

## **US-Cambodian Economic and Trade Relations**

Since the resumption of diplomatic relations with Cambodia in 1992, the United States has been at the forefront of Cambodian development. In 1996, President Clinton signed a bill formally extending Most Favored Nation (MFN) status to Cambodia. The US Government subsequently designated Cambodia as a beneficiary under the Generalized System of Preferences (GSP) in 1997. In 1999, Cambodia and the US signed the Bilateral Textile Agreement (BTA), which is a unique agreement that links labor standards to trade.

The BTA has been an unqualified success. It has boosted Cambodia's image as a labor-friendly country and contributed significantly to its economic development by generating employment for many rural women as well as providing significant amounts of foreign exchange. The BTA is responsible for a robust and booming garment industry with exports of \$1.6 billion in 2003, representing some 40% of Cambodia's nominal Gross Domestic Product (GDP) and 93% of Cambodia's total exports.

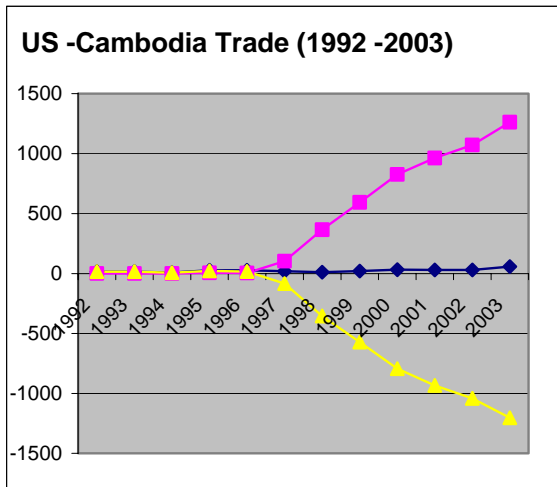
Cambodia has become highly dependent upon the US market. The US has been the single largest trading destination for Cambodia since 1998. Exports to the US totaled \$1.26 billion in 2003, accounting for approximately 75% of Cambodia's total exports. US exports to Cambodia have been minuscule in comparison, albeit increasing from approximately \$20 million in 1999 to \$58 million in 2003.

External funding plays a vital role in the development of Cambodia. As of 2003, the US was the second largest bilateral donor to Cambodia after Japan. American assistance increased from \$30 million in FY2000 to nearly \$72 million in 2004. From the renovation of economically-significant National Highway 4 to the promotion of good governance, human rights, and child and maternal health care, US assistance has helped Cambodians better understand democratic institutions as well as the dangers of infectious diseases such as HIV/AIDS and tuberculosis.

Tourism is another major sector of the Cambodian economy. This year the number of arrivals will most likely reach a record high of 1 million tourists, generating approximately \$511 million in revenue. Since 1997, the United States has consistently been one of the top three providers of tourists to Cambodia.

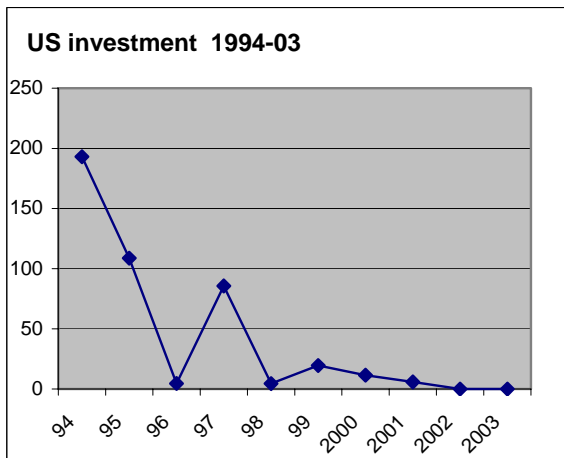
Despite a long slide in overall foreign direct investment (FDI) in Cambodia, the US is still one of the major investors in terms of the cumulative amount of the foreign direct investment. The US ranks third behind Taiwan and Malaysia in FDI. Major US businesses in Cambodia include Caltex, ChevronTexaco, Coca Cola, Unical, Conoco, Shelby, Northbridge and R.M. Asia.

Although since 1997 the US government has limited direct assistance to the Cambodian government, the economic and trade role of the US remains influential.



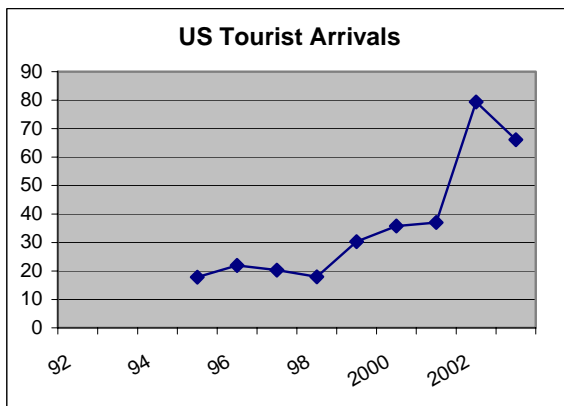
Source: US government

The US trade balance with Cambodia has been in a deficit since 1997. The deficit jumped from \$84 million in 1997 to \$794 million in 2000. In 2003, US imports from Cambodia reached a record high of \$1.2 billion, of which the garment industry accounted for 85.4%. Exports to Cambodia have increased slightly since 1998.



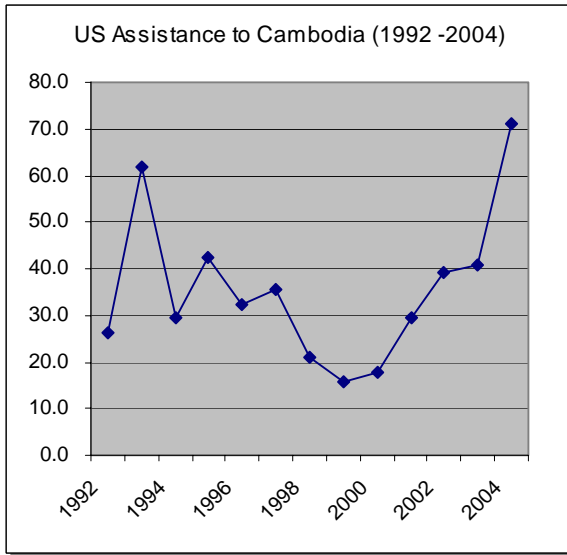
Source: Cambodian Government

Cumulatively, the US is among the top three foreign investors in Cambodia at some \$500 million. However, the overall investment picture in Cambodia, including FDI from the U.S. as shown on the left, has been grim since 1998.



Source: Ministry of Tourism

The number of US travelers to Cambodia has been increasing since 1998 albeit with a slight decline in 2003 due to Iraq and Sars. The number of US tourist arrivals was 79,363 (11% of total) in 2002 and 66,123 in 2003.



US assistance to Cambodia jumped from \$26 million in 1992 to \$62 million in 1993 but bottomed out by \$ 16 million in 1999. As of 1997, direct US aid to Cambodia was congressionally restricted. Since 2000, there has been a gradual return of US assistance, up to \$41 million in 2003. In FY 2004, including assistance from other US agencies such as CDC and DAO, the amount of aid reached some \$72 million, which makes the US the second largest donor after Japan.

**Source:** USAID, Phnom Penh, from 1992 to 2003, assistance from other US agencies such as Center for Diseases Control (CDC), Defense Attaché Office (DAO) is not included.