

CHAPTER 1

Trade, FDI, and ODA between Cambodia and China/Japan/Korea

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INTRODUCTION

“Cambodia has developed from ground zero to a country that enjoys peace and security, and an investor friendly outlook. Prosperity still eludes us, but through the strength and determination of the Cambodian people, combined with the assistance of our development partners and sound leadership, Cambodia has risen from the abyss; and the favourable environment we enjoy today is a prerequisite for the future growth and prosperity of this Kingdom.”¹

After recovering from decades of war and international isolation, Cambodia has become one of the emerging economies in the region due to its high growth rate coupled with new market opportunities and high potential for local economic development and attracting investment. At the same time, Cambodia is one of the favored recipients for official development assistance (ODA) due to its promising reforms and acute need for postwar development. In recent years, Cambodia has also received ODA from many multilateral and bilateral donors, especially China, Japan, and the Republic of Korea (ROK). This ODA, in addition to the increase in trade volume and inflow of foreign direct investment (FDI), significantly contributed to economic development and poverty reduction.

The pace of Cambodia’s economic reforms picked up after the Soviet Union was dismantled, particularly in 1989. Similar to Vietnam’s Doi Moi, Cambodia launched an aggressive reform program when private property rights were restored and price control was abolished. State-owned enterprises were privatized and increased incentives were provided to local and foreign private investment. With the signing of the Paris Peace Accord in 1991,

¹ Prime Minister Hun Sen Message at <http://www.investincambodia.com/> accessed on 15 January 2010

Cambodian warring factions, except the Khmer Rouge, agreed to put an end to the protracted civil wars and rehabilitate the economy. After the 1993 general elections, the newly formed Royal Government of Cambodia (the Government) began formulating comprehensive macroeconomic and structural reform and achieved some significant successes in stabilizing the economy. The economy expanded rapidly during the first half of the 1990s and 2000s, while inflation was dramatically reduced.

The main objective of this research is to collect and compile basic information on economic relationships between Cambodia and the countries of China, Japan, and Korea, with special focus on trade, FDI, and ODA. It will also identify priority areas for boosting economic cooperation and improving Cambodia's business environment.

In order to attain the main objective, data were collected from secondary sources, including books, papers, reports, websites, newspapers, and other reading materials. Personal and telephone interviews with selected experts were also conducted to fill information gaps and form the foundation for analysis.

This research is expected to promote awareness and understanding of economic relations between the countries of China, Japan, Korea, and Cambodia through an international comparison on trade, FDI, and economic cooperation. It will also propose measures for enhancing competitiveness and increasing business opportunities of Japanese and other Asian companies in the Mekong River Basin countries (MRBCs), especially Cambodia, and strengthen collaboration among China, Japan, and Korea for the economic development of Cambodia.

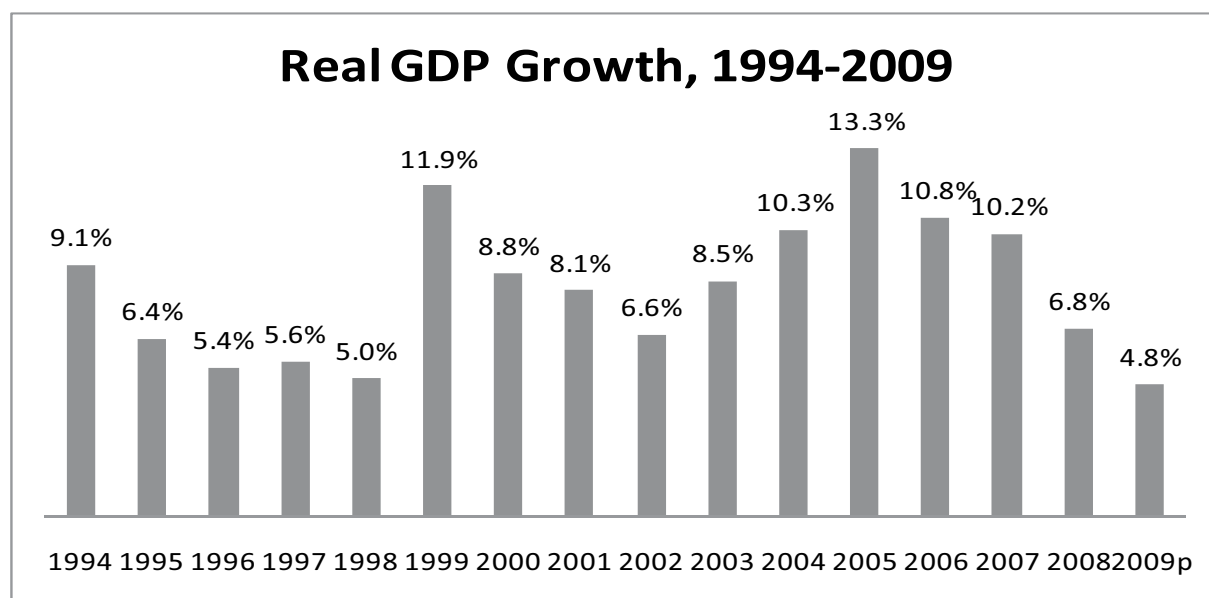
1. COUNTRY PROFILES ON TRADE, FDI, AND ODA

1.1. General economic profile

After achieving full peace in 1999, the Cambodian economy became more resilient and dynamic despite the major challenges faced by the regional and global economy and the natural disasters the country experienced. For the period 2000—2008, Cambodia achieved an

average growth of approximately 9 percent per annum. In particular, during the last three years, Cambodia's economic growth reached unprecedented double-digit rates of 11.4 percent per year on average, with 2005 as its peak year when growth reached 13.5 percent. Economic growth was 10.8 percent and 10.2 percent for 2006 and 2007, respectively. Though Cambodia has been affected by the global recession, it posted economic growth of 6.8 percent in 2008 when its economy was expected to grow only 4.8 percent.² As result, the average per capita income increased remarkably from US\$288 in 2000 to US\$513 in 2006 and then to US\$900 in 2008. Poverty has been reduced by about 1 percent per year.

Figure 1: Cambodia economic growth rate (1996-2009)



Source: Chap (2009), Economic Recession and Cambodia, paper presented in ERIA/CICP Conference, 2 December, Hotel, Le Royal, Phnom Penh, Cambodia

Continuous efforts to develop the banking and financial sector plus the implementation of a prudential monetary policy has significantly contributed to the sustainability and good shape of Cambodia's macro economy. The exchange rate between the riel and the U.S. dollar has been stable in the last few years, with inflation rate under control. Despite the effects of the global economic and financial crisis, Cambodia has been able to significantly ensure and

² Chap (2009)

increase its international reserves, which have risen to over US\$2.5 billion as of August 2009 compared to only -2.07 billion in 2008, a 21.48 percent increase2.1 billion.³

Table 1: Cambodia basic indicators

Land Area (square Km)	181,035
Population (thousands, 2008)	14,700
GDP (million current US\$, 2008)	9,574
GDP (million current PPP US\$, 2008)	27,997
Current account balance (million US\$, 2008)	(1,060)
Trade per capita (US\$)	900
Trade to GDP ratio (2006-2008)	144

Source: WTO, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KH>

Within a span of thirty years, Cambodia has gone from having nothing to achieving development in politics, economy, and social affairs. Its banking sector, in particular, has developed rapidly in terms of scale and transactions. This has played an important role in the country's economic development, its efforts to reduce poverty, and the increase in the standard of living for the Cambodian people as outlined in the Financial Sector Development Strategy and the Rectangular Strategy of the Royal Government of Cambodia.

1.2. Trade

With political commitment, Cambodia has integrated its economy with the regional and global markets. It became a full member of the Association of Southeast Asian Nations (ASEAN) in 1999 and the World Trade Organization (WTO) in 2007. Through its membership in these organizations, Cambodia boosted its trade, thereby contributing to its own economic development and poverty reduction. Its trade activities have been robust, especially with neighboring countries.

However, Cambodia's trade volume is still small compared to some countries in the ASEAN, with its imports outpacing exports. Cambodia's imports in 2007 amounted to about

³ Hun Sen's speech at the 30th Anniversary of the Re-establishment of the National Bank of Cambodia at InterContinental Hotel on October 8, 2009

US\$6 billion worth while it exported only US\$4.48 billion worth. The economic downturn resulted in a further decrease in trade in 2008 when Cambodia imported only US\$5.72 billion worth and exported only US\$3.25 billion worth of goods (see Table 2).

Table 2: Cambodia Trade with the World 2004-2008

Unit thousand US\$

	2004	2005	2006	2007	2008
Import	2,062,693	3,897,152	5,097,595	5,926,201	5,723,374
Export	3,259,069	4,016,324	4,602,343	4,483,535	3,259,069

Source: WTO, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KH>

1.3. Foreign direct investment (FDI)

In 1989, Cambodia shifted to a free market economy and welcomed FDI. The country passed a new law on investments when the coalition government took over in 1993. This law was amended in 2003 to further facilitate investments and serve national interest. The following sectors are encouraged to invest in Cambodia:

- Agriculture and agro-industry
- Transport and telecommunications infrastructures
- Energy and electricity sectors
- Labor-intensive industries and export-oriented processing and manufacturing
- Tourism-related industries
- Human resource development
- Mining of minerals (including oil exploitation)
- Encouraged investment activities

FDI in term of “approvals” increased dramatically following the peace accord and the reconstruction efforts led by United Nations Transitional Authority in Cambodia (UNTAC) beginning in 1993, but declined thereafter due to the Asian financial crisis. The top year for investments was 2008 when Cambodia welcomed a number of huge investment projects from

many countries, including Korea's development of the International Finance Complex and new town project as well as China's hydroelectric plants and Coast Development Complex in Koh Kong. From 1994 to April 2009, the country received a total FDI of approximately US\$25 billion in 1,447 projects (see Table 3).

Table 3: FDI in Cambodia 1994- 2009

FDI 1994-2009 (April)	Number of Projects	Capital
1994	86	505,698,494
1995	125	2,243,450,373
1996	184	763,062,160
1997	205	744,510,560
1998	144	853,924,698
1999	91	447,921,269
2000	61	218,037,881
2001	39	204,683,613
2002	31	234,552,572
2003	41	224,739,166
2004	52	210,440,247
2005	91	962,378,619
2006	86	3,467,851,383
2007	90	1,925,728,571
2008	121	11,363,211,932
2009 (up to April)	n/a	928,000,000
1994-2009	1447	25,298,191,538

Source: CDC Database

The above table shows data obtained from the Council for the Development of Cambodia (CDC), which shows only proposed investment or pledges—usually misleading due to inflated information on capital and labor proposed by the investor to gain the status of “Qualified Investment Project (QIP).”⁴ The investors may exaggerate the amount of investment capital in their applications in order to gain better incentives from the government as the policy states that the higher the investment capital, the more incentives the government

⁴ “Qualified Investment Project” means any investment project that has received any privileges and incentives granted by the Royal Government of Cambodia pursuant to investment laws and regulations.

offers.

A study revealed that some investors were in a “hit-and-run position,” and only after short-term profits. “Sincere” investors also faced problems with the uncertainty of risks and a hesitation to invest. Another study on investment in Cambodia indicated that some investors, usually middle persons or intermediaries, obtained licenses and concessions (especially concessions on the exploitation of natural resources, such as forestry or mining), but simply kept these licenses or sold them to other investors for a quick profit. In other cases, the intermediaries could not resell quickly enough and the licenses were cancelled completely by Government.⁵ Some investors complained about transactions or “services costs” for preparing investment licenses as it involved unofficial or extra payments.

2. CAMBODIA-CHINA RELATIONS

2.1. Background

Cambodia and China have had diplomatic relations since July 19, 1958. Cambodia is strongly committed and adheres to the *One China Policy* and firmly opposes Taiwan’s move toward independence. It recognizes the government of the People’s Republic of China (PROC) as the sole legal government of China. Cambodia also considers Taiwan as an inalienable part of Chinese territory and will continue to support China’s cause of peaceful reunification.

Historic relations between Cambodia and China go back many centuries to ancient times when Chinese diplomat Zhou Daguan under the Temur Kahn, Emperor of Chengzong of Yuan, visited Angkor of the Khmer Empire from August 1296 to 1297.⁶ Cambodia’s relations with China have further improved in recent times as Cambodia enjoys a unique and special position in Chinese foreign policy since the late Chinese Premier Zhou Enlai befriended Sihanouk at the Bandung Conference in Indonesia in 1958.⁷ Cambodia’s closer

⁵ Chap (2005)

⁶ Harris and Chandler (2007)

⁷ Marks (2000)

relations with China began on July 19, 1958 when the government of Prince Norodom Sihanouk recognized the PROC and established an enduring personal relationship with the late Chinese Premier Zhou Enlai. The Chinese leaders have not forgotten that it was Cambodia that helped break China's isolation in the 1960s by campaigning at the United Nations (UN) for the expulsion of the Republic of China (Taiwan) and the seating at the UN of the PROC.

Bilateral relations between the two countries have grown stronger through the years through frequent exchanges of visits of leaders and government officials, including the Chinese president and Cambodia's king as well as both countries' prime ministers and deputy prime ministers. Political ties between the two countries have strengthened considerably since 1997. In 2000, President Jiang Zemin became the first Chinese head of state to visit Cambodia, and his trip was followed by National People's Congress (NPC) Chairman Li Peng in 2001 and Premier Zhu Rongji in 2002. Cambodian Prime Minister Hun Sen has also become a frequent visitor to the PRC since 1997. He has visited China eight times, with his most recent visit taking place from October 22 to 25, 2009. He returned from these trips with many bilateral agreements and huge pledges of aid and investment.

2.2. Trade

Trade between Cambodia and China has increased dramatically, especially after Cambodia became a full member of the ASEAN in 1999. In 2007, China-Cambodia trade rose to US\$933 million, an increase of 72 times compared to 1992. Both countries are committed to increasing volume of trade, which has resulted in an increase in trade volume of up to US\$946 million in 2008 in which Cambodia exported only US\$12.9 million to China and imported US\$933.43 from China.

China provided tax exemption for 418 items or tariff lines for Cambodian products entering China. However, Cambodia is still unable to maximize the benefits from the cooperation due to its lack of resources, quality products, information on the markets, and means. Every year, Cambodia posts a trade deficit with China ranging from -US\$104.57

million in 2000 up to -US\$920.50 million in 2008 (see Table 4).

Table 4: Cambodia-China Trade

Unit US\$

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008
Export	59.49	34.8	24.55	26	29.93	27.31	35.09	51.07	12,930,968.00	12,931,256.24
Import	164.06	205.61	251.56	294.65	451.77	536.03	697.76	882.93	933,435,813.00	933,439,297.37
Balance	(104.57)	(170.81)	(227.01)	(268.65)	(421.84)	(508.72)	(662.67)	(831.86)	(920,504,845.00)	(920,508,041.13)

Source: BRC Report No.1 (2009), p.27 and Ministry of Commerce

2.3. FDI from China: 1994-2008

China's investment in Cambodia has increased yearly and is distributed among many sectors, including garments, textiles, apparel, hotels and resorts, industrial parks, power plants, petroleum, cement, and so on. Most of Chinese companies investing in Cambodia are state-owned ones.

China started investing in Cambodia in 1994. A large portion of its investments directly contributed to economic development and poverty reduction, especially from 2005 up to present. China is considered one of the biggest investors in Cambodia with a total capital of US\$5.56 billion invested from 1994 up to April 2009 (see Table 5). The main projects include infrastructure and energy, textiles, manufacturing, agriculture, and food processing.

Table 5: China FDI to Cambodia

Year	Number of Projects	Capital (Fixed Asset)
1994	1	7,000,000.00
1995	9	2,937,531.00
1996	29	38,156,703.14
1997	29	36,157,049.09
1998	39	104,729,154.73
1999	26	46,034,912.00
2000	7	28,405,061.70
2001	5	5,034,745.00

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2002	8	23,030,130.50
2003	10	31,006,918.00
2004	21	77,065,242.13
2005	41	444,122,349.51
2006	32	274,339,894.70
2007	31	116,131,944.35
2008	24	4,369,202,447
2009 (Up to June)	14	247,586,097
1994-2009	137	5,850,940,179.85

Source: Council for Development of Cambodia (CDC) database

Chinese investors are flexible in lobbying and negotiating for investment licenses from Cambodian authorities. They are also familiar with the situation in Cambodia, and many Chinese-Cambodians speak Chinese. Historically, Cambodia's indigenous Chinese were not rice farmers like most Cambodians, but rather buyers to whom the farmers sold their surplus and merchants who sold everything else of use in an agricultural society. They are once again returning to these functions, and their economic capacity is being multiplied by an influx of Chinese investment, both official and private, that would be the envy of any developing country. Therefore, Chinese investors feel at home here.

2.4. ODA

China provided grant of RMB 1,395.77 million (US\$204.41 million) from 2000 to 2009. In 2009, it provided an interest-free loan of RMB 510.77 million (US\$74.8 million) to finance the construction of Road No. 78 from O-Pong Mon to Banlung. Accumulated concessional loans from 2000 to 2008 amounted to about US\$500 million.

The main assistance projects funded by China are the rehabilitation of National Road No. 8 from Ksach kandal to the Vietnam Border (109 km); the design and construction of National Road No. 62 from Tbeng Meanchey to Prasat Preah Vihear and Road No. 210 from Thanl Bek Village, the junction of NR No. 62 to Srayang-Koh Ker; the construction of the building for the Council of Ministers; the repair and construction of the library of the Senate;

conduct of a feasibility study for a new railway line from Batdeng to the Cambodia-Vietnam border; and provision of computer and other equipment for the electronic library of the Royal Academy of Cambodia (see Table 6).

Table 6: Selected ODA Projects by China

No	Official Title	Start Date	Completion Date	Budget	Own Disb. 2008	Own Disb. 2009	Project Status
1	Construction of the Prek Kdam Bridge(975m)	11-Jun-07	30-Sep-10	28,783,664.00 USD	12,707,412.00 USD	4,440,168 USD	On-going
2	Construction of the Prek Tamak Bridge(1060m)	6-Jun-07	30-Sep-10	43,503,619.00 USD	19,205,978.00 USD	6,710,868 USD	On-going
3	Design & Construction Project of the National Road No. 62 of Cambodia from Tbeng Meanchey to Prasat Preah Vihear & Road No. 210 from Thanl Bek Village, the Junction of NR No. 62 to Srayang-Koh Ker	5-Apr-08	31-Dec-11	57,800,000.00 USD	4,380,323.00 USD	19,179,621 USD	On-going
4	Feasibility Study Project on the Missing Link Section of Trans-Asia Railway in Cambodia	1-Dec-08	30-Dec-09	2,898,500.00 USD		2,898,500 USD	Pipeline
5	Project of New Council of Ministers Building of the Kingdom of Cambodia	28-Dec-05	31-Dec-08	225,070,000.00 CNY	56,267,500.00 CNY		Completed
6	Project of Purchasing Suppressing Smuggling and Drug Trafficking Equipment	4-Jul-05	31-Dec-07	500,000,000.00 CNY			Completed
7	Project of the Construction of Greater Mekong Sub-region Information Superhighway Cambodia Section	1-Jan-06	31-Dec-07	135,000,000.00 CNY			Completed
8	Project Rehabilitating the Chau Say Tevoda Temple of Angkor in Cambodia	9-May-06	31-Jul-07	4,500,000.00 CNY			Completed
9	Project Rehabilitating the National Road No.8 from Ksach kandal to Vietnam Border (109 km)	15-Mar-07	30-Jun-10	71,512,717.00 USD	31,571,434.00 USD	11,031,552 USD	On-going
10	Project Rehabilitating the National Road No76 Junction of the NR No.7 at Snuol to Senmonorom Mondolkiri (127 km)	14-Feb-07	30-Jul-10	51,900,000.00 USD	12,975,000.00 USD	20,760,000 USD	On-going
11	Provide Electronic Library to the Royal Academy of Cambodia	16-Jan-09	31-May-09	80,810.00 USD		80,810 USD	On-going
12	Provide Office Equipment and Vehicle to the Senate of the Kingdom of Cambodia	1-Sep-08	30-Dec-08	145,000.00 USD	145,000.00 USD		Completed
13	Provide Office Equipment and Vehicles to the Ministry of	1-Jan-08	22-May-08	72,500.00 USD	72,500.00 USD		Completed

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	Parliamentary Relations and Inspection									
14	Rehabilitation project of the National Road No. 7 of Cambodia from Kratie to Trapeang Kriel	1-Oct-04	31-Dec-07	60,980,000.00 USD					Completed	
15	Rehabilitation project of the National Road No. 7 of Cambodia from Kratie to Trapeang Kriel	1-Oct-04	31-Dec-07	2,430,000.00 USD					Completed	
16	Survey on the Project of National Botanical Garden of the Kingdom of Cambodia	8-Apr-06	8-Apr-07	30,000.00 CNY					Completed	
17	The Rehabilitation of National Road No. 57 Project, 144km, from Battambang to Pailin (Cambodia and Thailand Border)	26-Mar-08	30-Jul-11	41,880,000.00 USD	6,282,000.00 USD	20,940,000 USD			On-going	

Source: CDC Website: http://cdc.khmer.biz/projectlist/project_list_readonly.asp?OtherDonor=29&status=0

China's assistance to the Cambodian government is less complicated and can be realized within a short period of time. This is due mainly to the Chinese government's real commitment to help Cambodia in response to the state of urgency and the country's priority status without conditionality.

3. CAMBODIA- KOREA COOPERATION

3.1. Background

The Republic of Korea and the Kingdom of Cambodia have had bilateral relations since 1970. The relations were broken for some years due to political and security reasons. However, the two countries re-established diplomatic relations in 1996, and bilateral relations have normalized since 1997. With the strong political commitment of the two countries' leadership, the bond of friendship between Korea and Cambodia has grown stronger in all sectors, including political, economic, and cultural. This is especially true after both countries' leaders exchanged frequent visits since 2006. The most recent visit was that of Korean President Lee Myung-Bak's to Cambodia from October 22 to 23, 2009.

Korea and Cambodia share the common value of a diverse historical and cultural heritage, which helps draw them closer in bilateral cooperation.

Cambodia-Korea cooperation is focused on the following eight champion areas: FDI, information communication technology (ICT), tourism, cultural exchange, financial service, air service, and vocational training.

3.2. Trade

Due to stronger bilateral relations, the volume of trade between Cambodia and Korea has increased remarkably from only US\$77 million in 2000 to US\$236 million in 2008. In 2008, Cambodia exported only US\$7.3 million worth of goods to Korea while importing US\$229 million from Korea. Hence, Cambodia has a huge trade deficit of US\$221 million with Korea (see Table 7). The main products imported from Korea are electronics, machinery, used cars, and household utensils.

Table 7: Trade Cambodia-Korea 2000- 2008

	Unit Thousand US\$					
	2000	2001	2002	2004	2006	2008
Export	777.5	984.1	1,449.3	25,048.28	3,195.15	7,397.89
Import	76,255.4	49,594.4	94,743.5	99,427.33	146,087.78	229,234.82
Balance	-75,477.9	-48,610.3	-93,294.2	-74,379.1	-142,892.6	-221,836.9
Total Trade	77,032.9	50,578.5	96,192.8	124,475.6	149,282.9	236,632.7

3.3. FDI

From 1995 to June 2009, Korea invested a total amount of US\$2.77 billion spread across 106 projects in Cambodia. The main investments are in real estate development, the banking sector, construction, tourism, and manufacturing. For example, a project involving the construction of a new town in Phnom Penh cost US\$988 million while the construction of an international financial center and shopping complex with high-rise buildings cost US\$967 million.

Korean investors are very aggressive in investing in Cambodia for many reasons, one of which is political stability. The top year was 2008 when Korea invested US\$1.23 billion (see Table 8).

Table 8: Korea FDI to Cambodia

Year	Number of Projects	Capital (Fixed Asset)
1994	0	0
1995	3	506,130
1996	5	4,550,100
1997	12	177,600,194
1998	6	4,592,329
1999		0
2000	5	19,371,181
2001	2	2,088,690
2002	5	78,970,351
2003	2	2,418,915
2004	4	3,640,451
2005	17	40,348,109
2006	8	1,009,824,670

Cambodia

2007	14	85,185,156
2008	15	1,237,976,929
2009 (Up to June)	8	107,253,004
1994-2009	106	2,774,326,208.68

Source: Council for Development of Cambodia (CDC)

3.4. ODA from Korea to Cambodia

ODA from Korea started flowing into Cambodia in 2001 in small amounts, which later increased. From 2001 to 2009, Korea has provided grants amounting to US\$39.5 million and a concessional loan of US\$220 million. The main projects for ODA are road construction (such as Road No. 33 and Road No. 117), irrigation dams, a wastewater treatment plant, and the construction of the Cambodia-Korea Cooperation Center (see Table 9 for more details). Korea has offered about US\$265 million in aid and loans from 2001 to 2009, according to Cambodian government data.⁸

Cambodian Prime Minister Hun Sen and Korean President Lee Myung-bak agreed on June 3, 2009 to significantly boost their countries' economic ties following the signing of a number of deals on aid and joint economic projects. This was done during a special summit between Korea and the ASEAN that was held on the southern resort island of Jeju. Seoul provided US\$60 million in loans from its Economic Development Cooperation Fund (EDCF) for the construction of new roads and sewerage in Cambodia. Korea also agreed to start providing ODA to Cambodia in a framework agreement signed between the two leaders during said summit. "The leaders noted the relationship between the countries has significantly improved since they restored their diplomatic ties in 1997," Cheong Wa Dae, the Korean presidential office, said in a press release following the summit.⁹

"President Lee said South Korea will actively share its development experience with

⁸ China Daily, "S. Korea to increase aid, investment for Cambodia," accessed at http://www.chinadaily.com.cn/world/2010-01/14/content_9323040.htm on January 10, 2010.

⁹ Agent Khmer Press, AKP 4 June 2009, "Cambodia, South Korea Agree on Large-scale Economic Projects" accessed at http://www.un.int/cambodia/Bulletin_Files/June09/Cambodia_South_Korea.pdf on January 14, 2010

Cambodia as part of its new diplomatic campaign toward Asia and agreed to provide ODA for Cambodia's agricultural, medical, industrial and educational development," the statement said.

The Korean president offered his gratitude for Cambodia's support in a joint press statement issued at the end of the Korea-ASEAN summit, in which the leaders condemned North Korea for its nuclear test and urged the immediate resumption of dialogue to resolve the issue.

Table 9: ODA Project by ROK 2007-2010

No	Official Title	Start Date	Completion Date	Budget	Own Disb. 2008	Own Disb. 2009	Project Status
Republic of Korea (40 Projects)							
1.	Batheay Flood Control in Cambodia	8-Feb-07	31-Oct-08	2,000,000 USD	1,055,350 USD		Completed
2.	Capacity Building for Capital Market Development	2-Feb-07	31-Dec-09	1,800,000 USD	830,000 USD	370,000 USD	On-going
3.	Construction of Siem Reap Sewerage System and Improvement of Siem Reap River Project	1-Feb-09	1-Feb-12	29,960,000 USD			Pipeline
4.	Development of Eco- Efficient Water Infrastructure for Socio- Economic Development	1-Jan-08	31-Dec-08	20,000 USD	20,000 USD		Completed
5.	Dispatch of Taekwondo Instructor for 2007	1-Jan-07	31-Dec-07	83,809 USD			Completed
6.	Dispatch of Taekwondo Instructor for 2008	1-Jan-08	10-Dec-08	68,160 USD	68,160 USD		Completed
7.	Dispatch of Medical Doctor for 2007	1-Feb-07	31-Dec-07	91,104 USD			Completed
8.	Dispatch of Medical Doctor for 2008	1-Jan-08	8-Aug-08	84,280 USD	84,280 USD		Completed
9.	Dispatch of Volunteers for 2007	1-Feb-07	31-Dec-07	1,997,205 USD			Completed
10.	Dispatch of Volunteers for 2008	1-Feb-08	31-Dec-08	2,252,260 USD	2,252,260 USD		Completed
11.	Dispatch of Volunteers for 2009	1-Apr-09	31-Dec-09	2,056,000 USD		2,056,000 USD	On-going
12.	Establishment of Master Plan of Water Resources Development in Cambodia	28-Apr-06	28-Mar-08	1,487,000 USD	287,930 USD		Completed
13.	Establishment of the Modern Hospital for Cambodian Children	3-Mar-05	30-Nov-06	2,400,000 USD			Completed
14.	Evaluation Fee and Other Administration Fee	1-Jan-07	31-Dec-07	18,765 USD			Completed
15.	Formulation of Rural Development Policy and Strategy	1-Mar-07	29-Aug-08	1,800,000 USD	865,110 USD		Completed
16.	Improvement of National Road No.31 and 33, Provincial Road No.117 and Kampot Bypass Project	1-Feb-09	1-Feb-12	30,000,000 USD			Pipeline
17.	Improvement of the National Competency Standard or Project for the Creation of National Qualification Framework in Cambodia	1-Mar-07	5-Feb-09	1,200,000 USD	522,040 USD	135,960 USD	On-going
18.	Improving Capacity and Institutions for Sustainable Development of Developing Countries	1-Jan-08	31-Dec-08	33,000 USD	33,000 USD		Completed

Cambodia

19.	Invitation of Trainees for 2007	15-Mar-07	31-Dec-07	513,588 USD			Completed
20.	Invitation of Trainees for 2008	1-Jan-08	31-Dec-08	1,183,080 USD	1,183,080 USD		Completed
21.	Invitation of Trainees for 2009	2-Feb-09	31-Dec-09	568,000 USD		568,000 USD	On-going
22.	Kampot- Trapang Ropaou Road Rehabilitation Project	16-Sep-03	30-May-07	17,050,000 USD			Completed
23.	Korean NGOs Cooperation Program 2008	10-Feb-08	31-Dec-08	453,390 USD	453,390 USD		Completed
24.	Korean NGOs Cooperation Program 2009	4-Feb-09	31-Dec-09	412,000 USD		412,000 USD	On-going
25.	Krang Ponley Water Resources Development Project	21-Mar-06	31-Dec-10	26,700,000 USD	6,198,000 USD	9,608,331 USD	On-going
26.	Model village Project for the Community Development in Kampong Cham Province	4-Apr-09	31-Dec-11	1,410,000 USD		20,000 USD	On-going
27.	National Road No. 3 Rehabilitation Project Phase II	11-Nov-08	12-Dec-11	36,900,000 USD	7,775,000 USD	2,673,000 USD	On-going
28.	National Road No.3 Rehabilitation Project Phase I	1-Jan-07	31-Dec-07	1,002,401 USD			Completed
29.	Project of Phnom Tunsang Mini-Hydropower Development Study Project Installed Capacity 3.1MW in Kampong Speu	22-Jul-07	26-Jul-07	8,817 USD			Completed
30.	Provide more equipments for National Pediatric Hospital in the Project Establishment of the Modern Hospital for Cambodian Children	1-Jan-07	31-Dec-07	17,694 USD			Completed
31.	Provide Office Equipments to Ministry of Commerce in the Project for Capacity Building in the Trade in Goods and Services	1-Jan-07	31-Dec-07	6,694 USD			Completed
32.	Providing Office Equipments for National Committee for Disaster Management and 20 units of ambulances for Ministry of Health	2-Feb-07	31-Dec-07	741,235 USD			Completed
33.	Provincial Administration Information System and National Information Infrastructure Project, Phase I	1-Jan-07	31-Dec-07	16,043,517 USD			Completed
34.	Provincial Administration Information System and National Information Infrastructure, Phase II	3-Oct-08	4-Sep-09	30,970,000 USD	5,688,000 USD	25,282,000 USD	On-going
35.	Regional Poverty Alleviation Program: Replication of Best Practices on Rural Community Development -Phase 2	2-Feb-07	31-Dec-08	1,250,000 USD	91,000 USD		Completed
36.	Strengthening the Referral Hospitals in Cambodia or The Establishment of the Korea-Cambodia Friendship Hospital in Kampong Chhnang	12-Feb-07	31-Dec-09	1,000,000 USD	415,780 USD	289,954 USD	On-going

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37.	The Pavement of the Siem Reap Bypass Road in the Kingdom of Cambodia, Phase II	1-Nov-07	30-Jun-09	4,302,000 USD	3,426,640 USD	867,956 USD	On-going
38.	The Project for Construction of irrigation System in Project Area, in Batheay District	20-Jan-09	1-Dec-10	2,500,000 USD		1,500,000 USD	On-going
39.	The Project for First Order Geodetic Ground Control Points in Cambodia	1-Oct-07	30-Sep-09	2,500,000 USD	1,401,180 USD	781,371 USD	On-going
40.	The Project for Rural Development in Kampong Cham Province, Cambodia	1-Jul-06	30-Jun-08	1,000,000 USD	306,000 USD		Completed

Source: CDC Website: http://cdc.khmer.biz/projectlist/project_list_readonly.asp?OtherDonor=52&status=0

4. CAMBODIA-JAPAN RELATIONS

4.1. Background

Historically, Cambodia and Japan have had a long-standing relationship. Diplomatic relations between the two countries began on January 9, 1953. Both celebrated the 50th Anniversary of the Establishment of Diplomatic Relations between Cambodia and Japan in 2003. The bond of friendship has enabled the two countries to develop mutual respect and support in politics, economy, culture, social affairs, and religion.

The Royal Government and the people of Japan have provided continuing and significant help and support to Cambodia in all fields and all circumstances, proving that Japan is a genuine and exceptional friend of Cambodia. Japan is not only the biggest donor to Cambodia in economic development and poverty reduction, but it also plays an important role in the national reconciliation efforts that have successfully ended the protracted civil wars and brought full peace to the entire nation.¹⁰

4.2. Trade

Japanese products are famous worldwide, and it is no different in Cambodia. Cambodia has imported a huge volume of Japanese products, especially vehicles, electronics, and machinery. Trade between Cambodia and Japan has increased yearly. In 2000, the volume of trade between the two countries was only US\$69 million. In 2008, it reached US\$146.27 million when Cambodia exported US\$32 million to Japan and imported US\$114 million worth of goods from Japan. Cambodia has a huge trade deficit with Japan—from US\$44 million in 2000 to US\$82 million in 2008 (see Table 10).

Japan lifted quotas and tariffs for Cambodia for more than 1,000 tariff lines in addition to the other 226 items or tariff lines it had already previously provided. However, with the possible exception of garments and apparel, Cambodia finds it difficult to meet the minimum standard of product quality demanded by Japan; hence, the anticipated difficulty of exporting

¹⁰ Prime Minister Hun Sen's speech at the ASEAN-Japan Commemorative Summit "Overview of the Japan-ASEAN Relations," on December 11, 2003 in Tokyo

to this particular market for at least the next ten years.

Table 10: Cambodia-Japan Trade 2000- 2008 (Unit US\$)

	2000	2001	2002	2003	2004	2006	2008
Cambodia Export to							
Japan	10,731,160	13,280,176	18,774,762	21,650,582	25,041,573	34,072,140	32,140,767
Cambodia Import							
from Japan	58,273,983	60,800,894	63,691,363	78,223,930	83,573,268	129,598,067	114,131,969
Balance of Trade	(47,542,824)	(47,520,717)	(44,916,600)	(56,573,347)	(58,531,695)	(95,525,926)	(81,991,202)
Total Trade	69,005,143	74,081,070	82,466,125	99,874,512	108,614,841	163,670,207	146,272,736

Source: Ministry of Commerce Data calculated by the Author

4.3. FDI

Japanese investors are investing in many countries in the world, especially in Southeast Asia. However, they are not yet interested in investing in Cambodia. Although Japan is the biggest ODA donor, its investment in Cambodia is relatively small compared to its investments in other countries in the region. The reasons for this will be discussed in the next section.

From 1995 to 2008, Japan's investment in the form of pledges was only US\$144.57 million, which is very small compared to China's and Korea's (see Table 11). The top year was 2007 when Japan's investments in Cambodia reached US\$113 million.

Table 11: Japan FDI to Cambodia (1995-June 2009)

Year	Number of Projects	Capital (Fixed Asset)
1995	1	562,500
1996	4	11,018,950.00
1997	1	294,000
1998	1	1,371,800
1999	0	0
2000	1	224,997

Cambodia

2001	0	
2002	1	2,190,000
2003	0	
2004	1	2,156,814
2005	0	
2006	3	10,689,450
2007	5	113,077,649
2008	2	7,829,110
2009 (Up to June)	2	4,763,444
1994-2009	22	154,178,714

Source: CDC database

4.4. ODA from Japan to Cambodia

Japan is the biggest ODA provider to Cambodia. Every year, it contributes about US\$100 million to help develop the country in such concerns as infrastructure, the Khmer Rouge Tribunal, health, education, and human resource development.

From 2004 to August 2009, Japan provided grants amounting to US\$349.53 million and loans of US\$241.27 million. The main project it is supporting is the Khmer Rouge Tribunal or the Extraordinary Chamber in Cambodian Court (ECCC) with funding amounting to US\$47.72 million (see Table 12).

Table 12: Selected ODA Projects of Japan 2007- 2009

No	Official Title	Start Date	Completion Date	Budget	Own Disb. 2008	Own Disb. 2009	Project Status
201.	The Project for Supporting Humanitarian Demining Activities in Provinces of Kampong Thom, Oddor Meanchey, and Preah Vihear for 2006	11-Jan-07	10-Jan-08	898,892 USD			Completed
202.	The Project for Supporting Humanitarian Demining Activities in Provinces of Kampong Thom, Oddor Meanchey, and Preah Vihear for 2007	30-Nov-07	29-Nov-08	861,833 USD			Completed
203.	The Project for Supporting Humanitarian Mine Clearance in Battambang and Banteay Meanchey Provinces	8-Oct-09	7-Oct-10	652,549 USD		652,549 USD	On-going
204.	The Project for Supporting Humanitarian Mine Clearance in Battambang and Preah Vihear Regions	1-Aug-07	31-Jul-08	732,723 USD			Completed
205.	The Project for Supporting Humanitarian Mine Clearance in Northwest Border Districts	30-Nov-07	29-Nov-08	781,089 USD			Completed
206.	The Project for Supporting Humanitarian Mine Clearance in Pailin Municipality and Battambang Province	11-Dec-09	10-Dec-10	571,686 USD	571,686 USD		Completed
207.	The Project for Supporting Humanitarian Mine Clearance in Provinces of Kompong Thom, Preah Vihea and Oddoh Meanchey	11-Dec-09	10-Dec-10	615,495 USD		615,495 USD	On-going

Source: Council for Development of Cambodia

4.5. Mekong-Japan cooperation

One of Japan's initiatives was the Mekong-Japan Partnership Program, the groundwork for which was laid down in December 2006. Five countries along Mekong River participate in the program: Cambodia, Lao PDR, Myanmar, Thailand, and Vietnam. Cambodia is one of the priority recipients of the benefits from this cooperation.

The First Mekong-Japan Foreign Ministers' Meeting was held in Tokyo from January 16 to 17, 2008 with the following outcomes:

- Mekong was considered a “priority area” and a “region of prospect and development.”
- The year 2009 was declared as the Mekong-Japan Exchange Year.
- The Federation of Japan-Mekong Friendship was established.
- Japan agreed to expand development assistance up to three years starting 2008 to assist the Mekong Basin countries in infrastructure and human resource development, environment protection, and poverty reduction. Japan donated US\$20 million to develop the Cambodia-Lao-Vietnam Development Triangle and vowed to help develop East-West Corridor I and East-West Corridor II.
- Cambodia hosted the Second Mekong-Japan Foreign Ministers' Meeting in Siem Reap from October 2 to 3, 2008.
- Japan hosted the Mekong-Japan Summit from November 6 to 7, 2009.

5. COMPARISONS

Cambodia-China trade is the biggest among the three East Asian nations covered in this study. The rise of China is inevitable. China has promoted trade by arranging many trade exhibitions and fairs in Cambodia's major cities, especially Phnom Penh. This has resulted in an increase in trade of about 1 billion from 2004 to 2008.

Data on trade, FDI, and ODA that Cambodia has made and received from Japan, China, and Korea indicate that Japan is the biggest ODA donor of the three, but is not yet the main source of FDI in Cambodia due to a number of reasons.

China is the biggest trade partner and source of FDI for Cambodia, but at the same time, is also the main competitor for many export products that Cambodia produces such as household products or consumer products, food, and electronics.

Korea is aggressively investing in the following sectors in Cambodia: banking, ITC, construction, property development, and tourism. The motivations for China's and Korea's investments are discussed in the next section.

Table 13: Trade between Cambodia and China, South Korea and Japan

	2004	2008	%Change
Export to China	12,610,926	12,930,968	2.54%
Import from China	340,665,683	933,435,813	174.00%
Export to Korea	25,048,282	7,397,890	-70.47%
Import from Korea	99,427,337	229,234,823	130.56%
Export to Japan	25,041,572	32,140,767	28.35%
Import from Japan	83,573,267	114,131,969	36.57%
Cambodia China Trade Balance	(328,054,757)	(920,504,845)	180.59%
Cambodia China Total Trade	353,276,609	946,366,781	167.88%
Cambodia Korea Trade Balance	(74,379,055)	(221,836,933)	198.25%
Cambodia-Korea Total Trade	124,475,619	236,632,713	90.10%
Cambodia-Japan Trade Balance	(58,531,695)	(81,991,202)	40.08%
Cambodia-Japan Total Trade	108,614,839	146,272,736	34.67%

Source: Data obtained from Ministry of Commerce

5.1. Motivations for China's and Korea's investments in Cambodia

According to interviews with selected scholars and government officers, the main motivations for investors, especially those from China, Korea, and Japan, to invest in Cambodia are as follows:

Political Settlement, Peace and Stability

Political risk is one of the major considerations when making an investment decision. Nobody invests in a country where political strife is likely to happen. Cambodia used to be a high-risk country for political turmoil. But in recent years, with the will of the government, genuine effort at national reconciliation, and the support of the world community, political settlement in the country was finally achieved. Political settlement means peace and stability for the people and a more secure environment for investors. This factor has raised investors' trust and confidence in the country enough to make them want to invest in it. For the first time in thirty years, Cambodia has consolidated and strengthened peace, stability, and security. The end of the Khmer Rouge also brought an end to Cambodia's era of war and conflict. There is now a sense of real peace and happiness in the country. In this respect, Cambodia has entered a new era of peace and development where effort, energy, and time can finally be focused on nation building and economic development. This is the way by which Cambodia will gain the confidence and trust of foreign investors. An investor said, "Cambodia is a good place to invest in, but Cambodian leaders have to make sure that no more political turmoil will take place. The July 1997 armed clash was bad enough to bring Cambodia back to being one of the high-risk countries."¹¹

Cheap Labor

Cheap labor is very important determinant for FDI as it contributes to lower cost of production. Investors try to relocate their production bases to countries where cost of production is lower, a fact that is evident in Cambodia's garment industry. Investors from the United States, Western Europe, Canada, Australia, among others, were attracted to invest in Cambodia because of its cheap labor cost and good quota in the Generalized System of Preference (GSP) and Most Favored Nation (MFN) status from

¹¹ Chap (2005).

many industrialized countries. Cambodia has a population of more than 14 million people, of which 51 percent is of working age. Though the Cambodian people have a low level of education, the labor force is traditionally hard-working and motivated. Evidence of this can be seen in the great Angkor Temple, which represents the hard work and patience of the Khmer people. Cambodia has the strength of a solid, ancient culture and an easily trainable workforce that can build from nothing. On the other hand, the country has also had a hard and difficult time during the Khmer Rouge regime. The cost of labor in Cambodia is low compared with other Asian countries, even compared with China. The minimum wage is only US\$45 per month for an unskilled worker.

Prospect of a Booming Local Market

The Cambodian market is expected to boom with positive externalities. The first positive externality is the anticipated economic recovery in the region. More countries are now recovering or have recovered from the impact of the Asian economic crisis of 1997, which adversely affected most economies in the region. As majority of investors in Cambodia are ASEAN member countries, Cambodia can benefit from this positive economic recovery. The second positive externality is Cambodia's accession to the WTO and its becoming a member of the ASEAN. Cambodia's membership in the ASEAN and the WTO can serve as an important promoter for FDI, especially through the ASEAN Investment Area (AIA), tourism promotion, and increased export opportunities. At the same time, Cambodia can use the ASEAN as strategic window of opportunity for promoting its interests in all fields, especially economic cooperation with the dialogue partners of the ASEAN. The third positive externality is the impact of globalization. To some extent, Cambodia could benefit from globalization. However, Cambodia needs to manage the downside of globalization as this may negatively affect other sectors of society, especially in the social and cultural areas. While it is a latecomer to globalization, Cambodia can use globalization to further propel its

economic growth and development.

As a member of the ASEAN, Cambodia is actively participating in ASEAN economic initiatives, especially the ASEAN Free Trade Area (AFTA), ASEAN Industry Cooperation (AICO), ASEAN Investment Area (AIA), and in the services cooperation aimed at liberalizing most of the goods and services sector. Aside from being actively engaged in ASEAN regional initiatives, Cambodia has also been actively participating in subregional initiatives, such as the development of the Greater Mekong Subregion (GMS). As part of the Greater Mekong subregional economic group, Cambodia is an ideal place to take advantage of this area's fast-developing consumer markets. Cambodia's being a member of the ASEAN, a market of about 550 million people, is expected to facilitate cross-border movement of goods and further boost trade. Cambodia's WTO membership will also help tremendously in broadening its international markets, which will, in turn, make Cambodia itself a booming market. All of these factors will help efforts at liberalization and economic modernization to proceed in conformity with local and international standards. An annual average of US\$500 million in foreign aid has already been made, a vote of confidence by the international community in the future. Cambodia is also a member of the International Finance Corporation (IFC), which can provide loans to private companies for their investment in Cambodia.

Favorable Investment Policy

The Cambodian government recognizes that the private sector is a partner, not a competitor. As stated earlier, the promulgation of the new investment law means that Cambodia now offers the best business incentive package in Southeast Asia, making the Kingdom's outward-looking economy a very attractive place to invest. Cambodian investment policy provides protection and guarantee for investors, as follows: (1) equal treatment for all investors, (2) no nationalization adversely affecting the property of

investors, (3) no price controls on products or services produced by licensed investors, and (4) no limitation on remittance of foreign currencies abroad. On the other hand, Cambodia is a signatory to a number of conventions related to investment guarantees and dispute settlement as well as agreements on investment promotion and protection with many partners, including ASEAN countries and with some bilateral partners such as the United States, the European Union (EU), China, Korea, and Switzerland. The Royal Government continues to carry out this work with other bilateral and multilateral partners.

Status of MFN and GSP as an LDC

After the Multi-Fiber Agreement ended at the end of 2004, Cambodia, as a least developed country (LDC), had its quota for garment exports to the U.S and the EU lifted. However, China is still under quota restrictions as part of the safeguard measures imposed by the U.S. and the EU before China could become a member of the WTO. This is one of the main reasons why Cambodia's exports of garments and textiles continue to thrive even after the lifting of quota restrictions when it expected to face greater competition from other garment-exporting developing countries.

Support from Various Governments

Chinese and Korean investments in Cambodia cannot be successful without support from the governments of both countries. Many groups of investors are usually introduced by the Chinese and Korean governments, and they often meet with top Cambodian officials, including the prime minister, deputy prime ministers, ministers, and other relevant government agencies.

5.2. Constraints for Japanese investors

Lack of Public Utilities and Infrastructure

Physical infrastructure in Cambodia is in poor condition. The transport sector, which

provides both the country's lifeline to the outside world and its crucial internal distribution system, has been seriously affected by the years of war and unrest, intentional destruction, and subsequent neglect. The result is a badly damaged transport infrastructure, nonexistent in some aspects, which was inherited by operating authorities with neither the resources nor the technical capability to restore it or to make improvements. Despite this and somewhat surprisingly, considerable progress has been made in the last few years in reviving transport operations using the minimal resources that could be obtained. However, the country still lacks roads, electricity, water, and telecommunication facilities compared with other countries in the region. Some of the provinces, such as Odor Meanchey, Preah Vihear, Mundulkiri, and Rottanakiri, remain isolated from the capital because the road systems have been destroyed by war and lack of maintenance.

All of the transport subsectors (roads and bridges, ports and inland waterways, railways, civil aviation, and land and water transport) are currently characterized by (1) damaged or missing physical infrastructure, equipment, and other facilities; (2) unavailability of sufficient operating and/or maintenance funds; (3) lack of adequate qualified personnel; and (4) institutional conditions that militate against efficient and expeditious operations.

The poor quality and insufficiency of physical infrastructure is a bottleneck to the flow of investment in the country. Investors find it costly to invest in a country where infrastructure is poor.

A major handicap affecting FDI is the high cost of power supply compared to neighboring countries, which have access to cheap hydroelectricity. In Phnom Penh and other provinces, electricity cost is very high. Therefore, investors depend completely on diesel power and individual electric generators of all sizes, which raise both investment costs and operating costs in electricity provision. Different rates are charged for electricity. The higher the amount of electricity consumed, the higher will the rate be

charged, especially for industrial and commercial purposes. Electricity in suburban areas is also more expensive than in the urban center because the network faces difficulty in connecting and maintenance. It means that the rural poor have to pay a higher price for electricity than the urban rich.

The Market Is Still Not Mature

Japanese investors are perceived by many studies to be careful and slow in decision making. They have to study the market to determine whether it is mature enough to invest in with low risk. Unlike Chinese and Korean investors, Japanese investors are still undecided on whether to invest in Cambodia or not due to limited domestic demand and poor related investment and support businesses. Therefore, in order to attract Japanese investment, Cambodia has to demonstrate that many investors, especially Japanese ones, are successful and taken care of not only in the process of applying but also after the licenses are granted with full guarantees and protection of investors' interests.

6. CONCLUSION

China, Japan, and Korea are the main trade partners and important sources of FDI and ODA for Cambodia. Economic relations between Cambodia and these three East Asian economies are very strategic and vital for the future development of the country. The three East Asian countries are also major sources of tourist arrivals for Cambodia.

Although it has achieved much in the past decade, Cambodia continues to face many challenges in maximizing the benefits from economic cooperation with China, Japan, and Korea. This is especially true in terms of promoting its exports in order to reduce trade deficits with them and attracting potential investors, especially from Japan.

Cambodia is looking forward to a new level of relationship for the mutual benefits that all parties (Cambodia, China, Japan, and Korea) can derive through enhancing the

growth of tourism, trade, and investment, especially to attract the inflow of Japanese FDI into Cambodia.

7. RECOMMENDATIONS

Cambodia and the three countries should further promote consultation and coordination among the host and recipients to avoid duplication and competition in financing projects. Assistance should be consistent with Cambodia's priority areas and real needs. The three East Asian countries should facilitate the promotion of importation of Cambodia's products to narrow down the trade deficit.

Cambodia should exert utmost effort to conduct investment promotion campaigns in the three East Asian countries. Investment promotion should be organized both in Cambodia and abroad. In-country campaigns should include seminars and debriefings to business communities and foreign diplomats to familiarize them with relevant information on the legal and institutional framework for investment, investment incentives, and investment opportunities. The products and services of the CDC should be promoted to satisfy investors. Some good cases should be included in promotion instruments, which should include leaflets, brochures, and investment guides.

Investment promotion campaigns should be conducted abroad in the form of sending investment promotion missions, participating in regional forums and seminars, setting up networks using Cambodia's embassies or ASEAN business centers as channels of communication and as information service centers. Trade fairs featuring Cambodia's products and services also help attract FDI. Since the government has decentralized decision making in investment projects costing less than US\$2 million to the provincial or municipal level, investment promotion should also be done at the provincial level. Such promotions can be used to present investment opportunities in the area. The CDC should invite the provincial investment promotion agencies to participate in these campaigns to attract investment and technology transfer.

Cambodia should also improve the monitoring system for investments, especially with regard to data collection and compilation. There are currently many discrepancies between the registered investment capital and the actual investment. The CDC could not provide the figures on the actual investment. Only about 30 percent of total reported figures have been realized. There is poor monitoring system for investment projects. The CDC should strengthen the monitoring system by installing an “investor tracking system,” requesting all investors to cooperate by providing regular reports and allowing site visits to evaluate the asset and investment capital. In addition, authorities should develop a monitoring system to keep track of everything from the number of queries by foreign investors to the number of formal applications and the number of approved investments that are actually implemented. The monitoring system would involve regular reporting on the operation of foreign investment policy so that any necessary changes could be implemented efficiently, creating a benchmark for value and quantity for imports in order to prevent unscrupulous investors from cheating on preferential imports.

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