

CAMBODIA

TRADE SUMMARY

U.S. goods exports in 2013 were \$241 million, up 6.5 percent from the previous year. Corresponding U.S. imports from Cambodia were \$2.8 billion, up 3.0 percent. The U.S. goods trade deficit with Cambodia was \$2.5 billion in 2013, up \$67 million from 2012. Cambodia is currently the 129th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Cambodia was \$54 million in 2012 (latest data available), up from \$37 million in 2011.

IMPORT POLICIES

Tariffs

Cambodia is one of the few least-developed World Trade Organization (WTO) Members that made binding commitments on all products in its tariff schedule when it joined the WTO in 2004. Cambodia's overall simple average bound tariff rate is 19.1 percent, while the average applied rate is now around 11.5 percent. Cambodia's highest applied tariff rate of 35 percent is imposed across a number of product categories, including a wide variety of prepared food products, bottled and canned beverages, cigars and cigarette substitutes, table salt, paints and varnishes, cosmetic and skin care products, glass and glassware, electrical appliances, cars, furniture, video games, and gambling equipment.

Customs

Both local and foreign businesses have raised concerns that the General Department of Customs and Excise engages in practices that are nontransparent and that appear arbitrary. Importers frequently cite problems with undue processing delays, burdensome paperwork, and unnecessary formalities. The United States continues to raise these and other customs issues with Cambodia under the bilateral Trade and Investment Framework Agreement.

Taxation

Cambodia levies trade-related taxes in the form of customs duties, petroleum taxes on gasoline (\$0.02 per liter) and diesel oil (\$0.04 per liter), an export tax, and two indirect taxes – a value-added tax (VAT) and an excise tax – levied on the value of imports. The VAT is applied at a uniform 10-percent rate. To date, the VAT has been imposed only on large companies, but the Cambodian government is working to expand the base to which the tax is applied. The VAT is not collected on exports and services consumed outside of Cambodia (technically, a zero percent VAT applies). Subject to certain criteria, the zero rate also applies to businesses that support exporters and subcontractors that supply goods and services to exporters, such as garment and footwear manufacturers.

GOVERNMENT PROCUREMENT

Cambodia promulgated a law on public procurement in January 2012, which codified existing procurement regulations for competitive bidding, domestic canvassing, direct purchasing, and direct contracting.

Competitive bidding is mandatory for the purchase of goods or services worth more than 100 million riels (approximately \$25,000). Bidding is restricted to local companies if the value is less than 1 billion riels (\$250,000) for goods, less than 1.2 billion riels (approximately \$300,000) for construction projects, or less than 800 million riels (approximately \$200,000) for services. International competitive bidding is required for expenditures over those amounts.

Despite the general requirement for competitive bidding for procurements valued at more than approximately \$25,000, the conduct of government procurement often is not transparent. The Cambodian government frequently provides short response times to public announcements of tenders, which often are not widely publicized. For construction projects, only bidders registered with the Ministry of Economy and Finance are permitted to participate in tenders. Additionally, prequalification procedures exist at the provincial level, which further limit the opportunity for prospective contractors to participate in tenders.

Cambodia is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

There are continuing concerns regarding the protection and enforcement of intellectual property rights in Cambodia in light of widespread copyright piracy and trademark counterfeiting. Although public awareness of the dangers of counterfeit products is gradually increasing, pirated CDs, DVDs, software, garments, and other copyrighted materials, as well as an array of counterfeit goods, including pharmaceuticals, are reportedly widely available in Cambodia's markets. Legislation that would implement commitments with respect to the protection of trade secrets, encrypted satellite signals, and semiconductor layout designs, has been drafted but remains under review. A law clarifying the process for obtaining geographical indications in Cambodia was passed in January 2014.

INVESTMENT BARRIERS

Cambodia's constitution restricts foreign ownership of land. In 2010, a law allowing foreign ownership of property above the ground floor was enacted. The law further stipulates that no more than 70 percent of a building can be foreign-owned, and foreigners cannot own property within 30 kilometers of the national border. Foreign investors may use land through concessions and renewable leases. In May 2012, the Cambodian government imposed a moratorium on Economic Land Concessions (ELCs). Since that time, however, it has granted at least 12 new ELCs. It justified the new ELCs on grounds that they were either subject to private negotiations or had been agreed to "in principle" prior to the directive and therefore were not subject to the moratorium. The moratorium remains in effect.

OTHER BARRIERS

Corruption

Both foreign and local businesses have identified corruption in Cambodia as a major obstacle to business and a deterrent to attracting foreign direct investment. In 2010, Cambodia adopted anticorruption legislation and established a national Anti-Corruption Unit to undertake investigations, implement law enforcement measures, and conduct public outreach. Since the law came into force in 2011, some government officials have been prosecuted and convicted of corruption. Enforcement, however, remains inconsistent. Cambodia began publishing the official fees for public services at the end of 2012 in an effort to combat "facilitation" payments, but this exercise has yet to be completed.

Judicial and Legal Framework

Cambodia's legal framework is incomplete and laws are unevenly enforced. While the National Assembly has passed numerous trade and investment laws, including a law on commercial arbitration, many business-related laws are still pending. Cambodia's judicial system is frequently viewed as often arbitrary and subject to corruption, and Transparency International ranked Cambodia 160th out of 177 countries in its 2013 Corruption Perceptions Index, three places lower than the previous year.

In 2009, the Cambodian government established a commercial arbitration body called the National Arbitration Center (NAC), an alternative dispute resolution mechanism intended to resolve commercial disputes more quickly than the traditional judicial system. The NAC was officially launched in March 2013, but has not begun accepting cases because the body lacks operating procedures, facilities, or staff.

Smuggling

The smuggling of products, such as vehicles, fuel, soft drinks, livestock, crops, and cigarettes, remains widespread. The Cambodian government has issued numerous orders to suppress smuggling and has created various anti-smuggling units within governmental agencies, including the General Department of Customs and Excise, and has established a mechanism within this department to accept and act upon complaints from traders and governments. Enforcement efforts, however, remain weak and inconsistent.