



# **AmCham Cambodia**

## **2024**

# **Business Climate Survey**

**Opportunities and Challenges in  
A Rapidly Growing Economy**

**November 18, 2024**

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## 1. Summary

The American Chamber of Commerce in Cambodia (AmCham) conducted its 2024 Business Climate Survey to gather insights from American and non-American businesses operating in Cambodia, collecting responses from 542 companies. The survey focuses on business outlook, business environment, investment advantages, and key challenges. The findings reveal Cambodia's appeal as a growing market with a unique blend of advantages, including robust GDP growth. Respondent companies were overwhelmingly optimistic for 2024, with over 70% anticipating profit growth and over 65% planning increased investment.

Cambodia's competitive advantages include 100% foreign ownership of companies in Cambodia, strong economic growth, political stability, U.S. dollar banking, tax incentives, and use of English language. Also, Cambodia has unique advantages supporting China de-risking and movement of operations from China to Cambodia. These include a Cambodia-China free trade agreement, which can also support American businesses that export to China. However, several challenges remain. The survey highlights ongoing concerns about uncertainty related to the interpretation and enforcement of laws and regulations, the cost of electricity, transportation infrastructure, and transportation costs.

The survey underscores AmCham's advocacy role and active engagement with Cambodian government officials, including participation in government-private sector working groups. Respondents also evaluated AmCham's effectiveness in supporting members and highlighted interest in expanded committee representation, such as establishing committees related to trade and financial markets. This collaborative environment, coupled with Cambodia's evolving business policies, positions the country as a promising market for American investors.





## 2. Survey Purpose, Background, Respondents

### Survey Purpose

The American Chamber of Commerce in Cambodia (AmCham) is a not-for-profit organization representing American business with the primary objective of promoting the development of trade, commerce, and investment between the United States of America and the Kingdom of Cambodia. As one of its means to achieve this objective, AmCham engages in advocacy on behalf of its members, collecting from its members challenges and obstacles to investing in Cambodia. Policy positions and recommendations are developed by AmCham and brought to the Royal Government of Cambodia through formal meetings and working groups. These formal meetings include meetings with the Prime Minister, the Prime Minister's Tax Task Force, the General Department of Taxation (GDT), the Tax Working Group (TWG), Working Group D on Law Tax and Good Governance, and Cambodia-U.S. public-private sector dialogue meetings with the Council for Development of Cambodia (CDC). AmCham also engages directly with relevant ministries.

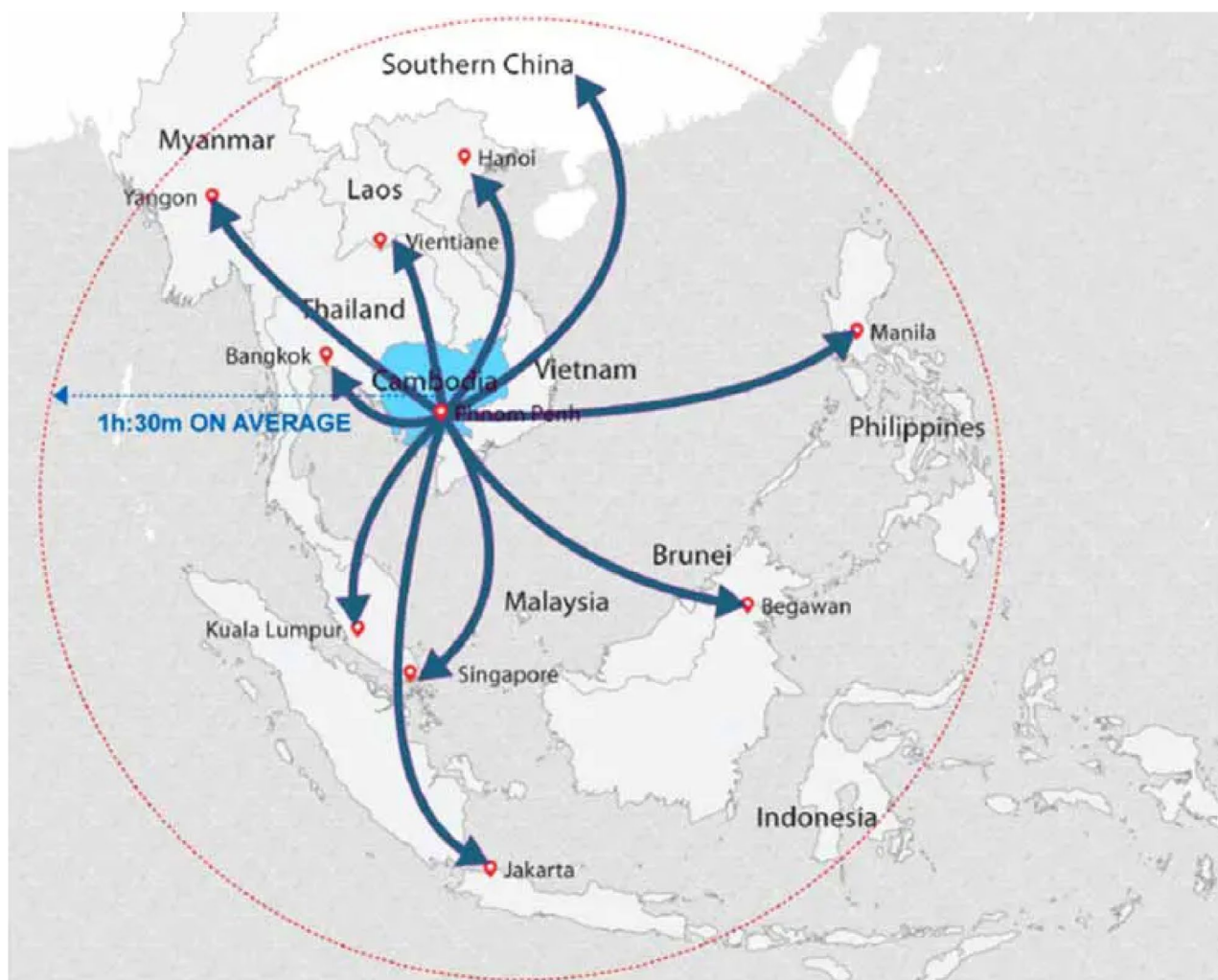
AmCham conducts an annual business environment survey of companies in Cambodia to identify advocacy priorities for improving the investment environment and identifying the key obstacles to increasing investment in Cambodia. The concerns of the business community are summarized in an AmCham Issue Matrix, a list of AmCham advocacy priorities.

### Background

Situated in Southeast Asia, Cambodia has sustained one of Asia's fastest growth trajectories, with an average GDP expansion of approximately 7% over the past 15 years. Cambodia has a nominal GDP per capita of \$1,875 and a purchasing power parity GDP per capita of \$5,624 (World Bank, World Bank Open Data, n.d.). Cambodia, with a population of 17.7 million, is centrally located in Southeast Asia (Figure 2.1) and is a member of the Association of Southeast Asian Nations (ASEAN). Membership in ASEAN allows for visa-free travel among member citizens and several professional mutual recognition agreements and tariff limitations. Cambodia is the only developing country in ASEAN with a bilateral free trade agreement with China (the only other ASEAN member with a free trade agreement with China is Singapore).

**Figure 2.1**

**Cambodia location and average flight times to ASEAN capital cities**

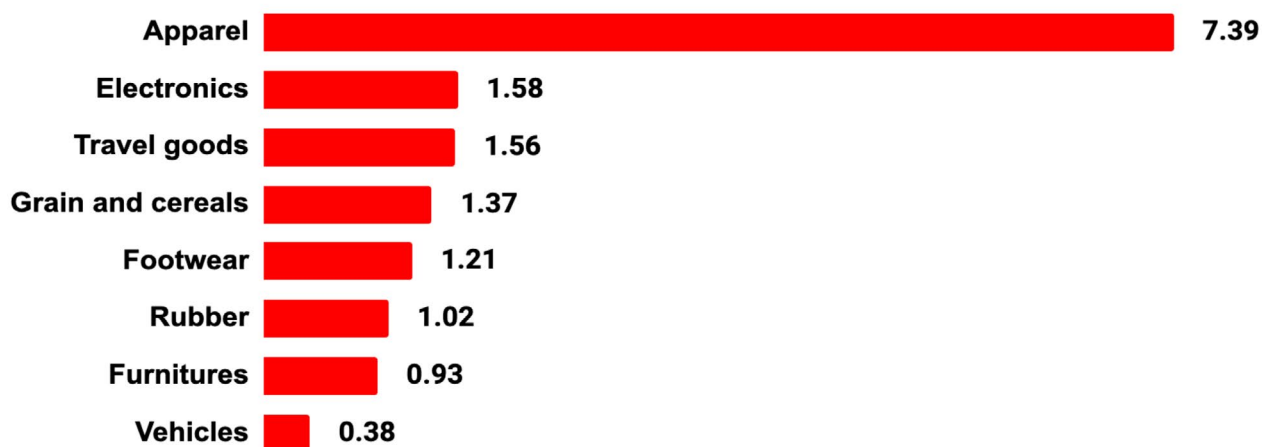


*Source: Council for the Development of Cambodia in Bagalot (2020)*

Cambodia's economic output is 38% from industry, 34% from services, and 22% from agriculture (National Institute of Statistics, 2024). Cambodia's primary export portfolio comprises apparel, agricultural products, travel goods, electrical machinery, and footwear (Figure 2.2). In the first 9-months of 2024, export values reached USD 19.83 billion, marking a 17% year-on-year increase from USD 16.96 billion in 2023 (General Department of Customs and Excise, n.d.; AmCham analysis). Key import categories for the quarter included petroleum products, raw materials for garment production, footwear, and travel goods, alongside vehicles, machinery, electronic appliances, and various consumer goods. Total imports stood at USD 21.11 billion, reflecting a 16% rise from USD 18.22 billion in the same period last year (General Department of Customs and Excise, n.d.; AmCham analysis).

**Figure 2.2**

**Cambodia's major exports, January - September 2024 (USD billion)**

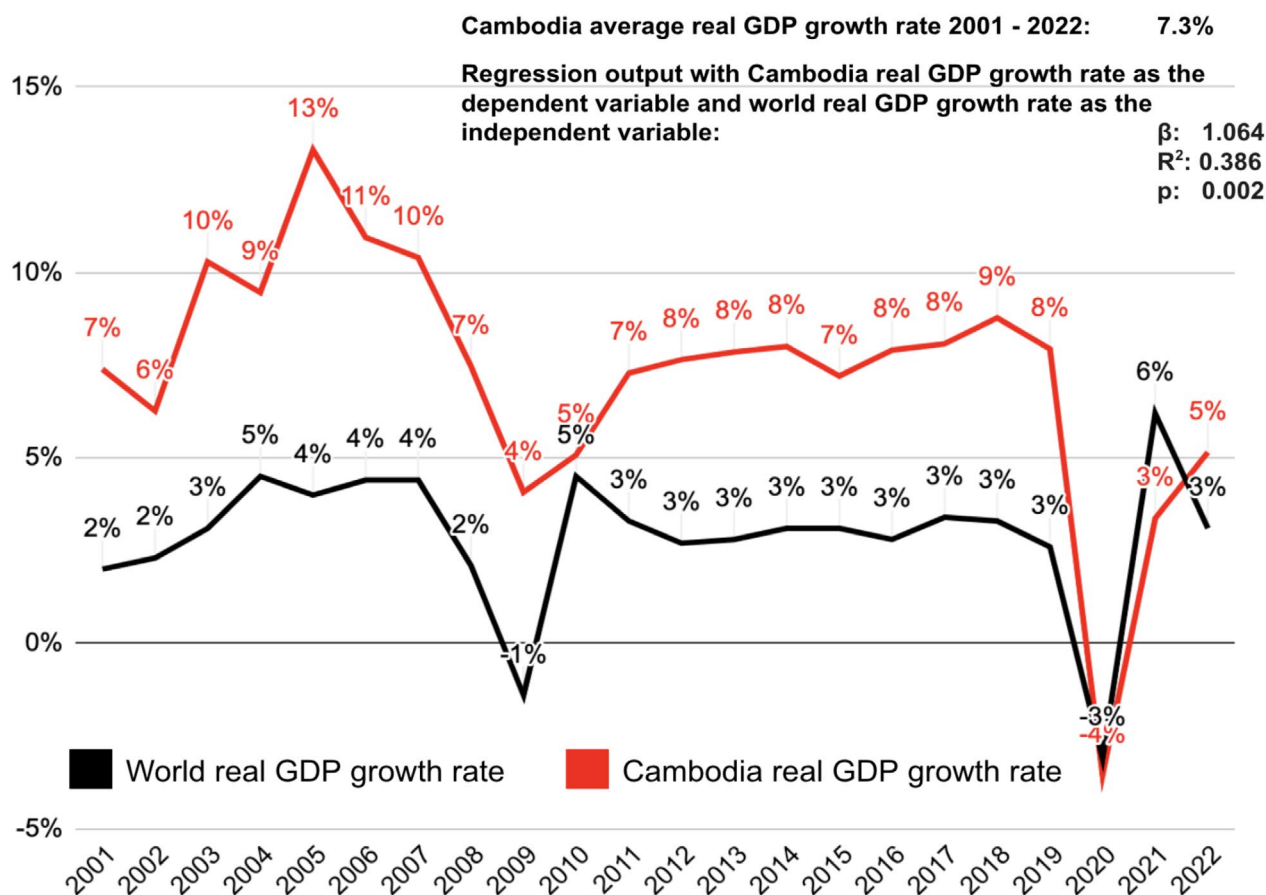


*Source: General Department of Customs and Excise, n.d.; AmCham Analysis*

Cambodia's economic growth has averaged 7.3% from 2001 to 2022, an increase from a previous measure of 6.8% (Figure 2.3). With the assistance of the IMF, the National Institute of Statistics improved the accuracy of its output measurements, and this resulted in an upward revision of previously reported GDP figures. As shown in Figure 2.3 below, Cambodian economic output follows world economic growth and business cycles, with a significant drop during the 2007-2008 global financial crisis and again during the COVID-19 pandemic in 2020. However, the variance in world economic output only explains 39% of the variance in economic Cambodian production, with unique regional and national factors accounting for most of the variance. Thus, significant diversification benefits remain for investments in Cambodia.

**Figure 2.3**

**Cambodia real GDP growth 2001 - 2022**

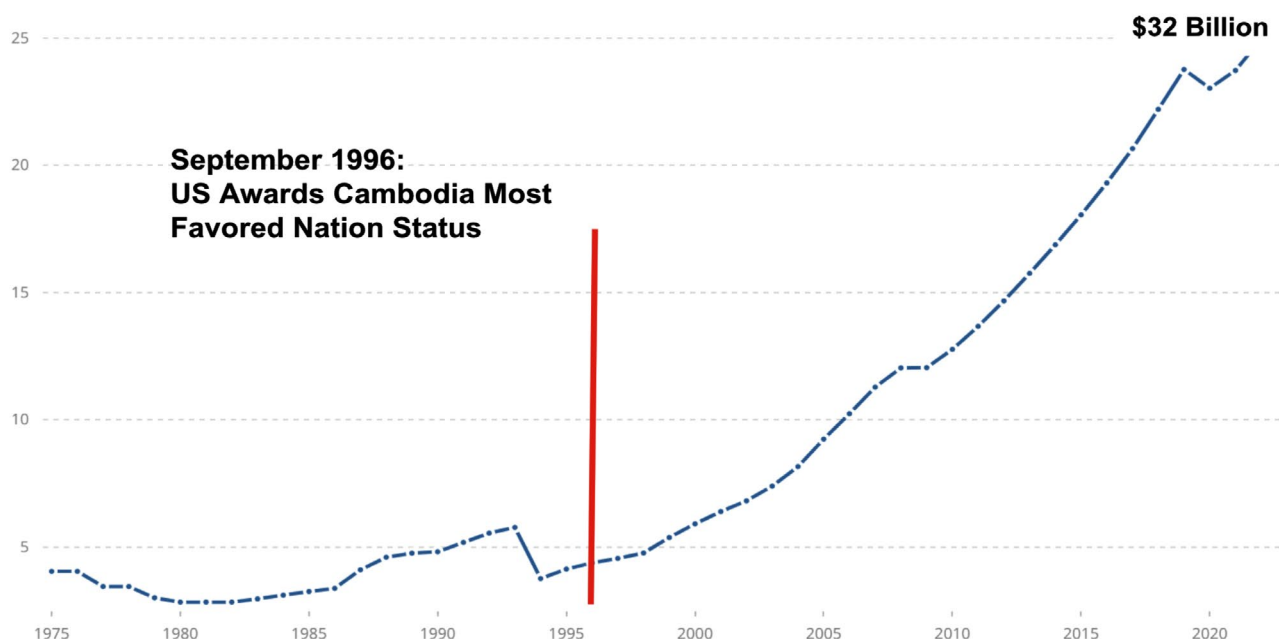


Sources: World Bank, World Bank Open Data, n.d.; National Institute of Statistics, 2024; AmCham analysis

Much of the remarkable economic growth since 2000 is due to three factors. First, Cambodia achieved national peace with the final defection of the Khmer Rouge in 1998. Second, the government adopted a market-based economy and allowed the free flow of capital, including U.S. dollar banking and transactions. Third, the U.S. government generously provided most favored nation (MFN) status, followed by inclusion in the General System of Preferences (GSP) program, allowing Cambodia duty-free exports to the U.S. This was followed by duty-free access to the European Union under the Everything But Arms (EBA) program. While GSP expired at the end of 2021, EBA remains partially in effect. MFN, GSP, and EBA attracted many garment manufacturers, which sparked steady and rapid growth (Figure 2.4).

**Figure 2.4**

**Cambodia MFN status and Cambodian GDP by Year (constant 2015 USD)**



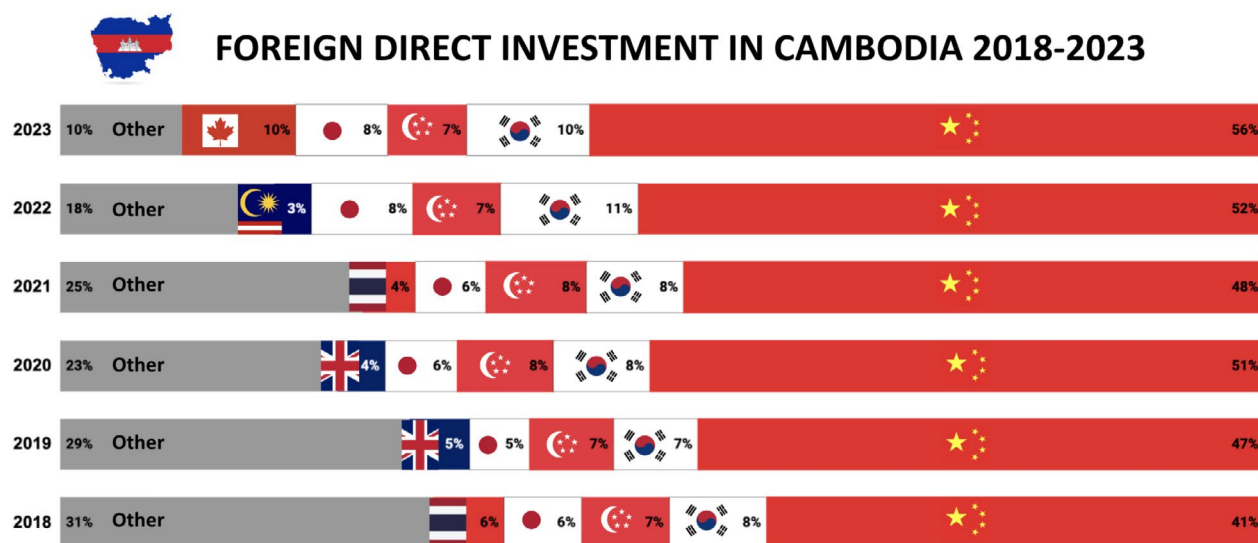
Source: World Bank, World Bank Open Data, n.d.; AmCham analysis

Though access to the U.S. market has been the key driver of economic growth in Cambodia, direct investment in Cambodia for export purposes by U.S. companies has been limited (Figure 2.5). Most foreign direct investment in Cambodia comes from China, mainly in manufacturing. U.S. companies partner with Chinese, Taiwanese, and other Asian companies that establish a manufacturing presence in Cambodia and produce goods at the request of U.S. buyers (Figure 2.6). U.S. manufacturers based in Cambodia mainly target the local market; prominent examples include Crown Beverage Cans, Cambodia Beverage Company (Coca-Cola), RMA Asia (Ford vehicle assembly).

Chinese investment in Cambodia has been accelerating (Figure 2.5). Increasing American tariffs on Chinese-made goods and concern for supply-chain resiliency is pushing Chinese manufacturers to Cambodia. China de-risking to Cambodia is made easier by the Cambodia-China Free Trade Agreement (CCFTA). The 2020 CCFTA, which came into effect in 2022, facilitates bringing inputs from China to Cambodia. Cambodia is the only developing country in Southeast Asia that has a bilateral free trade agreement with China, eliminating tariffs and value-added tax on a wide variety of products. In addition to the CCFTA, China and Cambodia have had a double taxation agreement in place since 2016. For these reasons, American businesses might find it easier to access Chinese markets via Cambodian subsidiaries, leveraging Cambodia's preferential trade access to China.

**Figure 2.5**

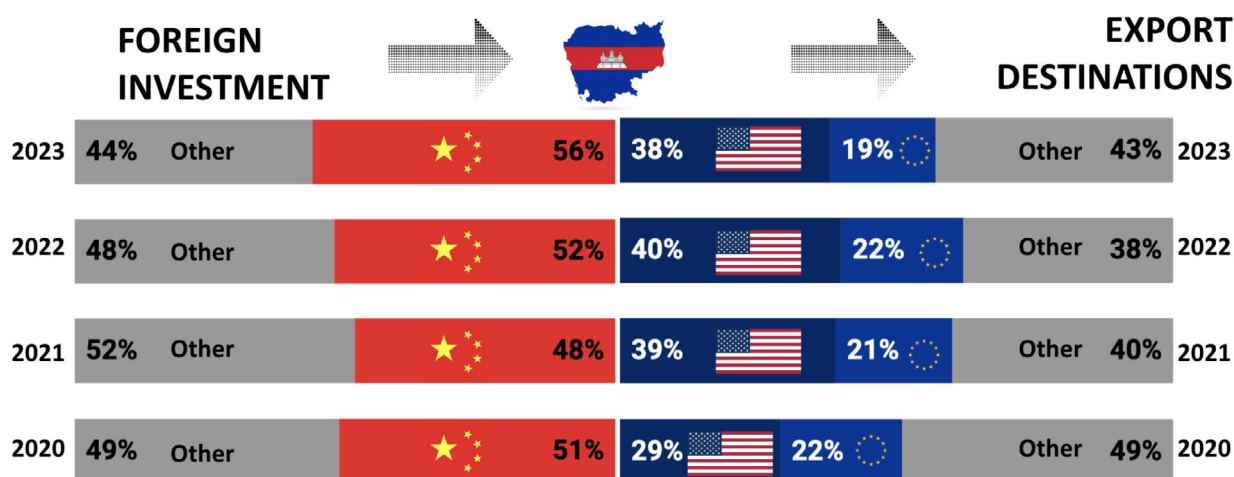
**Foreign direct investment in Cambodia 2018-2023**



Source: National Bank of Cambodia, 2024, 2023, 2022, 2021

**Figure 2.6**

**Foreign direct investment in Cambodia and Cambodian export destinations**



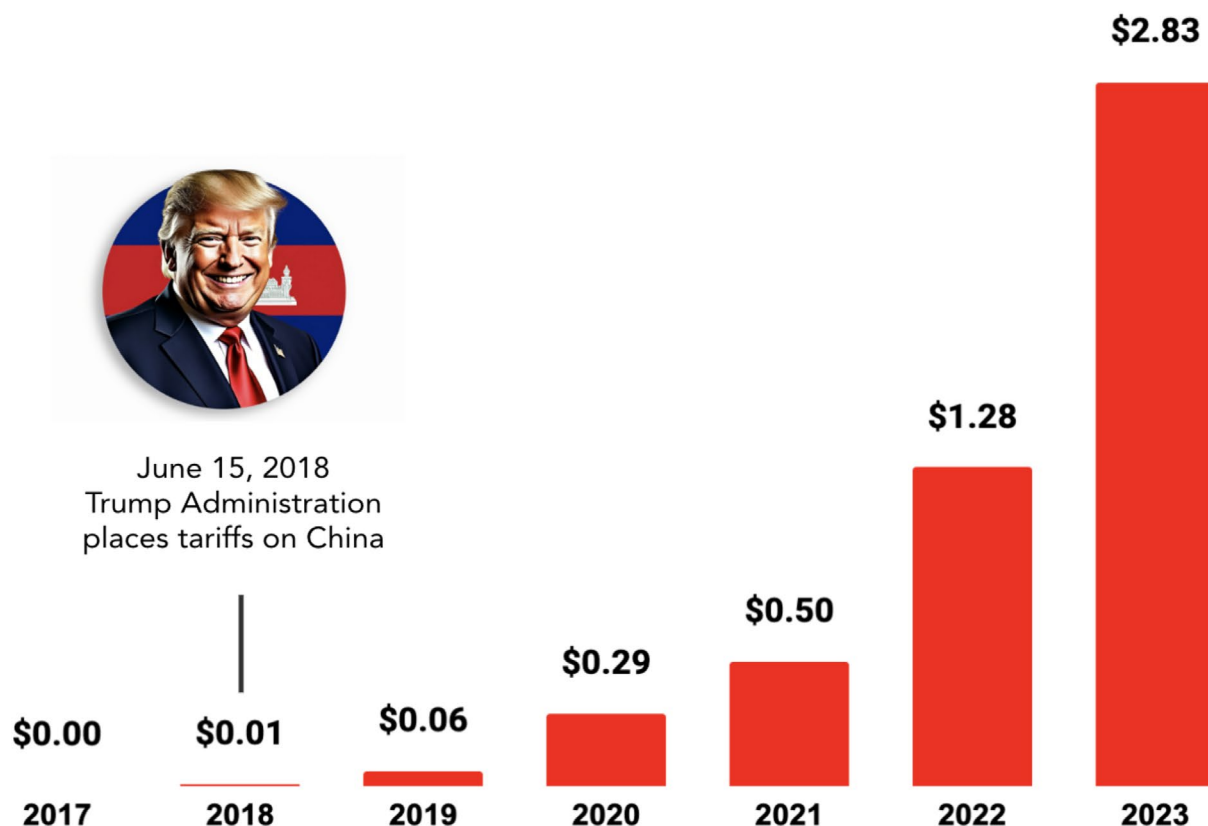
Source: General Department of Customs and Excise, n.d.; National Bank of Cambodia, 2024, 2023, 2022, 2021

Since the imposition of tariffs during the first Trump administration in 2018, there has been a noticeable increase in Chinese investment to avoid increased U.S. tariffs on Chinese imports. One sector that has grown dramatically in the wake of rising U.S. tariffs is the solar panel assembly industry; Cambodian exports of electronics, including solar panels, increased from less than \$10 million in 2018 to \$2.83 billion in 2023 (Figure 2.7) (General Department of Customs and Excise, n.d.). However, growth may slow in the face of ongoing anti-dumping probes by the U.S. Trade Representative. Nevertheless, as U.S. tariffs increase on Chinese goods, Cambodia is expected to welcome more and more Chinese manufacturers, strengthening Cambodia's manufacturing ecosystem.



**Figure 2.7**

**Cambodian export of solar panels and other electronics to the United States, billion USD**



Sources: United Nations COMTRADE database in [tradingeconomics.com](https://tradingeconomics.com), n.d.; image of Trump generated by Grok xAI

### Survey Respondents

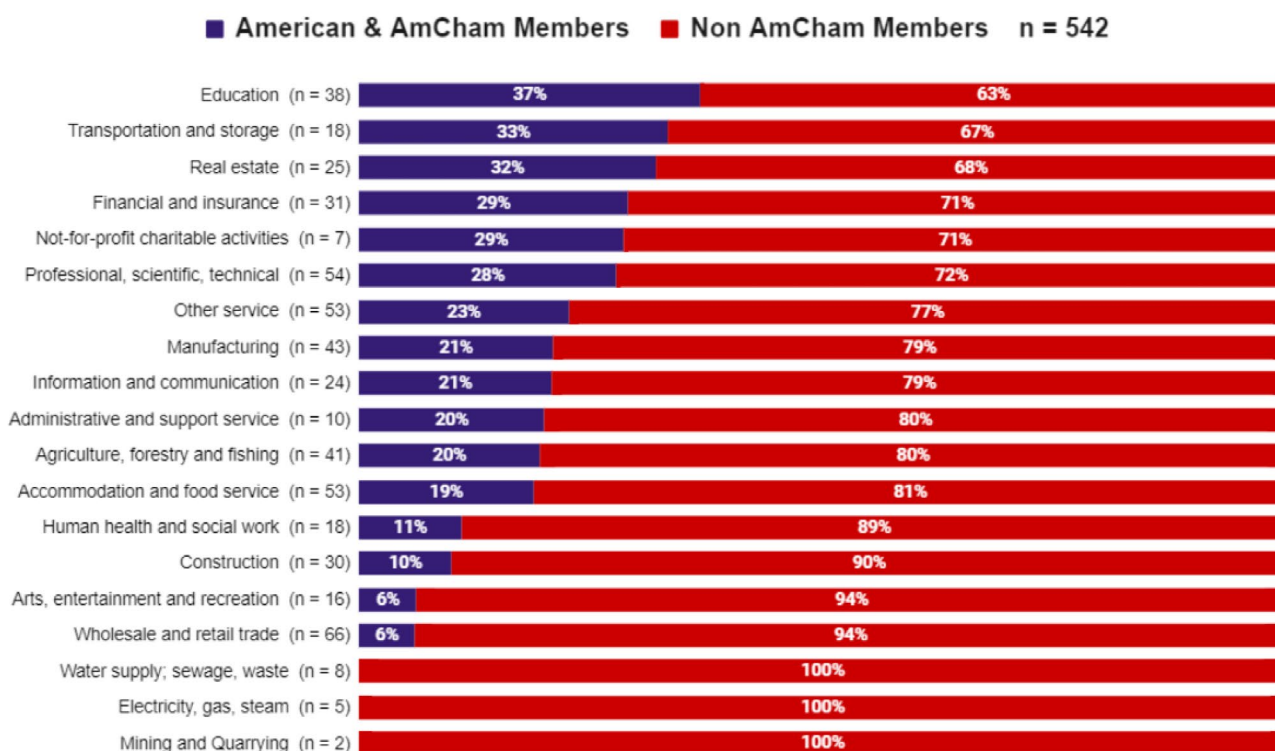
From May- June 2024, the AmCham business environment survey was sent to AmCham member representatives as well as chief executive officers and company chairmen/chairwomen who are listed in the Cambodian Ministry of Commerce online business directory. There were 800 responses, but after removing duplicate responses from companies and incomplete surveys, there were 542 valid responses from distinct companies. Among these, 110 were AmCham members or American-owned businesses.

Respondents were from a broad range of industries, with most respondents engaged in retail trade or services (Figure 2.8). When looking at AmCham members and American businesses, the distribution of industries is similar but with a greater representation of services and education.



**Figure 2.8**

**Survey respondents**

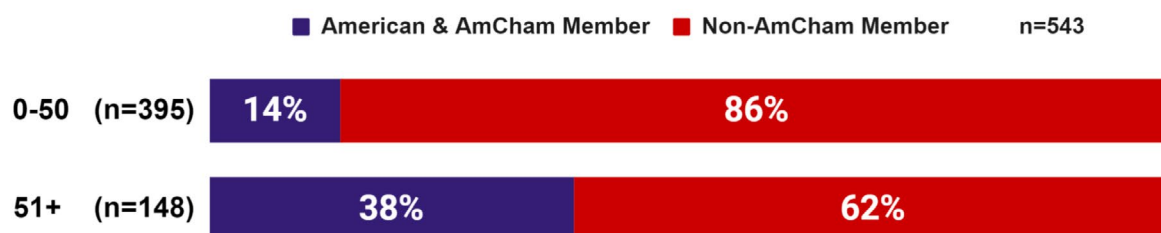


Source: AmCham Survey data and analysis

Responding companies were both small businesses with several employees and large businesses with thousands of employees. Out of all responding companies, 27% of responding companies employed 51 or more employees. Compared to the full sample of companies, American businesses in Cambodia are relatively larger, with over half of the responding American companies employing 51 or more employees (Figure 2.9).

**Figure 2.9**

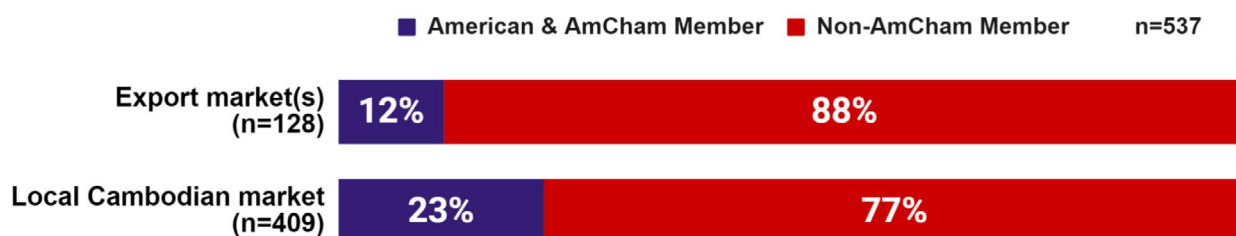
**Survey respondents by number of employees**



Source: AmCham Survey data and analysis

A greater proportion of American businesses focus on the local market than non-American companies (Figure 2.10).

**2.10 Domestic Market vs. Export Market Focus All Businesses**



Source: AmCham Survey data and analysis

Three success stories of manufacturers catering to the local market are Cambodia Beverage Company (Coca-Cola), Crown Beverage Cans (the main supplier of beverage cans in the country), and RMA Asia (Ford assembly and distribution).

## Cambodia Beverage Company (Coca Cola)

The Cambodia Beverage Company is the Coca-Cola producer in Cambodia, and it has achieved success by serving the Cambodian market. They have operated a successful, sustainable, and socially responsible business in Cambodia since 1993, with investments of hundreds of millions of dollars, tens of thousands of employees, and comprehensive nationwide distribution.





## Crown Beverage Cans

Crown Holding Company (NYSE listed and S&P 500 component) has three successful manufacturing subsidiaries in Cambodia, starting with Crown Beverage Cans (Cambodia). They have succeeded in serving the Cambodian market, with a dominant majority market share of the Cambodian market for beverage cans. Crown manufacturing in Cambodia is highly automated and capital-intensive. They were the first to invest in large-scale can manufacturing in Cambodia, quickly gaining a majority market share, which they have maintained for over a decade with a reputation for high quality and reliability.





## RMA

After many years of success importing and distributing Ford vehicles, as one business of the RMA group, RMA established assembly of Ford vehicles in 2022 in a 430,000-square-foot assembly plant in Pursat Province. The Cambodian government has generously supported this investment by installing an electricity distribution substation and providing tax incentives.





## American exporters

While Asian manufacturers, mostly Chinese, mainly conduct export-oriented manufacturing in Cambodia, American manufacturers have succeeded by basing manufacturing in Cambodia. Two examples are American Hardwood Flooring and Ealytex.

### Ealytex

Ealytex Garment company has found success in Cambodia's large garment manufacturing industry, an industry which in Cambodia has the support of a comprehensive ecosystem of suppliers service providers, and skilled workers. They manufacture and export clothes for Macy's, Ross, TJ Maxx, Nordstrom and Target.

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## American Hardwood Flooring

American Hardwood Flooring has succeeded in their \$120 million investment in Cambodia producing high-quality engineered hardwood flooring. They invested in the Sihanoukville Special Economic Zone, which is supported by the manufacturing and logistics ecosystem in the economic zone.

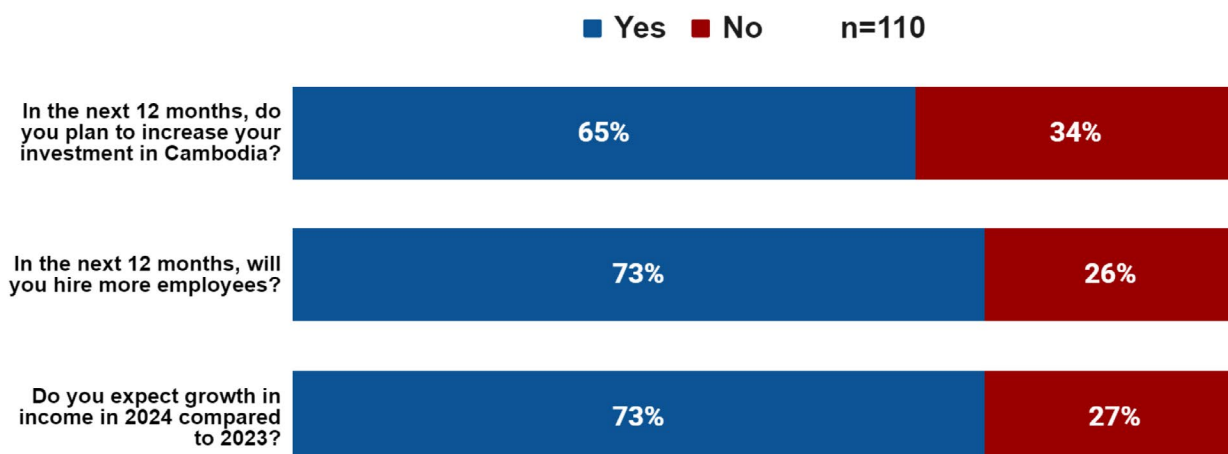


### 3. 2024 Business Outlook

Despite challenges in the banking, real estate, and tourism industries, American and non-American businesses are optimistic about their profitability outlook in 2024 (Figure 3.1).

**Figure 3.1**

#### 2024 Cambodia Business Outlook of American and AmCham Member Businesses

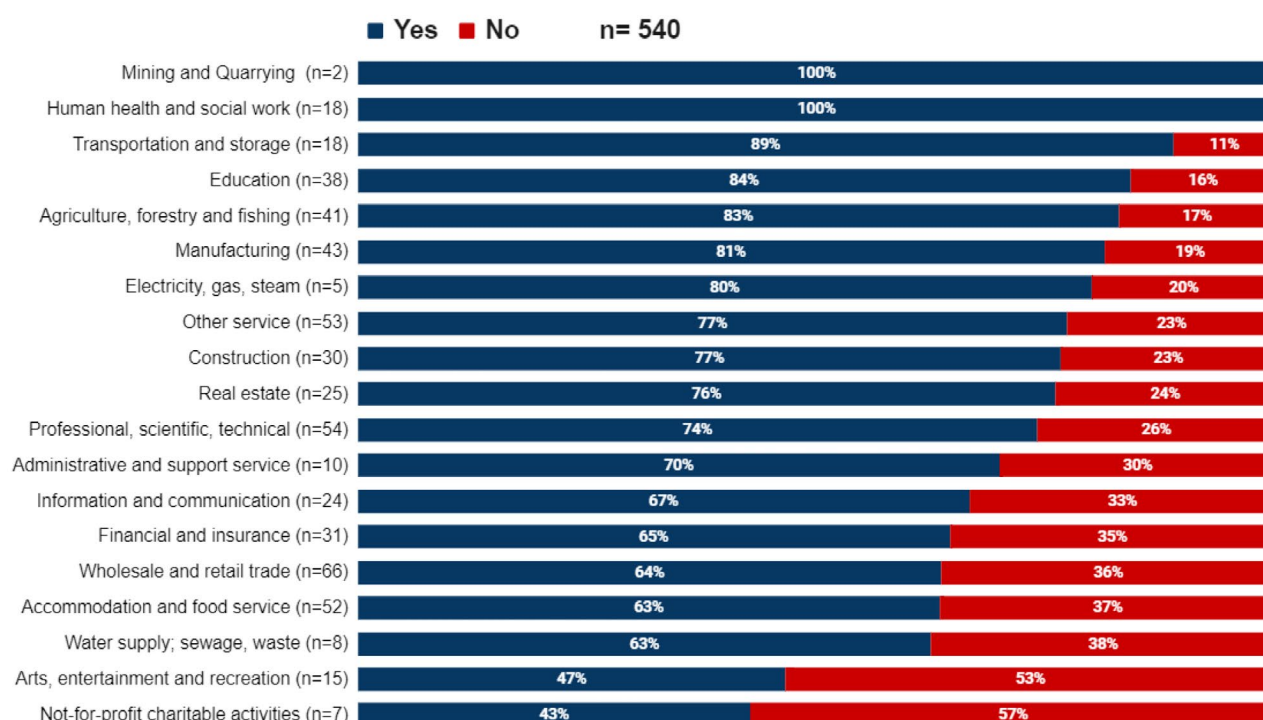


Reference: AmCham Survey data and analysis

The business outlook depends on the industry (Figure 3.2). Aligned with reports about the challenges facing the banking and tourism sectors, we see that the financial, accommodation, and entertainment sectors are relatively pessimistic about income growth in 2024. Healthcare, transportation, education, agriculture, and manufacturing have a positive outlook.

**Figure 3.2**

#### Do you expect growth in income in 2024 compared to 2023?



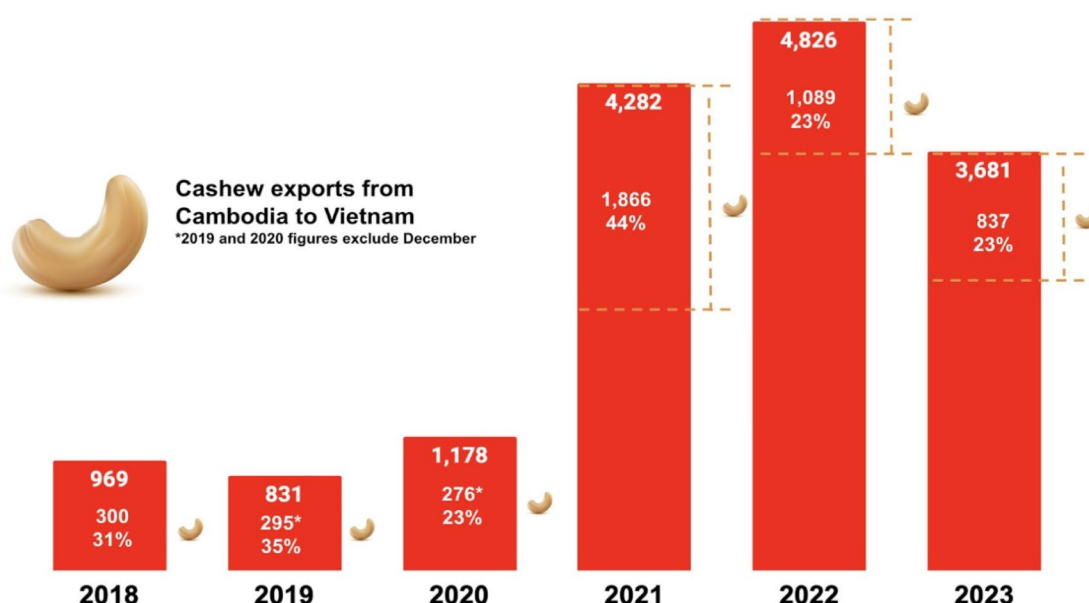
Reference: AmCham Survey data and analysis



Companies in the agricultural sector have been experiencing consistent gains in productivity with steady improvements in infrastructure, farming techniques, and farm equipment. Farm equipment sales have been strong enough that John Deere is setting up an assembly plant in Cambodia with a regional partner. Cambodia's agricultural exports include cassava, rice, bananas, natural rubber, and cashew nuts (Figure 3.3). While local agricultural output is growing, local processing is not. Most processing is conducted in neighboring Thailand and Vietnam. While agricultural output is mainly exported to Thailand and Vietnam, these products are exported again after processing. For example, most cashew nuts exported to Vietnam are exported again to the U.S.

**Figure 3.3**

**Cashew nut exports to Vietnam, million USD**

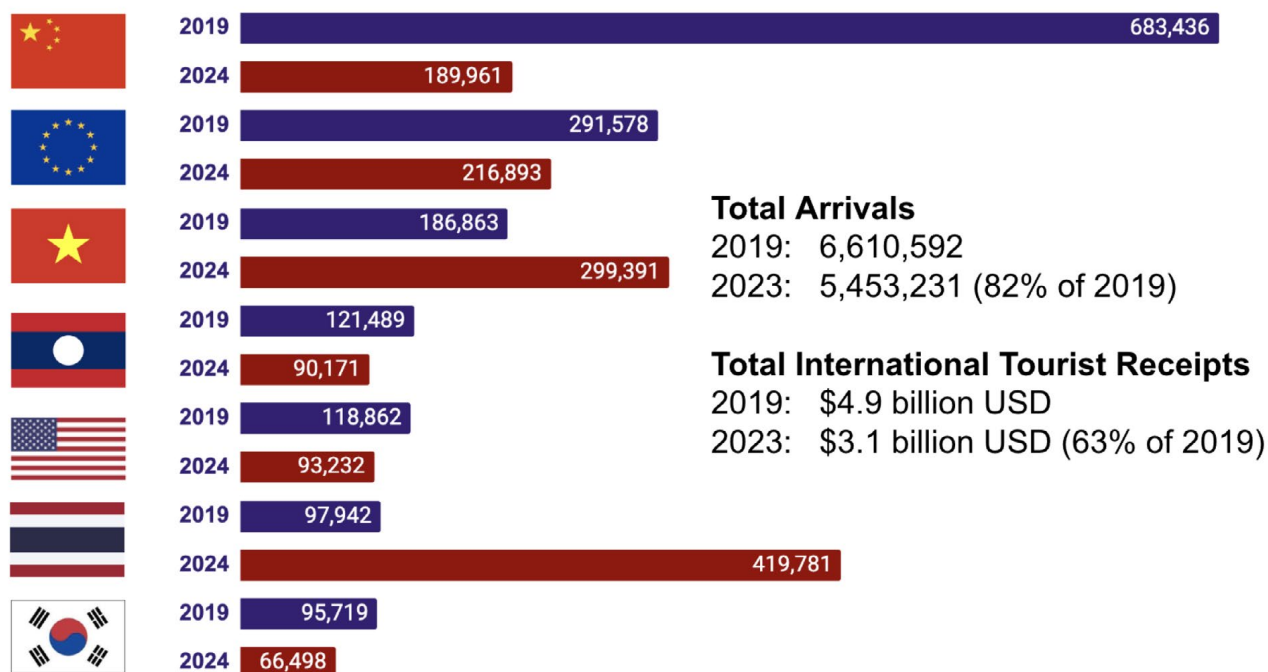


Reference: General Department of Customs and AmCham Analysis

Tourism and hospitality is one sector performing poorly in 2024, with accommodation and food services down dramatically. The main reason for this is the decline in the number of tourists from China (see Figure 3.4 below). Chinese tourists have yet to return since the COVID-19 pandemic. A notable reason for this is a drop in the perceived security situation in Cambodia for Chinese people. While Westerners rate Cambodia's security highly, the Chinese do not. The main reason is the presence of large unlicensed online gambling operations that target Chinese nationals; these operations are often associated with scams, extortion, and coercion, which are reported in Chinese media and among Chinese netizens (Business & Human Rights Resource Center, 2024; Fraud Victim Rights Organization, 2024). While tourists from Vietnam and Thailand have increased dramatically, the increase is mainly for brief cross-border transactions or visits to casinos and entertainment venues on the border.

**Figure 3.4**

**International tourist arrivals to Cambodia: Total Q1 arrivals from January - March 2019 compared to January - March 2024**



*Figures for America include all arrivals from North and South America. Figures for Europe include non-EU countries classified as European by the Cambodian Ministry of Tourism.*

*Sources:*

*Ministry of Tourism, Cambodia, Tourism Statistics Report March 2024.*

*Ministry of Tourism, Cambodia, Tourism Statistics Report March 2019.*

The drop in Chinese tourists has also coincided with a drop in real estate purchases by Chinese nationals. Chinese buyers represented a large share of the real estate market to the extent that the drop in Chinese property investors has resulted in declining property values persisting into 2024. Sihanoukville, a port city that was a main hub of Chinese tourism, is now regarded by tourists as a ghost town, and many buildings remain empty and are at various stages of suspended construction. However, Sihanoukville continues its important role as a manufacturing hub.



## 4. Cambodia Investment Advantages

Our survey asked investors to rank the most valued aspects of doing business in Cambodia (Figure 4.1). The ability for foreigners to own 100% of a business is rated the highest, reflecting a strong appeal for international ownership flexibility. The ability for American investors to own 100% of the business eliminates many risks, such as the risk of transfer of intellectual property and risks related to doing business with a partner. It also eliminates the need to share profits. Foreign ownership, political stability, a growing market, and the use of the English language are critical advantages, highlighting Cambodia's appeal as a stable business environment.

Other significant advantages include banking in US dollars, tax incentives, and unrestricted international money transfers, which simplify financial operations for foreign businesses. Factors like limited bureaucracy, low crime, and friendliness of the people are moderately valued, further supporting Cambodia's reputation as a friendly, safe, and convenient place to invest.

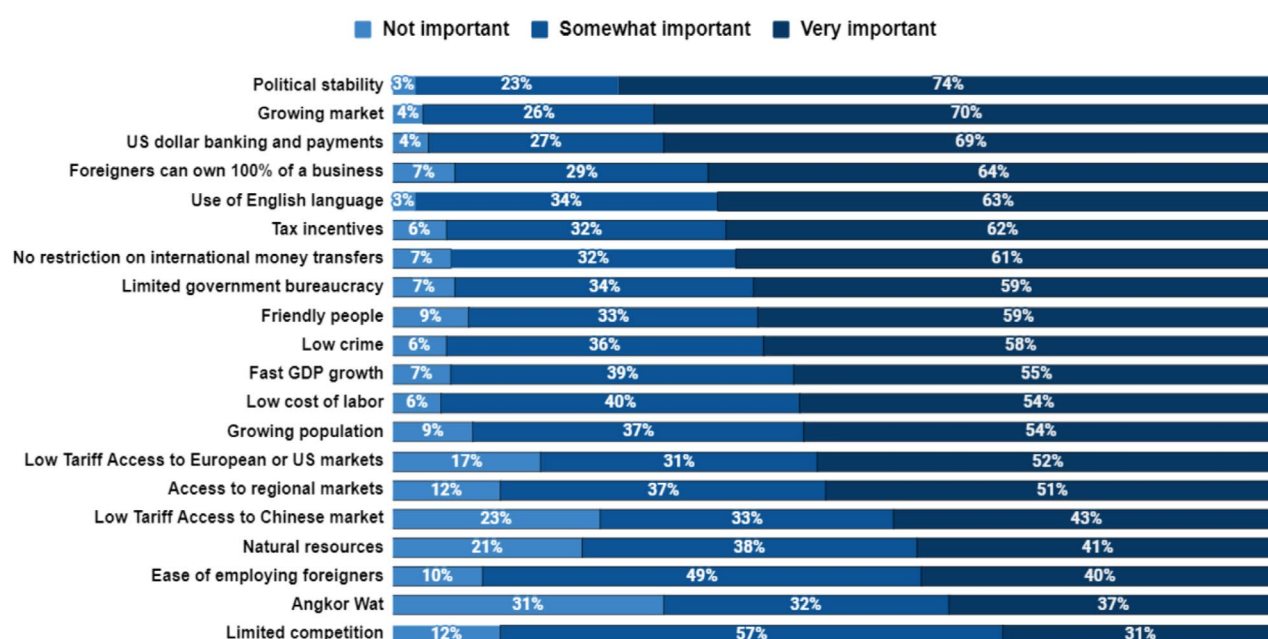
Less important for international investors are aspects like access to regional markets, low tariffs to the US and Europe, and natural resources. However, the relatively lower ranking of these factors may be because the survey sample mainly included American businesses focused on serving the domestic market.

### Foreign ownership

Cambodia allows 100% foreign ownership of companies without restrictions on the industry or type of business. U.S. investors can invest in businesses requiring significant licensing and regulation. U.S. companies can own and operate financial service businesses fully, including insurance companies, banks, and payment services. Visa and Mastercard have operated successfully in Cambodia for over 20 years. There is a fully American-owned institute of higher education, CamEd Business School, licensed and accredited by the Ministry of Education, Youth and Sport. Although there are not yet any U.S.-owned banks operating in Cambodia, Cambodia's largest and most profitable bank, Advanced Bank of Asia, is more than 99% owned by the National Bank of Canada.

Figure 4.1.

Which of the following are important to attract investment in Cambodia?



Reference: AmCham Survey data and analysis

**Figure 4.2.**

**Which of the following are important to attract investment in Cambodia?**

Very important = 3  
Somewhat important = 2  
Not important = 1

Investment Advantages	International Investor n = 104	Ranking	Cambodian Investor n = 92	Ranking
Foreigners can own 100% of a business	2.72	1	2.40	17
Political stability	2.71	2	2.73	1
Growing market	2.65	3	2.68	3
Use of English language	2.64	4	2.57	8
US dollar banking and payments	2.61	5	2.71	2
Tax incentives	2.60	6	2.52	9
No restriction on international money transfers	2.58	7	2.51	11
Limited government bureaucracy	2.58	8	2.46	14
Low crime	2.52	9	2.52	10
Friendly people	2.50	10	2.50	12
Ease of employing foreigners	2.41	11	2.17	20
Growing population	2.39	12	2.50	13
Fast GDP growth	2.38	13	2.59	7
Low cost of labor	2.38	14	2.61	4
Access to regional markets	2.20	15	2.60	5
Low Tariff Access to European or US markets	2.13	16	2.60	6
Limited competition	2.13	17	2.25	19
Low Tariff Access to Chinese market	2.00	18	2.42	15
Natural resources	1.99	19	2.42	16
Angkor Wat	1.80	20	2.37	18

*Reference: AmCham Survey data and analysis*

## Growing Market and Political Stability

Between 1998 and 2023, Cambodia's economy experienced an average annual GDP growth rate of approximately 7.1% (World Bank, 2024), making Cambodia one of the fastest-growing economies in the world. This period included significant expansion in tourism, export manufacturing, real estate, and construction. However, the COVID-19 pandemic in 2020 led to a contraction of 3.1% in GDP. The economy rebounded with growth rates of 3.0% in 2021, 5.2% in 2022, and 5.4% in 2023. GDP growth in 2024 is expected to be 5.4%, and growth in 2025 is forecast at 6.0% (World Bank, 2024).

This growth has been in conjunction with political stability and a National Assembly controlled by a single party. Although there are benefits in evolving to more inclusive governance, the governance of a single party over the past 30 years has allowed for consistency in policies and the development of government officials with specialization in their respective fields.

## English language

As shown by this survey, investors appreciate the widespread use of English language in Cambodia. Although the level of English language proficiency in Cambodia is lower than in Malaysia, Singapore, and the Philippines, the level of English language in Cambodia is higher than that in Vietnam and significantly greater than in Thailand. Two factors support English language proficiency in Cambodia. First, the English language is compulsory in public schools from 4th grade onwards. Second, Cambodia is a small open economy in a region where English is the common language; English is the official language of the Association of Southeast Asian Nations (ASEAN).

## No controls on capital flows and dollarization

Cambodia allows unlimited flow of funds into and out of Cambodia without control. Incoming funds may be kept in U.S. or foreign currency without conversion. This makes it easy for investors to manage investment and working capital efficiently. It also reduces risks related to the repatriation of profits.

Cambodia's banking system is highly dollarized, with 95% of bank deposits held in US dollars and most business transactions occurring in US dollars (Aiba, D., et al, 2024). Although Cambodia has its own currency, the Cambodian riel, it is mainly used for transactions requiring small amounts or paying taxes. Using the dollar makes it easy for businesses to budget operational costs and match their local costs with their imports, exports, and investment capital. The use of the dollar has been successful in helping Cambodia maintain macroeconomic stability and low inflation, which, after a high of 24% in 2008, has ranged from a low of 1.2% to a high of 5.5% (World Bank Open Data, n.d.). US dollar payments are supported by the National Bank of Cambodia Bakong digital currency transfer system, enabling immediate US dollar payments from any bank account. The Bakong transfer system, along with the digitalization efforts of leading banks such as AmCham member Advanced Bank of Asia, has resulted in widespread adoption of digital payments for even the smallest of transactions.

## Tax incentives

In accordance with a 2023 sub-decree implementing the Law on Investment, Cambodia offers generous tax incentives to investments that meet investment thresholds, such as a minimum investment amount ranging from \$250,000 to \$10,000,000, depending on the business activity (Royal Government of Cambodia, 2021, 2023). The incentives are awarded to businesses that apply for and receive certification as a "qualified investment project," commonly referred to as a QIP. QIP certification is granted by the Council for Development of Cambodia (CDC) through a one-stop online application process (<https://cdc.gov.kh/application-form/>).

Two of these investment incentives include:

1. Exemption from income tax for 3-9 years, followed by an additional 6 years of reduced income tax
2. Exemption from import tariffs on production inputs, production equipment and construction materials

## Prime Minister's Private Sector Task Force

The new Prime Minister of Cambodia, Hun Manet, was elected in 2023. His PhD dissertation at the University of Bristol concluded that financial liberalization enhances business growth, especially the growth of small and medium-sized enterprises. As Prime Minister, Hun Manet has given attention and concern to private sector development. In early 2024, Prime Minister Hun Manet created a Private Sector Task Force reporting directly to him; this task force is divided into sub-task forces according to topics such as law, energy, and tax. The Tax Task Force has engaged the American Chamber of Commerce with two meetings in the first ten months of 2024, inviting AmCham to share issues, challenges, and recommendations.



## Cambodia-United States Public-Private Sector Dialogue

In September 2024, the United States Embassy in Cambodia and the Council for Development of Cambodia signed a memorandum of understanding launching a two-yearly forum in which the United States Embassy in Cambodia, the American Chamber of Commerce in Cambodia, and the US-ASEAN Business Council are invited to raise issues related to investment and business operations in Cambodia. In the forum, the government side is led by Deputy Prime Minister Sun Chanthol and accompanied by representatives from each ministry relevant to the issues raised by the U.S. parties. The inaugural meeting was held on September 18, 2024, and will be followed by meetings every six months.



*Photo:*

*H.E. Deputy Prime Minister Sun Chanthol actively works to facilitate U.S. investment in Cambodia; a former G.E. executive, H.E. DPM Sun Chanthol is keenly aware of investors' needs and concerns; H.E. DPM chairs the Cambodia-United States Public-Private Sector Dialogue meetings.*



Photo:

*The inaugural Cambodia-United States Public-Private Sector Dialogue meeting was held on September 18, 2024, and was attended by co-chaired by Deputy Prime Minister Sun Chanthol and U.S. Embassy Charge d’Affaires Bridgette Walker, with representation by AmCham President Casey Barnett, AmCham committee representatives, and representatives from relevant ministries.*

## **Tax Working Group / Private Sector Working Groups**

Beginning in 2001, the Cambodian government has operated private sector working groups which currently cover 16 sectors. These private-sector working groups are co-chaired by one chair appointed by the Cambodian Chamber of Commerce (with consent from the government) and one chair appointed by the government, typically the minister responsible for the relevant sector. In addition to the private sector co-chair, members of the working group include a variety of private sector representatives and associations. Currently, the American Chamber of Commerce in Cambodia has official representation in two working groups, the Working Group on Law Tax and Good Governance (also referred to as “Working Group D”) and the Working Group on Education. The Working Group on Law Tax and Good Governance is one of the most active of the working groups and its scope includes tax issues; the co-chair from the government is the Minister of Economy and Finance.

Another working group that has operated successfully is the Tax Working Group. This working group operates with active support from H.E. Kong Vibol, Minister attached to the Prime Minister in charge as Director General of the General Department of Taxation. The Tax Working Group is nominally under the Working Group on Law Tax and Good Governance but has its leadership and composition approved by the Deputy Prime Minister, who is also the Minister of Economy and Finance. The Tax Working Group is the primary body by which AmCham and other business associations and businesses can raise issues directly to H.E. Kong Vibol and the leadership of the General Department of Taxation. H.E. Kong Vibol and H.E. Dr. Eng Ratana, Director of the Department of Large Taxpayers, have encouraged AmCham to raise issues directly if American businesses face any tax-related issues. That American business has such unique access to the country’s highest tax leadership reflects the Cambodian government’s concern and desire to encourage and attract U.S. investment.





Photo:

*H.E. Kong Vibol, Minister attached to the Prime Minister in charge as Director General of the General Department of Taxation with AmCham President Casey Barnett; H.E. Kong Vibol actively engages AmCham to resolve issues and provide clarification to American businesses*

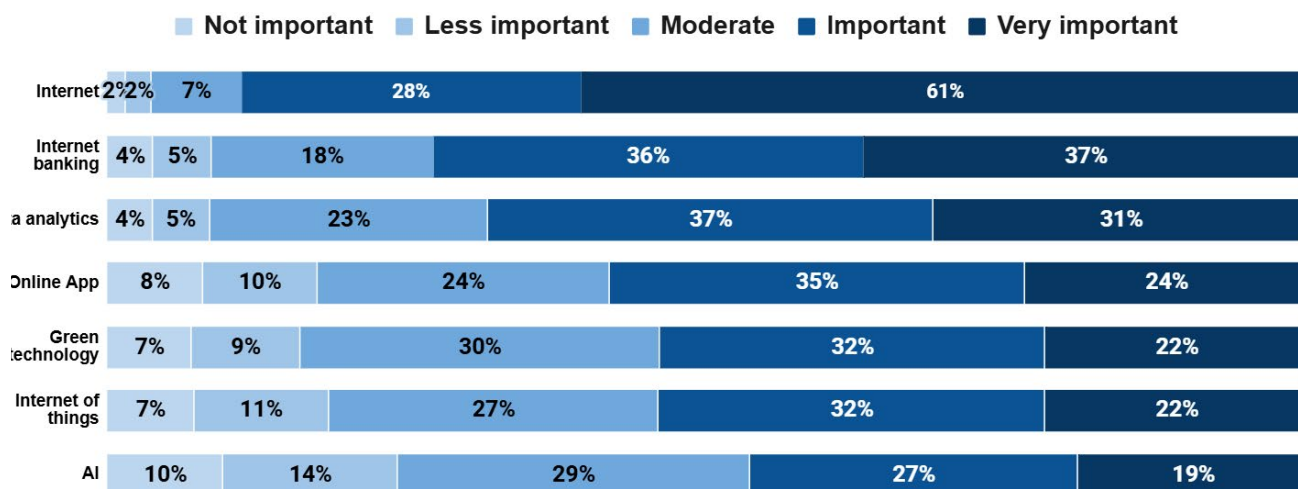
## Digital Cambodia

With nearly 95% of Cambodians accessing the internet via mobile devices by 2021, mobile connectivity has driven digital adoption nationwide (Kemp, 2021). Government-led initiatives, such as the Cambodia Digital Economy and Society Policy Framework 2021-2035, aim to enhance digital infrastructure and promote a knowledge-based economy.

Businesses in Cambodia have become highly reliant on online and digital processes (figure 4.3). The use of cloud-based applications accessed via the Internet has become a regular aspect of business operations in Cambodia. The Cambodian government has also utilized online services and apps to streamline government services. Tax filings and business registrations are now online, boosting efficiency and removing the human element previously associated with informal payments. Online banking with mobile payments is now universal, and even street food vendors accept digital payments.

**Figure 4.3.**

**IT and business: which of the following are important to operating your business?**

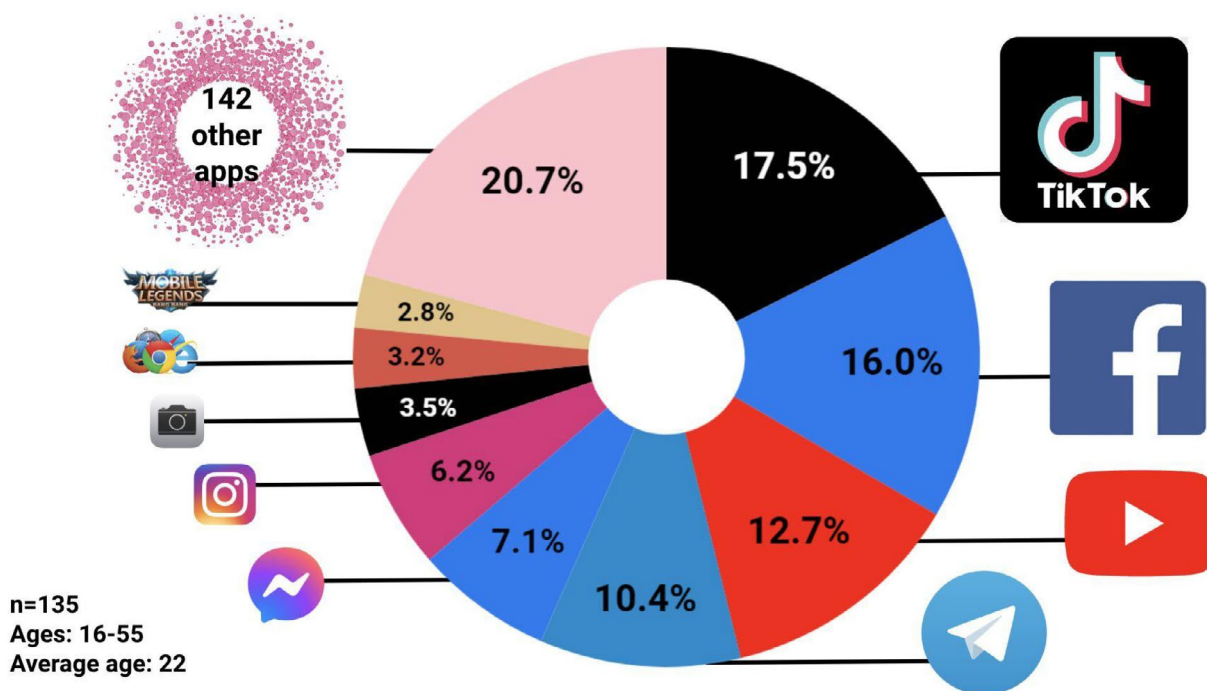


Reference: AmCham Survey data and analysis

In addition, Cambodians, especially Cambodian youth, are now digital-savvy, and their online behavior and use of online applications will appear familiar to Americans (see Figure 4.4)

**Figure 4.4**

**App Usage in Cambodia by Screen Time**



Reference: Survey conducted by CamEd Business School, 2024.



## 5. Cambodia Investment Challenges

American investors in Cambodia recognize and appreciate the government's commitment to creating a welcoming and competitive business environment. They acknowledge Cambodia's efforts to enhance infrastructure, facilitate trade, and streamline business procedures, all of which have improved the investment climate. However, investors have noted certain areas require continued focus to ensure the retention of existing investments and attract new ones (Figure 5.1).

Investors' primary concern is uncertainty in the enforcement and interpretation of laws and regulations. Cambodia's body of laws and regulations is relatively new, having been put in place over the past 30 years after the 1993 elections and the national peace of 1998. As a result, there is limited precedent for businesses to refer to; moreover, court decisions and regulatory interpretations are largely not available to the public, meaning businesses typically depend on the accumulated experience of professional advisors. Strengthening transparency and predictability in the legal and regulatory systems would not only safeguard investor interests but also bolster confidence in Cambodia's judicial and regulatory frameworks. In the meantime, foreign investors in Cambodia mitigate this issue by including clauses in contracts that require any disputes to be resolved in Singapore commercial arbitration courts.

In addition, investors have identified logistics and energy as critical areas for improvement. Enhanced infrastructure is essential for improving access to markets and ensuring the country's competitiveness on the global stage. A key infrastructure issue is the cost of electricity. Cambodia's average cost of electricity is 13.7 cents per kilowatt hour, twice that of Vietnam's at 6.8 cents per kilowatt hour. Moreover, Cambodia's electricity fee for commercial enterprises is higher than that charged to residential consumers, making the effective rate businesses pay even higher.

Finally, investors see potential to develop Cambodia's human capital further. They appreciate the government's commitment to improving education and vocational training but see opportunities for enhancing skill development that align with the needs of business. A stronger emphasis on specialized training and language skills could significantly benefit businesses, ensuring a skilled workforce that meets the demands of a modern and diversified economy.

Addressing these areas, with continued collaboration between the Cambodian government and the American business community, will support shared growth and sustainable investment, reinforcing Cambodia's standing as a preferred destination for foreign investors in the region.

**Figure 5.1**

**How serious are the following issues to doing business in Cambodia?**

Very serious	=	5
Serious	=	4
Moderate	=	3
Minor	=	2
No Problem	=	1

Issue	AmCham Members & Businesses n = 110	Ranking of Issue for Americans & AmCham Businesses	Non-AmCham & Non-American Businesses n = 432	Ranking of Issue for Non-AmCham & Non-American Businesses
Uncertainty regarding enforcement and interpretation of laws	3.95	<b>1</b>	3.75	<b>1</b>
Cost of Electricity	3.91	<b>2</b>	3.61	<b>2</b>
Transportation infrastructure	3.77	<b>3</b>	3.42	<b>10</b>
Cost of shipping	3.76	<b>4</b>	3.57	<b>3</b>
Inadequately educated workforce	3.73	<b>5</b>	3.50	<b>8</b>
Practices of competitors in the informal sector	3.65	<b>6</b>	3.55	<b>5</b>
Workforce productivity	3.65	<b>7</b>	3.44	<b>9</b>
Market is too small	3.51	<b>8</b>	3.41	<b>11</b>
Finding ways to access new markets	3.46	<b>9</b>	3.51	<b>6</b>
Business licensing and permits	3.46	<b>10</b>	3.14	<b>13</b>
Lack of reliable commercial arbitration	3.42	<b>11</b>	3.51	<b>7</b>
Cost of borrowing	3.39	<b>12</b>	3.56	<b>4</b>
Labor regulations	3.21	<b>13</b>	3.24	<b>12</b>
Cost of labor	3.16	<b>14</b>	3.11	<b>14</b>
Crime, theft and disorder	3.09	<b>15</b>	3.08	<b>15</b>

*Reference: AmCham Survey data and analysis*

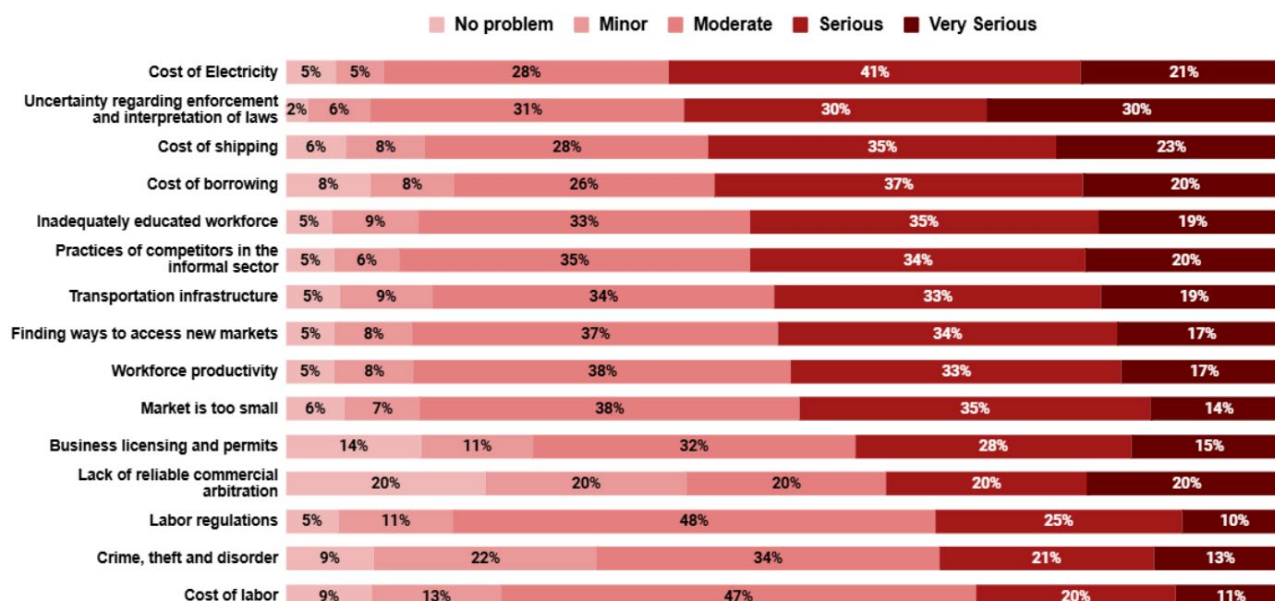
Notably, most American investors' concerns are aligned with the concerns of non-American investors (Figure 5.1). Notable differences include courts and the cost of borrowing; American businesses rank these issues as less serious than non-American businesses. The cost of borrowing may be less relevant to American businesses because American businesses receive financing from abroad; in contrast, local businesses are forced to raise capital locally, with bank loans a common source of funds.

As shown in Figure 5.1, the cost of labor and labor regulations are the least concerning for investors. Although Cambodia's labor regulations are considered pro-labor, investors have adapted to local requirements. In some industries, such as garment manufacturing, pro-labor regulations and working conditions are a selling feature that attracts buyers seeking ethical producers.



Figure 5.2

### How serious are the following issues to doing business in Cambodia?



Reference: AmCham Survey data and analysis

Certain industries face different and more significant challenges than others. As shown in Figure 5.3, the healthcare, transportation, and education industries face more significant challenges than others. A score of 4 or higher indicates that the issue is “serious” and is shown in Figure 5.3 in dark red color. The finance and insurance industry did not categorize any issue as “serious.” The manufacturing industry only categorized the cost of shipping as serious.

Figure 5.3

### Heat map of issues by industry

Issue / Industry	Average n = 456	Professional, scientific, technical n = 54	Education n = 38	Accommodation and food service n = 53	Manufacturing n = 43	Financial and insurance n = 31	Agriculture, forestry and fishing n = 41	Real estate n = 25	Transportation and storage n = 18	Information & communication n = 24	Wholesale and retail trade n = 66	Construction n = 30	Human health and social work n = 18	Water supply; sewage, waste n = 8	Mining and Quarrying n = 2	Electricity, gas, steam n = 5
Uncertainty regarding enforcement and interpretation of laws	3.84	4.03	4.07	3.91	3.81	3.72	3.72	3.84	3.96	3.72	3.82	4.21	4.27	3.63	3.00	3.60
Cost of Electricity	3.69	3.61	4.05	4.03	3.76	3.48	4.09	3.69	3.83	3.56	3.50	3.78	3.73	3.88	3.00	3.40
Cost of shipping	3.65	3.43	3.13	3.94	4.03	3.25	4.14	3.28	4.42	3.31	4.10	4.01	3.21	3.25	3.00	3.60
Practices of competitors in the informal sector	3.59	3.67	3.44	3.77	3.50	3.35	3.70	3.28	3.79	3.57	3.61	4.11	4.30	3.25	4.00	3.60
Inadequately educated workforce	3.58	3.64	3.95	3.66	3.67	3.46	3.51	3.36	3.92	3.59	3.51	3.55	4.44	3.25	2.50	3.20
Cost of borrowing	3.55	3.57	3.20	3.63	3.43	3.52	3.94	3.62	3.25	3.01	3.56	3.78	3.50	3.63	1.00	3.60
Lack of reliable commercial arbitration	3.52	3.42	3.59	3.66	3.01	3.48	3.56	3.44	3.73	2.92	3.50	3.92	4.25	3.75	1.00	3.40
Transportation infrastructure	3.52	3.32	3.44	3.67	3.90	3.37	4.06	3.44	4.13	3.04	3.87	3.65	3.23	3.38	3.00	3.20
Finding ways to access new markets	3.51	3.44	3.41	3.86	3.47	3.10	3.67	3.36	3.58	3.55	3.58	3.86	3.75	3.13	1.00	3.40
Workforce productivity	3.49	3.63	3.90	3.68	3.53	3.49	3.52	3.28	3.50	3.12	3.75	3.46	3.70	3.25	1.00	3.80
Market is too small	3.43	3.23	3.28	3.93	3.27	3.24	3.49	3.62	3.83	3.01	3.65	3.49	3.64	3.13	1.00	3.20
Labor regulations	3.24	3.10	3.70	3.42	3.15	2.97	3.25	2.88	3.25	2.99	3.36	3.21	3.47	3.13	1.00	3.00
Business licensing and permits	3.24	3.36	3.47	3.61	3.33	3.29	3.03	3.25	3.67	3.03	3.05	3.29	3.62	3.25	3.00	3.20
Cost of labor	3.13	3.33	3.23	3.24	3.15	2.91	3.20	2.69	3.42	2.88	3.27	2.78	4.07	2.88	1.00	3.00
Crime, theft and disorder	3.09	2.96	3.02	3.20	2.98	2.73	3.09	3.15	3.26	2.98	3.31	3.14	3.88	3.25	1.00	3.00

Reference: AmCham Survey data and analysis

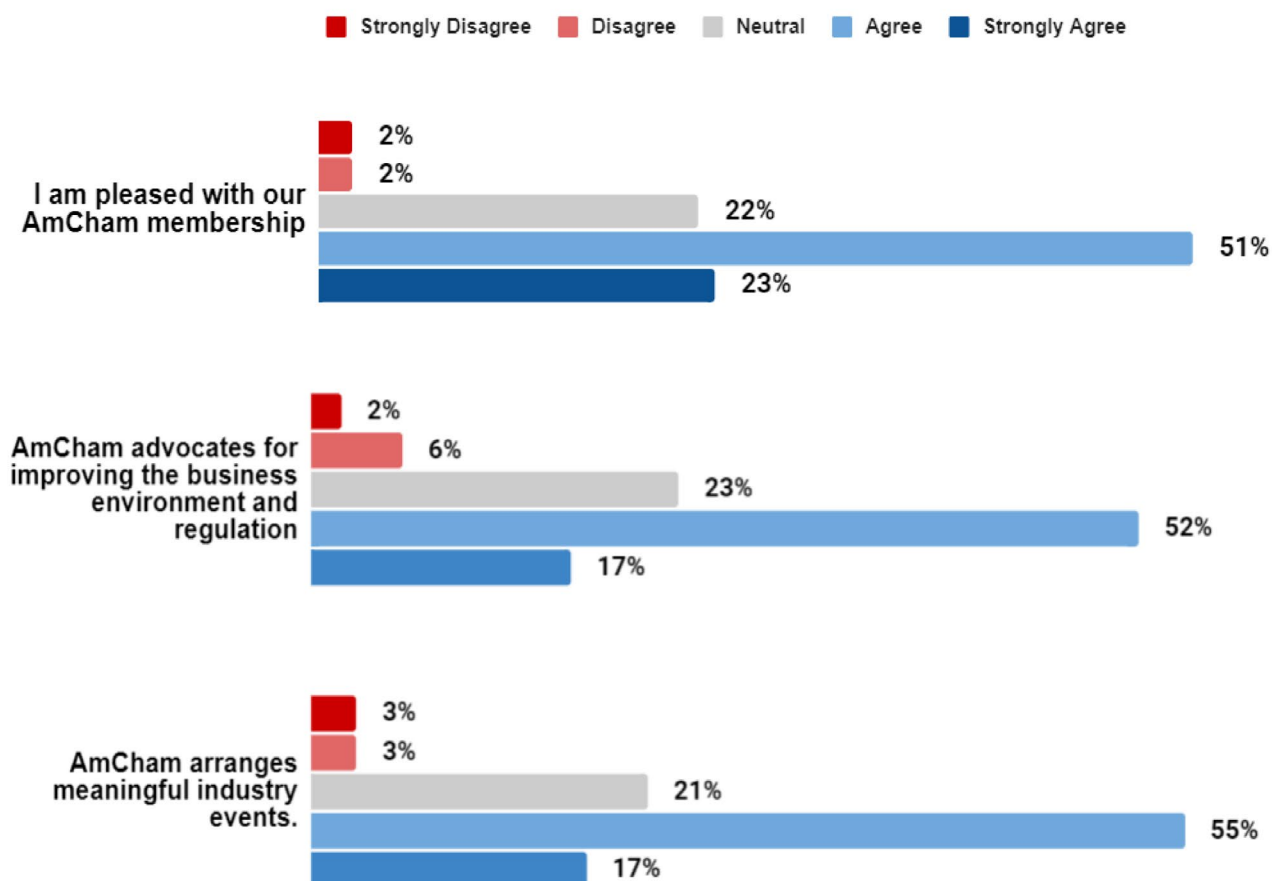
In response to investors' concerns about the uncertainty of the interpretation and enforcement of laws and regulations, the Cambodian government has rolled out several initiatives. First is enhanced participation in the government-private sector working groups, with formal minutes of the meetings produced so that the formal minutes provide written clarifications that can be relied upon by businesses. Second, ministry-specific and department-specific public disclosure activities have been put in place. These include a tax call center by which taxpayers can call and receive clarification on issues at any time. Tax requirements were further clarified in 2024, with the issue of several comprehensive "standard operating procedures" for tax audits and other tax-related processes. In regards to the courts and law, the Ministry of Justice has made a historical public disclosure of over 100 court decisions. Third, the government has enacted a forward-looking approach; following this principle, the government has issued a tax amnesty whereby taxpayers can restate past tax filings without penalty until June 2025.

## 6. AmCham Evaluation

This survey was conducted to benefit the American business community in Cambodia and AmCham's benefit in serving its members. This report helps AmCham to identify priorities for advocacy and serving its members.

In addition, to understand its effectiveness in serving and advocating for AmCham members, the survey invited responding AmCham members to evaluate AmCham services. Non-AmCham members were not asked these questions. As shown below in Figure 1.2, members expressed satisfaction with AmCham services.

### 6.1 How well are we at AmCham serving you?

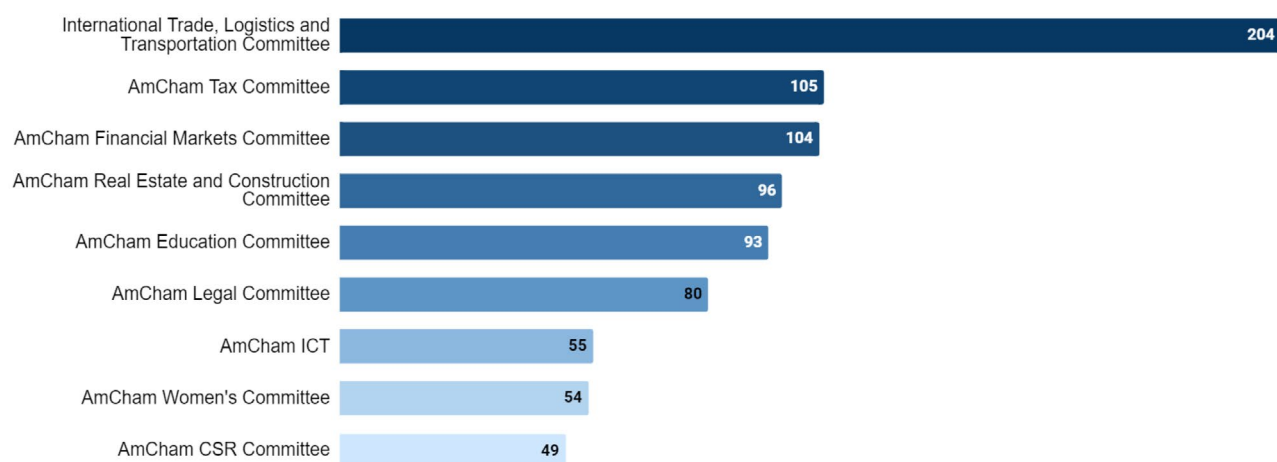


*Reference: AmCham Survey data and analysis*

To help set its priorities and plan, AmCham and non-AmCham respondents were asked which topic an advocacy committee would like to participate in. As shown in Figure 2.2, international trade and customs was the most popular choice, followed by tax, financial markets, and real estate.



## 6.2 Which of the following AmCham committees or committee events do you participate in or would you like to participate in?



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