

CAMBODIA



Section	Category
Performance	D
Procedures	D
State Participation	E
Legal	D
Welfare/Rights	D



ADMINISTRATION

GENERAL	
Responsibilities	Minimum level of responsibilities
Crewing	No restrictions on nationality
Location	Located outside boundaries of state
Operation	See note below
STCW status	Does not appear on the White List
REGISTRATION	
Eligibility	Open register
Fees	Low
Taxation	Low tax regime

Note

In August 2002, the Cambodian government took back control of the registry from its operators, Cambodia Shipping Corporation (CSC), and has put the operation out to tender. The register has yet to be re-launched, although the government state that it will be operated out of Cambodia itself. As of time of writing, CSC's website makes no mention of this change and still advertises its wares as 'the exclusive and principal agent of the Cambodia Ship Registry by the Government'¹. The information below refers to the practice of the CSC.

General.

The Cambodian register was re-launched as an open registry in 1995 as part of a portfolio of government policies designed to attract foreign capital into Cambodia. The register is one of the fastest growing in the world, and promotional literature stresses the almost complete lack of restrictions and ultra-low costs involved.

¹ Cambodia Shipping Corporation, www.maritimechain.com/csr/default.asp.

Responsibilities.

The Cambodian administration accepts only the bare minimum of responsibilities for vessels flagged to its register. The register is run purely for profit, with limited interest being shown in issues of vessel safety or crew welfare.

Crewing.

There are no restrictions on the nationality of either officers or crew. The minimum manning standards for the safe operation of a vessel are determined by the office of the registrar on the basis of the type and size of the vessel. A temporary safe crewing certificate can be issued without even the most cursory of inspections.

Location.

The register is located in Singapore.

Operation.

The register was run by the Cambodia Shipping Corporation (CSC), a private enterprise that has complete autonomy from the Cambodian government.

Certification/Training.

The Cambodian government is studying the possibility of setting up a maritime training institute to train young people to become professional deck and engine officers, as well as ordinary seafarers. The registry issues seafarers' books if shipowners so requested. Seafarers' books issued by other approved administrations are also acceptable. Cambodia does not appear on the IMO White List.

Registration – eligibility.

According to the operators of the registry, there are no restrictions on the ownership of any vessel registered in the Cambodian Ship Registry. Any legal entity capable of owning vessels under the law of the country in which it is established or domiciled may be registered as an owner. Any vessel used in navigation, including non-propelled vessels, fishing vessels and pleasure yachts, may be registered. A Cambodian vessel may also be bareboat chartered out and registered under another flag for the duration of the charter.

Fees.

The scale of fees is as shown in the table below.

Initial fees	
NT	Fee (US\$)
Under 300	15.00
300 and above	0.05/NT or fraction thereof
Annual tonnage tax	
Under 300	30.00
300 and above	0.10/NT or fraction thereof

Taxation.

Other than the official fees applicable to vessels, non-resident shipping companies/owners are not required to pay corporate/personal taxes of any description.

Additional Salient Information

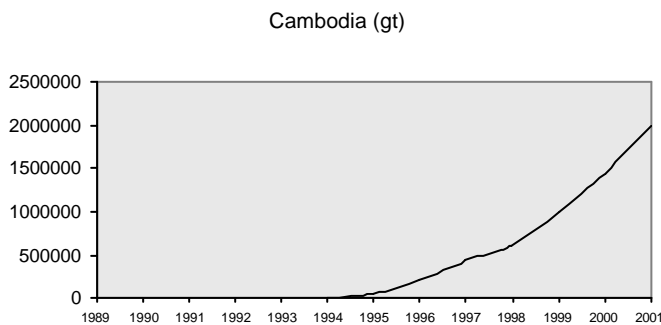
The Cambodian Registry offered a 24 hour service and is able to process applications within an hour, on the strength of faxed documentation alone. Provisional registration is available on payment of fees, and a temporary safe manning certificate can be issued without even a cursory inspection. Additionally, from 1-June-2000, Cambodia has offered online ship registration at www.csrship.com.

In response to the extremely poor record of the Cambodian registry, two classification societies, LR and DNV have given notice on their agreements to act on behalf of the registry (*Lloyds List*, 30-September-2002).



FLEET

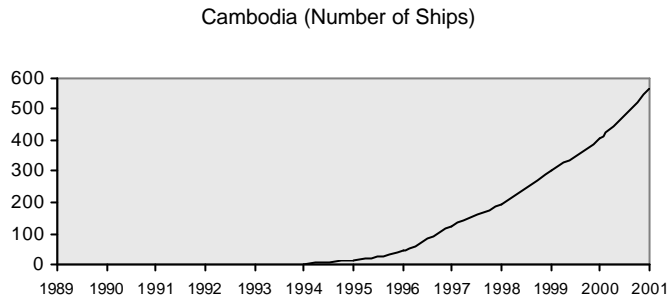
STATUS (2001)	
Number of Ships	564
Gross Tonnage	1,996,738
Average Age (years)	26
Foreign Ownership (%)	70.4
Casualty Rate- Vessels (%)	1.241
Status (ITF)	FOC
TRENDS 1989-2001	
Number of Ships	Increasing
Gross Tonnage	Increasing
Average Age	Fluctuating



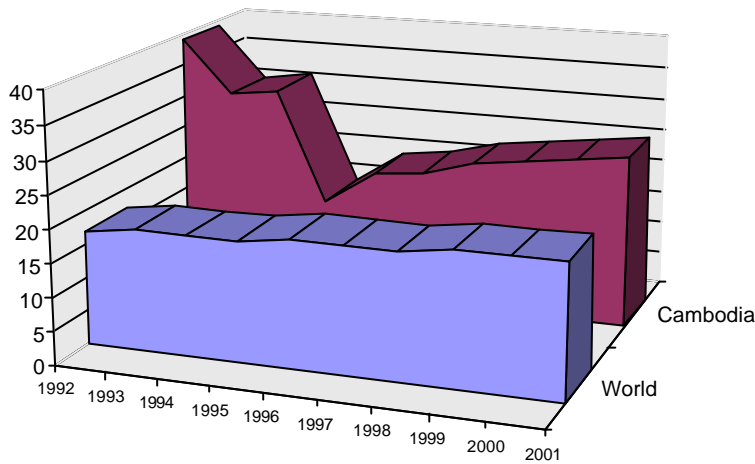
(Source: Lloyd's Register-Fairplay, World Fleet Statistics)

Over the period 1989-1994 Cambodia's register was inactive. Since its reactivation in 1995 it has exhibited a net increase in tonnage of 3,230% (up from the 1995 level of 59,958 gt to 1,996,738 gt in 2001). During the interval 1995-2001, the trend has been a reasonably large and constant rate of increase in tonnage.

In terms of numbers, the register has shown a similar trend with a net increase of 3,425% during the period following reactivation of the register (1995: 16 ships, 2001: 564). During this period the trend has been a reasonably large and constant rate of increase in the number of ships registered.



(Source: Lloyd's Register-Fairplay, World Fleet Statistics)



(Source: Lloyd's Register-Fairplay, World Fleet Statistics)

Prior to the reactivation of the Cambodian register the average age of vessels was in the highest echelons. However, the post-reactivation period initially exhibited a significant decrease in the age profile. From its lowest level of 15 years in 1995, the age profile has

displayed an upwards trend, reaching 26 years in 2001, with the result that apart from 1995, the mean age of ships registered to this flag has remained above the world average.

Structure of Beneficial Ownership (April 2002)

Country	Number of Ships	Percentage of Cambodian Registered Ships
Belize	8	1.3
British Virgin Islands	9	1.5
Cambodia	180	29.6
China, People's Republic of	27	4.4
China, Republic of (Taiwan)	6	1.0
Cyprus	16	2.6
Greece	17	2.8
Honduras	9	1.5
Hong Kong, China	19	3.1
Japan	8	1.3
Korea (South)	24	3.9
Lebanon	5	0.8
Panama	8	1.3
Russia	36	5.9
Saint Kitts-Nevis	8	1.3
Singapore	21	3.5
Syria	11	1.8
Turkey	16	2.6
Ukraine	10	1.6
United States of America	17	2.8
Other	48	7.9
Missing/Unknown	106	17.4
Total	609	100.0

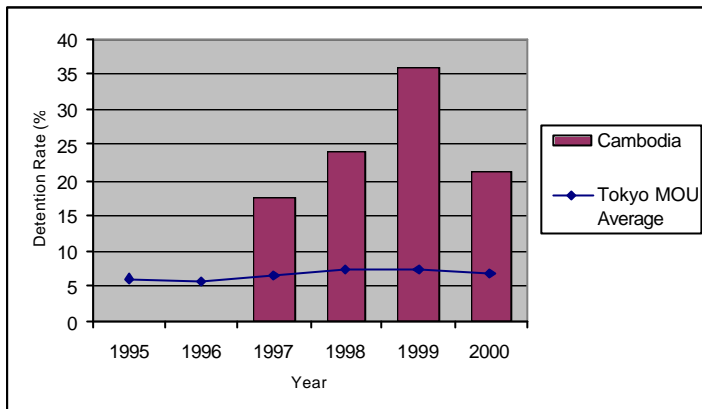
(Source: Lloyd's Register-Fairplay, Register of Ships on CD-ROM)

According to the Lloyd's Register-Fairplay database, ships that are beneficially owned and controlled in foreign countries account for 70.4% of the total fleet.

There is no clear concentration of ownership of ships registered to Cambodia. However, given that the figures for the country of economic benefit are substantially incomplete and list Belize, Panama and Honduras, they must be regarded with a great degree of scepticism.

Port State Control

Tokyo MOU



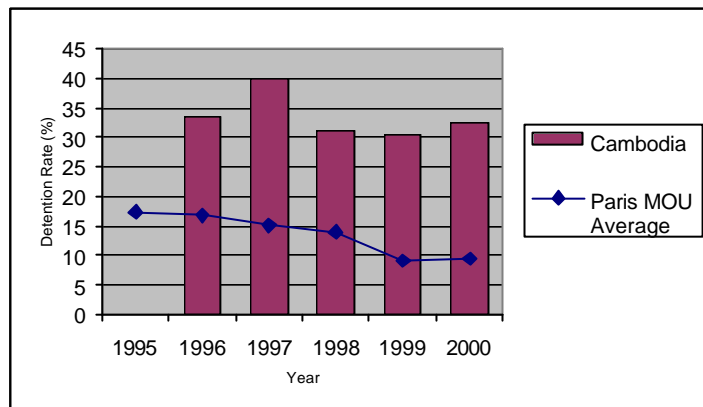
(Source: Tokyo MOU, Annual Reports)

In the years 1995 and 1996, there were no inspections. Cambodia's detention rate fluctuated over the period 1997 to 2000. In overall terms, it has shown an increase of 3.6 percentage points from 17.6% to 21.3%. However, in comparison with the regional rate, Cambodia has consistently

exceeded the regional average by a level of between 11.2-28.8 percentage points.

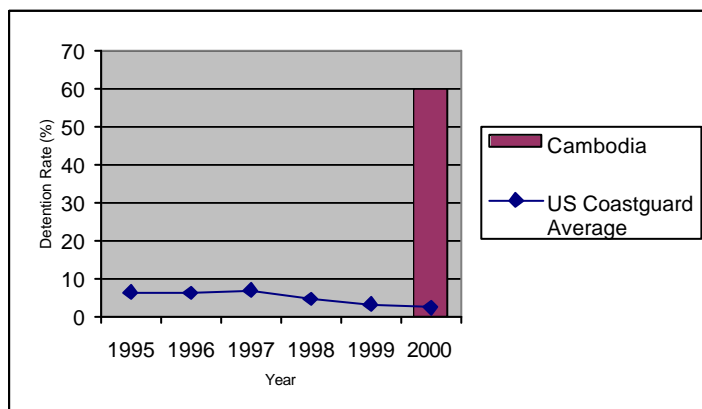
Paris MOU

In the year 1995, there were no inspections. Cambodia's detention rate fluctuated over the period 1996 to 2000. In overall terms, it has shown a reduction of 0.7 percentage points from 33.3% to 32.6%. However, in comparison with the regional rate, Cambodia has consistently exceeded the regional average by a level of between 16.6-23.1 percentage points.



(Source: Paris MOU, Annual Reports)

US Coastguard



(Source: US Coastguard, Port State Control Reports)

Due to the small number of inspections, care must be exercised in interpreting PSC data for Cambodia. During the years 1995-1998 there were no inspections. For the years in which inspections were carried out, the detention rates were 0% in 1999 and 60% in 2000.

Summary of Individual MOUs: 2001 Reports (all rates refer to 2001 figures only)

TOKYO	
Detention Rate (%)	29.48
Regional Average (%)	7.76
Exceeds 3 year rolling average	Yes
PARIS	
Detention Rate (%)	23.45
Regional Average (%)	9.09
Status	Black List (very high risk)
US COASTGUARD	
Detention Rate (%)	16.67
Regional Average (%)	2.21
Status	Targeted

**SEAFARERS**

SEAFARERS	
Own citizen labour force participation (%)	0
Crew complaints ITF (No.)	29
Crew complaints Mission to Seafarers (No.)	0
Cases of Abandonment (1999-2000)	1
Average death rate per year (1997-1999) (%)	0.0417
Labour force records/statistics	N/K
Health screening	N/K
Welfare provisions	N/K
Interest groups	No

Labour force composition.

COUNTRY OF CITIZENSHIP	% OF SEAFARERS
Russia	36
Ukraine	16
Philippines	10
Bulgaria	9
Myanmar	7
Egypt	6
Romania	6
Greece	3
India	2
Korea	2
Pakistan	1
Sri Lanka	1
Others	1

(Source: SIRC, Seafarers Database)

There are no Cambodian seafarers working aboard Cambodian flagged vessels. There is a concentration within the labour force to three labour supplying nations, Russia, Ukraine and the Philippines, which together account for 62% of seafarers.

Crew complaints: ITF.

During the period 1994 to 1999 the ITF took 5397 actions. Of these actions, 29, or 0.53% of the total, related to Cambodian vessels. If an even distribution of actions over the 6 years in questions is assumed, then the number of actions as a ratio of fleet size in 1999, represents 1.6% of Cambodian flagged vessels. The main problems cited in these cases are shown in the table below.

Problem	Number of cases	% of total cases
Owed wages	13	45
No ITF approved CBA	6	21
Delayed allotments	2	7
Abandonment	1	3
CBA not complied with	1	3
Others	6	21
Totals	29	100

Crew complaints: Mission to Seafarers

During the period 1994 to 1999 the Mission to Seafarers dealt with 1549 'Justice' cases, and 1110 'Welfare' cases. The flag of the vessel has not been recorded in the majority of cases (in 61.3% and 95.9% of cases, respectively). In those cases where the flag is known, there were no Justice and no Welfare cases in respect of Cambodian flagged vessels.

Abandonment.

According to the ITF, in the period 1999-2000 there was 1 case of abandonment occurring on vessels appearing on this register. In the interval 1995-1998, there were zero cases.

Deaths.

According to the databases, during the three year period 1997-1999, there were 3 occurrences of seafarers dying or being reported missing as a result of vessel casualties. This figure represents an annual average rate of 0.0417% of seafarers serving on board Cambodian flagged ships.

Labour force records/statistics.

Not known. However, it is worth noting that the government has yet to ratify any of the relevant maritime conventions in this respect.

Health screening.

Not known. However, it is worth noting that the government has yet to ratify any of the relevant maritime conventions in this respect.

Welfare provisions.

Not known. However, it is worth noting that the government has yet to ratify any of the relevant maritime conventions in this respect.

Interest groups.

There are no maritime interest groups operating in Cambodia.



LABOUR LAW

LABOUR LAW	
Rights of association/recognition	Yes/Yes
Right to strike	Yes
Access to arbitration	Yes
ITF agreement coverage	2.0%

Rights of association/recognition.

The Labour Law of 1997 gives workers the right to form and join unions without requiring prior permission. However, concerns have been expressed that the procedures put in place for the official registration of unions are over-complex and hampered by excessive bureaucracy. Union density is very low; approximately 1% of the labour force is unionised (although in certain sectors, e.g. the garment industry, density is as high as 10%). Additionally, the enforcement of these rights by the government is generally inadequate, because it is both under-resourced and lacks experience in these matters. For example, the Ministry of Labour has accepted the registration of one union that requires workers to obtain permission before they can withdraw their membership. The legislation provides the right to organise and bargain collectively, although the incidence of the latter is very rare. Although the Labour Code prohibits anti-union discrimination, the government does not adequately enforce these provisions. The law is somewhat ambiguous concerning the status of shop-stewards and their election, indeed there are a number of instances where compliant or pro-management stewards have been elected to office.

Right to strike.

Although the right to strike is enshrined in the Labour Law, the vast majority of strikes are not carried out in accordance with this legislation. When such disputes occur in a peaceful manner, the government has not intervened to any great degree. However, violent actions have met with police intervention. Although the legislation protects workers from reprisals due to strike action, there are examples of workers being forced out of employment on this basis.

Access to arbitration.

Under the labour code, all labour disputes should, as far as possible, be settled by mediation. If the dispute is between an individual employer and one or more employees, and if mediation has failed, the parties may bring the dispute to court. If a dispute is collective and the mediation process has been unsuccessful, then all of the parties must subject themselves to the arbitration procedures laid out in the Labour Law.

ITF agreement coverage.

The percentage of Cambodian flagged vessels that are covered by ITF agreements is 2.0%.



COMPANY LAW

GENERAL	
Type of Company	<i>Société anonyme</i>
Disclosure of Beneficial Owner	No
Tax on Offshore Profits	Yes
Average Incorporation Time	45 days
Cost of Incorporation	N/K
CORPORATE REQUIREMENTS	
Minimum Number of Shareholders	Seven
Minimum Number of Directors	Three
Bearer Shares Allowed	No
Corporate Directors Permitted	No
Company Secretary Required	Yes
Standard Authorised Share Capital	Riel 100 million (minimum) (\$ 25,974)
LOCAL REQUIREMENTS	
Registered Office/Agent	Yes
Company Secretary	Yes
Local Directors	Yes
Local Meetings	Yes
Government Register of Directors	No
Government Register of Shareholders	No
ANNUAL REQUIREMENTS	
Annual Return	Yes
Submit Accounts	Yes
RECURRING GOVERNMENT COSTS	
Minimum Annual Tax/Licence Fee	Variable
Annual Return Filing Fee	Variable

Note.

Cambodia's Foreign Investment Law is designed to attract investment into Cambodia itself, i.e. the law exists in order to enhance the overall economic well-being of the country itself. To this end Cambodia's company law is not designed to attract highly mobile capital, the contribution of which to Cambodia would be limited (apart from registration and licence fees). Cambodia is still not considered to be an ideal or stable

environment for foreign capital. A typical comment is that 'Due to the changing investment environment in Cambodia, investment opportunities should always be considered with caution. Detailed legal advice is essential'. (Johnson, Stokes, and Master).

Transparency of Beneficial Ownership.

As its name suggests, the registration of a *société anonyme* in Cambodia does not require the disclosure of any details of the Beneficial Owner to the Cambodian Government, and under no circumstances can these details be accessed through public records. Cambodian company regulations do not allow the issuance of bearer shares, thereby limiting the opacity of ownership. Regulations do not require that the structure of share ownership be revealed to the relevant authorities, nor does the government require a register of directors.

Speed of Incorporation.

In 'tax haven' jurisdictions, the time taken for the incorporation of offshore companies ranges from 24 hours to 9 weeks (it is worth noting that the second highest time for incorporation is 6 weeks). Company incorporation time in Cambodia is 45 days (although in practice it may be longer), which in comparison with 'tax haven' jurisdictions is a lengthy period.

Cost of Incorporation.

The price of incorporation, duty and basic first year cost in a 'tax haven' jurisdiction varies from \$2,500 to \$16,850 (it is worth noting that the second most expensive is \$8,500). The cost of incorporating a *société anonyme* in Cambodia is not known.

Taxation Level on Offshore Earnings.

Although all companies present on the Cambodia register of companies are liable for tax on all earnings howsoever and wheresoever derived, there are a number of incentives available to foreign investors, namely:

- Up to eight years' exemption from corporate income tax.
- Up to five years' loss carry forward.
- 100% exemption from import duties over a fixed period to be specified.
- Tax free repatriation of profits.
- Tax free distribution of dividends and profits.
- Freedom to employ foreign expatriates where the availability of qualified Cambodians is limited².

Requirement for Annual Audited Accounts.

There is a requirement for Cambodian registered companies to produce annual audited accounts; however it is recognised that the quality of Cambodian accounting requirements is not up to international standards.

² Actual incentives awarded may not include all of the above, which are the maximum that are available, and the incentives actually granted vary in practice.

Required Presence in Jurisdiction.

The legislation for the incorporation of companies in Cambodia demands a significant participation in the jurisdiction itself: the Board of Directors must comprise a minimum of three natural persons; the maintenance of a symbolic presence in Cambodia through the medium of a registered office or agent; the need for a Cambodia-resident company secretary; and, formal company meetings must be held in Cambodia. However, there are no Cambodia-residency requirements for directors of the company.



GOVERNANCE

GOVERNANCE	
Politico-Economic Risk	Not Surveyed
Corruption	Not Surveyed
Harmful Tax Regime	No
Anti-Money Laundering Legislation	Sufficient

Government's Relation to International Capital.

Cambodia's 1994 law on investment is explicitly designed to attract foreign capital to Cambodia by providing an open and liberal investment climate. This law offers foreign investors the same rights as Cambodian nationals, and there is little restriction on the nature of the operation. However, a number of foreign businesses have reported implicit discrimination by virtue of the nature of business practice in Cambodia. If a business does not engage in certain corrupt practices, fails to evade tax, and implements the full extent of Cambodian labour law, then it is at a disadvantage. At the current time, there is a large gulf between the prescribed legislation governing economic activity and the enactment of those laws in reality.

Politico-Economic Risk.

The 2001 International Country Risk Guide produced by the PRS Group does not analyse Cambodia, hence no composite Political, Financial, and Economic Risk rating is available.

External Assessment-OECD.

- Money Laundering.

The OECD- FATF has not expressed any concerns over the content and attendant structures of Cambodian anti-money laundering legislation.

- Harmful Tax Competition.

Although it conforms to factors 1, 2, and 3 of the OECD's tax haven criteria, the fact that there is a requirement for a 'substantive presence' in the country means that Cambodia does not appear on the OECD list of Harmful Tax Regimes.

Corruption.

Cambodia is not surveyed by Transparency International and therefore does not appear in the Corruption Perceptions Index; nor does this country appear in the 2001 International Country Risk Guide produced by the PRS Group.