

## Chapter 1

# **TOURISM DEVELOPMENT IN CAMBODIA: OPPORTUNITIES FOR JAPANESE COMPANIES**

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### **Abstract**

Cambodia has an emerging economy with relatively high economic growth and political stability. Since the 1990s, the country has undergone economic reforms and transformed to become a market economy with strong support from the international donor community and various organizations. Tourism is the third largest sector of the economy after agriculture and the garment industry, and the second largest income contributor after the garment industry. This report argues that tourism in Cambodia is playing an increasingly important role in shaping the country's political and economic development. Income generated from this sector helps to promote economic growth, poverty reduction, cultural identity, and political legitimacy in a country that used to be better known for land mines, killing fields and turmoil. The Cambodian government and the private sector are the main stakeholders in promoting tourism in the country.

After three decades of civil war and armed conflict, Cambodia is reemerging to be a new destination for international tourists from around the world, especially from East Asia. Tourist arrivals have increased remarkably to more than two million in 2007 and the number is expected to go up yearly by about 20 to 30 percent. International tourists from Korea, Japan, Vietnam, China, Thailand, United States, and Europe are the major sources of tourist arrivals to Cambodia. The lack of infrastructure and high standard services for the high class, or top end tourists (aging tourists, medical tourists, and cultural tourists), and sports tourists (i.e. golf) present opportunities for Japanese investors. Investments in the construction of Japanese style hotels, resort centers, and restaurants are strongly recommended. In addition, the Japanese private sector could also introduce tourism products and services for special interest groups from Japan such as voluntourists (volunteer plus travel), eco-tourists (diving in coastal area, Tonle Sap biodiversity and floating villages, Fresh Water Dolphin in Kratie, forest exploration in Northeast Cambodia, wildlife watching along the Cardamom mountain range, Botanic garden near Angkor complex...) and adventure tourists (wildlife watching along the Thai-Cambodia border and Cambodia-Laos-Vietnam triangle). These tourism products have great potential to attract more international tourists, but depend on marketing and promotion strategies by both the government and private sector.

## **INTRODUCTION**

The report provides an overview of the political economy of Cambodia, tourism development in Cambodia after the 1990s and the roles of government and private sectors in this process. Tourism related business opportunities are discussed and recommendations are suggested for Japanese companies, based on the realities in Cambodia. The report is based on the author's field research in Cambodia from February 10 to 18, 2009, and secondary sources from the current literature, and reports. In addition to the introduction and conclusion, the report is divided into five sections: 1. Background of the political economy of Cambodia; 2. Tourism development in Cambodia; 3. The role of the state in tourism development; 4. Private sector and tourism development; 5. Opportunities for Japanese tourists.

## **1. BACKGROUND**

The Kingdom of Cambodia was a former French protectorate, which obtained its independence in 1953. It is located in mainland Southeast Asia, covering a land area of about 181,035 square kilometers, with a population of approximately 14 million people. After gaining independence from France, Cambodia went through six major changes in its social, political and economic systems: The Kingdom of Cambodia (1953-1970)<sup>1</sup>; the Khmer Republic (1970-1975); the Democratic Kampuchea/ Khmer Rouge Regime (1975 to 1979); The People's Republic of Kampuchea (1979 to 1989), which latter changed names to The State of Cambodia (1989 to 1993); and The Kingdom of Cambodia (1993 to present) (see Table 1).

After the genocidal Khmer Rouge regime from 1975 to 1979, Cambodia's economic and social structures were almost completely destroyed. At the end of the Cold War, the Cambodian conflict was resolved with the intervention of the five permanent members of the United Nations Security Council (China, France, Great

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<sup>1</sup>Norodom Sihanouk gave up his throne to his father, Norodom Suramarit, in 1955, Minister under the kingship of his father. Then he came the Prime Minister under the kingship of his father from 1955 to 1960 after that Head of State under the queenship of his mother from 1960-1970

Britain, Russia, and the United States) that resulted in the Paris Peace agreement in 1991. This peace accord allowed for the United Nations Peace Keeping Operations Forces to come in preserving political stability and security in Cambodia in order to arrange the general election in 1993. The election allowed Cambodia to establish a new government, with a constitution mandating plural democracy and respect for human rights.

**Table 1: Legal and political economic system**

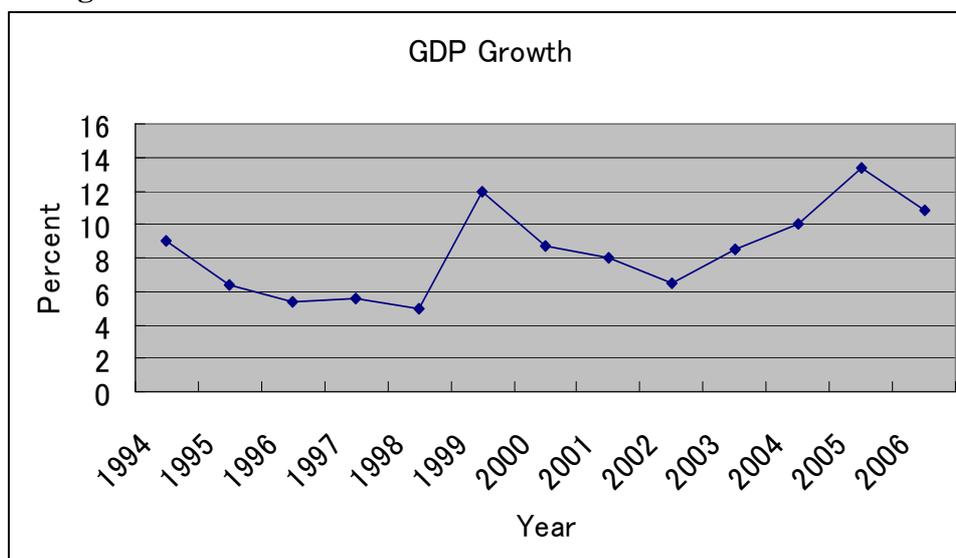
<b>Period</b>	<b>Legal System</b>	<b>Political System</b>	<b>Political Power</b>	<b>Economic System</b>
<b>Before 1953</b>	French-based civil code and judiciary	Under French protectorate	Held by the French	Colonial
<b>1953-1970</b> (The Kingdom of Cambodia)	French-based civil code and judiciary	Constitutional monarchy	Held by King Norodom Sihanouk (until he abdicates in 1955) then with Prince Norodom Sihanouk alternately as Prime Minister or Head of State of an elected government known as the Sangkum Reastr Niyum or People's Socialist Community (1955-1970)	Market and then nationalization
<b>1970-1975</b> (The Khmer Republic)	French-based civil code and judiciary	Republic	Held by Lon Nol and Sirik Matak, with U.S. support	Market, war economy
<b>1975-1979</b> (Democratic Kampuchea)	Legal system destroyed	All previous systems abolished, extreme Maoist agro-communism	Held by Pol Pot and the Khmer Rouge, with Chinese and North Korean support	Agrarian, centrally planned
<b>1979-1989</b> (The People's Republic of Kampuchea)	Vietnamese communist model	Communist party central committee and local committees	Held by the Kampuchean People's Revolutionary Party, which picked Hun Sen as Prime Minister beginning in 1985 (Vietnamese backed with 100,000 troops; Soviet support)	Soviet-style central planning
<b>1989-1993</b> (The State of Cambodia)	Greater economic rights	Communist party central committee and local committees	Held by Cambodian People's Party (renamed from KPRP), with Hun Sen as P.M. (Vietnamese backed, all troops withdrawn)	Liberalized central planning

Period	Legal System	Political System	Political Power	Economic System
<b>1993-1998</b> (The Kingdom of Cambodia) <i>First Mandate</i>	French-based civil code combined with common law in certain sectors	Constitutional monarchy in which the King reigns, but does not rule	Shared between Prince Ranariddh (Funcinpec) and Hun Sen (CPP) in a unique arrangement of co-Prime Ministers, with required 2/3 supermajority for governing coalition	Transition to a market economy
<b>1998-present</b> <i>Second, Third and Fourth Mandates</i>	As above	As above	Held by Hun Sen as Prime Minister in a CPP-Funcinpec coalition government that required a 2/3 supermajority until 2006 when the Constitution was changed to allow 50% +1	Market economy

*Source:* Sophal Ear, 2009, pp.7-8

The Cambodian economic system was transformed from a command or centrally planned economy to a market-oriented one in 1989, under the reform policy of the State of Cambodia. Beginning in 1989, private property rights were introduced, along with privatization of state-owned enterprises and investments, and prices and the exchange rate were allowed to float. The economic reform program of 1989 was the key to strengthening the state's power to mobilize and administer, or to gain political power, rather than for economic development. The move to the free market economy increased social stratification, enriching those in power, particularly those with power over the privatization of land and resources, and created large groups of marginalized and propertyless poor. It was only after the establishment of the Kingdom of Cambodia in 1993, under a constitutional monarchy, that Cambodia allowed growth. From 1993 to 1996, Cambodia's GDP grew at an average rate of 6.1 percent in real terms, climbing from \$2.2 to \$3.1 billion. Nevertheless, growth slumped dramatically in mid-1997 following factional fighting in Phnom Penh in July and the impact of the Asian financial crisis later that same year. GDP increased by just one percent in real terms in 1997 and 1998. The economic slowdown, coupled with continued high population growth, led to a decline in Cambodia's per capita GDP from \$292 in 1996 to \$247 in 1998. After peace was achieved in 1999, economic conditions recovered considerably between 1999 and 2006, with an annual average growth of about 8 percent (see Figure 1).

**Figure 1: Cambodian Economic Growth Rate**



*Source:* World Bank (World Development Indicators)

Living conditions in Cambodia have also improved quite modestly. Life expectancy at birth increased from 52 to 60 years for men and from 56 to 65 years for women, mainly through rapidly declining infant and child mortality. Material living conditions improved substantially according to indicators on housing conditions and ownership of consumer goods. Such growth does not benefit all Cambodians, and has resulted in a large gap between the rich and the poor.

Cambodia's demography shows that the population is still in the early stage of a baby boom. It implies that the Cambodian labor force is increasing rapidly, which creates both opportunities and challenges for Cambodia. The labor force plays an important role in economic growth, but social problems will arise if the government cannot provide enough employment for young job seekers (see Table 2).

Current Cambodian economic development can be mainly attributed to the agricultural sector, and the garment and services industries. About 85 per cent of the Cambodian population lives in rural areas and more than 75 per cent of them are employed in the agricultural sector. From 1993 to 2005 agriculture contributed about 25 per cent of the Gross Domestic Product (GDP) (see Figure 2). The Cambodian government regards agriculture as a priority sector for the Royal government.

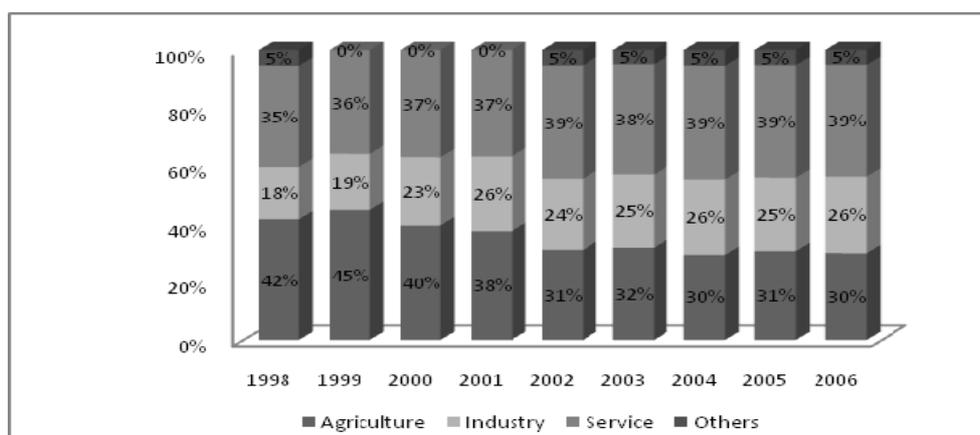
Tourism is the second largest income contributor to the Cambodian economy after the garment industry. In 2005, income from tourism accounted for US\$832

**Table 2: Population estimates for Cambodia 1994 and 2004 by sex and age.**

Age Group	Total 1994	Total 2004	Men 2004	Women 2004
0-4	1,915,000	1,531,000	777,000	754,000
5-9	1,762,000	1,779,000	902,000	877,000
10-14	1,500,000	1,818,000	925,000	893,000
15-19	855,000	1,705,000	876,000	830,000
20-24	899,000	1,443,000	717,000	726,000
25-29	851,000	815,000	388,000	427,000
30-34	759,000	852,000	407,000	445,000
35-39	560,000	802,000	379,000	423,000
40-44	458,000	710,000	334,000	376,000
45-49	354,000	520,000	214,000	306,000
50-54	290,000	417,000	171,000	245,000
55-59	238,000	313,000	131,000	182,000
60-64	202,000	245,000	103,000	141,000
65-69	153,000	186,000	77,000	108,000
70-74	92,000	138,000	57,000	81,000
75+	98,000	165,000	66,000	99,000
<b>Total population</b>	<b>10,990,000</b>	<b>13,439,000</b>	<b>6,526,000</b>	<b>6,914,000</b>

*Source:* Ministry of Planning, National Institute of Statistics

**Figure 2: Contribution to GDP by sector**



*Source:* National Institute of Statistics (NIS), Ministry of Planning, Cambodia

million, or about 13 percent of the Cambodian Gross Domestic Product (GDP), and provided about 200,000 jobs annually for the Cambodian people. In 2006, tourism generated revenue of US\$1,594 million, about 16 percent of GDP, and provided about 250,000 jobs (Ministry of Tourism, 2007). The tourism industry has become one of the main catalysts for Cambodian economic development. Cambodia's leaders have recognized the significance of tourism in their policy, as Hall and Ringer note "International tourism to Cambodia has natural appeal for both the national government, seeking additional sources of revenue, and for the tourism industry looking for new opportunities and destinations" (Hall and Ringer, 2000:179).

In spite of the indicators showing economic growth and development, there are many constraints on reducing poverty and sustaining economic growth in Cambodia. The distribution of growth is not equal, and the poor seem to be left out of the benefits of economic development. The widening gap between the rich and the poor is a challenge for social and political stability in the country.

The level of socioeconomic inequality between the urban and rural areas is increasing due to the fact that the main driving forces of economic growth are the garment and tourism industries, which are mainly based in the urban areas. Cambodia's economic growth is not considered to be sustainable, as it is driven mainly by the garment and tourism industries, which are very much vulnerable to external markets and demands. The Asian financial crisis, bird flu, political instability in Thailand and along the Cambodia-Thai border, global economic meltdown, and terrorism are the main external shocks that have had adverse impacts on the tourism industry in Cambodia, which is totally reliant on international tourists. The tourism industry is vulnerable to external shocks (Chheang, 2008).

## **2. TOURISM DEVELOPMENT IN CAMBODIA**

In the 1960s, Cambodia used to be one of the most famous tourist destinations in Southeast Asia, with annual tourist arrivals of 50,000 to 70,000 (Lam, 1996), but decades of civil war, and particularly the genocidal regime of the Khmer Rouge, had almost totally destroyed the tourism industry. After conflict ended in the early 1990s

and with the strong support from the international community, Cambodia again realized peace and socio-economic reconstruction. Since the 1990s, tourism has developed very fast in the country and the government views it as one of the most important foreign exchange earners and employment providers for Cambodia's economic development. In addition, tourism is also seen as the tool for enhancing the image of Cambodian culture and history, with the hope of erasing the image that Cambodia is well-known for: killing fields and land mines. Tourism has become not only the country's engine for economic growth, but also for the political legitimacy and the national and cultural identity of Cambodia (Chheang, 2008). In 2005, income from tourism accounted for US\$832 million, or about 13 percent of GDP, and it provided about 200,000 jobs for the Cambodian people. In 2006, income from tourism was US\$1,594 million, about 16 percent of GDP, and provided about 250,000 jobs (Ministry of Tourism, 2007). In 2008, income was US\$820 million, 9 percent of GDP, and projected to rise in nominal terms to US\$1,705.7 millions (7.2 percent of total) by 2018. The tourism economy is expected to grow by 5.5% per annum in real terms between 2009 and 2018, and the tourism related employment is estimated at 1,102,000 jobs in 2008, 15.4% of total employment, or 1 in every 6.5 jobs. By 2018, this could total 1,121,000 jobs, 12.7% of total employment, or 1 in every 7.9 jobs.<sup>2</sup>

## **2.1. Tourism products and infrastructure**

### *2.1.1. Tourism products*

Cambodia is home to both natural and heritage tourism attractions. There are six national parks in Cambodia, covering about 22,000 sq km (about 12% of the country). These national parks were destroyed during the civil war and were not accessible until 1993. The most important national parks are the National Park of *Bokor* Mountain, (mountainous area) occupying a 1,000m-high plateau on the south coast overlooking *Kampot* province; *Ream* National Park (coastal area), which includes a marine reserve and is just a short distance from *Sihanoukville*; *Kirirom* national park, 675m above sea level in the *Damrei* mountain range, 112km southwest of Phnom Penh; and *Virachay*, which borders Laos and Vietnam in northeastern Cambodia. In addition to these parks,

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<sup>2</sup> World Travel & Tourism Council (2008). The 2008 Travel & Tourism Economy Research. CAMBODIA

Cambodia accommodates other ecotourism locales, such as *Tonle Sap* Lake and its floating village, the Mekong River, and beautiful beaches along the coastal area in the southern part of the country.



There are about 1,080 ancient temples in 14 provinces in Cambodia, especially the Angkor temple complex in *Siem Reap* Province, the *Sambor Prey Kub* temple complex in *Kompongthom* Province, and the *Preah Vihea* Temple in *Preah Vihea* Province. Moreover, there are other historical buildings that could attract many tourists. These include the Royal Palace, built in 1866 during the reign of King Norodom, located in Phnom Penh overlooking the Mekong River; the National Museum, built in 1917-1918, located to the north of the Royal Palace, which contains many precious ancient objects of Cambodian art and history; and *Toul Sleng* Museum, which presents the crimes committed during the Khmer Rouge/Pol Pot regime. There are also festivals,

such as the Khmer New Year and water festivals, which also could attract many tourists. All these make Cambodia a unique place for cultural heritage tourism development.

Heritage tourism has been growing very fast in Cambodia, with most tourists coming to learn about and experience Cambodian history, art, and culture. The inscription of Preah Vihear temple into one of the world heritage sites, in addition to the Angkor Wat World Heritage Site, makes Cambodia better known for its cultural and heritage tourism. The development of tourism infrastructure to Preah Vihear will be necessary for the government and international donor countries. A connection between these two world heritage sites into one tourist destination cluster, or tourist heritage trail, would be a great value added tourism asset for Cambodia.

### *2.1.2. Tourism Infrastructure*

#### **Transport**

Cambodia is a relatively flat country that is not difficult for transport infrastructure development; however, due to decades of prolonged civil and social unrest, the infrastructure was almost totally damaged. The Cambodian transportation network comprises land, waterway, railroad, and air routes. The main transportation in Cambodia is by land. There are about 4,235 kilometers of national roads and 3,675 kilometers of provincial roads, and many travel companies transport tourists by bus and car.

The railways connect *Phnom Penh* with *Kompong Chhnang*, *Pursat*, *Battambang*, *Sisophon*, and *Poipet*. The *Phnom Penh-Sisophon-Poipet* route is 386 kilometers and the *Phnom Penh-Kep-Sihanoukville* route is 264 kilometers, but very few tourists are traveling by this means due to its lack of quality and service. The planned renovation and expansion of the railway system in Cambodia, initiated and supported by the Asian Development Bank and international donor community, will connect most parts of Cambodia and link it with other countries in the Greater Mekong Subregion.

Waterways in Cambodia can be grouped into three systems: the Mekong River, the Tonle Sap, and waterways at the gulf. There are also some waterway transport companies that transport tourists between Phnom Penh and Siem Reap through the Great Lake/ Tonle Sap, with some tour boats taking guests to visit the Great Lake and

other islands near Sihanoukville. Currently there is no high standard recreational ship for tourists at either Sihanoukville or Tonle Sap Lake. The establishment of transport facilities and hospitality services would be necessary for the future development of eco-tourism in Cambodia.

There are two international airports, Phnom Penh and Siem Reap, and two regional airports: *Kong Keng* in Sihanoukville and *Ratanakiri* in Ratanakiri Province. There are 14 international air transportation companies and 3 local flight companies. Most tourists arrive by air. Domestic transportation is operated mainly by tour and travel companies, with acceptable quality and reasonable prices.

### Hospitality facilities

Accommodation facilities play an important role in tourism development. The following tables show the growth in the numbers of hotels, guest houses, restaurants and

**Table 3: Number of Hotel and Guesthouse**

Year	Hotel		Guesthouses	
	Number	Room	Number	Room
1998	216	8,247	147	1,510
1999	221	9,115	186	1,897
2000	240	9,673	292	3,233
2001	247	10,804	370	3,899
2002	267	11,426	509	6,109
2003	292	13,201	549	6,497
2004	299	14,271	615	7,684
2005	351	15,465	684	9,000
2006	351	17,914	742	9,166
2007	395	20,470	891	11,563

*Source:* Ministry of Tourism, Annual Report on Tourism Statistics, 2007.

**Table 4: Number of Restaurants, Messages, Sporting Clubs, and Souvenir Shops**

Year	Restaurants	Massage salons	Sporting clubs	Souvenir shops
2002	505			
2003	624			
2004	713	56	17	40
2005	719	56	17	40
2006	747	53	53	40
2007	920	190	50	32

*Source:* Same as Table 3.

**Table 5: Number of Travel Agencies and Tour Operators**

Year	Travel agencies and tour operators		
	Head offices	Branch Offices	Total
2001	166	70	236
2002	186	73	259
2003	186	84	270
2004	208	94	302
2005	237	99	336
2006	277	105	382
2007	333	118	451

*Source:* Same as Table 3.

**Table 6: Number of owners of travel agencies by nationality from 2001-2007**

Nationalities	Owners						
	2001	2002	2003	2004	2005	2006	2007
Cambodian	118	136	128	142	157	186	224
South Korean	7	7	11	15	28	33	40
Japanese	9	11	10	10	10	11	12
Chinese	9	8	7	7	9	9	13
Taiwanese	5	5	5	6	6	3	3
Thai	4	4	4	5	5	6	6
French	2	2	4	4	4	6	6
Singaporean	2	3	3	3	3	3	3
Vietnamese	1	1	1	2	3	6	4
Italian	1	1	1	2	2	3	3
USA	0	0	2	2	2	3	3
British	1	1	1	1	1	1	1
Indonesian	1	1	1	1	1	0	0
Australian	0	0	0	1	1	1	3
Netherlands	0	0	1	2	1	1	3
Sweden	3	3	3	2	2	2	3
German	3	3	3	2	1	1	2
Canadian	0	0	0	1	0	0	0
Sri Lankan	0	0	0	0	1	1	1
Lao	0	0	1	0	0	0	0
Malaysian	0	0	0	0	0	1	1
Myanmar	0	0	0	0	0	1	2
Russian	0	0	0	0	0	0	1
Indian	0	0	0	0	0	0	1
<b>Total</b>	<b>166</b>	<b>186</b>	<b>186</b>	<b>208</b>	<b>237</b>	<b>277</b>	<b>332</b>

*Source:* Same as Table 3.

other facilities over the last few years (See Table 3, 4, 5). Regarding travel agencies, in 2007 there were 12 agencies owned by Japanese investors, 40 owned by Korean and 13 owned by Chinese (See Table 6).

## Financial services

There are currently about 20 commercial banks and only two remaining public banks run by the state: the Rural Development Bank and the Foreign Trade Bank. Currently, only foreign-owned banks offer modern banking facilities and followed by big local commercial bank. Some commercial banks such as ANZ Royal Bank, Cambodia Mekong Bank, Canadia Bank, and ACELEDA Bank have introduced and installed automatic teller machine (ATMs) at several locations in the main cities and provinces, such as Phnom Penh, Siem Reap, Sihanoukville, Kompongcham, and Battambang. Credit cards, such as Visa Card and American Express, are accepted by some restaurants, hotels, and shopping centers. In general, financial services are improving quickly in Cambodia, making it more convenient for tourists and investors.

## Tourist arrivals

In the 1960s Cambodia was one of the most popular tourist destinations in Southeast Asia, with between 50,000 to 70,000 annual visitors. For a long time after, insurgencies, civil war, and the killing fields prevented Cambodia from welcoming tourists and only a very few brave visitors came during this time. It was not until the

**Table 7: Visitor arrivals and average length of stay**

Year	Visitor Arrivals		Average Length of Stay
	Number	Change (%)	
1993	118,183	00	N/A
1994	176,617	49.44	N/A
1995	219,680	24.38	8.00
1996	260,489	18.58	7.50
1997	218,843	-15.99	6.40
1998	289,524	32.30	5.20
1999	367,743	27.02	5.50
2000	466,365	26.82	5.50
2001	604,919	29.71	5.50
2002	786,524	30.02	5.80
2003	701,014	-10.87	5.50
2004	1,055,202	50.53	6.30
2005	1,421,615	34.72	6.30
2006	1,700,041	19.59	6.50
2007	2,015,128	18.53%	6.50

*Source:* Same as Table 3.

Paris Peace Agreement brought the conflict to an end in 1991 that tourists started to return to Cambodia. In 1991, there were about 25,000 arrivals and in 1992 there were about 50,000, with peacekeeping forces and other UN staff accounting for 22,000 of these. Statistics on tourist arrivals have been officially recorded since 1993 (see Table 7).

The top ten countries of origin of tourist arrivals in Cambodia in 2006 were from South Korea (16.79%), Japan (9.31%), United States of America (7.28%), Taiwan (5.01%), China (4.74%), Vietnam (4.56%), Malaysia (4.53%), Thailand (4.53%), the United Kingdom (4.34%), and France (4.23%), according to the Ministry of Tourism, Annual Report on Tourism Statistics, 2006. In 2007, the top ten countries of origin were Korea (16.37%), Japan (8.04%), United States of America (6.83%), Vietnam (6.23%), China (5.88%), Taiwan (5.86%), Thailand (5.04%), France (4.47%), United Kingdom (4.17%), and Malaysia (4.17%). China and Vietnam are projected to become the main sources of tourist arrivals after Korea and Japan.

The reasons for the drop in the number of tourists in 1997 were political instability in the aftermath of the armed conflict and the Asian financial crisis. In 2003, it was the SARS epidemic, which spread across the region, that damaged the tourism industry in Cambodia. Currently, the global economic downturn and political instability in Thailand are adversely impacting the tourism industry in Cambodia, with slower growth in tourist arrivals than estimated. Tourism in Cambodia is vulnerable to external and internal shocks (Azad and Chheang, 2008).

### **Hotels occupancy and tourism receipts**

The hotel occupancy rate has increased over the years from 37 percent in 1995 to 54.79 percent in 2007, with the tourism receipts from US\$100 million to US\$1,400 million, respectively. This indicates that although there has been a remarkable increase in hotel and guest houses, the occupancy rate remains fairly high, due to increased tourist arrivals.

**Table 8: Hotel occupancy and tourism receipts**

Year	Hotel Occupancy	Tourism Receipts (Million US Dollars)
1995	37	100
1996	40	118
1997	30	103
1998	40	166
1999	44	190
2000	45	228
2001	48	304
2002	50	379
2003	58	347
2004	52	578
2005	52	832
2006	54.79	1,049
2007	54.79	1,400

*Source:* Same as Table 3.

### **3. STATE AND TOURISM PROMOTION POLICIES**

The government of Cambodia has given much attention to tourism development. The institutional and legal measures, and tourism policies are discussed here.

#### **3.1. Institutional tools**

There are two main public institutions involved in tourism development in Cambodia:

##### *3.1.1. Ministry of tourism*

The Ministry of Tourism is a governmental administrative office responsible for promoting tourism, and also managing tourism business. Tourism investments, both domestic and overseas, are required to have prior approval from the Ministry. Foreigners are allowed to own 100% of the company in Cambodia. The owner is allowed to own all properties and assets, except land.

##### *3.1.2. Council for the Development of Cambodia (CDC)*

The CDC is responsible for improving, developing and controlling all investment activities in Cambodia. The council consists of two boards: Cambodian rehabilitation and development and Cambodian Investment Board.

### *3.1.3. Laws and regulations*

#### *- Investment benefit*

Cambodia's government has announced its promotion of tourism businesses. Benefits from foreign direct investment in tourism are: maximum 8-year tax holiday; dividend, profit or investment benefits freely transferred without charge; tax exemption for raw materials, machinery and others.

#### *- Investment security*

Cambodia's government guarantees against nationalizing investor's property. There are no price controls and foreign investors are allowed to buy currency via the banking system and to export foreign currency to pay for debts that are related to their investment.

#### *- Taxation*

There are two types of taxation in Cambodia: tax on profit and tax on business. The tax on profit is collected from the business's revenue and the tax on business is collected from income using a progressive rate between 10 and 30 percent.

#### *- Foreign employment*

Foreign employment is allowed only in cases where there is no specialized person available in Cambodia. Foreign labor is allowed to transfer money overseas only after tax payment. This can be done by Cambodia's banking system.

#### *- Property rights on land use*

Property rights on land investment are only for Cambodians; however, foreigners have the right to use and rent land for a period of 70 years, which can be extended.

## **3.2. Tourism development policies**

Tourism development policy was mentioned in the first National Socio-economic Plan for the years 1996-2000, as follows:

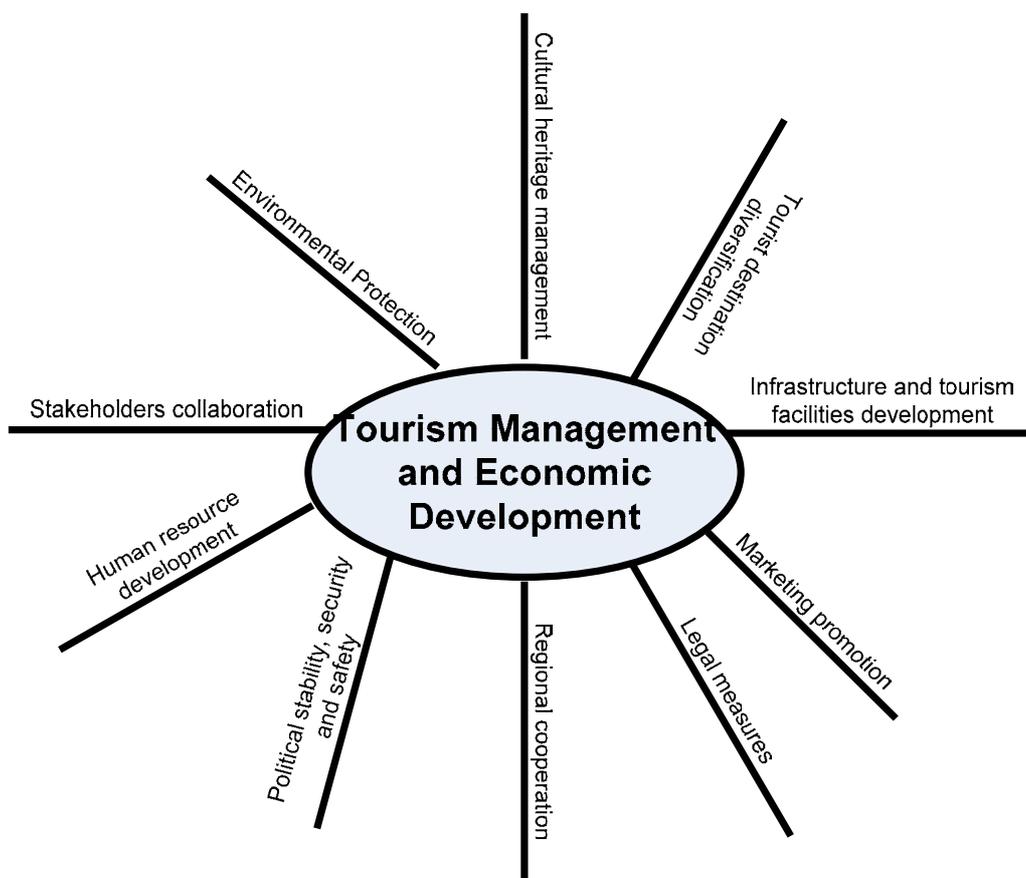
- Develop tourism to identify national unity.
- Develop tourism for economic advantage, aiming at better living conditions for the people.

- Develop commercial tourism for employment opportunities leading to foreign exchange, regional development and bringing income into the country.
- Develop tourism to connect with other economic sectors.
- Develop tourism in accordance with socio-economic development.
- Develop various tourism frameworks and accelerate nationwide tourism development on the basis of the historical heritage and natural resources of the country. Eliminate tourism that adversely affects society, the environment, public health, and the national image.
- Provide opportunity on property right, facilities and services for domestic visitors, including with local employment in the tourism sector.
- Seek overseas investment that benefits tourism.
- Use tourism as a method to strengthen culture, religion, belief, ancient sites and national heritage. Promote cultural values and stimulate the development of cultural facilities.
- Use tourism to strengthen desired forms of art and culture.
- Use tourism to conserve the natural environment and protect wildlife areas and the ecology.
- Develop tourism in appropriate areas, according to a well-developed plan.
- Develop tourism in accordance with the type and number of visitors.
- Develop and organize tourist attractions, service facilities and accessible infrastructure for the benefit of employment and to improve living conditions of the Cambodian people and visitors.
- Cooperate and manage tourism development in order to balance components of tourism products, tourist attractions, service facilities and infrastructure.
- Develop facilities and provide training for good quality tourism services, and maximize opportunities for local employment.
- Provide partnership among and between concerned governmental institutions and private organizations to ensure the goal of tourism development.

Moreover, the National Poverty Reduction Strategy in 2003 suggested that:

- An inter-ministerial working group should be established by the Ministry of Tourism to reduce poverty. The working group should work to provide an integrated approach to promote tourism that is beneficial to the poor.
- A series of poverty reduction development zones could be established with characteristics that include high poverty levels and situations where tourism can contribute to local economic growth. The location should be where the government is seeking to encourage tourism for development purposes and cross-economic linkages, and where there is an opportunity for environmentally friendly forms of tourism to be developed that can contribute to cultural and natural resource preservation, conservation and sustainable use.
- A public-private partnership should be encouraged to support small- and medium-sized tourism enterprises, in which the central focus is access for the poor to employment opportunities and to benefit the community.
- The best practices of tourism development projects should be demonstrated in order to help communities gain knowledge through Learning by Doing.
- Domestic tourists and international backpackers would be an important source of income for local people.

Tourism promotion policies in Cambodia tend to focus on several issues, as shown in the diagram below. These issues were mentioned and emphasized by Cambodian leaders, with respect to tourism development in Cambodia. Through the discourse of a power analysis framework, the study found that economic development is the hub of the national strategy and contains several spokes, such as political stability and security, human resource development, cultural heritage management, tourism product diversification, infrastructure and tourism facilities development, marketing promotion, regional cooperation, stakeholder collaboration, environmental preservation, and legal improvement.



### 3.2.1. Security and safety for tourists

Security and safety for tourists is the main issue in tourism development in Cambodia. In the early 1990s when the Khmer Rouge forces still operated, guerilla warfare threatened the tourism industry in Cambodia. Some foreign tourists were kidnapped and killed in 1994, and in 1996 there were at least 70 cases involving the robbery of foreign tourists. Landmines are present in most places in Cambodia, posing a major barrier for tourism development (Leung et al., 1996). Since 1999, when peace was reached, security and safety have improved remarkably. At the end of 2001, a tourism police force was created within the Ministry of the Interior to provide security and safety to tourists. There are 756 tourist policemen stationed across the country. These policemen are comparatively well-trained and equipped with the necessary vehicles and other operational resources; the main concentrations being in the most important tourist locations of Phnom Penh, Siem Reap, and Sihanoukville.

Political stability and security is one of the primary elements in tourism development in Cambodia. After experiencing prolonged civil war and armed conflict,

international tourists and travelers viewed Cambodia as being dangerous and infamous for landmines, political instability, and killings. Tourists started visiting Cambodia from the mid-1990s, when armed conflict was over and security was restored.

The Cambodian government always emphasizes stability and security as the cornerstone of tourism promotion and the country's economic development. Security at tourist destinations has been strengthened more than in other places in the country.

**Excerpts from speeches made by Cambodian Prime Minister Hun Sen**

[we] need to provide is safety, security for the Japanese investors as well as tourists (Hun Sen, 17 August 1999)

[political] stability and security in the country, which is vital for tourism development. (Hun Sen, 27 February 2002)

[with] the security, political stability and social orders ensured the development of transport infrastructure, such as highways, rural roads and bridges is a key to development of tourism (Hun Sen, 08 May 2003)

[the] Royal Government has drafted a law on tourism management and implemented measures to strengthen the capacity of tourist police to provide security for tourists (Hun Sen, 14 March 2005)

*3.2.2. Infrastructure development*

Tourism infrastructure and facilities are very important in tourism planning and development. The Cambodian government is trying to invest in building basic infrastructure, such as highways, roads, electric power plants, water supply, and international airports, and does give priority to infrastructure development for the tourism industry. The "Open Sky" policy was introduced to open the international airports at Siem Reap and Sihanoukville, and many roads have been constructed to connect the main tourist locations in Cambodia. Electricity and water supply facilities have been built to meet the demands of tourists and local residents.

### **Excerpts from the speeches made by Cambodian Prime Minister Hun Sen**

Tourism development requires the development of infrastructure and other tourism-related facilities (Hun Sen, 28 February 2002)

[the] market is built and is serving the need for tourist development in Siemreap as well. We have to take into consideration the need for building and strengthening the infrastructures (Hun Sen, 18 March 2002)

A more comprehensive road network will open up and link Cambodia's economic and tourism opportunities (Hun Sen, 20 June 2002)

[an] appropriate physical infrastructure in response to the basic need of development in tourism (Hun Sen, 01 July 2002)

Open-skies policy is the key policy innovation that has enabled the rapid growth of our tourist industry Hun Sen, 06 December 2002)

The Royal Government has been developing some main infrastructure such as road, water and electricity supply, telecommunication network etc. toward key tourism attraction places....Moreover, the improvement in tourism supplies and services, such as hotels, guest houses, restaurants, transport, tour agencies, tourism resorts and other places have shown the improvement in the quality of tourism services and products in line with Cambodia's tourism policy to induce longer stay, more spending and return visit (Hun Sen, 5 March 2008)

[bridges] and roads are still our hope and necessary mean to promote economic growth and contribute to social development, especially the tourism sector, which has revenue of about 17% of GDP in 2007 and about 1 million tourists visited different temples in Siem Reap provinces (Hun Sen, 5 April 2008)

#### *3.2.3. Tourism products marketing and promotion*

There are many tourism products available in Cambodia, but the problem is that marketing and promotion of the products is still very poor. Currently, most of the tourists come to Cambodia to visit Angkor Wat and not other places. It is necessary to promote other cultural and natural attractions for tourists in order to have them stay in the country longer.

### **Excerpts from speeches made by Cambodian Prime Minister Hun Sen**

The Royal Government has also devoted more attention to the development of the tourism potential of areas other than Siem Reap. We should promote attractions that enable greater tourist traffic in under-served areas, as well as longer stay and increased spending by tourists. Thus, the Royal Government encourages the development of access to eco-tourism destinations such as Mondulkiri and Ratanakiri, beach tourism in our sea access areas to the South, the upgrading of Kang Keng airport in Sihanoukville and the promotion of initiatives such as the night markets (Hun Sen, 07 August 2002)

The Royal Government is preparing a master plan for tourism development and diversifying tourist destinations into other cities, such as Sihanoukville (Hun Sen, 14 March 2005)

We need to transform from “Natural Tourism” to “Man-made Tourism”, which depends mainly on processing and services (Hun Sen, 08 December 2005)

In the future, there will be a systematic connection of the four priority regions and it will transform Cambodia into a key destination country in the region...tradition and culture, and people’s friendliness is also a major tourist attraction (Hun Sen, 5 March 2008)

#### *3.2.4. Regional cooperation*

The Cambodian government has shown a strong interest in regional tourism cooperation and facilitation since 1996 when the annual conference of the Pacific Asia Travel Association was held in Bangkok. Regional cooperation aims at managing and marketing the region as a single destination, providing a safety net for tourists, and reducing barriers at international checkpoints in order to make it more convenient for tourists to travel from one place to another within the region.

Recently, many efforts have been made by the Cambodian government to promote its tourism industry in the region. An inter-ministerial committee representing the National Police Department and the Ministry of Tourism of Cambodia, was established to assist tourists by reducing difficulties at border checkpoints at Poi Pet, Bavit-Moc Bai, and Trapaingkreal-Vinkham. New buildings were built and immigration procedures were simplified. In October 2000, the tourism ministers of Cambodia, Laos PDR, Myanmar and Thailand, signed a quadrilateral tourism co-operation agreement,

under which the four countries will work closely together in the fields of transportation and telecommunications linkages, travel facilitation, tourism development planning, tourism investment, human resource development, joint promotion and marketing, public and private participation and multilateral co-operation. The four nations' tourism organizations are also working with the relevant authorities of their respective countries to consider the opening of more border checkpoints, authorizing visas on arrival and other facilities for tourists, and improving the convenience of traveling by overland routes.

In the year 2000, the Tourism Authority of Thailand and the Ministry of Tourism of Cambodia launched their first co-operative marketing campaign, "Two Kingdoms One Destination", aimed at boosting tourist flows to and between the two countries. Based on this agreement, Thai and Cambodian tour operators, airlines and public and private tourism-related organizations produced marketing resources and brochures, hosted trade shows and workshops, plus organized familiarization trips for travel agents and travel writers to the two Kingdoms.

Subregional and regional cooperation and integration are one of the pillars of Cambodia's foreign policy. The Cambodian government has been actively involved in cooperation within the framework of the Cambodia, Laos, and Vietnam Triangle, since the early 2000s, a main aim of which is the 'Three Countries-One Destination' objective. Transportation infrastructure is the foundation of tourism and trade facilitation between provinces along the borders of the three countries. In addition, Cambodia is cooperating in the Mekong Subregion and Southeast Asian regional integration, in which tourism is one the objectives.

**Excerpts from speeches made by Cambodian Prime Minister Hun Sen**

Apart from making efforts to expand the domestic market for tourism products, we are conscious of the great potential of ASEAN and the Greater Mekong Subregion. (Hun Sen, 27 February 2002)

ASEAN should be pro-active in enhancing intra-ASEAN cooperation in other areas by utilizing all ASEAN internal growth potential, such as

cooperation in tourism. This can be implemented by transforming ASEAN into a single tourism destination (T-ASEAN) (Hun Sen, 11 March 2002)

Apart from the efforts deployed to open up domestic tourist markets, we are conscious that there is a great potential to link up the ASEAN and GMS tourist markets (Hun Sen, 15 May 2002)

ASEAN as a Single Tourism Destination (Hun Sen, 04 November 2002)

In addition to trade and human resource development, areas of cooperation include tourism, advanced informational technology and health care (Hun Sen, 05 November 2002)

The people living in the sub-region need the development of safe transportation and traffic, they need peace and safety free from natural calamities, they need food security as well as tourist sites, entertainment and enjoyment with the natural and cultural wealth along the banks of the river (Hun Sen, 29 November 2003)

[the] development of the areas surrounding Angkor, particularly linked to the tourism, cultural and natural destinations of neighbouring countries, such as Thailand and Lao PDR (Hun Sen, 08 June 2004)

[the] true partnership between Asia and Europe will help strengthen economic, tourism and trade relations and promote investments (Hun Sen, 07 October 2004)

I urge ASEAN and China to accelerate the development of tourism in the region, through linking key tourist destinations in ASEAN and China, implementing the "open sky policy" and facilitating tourist visa, in order to increase the flow of tourists into our region (Hun Sen, 19 October 2005)

### *3.2.5. Visa control*

Cambodia was the first country in Southeast Asia to introduce e-visas (starting in 2006) with the purpose of making travel more convenient for tourists to Cambodia. Entry visas are also provided at the international airports and border checkpoints. Cambodia has implemented visa waivers with several ASEAN countries, including Laos, Vietnam, Malaysia, and Singapore, and in the near future all ASEAN members will abolish visa requirements among its member states. In addition, a single regional

visa was introduced. At the 3rd ACMECS Summit in November 2008, the Mekong countries called for the implementation of Single Visa Scheme to facilitate entry into five southeastern Asian countries, including Cambodia, Laos, Myanmar, Thailand and Vietnam.

**Excerpts from the speeches made by Cambodian Prime Minister Hun Sen**

To encourage tourists to spend more time and money in Cambodia, the Royal Government has implemented actions to ease travel and entry: streamlined issuance of visas, especially for ASEAN citizens, strengthened security for tourists, and new services and recreation areas. Cambodia has also prioritized eco-tourism programs (Hun Sen, 4 September 2003)

To attract more tourists, Cambodia and Thailand are prepared to introduce the ACMECS Single Visa by adopting the ACMECS minus X formula. We will set up an IT system to facilitate this visa scheme (Hun Sen, 3 November 2005)

The Open Sky policy and other active policies to ease and facilitate transportation, policy on offering Visa on Arrival, Visa K and E-Visa are showing off their attractiveness to tourists (Hun Sen, 5 March 2008)

*3.2.6. Tourism training and education*

Due to the importance of the tourism industry to socio-economic development and cultural promotion, the Cambodian government, private sector, and NGOs have focused their attention on tourism education and training. Many universities have tourism programs, from vocational training to master degrees. The Cambodian Ministry of Tourism also provides support to the universities and has created an inter-ministry network for discussions and training. Moreover, the Ministry of Tourism trains tour guides and grants licenses to successful candidates. Without the certificate, one cannot become an official tour guide.

**Table 9: Number of trained tour guides compared with licensed tour guides, as in parentheses**

Languages	Phnom Penh		Siem Reap	
	Total	Females	Total	Females
English	365 (105)	98 (29)	984 (750)	66 (43)
Japanese	99 (43)	25 (13)	653 (562)	164 (124)
French	112 (43)	44 (17)	203 (161)	38 (24)
Chinese	79 (39)	1 (0)	220 (176)	49 (33)
Korean	2 (1)	1 (0)	88 (74)	6 (4)
Thai	21 (7)	13 (4)	254 (209)	33 (22)
German	35 (19)	8 (6)	76 (68)	7 (5)
Spanish	19 (9)	0 (0)	80 (72)	3 (3)
Italian	0 (0)	0 (0)	21 (20)	1 (1)
Russian	2 (0)	0 (0)	30 (27)	4 (4)
Vietnam	0 (0)	0	7 (6)	1 (1)
<b>Total</b>	<b>734 (266)</b>	<b>190 (70)</b>	<b>2,616 (2,125)</b>	<b>372 (264)</b>

**Excerpts from the speeches made by Cambodian Prime Minister Hun Sen**

The important work is the training of human resources to a level of high knowledge and with sufficient capability in both national and international standards (Hun Sen, 01 July 2002)

Tourism vocational training schools were established; technical staff and employees have been trained both at home and abroad (Hun Sen, 08 May 2003)

*3.2.7. Public-Private Sector relationship*

The public-private sector partnership is important for economic development. For the tourism industry, a working group on tourism development was established in response to the emerging importance of this sector in the economy. There is an annual meeting between the public and private sectors to discuss issues and strategies for improvement.

Thong Khon, the current Minister of Tourism, stated that in order to strengthen the tourism industry in Cambodia a good relationship between the public and private sectors must be provided. He added "We want Cambodia to become one of the tourism destinations for the region and for the whole world," (Phnom Penh Post, May 18-31, 2007). There are several meetings and other occasions in which the public and private

sector exchange their views and thoughts on tourism development and marketing strategies. There is also strong participation from the private sector in drafting tourism laws for the government to consider and ratify. The tourism laws aim to standardize tourism facilities and services in order to improve tourist experiences, but the public-private link is considered to be weak. The private sector does not cooperate effectively with the government and the government does not really provide useful recommendations for the private sector.

#### **Excerpts from speeches made by Cambodian Prime Minister Hun Sen**

The most crucial issue is to work in partnership with the private sector to implement all action plans related to tourism sector development (Hun Sen, 27 February 2002)

[we] shall work closely with the private sector to develop tourist destinations (Hun Sen, 16 November 2002)

The Royal Government has cooperated with the private sector to establish a professional association in order to strengthen the quality of services, encourage the attraction of direct international flights to Seam Reap, and continue expanding and improving infrastructure, sanitation and healthcare for tourists (Hun Sen, 14 March 2005)

I would like to appeal to all people, officials in all ministries and institutions, related authorities, private sector, development partners, national and international non-government organizations to continue providing your support and contribute to the development of Cambodia's "*Cultural and Natural Tourism*" sector to develop a successful and sustainable tourism sector (Hun Sen, 12 November 2007)

The Ministry of Tourism must act as the core agency in terms of policies, techniques, and expertise. At the same time, the Ministry of Tourism must cooperate closely with private sector to continue improving the quality of tourism services (Hun Sen, 22 December 2007)

#### 4. PRIVATE SECTOR AND TOURISM DEVELOPMENT

Privatization started rapidly in the early 1990s. The private sector is now the major source of employment in the economy (accounting for 92% of total jobs) and will continue to be the dominant source of job creation and poverty reduction (see table 3). In national development strategic plans, such as The Royal Government of Cambodia's Second Socio-Economic Development Plan 2001-2005 and the National Poverty Reduction Strategy, the Cambodian government recognized the important role of the private sector in socio-economic development and poverty reduction, and created a positive environment for growth in this sector. Nevertheless, the private sector has been inhibited in its ability to grow and create jobs because of a wide spectrum of institutional barriers and constraints to its development. As a result of these institutional barriers, the vast majority of private enterprises have avoided the full formalization of their activities. For all unregistered enterprises, and most of the registered enterprises as well, the immediate interface with governing institutions is at the local level<sup>3</sup>.

**Table 10: Private Investment Share in GDP**

Year	1999	2000	2001	2002	2003	2004	2005	2006
Private investment (% GDP)	16.7%	14.7%	14.3%	14.2%	12.9%	12.8%	16.1%	17.1%

The private sector faces many legal and regulatory constraints related to business operations. One hurdle to starting or entering a new business is commercial registration and licensing. Completing commercial registration and obtaining the necessary operating licenses is complicated for start-up enterprises and involves both official and unofficial fees, but the situation is improving. Access to financing remains an important obstacle to the development of the private sector. Cambodia's current human resource base was devastated by almost two decades of war and isolation and is

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<sup>3</sup> The Provincial Business Environment Scorecard in Cambodia  
A Measure of Economic Governance and Regulatory Policy, Technical Report, March, 2007, A partnership between the International Finance Corporation's Mekong Private Sector Development Facility (IFC-MPDF) and The Asia Foundation, with funding support from the Australian Agency for International Development (AusAID)

negatively affected by the low level of public expenditure on education, which is less than 2% of GDP. Access to physical capital, including land, roads and transportation, and electricity is often a major constraint to private sector development. The shortage of physical infrastructure increases the cost of doing business in Cambodia. The high cost of electricity affects production costs, while expensive fuel and inadequate road infrastructure increase the cost of transportation<sup>4</sup>.

The private sector plays a critical role in tourism development in Cambodia. The quality of services determines tourist experiences and satisfaction, which is part of their motivation to visit. Currently there are private sector associations for hotels, travel agents and airlines.

## **5. OPPORTUNITIES FOR JAPANESE COMPANIES**

Japanese tourist arrivals rank second after Koreans. In 2007, there were 161,993 Japanese tourists, accounting for 8.04 percent of the total international tourist arrivals. The majority of Japanese tourists are high-end tourists who require a high standard of services, from accommodation to food and transportation and a good environment, such as fresh air and cleanliness.

### **5.1. Health or Medical Tourism**

Health tourism is increasing rapidly as the aged population is increasing. The majority of Japanese tourists' age is from 50 to 60. Business opportunities from this group of tourists include integrating hotel and resort centers with health care, such as hot springs, spas, traditional massages, therapy, and fresh air breathing exercises, meditation, and a healthy and clean environment. Cambodia is still one of the least developed countries and has not yet been polluted by heavy industries. Natural beauty, fresh air, and hospitality are the main assets of tourism business opportunities. Japanese

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<sup>4</sup> Ministry of Industry, Mines and Energy  
Private Sector Assessment for the Kingdom of Cambodia, TA Report for the Asian Development Bank, TA No. 4030-CAM: Preparing the Private Sector Assessment for the Kingdom of Cambodia  
Prepared by: Development Consulting International  
December 2003

companies could build resort centers along the coastal area and provide good facilities, particularly those that target Japanese health tourists. International standard hospitals should be built in the area, offering emergency healthcare and regular medical check-ups. Human resources, particularly doctors and nurses with Japanese language capacity, is still lacking in Cambodia. It would take some time to develop this sector of tourism.

## **5.2. Six stars hotel**

Currently there is no six-star hotel in Cambodia. The concept of a six-star hotel could be implemented in Cambodia as soon as high-class tourists begin demanding that kind of service and environment. Japanese hotel chains could introduce six-star hotels in Siem Reap, Angkor Wat.

## **5.3. Sport Tourism: Golf**

Golf holidays in Cambodia are a new phenomenon, yet pioneering golfers are finding it a fascinating country in which to play a few rounds. Golf is a relatively new pastime in Cambodia, yet is developing fast. Cambodia is estimated to have eight golf resort centers by 2010, in a bid to lure more high-end tourists with this fast-growing sport in Asia. A third golf course backed by South Korean investors is expected to open in Siem Reap in 2009.

Cambodia's profile as a golfing destination got a major boost when the Phokeethra Country Club in Siem Reap hosted the country's first international golfing event in November 2007. Three other multi-million-dollar golf projects are also under construction near the capital Phnom Penh and along the border with Vietnam, with another planned near the seaside resort of Sihanoukville.

Japanese companies could invest in golf resort centers in Cambodia, especially near the Angkor Wat world heritage site, Phnom Penh, and Sihanoukville. These three locations provide easy connection with other main cities in the region. Flight connections, natural beauty, fresh and clean environment, and safety are the main assets of these three cities and locations. Strong regional economic growth leads to increased welfare and prosperity for many individuals in the region who are interested in high-end

sports like golf. Golf tourism is a promising business opportunity for Japanese investors in Cambodia.

#### **5.4. Sport Tourism: Diving**

The coastal area is in southwest Cambodia, along the Gulf of Thailand. It is a region of 17,237 square kilometers, including Koh Kong provinces, Sihanoukville, Kampot, and Kep city. The landscape of the region includes mountains, highlands, plains, coast and seaside along the gulf. The coast extends about 440 kilometers from west to east, with Sihanoukville in the middle. The bottom of the sea is plain, with a depth that averages only 50 meters; 81 meters at maximum depth. Because of the sea's geography and the monsoon climate, it is wealthy in aquatic creatures, beautiful unpopulated islands, and gorgeous beaches with white sand and fresh air.

Aquatic life is relatively populous in the shallow tranquil sea. While diving tourism has not yet been promoted, Japanese investors could transfer technology and experience to invest in this sector. Investment could not only target Japanese tourists, but also international tourists.

#### **5.5 Voluntourism**

Voluntourism generally refers to tourists who travel to a place not only for sightseeing and leisure, but also to donate time and effort to help the local people in many ways, within an organizational setting. A volunteer is someone who gives their time, energy and talents, is willing to learn, and has freedom to choose. The reasons why an individual decides to volunteer may be different from person to person, depending on but not limited to personality, circumstance and motivational characteristics.

As Cambodia is one of the least developed countries in the world, poverty, social injustice, and poor health and education are common. Many Japanese volunteers have been coming to Cambodia through either NGOs or volunteer organizations. In general, an increasing number of foreigners are visiting Cambodia to mix vacation with charity work. More travelers than ever before are including volunteer work on their vacation itineraries.

In order to ensure that volunteer vacations are both productive and enjoyable, volunteer organizations or companies should take advantage of the particular skills of tourists, such as their language skills, and ensure that they are not taking jobs away from the local population.

#### **5.6. Ecotourism: Tropical rain forest**

About 35 percent of Cambodia is covered by forest (it used to be about 70 percent). Tropical forests in national parks and border areas offer potential tourism products for international tourists who want to explore and learn more about tropical forests. The Cardamon Mountains, part of a vast tropical wilderness, provides a home to elusive wildlife and is a gateway to emerging ecotourism adventures.

#### **5.7. Ecotourism: Great Lake/Tonle Sap**

Tonle Sap Lake is one of the biggest lakes in Asia, and with biodiversity from fish to birds it is one of the world's ecotourism locations. Its freshwater flooded forest is another attraction for tourists interested in exploring tropical forests. Tonle Sap is a lively place with the presence of hundred thousands of people who live on the lake in floating villages. The biodiversity of fresh water fish, forests, and interesting people are an integrated asset of Tonle Sap. Currently there are no high standard tourism facilities at the lake. High quality floating hotels or guesthouses, plus open restaurants and massages or spas with a view of the lake, would be attractive to high-class tourists.

#### **5.8. Ecotourism: Fresh Water Dolphin**

The Mekong fresh water dolphin, living in the Mekong River in Kratie province, is one of the unique tourist attractions in the region. Currently there is no high quality tourism facility in the region. Tourists could stay one or two days to view the fish and experience rural life, although strong promotion of the destination would be required to attract attention tourists Japan could transfer knowledge and technology to protect the fresh water Dolphin and use tourism as a tool for conservation projects.

## **5.9. Agri-tourism**

Cambodia is an agrarian country in which about 80 percent of the people live in rural areas and gain their livelihood from agriculture. Agri-tourism would be an ideal opportunity for private investment. Agri-tourism can include various types of overnight accommodations, but also encompasses day visits to on-farm attractions like festivals and educational events. Examples of agri-tourism may include farm stays, bed-and-breakfasts, pick-your-own produce, agricultural festivals, and farm tours for children, or horse or cow rides. Japanese companies could establish social enterprises in Cambodia as part of their corporate social responsibility and could help develop agri-tourism in order to provide jobs and incomes for the rural poor.

## **5.10. Botanic Garden**

There is no botanic garden in Cambodia. Botanic gardens require a huge land and capital investment. The only possibility to realize this investment is through a partnership between the Japanese private sector and the Cambodian government. The government would be responsible for land provision and flower and tree collection, while a Japanese investor could invest in construction and human resource development. The location of Botanic garden should be in close proximity to Siem Reap, Angkor Wat. Tourists could spend one day visiting the garden in addition to their visit to Angkor Wat.

## **5.11. Secondary products for tourists**

Currently, about 60 percent of the souvenir products in Cambodia are imported and sold at various tourist spots and shopping malls. In addition, most of the big restaurants and hotels are importing meat, vegetables, and ingredients from other countries in the region because of the lack of food safety and a guaranteed supply chain. The lack of investment in secondary products, such as good quality souvenirs and safe food, is one of the main leakages in the tourism industry in Cambodia. Japanese companies could establish organic and good quality food production factories and farms near famous tourist destinations, such as Angkor Wat.

## CONCLUSION

Cambodia has a great potential for tourism development and business opportunities, due to the availability of magnificent cultural-tourism destinations, such as the World Heritage sites of Angkor Wat and Preah Vihear temple, and other ecotourism spots, such as Tonle Sap, Sihanoukville, and tropical rain forests.

International tourist arrivals have increased remarkably from 118,183 in 1993 to 2,015,128 in 2007. Such a dramatic increase requires infrastructure and tourism facilities to meet the demands of tourists. There is a lack of standards for high-class tourists and special services for special interest group tourists. Such a gap provides opportunities for Japanese companies to explore and invest in.

In order to be successful in the tourism industry, the private sector needs to cooperate with other stakeholders to promote destinations and enhance tourist experiences. In the case of Cambodia, tourists express their high satisfaction with their visit, especially to Siem Reap, Angkor Wat; however, there is a lack of marketing promotion and high standard services for the increasing number of high-class tourists.

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