Sourcing from Cambodia
A country guide for volume buyers

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Executive summary

The Hinrich Foundation Export Trade Assistance program presents *Sourcing from Cambodia*, a guide to assist buyers new to exporting from the country.

From searching for suppliers to having products shipped, buyers looking to diversify their sourcing with the Cambodia can find step by step support in this text.

**Getting oriented** highlights international airports, central business district and common office hours in the Cambodia for readers.

The **key export statistics** section provides the latest information on Cambodia’s top export industries. It also details the country’s major partners.

In the **manufacturing centers** section, readers can learn about the country’s Special Economic Zones and its as well as incentives given to qualified investments projects.

Within **trade services**, readers can learn about organizations offering buyer support. Buyers can learn how to utilize help and resources for finding suppliers, contacting government agencies and importing products.

In **banking & finance**, buyers can discover commercial and specialized banking options, and financial and insurance institutions.

**Paying for your purchase** illustrates the payment options available in the Cambodia, arranged by both buyer and supplier preference.

The **export documentation** section guides readers through the export process and the key documentation necessary for the procedure.

**Settling trade disputes** provides readers advice on avoiding disputes with suppliers. It also gives methods and resources for addressing disputes if they should occur.
Key export statistics

Cambodia has come a long way in the few decades since the fall of the Khmer Rouge in 1979. Among the country’s stronger sectors are garments, textiles and agriculture. In 2014, the country exported $12.6 billion worth of products, making it the 82nd largest exporter in the world, according to UN Comtrade.

Banking, telecommunications and possibly other service industries will continue to remain attractive for foreign investors. The tourism industry also has grown in leaps and bounds, contributing significantly to Cambodia’s economy.

Garment industry
Cambodia’s garment industry is so robust that the top five export products of the country are fall under the garments sector, namely knit sweaters, knit women’s suits, knit T-shirts, non-knit women’s suits and non-knit men’s suits. Together, these categories contributed $5.3 billion or 41.9 percent to Cambodia’s export sales in 2014 based on UN Comtrade statistics.

The industry employs more than 700,000 workers in 536 factories.

Tourism industry
Tourism has been the second largest source of foreign exchange for Cambodia for decades after the garment industry.

Cambodia is a growing tourist destination, with the hospitality and tourism sectors booming. The year 2015 proved to be a record-breaking year for the number of international visitors, with tourist arrivals reaching 4.7 million.

Agriculture industry
Cambodia has the cheapest agricultural land in the region with figures that are substantially lower than its neighbors Thailand, Vietnam or Malaysia. This has interested many new companies with projects to grow crops such as sugarcane, cassava, and develop timber and palm plantations.

Agricultural land in Cambodia is generally provided to qualified projects by the Cambodian government on a lease basis. Leases can be 70 years or in some cases up to 99 years.

With 67 percent of the Cambodian population engaged in agriculture, this is the primary industry of the country. Rice is the principal food crop, while rubber is the principal commercial crop. According to the World Bank, Cambodia’s economic growth in 2016 is slow due to weak agricultural growth. Inflation, at modest rates last year, is expected to climb higher in 2017. Spurring the development of small and medium-sized firms would help to sustain and diversify economic growth.

Construction, mineral & service industries
Construction and rice milling also contribute to industry growth. They accounted for 26 percent of Cambodia’s GDP in 2015, proving that the industry has recovered well after the global economic problems of recent years.

In 2005, Cambodia attracted immense foreign investment due to newfound reserves of oil, bauxite, gold, iron and gems. To date, there has been no industrial scale extraction of precious minerals, although in recent years there have been a large number of exploration licenses granted to both local and international companies. Some companies have made promising finds, and commercial production of gold is likely to begin in 2016.

The service industry had the largest contribution to the country’s GDP. According to the CIA World Fact Book, it accounted for 43.6 percent, which was nearly twice the share of agriculture and industry.
## Cambodia's top 10 export products

### 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>US$ (mn)</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knit sweaters</td>
<td>$1,800</td>
<td>14.0%</td>
</tr>
<tr>
<td>Knit women’s suits</td>
<td>$1,008</td>
<td>8.6%</td>
</tr>
<tr>
<td>Knit T-shirts</td>
<td>$833</td>
<td>6.6%</td>
</tr>
<tr>
<td>Non-knit women’s suits</td>
<td>$820</td>
<td>6.5%</td>
</tr>
<tr>
<td>Non-knit men’s suits</td>
<td>$819</td>
<td>6.5%</td>
</tr>
<tr>
<td>Leather footwear</td>
<td>$584</td>
<td>4.6%</td>
</tr>
<tr>
<td>Bicycles</td>
<td>$423</td>
<td>3.4%</td>
</tr>
<tr>
<td>Knit baby garments</td>
<td>$362</td>
<td>2.9%</td>
</tr>
<tr>
<td>Rubber footwear</td>
<td>$307</td>
<td>2.4%</td>
</tr>
<tr>
<td>Sawn wood</td>
<td>$262</td>
<td>1.9%</td>
</tr>
<tr>
<td>Other</td>
<td>$5,382</td>
<td>42.6%</td>
</tr>
</tbody>
</table>

*Source: UN Comtrade*
Manufacturing centers

Cambodia is seen as the next important manufacturing and export hub particularly for garments, textiles and footwear. Most of the raw materials used for manufacturing are outsourced from its neighboring countries.

Production takes place mainly in Special Economic Zones (SEZs) scattered across the country such as Phnom Penh, Bavet, Sihanoukville, Poi Pet and Koh Hong.

As of 2014, there are 14 SEZs with more than 200 investors that generated employment for approximately 70,000 workers in Cambodia SEZs, according to the Council for the Development of Cambodia.

The government promotes SEZs heavily by granting incentives to investors as well as to Qualified Investment Projects (QIPs) located in these export zones.

Investment Incentives Granted to a Qualified Investment Project (QIP)

According to the Amended Law on Investment (LOI), QIPs are entitled to the following investment incentives:

- May elect to receive a profit tax exemption or use special depreciation.
- Profit tax exemption (Selective): A tax holiday period is composed of “Trigger period” + 3 years + Priority Period (Maximum total 9 years). An annual Certificate of Obligation Satisfaction (or “Certificate of Compliance”) has to be obtained by the QIP to be entitled “Profit Tax Exemption”.
- 40% special depreciation allowance on the value of the new or used tangible properties used in the production or processing.
- Duty free import of production equipment, construction materials, etc.
- Entitled to the same incentives and privileges as other QIP stipulated in the Amendment to the LOI.
- Entitled to 100% exemption of export tax, except for activities as stipulated in laws in effect.
- The rights, privileges and entitlements of a QIP can be transferred or assigned to a person who has acquired or merged a QIP subject to the approval of the Council for the Development of Cambodia (COC) or the Provincial-Municipal Investment Sub-Committee (PMIS).
Special economic zones

Legend

No. of investors

Total employment

Phnom Penh
Phnom Penh SEZ

83
17,000

Bavet
Manhattan SEZ

32
28,051

Tai Seng Bavet SEZ

26
7,968

Dragon King SEZ

4
280

Shandong Sunshell
Svay Rieng SEZ

2

Sihanoukville
Sihanoukville SEZ

74
8,976

Sihanoukville SEZ 1

2
424

Sihanoukville Port SEZ

2
416

H.K.T. SEZ

1

Kandal
Suvannaphum SEZ

1

Poi Pet
Poi Pet O’Neang SEZ

5
830

Sanco Poi Pet SEZ

2

Koh Kong
Neang Kok Kok Kong SEZ

5
3,953

Kampot
Kampot SEZ

1

Source: Council for the Development of Cambodia, 2015
To find the right suppliers, it is a good idea to do initial research of the home country before going on a business trip. Buyers should directly contact ministries, the companies themselves, consultancies or agents.

Ministry of Commerce
The Ministry of Commerce is considered a good option to check for registered companies and business registration. Its mission is to provide to the public all the services to meet business and investment interests and to continue implementing Cambodia’s trade policies. Its official website allows importers and buyers to conduct a company search to verify if an exporter is duly registered or not.

Business chambers, organizations and embassies
Cambodia is not without its own collection of individuals and businesses working together for a common goal, many of which can offer significant benefits to those starting up and managing operations here. With several business chambers operating in Phnom Penh, there are plenty of opportunities to meet like-minded business brains in the capital.

Here’s the list of members of International Business Chamber Cambodia (IBCC).

There are more than a dozen foreign national business chambers operating in Cambodia. They include the British Cambodian Chamber of Commerce (BritCham Cambodia), the Franco-Cambodian Chamber of Commerce (CCFC) and the German Business Group Cambodia (ADW), which were instrumental in the formation of the European Chamber of Commerce in Cambodia (EuroCham).

The embassies in Cambodia also offer a range of business-related services to their respective expatriate community, from expert advice about the investment climate to assistance in promoting a company’s product. For instance, for US companies, the US Embassy Commercial Services in Phnom Penh helps customize business needs in local markets. The services offered include trade counseling, market intelligence, business matchmaking and commercial diplomacy that can help businesses find opportunities in the Kingdom.

Cambodian Federation of Employers and Business Associations
The Cambodian Federation of Employers and Business Associations (CAMFEBA), an autonomous and independent federation of employers and Business Associations, is recognized and registered with the Ministry of Labor and Vocational training of Cambodia. CAMFEBA has become the single federation representing, promoting and safeguarding the rights and interests of employers in Cambodia.

CAMFEBA provides a forum for consultation and discussion among members on matters of common interest, and seeks for the adoption of sound principles and practices of human resource and industrial relations through information, legal advice, research, training and other activities.

Consulting companies
Many foreign companies want to enter into a business relationship with a local Cambodian company or individual. This information can be found online through different consulting companies:

- Alpha Consulting International Corp., a reliable information network that has many experts who can help with in-depth research information and data and strategic advice on issues relevant to factors that could decide the success and failure of business operations in Cambodia.

- Cambodia Consultant Co. Ltd, a local company registered
with the Ministry of Commerce under the prevailing law of Kingdom of Cambodia and provides many services with the purpose of tax consultancy, business registration, recruitment, training, home training, human resource policy, accounting policy and software.

- **Cambodia Yellow Pages**, an information network that provides online lists of consulting companies in Cambodia.

**Construction and properties company directories**

There are business companies who are wishing to lay a foundation that have knowledge of construction, property and development situation in Cambodia.

The Cambodia Constructors Association (CCA) provides an online network information of current news and directories of construction companies in the country.

**Procedures for setting up a company in Cambodia**

To start a business in Cambodia, investors have to follow administrative procedures. The time needed to get started depends on the nature of the planned operation and the complexity of the project.

In certain circumstances, an investor can start operations within a month.
Banking & finance

Cambodia boasts a huge number of banks, with the total number rising from 486 in 2013 to 541 commercial banks in 2014 registered in the over-saturated market.

Cambodia’s economy is growing with the National Bank of Cambodia (NBC), which supervises and monitors all banking institutions, including 36 commercial banks, seven specialist banks and 44 registered micro-finance institutions (MFIs).

Outstanding loans and savings deposits in a series of MFIs continued to grow in 2014, with total loans from the 42 MFIs hitting more than $1.63 billion – a 44 percent increase since 2012.

There are three types of banks in Cambodia – commercial, specialized and Micro Finance Institutions (MFIs). Below is the list of commercial and specialized banks in the country.

Commercial banks

- ACLEDA Bank PLC (ACLEDA)
- Advanced Bank of Asia Ltd (ABA)
- Agribank Campuchia Branch (AGRIBANK)
- Australia and New Zealand Royal Bank (Cambodia) Ltd (ANZ Royal Bank)
- Bank of China Limited Phnom Penh Branch (BOC)
- Bank of India Phnom Penh Branch (BOI)
- Bank for Investment and Development of Cambodia Plc (BIDC)
- Booyoung Khmer Bank (BKB)
- Cambodia Asia Bank Ltd (CAB)
- CIMB Bank PLC (CIMB)
- Cambodia Mekong Bank Public Ltd (CMB)
- Cambodian Commercial Bank (CCB)
- Cambodian Public Bank (Campu Bank)
- Canadia Bank PLC (CNB)
- First Commercial Bank Phnom Penh Branch (FCB)
- Foreign Trade Bank of Cambodia (FTB)
- HwangDBS Commercial Bank PLC (HDBSCB)
- Kookmin Bank Cambodia PLC (KBC)
- Krung Thai Bank PLC, Phnom Penh Branch (KTB)
- Maruhan Japan Bank (MJB)
- Maybank Phnom Penh Branch (Maybank)
- OSK Indochina Bank (OSKIBL)
- Phnom Penh Commercial Bank (PPCB)

Specialized banks

- ANCO Specialized Bank (ASB)
- Angkor Capital Specialized Bank (ACSB)
- CAMKO Specialized Bank (CKB)
- Tomato Specialized Bank (TSB)
- First Investment Specialized Bank (FISB)
- PHSME Specialized Bank (PHSME)
- Rural Development Bank (RDB)
- Credit Bureau of Cambodia
Payment methods

The common methods of payment in Cambodia are prepayment in cash, letter of credit, documentary drafts for collection, open account and consignment sales.

**Importer (Buyer)**

1. **Cash in advance**
   Buyer transfers payment to the seller upon contract award against commercial invoice before goods are shipped/services are commenced.

2. **Letter of credit (L/C)**
   Under an irrevocable L/C, the seller receives an irrevocable guarantee from a bank to be paid against compliant documents. Confirmed by a US bank, protected against economic, commercial and political risk.

   Buyer necessitates understanding of UCP 500, documentary requirements, different types of L/Cs (transferable, revolving, standby).

3. **Documentary collection (D/P, D/A)**
   Transport or commercial documents, including document of title and a Draft/Bill of Exchange (B/E) are forwarded by the seller’s bank to the buyer’s bank for payment/acceptance.

4. **Cash against documents (CAD)**
   Transport or commercial documents are forwarded by seller’s bank to buyer’s bank for payment.

5. **Open account (O/A)**
   Seller ships the goods/executes services and submits commercial invoice and other documentation to the buyer for payment (net 30/60/90 days).

   Electronic Wire Transfer (Swift)/foreign checks/cash/Banker’s Draft.

**Exporter (Seller)**

1. **Open account (O/A)**
   Seller ships the goods/executes services and submits commercial invoice and other documentation to the buyer for payment (net 30/60/90 days).

   Electronic Wire Transfer (Swift)/foreign checks/cash/Banker’s Draft.

2. **Cash against documents (CAD)**
   Transport or commercial documents are forwarded by seller’s bank to buyer’s bank for payment.

3. **Documentary collection (D/P, D/A)**
   Transport or commercial documents, including document of title and a Draft/Bill of Exchange (B/E) are forwarded by the seller’s bank to the buyer’s bank for payment/acceptance.

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5. **Cash in advance**
   Buyer transfers payment to the seller upon contract award against commercial invoice before goods are shipped/services are commenced.

Source: University of the Pacific
Export documentation

In Cambodia, the procedural requirements and documents for exporting and importing a standardized cargo of goods associated with every official procedure are counted—from the contractual agreement between the two parties to the delivery of goods—along with the time necessary for completion. Document preparation usually takes about two weeks.

Export and import documents

Below is a list of documents needed to trade internationally in Cambodia.

The export documents consist of:
- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Export permit
- Inspection report from Cambodia Import Export Inspection and Fraud Repression Directorate General or (CAMCONTROL)
- Insurance certificate
- Packing list
- Terminal handling receipts

The import documents consist of:
- Certificate of origin
- Cargo release order
- Commercial invoice
- Customs import declaration
- Import permit
- Insurance certificate
- Packing list
- Tax certificate
- Terminal handling receipts
- Road transport document

Border and documentary compliance

Border and documentary compliance covers port handling and clearance and inspection by customs and agencies.

Documentary compliance includes documents needed for submission during transport, clearance and inspection.

Nature of import & export procedures

The illustration below shows the cost and time associated with the border and documentary compliance of exporting and importing goods.

Source: World Bank Group
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Settling trade disputes

Trade disputes are common in Cambodia but they can be minimized or avoided with extra care. Going through the process of settling trade disputes can be a frustrating experience and wise buyers not willing to spend both time and money on disputes that could take years to resolve would rather choose other options to settle the disagreement.

There are currently two main forms of dispute settlement in Cambodia: the courts and alternative dispute resolution (ADR) mechanism, which includes mediation and arbitration.

The 2006 Law on Commercial Arbitration is modeled after the United Nations, Commission on International Trade Law (UNCITRAL). However, the idea of arbitration is new to Cambodia and there has been very little use of this method.

The most popular form of dispute resolution in Cambodia has always been mediation, where a public official is appointed by the parties to resolve the dispute and or the courts. Mediation is nonbinding.

The courts continue to play a major role in resolving commercial disputes in Cambodia but this can often be a costly and lengthy process. Any decision made by the judge can be appealed to a higher court.

National Commercial Arbitration Center
The National Commercial Arbitration Center (NCAC) arbitrates commercial disputes and allows for international arbitrators. Investors could go to seek advice from the center whenever they want in Cambodia.

The NCAC, launched in 2013, plays an important role in attracting investment to Cambodia by offering additional reassurance to businesses.

NCAC is encouraged and empowered to provide a full range of ADR services for commercial disputes and contribute to the creation and maintenance of enabling environment for cross-country trade and investment.

For this reason, NCAC is planning to put in place necessary procedure and mechanisms for provision of mediation/conciliation services with reasonable and affordable service charges to parties who choose mediation/conciliation as a step for settling their commercial disputes before going to arbitration or court if the parties fail to reach settlement agreement after attending mediation/conciliation process.

Mediator/Conciliator can be appointed from among qualified NCAC arbitrators who received professional training on mediation/conciliation skills or from among external mediators/conciliators who associate with NCAC.

Resolving trade disputes

Cambodia PDR’s law on Intellectual Property sets out the following means of conflict resolution:

Mediation
• The most popular form of dispute resolution in Cambodia.
• Non-binding.
• A public official is appointed by the parties to resolve the dispute.

Arbitration
• New to Cambodia and there has been very little use of this method.
• The National Commercial Arbitration Center (NCAC) offers full alternative dispute resolution (ADR) services.

Courts
• Plays a major role in resolving commercial disputes in Cambodia.
• A costly and lengthy process.
Product gallery

Choose from our gallery of innovative products from Cambodia as featured on GlobalSources.com. For more Vietnam suppliers and their latest products, visit www.DevelopingCountrySourcing.com

**Necklace made of recycled bomb shrapnel**

The model PE155 under the Peace Handicraft series is a three-pendant necklace made of recycled bomb shrapnel.

Orders are delivered in 14 to 21 days. Export markets are North America, Europe and Asia.

**Khmer pattern bangle**

This Rajana-brand bangle is crafted from recycled bomb shrapnel and features a distinct Khmer pattern.

Orders as few as 50 pieces are welcome and the delivery lead time is 14 to 21 days. An advanced payment of 50 percent via TT is required.

The main export markets are North America, Europe and Asia.

**Tote bag from rice sack**

This purely handmade tote bag is made of recycled rice sacks. It measures 30x17x47cm but can be folded neatly when not in use for convenient storage. Different colors are available.

The minimum order requirement is 10 pieces. An advanced payment of 50 percent via TT is required.

**Hanging ornament in pure silk**

Model 139051 is a hanging ornament in Mekong horse design. The purely handcrafted decor is made of 100 percent pure silk.

The minimum order requirement is 100 pieces and delivery is within 21 to 28 days. An advanced payment of 50 percent via TT is required.

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Product gallery

Leather notebook
This handmade notebook features the Ankor Wat design on its pure leather cover. Measuring 16x10.5cm, it comes with a natural fiber twine that can be wrapped around the notebook to close it. The leaves are also in handmade paper. Orders start at 50 pieces delivered within two to three weeks.

Women’s bangle
Model Y2610P is a women’s bangle crafted from palm tree wood. It measures 13x9cm and is sold under the Yodi brand. Minimum order is 50 pieces. Delivery is within 14 to 21 days. An advanced payment of 50 percent via TT is required.

Men’s wallet made from tire scraps
Model PT-007 is a unique men’s wallet made from tire scraps. It measures 23x9cm. FOB price is $4.50 to $5.20 each. Orders as low as 50 pieces are welcome and can be delivered in two to three weeks.

Raw silk scarf
This raw silk scarf is purely handmade. It measures 170x50cm. Orders start at just 10 pieces and can be delivered in 21 to 28 days. An advanced payment of 50 percent via TT is required.
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Information on the latest trends in pricing & product features

✓ Top-selling products  
Popular export models with sample images

✓ Verified suppliers  
Lists of suppliers with product profiles & verified contact details

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