

ADDRESS
by
His Excellency Dr. SOK Siphana
Senior Advisor to the Royal Government of Cambodia
and Chairman of the Board of Directors of the Asian Vision Institute (AVI)
at the opening of the
South East Asia Economic Symposium: The New Tigers
Strasbourg, May 2, 2023

Your Excellency Mr. Olivier BECHT, Minister of Foreign Trade,
Mr. Franck LEROY, President of the Grand Est Region,
Mr. Marc ABENSOUR, Ambassador of France in charge of the Indo-Pacific,
Excellencies, Ladies and Gentlemen,,

1. The international image of my country, Cambodia, is constantly evolving. A member of the WTO since 2004, this emerging economy is gradually moving away from its LDC or least developed country status. Over the past 20 years, and excluding the recession suffered by COVID 19, Cambodia has become a much more modern country than Western perceptions suggest. The country has embarked on a path of aggressive economic liberalization and has become an important player on the regional and global trade scene. According to the World Bank, Cambodia has been growing at an average annual rate of 7.7 percent for the past two decades, making it the sixth fastest growing country in the world over that period.
2. This exchange today is an opportunity to direct your attention to an Asian country that, despite its tragic history in the 1970s, is now in pursuit of a significant international profile. It is firstly important to note that Cambodia and France are among the nations of the European Union and ASEAN that have one of the longest and deepest historical relationships. Cambodia has a large French-speaking community due to its history and heritage, and many French companies have established themselves in our country in recent years. Through the French and European Chambers of Commerce, the links between our two communities are being strengthened through common future projects. The friendship between the Khmer and the French has been proven.
3. Secondly, both Cambodia, through its presidency of ASEAN in 2022, and France, through its presidency of the European Union in the same year, had the unique opportunity to highlight their cooperation during this time where these two nations presided over their respective regional blocs. Indeed, the meeting between Prime Minister Hun Sen and President Macron in Paris this past December reinforced this long-standing bond. Apart from exchanging views on France's role in the Indo-Pacific region, these two great personalities took the opportunity to strengthen their bilateral cooperation in all sectors. Echoing this meeting, His Excellency Mr. Olivier Becht, Minister in charge of Foreign

Trade, spent a few days in Cambodia earlier this year, his visit being in line with the same fundamentals and projects as the ones prior.

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4. My country is progressively establishing itself as a dynamic hub whose economic evolution is conducive to investment and business development. Cambodia was the first country in Asia to reopen its borders following the end of the global pandemic and has since seen a considerable increase in its exports and imports as a result. Consequently, the country has returned to positive growth and has seen its GDP increase every year since. The coming years will be a great turning point for Cambodian tourism. The great temples of Angkor Wat are still a marvel to be discovered and rediscovered. The attractiveness of the country in the ecotourism sector is increasingly emphasized by the Royal Government.
5. Many opportunities are also to be expected in the agricultural sector. The production of rice, the main resource of the country, has indeed been buoyed by significant foreign investment. Cambodian rice was voted the best rice in the world in 2022. Cashew nuts, rubber farming, banana and mango plantations, just to name a few, have also experienced significant growth. The real estate sector is one of the most flourishing in the country, as evidenced by the many skyscrapers that have sprung up in recent years in the country. The only restriction for foreign nationals is that 51% of the land must be owned by a Khmer national.
6. In terms of industries, we are the world's largest exporter of scooters. Despite the global economic downturn, Cambodia continues to export manufactured goods, vehicle parts and accessories, as well as electronic devices and clothing and footwear. Cambodia's energy sovereignty is also becoming increasingly robust. It has even recently concluded a major power sales contract with Singapore. Although the Kingdom is still dependent on imported coal, new opportunities have arisen in recent years in the renewable energy sector. In transportation and infrastructure, spurred by the government's adoption of a master plan for transport and logistics, a new highway linking the capital Phnom Penh to the port of Sihanoukville has been developed, with two other projects to Siemreap and Vietnam well on the way. By the end of next year, two new airports will be put into service and the Autonomous Port of Sihanoukville is expected to become a major hub to meet the changing needs of regional production chains and facilitate market access.
7. The banking sector is flourishing with more than 50 commercial banks now established, including BRED, a major French bank. The insurance market is booming. Inevitably, it will continue to grow as the demand for medical products and protections will continue to increase to meet rising living standards. Digitization and innovation have been the other major driver, as evidenced by the growth of e-commerce activities. In the services business, the market is very open, in architecture, engineering, accounting and auditing and many others.
8. Recently, in 2021, Cambodia updated its legal framework by enacting an Investment Law that is up to date with modern developments in the country. This law strongly encourages the development of business sectors and industries oriented towards new technologies and innovative industries. Investors will enjoy a period of tax exemption on income tax

for 3 to 9 years, depending on the sector and investment activities. At the end of this period, the income tax will only be progressive and proportional, and the full tax rate will only apply after 7 years. These measures are intended to create a secure and attractive environment for foreign investors, as it is with foreign investment that Cambodia will continue to grow and gradually gain more prominence in the ASEAN business region.

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9. Cambodia is a country that facilitates market-entry for foreigners. There is indeed no need to find a Cambodian partner to conduct and set up your business. This ease of access is also underlined by an ease concerning the repatriation of dividends; investing in Cambodia means investing in an economically free country. This major advantage in conducting business in South-East Asia is what sets the Kingdom apart from its neighboring countries.
10. To invest in Cambodia is to invest in the heart of ASEAN, the Association of Southeast Asian Nations. As you know, the ASEAN Economic Community (AEC) was established to develop a unified market among its members, ensure concerted production, establish a competitive economic zone, and enable the region to develop in a uniform manner and accelerate its integration into the global economy. At the ASEAN Summits under Cambodia's chairmanship in 2022, ASEAN sought to strengthen its role as a regional production hub and reinforce its position as an integral part of the global supply chain. Competitiveness is undeniable, but on the other hand, investment in Asia is increasing and could lead the region, and by extension Cambodia, to a more dominant position in all global sectors.
11. The Regional Comprehensive Economic Partnership (RCEP), which recently came into effect, should also boost regional economic confidence. It is one of the most important trade agreements in the world, signed by 15 countries in the East Asia and Pacific region, and, with the exception of India, all countries in the Indo-Pacific region. Cambodia, as a country where production costs remain low, can look forward to increased employment opportunities through this partnership, as the RCEP agreement will allow production to be shared among member states, thus avoiding red tape and reducing costs and delays for businesses. The recent military coup in Burma is also expected to result in a redistribution of investment to Cambodia.
12. When talking about ASEAN, the role of the Mekong sub-region cannot be overlooked. This is the mainland ASEAN versus the maritime ASEAN. Cambodia benefits from the influence of the active place that is the famous Mekong River, a river that crosses 5 countries in the sub-region and represents the lifeblood of more than 60 million people. In recent years, this sub-region has been at the heart of a dazzling economic boom.

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13. In the current international context, it is normal to inquire about the nature of Cambodia's relations with its Chinese neighbor. The close partnership between Cambodia and China is the subject of much debate and raises the question of the underlying risks behind Cambodia's dependency on China.

14. Yes, Cambodia is a small country, China is a large country and there is obviously an asymmetry of power. But independence and sovereignty are the foundations of nation building in any country, regardless of its size and power. Cambodia is in fact pursuing an inclusive and multidirectional foreign policy. Deepening relations with existing friends, establishing new friends and partners, and diversifying strategic partnerships are its main foreign policy strategies. Cambodia does not want to put all its eggs in one basket - it is far too risky for a small state to do so.
15. Cambodia is a staunch supporter of open and inclusive multilateralism and believes that multilateral institutions and mechanisms can defend the interests and voices of small states. ASEAN, in particular, is seen as a shield to protect Cambodia's national interests. The RCEP is an excellent example of this core belief.
16. Moreover, the relationship between Cambodia and China must be understood as a win-win relationship. Indeed, the awakening of the Chinese dragon offers tremendous opportunities for Cambodia. Mutual interest has been the driving factor in this relationship. If China is spending billions to build much-needed infrastructure that would allow the country to compete for quality FDI, why turn it down? Vietnam, despite being eternally at odds with China over the controversial issue of the South China Sea, is still its largest trading partner in all of ASEAN – so why not us? It is also important to contextualize Chinese FDI in Cambodia – it is nothing more than is a small grain of salt compared to its FDI with Vietnam and the Philippines. That said, we are only a small market compared to our two ASEAN colleagues.
17. Furthermore, our relationship with China is far from exclusive. We have an open and liberal economy that welcomes all investors. China, the European Union, and the United States are the main drivers of Cambodia's future growth, both in terms of production and market access. Therefore, by working closely and jointly with these three global economic powers, and of course with France, Cambodia's future will be all the brighter and more resilient.
18. If you ever want to learn more about doing business in Cambodia, my partner Matthew Rendall and I write an annual guide to doing business in Cambodia, "Legal Aspects of Doing Business in Cambodia". I am immensely proud to announce that this year, for the first time, a French edition will be published, of which I have the freshly printed edition with me.
19. This guide will be a precious asset for any company wishing to set up in the Kingdom of Cambodia. Indeed, it holds all the keys and legal elements to have a good understanding of the fundamentals of the Cambodian legislation. If you wish, we will be happy to provide you with a digital copy or a bound copy when the edition is completed. Our main objective is to open and expand access to Cambodian law in order to facilitate the legal process if you wish to invest. We look forward to taking you to discover Cambodia with us!
20. Cambodia has a lot to offer you and we invite you to look into its opportunities, maybe for a future collaboration if you wish to contribute to the development of the country. Thank you for your attention.