

BRITISH BUSINESSES FIND CAMBODIA A FERTILIZING LAND



Mr. David Tibbot, Chairman of BritCham and Country Manager for Hongkong Land.



It Has Been Two Decades That The British Chamber Of Commerce In Cambodia (Britcham) Was Founded As The British Business Association Of Cambodia. Throughout This Period, British Businesses Have Impressed The Potential Business Environment In Cambodia.

Mr. David Tibbot, Chairman Of Britcham And Country Manager For Hongkong Land, The Well-Known British-Based Real Estate Developer Operating In Cambodia Gives Updates On How The Association Has Been Contributing To Cambodia's Socio-Economic Developments So As The Outlooks For These Friendly Kingdoms.

By **Tim Vutha**

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1. Can you briefly describe your scope of works here? What has your association been doing to support British businesses in Cambodia so as to support Cambodia's economy?

The British Chamber of Commerce in Cambodia provides a forum for businesspeople with an interest in Cambodia and the UK. Our mission is to assist our members in building their business networks, to connect them to each other and to others, to create business opportunities for them, and last but not least, to help them grow their business locally and regionally through our association to a strong network of British Chambers in Southeast Asia (BiSEA).

Helping our members to grow and develop their business in market will in turn have a positive impact on the economy. As a national Chamber, representing the British business community in Cambodia and those companies in market, we also believe we are supporting the local economy. It permits us to more effectively generate interest in the country as a potential next destination for investment for UK companies not yet doing business here. We do this in close partnership with UK Trade and Investment (UKTI) and the British Embassy, providing companies with assistance to facilitate entry into the market and undertaking market promotion in the UK and regionally. Visit our website www.britchamcambodia.org to find out more about what business services and assistance we are currently offering.

2. BritCham has been in Cambodia since 1995. What have you noticed the evolution of business environment here before and now? What are the significant changes?

There is a vastly improved legal framework for investors. Infrastructure has improved, particularly over the last few years, as has the capacity of local workers, especially at the middle management level. Cambodia has always had great English language capability when compared to its neighbours and that continues to be the case. The Government remains very approachable to investors, and the establishment of public private working groups has helped to ensure that investor concerns are properly raised before relevant Government authorities. Political stability also remains a strong point when compared with many of the other ASEAN countries.

Business has expanded in Cambodia since 1995. Unskilled manufacturing was the initial pillar of investment and that is now diversifying into higher quality light manufacturing and assembly industry with the introduction of Japanese manufacturers into the market. Property development at an International standard and with a focus on quality has been a major development. In the service sector (tax, audit, architecture, engineering, to name a few), international companies are now competing with local providers. The retail sector is also drawing in international players, including well-known brand franchises, shopping malls (Aeon and Parksons) and hotels.

3.

How many British businesses are operating in Cambodia so far? What are the sectors they are most interested in here? Why? Do you have any data or graphic about that?

It is difficult to give a precise figure on the number of British companies operating in Cambodia so far. According to UKTI, there are approximately 3,000 British businesses in the region as a whole. The Chamber currently has 64 members, of which, 55 are companies or individual business people who are either British or can demonstrate that they have substantial British ties.

Nevertheless, generally, if we are only to consider companies who are registered in the UK as being British, then we are currently looking at a little over ten operating in Cambodia thus far. These include British American Tobacco (B.A.T), Arup, Jardines Matheson, Hongkong Land, Prudential, Standard Chartered Bank, Marks & Spencer, Dewhirst, Quantum Clothing, Bruntys Cider, Hotel InterContinental, Unilever, and GlaxoSmithKline (GSK). There are however a number of companies who work as subsidiaries in market but whose origin is British in part or in whole. These include CBRE, Knight Frank and the five main accounting firms PwC, KPMG, E&Y, Deloitte and Grant Thornton. Finally, you will also find a number of British brands in market such as Land Rover, Jaguar, Rolls Royce, Costa Coffee and Clark's shoes.

As such, there is a strong presence of British business operating in a number of key sectors in Cambodia. UK companies considering the Cambodian market are generally exploring the following sectors: construction and design, agriculture, manufacturing,

financial and professional services, education and vocational training, knowledge and innovation, retail and consumer goods.

The first three are drivers of economic growth in Cambodia and as a consequence, are where UK companies are identifying business opportunities. This may explain why these sectors are interesting for companies. However, some are also sectors where the UK is recognised for taking a leading role regionally and/or globally. Education and vocational training is on such example.

As Cambodia's economy continues to grow, we could also see the entry into the market of UK companies in other sectors where the UK has traditionally taken a leading role in other countries; the legal and creative services are two such examples. Moreover, with a rapidly growing consumer middle class, we are also seeing a trend towards a demand for UK luxury goods. Regionally, the top three goods exports to the region are engines, motorcars and whisky.

4.

On average, how many British businesses are opened up in Cambodia annually? Before they decided to invest here, what are the common things they usually consider or concern on?

Once again, we do not have precise figures on the number of British companies who are opening up in Cambodia annually. When considering whether to invest in Cambodia, British companies are likely to be examining the general investment environment in the country – its legal framework, the level of political stability, what level of foreign ownership there is, whether there is a skilled workforce, if Government incentives exist in certain



» BritCham and International Business Chambers (IBC) hosted a joint seminar on building and fire safety standards in Cambodia with the UK Royal Institution of Chartered Surveyors (RICS).

sectors etc. Generally, Cambodia currently has favourable conditions for investment for foreign owned companies, which is something we stress to British companies considering the market.

5. It seems like BritCham so as many of your member companies are focusing on construction and real estate sectors here. This can be seen by your team's efforts to launch many seminars and debates related to these two sectors, while many British firms are dealing with these two related industries. Can you explain the reasons behind such inspirations?

As growth drivers of the economy in Cambodia, the construction and real estate sectors are attractive for international companies at large, including some of our members. Part of this can be explained by the fact that these are sectors where companies are finding opportunities to invest and do business.

Nevertheless, the UK has been taking a leading role in both sectors here in Cambodia in a number of ways, which may also explain the focus the Chamber has given to the topic. British companies are actively involved in many aspects of the development of the built environment here, from the architectural design and engineering of the capital's newest buildings to the provision of expertise on technical issues like building and fire safety standards. The UK Royal Institution of Chartered Surveyors (RICS) has been working with the Government on the latter for example.

Where British companies and organisations like RICS can bring their recognised technical expertise and experience to assist the Cambodian Government, the Chamber is keen to promote this. Our joint seminar with the International Business Chamber (IBC) on Building and Fire Safety Standards, held in March, is one such example. The development of a set of internationally recognised standards is key to investor confidence in these sectors. The outcome of the Seminar has in fact led to the support for the creation of a new Government Private Sector Working Group on Land, Buildings & Construction. The Chamber fully supports this initiative, acknowledging the critical role and responsibility that the private sector has to work with the Government in this regard.

6. Are British businesspeople living in Cambodia find this nation's business environment is comfortable for them or not? How?

Cambodia has always provided a good quality of life for foreign investors and Phnom Penh is a small city that is easily accessible regionally. Straightforward visa and work permit requirements are in place, as are fund remittances in and out of country. The cost of living is affordable in comparison to other neighbouring countries.

From a business perspective, foreign businesses face no discrimination or different treatment from local businesses. There are no local participation rules requiring local partners in any sector (bar ownership of land). Moreover, British businesses benefit from the duty free access for exports to Europe for products made in Cambodia, which is highly relevant for those in the garment sector for example.

7. Do you happen to know how much of the two-way trade figure between Cambodia and Britain (latest available data)? What are the major imported products from England to Cambodia? How about the products absorbed by your country from Cambodia?

Currently, bilateral trade between the UK and Cambodia is at circa over US\$400 million. Major imports from the UK to Cambodia include machinery and transport equipment. Exports from Cambodia to the UK are largely manufactured goods, in particular, garments and footwear.

8. What are the challenges and opportunities regarding the business environment here for British companies?

Cambodia currently ranks 11th in the world in terms of high GDP growth over the last decade. It has a forecasted 7% economic growth per year for the next five years, and a young and rapidly growing consumer class that is now earning triple the average income.

The opportunities are plenty across all sectors and we highlight this when speaking to British companies. The business environment is also very liberal, with few foreign ownership restrictions as mentioned previously. The Ministry of Commerce has further put in place numerous reforms to ease the barriers to doing business in Cambodia.



» Mr. David Tibbot- sitting at the far left of the audience as Bosch and H.E. Dr. PEN SOPHAL, Secretary of State of t

It is also worth noting the potential impact the ASEAN Economic Community (AEC) integration may have on the business environment as we look forward to a freer flow of trade, goods and services within the region. Cambodia's strategic location could make the country a hub for companies doing business with its neighbours, which will become even more attractive with the easing of barriers to trade under the AEC.

Cambodia does still face some challenges relative to its business environment. Legislation and enforcement is gradual in some key areas. Infrastructure and electricity prices continue to be obstacles, as is the availability of skilled workers. Having said that, it is important to recognise that positives steps are being taken to address challenges and enable a favourable business environment in Cambodia.

9. Do you find business environment here competitive or tight or not? How? How about the situation after the ASEAN integration?

Although the business environment here is competitive, because Cambodia is still a developing and fast growing economy, there continues to be numerous opportunities in all sectors. With the freer flow of goods and services between ASEAN countries after the AEC, the level of competition will undoubtedly increase and businesses are likely to be wary of this fact. Right now for example, it takes about 22 days to export goods from Cambodia

and this of course can have an impact on the competitiveness of a business's vis-à-vis its regional neighbours. That said, according to latest figures, Cambodia's share of total inter-ASEAN trade stands at 44.5%. As such, the country is already in a strong trading position and the AEC may help to strengthen this further.

10 What are your requested solutions to the Cambodian government so as to other private sectors in order to facilitate British businesses in Cambodia so as to attract more investment to Cambodia?

The Government of Cambodia has taken positive strides to provide an enabling business environment in the country, encouraging investment opportunities for foreign companies. We can only advocate for the Government to continue in this direction.

What Cambodia needs to do more of is to better promote itself, its products and brands internationally, something that Lord Puttnam, the UK Prime Minister's Trade Envoy to Cambodia, stressed at a branding seminar hosted by UKTI in October of last year. As a Chamber of Commerce, there is an important role we have to play in this respect. As mentioned in the beginning, the Chamber is actively promoting the Cambodian market in the UK and regionally, making regular visits to the UK and the wider region to meet with British companies. ■



he was participating in the Joint Seminar on Building and Fire Safety Standards with Andre de Jong from the Ministry of Land Management, Urban Planning and Construction.