



# Sovereign Man

Notes from the Field

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If you're an eager expat looking for inexpensive adventure and opportunity, you might want to think about Cambodia. I'll run down a few of the highlights.

First, it's important to get a clear understanding of where you're starting from. Cambodia is an incredibly poor country. Like much of Southeast Asia, it's had an excellent economic run over the last few years, consistently growing between 7-10%. **GDP per capita, however, is still a paltry \$2,000.**

There are a number of growth catalysts which suggest that this number will probably double or triple in the coming years. When you start off at close to the ground level, it doesn't take much to move the needle.

**One of the most compelling opportunities here is in the agriculture sector.** Cambodia has some of the cheapest productive property in the world that I've seen, far cheaper than in neighboring Thailand or even in South America. What they lack here is value-add capacity.

Take rice, for example. Rice is becoming a significant export in Cambodia, yet the country lacks the capability to turn its raw paddy rice into refined, more expensive grain.

Much of the rice is shipped off to Thailand at below-market rates where it is milled, repackaged, and sold at a much higher price as refined Thai jasmine or basmati.

Land costs and operating costs are both much lower in Cambodia... and given the country's relative stability and sea access, it's much easier to achieve economic scale here. There is little reason why the entire value chain cannot take place in-country... from growing to processing to transport.

Seafood and other agricultural commodities are in the same boat, so to speak.

**Tourism is another key driver for future economic growth.** Cambodia receives a tiny fraction of the number of tourists that Thailand, Malaysia, and even Vietnam receive, yet the country's beautiful coastline, cultural treasures (like Angkor Wat), and accommodating locals certainly rival regional competitors.

The issue with Cambodia is simply a promotional one... and that's something that can be addressed with time, effort, and a cleverly-deployed marketing budget. There is already a steady rise in Chinese and Singaporean tourists coming to the country, and Cambodia's

reputation is slowly beginning to spread.

**Manufacturing is another compelling sector** in Cambodia. China still dominates Asian manufacturing, but the more China transitions to a fully developed nation, the less competitively it can manufacture cheap goods.

Cambodia is best positioned among its neighbors to take over from China as it has several competitive advantages: the labor market is young and fairly well educated. The port facilities are reasonably developed. And believe it or not, Cambodia's dollarized economy makes international trade and cost structure predictable.

Now, to be involved in Cambodia, **you definitely have to be here**. This isn't a place to have a factory that you drop in on every few months-- being here full-time is key. If I were in-country full time, I would focus on a key trend: the rising incomes of average Cambodians.

As the economy continues to grow, Cambodians across the board will become wealthier. And in the developing world, it's a simple progression. When people are totally broke, they walk. When they have a bit of money, they buy a bicycle. Then a motorbike. And finally a car.

They start using more electricity, purchasing more expensive mobile phone plans, eating out more often, buying sweets, upgrading their beer selection, etc. You won't find iPad sales skyrocketing here anytime soon, but simple pleasures do extremely well in this sort of environment.

Last, I should mention that both foreigners and their capital are treated well in Cambodia. **Taxes are low (0% to 10%)**, and the country lacks the political instability that Thailand seems to undergo every few months.

Overall, for both foreign investors and entrepreneurs, Cambodia is a solid bet. There are a lot of opportunities to make some serious money here, and the start up costs are negligible. Best of all, it's a pretty great lifestyle to boot. More on that later.

Bottom line, **it's not all doom and gloom out there**. Major economies are cratering for sure, and this is going to force a fundamental change in the way that the world works. But for an intrepid, creative spirit, there is really an ocean of opportunity just waiting to be tapped.