

## South Korean investment changes Cambodia

By Raphael Minder

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A young Cambodian couple smile for David Kim, the South Korean photographer, as he takes their wedding pictures.

Last November Mr Kim moved with his wife to Phnom Penh, the Cambodian capital, using the proceeds from the sale of his photo shop in Seoul to open Luk Studio. The business has made “a really good start” as more and more Cambodians turn to professionals to capture their union, he says.

Although his business is still in its infancy, Mr Kim has already hired three people to help manage bookings and photo shoots.

“I had my company in Korea for three years, but demand wasn’t growing any more and there was simply too much competition,” says the 32-year-old. “I can already say that I am the number one here because nobody was really offering this [service] professionally.”

Mr Kim is making a grassroots contribution to a much more substantial flow of South Korean money and expertise entering Cambodia.

Last year South Korean investments there grew fivefold, making Cambodia the second-biggest recipient of Korean investment after China, according to the Korean International Trade Association. South Korea briefly overtook China two years ago as the biggest source of foreign direct investment, accounting for 23 per cent of projects approved by Cambodian authorities that year. Although China regained its leadership, several large-scale Korean projects are in the pipeline, in sectors including construction and finance.

Observers find it hard to explain exactly why Koreans have zoomed in on a country that is not particularly close to them, either geographically or culturally. “A lot of Korean businessmen are looking to invest abroad and somehow Cambodia seems to be now better known, particularly among small and medium-sized businesses, than other countries,” says Anh Ho-young, South Korean deputy trade minister.

One suggestion is that the historic disconnect between the countries has helped. Decades of war have fuelled a profound distrust in Cambodia of its neighbours.

Also, “Koreans are Asia’s most adventurous frontier market investors right now”, says Douglas Clayton, who has been investing in south-east Asia for two decades and manages Leopard Capital, a Cambodian fund.

“They understand how Korea itself was rapidly developed from a frontier market into a developed society and see the possibilities to repeat that process in transitional economies like Cambodia.

“For historical reasons, Koreans are not eager to place all their bets on China, so they are interested in alternative low-cost production centres,” he adds.

The most visible sign of South Korean investment in Cambodia is the redrawing of Phnom Penh's skyline. Two Korean construction companies are erecting skyscrapers that will be the city's tallest buildings.

Meanwhile, a joint venture between Korean and Cambodian companies is developing a satellite city, appropriately named Camko City. The \$2bn (€1.4bn, £1bn) project is financed by Shinhan, a Korean bank, and is also due to house Cambodia's future bourse – again with financial as well as training assistance from the Korean stock exchange.

In the six years since he arrived in Cambodia, Won Jong-min estimates the Korean community has grown from less than 500 to about 10,000. He settled there "not because of business but because I fell in love with the beautiful nature" around the temples of Angkor Wat, Cambodia's cultural treasure.

Mr Won has since founded K-Channel, a Korean-language broadcaster that is expanding rapidly and is expected to break even after just two years on the air.

His success owes much to the fact that Koreans remain close-knit and rarely learn Khmer, even though many marry Cambodians or form property partnerships with locals to circumvent restrictions on foreign land ownership.

"Demand for more Korean [TV] content and entertainment is very strong," says Mr Won.

Some pundits date the flourishing of business ties between the two countries to a state visit by Roh Moo-hyun, the former South Korean president, in late 2006, accompanied by a cohort of Korean executives.

Hun Sen, Cambodia's long-standing prime minister, has also encouraged an open door policy. Last year, when a Cambodian chartered aircraft crashed on a domestic flight with 13 Koreans among its 22 passengers, he headed the search-and-rescue team, a gesture that did not go unnoticed in Seoul.

"It's very rare for any prime minister to lead this kind of rescue, and I think it shows just how close this prime minister feels to Korea," says Mr Anh.