**
- **Unstable security situation**
- **Lack of commercial laws**
- **Undeveloped banking facilities**
- **Strategically located between Thailand and Vietnam**
- **Rich in agricultural resources**
- **Liberal foreign investment regulations**
- **Restructuring the economy**
- **Potentially large amounts of development assistance available**

#### **22.1 Investment Climate**

**Cambodia is moving towards a free-market economy. After two decades of armed conflict, the country is near ground zero in terms of development, and remains a political risk. It is difficult for some companies to justify doing business in the country. On the other hand, like any country that is undeveloped, opportunities do exist over both the short and the long term.**

**Since the inauguration of the FIL (see section 21.4) in 1989 and the apparent short-term settlement of the Cambodian conflict, there have been approximately 400 proposals submitted to the NCFI (see section 22.9). In 1992, it was estimated that over 263 companies had expressed an interest in investing in Cambodia. The leading foreign investors are from: Thailand, France, Hong Kong, Singapore, the United States, Taiwan, Hungary, Australia, Japan, and Malaysia.**

**The majority of projects have focused on the following industries: tourism, banking, forestry, textiles, water supply, electricity, telecommunications, cement, petroleum, and sugar.**

**The liberal investment regulations have attracted many companies exploring business opportunities. However, the limited commercial apparatus and the uncertainty as to whether the post-election government will honour agreements signed by the current regime, make Cambodia a risky venture.**

**The fragile state of the government has led companies to circumvent regulations and enter into commercial contracts with local partners or to purchase state-owned assets directly from the government authorities that control them, without having projects confirmed by the Council of Ministers. Without authorization from the Council of Ministers, projects are illegal .**