

The Study
on
Economic Policy Support
in
Kingdom of Cambodia

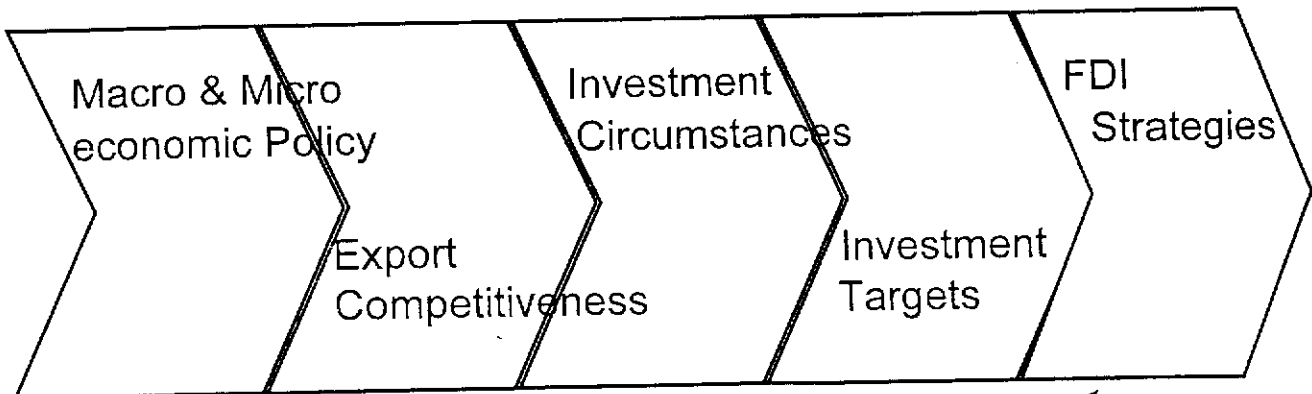
(Japanese Interest investing in Cambodia)

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1. Major Components of the JICA Study
-Analyses, Assessments, Recommendations-



Indicating some
points in this
presentation

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2. Factors to introduce J-FDIs in Cambodia

1) Endogenous factors	(Great Progress) Improvement of investment circumstances in legal approach by CDC/CIB
	(Great Progress) Establishment of SEZs
	(Potential Progress) Others (i.e. Excessive import of products leads to import substitution of them.)
2) Exogenous factors	(Strong Influence) Impact of rising wages, high worker turnover and manpower shortages in the labor intensive industry in China, Vietnam and Thailand
	(Influence) AFTA realization
	(Potential Influence) Others (Appreciation of local currencies in China and Thailand)

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3. Improvement of investment circumstances in Cambodia

1) Major legal progress

- Law on the Protection of Patents and Industrial Design (2005)
- Sub-Decree on the Implementation of The Amendment to the Law on Investment (2005)
- Sub-Decree on the Establishment and Management of the Special Economic Zone (2005)
- Sub-Decree on the Establishment of the Sub-committee on Investment of the Provinces-Municipalities (2005)
- Law on Commercial Enterprises (2005)
- Sub-Decree on Risk Management (2006)
- Law on Commercial Arbitration (2006)
- Civil Procedure Code (2006)
- Sub-Decree on Creation of Anti-Corruption Entity (2006)
- Others

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3. Improvement of investment circumstances in Cambodia

2) Expected legal promulgation

- Law on Amendment to the Law on Labor
- Law on Establishing Commercial Court
- Law on the Industrial Standards
- Law on Commercial Contract
- Law on Securities and Exchange
- Law on Rules of Origin
- Others

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3. Improvement of investment circumstances in Cambodia

3) Major Institutional progress

- Shortened procedures of inspections and clearance of imports and exports of good
- ASYCUDA-based single administrative document (SAD)
- Others

4) Expected Institutional solution

(An issue) Labor disputes due to the unlawful behavior of Union
<Letter dated 5 June 2006 from GMAC Chairman to Prime Minister and ministers>

5) Major Infrastructure progress

- Establishment of SEZs
- Preparation of Roads, Bridges and Harbors, etc.
- Others

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4. Interest of Japanese-FDI in Cambodia

Survey Results by the JICA Study Team on Potential Japanese-FDI in Cambodia

What is the effective way of seeking for potential J-FDI ?

Three kinds of surveys have been conducted by the JICA Study Team.

(1) Questionnaire Surveys in Surrounding Countries (Thailand and Malaysia) and Japan based on JICA Instruction

(2) Interview Surveys in Surrounding Countries (Thailand, Vietnam and Malaysia) and Japan based on JICA Instruction

(3) Client Networks of Nomura, for example

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4. Interest of J-FDI in Cambodia

(1) Questionnaire Surveys in Surrounding Countries (Thailand and Malaysia) and Japan:

Effectiveness score (0 / 6 cases / 2500)* : A not effective measure due to the low recognition for Cambodian investment circumstances by J-makers

Examples of Potentiality

Beverage (Import-substitution), Food processing (Import-substitution), Crystal oscillation needle for watches (Export), Medical linen (Export), Automobile parts (Export), wire-harness (Export)

It may take 3-5 years for them to submit investment applications.

***(Note) Parentheses indicate:**

(FDIs within 1 year <till Investment application > / within 3-5 years <till investment application> / surveyed companies)

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4. Interest of J-FDI in Cambodia

(2) Interview Surveys in Surrounding Countries (Thailand, Vietnam and Malaysia) and Japan:	Effectiveness score (0 / 20 cases / 200) : A pretty effective measure due to each business dialogues between the three JICA consultants and J-makers
Examples of Potentiality	Garment (Export), Automobile Antenna (Export), Wire-harness (Export), Food-processing (Export), etc. It may take 3 years for them to submit investment applications.

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4. Interest of J-FDI in Cambodia

(3) A Client network of Nomura, for example :	Effectiveness score (2 cases / N.A. / A client base of Nomura, for example) : A comparative effective measure based on its client base *This means that one of the best ways to find out Japanese FDIs is to make the most use of client bases of big private organizations in Japan including trading companies, banks, others etc.
Examples of Candidates	Beverage (Import-substitution) , Underwear (Export) It may take 1 year for them to submit investment applications.

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5. Case Studies of J-FDI Business Plans in Cambodia

Business Plans by J-FDI Candidates investing in Cambodia within One Year

Promising Case1: Beverage (Import- substitution): *Preliminary decision by management	Business type : Production and domestic selling of beverage in Cambodia
	Site: Huge hectares to be needed
	Schedule of factory construction: Commencement from 2007
	Schedule of production and distribution: Business operation from 2009
	Investment amount: ~US\$ 50million
	Economic effects: Import substitution

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5. Case Studies of J-FDI Business Plans in Cambodia

Business Plans by J-FDI Candidates in Cambodia within One Year

Promising Case2: Underwear (Export): * Site Inspection phase by management	Business type: Production of underwear and export to Japan
	Schedule of production and export: Business operation within one year. Now studying the two possibilities of sewing-on-commission or FDI
	Site: 0.5~1 hectare to be needed in the case of FDI
	Investment amount: Not yet decided
	Economic effects: Though it is a small step, it will be a great step for J-garment sector. A trigger to several successive J-garment makers into Cambodia.

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5. Case Studies of J-FDI Business Plans in Cambodia

Business Plans by J-FDI Candidates Investing in Cambodia within Three Years

Promising Case 3:	Business type: Production of automobile Antennas (labor intensive parts)
Automobile Antennas (Export):	Investment amount: Not yet decided (US \$several million)
	Employment: Several hundred
	Sales amount: US\$ several million per year
*Under Consideration	Sales targets: 100% export to automobile assemblers in Thailand

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5. Case Studies of J-FDI Business Plans in Cambodia

Business Plans by J-FDI Candidates in Cambodia within Three Years

Promising Case 4:	Business type: Production of electric transformers and coils for AV equipment and export to Asian countries
Electric transformers /coils (Export):	Schedule of production and export: Business operation within three years. Now studying FDI pre-FS including Cambodia
	Site: EPZ (or SEZ) where public authorities or Japanese organizations participate in administration
* Pre-FS phase	Investment amount: Not yet decided (US \$ several million)
	Economic effects: Labor intensive in winding process

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