



## Building Sustainable Growth

ASEAN INVESTMENT SERIES

# Cambodia

In Cambodia's last elections, in 2003, Prime Minister Hun Sen won office on a platform of stability, security, investment, and tolerance, and analysts say that when voters go to the polls in July 2008, Mr. Hun's successes over the last five years in fulfilling these goals will win his Cambodian People's Party a further term.

The veteran leader underscores his achievements saying that equally important to economic success has been "the transformation of attitudes and the strengthening of democratic ideals."

"For the last decade we have been pursuing a strategy based on building peace, restoring stability, and maintaining security for the nation," explains Mr. Hun.

A member of the World Trade Organization and regional trade bloc ASEAN, Cambodia's government has taken advantage of the economic boom that has swept the region, notching up average annual GDP growth of

public sector, the judiciary, and overhauling banking and finance. At the same time, agriculture, which still employs up to 40% of the workforce, is being modernized, and measures to protect the environment introduced.

Deputy Prime Minister Sok An points out that while the country's economy remains overwhelmingly agricultural-based, a healthy private sector in services, tourism, and textiles is taking on a growing role. "We have many competitive advantages," he says, highlighting the international investment community's increased awareness of the country's potential.

"Cambodia is one of the most successful examples of what regional and global economic integration, combined with an open door and pro-trade policy, can achieve," he concludes.

### Financial ratings a key step

In May 2007 Cambodia was given its first-ever foreign currency and local currency government bond ratings. Finance Minister Keat Chhon describes the Moody's B2 rating and the B+ rating for long-term foreign and local currency government notes from

Standard & Poor's as the start of a new era in financial transparency and foreign investment for the country.

"The ratings show that after five years of restructuring, the commercial banking system

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—Hun Sen



**Mr. Hun Sen,**  
Prime  
Minister  
of Cambodia



**Mr. Sok An,**  
Deputy Prime  
Minister of  
Cambodia

about 10% over the last five years.

Mr. Hun says that his government has pushed for integration into the international community while at the same time promoting development through reform of the

is more credible to the international community," says Mr. Keat.

The continued success of the country's garment and tourism sectors, as well as anticipated good returns from oil and gas reserves, on which commercial drilling is expected to begin within two years, were also contributing factors.

Inflows of foreign direct investment into sectors such as tourism, garments, and energy will help to continue to

boost the overall level of investment in the economy as well as to strengthen the balance of payments, says Mr. Keat.

The finance chief says his ministry is working with others in the government toward long-term reforms: "We are working to adopt anticorruption law that will build on the legal infrastructure we have begun with land and finance reforms: measures that raise living standards for all."

He adds that transparency is central to financial reform and preparing for a capital market in Phnom Penh. "We must continue to rely on what has been important in Cambodia's development: our agriculture sector and our garment/textiles industry, while continuing to diversify our economy and rely on both our land and our people and the improvement of human resources training," concludes Mr. Keat. ■

## Tourism bringing national attention

Beyond a doubt, tourism is one of the big investment topics in Cambodia today. The second largest foreign exchange earner, just behind the country's flourishing textiles industry, has seen a major jump in arrivals and investments during the last five years. Quick to recognize the potential, the government moved fast to improve key infrastructure and upgrade facilities. The tourism ministry followed suit, launching a successful campaign to raise awareness of Cambodia as a unique travel destination and a country which offers diverse business opportunities for tourism related investments.

As Tourism Minister Dr. Thong Khon points out, Cambodia wants to create a sustainable tourism industry that will bring benefits to the whole country. For the moment, that tourism industry is based largely on the imposing temple complex at UN World Heritage site Angkor Wat, built between the ninth and 13th centuries by the Khmer kings.

"About two million people visit Angkor Wat each year. But they only stay for about four days on average, so we need to diversify activities in the area to entice visitors to stay longer," he says, adding that while the government aims to develop the vast site, "we have to make sure we take good care of the environment as that is also part of the appeal."

Dr. Thong says greater diversification will come by developing areas like Kampot, Sihanoukville, and Kratie, and also ensuring the protection of its population of Irrawaddy Dolphins, an endangered species that lives in the estuary of the Mekong River.

Cambodia's core markets for visitors  
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are Japan, China, and Korea, but the tourism ministry wants to increase arrivals from Europe and the United States. In 2007, as part of its efforts to raise the country's profile, it organized road shows to regional tourism conventions, and invited senior ASEAN representatives to the three-day Tonle Sap lake water festival, as well as hosting the ASEAN Golf Open in November.

Hotel groups such as Raffles—which has five star establishments in Phnom Penh and Angkor—was amongst the first to see Cambodia's potential to attract high-end visitors.

Saudi group Kingdom Hotel Investments purchased the historic Raffles Hotel Le Royal in the Cambodian capital and Raffles Grand Hotel d'Angkor in July 2007.

The two landmark hotels, built more than 70 years ago, will retain their names and continue to be managed by Raffles Hotels and Resorts.

The Angkor hotel has 131 guestrooms and suites, each tastefully appointed with art deco country style furnishings and Cambodian art, reflecting the period architectural theme. Restored and carefully refurbished, the main building is complemented by new wings that maintain the original architectural style.

The Raffles Hotel Le Royal in Phnom Penh was reopened in 1997 after a complete restoration. A careful blend of old-world charm backed up by world-class facilities and amenities, it is centrally located, but only 20 minutes from the airport. ■

*Return to the Golden Years*



For more than seventy years, Raffles Grand Hotel d'Angkor and Raffles Hotel Le Royal have been welcoming travellers to the Kingdom of Cambodia. Sensitive to restoration, they continue to reduce a new generation of adventurers keen to explore Cambodia's rich heritage.



**Raffles Grand Hotel d'Angkor**  
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