# CAMBODIA INFRASTRUCTURE: MANUFACTURING, SEZ, WAREHOUSING

### Introduction











## Manufacturing Climate in Cambodia

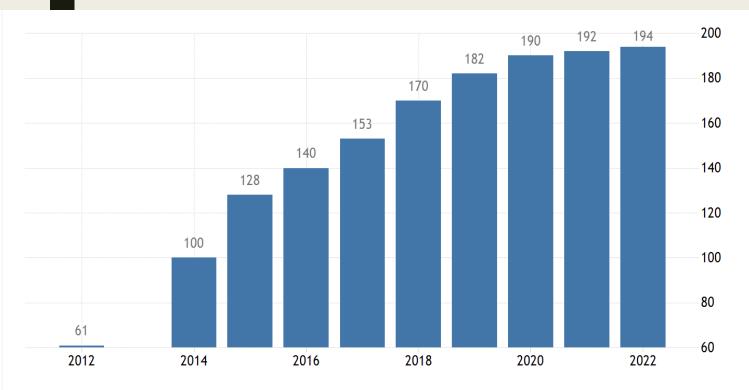
- The manufacturing industry in Cambodia is one of the biggest contributors to economic growth in the Country.
- Cambodia's manufacturing sector is dominated by garment and footwear manufacturing which accounts for 74% of annual merchandise exports.
- Continued growth is due to the nations' open economic policies, favourable trade relations with industrialized markets, strategic geographic location and an abundance of affordable labour, which continues to attract an influx of investment into the garment industry
- According to the economic update report made by World Bank Group released this June 2021, goods exports grew to 12.2% in the first four months. This further proves that there are a lot of investment opportunities in the manufacturing industry that will help build your portfolio

## Major Industries Manufacturing in Cambodia

Import	2019	2020	Change
Textiles	5,030.78	4,359.38	-13.35%
Construction Materials	1,088.04	1,008.15	-7.34%
Steel	556.85	403.63	-27.52%
Cement	128.86	66.25	-48.59%
Mineral Water & Carbonated Water	303.28	309.15	1.94%
Beer, Wine & Spirits	35.61	17.89	-49.78%
Vehicle	1,734.31	1,099.56	-36.60%
Pharmaceutical Products	394.51	393.50	-0.26%
Fertilizer & Pesticide	323.54	327.57	1.25%
Electronic & Electrical Equipment	2,476.59	2,384.49	-3.72%
Others	8,099.45	8,220.90	1.50%
Total	20,171.81	18,590.48	-7.84%

Export	2019	2020	Change
Clothing	8,266.35	7,420.28	-10.24%
Footwear	1,264.62	1,116.73	-11.69%
Travel Accessories	1,078.89	964.70	-10.58%
Machinery & Electrical Equipment	574.44	755.34	31.49%
Bike	412.49	527.08	27.78%
Rice	420.13	468.58	11.53%
Furniture & Lighting Equipment	419.48	631.88	50.63%
Unvulcanized Rubber	223.90	280.34	25.21%
Cane Sugar	54.40	46.04	-15.36%
Fruits & Vegetables	66.23	134.63	103.27%
Others	1,967.80	4,869.76	147.47%
Total	14,748.74	17,215.37	16.72%

#### Cambodia Minimum Wage Trend

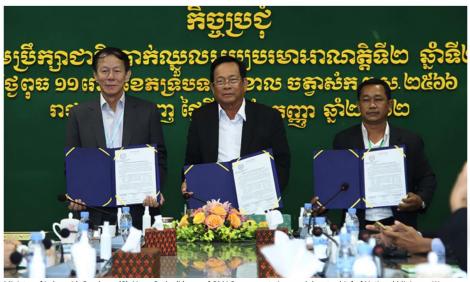


TRADINGECONOMICS.COM | MINISTRY OF LABOUR, CAMBODIA

National September 22, 2022

#### 2023 minimum wage set at \$200

Tith Kongnov / Khmer Times /



Minister of Labour Ith Samheng (C), Nang Sothy (L) one of GMAC representatives and deputy chief of National Minimum Wage Council Kim Chansamnang (R). KT/Tep Sony

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The minimum wage for textile, garment, footwear and travel products workers for 2023 has been set at \$200 a month.



The 51 members of the National Minimum Wage Council under the auspices of the Ministry of Labour could not reach an agreement on the minimum wage during talks.

## Major Ports In Cambodia

Phnom Penh Autonomous Port



Sihanoukville Autonomous Port



## \$1.5 billion Kampot port construction begins

Sok Sithika / Khmer Times /



The \$1.5 billion port is expected to be a major artery for Cambodia's maritime transport. MPWT

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A large international deep-sea port in Kampot province has officially opened its construction site. The \$1.5 billion port is expected to be a major artery for Cambodia's maritime transport.

### QIP Incentives for Investors

- Foreign investors with an initial investment of at least USD500,000 qualifies for a Qualified Investment Project status, entitling them to a host of investment tax and customs incentives.
- At least 3 years tax on profit (TOP) exemption, up to nine;
- Prepayment of TOP exemption;
- Minimum Turnover Tax exemption;
- 0% VAT for exports and inputs to be used exclusively as export
- Import and Export Exemptions

#### Tax Incentives for Qualified Investment Project, QIP

- 1. QIPs may elect to receive a profit tax exemption or use special depreciation
- 2. Import duty exemption on construction materials and production equipment
- 3. Import duty exemption on production materials for export industry and export duty exemption

## Special Economic Zones (SEZ) Vs Non-SEZs

- Reported to have up to 50 Special Economic Zones now in Cambodia
- An SEZ is a Qualified Investment Project (QIP), which is a project that has been certified by the CDC and benefits from government-provided financial incentives.
- While QIPs within SEZs receive the same financial incentives as QIPs outside of SEZs, SEZs benefit from a "one-stop service" mechanism that streamlines importexport processes.







## Land Prices & Utility Cost

- Can Foreigners own land?
  - 1. Cambodia Citizenship
  - 2. Trust Companies
  - 3. 51% 49% ownership model
  - 4. 50 Years Leasehold
- Average Factory Rental Price : USD2.00 USD4.00+/m2
- Average Water Price: USD0.50/m3
- Average Sewage Treatment: up to USD0.50/m3 (50% of Water Usage Volume)
- Electricity: USD0.135 USD0.25/kwh
- Infrastructure maintenance: USD0.03 USD0.05/m2/month (+10% VAT)

#### **General Matters**

- Incorporation of Companies → 1-2 Months
- Application of QIP  $\rightarrow$  3 Months
- Need to have a registered address for your office (with lease contract)
- Visa/Work Permits for Expatriates → 1-2 Weeks
- Important to build relationships with the locals to fully understand their culture and political landscape
- Its extremely important to respect and immerse yourself into the local culture and way of doing business in order to succeed
- Governmental rules and regulations are constantly changing, need to be nimble and be aware of the constant changes and on-goings