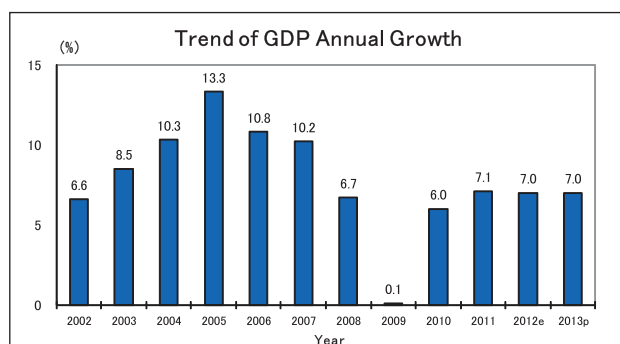


II ECONOMIC OVERVIEW OF CAMBODIA

II-1 Economic Situation

GDP

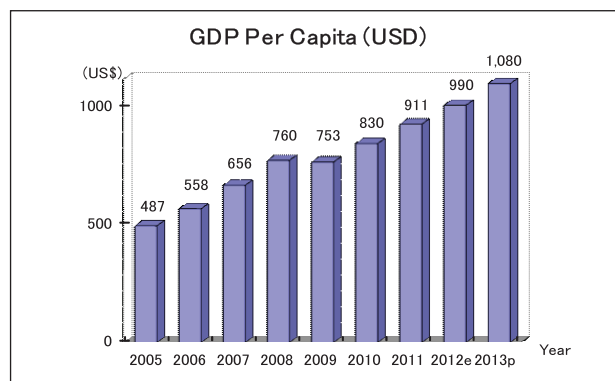
The Cambodian economy maintained a high growth of more than 10% p.a. for four consecutive years between 2004 and 2007, with the record high of 13.3% in 2005. Although the GDP growth rate dropped to 0.1% in 2009 as the result of world economic recession, it recovered to 6.0% in 2010 and 7.1% in 2011 mainly through its renewed exports and tourism sector. According to the MEF’s forecast, the growth rates are estimated to be approximately 7.0% in 2012 and 2013 (Figure II-1-1).



Note: "e" stands for "Estimate", "p" stands for "Projection"
Source: Ministry of Economy and Finance (MEF), Cambodia

Figure II-1-1 Trend of GDP Annual Growth

Per capita GDP has also steadily increased since 1998 when the Riel greatly depreciated against the dollar. Per capita GDP in 2011 reached USD 911, an increase of approximately 87.1% from USD 487 in 2005. It is projected to reach USD 990 in 2012 and USD 1,080 in 2013 respectively, according to the MEF’s forecast. (Figure II-1-2)



Note: "e" stands for "Estimate", "p" stands for "Projection"
Source: Ministry of Economy and Finance (MEF), Cambodia

Figure II-1-2 GDP Per Capita

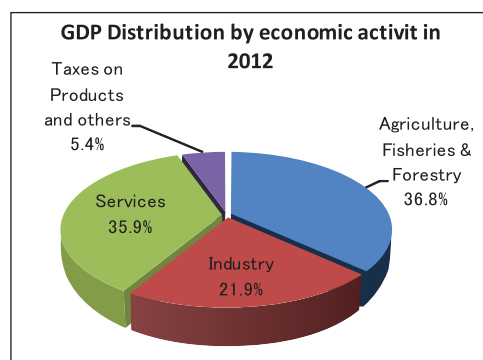
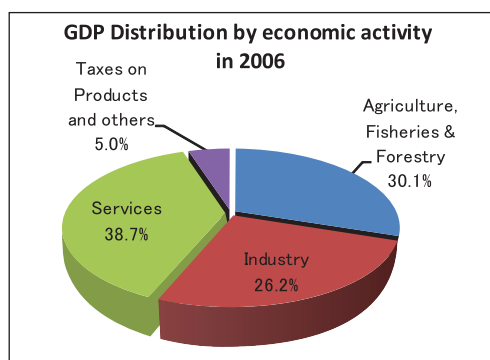
As for "Agriculture", the crops’ gross value added (GVA) dropped to 4.3% in 2011, although it grew at the highest record of 8.2% in 2007. "Livestock & Poultry" recorded the growth of 5% in 2009 but growth ratio became lower to 0.2% in 2011 and it is projected to be 0.1% in 2012. The growth ratio of "Fisheries" and "Forestry & Logging" sharply dropped in 2010. While the growth ratio of "Fisheries" recovered in 2011 to 3.1%, that of "Forestry and Logging" has still remained in the minus growth rate of -0.1% in 2011 and -0.8% in 2012.

The "Textile, Apparel & Footwear" and "Construction", which occupied 76% share in 2007, have been the major players for fast growth of the sector. These subsectors, however, were seriously suffered from the financial crisis of 2008. Industry’s growth decreased to 4.0% in 2008 and -9.5% in 2009 but it recovered to 13.6% in 2010 and 14.5% in 2011 respectively. According to MEF’s forecast, the growth rate of "Industry" will be remained at 10% to 12% in next few years.

"Services" occupied 35.9% share in GDP in 2012 with heavy dependency on the "Trade" and "Transport & Communication". "Hotel & Restaurant" which have been benefited from tourism and infrastructure development remained high growth ratio constantly until 2012, except for 2009. While the growth rates of "Real Estate and Business" were sharply dropped to -2.5% in 2009 and -15.8% in 2010 due to world economic crisis of 2008, the rate recovered to 3.9% in 2011 and expected to be around 8.9% in 2012. The comparison of industrial structure with other Southeast Asian nations, as shown in Table II-1-3, indicates that Cambodia is still at the initial stage of industrialization together with Laos and Myanmar.

GDP contribution by industrial sector

The composition of GDP by industrial sector is as shown in Figure II-1-3. One of the characteristics of changes between 2006 and 2012 is that the ratio of industry has decreased from 26.2% to 21.9%, while the ratio of agriculture, forestry and fisheries increased from 30.1% to 36.8%.



Note: Figures of 2012 are the estimated value.
Source: Ministry of Economic and Finance, Cambodia

Figure II-1-3 Composition of GDP by Economic Activity

Table II-1-1 GDP Growth Rate by Economic Activity, 2006-2012

| Growth Rate of GDP (%) | | | | | | | |
|--|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012e |
| Agriculture, Fisheries & Forestry | 5.5 | 5 | 5.7 | 5.4 | 4 | 3.1 | 1.8 |
| Crops | 5.3 | 8.2 | 6.6 | 5.8 | 5.7 | 4.3 | 1.8 |
| Livestock & Poultry | 8.2 | 3.7 | 3.8 | 5 | 2.1 | 0.2 | 0.1 |
| Fisheries | 3.8 | 0.8 | 6.5 | 6 | 2.4 | 3.1 | 3.5 |
| Forestry & Logging | 7 | 1.1 | 0.9 | 1.1 | 0.2 | -0.1 | -0.8 |
| Industry | 18.3 | 8.4 | 4 | -9.5 | 13.6 | 14.5 | 11.9 |
| Manufacturing | 17.4 | 8.9 | 3.1 | -15.5 | 29.6 | 16.2 | 11.2 |
| <i>Textile, Apparel & Footwear</i> | 20.4 | 10 | 2.2 | -9 | 18.5 | 19.9 | 12.6 |
| Construction | 20 | 6.7 | 5.8 | 5 | -25.5 | 7.9 | 15.6 |
| Services | 10.1 | 10.1 | 9 | 2.3 | 3.3 | 5 | 7.5 |
| Trade | 7.1 | 9.5 | 9.4 | 4.2 | 7.5 | 4.4 | 7.8 |
| Hotel & Restaurant | 13.7 | 10.2 | 9.8 | 1.8 | 11.2 | 6.6 | 9.5 |
| Transport & Communication | 2.1 | 7.2 | 7.1 | 3.9 | 8 | 5.8 | 6.1 |
| Real Estate & Business | 10.9 | 10.7 | 5 | -2.5 | -15.8 | 3.9 | 8.9 |
| Other Services | 17.2 | 12.1 | 12 | 2.9 | 4.2 | 3.2 | 4.1 |
| Taxes on Products | 7.6 | 45.7 | 9.1 | 6.1 | 0.1 | 6.7 | 5.6 |
| GDP | 10.8 | 10.2 | 6.7 | 0.1 | 6 | 7.1 | 7 |

Note: Figures of 2012 are the estimated value.

Source: Ministry of Economic and Finance, Cambodia

Table II-1-2 Breakdown of Industry in GDP, 2006-2012 (Unit: Billion Riel)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012e |
|--|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Mining | 115 | 135 | 165 | 196 | 279 | 330 | 379 |
| Manufacturing | 5,541 | 6,074 | 6,441 | 6,208 | 6,913 | 7,900 | 8,758 |
| <i>Food, Beverages & Tobacco</i> | 664 | 757 | 924 | 978 | 1,071 | 1,163 | 1,241 |
| <i>Textile, Apparel & Footwear</i> | 3,869 | 4,234 | 4,315 | 3,938 | 4,403 | 5,192 | 5,855 |
| <i>Wood, Paper & Publishing</i> | 171 | 203 | 239 | 252 | 273 | 296 | 317 |
| <i>Rubber Manufacturing</i> | 181 | 148 | 153 | 168 | 219 | 243 | 272 |
| <i>Other Manufacturing</i> | 657 | 732 | 811 | 872 | 947 | 1,006 | 1,073 |
| Electricity, Gas & Water | 164 | 195 | 212 | 230 | 252 | 270 | 294 |
| Construction | 1,995 | 2,338 | 2,572 | 2,694 | 2,845 | 3,029 | 3,300 |
| Total Industry | 7,816 | 8,741 | 9,389 | 9,327 | 10,289 | 11,529 | 12,731 |

Note: Figures of 2012 are the estimated value.

Source: Ministry of Economic and Finance, Cambodia

Table II-1-3 Composition of GDP of Selected Southeast Asian Countries in 2011, Unit: (%)

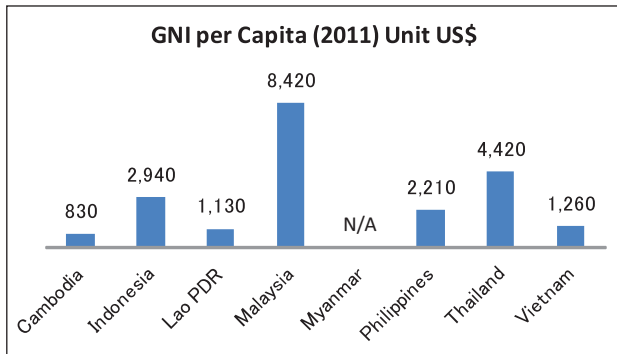
| Country | Agriculture | Industry | Service |
|-------------|-------------|----------|---------|
| Cambodia | 36.7 | 23.5 | 39.8 |
| Indonesia | 14.7 | 47.2 | 38.1 |
| Laos | 30.3 | 27.7 | 42.0 |
| Malaysia | 12.0 | 40.7 | 47.3 |
| Myanmar | 36.4 | 26.0 | 37.6 |
| Philippines | 12.8 | 31.5 | 55.7 |
| Singapore | 0.0 | 26.6 | 73.4 |
| Thailand | 10.9 | 40.1 | 49.0 |
| Vietnam | 22.0 | 40.3 | 37.7 |

The figures of Laos, Myanmar and Vietnam are for 2010.

Source: Asian Development Bank (ADB), Key Indicators 2012

GNI per capita

According to ADB’s data, Cambodia’s GNI per capita from 2002 to 2011 had increased by approximately 58 US dollars on annual average and reached 830 US dollars in 2011. Although the figure of Cambodia is still among the lowest in the region (Figure II-1-4), people with the purchasing power to buy high-end products are now found in Phnom Penh City. Although the size of Cambodian market seems to be still small, investors can access to the ASEAN integrated market once the ten ASEAN member countries reduce all import tariffs, which is scheduled for implementation by 2015.



Source: Asian Development Bank (ADB), Key Indicators 2012

Figure II-1-4 GNI Per Capita of ASEAN

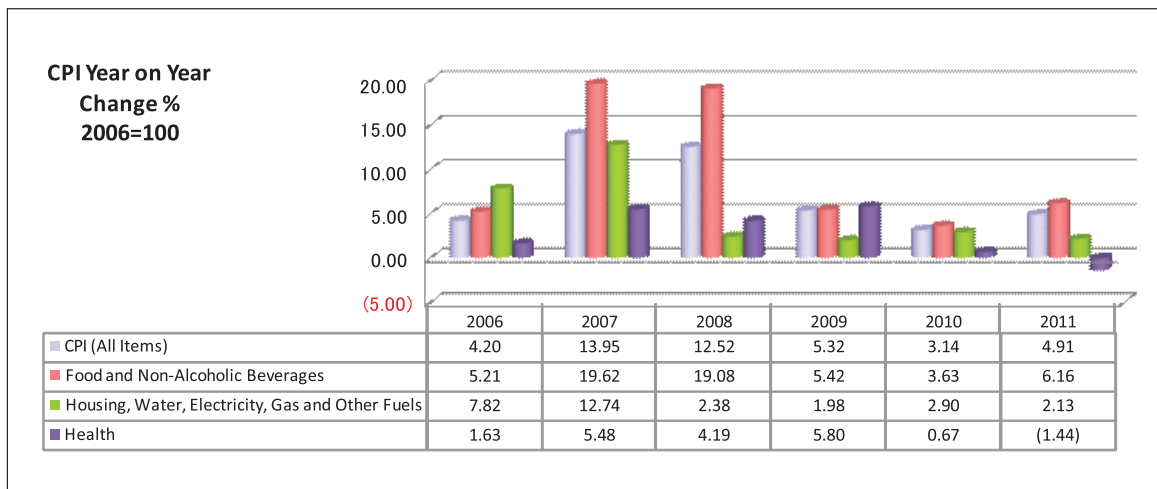
Consumer Price Index (CPI)

The Government’s policy is that inflation rate should not exceed 5% annually. As shown in Figure II-1-5, although the inflation rate jumped up to 14.0% in 2007 and 12.5% in 2008, it dropped to 5.3% in 2009, 3.1% in 2010 and 4.9% in 2011. The government claimed that the sudden increase of CPI in 2007 was mostly due to a drastic change in composition of commodity basket for weighing of CPI. In addition, the Government also claimed the sharp hike of foods prices at the rates of 19.6% in 2007 and 19.1% in 2008 was caused by the escalation in the price of petroleum products on the world market, which contributed to the rise in transportation costs. “Housing”, which increased by 12.7% in 2007, has been showing modest growth and “Health”, which showed increase of 4-5% between 2007 and 2009, decreased its increasing rate to -1.44% in 2011.

Figure II-1-6 shows the inflation rate for all items from 2008 to September 2012. After reaching the highest level at 35.6% in May 2008, the inflation rate turned to decrease and started the deflation from March 2009 finally reaching the lowest level at -5.7% in May 2009. After turning to the inflation in November 2009, the inflation rate has fluctuated between 1.3% and 7.1%. In the second half of 2012, the inflation rate has remained at around 2%. In general, the inflation rate remained stable in the past few years comparing to the sudden and sharp fluctuations occurred in 2008 and 2009.

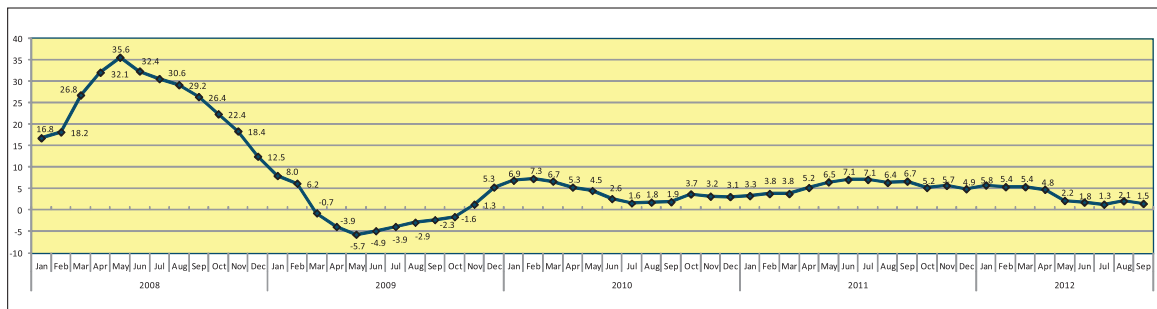
Indices of economic freedom

According to “2012 Index of Economic Freedom” by the Heritage Foundation in the US, Cambodia’s overall economic freedom score is 57.6 which is ranked at 102nd out of 179 countries and 17th out of 41 countries in the Asia-Pacific region. As shown in Figure II-1-7, the country scores noticeably



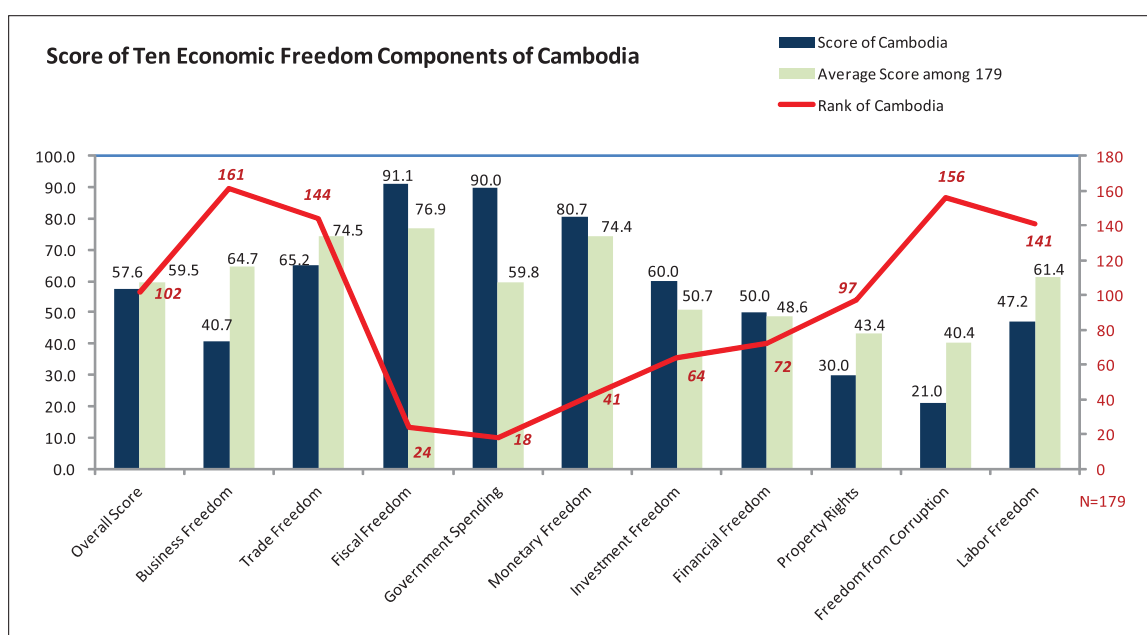
Source: National Bank of Cambodia

Figure II-1-5 CPI Year on Year Change



Source: National Institute of Statistics

Figure II-1-6 CPI All Items from 2008 to 2012(Index: 2006=100)



Note: The larger the number, the freer the business climate in a country.
Source: Heritage Foundation

Figure II-1-7 Scores of Ten Economic Freedom Components of Cambodia

well in fiscal freedom, government spending and monetary freedom. Low rates for income and corporate tax contribute to a low overall tax burden, giving the country a high fiscal freedom score. Other institutional weakness still holds down Cambodia's overall economic freedom score, however. Cambodia's business freedom, trade freedom and labor freedom, property rights, and freedom from corruption all receive notably low scores.

II-2 Investment Trend

FDI trend

Investment projects, which are approved by the Council for the Development of Cambodia (CDC) to be granted investment incentives and guarantee, consist of projects by Cambodian capital and those by foreign capital. Those projects are called "Qualified Investment Projects (QIPs)" under the Law on Amendment to the Law on Investment of 2003.

In 1995, one year after the enactment of the Law on Investment 1994, the fixed asset investment amount approved by the CIB (CDC) totaled 2.3 billion dollars. From 1994 to 2006, the annual average of twelve years was

Table II-2-1 Investments Approved by CDC by Major Countries (1994 - September 2012)

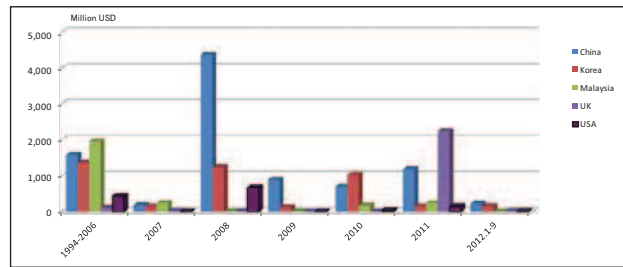
Million USD

| Country | 1994-2006 Total | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 1-9 | 1994-2012.9 Total | |
|-----------|-----------------|------|-------|--------|-------|-------|-------|----------|-------------------|------|
| | | Rank | | | | | | | | Rank |
| Cambodia | 4,341 | - | 1,323 | 3,932 | 3,753 | 391 | 1,930 | 261 | 15,931 | - |
| China | 1,581 | 2 | 180 | 4,371 | 893 | 694 | 1,193 | 230 | 9,142 | 1 |
| Korea | 1,361 | 3 | 148 | 1,238 | 121 | 1,027 | 146 | 150 | 4,191 | 2 |
| Malaysia | 1,960 | 1 | 241 | 3 | 7 | 167 | 235 | 0 | 2,614 | 3 |
| UK | 107 | 11 | 26 | 6 | 0 | 0 | 2,238 | 25 | 2,429 | 4 |
| USA | 428 | 5 | 3 | 671 | 1 | 36 | 144 | 5 | 1,290 | 5 |
| Vietnam | 81 | 12 | 139 | 21 | 210 | 115 | 631 | 84 | 1,281 | 6 |
| Taiwan | 576 | 4 | 40 | 21 | 27 | 92 | 82 | 78 | 916 | 7 |
| Thailand | 384 | 6 | 108 | 74 | 178 | 2 | 0 | 120 | 866 | 8 |
| Singapore | 271 | 8 | 2 | 52 | 272 | 37 | 14 | 83 | 732 | 9 |
| HKG | 248 | 9 | 26 | 0 | 7 | 30 | 331 | 56 | 697 | 10 |
| Russia | 279 | 7 | 0 | 102 | 235 | 0 | 0 | 0 | 617 | 11 |
| Israel | 0 | 14 | 2 | 300 | 0 | 2 | 0 | 0 | 304 | 12 |
| France | 208 | 10 | 35 | 6 | 50 | 0 | 0 | 3 | 303 | 13 |
| Japan | 22 | 13 | 113 | 8 | 5 | 0 | 6 | 2 | 157 | 14 |
| Others | 269 | - | 305 | 84 | 127 | 222 | 393 | 26 | 876 | - |
| Total | 12,116 | - | 2,656 | 10,889 | 5,859 | 2,691 | 7,012 | 1,123 | 42,346 | - |

Source: CIB (CDC)

932 million dollars, and during the following five years (2007 to 2011), the average amount became approximately 6.2 times larger as 5.8 billion dollars. In 2012, the fix asset investment amount approved by the CIB (CDC) reached 1.1 billion dollars until September. From 1994 to September 2012, the cumulative investment approved by CIB (CDC) is 42.3 billion dollars¹. Table II-2-1 shows the investment approval trend in Cambodia.

As shown in Table II-2-2, the FDI ratio among the total investment amount approved by the CIB (CDC) between 1994 and 2006 was approximately 64%. Such FDI ratio dropped to approximately 36% in 2009 and increased to 85% in 2010. Consequently, overall FDI ratio was approximately 62% of the total approved investment amount from 1994 to September 2012.



Source: CIB (CDC)

Figure II-2-1 Investment by Leading Countries

Table II-2-2 Investment Fixed Assets by Source of Investment: 1994-September 2012

| | Million USD | | | |
|------------------|-------------|----------|-----------|----------------------|
| | Foreign (a) | Cambodia | Total (b) | FDI ratio: (a)/(b) % |
| 1994 - 2006 | 7,775 | 4,341 | 12,116 | 64% |
| 2007 | 1,333 | 1,323 | 2,656 | 50% |
| 2008 | 6,597 | 3,932 | 10,889 | 64% |
| 2009 | 2,106 | 3,753 | 5,859 | 36% |
| 2010 | 2,300 | 391 | 2,691 | 85% |
| 2011 | 5,082 | 1,930 | 7,012 | 72% |
| 2012 (Jan - Sep) | 862 | 261 | 1,123 | 77% |
| Total | 26,415 | 15,931 | 42,346 | 62% |

Source: CIB (CDC)

In terms of the cumulative FDIs by country approved in the period of around 19 years ending at September 2012, the largest amount of 9.1 billion US dollars came from China. The second biggest FDI provider is Korea followed by Malaysia. The other major sources of FDI are UK, USA, Vietnam, Taiwan, and Thailand. Figure II-2-1 shows the investment approval trend by five leading countries.

Industrial sub-sector

As for the composition by industrial sector, the tourism sector accounts for 47% of the cumulative investment amount as of September of 2012, while the amount of investment in the tourism sector has been changing drastically every year owing to the presence or absence of large scale investment projects and high amount approved in 2008 and 2009. Investment in industries has been increasing gradually from 2006 to 2011. Investment amount in the

Table II-2-3 Investment Approved by CIB by Sector: 1994 - September 2012

| | Million USD | | | | |
|---------------------|-------------|------------|----------|---------|---------|
| | Agriculture | Industries | Services | Tourism | Total |
| 1994-2006 | 849 | 4,133 | 3,971 | 3,163 | 12,116 |
| 2007 | 141 | 568 | 697 | 1,250 | 2,656 |
| 2008 | 107 | 714 | 1,292 | 8,776 | 10,889 |
| 2009 | 590 | 958 | 410 | 3,901 | 5,859 |
| 2010 | 554 | 946 | 1,059 | 132 | 2,691 |
| 2011 | 725 | 2,869 | 658 | 2,760 | 7,012 |
| 2012(1-9) | 418 | 633 | 21 | 51 | 1,123 |
| 2006-2012(9) | 2,325 | 6,688 | 4,137 | 16,870 | 30,230 |
| Total (1994-2012.9) | 3,384 | 10,821 | 8,108 | 20,033 | 42,346 |
| Percentage | 7.99% | 25.55% | 19.15% | 47.31% | 100.00% |

Source: CIB (CDC)

Table II-2-4 The Number of Approved QIPs by CIB (1994-2012.9)

| SECTOR | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 (Jan-Sep) |
|------------------------------|------|------|------|------|------|----------------|
| Agriculture | 8 | 6 | 19 | 23 | 24 | 16 |
| Industries | 94 | 65 | 65 | 74 | 113 | 102 |
| Energy | 6 | 6 | 6 | 4 | 0 | 1 |
| Food Processing | 1 | 1 | 2 | 4 | 1 | 2 |
| Garment/Textile | 37 | 37 | 24 | 41 | 84 | 67 |
| Machine/ Metal/ Electronics | 1 | 0 | 1 | 2 | 3 | 1 |
| Mining | 4 | 4 | 7 | 2 | 3 | 1 |
| Plastic | 2 | 2 | 1 | 2 | 0 | 4 |
| Shoes | 2 | 2 | 7 | 8 | 8 | 9 |
| Wood Processing | 0 | 0 | 4 | 1 | 0 | 1 |
| Others | 13 | 13 | 13 | 10 | 14 | 16 |
| Services | 14 | 9 | 4 | 2 | 3 | 2 |
| Construction/ Infrastructure | 6 | 4 | 4 | 2 | 2 | 2 |
| Services | 3 | 5 | 0 | 0 | 1 | 0 |
| Tourism | 13 | 20 | 12 | 3 | 8 | 4 |
| Hotel | 6 | 0 | 1 | 1 | 2 | 2 |
| Tourism | 14 | 20 | 11 | 2 | 6 | 2 |
| Total | 129 | 100 | 100 | 102 | 148 | 124 |

Source: CIB (CDC)

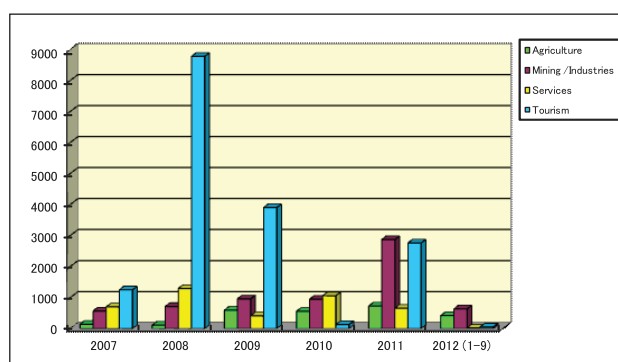
Note 1 : The quoted figures do not include the followings.
 - The QIPs locating in the SEZ, including the SEZ development projects
 - The QIPs that the PMIS approved (Less than 2 million USD)
 - Non-QIPs that have been registered with MOC

Table II-2-5 The Investment Amount of Approved QIPs by CIB (1994-2012.9)

Unit: Million USD

| SECTOR | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 (Jan-Sep) |
|------------------------------|-------|--------|-------|-------|-------|----------------|
| Agriculture | 141 | 107 | 590 | 554 | 725 | 418 |
| Industries | 568 | 714 | 958 | 946 | 2,869 | 633 |
| Energy | 37 | 494 | 668 | 589 | 0 | 33 |
| Food Processing | 229 | 4 | 12 | 36 | 26 | 9 |
| Garment/Textile | 205 | 146 | 93 | 134 | 398 | 376 |
| Machine/ Metal/ Electronics | 2 | 0 | 2 | 8 | 9 | 8 |
| Mining | 31 | 5 | 15 | 92 | 31 | 5 |
| Plastic | 5 | 6 | 15 | 92 | 31 | 5 |
| Shoes | 26 | 12 | 28 | 48 | 35 | 92 |
| Wood Processing | 7 | 0 | 16 | 2 | 0 | 5 |
| Others | 26 | 47 | 122 | 31 | 2,370 | 85 |
| Services | 697 | 1,292 | 410 | 1,059 | 658 | 21 |
| Construction/ Infrastructure | 606 | 191 | 410 | 1,059 | 658 | 21 |
| Services | 91 | 1,101 | 0 | 0 | 91 | 0 |
| Tourism | 1,250 | 8,776 | 3,901 | 132 | 2,760 | 51 |
| Hotel | 3 | 0 | 17 | 4 | 283 | 35 |
| Tourism | 1,247 | 8,776 | 3,884 | 128 | 2,477 | 16 |
| Total | 2,656 | 10,889 | 5,859 | 2,691 | 7,012 | 1,123 |

Source: CIB (CDC)



Source: CIB (CDC)

Figure II-2-2 Investment Trend by Sector (2006-2012.9)

agriculture sector has remained stable except for 2008. Investment in the service sector was dropped in 2009 due to the decrease of investment in the construction sector damaged by the economic crisis, but recovered in 2010. (Table II-2-3, II-2-4, II-2-5 and Figure II-2-2)

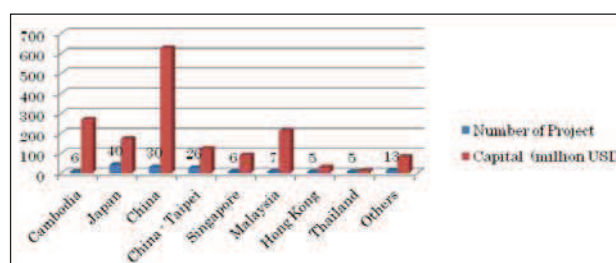
Investment trend in SEZ

During 7 years until now since the issuance of “Sub-Decree No.148 ANKr. BK on the Establishment and Management of the Special Economic Zones” dated on December 29, 2005, 138 QIPs have been approved to locate in the SEZs and the approved investment has amounted to USD1.6 billion. Table II-2-6 and Figure II-2-3 show the investment records of QIP in the SEZ from 2005 to December 2012.

Table II-2-6 QIP in Cambodian SEZs by Country (2005-2012.12)

| | Country | No. of QIP | Approved Investment Amount (USD) |
|----|--------------|------------|----------------------------------|
| 1 | China | 30 | 625,324,310 |
| 2 | Cambodia | 6 | 267,077,825 |
| 3 | Malaysia | 7 | 210,867,583 |
| 4 | Japan | 40 | 172,600,613 |
| 5 | Taiwan | 26 | 120,787,783 |
| 6 | Singapore | 6 | 89,540,846 |
| 7 | South Korea | 2 | 55,326,462 |
| 8 | Hong Kong | 5 | 29,830,805 |
| 9 | Thailand | 5 | 10,624,299 |
| 10 | Vietnam | 4 | 7,278,194 |
| 11 | Others | 7 | 18,277,197 |
| | Total | 138 | 1,607,535,917 |

Source: Cambodia Special Economic Zone Board



Source: Cambodia Special Economic Zone Board

Figure II-2-3 Number of QIP and Approved Investment Amount (December 2005- December 2012)

Among the investment into the SEZs, China, Cambodia and Malaysia occupy the top 3 shares but the QIP of those countries include a gigantic investment project in a power generation plants. The remaining projects other than 4 projects in power generation are all in the manufacturing fields. The number of approved QIP in manufacturing is 134 out of total 138 QIPs and the approved investment amount is USD 554million. In the manufacturing field, Japan occupies the top share both in number of the projects and the approved investment amounts. The share of Japan, Taiwan and China exceeds 70% of the QIP in the manufacturing projects in SEZs. The major manufacturing projects in the SEZs are the production of plastic products, packing materials, garments and footwear. Besides, it is worth pointing out that the production of auxiliary products for the garment has begun in the SEZs and I may lead to build up the widely-based supporting industries which will enable the Cambodia’s garment industry to produce more value-added garments. The most important tendency observed in

Table II-2-7 Manufacturing QIPs in SEZs by Country (2005 – 2012.12)

| | Country | No. of QIP | Approved Investment Amount (USD) |
|----|--------------|------------|----------------------------------|
| 1 | Japan | 40 | 172,600,613 |
| 2 | Taiwan | 26 | 120,787,783 |
| 3 | China | 29 | 82,324,310 |
| 4 | South Korea | 2 | 55,326,462 |
| 5 | Singapore | 5 | 35,840,846 |
| 6 | Hong Kong | 5 | 29,830,805 |
| 7 | Malaysia | 6 | 15,467,583 |
| 8 | Thailand | 5 | 10,624,299 |
| 9 | Vietnam | 4 | 7,278,194 |
| 10 | Cambodia | 5 | 5,743,782 |
| 11 | Others | 7 | 18,277,197 |
| | Total | 134 | 554,101,874 |

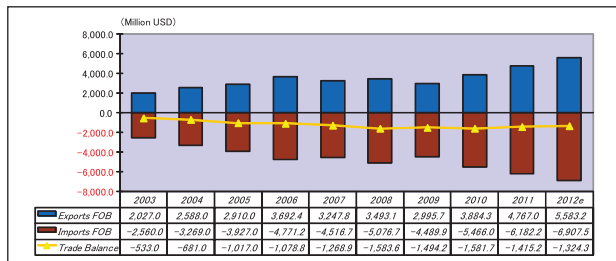
Source: Cambodia Special Economic Zone Board

the Cambodia’s SEZs is that the production of export products such as small-size motor, wire harness, other electric and electronics products, etc., which are new to Cambodia, has begun by Japanese firms in the SEZs and it is expected to contribute to diversify the Cambodian industries. The number of manufacturing QIPs and their approved investment amounts by country are as shown in Table II-2-7.

II-3 Trade

Trade balance

As shown in Figure II-3-1, the trade performance of Cambodia had shown the increasing trend over until 2008. While the trade volume dropped in 2009 due to the global financial crisis, it has been recovering since 2010. Cambodia continuously records a trade deficit. After the gap suddenly widened in 2005, it has been relatively stable at around USD 1.4 - 1.5 billion per year between 2006 and 2011. The amount of export in 2012 is expected to exceed 5.5 billion USD increased by 17% from 2011, while the import amount is estimated to increase by 12% in 2012 reaching 6.9 billion USD.

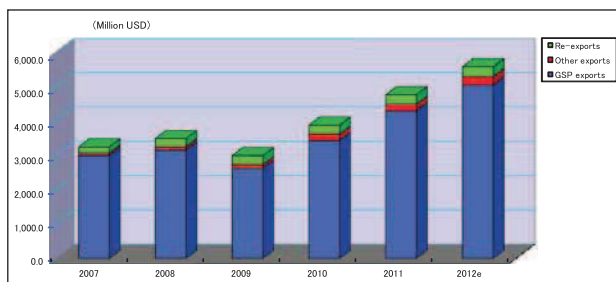


Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance, Cambodia

Figure II-3-1 Trade Balance: 2003 – 2012

Export trend

Cambodia’s exports have continuously shown a steady growth up to the present, except 2009. According to the MEF’s statistics, exports reached approximately 4.8 billion US dollars in 2011 (Figure II-3-1). As seen in the Figure II-3-2, The GSP export component, the main product, the garments, for two major exporting markets US and EU, occupies the large share among three components and accounts for approximately two-third of total exports. Although GSP exports decreased in 2009, it has been back to the growth trend in 2010 and 2011. Export of other products also shows the similar tendency. On the other hand, re-export products continuously increased from 2006 until 2012.



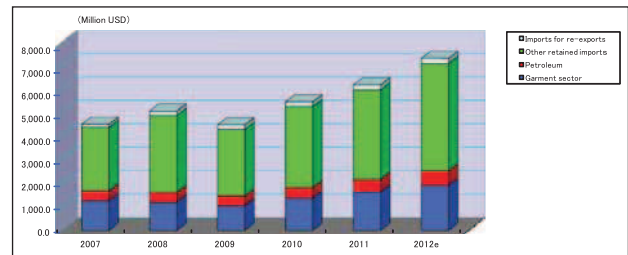
Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance, Cambodia

Figure II-3-2 Exports 2007 - 2012

Import trend

The growth of Cambodian imports has been much higher than growth of exports. As shown in the Figure II-3-3, although the import dropped in 2009, it recovered in 2010 and has shown continuous growth until 2012. The total amount of import was approximately 6.1 billion in 2011 and it is expected to be 7.3 billion US dollar in 2012. The garment sector is still

expected to be the main importing source in 2012 accounting for 26.2% of total imports.



Note: "e" stands for "Estimate"
Source: Ministry of Economic and Finance

Figure II-3-3 Imports 2007 - 2012

GSP

Cambodia is one of the beneficiaries of the Generalized System of Preferences (GSP) schemes operated by the developed countries. Under these schemes, import tariffs on many products from the beneficiary countries are exempted or reduced if requirements such as rules of origin are fulfilled. Table II-3-1 shows the relations between the beneficiaries in Asia and three major markets: Japan, the US and the EU. Since Cambodia is categorized as a least developed country (LDC), it is entitled to additional preferences, under which more of its products are subject to duty-free or tariff reductions. For example, Japan gives Cambodia tariff preferences on imports of 3,490 articles plus an additional 2,200 articles including apparel and footwear as shown in Table II-3-2.

Table II-3-1 Matrix of GSP Beneficiaries and Major Markets

| Beneficiaries in Asia | Preference-giving countries (three major markets) | | |
|-----------------------|---|---------|---------------------------------------|
| | Japan | The US | The EU (Until 2013) |
| Bangladesh | X (LDC) | X (LDC) | X (LDC) |
| Cambodia | X (LDC) | X (LDC) | X (LDC) |
| China | X | | X |
| Indonesia | X | X | X |
| Lao PDR | X (LDC) | | X (LDC) |
| Malaysia | X | | X |
| Myanmar | X (LDC) | | (Withdrawn from the GSP list in 1997) |
| Philippines | X | X | X |
| Thailand | X | X | X |
| Vietnam | X | | X |

Note : "LDC" indicates the least developed countries benefiting from additional preferences compared with other developing countries.
Source: GSP List of Beneficiaries (MOFA of Japan, July 2011), GSP Guidebook (USTR, May 2011), Information Notice (on Amendment made by Regulation (EU) No 512/2011 of the European Parliament and of the EU Council dated on 11 May 2011)

Table II-3-2 Number of Articles Subject to Preferences under GSP schemes

| | Japan | The US | The EU |
|---|-------|--------|---|
| For all developing countries | 3,490 | 3,400 | 6,300 |
| Additional only for LDCs including Cambodia | 2,200 | 1,400 | All other articles, except arms and ammunition (EBA), with few exceptions |

Source: MOFA of Japan, USTR and EU