

The Emergence of Cambodia – Invest in Cambodia



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The emergence of Cambodia in recent years as a high growth economy seemed to take all by surprise. The double digit growth enjoyed by Cambodia in much of this decade has warranted a great deal of commentary, and even the delayed impact of the international financial crisis has not dampened the interest of many companies in this exotic investment destination. In the past two years, many blue chip enterprises have discovered this small country in South East Asia, with such luminaries as Dupont, Cargill, General Electric, Mitsubishi, Microsoft, Intel, Crown Cork, Abbott and others setting up offices in Cambodia. And despite the international economic downturn, international corporations continue to come to Cambodia to take a look.

What explains this seemingly sudden interest in the kingdom? After the foundation of the new Cambodia a decade and one-half ago, why is there international attention now? The sudden burst of interest is due to the establishment of a track record which did not exist after the 1993 UNTAC election. In fact, there are multiple track records which have attracted the attention of worldwide business. Consider the following track records, all of which contribute to the interest expressed by any number of multinational corporations:

Diplomatic track record: Cambodia has methodically reintegrated into the region and the world. It has joined a number of international organisations and adopted a number of international conventions to join the community of nations. Among the more important diplomatic events that have occurred include:

- *Asean (30 April 1999):* Cambodia joined the preeminent regional organisation – the Association of South East Asian Nations – as the organisation moved beyond its Cold War origins and became an entity that was truly representative of the region.

- *WTO (13 October 2004):* Although Cambodia was the 148th member of the World Trade Organisation, it was only the 2nd LDC (less developed country) to be granted membership. And it was done so without having all of the WTO-

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compliant laws in place, but the commitment was made by Cambodia to enact the necessary laws and regulations to make it compliant.

- *WIPO (July 1995)*: Although Cambodia joined the World Intellectual Property Organisation shortly after the creation of the new government, the necessary laws were not enacted until 2002-2003.

These memberships are indicative of the modern drive by the Royal Government of Cambodia to take the diplomatic actions necessary for it to become reintegrated into the world.

Political Track Record: Since the internationally orchestrated national election in 1993, Cambodia has had a series of elections, each judged by independent observers as being more fair and well-run than the previous election. There have been four such national elections, with the most recent being in July 2008. In addition, other local elections have been held. Furthermore, most of the senior officials in the Royal Government have held the same or similar positions in mandate after mandate, again lending to the political stability of the government.

Legal and Regulatory Track Record: Even before accession to WTO, the Royal Government set about to enact the necessary laws and regulations that are the building blocks of a modern economy. Previously, Cambodia either did not have the necessary laws or they were out of date. Now the legal structure that supports commercial activities is being modernised. Even before accession to WTO, there were important commercial laws being enacted. These included:

- Law on Investment (1994)
- Labour Law (1997)
- Banking Law (1999)
- Property Law (2001)

However, the drive to accede to WTO and to become WTO-compliant provided the Royal Government with a checklist of important commercial laws and regulations to enact. And these have been enacted on a regular basis:

- Trademarks, copyrights, and patent laws (2001-2003)
- Law on Commercial Enterprises (2005)
- Law on Negotiable Instruments (2005)
- Law on Commercial Arbitration (2006)
- Law on Government Bonds (2006)
- Law on Secured Transactions (2007)
- Law on Insolvency (2007)

These are only some of the laws that have been enacted in recent years that will contribute to economic growth. What any potential investor can see in this list and other regulations enacted in recent years is the commitment of the government to getting all of the laws in place that are necessary to build a modern economy. While Cambodia does not have all of the laws and regulations enacted, it clearly is working toward that end, and this gives investors

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confidence in the policies of the Cambodian government.

Thus, track records exist: economic growth is measurable and impressive over the years. Cambodia is joining the legitimate regional and international organisations that will integrate it into the world economy. Political stability can be seen through the electoral process and tenure in the senior positions of the government. And there is a legislative track record over the years.

But these are not the only reasons that explain why Cambodia remains an attractive investment destination. There are other, less tangible reasons why investors continue to go to Cambodia to investigate the business environment.

First, after the tragic recent history of Cambodia, opportunity abounds. There is much that can be done in Cambodia that is either not being done or is not being done well.

Second, since the Prime Minister, Samdech Hun Sen, initiated the Government-Private Sector Forum in 1999 (and a system of sectoral working groups in 2000), there are mechanisms for dialogue and problem-solving between the Royal Government and the business community. This system of consultation is indicative of the open and pro-business approach of the Royal Government. The senior officials want the economy to grow, and realise that the private sector must be considered a partner in this endeavour.

For all of these reasons – both tangible and intangible – Cambodia remains an attractive newcomer to an already robust Asian economic system. It will continue to command our attention for some time to come.