



# **Sustainable Development Practices of Industrial Parks in Mekong-Lancang Countries**

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# **Background of Mekong-Lancang Cooperation (MLC)**

# Vision of MLC

The MLC's shared vision among its members is for it to:

- Contribute to the economic and social development of the sub-regional countries,
- Enhance the well-being of the people,
- Narrow the development gap,
- Support ASEAN Community building,
- Promote the implementation of the UN 2030 Agenda for Sustainable Development, as well as
- Advance South-South cooperation.

# Five Priorities of MLC



Connectivity  
and  
production  
capacity



Water  
resources



Trans-border  
economy



Agriculture

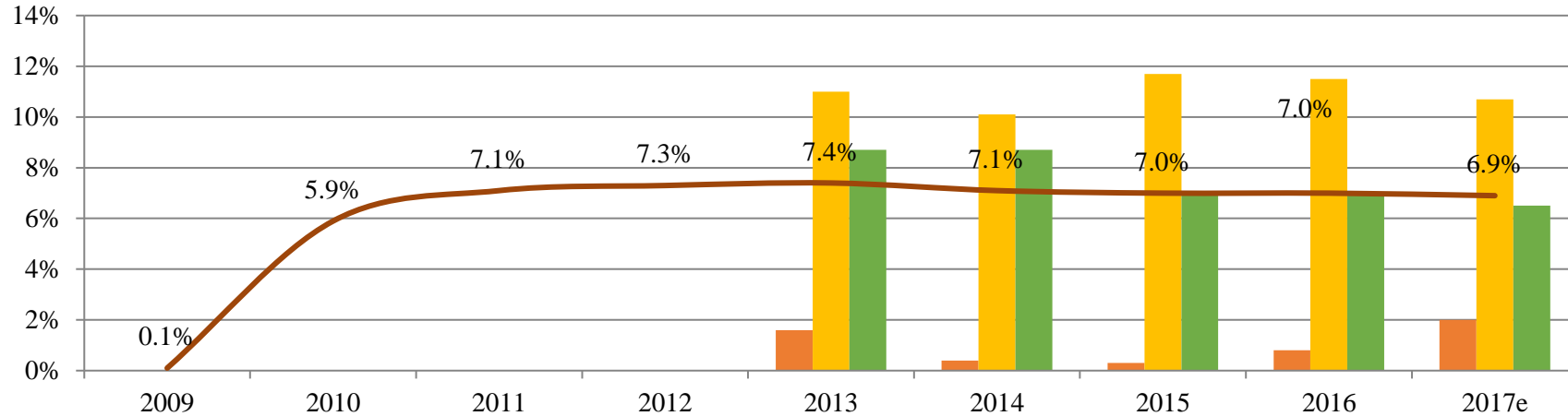


Poverty  
reduction



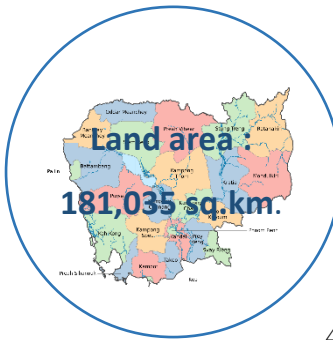
# **Sustainable Development Practices of Industrial Parks**

# Key Economic Indicators



## Population & Labor Force

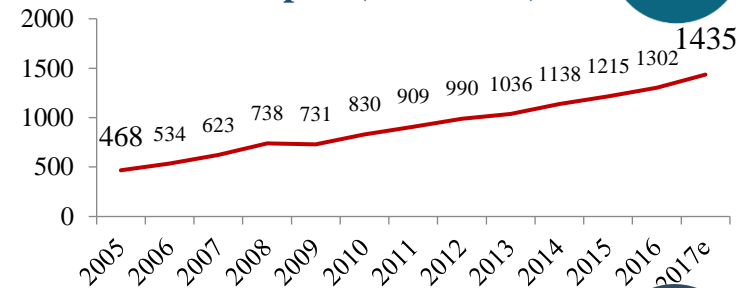
- Population: 15.4 Million (2015)
- Literacy: 92.7% (15-24 years old)
- Young and dynamic labor force: Median age 24 years old
- Population growth rate : 1.54%



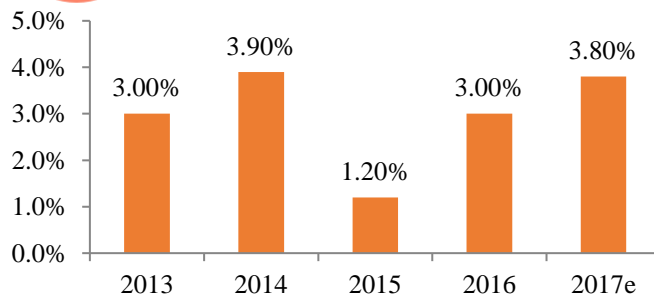
■ Agriculture 
 ■ Industry 
 ■ Service 
 — GDP Growth



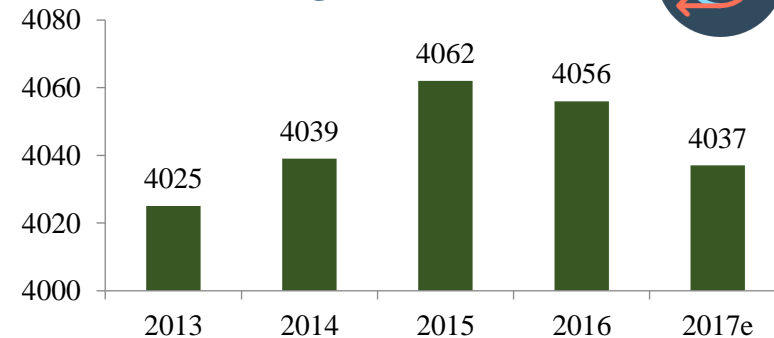
## GDP Per Capita (2005-2017)



## Low & Manageable Inflation



## Stable Exchange Rate (USD-Riel)



# Cambodia's Special Economic Zones





# Cambodia-China Economic Cooperation



- One among the most outstanding cooperation project between China and Cambodia is the **Sihanoukville Special Economic Zone (SSEZ)**, which is an overseas economic and trade cooperation zone, co-operated by Jiangsu Taihu Cambodia International Economic Cooperation Investment Co., Ltd and Cambodia International Investment Development Group Co., Ltd.

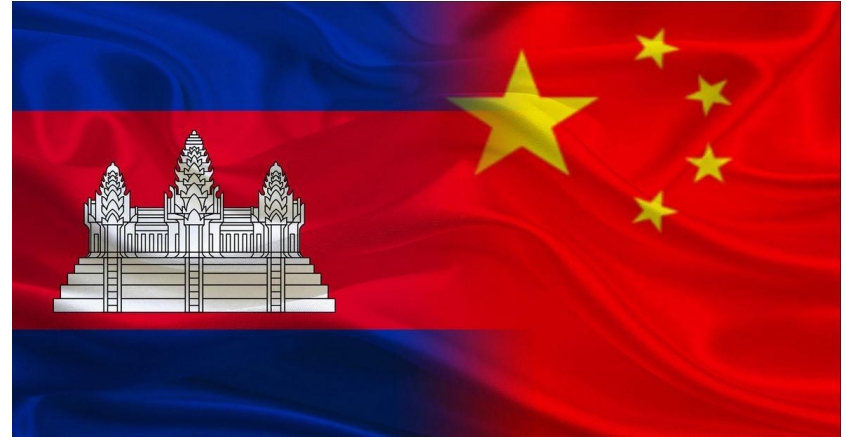
# Sihanoukville Special Economic Zone

- SSEZ has a total plan area of 11.13 square kilometers and the plan of 5.28 square kilometers initial area will be total investment with textile & clothing, machinery & electronics and light industry products as the leading industries.
- Currently, **108 projects** of approximately **USD 307 million** investment capital are situated there, generating about 14,536 jobs for local people.



# Cambodia-China Investment

- According to the CDC estimates, as of October, Chinese investment was **about USD 1,570 million**, including the welcoming of 63 new projects as well as the production expansion of the 9 existing projects.
- The most outstanding investment project in the year of 2017 has been the project to building a new international airport in Siem Reap with the total amount of **USD 962 million** investing in the project.



# CAMBODIA-CHINA COOPERATION



Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road  
Asian Infrastructure Investment Bank (AIIB) New financing sources to finance infrastructure projects and Bridging regional connectivity and interdependency, Cambodia is a co-founder  
Silk Road Fund

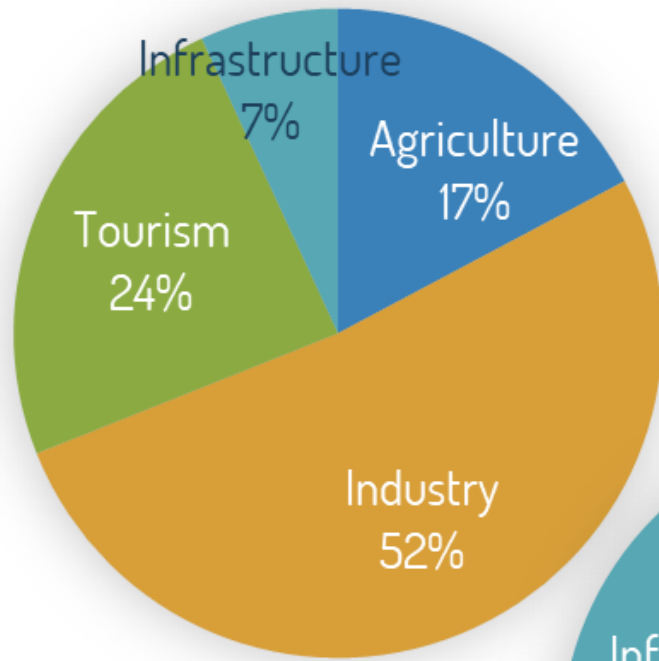


Agreement between the Government of the Kingdom of Cambodia and the Government of the PRC for the Promotion and Protection of Investments  
Agreement on the Establishment of Sihanoukville SEZ  
MOU on Enhancing Industrial Investment Cooperation between CDC and NDRC  
MOU on Promoting Industrial Investment Key Cooperation Projects between CDC and NDRC

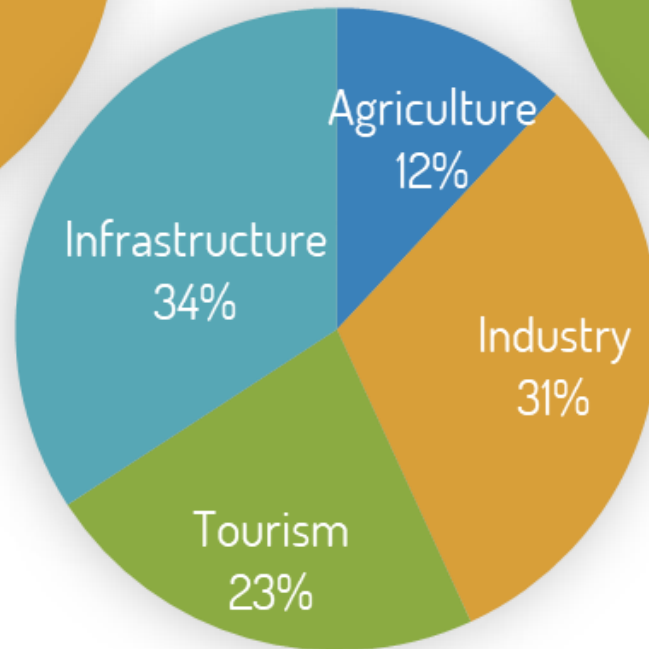


ASEAN-China Free Trade Agreement (ACFTA)  
Regional Comprehensive Economic Partnership (RCEP)  
Greater Mekong Subregion (GMS)  
Mekong-Lancang Cooperation

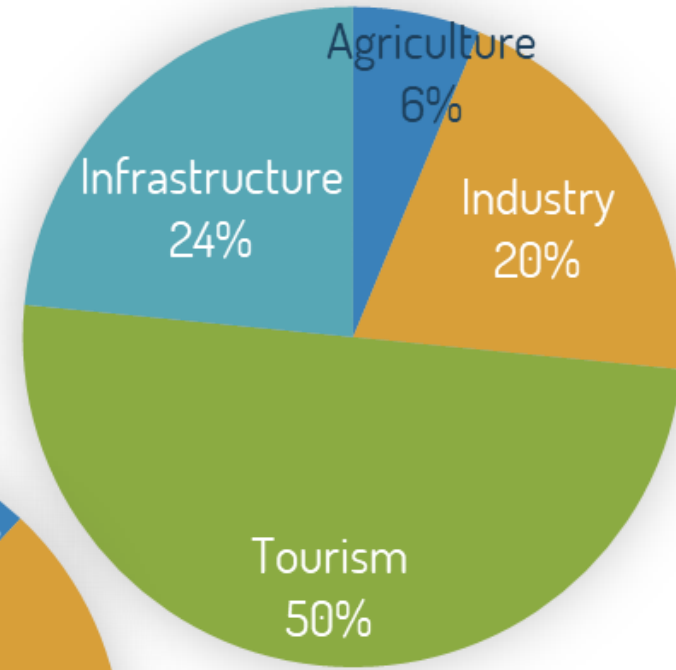
# Investments by Sector



**2012**



**2012-2017**



**2017**

# Investment Incentives and Guarantee

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## Investment Incentives

Corporate Tax: 20%

- Tax holidays: 0% up to 9 years or Special Depreciation
- Full Import Duty Exemption (Construction Material, Machineries, Production inputs for export)
- Exemption of Export Tax
- Suspension of VAT on import for export processing in SEZs

## Investment Guarantee

- No discrimination
- No nationalization
- No requirements of local equity participation
- No price controls on products or services
- No restriction on foreign exchanges
- No capital control

# Investment Incentives and Guarantee

- Tax Holiday Period = Trigger Period + 3 Years + Priority Period
- Priority Period:

Industry	Priority Period			
	0 Year	1 Year	2 Years	3 Years
Light Industry	< \$5M	\$5-20M	>= \$20M	
Heavy Industry			<\$50M	>=\$50M
Tourism	<\$10M	>=\$10M		
Physical Infrastructure		<\$10M	\$10-30M	>=\$30M
Agriculture & Agro Industry				All

- Trigger Period:

Start on the date of FRC and end on the last day of year either

- The year before 1<sup>st</sup> year of profit or
- The 3<sup>rd</sup> year of first income

Whichever comes first



# **Way Forward, Global Mega Trends, and New Emerging Issues**



# RGC's Strategic Action Plan

RGC's Strategic action plan for sustainable development of Industrial Parks

- Enhance efficiency of one-stop service mechanism of SEZ Administration
- Develop specialized SEZ (agro-industry, SME SEZ...)
- Consider incentive framework for both domestic and foreign SME
- Promote the development of industrial cluster through the adoption of “Law on Special Economic Zone”
- Enhance the capacity of Trouble Shooting Committee for SEZs
- Transform Sihanouk Province into multi-purpose special economic zone (IDP 2015-2025)

# Global Mega Trends

- The world is moving toward a new multipolar framework due to the changing global balance of power.
- Global economy, used to be led by the United States and Europe, is now driven by Asia namely China and India.
- Current scientific and technological advancement, namely the “Fourth Industrial Revolution”, will become a key determinant of all aspects of socio-economic development that will generate both challenges and opportunities for the entire globe.
- Climate change and the loss of biodiversity, which leads to global warming and increased unpredictability and magnitude of natural phenomenon such as drought, heatwave, flood etc.

- Going forward, Mekong-Lancang Countries will face a number of internal and external megatrends which will determine the context and direction of development generating both challenges and opportunities.
- This requires Mekong-Lancang Countries to review its development paradigm in the medium to long terms.
- For Cambodia, its socio-economic development will experience a “**New Transformation**”, that is the transition to upper middle-income country.

# New Emerging Issues

- Regional and global economy will remain uncertain due to the “**trade war**” caused by protectionism policy, normalization of monetary policy in developed countries, rapid credit growth in China, increase in oil price, and other issues related to geopolitics, terrorism and global security.
- The assurances of peace, political stability and social order will remain a big challenge due to fragility caused by both internal and external factors.
- The need to develop quality, competent and productive human resources to respond to socioeconomic development demand which is a key factor underpinning the country’s economic growth and competitiveness at present and in the long term.
- Diversification and creation of value added in industry and service sectors.



**Thank you!!!**