

# CAMBODIA

## TRADE SUMMARY

U.S. goods exports in 2014 were \$328 million, up 36.1 percent from the previous year. Cambodia is currently the 119th largest export market for U.S. goods. Corresponding U.S. imports from Cambodia were \$2.8 billion, up 2.6 percent. The U.S. goods trade deficit with Cambodia was \$2.5 billion in 2014, a decrease of \$15 million from 2013.

The stock of U.S. foreign direct investment (FDI) in Cambodia was \$63 million in 2013 (latest data available), up from \$54 million in 2012.

## 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 20.22 percent, while the average applied tariff rate is now around 11.8 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 Customs and Excise Department 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.

### 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

In March 2014, the Ministry of Economy and Finance issued a ministerial declaration re-defining procurement value limits for governmental institutions and state-owned enterprises at both national and sub-national levels.

Despite the general requirement for competitive bidding for procurements valued at 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 may not be 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**

The U.S. Government continues to have 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. The rates of signal and cable piracy also remain high and online sites purveying pirated music, films, eBooks, software, and TV shows are spreading and gaining in popularity. Legislation that would address protection of trade secrets, encrypted satellite signals, and semiconductor layout designs, has been drafted but remains under review.

Cambodia passed a law clarifying the process for obtaining geographical indications in January 2014. A ministerial declaration on the process for registering trademarks and trade names, recording changes of a trademark owner's address and affidavit of use or non-use was issued on May 26, 2014. The declaration stipulates that an applicant whose permanent residence or place of business is outside Cambodia may appoint a representative agent to file an application on his or her behalf provided that the agent is domiciled and practicing in Cambodia.

Cambodia has agreed to join the Madrid Protocol for International Registration of Marks at the World Intellectual Property Organization. Cambodia deposited the instrument of accession on March 5<sup>th</sup>; the Madrid Protocol is expected to enter into force for Cambodia on June 5<sup>th</sup>, 2015.

## **INVESTMENT BARRIERS**

Cambodia's constitution restricts foreign ownership of land. In 2010, a law was enacted allowing foreign ownership of property above the ground floor of a structure. The law stipulates that no more than 70 percent of a building can be foreign-owned, and that foreigners cannot own property within 30 kilometers of the national border. Foreign investors may also use land through concessions and renewable leases, although the Cambodian government imposed a moratorium on Economic Land Concessions (ELCs), which allow long-term leases of state-owned land, in May 2012. The Cambodian government also has been reviewing previously-granted ELCs and has revoked 19 ELCs on the grounds that the recipients had not followed through with the projects or complied with the ELC terms and conditions.

## **OTHER BARRIERS**

### **Corruption**

Both foreign and local businesses have identified corruption in Cambodia as a major obstacle to business and a deterrent to attracting investment. In 2010, Cambodia adopted anti-corruption legislation and established a national Anti-Corruption Unit to undertake investigations, implement law enforcement measures, and conduct public outreach. 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. After the national elections in July 2013, certain

ministries, such as the Ministry of Commerce and the General Department of Taxation, started to provide online information and services as an effort to reduce paper work and unofficial fees.

### **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. Transparency International ranked Cambodia 156th out of 175 countries in its 2014 Corruption Perceptions Index, a one-point improvement compared with 2013.

In 2009, the Cambodian government established a commercial arbitration body called the National Arbitration Center, an alternative dispute resolution mechanism intended to resolve commercial disputes more quickly than the judicial system. The National Arbitration Center, later renamed as the National Commercial Arbitration Center, was officially launched in March 2013.

### **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 government agencies, including the General Department of Customs and Excise, and has established a mechanism within this department to accept and act upon complaints from the private sector and foreign governments. Enforcement efforts, however, remain weak and inconsistent.