

# Cambodia

Greater Mekong Subregion's emerging investment destination with open policies and strategic location

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## Introduction

Cambodia is one of the fastest-growing economies in Southeast Asia and an emerging destination for Chinese enterprises expanding overseas. AERI's research reveals that Cambodia, underpinned by political stability, a youthful demographic structure, preferential investment policies, and strategic geographic positioning between Thailand and Vietnam, is fast becoming an important investment destination in the Greater Mekong Subregion.

In 2024, Cambodia's GDP reached approximately USD 33 billion, with year-on-year growth of 6.0%. Per capita GDP stood at approximately USD 1,917. The national population is approximately 17 million, with a median age of around 27, providing an abundant and youthful labour force. Total trade volume for the year reached approximately USD 54.7 billion.

China-Cambodia bilateral trade reached USD 15.2 billion in 2024, with year-on-year growth of 18.5%. China has been Cambodia's largest trading partner and source of foreign investment for many years. Cumulative Chinese investment in Cambodia exceeds USD 30 billion, spanning infrastructure, manufacturing, energy, and real estate sectors.

AERI believes that Cambodia's core investment value manifests at three levels: first, outstanding locational advantage at the heart of the Greater Mekong Subregion, providing access to the ASEAN market of 670 million people; second, relatively low labour costs, with minimum monthly wages starting from USD 194; third, a business-friendly policy environment, where foreign investors may hold 100% equity in most sectors and enjoy multiple tax incentives through the Qualified Investment Project (QIP) framework.

This guide provides a systematic introduction to Cambodia's political and economic overview, investment policies and regulations, China-Cambodia economic and trade cooperation, corporate financing channels, compliance and dispute resolution, and essential information on living and working in Cambodia.

## Preface

The Asia Economic Research Institute (AERI) is a professional institution dedicated to regional economic research in Asia, committed to providing authoritative and professional investment environment information and advisory services. To thoroughly implement the Belt and Road Initiative and help Chinese enterprises better understand Cambodia's investment environment and opportunities, we have compiled this guide.

This guide follows the editorial framework of the China Council for the Promotion of International Trade's

"Guide on the Business Environment for Outward Investment by Country (Region)," systematically introducing Cambodia's political and economic overview, investment policies and regulations, China-Cambodia economic and trade cooperation, corporate financing channels, compliance operations essentials, and basic information on living and working in Cambodia.

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## **Part I: Cambodia Overview**

### **AERI Assessment**

AERI notes that Cambodia presents significant investment potential as one of the fastest-growing economies in Southeast Asia. The country's young demographic structure, low labour costs, and open investment regime provide a solid foundation for sustained economic growth. Under the leadership of Prime Minister Hun Manet, the new government has introduced the "Pentagonal Strategy," focusing on human resource development, economic diversification, and private sector growth.

For Chinese enterprises, Cambodia offers particular opportunities in infrastructure, manufacturing, agriculture, and tourism. The Sihanoukville Special Economic Zone, developed with Chinese investment, has become a model for China-Cambodia industrial cooperation. Cambodia's undervalued currency and competitive labour costs make it an attractive base for labour-intensive manufacturing.

### **1. Country Profile**

Cambodia is located in the southern part of the Indochina Peninsula in Southeast Asia, bordered by Thailand to the west and northwest, Laos to the north, Vietnam to the east and southeast, and the Gulf of Thailand to the southwest. The total land area is approximately 181,035 km<sup>2</sup>, with a coastline of approximately 435 km. Cambodia shares UTC+7 time zone, one hour behind Beijing.

Cambodia has a tropical monsoon climate with distinct wet and dry seasons. The wet season runs from May to October, and the dry season from November to April. Average temperatures range from 24degC to 35degC, with annual rainfall of approximately 1,400-2,000 mm in the central plains and up to 3,800 mm in coastal areas.

As of 2024, Cambodia's population is approximately 17 million, with a relatively young demographic

structure. Approximately 65% of the population is under 35 years of age. The labour force numbers approximately 10 million, with labour force participation rate of approximately 80%.

Phnom Penh is the capital and largest city, with a population of approximately 2.3 million in the metropolitan area. It serves as the political, economic, cultural, and transportation centre of Cambodia. Other major cities include Siem Reap (gateway to Angkor Wat), Battambang, and Sihanoukville (major port city).

#### Administrative Divisions

Cambodia is divided into 25 provinces (khaet), including the capital province of Phnom Penh. Provinces are further subdivided into districts (srok), communes (khum), and villages (phum).

#### Form of Government

Cambodia operates as a constitutional monarchy with a parliamentary system. The King serves as head of state, while the Prime Minister is the head of government. The current King is Norodom Sihamoni. In August 2023, Hun Manet succeeded his father Hun Sen as Prime Minister, leading the new government under the Cambodian People's Party (CPP).

The Cambodian Parliament is bicameral, consisting of the National Assembly (lower house, 125 seats) and the Senate (upper house, 62 seats). The CPP holds a dominant majority in both houses.

#### Foreign Relations

Cambodia is a member of the United Nations, ASEAN, WTO, and RCEP. Cambodia maintains close ties with China, describing the relationship as an "ironclad friendship." China is Cambodia's largest provider of foreign aid, foreign investment, and trade partner.

#### Ethnic Groups

Approximately 90% of the population is ethnic Khmer. Significant minority groups include Vietnamese (approximately 5%), Chinese (approximately 1%), and Cham Muslims. The Chinese community plays an important role in Cambodia's commercial sector.

Khmer is the official language. English is widely used in business and tourism, particularly in Phnom Penh and Siem Reap. French remains a second language for some older Cambodians. Chinese (Mandarin and Teochew dialect) is commonly spoken in the business community.

Theravada Buddhism is the state religion, practised by approximately 95% of the population. Islam is practised by the Cham community (approximately 2-3%), and small Christian and animist communities exist.

The Cambodian Riel (KHR) is the official currency, though the US Dollar is widely used and effectively serves as a second currency. Most transactions above USD 1 are conducted in dollars. The exchange rate is approximately 4,100 KHR per USD.

## **2. Economic Overview**

In 2024, Cambodia's GDP grew by 6.0%, maintaining strong economic momentum. GDP reached approximately USD 33 billion, with per capita GDP of approximately USD 1,917. Key economic drivers include garment manufacturing, tourism, construction, and agriculture.

The Cambodian economy has demonstrated remarkable resilience, recovering strongly from the pandemic. The government's focus on economic diversification, infrastructure development, and human capital investment is gradually reducing dependence on the garment sector and foreign aid.

- Agriculture: Accounts for approximately 22% of GDP, employing about 30% of the workforce. Key products include rice, rubber, cassava, and fisheries
- Industry: Accounts for approximately 36% of GDP, dominated by garment and footwear manufacturing, construction, and food processing
- Services: Accounts for approximately 42% of GDP, led by tourism, retail, banking, and telecommunications

Total trade in 2024 reached approximately USD 54.7 billion. Major exports include garments, footwear, rice, rubber, and bicycles. Major imports include construction materials, automobiles, petroleum products, and machinery. Key trading partners include China, Vietnam, Thailand, the United States, and the European Union.

## **Part II: Investment Environment and Policies**

### **AERI Assessment**

AERI observes that Cambodia offers one of the most open investment regimes in Southeast Asia. The Law on Investment (2021) and the establishment of the Council for the Development of Cambodia (CDC) as a one-stop service for investors represent significant improvements. However, challenges include infrastructure deficits, limited skilled labour, and bureaucratic inefficiency.

### **1. Business Environment**

Cambodia ranked 144th in the World Bank's Ease of Doing Business assessment. While still facing challenges in areas such as contract enforcement and starting a business, the government has implemented reforms to streamline business registration through the online "Single Portal" system.

Cambodia has made progress in simplifying business registration. The government launched the online business registration platform in 2020, reducing the time to register a company from several weeks to approximately 8 working days. Foreign investors can register companies through the Ministry of Commerce and the General Department of Taxation.

### **2. Foreign Direct Investment**

Net FDI inflows to Cambodia reached approximately USD 4.3 billion in 2024. China is by far the largest source of FDI, followed by South Korea, Japan, and Singapore. Key sectors attracting FDI include manufacturing (particularly garments and electronics), real estate and construction, banking and finance, and energy.

### **3. Factors of Production**

Cambodia offers a large and cost-effective labour force. The minimum wage for garment and footwear workers is USD 204 per month (effective January 2025). For other sectors, minimum wages are generally

lower. The literacy rate is approximately 80%, with significant room for improvement in technical and vocational skills.

Under Cambodian law, foreign nationals cannot own land outright. However, long-term leases of up to 99 years are permitted, and foreign investors may hold 100% ownership of buildings (strata title) from the first floor upward in co-owned buildings. Economic land concessions (ELCs) are available for agricultural and industrial purposes.

- Corporate Income Tax: Standard rate 20%. QIPs may receive tax holidays of up to 9 years
- VAT: Standard rate 10%
- Withholding Tax: 14% on services rendered in Cambodia; 10% on royalties and interest
- Personal Income Tax: Progressive rates from 0% to 20%

#### **4. Investment Policies and Regulations**

Cambodia's Law on Investment (2021) provides a comprehensive framework for foreign investment. Key features include:

- Qualified Investment Project (QIP): Investors registering with the CDC as QIPs receive tax holidays, duty-free import of capital equipment, and other incentives
- Special Economic Zones (SEZs): Cambodia has over 50 SEZs, offering additional incentives and streamlined administrative procedures. The Sihanoukville SEZ and Phnom Penh SEZ are the most prominent
- 100% foreign ownership: Permitted in most sectors, with restrictions only in a few areas such as land ownership and certain media activities
- Pentagonal Strategy: The new government's economic policy prioritises human resource development, economic diversification, private sector and employment, resilient and sustainable development, and digital economy and society

### **Part III: Chinese Enterprise Investment in Cambodia**

#### **AERI Assessment**

AERI notes that China-Cambodia economic cooperation is exceptionally strong, underpinned by the "ironclad friendship" between the two nations. Cambodia is a key node in the Belt and Road Initiative, with Chinese investment playing a transformative role in the country's infrastructure, manufacturing, and urban development.

#### **1. China-Cambodia Economic and Trade Cooperation**

China and Cambodia established diplomatic relations in 1958. In 2019, the two nations signed the Agreement on Building a China-Cambodia Community with a Shared Future, elevating bilateral relations to a comprehensive strategic cooperative partnership. Cambodia is a staunch supporter of the Belt and Road Initiative.

In 2024, China-Cambodia bilateral trade reached USD 15.2 billion, representing year-on-year growth of 18.5%. Major Chinese exports include machinery, electronics, steel products, and textiles. Major imports

from Cambodia include agricultural products, garments, and rubber.

China is Cambodia's largest source of foreign investment. Cumulative Chinese investment exceeds USD 30 billion, spanning infrastructure, manufacturing, real estate, energy, and agriculture. Major Chinese projects include the Sihanoukville Special Economic Zone, Phnom Penh-Sihanoukville Expressway, and Siem Reap Angkor International Airport.

## **2. Investment Forms**

- Wholly foreign-owned enterprise: 100% foreign equity permitted in most sectors
- Joint venture: With Cambodian individuals or entities
- Branch office: For project-based activities
- Representative office: For market research and liaison
- Build-Operate-Transfer (BOT): Common for infrastructure projects

## **3. Key Investment Sectors**

- Transport: Expressways, railways, ports, airports
- Energy: Hydropower, solar, grid infrastructure
- Urban development: Water supply, waste management, smart city
- Garments and textiles: Moving up the value chain
- Electronics assembly: Growing sector with SEZ support
- Food and beverage processing: Utilising local agricultural resources
- Rice milling and export
- Rubber processing
- Cassava processing
- Aquaculture
- Hotel and resort development
- Commercial real estate
- Affordable housing
- Mobile payments and fintech
- E-commerce and logistics
- Digital infrastructure

## **4. Representative Cases**

- Sihanoukville Special Economic Zone: A flagship China-Cambodia cooperation project, hosting over 170 enterprises and creating more than 30,000 jobs
  - Phnom Penh-Sihanoukville Expressway: Cambodia's first expressway, built by China Road and Bridge Corporation, opened in 2022
  - Siem Reap Angkor International Airport: Built by a Chinese consortium under a BOT model
    - Lower Sesan 2 Hydropower Dam: Largest hydropower project in Cambodia, with Chinese

investment

## Part IV: Corporate Financing

### AERI Assessment

AERI observes that Cambodia's financial sector, while growing rapidly, remains relatively underdeveloped. The banking sector is dominated by a few large institutions, and capital market access is limited as the Cambodia Securities Exchange (CSX) has only a small number of listed companies. Foreign investors typically rely on parent company financing, Chinese bank branches, or major Cambodian commercial banks.

#### 1. Financial Market Overview

Cambodia's banking system is regulated by the National Bank of Cambodia (NBC) and comprises commercial banks, specialised banks, and microfinance institutions. Major banks include ACLEDA Bank, Canadia Bank, and ABA Bank. Chinese banks with operations in Cambodia include the Bank of China, ICBC, and China Construction Bank.

The Cambodia Securities Exchange (CSX), established in 2011, has approximately 10 listed companies. Market capitalisation remains small but growing. The government is actively promoting listings of state-owned enterprises.

Cambodia operates a highly dollarised economy, with the US Dollar circulating alongside the Cambodian Riel. The National Bank of Cambodia maintains a managed floating exchange rate system, with the Riel trading at approximately 4,100 per USD. The high degree of dollarisation limits monetary policy effectiveness but provides exchange rate stability.

#### 2. Financing Channels

- Commercial bank loans: Available from both local and foreign banks operating in Cambodia
- Chinese bank branches: Bank of China, ICBC, and CCB offer lending to Chinese enterprises
- Capital market: Limited options through the CSX
- Government financing: Rural Development Bank and SME Bank for priority sectors

## Part V: Compliance and Dispute Resolution

### AERI Assessment

AERI advises Chinese enterprises to pay particular attention to compliance in Cambodia, including tax obligations, labour law requirements, and land use regulations. While Cambodia's legal framework is improving, enforcement can be inconsistent, and local legal counsel is recommended for major transactions.

#### 1. Domestic Compliance

Prior to investing in Cambodia, Chinese enterprises must complete outbound investment registration with

the Ministry of Commerce and relevant authorities in China.

Enterprises must comply with Chinese foreign exchange regulations. Cambodia's liberal foreign exchange regime allows free repatriation of profits and capital.

## **2. Compliance Operations in Cambodia**

- Company registration: Through the Ministry of Commerce, typically completed in 1-2 weeks
- Tax compliance: Registration with the General Department of Taxation; monthly and annual tax filings required
- Labour compliance: Compliance with the Labour Law, including minimum wage, working hours, and benefits
- Environmental compliance: Environmental Impact Assessment (EIA) required for large-scale projects

## **3. Trade Dispute Resolution**

Cambodian courts have jurisdiction over commercial disputes, but the judicial system is perceived as slow and sometimes influenced by external factors.

Cambodia is a signatory to the New York Convention. The National Commercial Arbitration Centre (NCAC) provides arbitration services. International arbitration (e.g., SIAC, HKIAC) is commonly used for major commercial disputes.

Mediation is encouraged and can be an effective first step in dispute resolution.

# **Part VI: Living and Working in Cambodia**

## **1. Visa**

Chinese citizens require a visa to enter Cambodia. Common types include:

- Tourist visa (T): Valid for 30 days, extendable once
- Business visa (E): Valid for 30 days, extendable for 6 months or 1 year, with multiple entry options
- Work permit: Required for foreign employees, obtained through the Ministry of Labour

## **2. Housing**

Phnom Penh offers diverse housing options. One-bedroom apartments in central Phnom Penh rent for approximately USD 400-800/month. Serviced apartments are available for USD 800-2,000/month.

## **3. Healthcare**

Major hospitals include Calmette Hospital, Royal Phnom Hospital, and Sunrise Japan Hospital. Private clinics with international standards are available in Phnom Penh. Comprehensive health insurance is recommended.

## **4. Banking**

Opening a bank account requires passport, visa, and proof of address. ABA Bank, ACLEDA Bank, and Canadia Bank offer services to foreign nationals. Mobile banking is widely used.

## **5. Contact Information**

- Chinese Embassy in Cambodia: No. 269, Blvd. Mao Tse Toung, Phnom Penh
- AERI Southeast Asia Office (Kuala Lumpur): Menara Binjai, No. 11 Jalan Binjai, 50450 Kuala Lumpur, Malaysia

## **Appendix: Data Sources and Disclaimer**

### **Data Sources**

This guide draws on data from the National Bank of Cambodia, the Ministry of Economy and Finance, the Council for the Development of Cambodia, the National Institute of Statistics, the Ministry of Commerce of China, and the China Council for the Promotion of International Trade.

### **Disclaimer**

The information provided in this guide is for reference only and does not constitute any form of investment advice. AERI endeavours to ensure data accuracy and content reliability but does not guarantee the completeness and timeliness of the information. Readers should independently verify relevant information and consult professional advisors before making any decisions based on this guide.

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