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**World Investment News** *Top Reports*



## **Top report on CAMBODIA Discovering an emerging potential in Asia**

Top Report, Feb 13 th, 2004

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# ***COUNTRY REPORT***

## AGRICULTURE



The agricultural sector, including rice farming, livestock, forestry, and cultivation of other crops, provides direct employment to more than 75% of Cambodia's labour force. According to the Ministry of Finance, agriculture accounts for 37% of GDP. Excellent rice harvests in 1999 contributed to Cambodia's better than expected economic growth. With its large amount of arable land, ample rainfall, and close proximity to the major ASEAN markets of Thailand and Vietnam, Cambodia has strong growth potential in the agriculture sector.

A number of plantation agriculture projects are already underway in the areas of palm oil, cashew, coffee, tea, and vegetable production.

### ***A growth potential sector***

The government has taken note of the growth potential of the sector as well as the important role increased agricultural production can play in reducing rural poverty in Cambodia. The Ministry of Agriculture, Forestry and Fisheries ([www.maff.gov.kh](http://www.maff.gov.kh)) has also been designated as one of four priority ministries to receive expanded budgets.

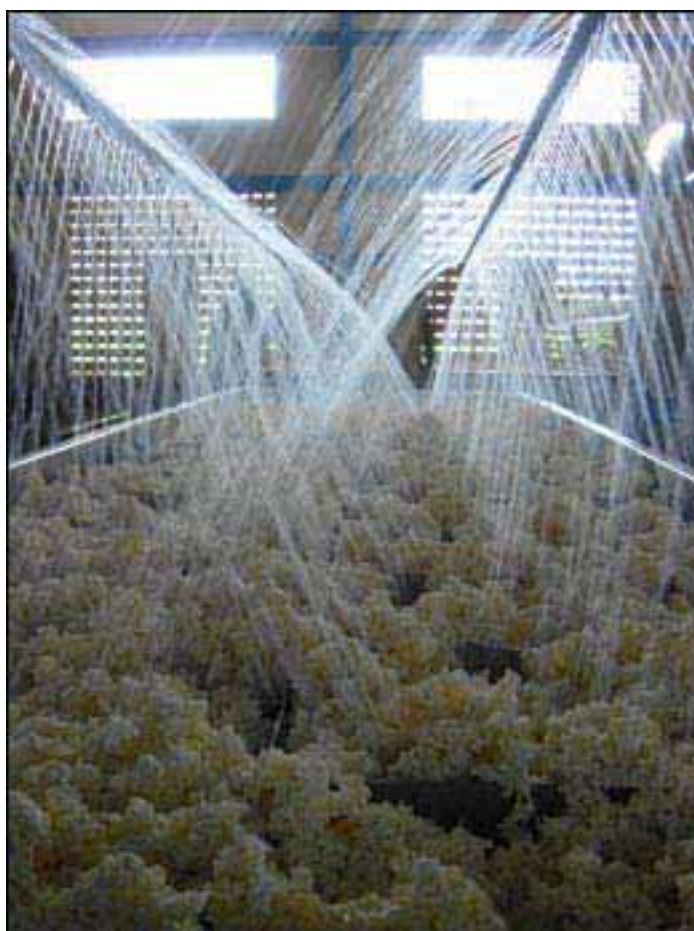


The potential is tremendous. The employment of new technology and the addition of capital will produce rapid growth and significant gains. Government of Cambodia also provides generous incentives for foreign investors in the area of agricultural production to further encourage growth in this sector. As explained the Minister of Agriculture, Forestry and Fisheries, H.E. Chan Sarun, the ministry has established four main priorities to develop the sector such as the diversification. He mentioned "We can for instance develop the aquaculture where we have already success or products like tobacco, cashew nuts and coffee destined to the agro-industrial sector". The second priority is to encourage the investment on the agro-industrial sector, which lies "in the center of our development policy in order to give a way out for production and also create an added value". The introduction of new technologies and know how, with modernisation and mechanisation of the sector will help increase the production and profitability, and therefore increase the investment. As the Minister underlined, "We first of all implemented our tax policy, establishing an exemption for the imports concerning all materials needed by the farmers".

### ***Rice and rubber, the most significant opportunities for growth***

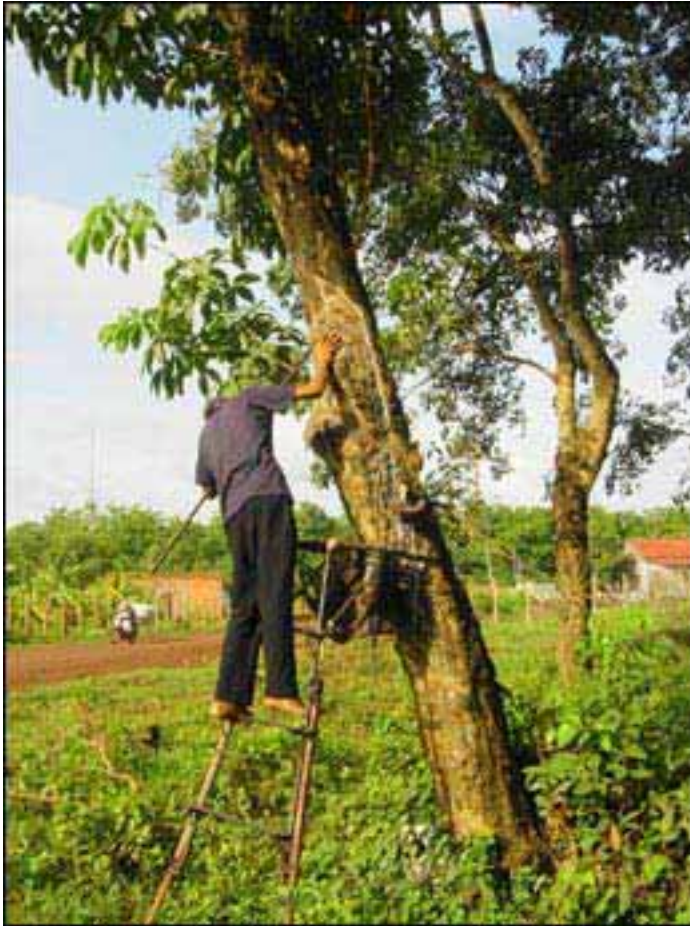
Rice production accounts for approximately 15% of GDP, yet yields remain low. Government efforts to increase rice production have been quite successful and

led to an increase of 30% over the last five years. With rice-import demand in Asia forecast to grow by as much as 70% over the next thirty years, there is certain to be an export market for rice if Cambodian production increases. In this field we have to underline that the Cambodian rice, even through less competitive than its neighbours such as Vietnam or China, has a higher quality and have always been renowned. Nowadays the tendency is to develop a bio rice of a superior quality. Within this context national companies have taken the opportunity and are selling their production essentially to external markets. An example of it is Angkor Kasekam Roonroeung Co., Ltd. , with Mr. Chieu Hieng as CEO, the company has invested heavily into preliminary studies to find the best ground and into modern equipment to guarantee the best quality for a rice that is being exported to several countries in the world. Bio-products is their motto and the company actually forbids its farmers to use any kind of chemical fertilizers.



Concerning rubber, it is the one of the most significant opportunities for growth in Cambodian agriculture. As for the rice, the average quality of rubber in Cambodia is particularly high despite a lack of certification in the sector that is currently under achievement with collaboration with the Malaysian certification institute. Current levels of production are only a quarter of their volume in the mid-1960s.



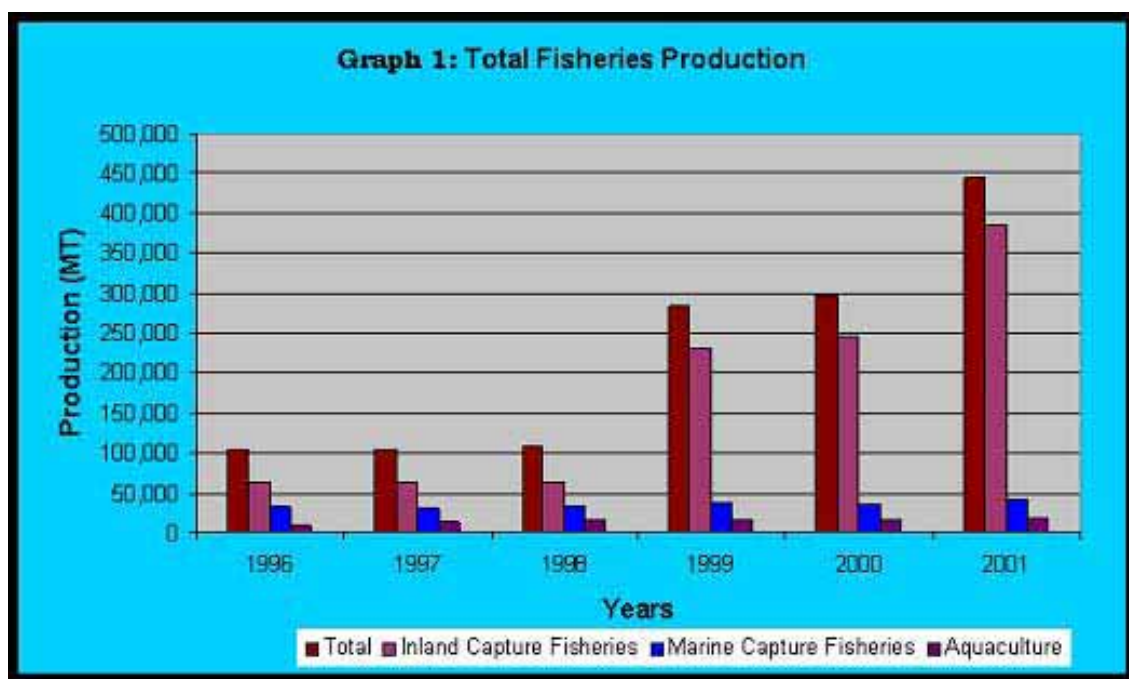


The main attraction in the sector and appeal to foreign investors, from the government to develop the sector, is the privatising of public rubber plantations. In words of H.E. Ly Phalla, Director General of the General Directorate of Rubber Plantations: "Our main priority is to create jobs and provide a reliable source of income to the farmers (...) we know that we need foreign investors to develop the industrial exploitation, they have to meet our expectations and we have to fulfil their needs too". In addition, close to 280.000 hectares of land are estimated to be available and readily accessible for rubber production.

Since this is a labor-intensive industry, Cambodia's relatively cheap labour would be an advantage and the plantation directors are eager to receive new partners: "In Cambodia we have about 280.000 Hectars of suitable red land (...) for the rubber plantations, as you can imagine there is plenty of room for new investors (...) and we are actually carrying on a policy of partnership research. We want to develop, during the coming years, processing industries of the rubber in order to be able to export products which have an higher added value." said Mr. Mak Kim Hong, Chairman and Managing Director of the biggest rubber plantation in Cambodia, Chup Rubber Plantation.

## Fisheries

The fisheries sub-sector accounts for approximately 5% of Cambodia's GDP relative to livestock and has a potential to increase its contribution to economic growth. The government's goal is to increase production while preserving environmental integrity and maintain per capita consumption. One of the priorities is to increase incomes through greater value added activities, such as commercial shrimp farming for export.



Since domestic capacity for offshore fishing is currently limited, the government will continue to allow foreign access to Cambodia's fishing grounds. The management of inland fisheries is in fact, dominated by a system of lots or concessions, auctioned out by the government to private business. However, fishing lot boundaries are often not clearly defined or communicated to local communities. In order to protect people's live hood and natural resources, various institutions have been piloting another approach, namely community fisheries. It has helped reduce illegal fishing by up to 60%.

## Forestry

Close to 60% of Cambodia's land area is forested and constitutes a major national asset. Nowadays Cambodia produces honey, wood spirit, resin, rattan, bamboo, cardamom, bark and medicinal plants from its forested lands. Wood is also still the primary source of fuel in Cambodia.

The government is in the process of developing sustainable forestry management plans that will both contribute to Cambodia's economic output and be environmentally sound. To this end, the Royal Government adopted a

forestry sector strategy which is based on three pillars: sustainable forest concession management policy, where timber exploitation is strictly controlled according to international forestry standards; a system of protected areas to preserve the country's unique biodiversity and endangered species; and a substantially stronger community forestry development program.

To establish a comprehensive legal framework for forest management, the RGC issued a governmental Decree on Forest Concession Management in February 2000. This decree has also been reinforced with a Forestry Law, drafted with technical assistance from the ADB, and a government Decree on Community Forestry to be submitted to the Council of Ministers in the near future.

Despite the great improvements, there are still factors limiting agricultural production including unclear land ownership, a lack of irrigation infrastructure, inadequate transportation infrastructure. Nevertheless, the country's infrastructure improved gradually in the 1990s, largely due to massive infusions of foreign assistance. Nowadays agricultural products are massively produced in Cambodia and many international companies have taken this opportunity.

## COMMERCE AND INDUSTRY

### ***Commerce***

Integration of the Cambodian Economy into the Regional and World Economies as one of the core strategies for socio-economic development and for poverty alleviation in the country is also to strengthen and diversify trade activities. The Free Market Economy is now scripted within the Cambodian constitution and Cambodia has become a developing country with a truly free market economy. Even if the country's GDP is among the lowest in the world (3.1 billion USD), informal estimations in terms of purchasing power parity put the standard of living in the range of \$1500 per year.

The Ministry of Economy and Finance (MEF), through its Senior Minister H.E. Keat Chhon, forecasts a rate of 5.5% growth in the trade sector for the year 2003 "Since peace has come back to Cambodia, we have been in a greater position to start expanding our trade and also at some point develop our economy. Since we are one of the latecomers, we have been trying to catch up with the rest of the world, especially the rest of Asia".



The trade deficit widened to an estimated \$262 million in 2002 from \$240 million in the previous year. At 6.5%, imports rose slightly faster than exports, which increased by 6.0%. The current account deficit of 8.1% of GDP was financed through official transfers and capital inflows in the form of concessional loans and FDI, the latter of which amounted to an estimated \$60 million in 2002. Foreign exchange reserves stood at about 3.5 months of imports. Commenting the country's trade deficit Minister of commerce, H.E. Cham Prasidh explains that though "There has always been a large deficit (...) this amount has been reduced little by little. Over the past 5 years we have been able to expand our export to a very steady level".

With no energy and little domestic industry, Cambodia's major imports include petroleum products, cement and construction materials, vehicles, tobacco and broad range of consumer products. Garments dominate Cambodia's exports representing about 90% of total exports. More than three quarters of Cambodian garment exports go to the United States. The garment industry has been Cambodia's greatest success. Other principal Cambodian exports included timber and wood products nevertheless due to important illegal loggings the royal government have stopped all activities in the this field in order to protect the environment and ensure a sustainable growth. Latex and rubber are still export in large amounts together with fishery products.

The Minister of Commerce, points out at Cambodia's recent efforts to "catch up with the world" since the year 2000 (...) in order to speed up our development and our integration with ASEAN, we adopted a very liberal economic policy, and also a very liberal trade policy". The Ministry of Commerce had presented during Cambodia Investment and Trade 2002 conference some of the key policy reforms comprising the abolition of the state monopoly for foreign trade; trade policies liberalization: removal of restrictions limiting the ability of firms and individuals to engage in international trade; elimination of binding quantitative restrictions and rationalizing the rates of taxes on imports and exports. "The process of market-oriented liberalization culminating in the establishment of a very conducive business environment (...) resulted in Cambodia's export performance exceeding the US\$1 billion mark for already 2 consecutive years." declared H.E. Cham Prasidh.

Of total exports, 69% go to the USA, 28% to the EU and 3% elsewhere. Garment exports began in 1995 and have grown steadily ever since, reaching US\$ 1.1 billion in 2001, of which US\$ 800 million to the USA and US\$ 300 million to the EU.

### ***The question of quotas:***

It seems obvious that Without WTO membership, Cambodia will not be competitive in a quota-free world. According to Hang Chuon Naron, from the Ministry of Economy and Finance "the phasing out for the quotas under the WTO Agreement on Clothing and Textiles (ACT) in 2005 will mean massive changes in the Cambodian garment industry. Fundamentally, the abolition of

quotas would leave Cambodia without a guaranteed market for its garments exports. Cambodia still suffers from poor infrastructure and high utilities costs. While the "cheap, productive workforce" approach will be used to maintain and attract new foreign investments, Cambodia will face great difficulties in competing with large-scale producers such as India or China".

## ***Industry***

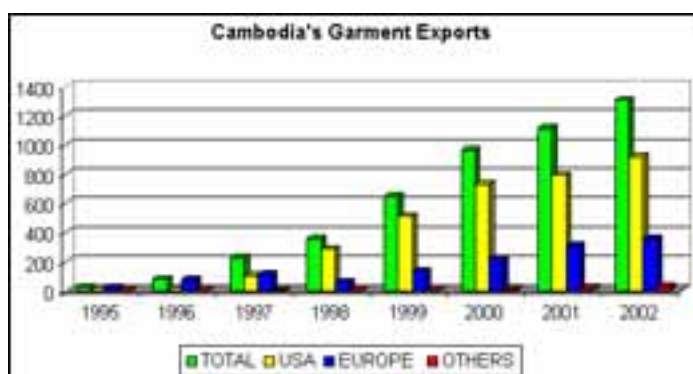
Cambodia adopted a market economic framework in 1989 and industry has begun to respond, with new private businesses emerging in light industry, trade and service areas. Manufacturing, for example, has gone from negative growth of 12.3% in 1990 to 11.8% in 1996 and remains a respectable 3.7% in 1999.

The growth is primarily driven by the expansion of the garment industry, food and beverages and building materials sub-sectors. The industrial sector has been the main engine of growth, increasing annually by average of 16 percent. This industrial growth has been due mainly to spurts in garments and tourism. The textile and garment sub-sectors have displayed remarkable dynamism, with exports growing rapidly during the last four years following the grant by the US to Cambodia of Most Favored Nation (MFN) status in 1996 and access under the Generalized System of Preferences (GSP) in 1997. In 1996-98 garment exports increase by 70 to 190 percent, but slowed down to 13 to 75 percent in 1999-2001 after the US imposed quotas on 12 categories of garment products. Prime Minister Samdech Hun Sen, states that "Employment in garment and textile has been a major stabilizing force for the population and the economy in recent years, as the sector has absorbed about two hundred thousand workers, a large number of skilled and semi-skilled labor, especially poor female workers".

## ***Garment Industry***

The Garment industry has been showing a steady growth ever since the MFN status (Most Favored Nation) and GSP (Generalized System of Preferences) have been awarded to the country by US and EU. The most developed sub-sector within the industry sector is the garment industry. Most of the products from the garment factories are exported. In 2002, 70% was exported to the U.S. market, 25% went to the European Union, and another 5% to Canada, Latin America, Eastern Europe, Japan and some other Asian countries. The total amount exported in 2002 was worth nearly 1.5 billion USD. The number of factories has increased to 230, employing 228.000 laborers, most of them being women. Most of the garment factories are located in or around Phnom Penh, which implies a big migration from the countryside to the city.





For Ith Praing, Secretary Of State, Ministry Of Industry, Mines & Energy "There is still room for the development of that sub-sector for the next few years. We have the opportunity, after 2005, to let this sub-sector grow by improving the labor conditions and keep our competitiveness, by offering other incentives to investors".

The textile industry is mainly benefiting from this international integration especially with the signing of two Trade agreements with the USA (with a permanent MFN status for Cambodia) and the European Union in 1996. This highly favored the Garment industry boom, the sector representing now about 90% of Cambodia's exports. By adopting the sine qua non linkage of trade issues with labor issues, implied by the bilateral agreement with the USA, Cambodia set a precedent in the region as it accepted tighter control on labor conditions in the very sensitive textile sector. As Mr. Van Sou leng, President of the Garment Manufacturers Association of Cambodia (GMAC) said, "Cambodia has a responsible and human respected rights policy toward workers" he also commented on the challenges the industry must overcome in order to survive the 2005 barrier, "(...) reduce further our accessory costs, like transportation, utilities, procedures. (...) We also must facilitate procedures of import/export".



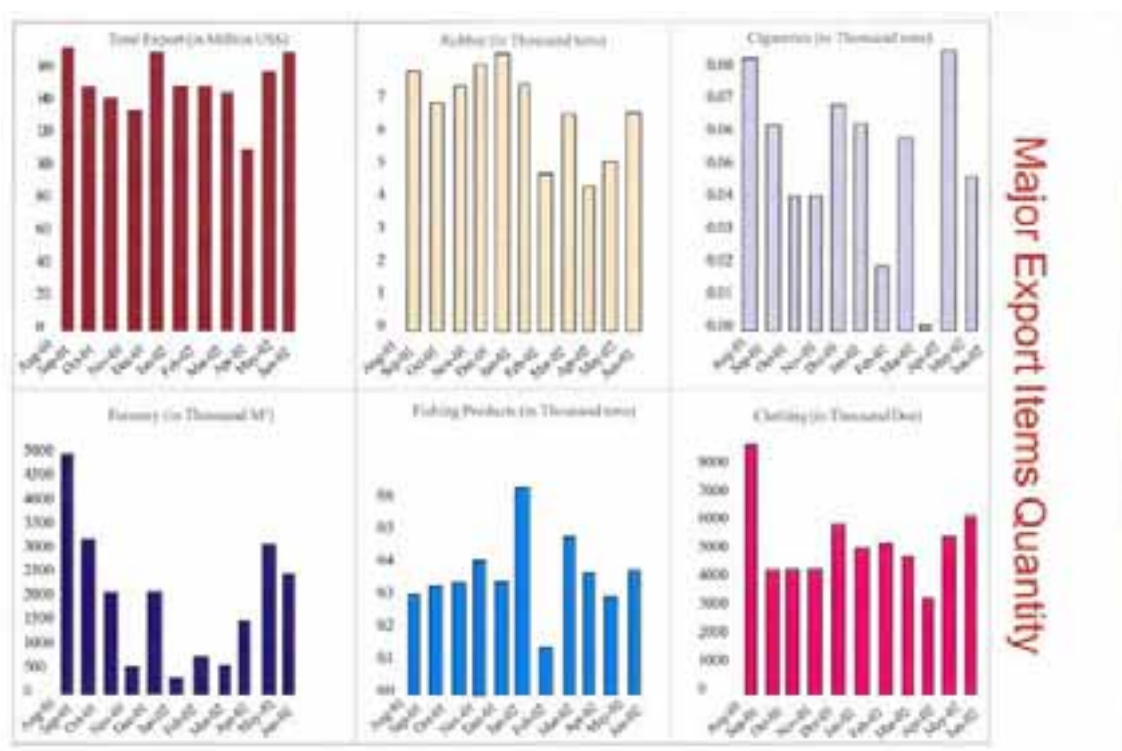
For Cham Prasidh, Minister of Commerce "Cambodia should and will take advantage of the perception that Cambodia has responsible and human respected rights policy toward workers (...). We have gained credibility by such a linkage and we will continue to maintain this credibility." Encouraged by this first step Cambodia now offers to start linking trade with intellectual property rights creating thus a safe industrial (high tech oriented) environment prone to

attract more investors. In order to inform potential investor many conferences are organized in Phnom Penh such as the Report on Trade and Investment held end 2002, and invite all of them for more participation in the opening and boosting of the Cambodian Economy.

### ***Agro-industry, a sub-sector with potentials***

One of the government six top priorities is agriculture and agro-industry "as Cambodia has a rich soil ready for the development of a strong agro-industrial sector" declares Suon Sitthy, Deputy Secretary General of The Cambodian Investment Board (CIB).

Rubber is currently the second most important export for Cambodia following the sharp reduction in forestry exports. Rubber trees are grown in three types of rubber plantations: State owned Enterprises (SOEs) have been slated for privatization. The government started divesting from rubber plantation management in the mid nineties and the seven state owned rubber plantations now operate on an autonomous mode. These plantations cover about 45,000 ha yielding about 45,000 tons of rubber annually, with the two biggest plantations covering 30,000 ha. The bulk of rubber trees however was planted in the 1950s. Rubber trees need to be replaced every 20 years but replanting was only initiated in 1995, which was expected to have a positive impact on rubber output after 5-6 years. Besides small holdings rubber plantations are being developed with World Bank and French Government support.



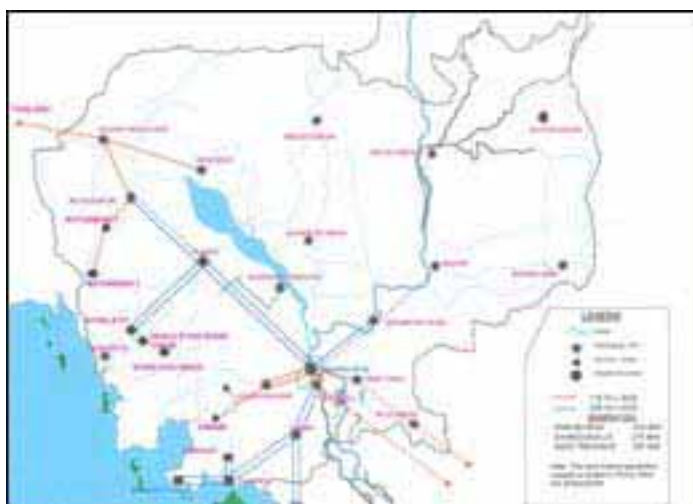


Agro-industry and tourism are definitely the two main sectors. The first one is quite undeveloped yet. The seafood sector seems to present possibilities of development; as for land production crops showing potential are sugar cane or palm oil.

### ***Pharmaceutical industry***

Cambodia is still in the process of developing a regulatory framework that will assure the health, safety, and well being of individuals and companies operating in the free market economy. In the health sector, Cambodia has legislation regulating pharmacies and pharmaceuticals. The Cambodian government has eliminated most non-tariff barriers to trade on firearms and pharmaceuticals. The National Assembly passed a law and associated decree regulating pharmaceuticals in June 1996, giving administrative authority to the Ministry of Health.

Electricity grid exists, and only 12% of the total population has access to electricity, with only about 7 percent of the rural population having access to a reliable electricity supply. Another 45 percent has less dependable battery-powered electricity.



The minister's inviting message is clear "In the power sector we would like to invite investors to come develop our hydropower resources. This is a very good

opportunity, once we have linked our network with the neighboring countries, we can even sell the excess of power to them. The GMS countries have signed the Inter-governmental Agreement for Power Trade. H.E. Ith Praing, Secretary of State at the Ministry of Industry, Energy and Mines, concludes.

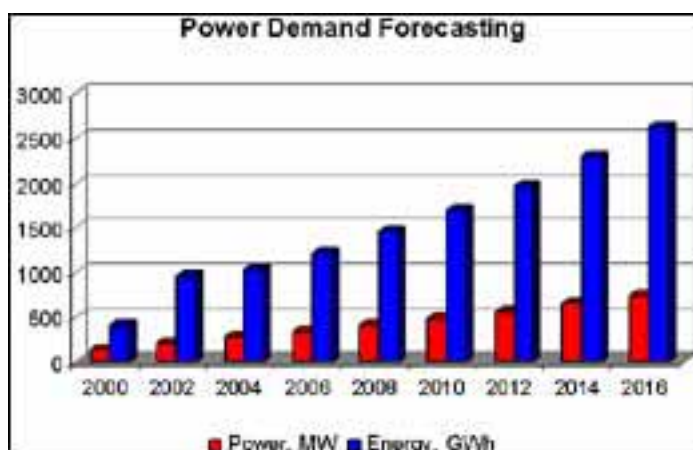
Cambodia is currently buying electricity for Poipet town from Anco, an international engineering and energy company that possess a transformer just across the border in Sa Kaeo, Thailand. The project cost \$3 million, and also plans to supply Siem Reap and Battambang in projects that cost upward of \$13 million. Thai company EGCO announced in 2001 that it would also bid on selling electricity to these same Cambodian towns beginning in 2003. Early last year, National Thai Electricity Company EGAT finalized a Contract to supply 30MW of electricity to western Cambodia.

Similarly, Cambodia signed agreements in 1999 and 2000 to buy electricity from Vietnam, a five-year, \$20 million venture that was supposed to begin in 2001 with partial funding from the World Bank. To supply the energy, Vietnam was to build a series of transformers and power lines the stretched from Can Tho in the Mekong Delta west into Takeo, Cambodia. However, the project has yet to be completed.

Other cooperation with Vietnam are: (i) the importation of power to supply communities close to the border in the provinces of Svay Rieng, Takeo, Prey Veng, Kandal and Kampot and (ii) a Feasibility Study on the Interconnection between the two national grids at high voltage.

### ***The power sector strategy***

The Royal Government of Cambodia formulated policy to provide adequate energy throughout Cambodia at reasonable and affordable price and is determined to take accelerated action and initiative in making available the energy to the disadvantaged group of population. In order to achieve these objectives the Royal Government has developed a long-term (1999-2016) Power Sector Strategy. According to Dr. Ty Norin, Chairman of the recently created Electricity Authority of Cambodia (EAC) ([www.eac.gov.kh](http://www.eac.gov.kh)), "The main problem in Cambodia is the cost of power generation, (...) we are concentrating our efforts into helping to bring down the generation costs in order to achieve lower electricity costs. (...) we will interconnect the system, then we will increase the amount of users and finally we will propose investment possibilities".



With regard to electricity generation planning, the government envisions the establishment of a gas power plant in Sihanoukville and hydropower projects located in the western portion of Cambodia. The government also plans to develop a national grid linking the larger generating units to population centres, starting initially in the southern portion of the country (Phnom Penh to the Vietnam border, Takeo, Kampot and Sihanoukville), and later expanding to the northern region, including Banteay Mean Chay, Siem Reap and Battambang. The government has also initiated a rural electrification program that includes the development of renewable energy sources.

### ***Energy Development Plan***

As concerns the Rural Electrification Strategy the Minister of Industry, Energy and Mines precises that " The electricity development program includes grid extension to the areas that are close to an existing grid and the development of stand-alone systems with diesel generators for villages and small communities and the development of renewable energy sources with projects like the micro-hydro in the northeastern or western part of the country, and the solar power energy".

The minister also explains how the creation of the Rural Electrification Fund (REF) will "subsidize one part of the rural electrification investment; the other sources of financing are:

- 1) longer term loan from local commercial bank designated by the World Bank and (2) self equity".

Plans for Cambodia's first independent power production project, scheduled to provide another 60 megawatts of electrical power to the city, are nearing completion.

According to the Cambodia Power Sector Strategy (1999-2016) developed by the Ministry of Industry, Mines, and Energy (MIME), annual electricity demand in Cambodia is projected to rise from 522GWh in 1998 to 2,634 GWh in 2016. To meet this demand, the government plans to develop \$1 billion worth of

hydro, gas turbine thermal, and combined cycle base load thermal generating plants in Phnom Penh, Sihanoukville, Battambang, and other cities from 2000 to 2010. The Cambodian government also plans to build a nation-wide transmission system during the same period.

Though Power supply to the city of Phnom Penh has improved dramatically since 1993, and approximately 50 megawatts of power were added to serve the city during 1995 and 1996, the gap between the needs and the energy supplied remains. The Master Plan proposed that to satisfy demand in Phnom Penh and these densely populated parts of Cambodia, a major part of the capacity required be established in Sihanoukville and capacity for peak demand be established in Phnom Penh. It also proposed that up to 30% (80MW) of demand be met through Power Trade with Vietnam.

### ***Power Sector Investment Plan***



Indeed The implementation of the Power Sector Strategy will be a very major undertaking for Cambodia. It is estimated that total investment requirements over the period 1999-2016 would total USD1.2 to us\$1.5 billion. For the first 5 years of the Program (1999-2003), the investment required is USD400 million, which represents over 10% of total domestic investment and nearly 3% of GDP. Concessional finance together with private sector investment will need to be mobilized.

The Investment Plan comprises (i) the development of a National Generation and Transmission Grid; (ii) a Provincial Supplies Rehabilitation Program; and (iii) a Rural Electrification Strategy and Implementation Plan.

## ***Private Sector Participation in the Electric Sector Development***

The Government wishes to encourage private sector participation in the development of the electricity sector. A means of achieving this in rural areas has already been discussed above.

In relation to private sector companies' participation in providing power to supply the National Grid, Phnom Penh and provincial towns, a policy is to be developed to encourage private sector supply of power at competitive prices. A World Bank sponsored grant is used to develop guidelines on private sector participation. It will include guidelines for competitive tendering by private sector power producers to supply EDC. As in other countries, a Model Power Purchase Agreement will be used for competitive tendering. Policies will also clearly identify the taxation and investment incentives that are available for investment in the power sector.

## ***Major Players in Independent Power Production***

There are a number of proposed power plants in Cambodia accounting for hundreds of millions. They include 320MW and 180MW plants by Siemens AG, a 12MW plant by Chinese company CETIC, a 180MW project by Japanese company JICA, and a 60MW plant by the US company Beacon Hill. Among those completed and operational are:

Kirirom I



This is the first contract on a BOT basis realized by the Chinese company CETIC, in Cambodia. As his General Manager, Mr. Xiaoming Ou, explains: "Kirirom I comprises one power plant with two 6 MW turbine units, and the dam which has been rebuilt. (...) a transmission line of 115 Kv. with a length of 120 Km to connect Kirirom with Phnom Penh". Although it was the first time the company found itself engaged in such project, the experience has been quite

positive and plans are on their way to start a second project, Kirirom III, as Mr. Xiaoming Ou said: "We have formally expressed our desire to the MIME (Ministry of Industry, Mines & Energy) to build Kirirom III on a BOT basis. We are scheduled to start in July or August this year". This is a slightly bigger project 30 Km. away from Kirirom I, with an 18 MW hydropower plant. If this project works out as expected, the Chinese company will most likely start into even bigger projects in a country that is extremely rich in water resources.

### ***Oil and gas sector in Cambodia : "exploring to fuel the economy"***

Cambodia's natural resources, in particular, the oil and gas sector has remained largely untapped due to falling prices, internal conflicts and territorial disputes with neighbouring Thailand. For H.E. Sok An, Minister in charge of the council of Ministers " The CNPA sees the discovery and processing of oil and gas products within Cambodia as a vital step in accelerating the country's economic development". At present, petroleum products for domestic and industrial use are imported, at an ever-increasing rate and at great expense, from Singapore, Vietnam and Thailand

The total estimated reserves in terms of Gas and Oil plus condensates is about 15TCF (Trillion Cubic Feet) for the offshore and is located in different acreages. It is also said that the most viable and large reservoirs are in the disputed waters in the Gulf of Siam - the Overlapping Claims Areas and the inland reservoirs in the Tonle Sap region.





Along the Overlapping Claims Area, an area estimated to stretch some 27,000 square kilometers and an area said to be most viable for commercial exploitation of oil and gas is currently under negotiations with the Thai authorities for production sharing and joint exploration rights. Past exploratory wells drilled between late 1960s and 1974 when at least three wells were drilled with mixed results but said to be largely not commercially viable. It was only in 1987 that surveys suggested the existence of an offshore basin - the Khmer Trough, which bears strong resemblance to the prolific Patanni Trough and the Malay Basin Province. In 1994, exploration took off to a strong start with the drilling of four wells again with mixed results but left unexploited for commercial reasons and then again in 1998 when Woodside carried out seismic survey and a reassessment of all previous seismic data. Woodside relinquished their rights in 1999 and 2000 respectively and the oil and gas activities went silent again until 2002 when ChevronTexaco-MOECO signed a production sharing agreement with the Cambodian National Petroleum Authority in August 2002 and embarked on the drilling of two exploratory wells in January this year.



As the Director General of the CNPA, H.E. Te Duong Tara explains: "(...) the CNPA would be in charge of both aspects of the oil sector, upstream and downstream. With upstream we mean all activity starting from day one until you get production and downstream from wellhead down to the consumer. (...) we have been assigned a huge task, and in order to accomplish this task, we need investment and qualified human resources."



While the oil industry gets on its way, other companies have known how to establish itself in the country and provide the current needs by importing oil. Although several multinational and regional companies are present in the Cambodian market, the largest company is Sokimex Group. Sokimex ( started as a trading firm and has grown to a giant, the biggest company in Cambodia with almost 50% of the oil distribution and businesses in other areas like industry and tourism. As his Vice-Chairman, Oknha Sorn Sokna, explains: "Sokimex is indeed the first petroleum company of the country but it is also involved in several other businesses"

## ***MINING SECTOR***

Cambodia is known worldwide for its rubies, but there are more mineral resources in the Cambodian soils proven potential exists for: sapphires, alluvial, gold, alluvial cassiterite, silica, manganese, slate, peat, pagodite, phosphate, granite, limestone, sand, gravel, clay, bauxite, zinc and copper.

The legal environment for business in the mining sector is deficient. The Cabinet Council of Ministers discussed an update of the mining code in August 1995 but no details of possible changes are yet available. It is envisaged that the mining code will be complemented by a sub-decree on mining, which will provide a detailed legal framework governing the sector.

Government Mineral Exploration Policy: Companies are offered, during the 1st phase, two to six years to conduct exploration and a feasibility study in a designated area. MIME will assist with technical recommendations and the Cambodia Development Council (CDC) grants an exploration license to interested investors.

During the second phase, if exploration is successful, companies are required to present a master project plan. CDC grants a mining license to companies. Royalties and surface rentals are levied on mineral extraction. When production is profitable, companies are required to pay income taxes, in addition to royalties and surface rentals. MIME encourages two forms of contracts: a production sharing agreement with a low tax rate, or a concession with a high tax rate.

# FINANCES

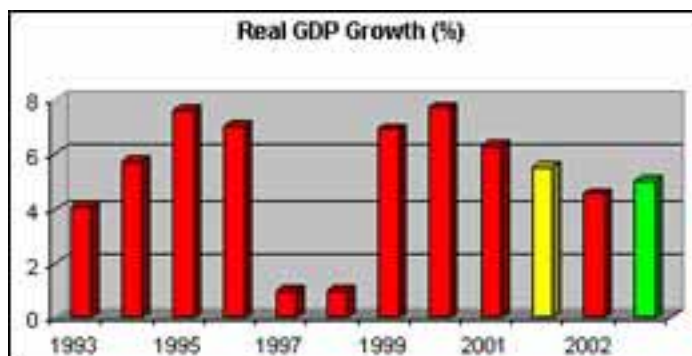
## ***Economy and Finance***

In the year 2002, the economic situation of Cambodia reflected the challenges that the Royal Government of Cambodia had to face: political uncertainty, Iraqi war and the severe drought and flood that affected agricultural production, especially rice and other crops, which account for 15% of GDP.

## ***Macroeconomic developments***

In order to ensure economic growth as forecasted, the RGC launched measures to mitigate the effect of the drought and it accelerated the mobilization of local resources and those from bilateral donors and international financial institutions to continue the reforms and to accelerate economic and social development in Cambodia.

The RGC has continued to develop the implementation of its economic reform program by realizing a low inflation and stable economic growth. The RGC has forecasted that the GDP would increase 5% in 2002, compared to 5.5% projected earlier, due to the impact of the drought and flood on agriculture and slower increase in the production and exports of garment, and the negative effects of the SARS disease.

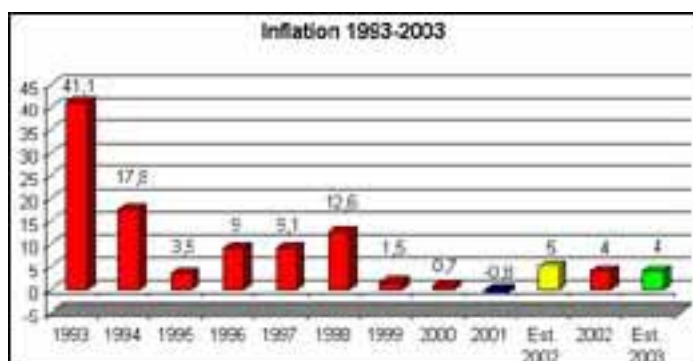


The main pillars of growth in 2002 were industry and service sector. Manufacturing and construction have been the main drive to sustain growth in the industrial sector. Garment exports increased by 22 percent to US\$1.3 billion.

The government has pursued "the Locomotive Strategy" to support development by establishing a nation-wide road network linking various provinces to Phnom Penh, the Sihanoukville port and important border checkpoints; as the Minister of Finance, H.E. Keat Chhon said: "(...) we put a strong emphasis on the construction our infrastructure, particularly the roads. This was done because opening the country and ease the flow of goods was the priority in out National Strategy for Poverty Reduction". This will create the integration of different parts of Cambodia into a single market.

This strategy will help reduce transportation costs and facilitate trade. Infrastructure (road and bridge) construction financed by concessional loans from Japan, ADB, WB, other donors and government budget was on the rise in 2002. The Kizuna Bridge was inaugurated.

By the end of the 4th quarter of 2002 the inflation was 3.7% due to the government's continued prudent budget and monetary policy. The exchange rate RIEL-USD was broadly stable, around 3.950 Riels.



The current account deficit, excluding transfer, was -9.4% in 2001 and increased to -9.6% in 2002. At year-end, the reserve in the banking system increased from 551 million USD in 2001 to 629 million USD in 2002 covering 3.4 months of imports.

### ***Medium Term Fiscal Framework***

Achieving macroeconomic stability with high economic growth of 6-7 percent as stated earlier would require serious actions in implementing the reform programs and supporting policies. This includes no monetarization of fiscal deficit, sound financial system oversight, deepening banking reform, improvements in revenue, spending increase for social and economic sector, sound budget and treasury management, improving investment climate, civil service reform, legal and judicial reforms.

To this end, actions have been taken to strengthen tax policy and administration in order to (i) increase tax revenue, (ii) improve design of the tax system, (iii) enhance capacity for tax analysis, (iv) improve administration of the real regime,

(v) improve administration of the estimated regime, and (vi) expand training and learning in tax administration.

Taxes, defined as taxes as percent of GDP, is expected to increase from 8.5 percent in 2002 to 8.8 percent by 2005 while non-tax revenue effort will remain around 3.5 percent from 2002 to 2005. Overall fiscal revenue as percent of GDP will grow steadily though slowly from 12.1 percent in 2002 to 13.9 percent in 2005. It is assumed that the significant increase in fiscal revenues in absolute terms will be driven mainly by high and sustained growth of the Cambodian economy and implementing reform measures rather than a dramatic improvement in revenue effort.

As percent of GDP, total expenditure is expected to increase moderately - from 18.9 percent in 2002 to 19.4 percent in 2005. The planned level of capital expenditures shows the commitment of the RGC to invest in physical infrastructure. Capital expenditures will account for about 7.1-7.8 percent.

Within this frame a blue print for the development of the financial and banking sector has been put in place by the Ministry of Finance and Economy, this latter shows the evolution expected of the sector until 2006.

## ***Dollarization***

Dollarization emerged as a consequence of low confidence and a persistent feeling of uncertainty with regard to the national currency. Cambodia is a highly but not a 'fully' dollarized economy. The government, through the MEF still remains the core institution that injects riel into circulation. Dollarization has provided both benefits and drawbacks for economic development and poverty reduction.

Partial dollarization has imposed some discipline on fiscal operations, and the commitments of the government to establish political and macroeconomic stability were and remain a crucial factor for a reform program to be a success. It is also in this context that both the autonomy of the central bank in carrying out its functions and the accompanying accountability must be recognized.

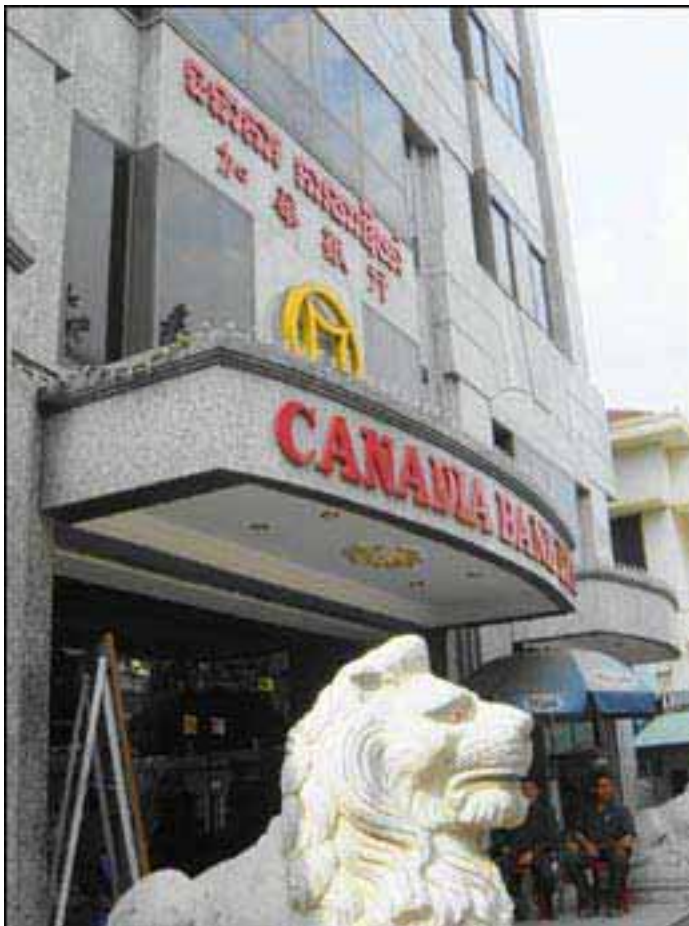
There is limited room for fiscal adjustment because dollarization puts constraint on the mechanism of deficit financing other than external debt or assistance or domestic borrowing at market-determined interest rate. In other words, dollarization may deprive fiscal benefit that can occur when the government runs a fiscal deficit through the central bank's expansion of money supply.



## ***Monetary Developments***

The principal mission of the National Bank of Cambodia (NBC) is to determine and direct the monetary policy with the aim of maintaining price stability in order to facilitate economic development within the framework of the economic and development policy. Prudent monetary policy and fiscal discipline have been successful in achieving and maintaining macroeconomic stability with low inflation (5%).

Since the end of 2000, claims on the government by the banking sector have been virtually eliminated. Credit from the central bank to the remainder of the banking system remains absent. The NBC has constantly accumulated its international reserves. Growth in the country's gross international reserves has kept pace with the continuous increase in total imports of goods and services and reached more than three months cover in recent years. Inflation has been kept within the target and in fact turned negative during recent period, while the value of the riel has largely been stabilized.



Concerning the current state of the banking system, the liquid asset ratio is close to 60%. However, due to the fact that a large proportion of bank assets are held in low yielding assets, the profitability of the banking sector is low.

### ***The new banking systems***

As the Governor of NBC, H.E. Chea Chanto explained, the main component of the Law on Banking and financial institutions passed in 1999 "was the requirement of a minimum capital (USD 13 million) to the banks and the imposition to provide the legal basis for supervision". Before the re-licensing, there were more than 30 commercial banks. Presently, there are thus only 17, operating in the country from which two are state-owned.

One of them, the Canadia Bank Ltd, founded by Pung Kheav Se, has in deposits 26% of the whole country's desposits and its loans are about 32% of country's total. It is also the first commercial bank in Cambodia to use the smart card system and it was chosen by the Ministry of Economy and Finance to run a small and medium enterprise project with KfW, a German financial institution. Actually, as the President of Canadia Bank, Pung Kheav Se underlined "The problem you encounter in Cambodia is that if you deposit 1 million, 48% to 52% of it must remain in the bank... So, our target is to find foreign financial institutions to have long-term local funds for economic development" and he added that the loan interest now is 12% and "This is very hard for local businessmen, we have to reduce the interest rate".



There is also an Association of banks in Cambodia, which currently has 23 members, consisting of local and foreign banks. "We began to organize ourselves in 1994 and are now fully recognized under the banking Act"



explained its President, Khov Boun Chhay, who is also President and Chief executive officer of the MekongBank. The chief functions are to share information among members, to participate in joint activities such as training and to act as a single voice for the industry in dealing with the public and the Royal government. They are also members of the ASEAN Bankers Association "which has been of great benefit to individual banks and to the Cambodian banking system as a whole".

MekongBank, have also the ambition to become a leader in the region and worldwide, and began to establish many strategic partnership through the world, linking thus the Cambodian Banking sector to many relevant international actors, as its president Khov Boun Chhay explains us; "We have established correspondent relations with major international banks in Europe, Asia and the United States. For example, through our principle international correspondent and strategic partner, ABN-AMRO Bank, we have access to their global network of over 3,500 locations in 76 countries. Another critical element in MekongBank's international policy involves the establishment of strategic alliances with key financial institutions throughout the region."

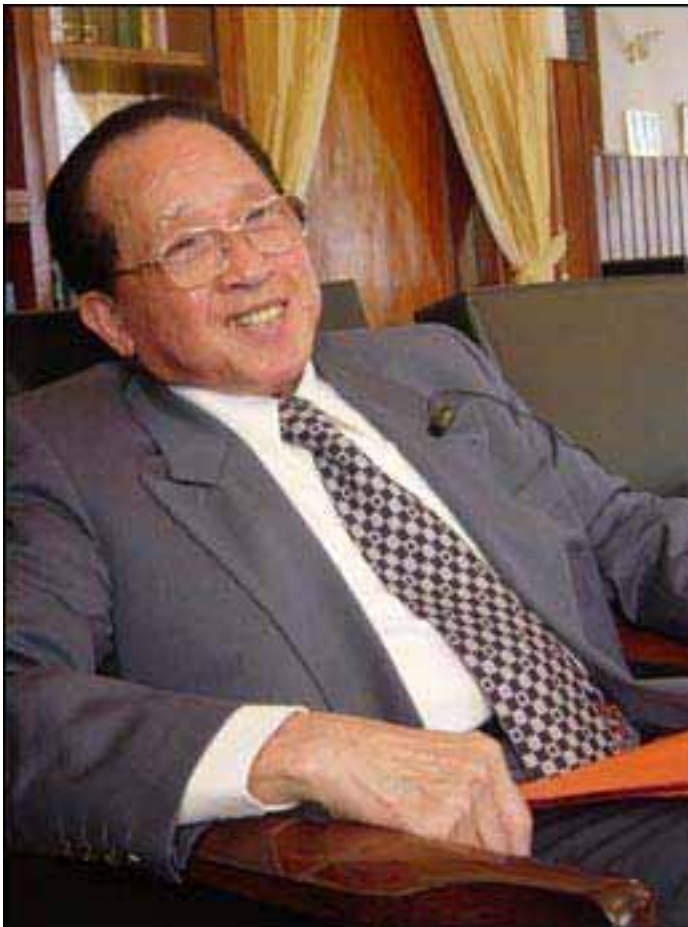
An other major locally based bank, the SBC (Singapore Banking Corporation) (<http://www.sbc-bank.com>) Bank, it is investing in a VISA credit card system and as underlined his President, Andy Kun, "It's going to be the first in Indochina and one of the few in Southeast Asia to issue an EMV chip-based credit card". All this initiatives mark clearly the dynamism of the sector, which will be crucial for the development of the local economy.

In order to implement the economical reconstruction of the country, NBC and IMF have mainly a stabilization program called Poverty reduction and growth facility, involving around USD 84 million. With the Asian Development Bank (ADB), NBC works closely on the formulation of a long term plan development. The ADB, which has also provided the technical assistance to strengthen the micro finance supervision, the AFD (Agence Française de développement) collaborates in the field of strengthening micro-finance institutions, especially providing the small credit to farmers in the rural area.

The strengthening of the financial sector is also a priority of the Minister of Finance and Economy: "The financial sector is of course of strategic importance (...) This includes the development of our banking and insurance system as well as our leasing, capital markets and other financial products systems". Concerning the creation of the Cambodian Stock Exchange, NBC's board has set a list of priorities. The first one is to strengthen the banking sector to introduce a sound accounting system in the whole country, but the Governor doesn't expect the creation before 2008-2010.

# INTERNATIONAL RELATIONS

## *International relations*



To reach the consolidation of the peace and stability, the integration into the international community and the economical and social development are the key challenges for a renewed Kingdom. H.E. Hor Namhong, in charge of the Ministry of Foreign Affairs and International Cooperation, estimates that although Cambodia is very active within the ASEAN "We have to narrow the gap between the six old ASEAN countries and the new members: Cambodia, Vietnam, Laos and Myanmar. We have to deal bi-laterally with all our friendly countries in order to get more assistance (ODA), needed for the economic development of Cambodia and also increase foreign investment". And to attract ODA and FDI, the foreign policy is based on enhancing the relations with donor countries such as Japan, which remains the most important donor country to Cambodia with China.

### ***The key role of the international assistance***



The year 2003 is the 50th anniversary of diplomatic relations for Japan and Cambodia. The Japanese ODA policy doesn't only concern Cambodia but the development of Asian countries as well, nevertheless Japan has always been monitoring closely Cambodia and sent the first help after the brutal democratic Kampuchea regime. For the Japanese Ambassador to Cambodia, H.E. Gotaro Ogawa, "The most important agenda of ASEAN today is what they call IAI or Initiative for ASEAN Integration. This means that they are committed to fill the gap of development between the original ASEAN countries and the late comers". Cambodia is by far the least developed and Japan "has to continue to give assistance to ASEAN countries and particularly those new members" he added. In the past three years, the Japanese government has been helping Cambodia an average amount of some 100 to 120 million USD per year, including infrastructure building, human resources, development, rural development and assistance to the health and education sector.

The Cambodian government's ultimate goal is poverty reduction, and the Ambassador underlined "the Japanese government as well as the Cambodian consider that building infrastructure and thereby promoting economic activities

is a very effective way to reduce poverty". To implement these key challenges, Japanese International Cooperation Agency (JICA) is in charge of technical assistance and grant aid projects.

One of the main priority of its representative, M. Juro Chikaraishi, "is to rehabilitate the infrastructure and another is to educate people in every sector". Regarding the investment climate, Japan "is carrying out a major project on judicial reform and is involved in improving the civil code" he added.

To improve the institutional capacity building, the Ministry of Economy and Finance has embarked on fiscal reforms by joining efforts with some donors, notably the United Nations Development Program (UNDP), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the United Kingdom and the Netherlands to strengthen Cambodia's economic and financial management through the Technical Cooperation Action Plan.

### ***Non Governmental Organizations***

More than 1,000 international NGO's are operating in Cambodia. Their activities vary in nature, from aid programs to the population, to mine deactivation in the borders of the country. There are plenty of small and very dynamic operations like "Pour un sourire d'enfant", with a school and training program for the integration of children with scholar delay. At the same time, worldwide recognized organizations like the Cambodian Red Cross , counts 126.000 members and is active in every aspect of the Cambodian life as the President of the Cambodian Red Cross, Madame Bun Rany Hun Sen said: "Basically we are present in every layer of the social structure, from communes, passing to the district and provincial levels to a national level. Due to this, we are one of the best informed organizations in the country and when a disaster strikes, we usually are the organization with more input about the situation".

### ***The good public governance for sustainable development***

Good governance has gained strong popularity in Cambodia. In November 1998, Prime Minister Samdech Hun Sen launched the RGC's (Royal Government of Cambodia) policy agenda, which embodied profound reform measures in public governance. The RGC is conscious that good governance is an essential prerequisite for sustainable socio-economic development and social justice. To this end, the RGC adopted in 2001 its Governance Action Plan, which identifies two categories of reform where action will be critical to Cambodia's development over the near- and the medium-term. The first category involves reforms in four crosscutting areas: judiciary and law; public finance; civil administration; and anti-corruption. The RGC has also identified

two specific policy issues: natural resource management, including land management and forestry management, and demobilization of the armed forces.

Moreover, Cambodia is required by the membership in ASEAN and the preparation for accession to the WTO to modify its legal framework to be consistent with the international practices.

Since 1993, a total of 154 laws have been enacted. Another 23 draft laws are awaiting adoption by the National Assembly. Attention is also being directed to economic and investment laws, particularly those related to Cambodia's impending membership in the World Trade Organization. Moreover, human resources are crucial in the efforts to overhaul the judicial system.

The Supreme Council of the Magistracy, which is responsible for overseeing the functioning of judges and prosecutors, begins to play a more active role in the reform process. The problem of low salaries for judges and prosecutors are being addressed to eradicate corruption in the judicial system. The new law introduces a career structure, a Code of Conduct and a more appropriate salary scale for judges. In this sense, the RGC adopted in November 2002 a new salary scale for judges and prosecutors within a range of 1.3 million Cambodian Riels (CRs) (US\$330) to 2.5 million CRs (US\$630).

# INVESTMENT

## *Openness to foreign investment*



Significant gaps in the nation's legal and institutional frameworks limit business confidence in Cambodia, but there are opportunities for foreign exporters and investors. The Council for the Development of Cambodia (CDC) Cambodia's foreign investment approval body, administers an attractive package of investment incentives and imposes few restrictions on imports from abroad. The recent amendments made to the investment law makes the procedure even easier than before as H.E. Sok Chenda Sophea, Secretary General of the CDC (Link to the Company Profile) said: "with the new law, the investor will come to the CDC, present its project and apply to us (...). The innovation lies in the role of the CDC to secure, on behalf of investors, all necessary permits, licenses and authorizations from other ministries". The CDC has even pushed further its performance and has lowered the length of the process application. It used to be 45 working days, but as H.E. Suon Sitthy, Deputy Secretary General of the Cambodian Investment Board (CIB) explains: "Following the new Investment Law, the length of this process must not take longer than 28 working days.

When it comes to routine cases like for instance a garment project, the process takes even less time and it can be approved within 7 working days".

Cambodia's 1994 law on investment (attach law on investment.doc) establishes an open and liberal foreign investment regime. All sectors of the economy are open to foreign investment. There are no performance requirements and no sectors in which foreign investors are denied national treatment with the exception of land ownership (but a foreigner is able to lease land for a period of up to 70 years). "when it comes to do business in Cambodia, foreigners have the same rights as nationals; you can own and operate 100% any kind of business" said H.E. Sok Chenda Sophea. A successful example of this policy is the Phnom Penh and Siem Reap airports realized in partnership with the French company, Vinci.

The Law on investment is supported by recent revisions to the Law on taxation under which investors can choose to be subject to a special depreciation schedule rather than automatic three years tax holiday provisions under the Law on investment. For example, it provides tax and duty exemptions, including those for projects located in Export promotion Zones (EPZ).

Thanks to this policy, the Kingdom has already attracted 1.1 billion USD. Even if there is a decline in FDI, the existing investors have managed to expand their projects, especially in the manufacturing sector, in particular the textile industry. In terms of major foreign investing nations, the top three sources are Malaysia, Taiwan and the United States of America.

### ***Future challenges and opportunities***

Cambodia is facing serious challenges in the coming years. The Kingdom has seen a declining trend in garment exports, due to the global economic slowdown and US granting preferential trade arrangements to other countries, including Vietnam. Moreover, the phasing out for the quotas under the WTO Agreement on Clothing and Textiles (ACT) in 2005 will mean massive changes in the Cambodian garment industry. Fundamentally, the abolition of quotas would leave Cambodia without a guaranteed market for its garments exports. Cambodia still suffers from poor infrastructure and high utilities costs. While the "cheap, productive workforce" approach will be used to maintain and attract new foreign investments, Cambodia will face great difficulties in competing with large-scale producers such as India or China.

Moreover, attention should be paid to labor costs in Cambodia in the next three years. Electricity prices, transportation and port handling costs in Cambodia, are high when compared to other countries in Asia. But if given the proper attention to infrastructure works, the opportunity for a steady and sustainable growth can be achieved. Mr. L-Martin Desautels, Managing Director of DFDL Legal & Tax Advisors ([www.dfdl.com.kh](http://www.dfdl.com.kh)), comments on the current opportunities in infrastructure: "(...) roads, electricity, telecommunications, water. That's the place where the biggest potential is and there are some investors interested into it. We have already some clients interested into developing infrastructure. In my



opinion, this area will develop a lot in the next years. The government is also making efforts to set up a clear and transparent framework to attract investors towards this kind of projects".

### ***Cambodia's Competitive Advantage***

Currently in the final phase of its accession to WTO, Cambodia is reaching the last level of its slow progress into the international arena. "(...) with the upcoming membership to the WTO, and the adoption of the intellectual property law this year things are going to improve." Said Mr. Desautels.

Indeed Cambodia's will to access to the main international commercial organizations had made these legal reforms a sine qua non condition.



Moreover the country received special status through the GSP (Generalized System of Preferences) and MFN (Most Favored Nation) schemes. Market access wise, Cambodia is one of the two remaining LDC's in the region (the other being Lao PDR) still benefiting from the GSP scheme of major developed trading partners like the US, EU, Canada, Australia and Japan. There are altogether 28 countries (trade partners) offering MFN/GSP privileges for Cambodia exports.

### ***Growth corridors, highways to regional integration***

Cambodia economical development through regional integration has been performed through its access to the ASEAN organization and by ratifying the CEPT (Common Effective Preferential Trade Area) agreement, thus enjoying low tariff rates making "Cambodia a viable base for exports to the ASEAN zone".



With its integration into ASEAN, Cambodia benefits from the combined population of the 10 ASEAN member countries, which is about 500 million people. The grouping, also rich in natural resources, raw materials, and land, represents a large market full of economic potential and an attractive destination for investment. The combined GDP of the ASEAN-10 was about US\$ 700 billion in 1996. The region experienced high economic growth of 5% to 7% in the 25 years before the financial crises in 1997.

This regional integration is also backed up by the Greater Mekong Sub-region structure Program which goal is to promote economic and social development by strengthening economic linkages between its members: Cambodia, Laos, Myanmar, Thailand, Vietnam and Yunnan. The priority sectors are transport, telecom, energy, environment, tourism, trade facilitation, investment, and human resource development. According to Hang Chuon Naron, from the Ministry of Economy and Finance "All these investments and efforts will transform, within the foreseeable future, the Sub-regional economy into a broad, rapidly growing market of close to 500 million people who enjoy the benefits of prosperity and peace".

In order to attract manufacturers into Cambodia, the government created Special Promotions Zones and Special Processing Zones, which will according to the Minister of Commerce H.E. Cham Prasidh "maximize the potential that we get from the special and differential treatment we have from the developed countries"(Cambodia as a LDC benefits of the 0% tariff rate) and thus attract neighbours liable to MFN rate duty such as Thailand and Vietnam, into these privileged zones."

By setting up Export Processing Zones, next to the Thai and Vietnamese borders the government intends to obtain the relocation into Cambodia of the closest Thai and Vietnamese factories, the latter thus benefiting from Cambodia's export documents.

"They may re-export their production from the same port of Thailand and reach the same old customer in Europe, but cheaper because it is duty-free" adds the Minister of Commerce "we are providing them a very stream lined procedure in the Export Processing Zone and one-stop service (...) we propose all kind of incentives that we have provided in our investment law". With Thailand, Cambodia has also developed a "Crescent of Opportunities" cooperation setting up strategies on promotion of trade and investment, establishing thus the concept of "two kingdoms, one destination".

In order to increase Cambodia's chance to access to the WTO the government is tackling several issues concerning trade liberalization policies and mainstreaming trade strategy for national development policies aimed at poverty reduction in Cambodia.

Cambodia has also set out a legislative agenda to implement the WTO requirements with various intellectual property laws, competition law, insolvency, law, law on business enterprises, commercial contracts law,

secured transaction law, law on rules of origin and various laws on antidumping and countervailing duties.

According to Mr. Bretton Sciaroni, one of the MekongBank managing directors, "after decades of isolation, Cambodia is joining the mainstream of the regional and international economic system. Discussion of ASEAN, AFTA, and WTO all will contribute to the potential investors vision of Cambodia as being on the path to normalization of its trade and economic relations with other countries".

# TELECOMMUNICATIONS

## *Telecommunications in Cambodia*

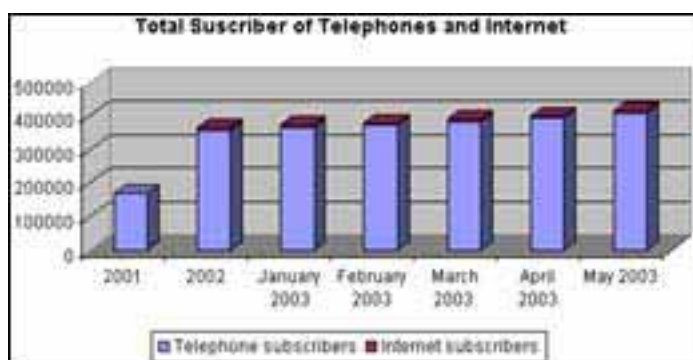


Years of civil war both destroyed most of the existing fixed network and prevented the construction of new lines. At the end of 1992, the year mobile cellular was introduced in Cambodia, there were only a little over 4,000 fixed lines for a population of some 9.3 million. A year later, mobile had already surpassed the fixed lines. Another contributing factor to mobile success was that the government liberalized the market early on, allowing both private investment and competition. As the Minister of Post & Telecommunications, H.E. So Khun explains: Even though it was very hard to attract foreign investors towards Cambodia, the telecommunications sector in this country had two points of interest. First we put unto place a very liberal and open market and second there were plenty of donations from international organizations to help develop the sector. The private sector is mainly investing into mobile phone

services". Cambodia was the first country in the world where mobile telephone subscribers passed fixed ones - way back in 1993. Cambodia began the millennium with more than four out of five telephone subscribers using a wireless phone, the highest ratio in the world. Thanks to mobile, Cambodia's teledensity - telephone subscribers per 100 inhabitants - reached one in 2000, a significant achievement for a Least Developed Country (LDC). While mobile has contributed to the bulk of Cambodia's telecommunication progress over the last decade, wireless fixed lines have also helped and accounted for five percent of all telephone subscribers at the beginning of 2001.

## ***Current Situation***

development. Perhaps the biggest factor contributing to wireless success is that there just never were many fixed lines to begin with. Today, Mobitel, a GSM mobile operator, is the largest telecom network operator in the country with more than 120'000 subscribers at the beginning of 2003, and the company is planning to expand further as Oknha Kieth Tieng, Vice-Chairman of the Royal Group (from which Mobitel is a subsidiary) explains: "In terms of growth we are expecting an increase of 10,000 new subscribers every month. We have always been the pioneers in this country and we will keep on being leaders by a constant innovation. We were the first to bring in a GSM system in Cambodia; we also were the first to introduce a cell card (...) This is the only way to win the communications battle, always being one step ahead, and of course provide the best service". This tendency to growth can be confirmed thanks to the statistics of The Ministry of Posts and Telecommunications of Cambodia (MPTC) where an steady increase of the subscriptions can be observed throughout the beginning of 2003.



There are three digital and two analogue mobile operators, all with foreign investors. Two additional digital mobile licenses have been awarded but have not yet started operating. Another success factor has been prepaid, with over 90 percent of mobile subscribers opting for this payment method. With a per capita GDP of only US\$260, most Cambodians either could not afford or would not qualify for a subscription telecommunication service. Prepaid cards with denominations as low as US\$5, and a used handset available for as little as US\$20 make mobile telecommunications much more accessible. Prepaid is also attractive from an operator's perspective because it eliminates the risk of

subscriber default. Another contributing factor to mobile growth is billing in US dollars (use of the US dollar is widespread in Cambodia), which reduces the investor's exchange rate risk.

While wireless communications have helped Cambodia achieve a minimal level of communications, it has also created its fair share of problems. This includes a confusing mix of government shareholdings and agreements; an interconnection maze; and an over-reliance on mobile network service provision to the detriment of the fixed line network.

The Ministry of Posts and Telecommunications of Cambodia (MPTC) is the industry policy-maker and regulator. In addition, it is involved in some way in every telecommunication network in the country either as a provider or joint venture partner. But this is soon going to change as the H.E. So Khun is planning to create an independent body who will start regulating the industry and is also considering all the options for privatization. "The first step is to set up the Telecommunications Authority (TCA) in order to be able to prepare a Telecommunications Law. We have drafted some suggestions on how this regulator should have to function and discussed it for a long time with the Ministry of Finance how to set it up. The privatization is needed, but we don't want to go too quickly to avoid problems".

It has managed this feat without investing much of its own money. Most of the fixed network has been provided through bi-lateral assistance, while the mobile network has been constructed with foreign investment. According to the Council for the Development of Cambodia, private capital totaling US\$131 million was invested in the telecommunication sector during the period 1994-1999.

The only network the MPTC owns outright is the local exchange in Phnom Penh. The Japanese Government largely funded extensions during the 1990s to the Phnom Penh network (US\$ 40 million in two projects, US\$ two million contributed by Cambodia). The first extension began in December 1996 and was completed in March 1997 providing 6'800 lines and is to be expanded to 50'000 lines by 2007. In the year 2000, the MPTC also began installing fixed lines outside Phnom Penh by putting local exchanges in eight provinces.

One side effect of practically starting from scratch is that all local telephone lines are connected to digital exchanges. Although over the years consultants have presented several proposals advocating the corporatization of the telecommunication arm of the Ministry and the creation of a "Telecom Cambodia", no action has been taken. Instead, MPTC's revenues continue to be reported as a part of overall government revenues, and its profits absorbed by the government for use elsewhere.

This has adversely affected the MPTC's ability to expand the fixed network. As a result, there is a de facto policy of allowing private investment in partnership with the MPTC to expand telecommunications. Most of this investment has flowed into the mobile sector but has also included Wireless Local Loop (WLL), fixed lines in the provinces and international gateways.

While this policy has contributed to telecommunication development, it is marked by a lack of transparency. For example, there is no clear picture of licensing or policy and timetable for telecommunication liberalization. Rather, restrictions on market entry are generally a function of various contracts signed between the MPTC and the operators.

### ***Prefix city***

For a country of its size and income, Cambodia has one of the most crowded telecom markets in the world with six operators running a total of eight fixed and mobile networks. These numbers rather than names have assigned different prefixes to the networks that are often referred to. There is no number portability, for either fixed or mobile. Cambodia has a Calling Party Pays system. All networks are required to interconnect and there is a central interconnection point at the MPTC in Phnom Penh.

The interconnection charge established by the MPTC has been revised several times. While the MPTC had authorized negotiations between operators to establish cost-based interconnection charges the Ministry abruptly changed its mind in mid-2001. It announced that it would adopt Sender Keeps All (SKA) and thus no longer make interconnection payments. This reversal was, no doubt, triggered by a traffic imbalance from fixed to mobile calls of between 14-20:1.

Mobile operators, who receive more fixed calls than they send out, will be adversely affected by this change. Some operators have suggested that if SKA were fully implemented, they would have to reconsider their investment strategy due to the end of revenues from incoming calls.

### ***International cash cow***

Telstra of Australia opened Cambodia to the world when it installed the first international gateway in 1990. This was done as a so-called 10-year Business Cooperation Contract (BCC) with the MPTC. Telstra received 51 percent of the revenue, and the MPTC the remainder. The BCC expired in 2000 and the gateway is now fully owned by the MPTC. Millicom launched the country's second international gateway in November 2000 through its Tele2 subsidiary. This arrangement is structured as a joint venture between the MPTC, Millicom and the Royal Group. The license is valid for 25 years. It is not believed that any additional international gateways will be awarded in the near future.

The MPTC earns 85 percent of its revenue from international tariffs in the world and the fixed network is so limited. The international tariff structure is straightforward. There are three bands and a weekday and weekend rate. Mobile operators charge the MPTC rate in addition to the mobile per minute call charge. Access to direct international calling from fixed lines requires the



payment of a deposit of currently US\$150 for the MPTC network and US\$200 for Camintel's network.

Because of the high cost of international calls, users are turning to other methods for communicating abroad. First, many people rely on incoming international calls with the ratio of incoming to outgoing 3:1 (29 million minutes of incoming international calls in 2000 compared to 9.6 million outgoing). Second, despite its illegality, there appears to be growing use of Voice over Internet Protocol (VoIP) with a number of Internet cafés openly advertising it. Due to this situation, the MPTC is looking at the possibilities to open this market. "So far they are in the trial period, from the university of Phnom Penh you can already use it and if everything works out fine, the whole system will be launched this year and will be a protected market for 7 years", said the Minister of Posts & Telecommunications.

## ***Internet***

The penetration of the Internet in Cambodia has been as skyrocketing as the implementation of mobile phones, as Under Secretary of State, H.E. Koy Kim Sea, who is also in charge of Camnet, explains: "Lately the growth of Internet has been slowed down due to the lack of a proper telecommunications infrastructure in the country. The mobile telephony has developed at a greater pace than the ground lines making the penetration of Internet to the rural areas more difficult". Nevertheless, next to Camnet, national Internet access provider, there are another 4 ISP's active in the country and other licenses have been granted although they are not yet active.

In order to see the IT sector develop the government has created a new institution responding directly to the Prime Minister Hun Sen, in words of his Secretary General, Mr. Leewood Phu, the NiDA (National Information Communications Technology Development Authority): "NiDA's task is to formulate an IT promotion policy for the short, medium and long term. The purpose of that is again in response to the evolution in ASEAN and to the whole world as well". The Authority is also charged with the formulation of an ICT Master Plan, with one of its main objectives the connection of all layers of the government to the Internet to improve the quality of service to bring the government closer to the people and vice versa.

Since the creation of the Authority three years back, the evolution has been remarkable. It started as a three men team and currently counts with 106 employees. "Before the formation of NiDA the connection to the Internet was considered a luxury for the people of Cambodia. Only NGO's or high government officials had access to it. After the formation of NiDA, the price dropped and Internet café's sprung up. A survey conducted early this year showed that in Phnom Penh only, there were almost two hundred Internet café's with a very cheap access to Internet".

## Conclusion

The telecom operation arm of the Ministry of Posts and Telecommunications (MPTC) would be separated out into a state enterprise called Telecom Cambodia (TC), which would respond to the market trends in competition. A Draft of the Sub-Decree on this subject has been made and expects its finalization, possibly, in the current mandate. Telephone calls in Cambodia are generally among the highest in the world. The official price of international telephone calls was set up and published with yearly steady reduction and with up to 20 percent discount on Week-End, based on the international accounting rate bilaterally agreed up on a specific schedule. Prices for calls to neighboring countries then were decreased throughout the years as follows:

1998	1999	2000	2001	2002
US\$3,20	US\$2,60	US\$2,40	US\$1,35	US\$1,35

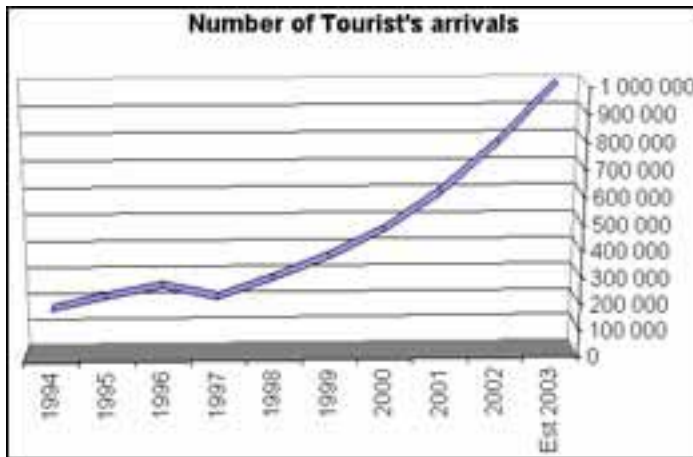
This decrease would be gradually applied for the year 2003. There is no possibility of the MPTC issuing another gateway license based on the current laws and traffic demand. However, these are subject to change depending on the company expressing interest. There are about 313,160 mobile users in the country. It is a very prosperous sector as the operators enjoy the fair playing field fostered by MPTC. They compete with each other freely without any impositions of price restriction. However, it is a common phenomenon for congestion to plague the networks because of over-capacity and insufficient equipment to meet demand, especially during peak hours. Investment has been quite stagnant in this aspect because of costs involved (investments normally get investment incentives such as tax free imports) and the high costs of securing expansion investments.

# TOURISM

## *Cambodia's changing image*

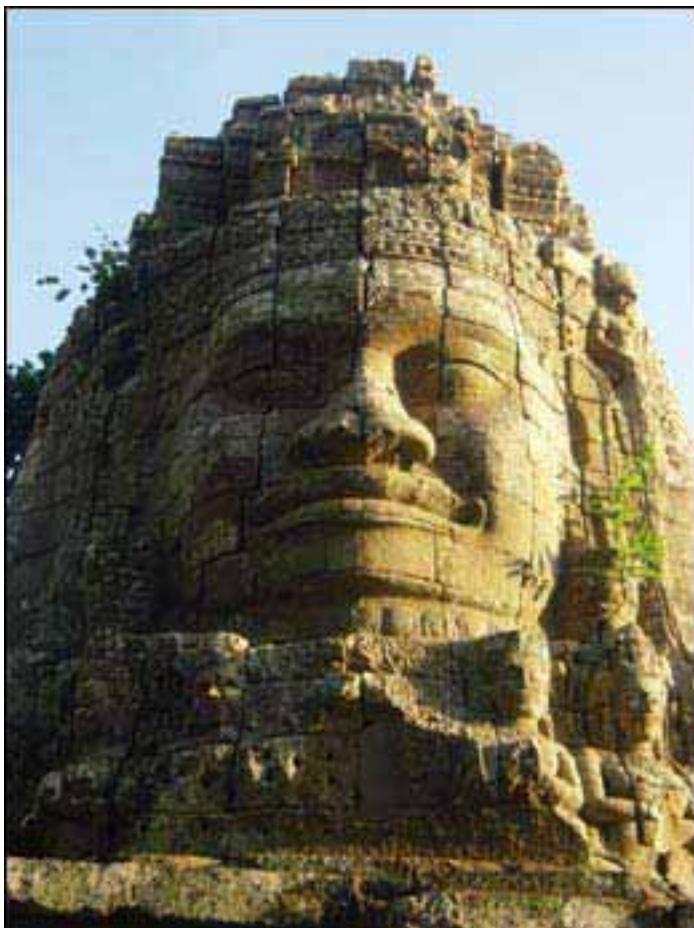


According to the Minister of tourism, H.E. Veng Sereyvuth the recent surge in this sector must be accounted for the "great change in the image of the country" through the improvement of social living conditions and upgrading of facilities. Indeed, with an average growth of 20 to 30%, tourism has become one of the strongest sectors in the Cambodian economy.



Tourism related activities - hotels and restaurants - grew at an average annual rate of 30 percent over 1994-1995. It slowed down during 1996-98, but picked up again in 1999 when it grew by 20 percent. Over the last few years, the development in the tourism industry has made a significant contribution to economic growth by attracting foreign investments, creating jobs and generating income for the local people.

If the country suffered from a negative image from the war's legacy, "there is right now an opportunity that has been missing for 30 years" says H.E. Veng Sereyvuth, Minister of Tourism. Indeed the ASEAN Tourism Forum, which took place in Phnom Penh last January, served as a positive testing ground for Cambodia's ability to handle a project of international scope and was an exceptional springboard for the launching of "the Visit Cambodia Year" with a slogan " Cambodia World of Treasure".



Though, tourism still suffers Cambodia's 3 decades of war, the priority for the next five years are lying mainly in the development of the overall infrastructure.

### ***Transport re-facing***

With improved infrastructure - Airport renovation and construction projects are currently implemented or planned at Pochentong, Siem Reap, Ratanakkiri, Stung Treng, Kampong Chhnang, plus the addition of Sihanoukville as a regional airport and the completion of a major road network that will connect all parts of the country in the next 3 to 5 years - the potential for tourism in Cambodia is immense.

Indeed development of tourism markets depends largely on improved access to, and movement within, Cambodia. This future diversification of domestic flights will thus provide tourist access to a wider range of destinations.

At the Ministry of Tourism there seem to be confidence on this part. As H.E. Veng Sereyvuth forecasts that by "2008; we will have a complete infrastructure in terms of road link. With the ASEAN highway from Thailand to Vietnam and all the national road links up to Laos and the national road to Angkor Wat."

Furthermore the Open Sky policy, launched by the Royal Government allowed foreign airline companies to fly directly to Siem Reap and the Angkor temples,

which brought in a large amount of foreign and local tourists to Angkor Wat. Thanks to this initiative Cambodia has given direct access to its major tourist assets but the road access from Thailand, Vietnam or other tourism oriented neighbors, is still lacking. Mr. Meng Hieng, Managing Director of Exotissimo and president of the Cambodian Association of Travel Agents (CATA) considers that "if we could attract to Cambodia a small percentage out of those 10 million tourists that each country (Thailand, Vietnam...) receives, that would mean a real development in terms of tourism" and that "when we talk about tourism growth in Cambodia, we are not talking about 3% or 5% but about 25% to 35% each year".

Nevertheless the Open Sky Policy focuses only in the development on the main tourist asset of the country; the Angkor Wat complex, and has left behind other destinations such as the capital city. Reaching the core of this issue Michel G.L. Horn, Managing Director of Cambodiana investment PTE. Ltd, owner company of Hotel Cambodiana declares "The Cambodiana's Hotel development strategy has to focus on business because as long as the Open Sky Policy is in place and as long as the country is not completely open; with new destinations where we can offer various packages for tourists to stay three, four, five nights within Cambodia, tourists may carry on to bypass Phnom Penh".

Professionals underline the importance of diversifying the "products" offered within Cambodia and to establish a clear and comprehensive development and communication plan for the sector.

## ***Development plans***

The government has framed for the sector a development plan focused on 4 strategic regional areas symbolically forming a dragon: Siem Reap (Cultural tourism) with the Angkor complex, Phnom Penh (body of the dragon, business tourism), Sihanoukville (head of dragon for tourism and industry with the sea tourism) and Rotanak-kiri eco-tourism (tail of the dragon). The government aims at developing an overall strategy for tourism development with among others the establishment of a tourism attraction information database. This will concentrate on information concerning the tourism product: the categories of attractions (built cultural heritage resource, living cultural heritage, events and festivals, natural heritage site, recreation, entertainment, rural/farm, adventure), their location, type, ownership, legal status, visitation pattern, and accessibility, giving information about the planning/regulatory framework, tourism and general physical infrastructure, facilities, services, economic impact, and utilities and lastly a database will describe the various types of local attractions in terms of their planning and management capacities, attributes of the attraction, and facilities and services available.



### ***Eco-tourism and sustainable developments***

Cambodia has good prospects for developing both eco-tourism and cultural tourism. The Angkor Temples and pristine environments of Cardamom Mountains, and other protected forest and wildlife areas offer good potential for development. However, this ought to be pursued on a sustainable basis.

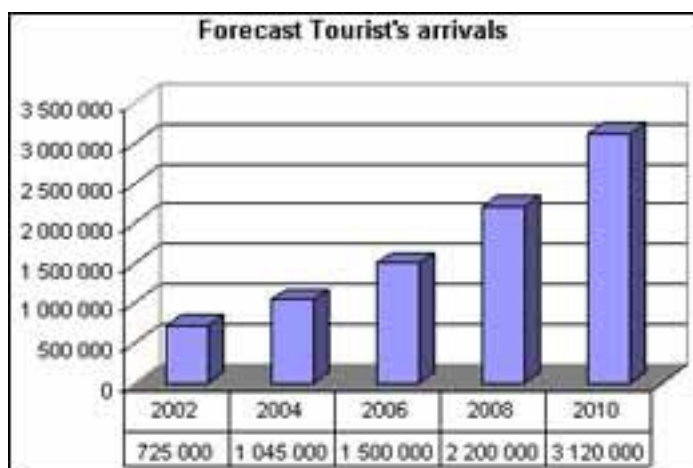
The Government's APSARA Authority and Angkor Conservation commission has allocated 1100 hectares of land in Siem Reap for a tourism development Zone, south from the protected area of the site. Bun Narith, President Executive Director of APSARA Authority explains that "the Authority has signed with the Meta Mékong group for the development of a 8 ha zone through a 70 year concession. A 30 ha zone has been reserved for the construction of hotels". APSARA Authority has primarily set the objective to maintain a balance between actions to protect the cultural heritage and the environment and the need to develop a strong tourism industry as part of a necessary socio-economic development in Siem Reap. Offering service will be a token of a worthy experience for the tourist. Fifteen international organisations are actively working with APSARA Authority in order to preserve the temples. It also undertook the training of monument guards and offers local residents the tourism related employment opportunities.

H.E. Sok An, Minister in charge of the council of Ministers explains that thanks to its "Environment awareness oriented policy; Angkor will be the world's first cultural heritage site to be awarded an ISO 14001 certificate for the implementation of environment". There is a strong desire to protect the historical legacy in Cambodia, considering that tourism development can be sustainable by maintenance of the integrity of cultural and religious traditional matched with proper management of the natural and environment protection.



### ***Cambodia: a future one-stop destination?***

Tourism arrivals in Cambodia are estimated to reach one million in 2003 to 2.2 million by the year 2006, generating more than US\$1 billion in foreign exchange earnings.



Tourism in Cambodia has bucked the trend that saw many global and regional tourism destinations suffer adversely from the general regional crisis. Furthermore Cambodia has experienced no decline at all in visitor numbers; in fact on the contrary Cambodia is expected to record growths of at least 25% year-on-year between now and 2006.

The average tourist stays about three days in Cambodia currently and spends an estimated US\$400 during their stay. Most of the parties involved in tourism in Cambodia agree to state that one of the main tasks is to bring visitors to extend their stay as Marc Bessagat, General Manager of the Sofitel Royal Angkor points out "We are not yet a one stand destination...we need to develop this new concept, we are all collaborating in the whole industry sector in order to increase this stay".

The challenges are set; implement the national infrastructure for a better accessibility of the several tourist sites, such as Rattanak Kiri in the East of the country. Develop a better infrastructure to welcome all kind of tourists, especially in the coastal area, where many projects are being developed such as golf's and five stars complexes. Last but not least diversify and promote the several assets of Cambodia in order to make it a one-stop destination. The renewed political peace and stability is the first step to all these achievements and step-by-step, with its world famous Angkor temples, Cambodia is gaining popularity.

# TRANSPORT

## ***Infrastructure***

Development of the transport and communications systems and improved delivery of water and power supplies is essential to the achievement of economic growth with equity and social development. In fact, Cambodia's infrastructure, which was almost completely destroyed after more than twenty years of warfare, civil strife and neglect, is slowly being restored.

The current transport system consists of the road network, railways, inland waterways and ports, and air transport. For domestic traffic, the road network is dominant: almost 65% of passenger kilometers per year and 69% of the freight are carried by road. Boats carry about 15 and 20% of the passengers and cargo, respectively; and rail carries the remaining 20% of passengers and 10% of cargo. International seaports at Sihanoukville and Phnom Penh are the key gateways linking the country to regional and international markets, handling an estimated 1.6 million tons of cargo in 2003. International airports in Phnom Penh and Siem Reap are also important gateways for growing passengers traffic.

## ***Road transport***



The Cambodian government has not allocated significant budget resources to repairing the country's roads but the highways system is therefore being rehabilitated through bilateral foreign assistance projects and multilateral loans, as they become available. For example, completion of the US Aid-funded Route

4 rehabilitation project in late 1996 improved links between Phnom Penh and the deepwater port of Sihanoukville. Japan has rebuilt portions of routes 6 and 7 between the capital and Kampong Cham and it is constructing a USD 57 million bridge over the Mekong River at Kampong Cham. The World Bank and ADB also plan to support rehabilitation of routes 3, 5, 6 and 7 with loans.

At the Ministry of Public Works & Transports ([www.mpwt.gov.kh](http://www.mpwt.gov.kh)), H.E. Minister Khy Taing Lim, explains: "The first priority will be given to the 2.800 km of the National road system that connects the capital to the provinces". The second priority will be given to an additional 1900 km of the National road system that more directly links adjacent provinces and connects small communities with towns and cities. This road rehabilitation will strengthen the linkage between the three broad economic zones which are: tourism zone formed by Siem Reap, Preah Vihear and Kompong Thom, the industrial zone defined by the coastal region and the agricultural zone, covering the eastern region of the Mekong river.

Ongoing projects will cost a total of USD 236.6 million, of which donors will finance 71% and the government 19%, leaving 10% not funded at the start of second Road Rehabilitation Program.

### ***Railway transport***

The railway system consists of a 386 km Northern line constructed between 1929 and 1942, which runs from Phnom Penh to Poipet in the north west; and a 246 km Southern line built in the late 1960s which runs from the capital to the deep sea port at Sihanoukville. The line near Thai border was so damaged as to make it unusable at any speed and the Southern track remained in reasonable condition but the formation was poor and 70% of sleepers needed replacing. Rail traffic nonetheless showed signs of increasing as peace and security were established. In 1997, it was estimated that a total investment of USD 7-10 million would be needed to allow safe operations and increased capacities of 7-8 trains per day on the Southern line. The Northern line runs through rich agricultural areas that are poorly served by the road network, and potentially connects with the Thai railway system, becoming part of the proposed Trans Asian Railway linking the ASEAN sub-region with China. In this aspect there is still much to do as H.E. Minister Khy Taing Lim, underline: "just to give you an idea, I will share with you a significant figure; before the war the average speed on our railways system was about 60km/hour, nowadays we are hardly reaching 20km/hour and with a significant highest rate of accidents (...) But the royal government can not face this challenge by its own and hopes to find foreign investors that would be interested in a Joint Venture, which will allow the railways to remain public but would grant them the rehabilitation and commercial management."

## ***Cambodian airports and the "Open sky policy"***



In the airway sector we can underline the strong participation of foreign investors. At present, seven domestic airports are operated in Rattankiri, Mondulkiri, Stung Treng, Battambang, Koh Kong, Previhear and Kratie. H.E Sok An, Minister of the council of Ministers insist that: "BOT/BOO/BOOT arrangements are being sought for upgrading five of these; Koh Kong, Stung Treng, Rattankiri, Previhear and Mondulkiri."

Pochetong International Airport in Phom Penh is contracted out for operation, management and development on a built-operate-transfer basis to a French-Malaysian consortium, SCA (Société Concessionnaire de l'Aéroport) , and for the operational side of the airport to CAMS . In April 2000, the government entered into an agreement that provides for a concessionaire to operate Siem Reap Airport and share revenues with the government. Mr. Denis Leluc, General Manager of CAMS said: "(...) in April 2000, CAMS was operating only one airport and with a staff of 150. Three months later, in June, we had 2 airports, cargo terminals, ground activities and 600 staff. (...) Our main objective has been always to improve the quality of our operations and to bring both airports to international standards".

In the long term it is expected that a new international airport will be constructed in Siem Reap to meet the demand of growing air traffic and for development into a profitable and self-financing operation. Having a grid of airports, the next challenge was indeed to increase the traffic and by the open sky policy the government has seen an opportunity not only to boost the airports activity but also its tourism sector as H.E Veng Sereyvouth, Minister of Tourism underlines: "When you are relying on the regional market and the local market you have no other policy than to allow them to fly direct to our country. Open up the country, open up the sky".

Concerning the possible creation of a new national carrier -the Royal Air Cambodge -bankrupted in 2000- the Minister in charge of The Council of Ministers H.E. Sok An, informed that "Our royal government is doing its best to

find out a partner for re-establishing our new national airlines", but so far no agreement have been achieved.

### ***Shipping and fluvial transport***

There is one fluvial port in Phnom Penh, which was rehabilitated with Japanese assistance. The internal waterways have a high potential with their 1700 km, but only 100km are currently used. Plans are on their way to reactivate the life of this port, which is located in the center of Cambodia, in the crossroads of the main rivers of the country (Mekong, Tonle Sap and Bassac) and close to the manufacturing centers as well as to the consumers themselves. To realize this change, the Port's Director General, Mr. Hei Bavy is applying a new strategy: "Although the Port of Phnom Penh was designed for general cargo, in 2002 we started considering a change in our strategy to swift our activities towards the main purpose of serving the container traffic"



The second and most important port of Cambodia, is the deep sea Autonomous Port of Sihanoukville ([www.pas.gov.kh](http://www.pas.gov.kh)). It is managed by a state-owned enterprise; it is involved in its third phase of reconstruction. This phase started in 2002 and will be finished by April 2004, once finished the port will have a fully operational container terminal. The Minister of Public Works and Transport forecasts an increase of the harbor's activity with an improvement of high technological facilities linked with a sound management which will allow a decrease of running costs, as the Kingdom is located at the heart of the ASEAN market. The improvements are already starting to be seen in the statistics of the port's activity, as the Sihanoukville's Autonomous Port General Director, Mr. Lu Kim Chhun explains: "the current statistics are very encouraging; in the first three months of this year 2003 the volume increased 28 percent compared with same time in 2002".

Rebuilding infrastructures is indeed one of the main challenges of the Royal Government of Cambodia. Nevertheless foreign assistant in this matter is crucial and haven't achieved the level expected in order to open up the country and therefore speed up its development. In terms of development of the tourism

sector for instance the road from Siem Reap to Phonm Penh, is still a pity and discourage many to even think about traveling by road in between this two destination. On the same way the road linking Phnom Penh to Hanoi lack of liability and comfort and discourage the entry of nearly 10 million tourists visiting the neighboring countries. A special emphasis has nevertheless been put in the road network and significant improvements are to be seen in the coming years.

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## ***COMPANY PROFILES***



# **APSARA AUTHORITY**

## **Contact Information**

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## ***ONE MILLION TOURISTS WILL BE COMING TO SEE IT***

Cambodia; with its capital in Phnom Penh, is a country of some 11,500,000 inhabitants and covers an area of 181,035sq km. After long years of debilitating war, the country has at last found peace and security, and is now entering a period of economic development.

Cambodia, a member of ASEAN, is that the geographic centre of the countries making up the Mekong Region, home to some 225 million people, offering an exciting potential for economic expansion.

A recent conferment of international donor and countries that are providing financial assistance for the restoration of Cambodia confirmed that this country enjoys the confidence of the international community.

The Cambodian government has been successful in creating the conditions needed to draw both investors and tourists back to Cambodia.

## ***GEOGRAPHICAL POSITION***

The Angkor plain is found in the northwest of Cambodia, in the province of Siem Reap. It is dominated to the north by the Kulen Plateau and bordered to the south by the Great Lake (Tonle Sap).

The town of Siem Reap, with its 50,000 inhabitants, six Kilo-metres away from Angkor Wat, is the economic hub of the region.

It has an international airport that provides easy access by air from the capital, Phnom Penh, as well as from Bangkok, Phuket and Sukothai in Thailand, Ho Chi Minh City in Vietnam and Singapore. Flights from Hong Kong and Kuala Lumpur are planned for the near future.

In addition, Siem Reap may be reached by river from the capital, and the upgrading of the road network currently being carried out will shortly enable visitors to travel by car or bus from either Phnom Penh or Thailand.

While awaiting completion of a new airport, the existing runway is being enlarged in order to accommodate high capacity aircraft.

The site is experiencing a significant increase in the flow of tourists, the number of which is expected to reach 200,000 in 2000 and gradually grow to 1 million in the next few years.

## ***DESIGN***

Angkor Tourists City will be developed in Compliance with current planning regulations, but in keeping with Khmer architectural traditions. Green areas and buildings will be blended together.

The area will contain tourists and leisure facilities only. It is reserved exclusively for luxury and first- class hotels with a capacity of over 60 rooms, in accordance with urban development regulations.

Essential utilities (electricity, water supply, etc.) are slated to be operational by 2002.

The development of the 60-hectare initial phase in two stages will make available up to 1,200 rooms, together with ancillary services and leisure facilities.

## ***THE APSARA AUTHORITY***

The APSARA Authority is a national, public administrative body whose terms of reference are to "design and manage the planning and development of tourism in the region of Angkor". It thus has the triple role of tourism management, urban planning and safeguarding the cultural heritage of the Angkor / Siem Reap region.

## ***INVESTMENT CONDITIONS***

The 1994 Law on investment in the kingdom of Cambodia and its 1997 implementation decree offer considerable incentive to investors. The APSARA Authority is also empowered to negotiate long-term lease (70 years in length). For hotels, the leasing fee is set pro rata the number of rooms planned.

The APSARA Authority provides advice and guidance for investors and finalises investment contracts. Construction projects are subject to standard specifications detailing the legal, technical, aesthetic and financial conditions for the implementation and operation of the venture.

In this way, investors are able to negotiate with the Cambodian authorities and operate in a climate of total co-operation and transparency; with the added assurance that the outstanding world heritage represented by the Angkor temples will be preserved.

#### Infrastructures of Angkor Park

Apsara Authority in cooperation with the Siem Reap provincial office has installed electric lights along:

- 1.The road running from the Royal Residence to the Siem Reap International Airport
- 2.The road running from the Royal Residence to Angkor Wat, Apsara Authority covered all expenses incurred through the installation of the lighting system.

The road to Siem Reap International Airport

The road to Angkor Wat

To help facilitate traffic around the provincial stadium, Apsara Authority decided to repair a road to the south of the stadium. This road was opened for use at the beginning of 2003.

Under repair

After repair

Restoration Worksites

Banteay Srei Temple

The project to restore Banteay Srei temple is a joint project between Apsara Authority and the government of Switzerland (see Yadshodhara 6). Work completed during the initial six month period ending in December 2002 included: archaeological research; drawing of a plan of the temple as a whole; preparation of a system of organising loose stones in order to make them easy to examine; cleaning of the temple surroundings; and a study of the effect on the temple of the trees which surround it.

Repairing the ancient drainage system

Examining the soil sample from drilling

Chau Say Tevoda Temple

By the end of 2002, ongoing restoration work at Chau Say Tevoda Temple directed by technical experts from the People's Republic of China had:

- Completed restoration of the causeway
  - Almost completed restoration of the southern library and southern gate tower
- Work scheduled for the coming years include:
- Repair of the eastern gate tower
  - Repair of the porch of the central sanctuary
  - Reconstruction of the northern gate tower from which many stones have fallen
- Southern library before restoration.

## **Workshop on Inscription**

In addition; the in cooperation with the ministry of Culture and find Arts, Apsara Authority organised several workshop on cataloguing of Ancient Khmer Inscription. The workshop considered:

- Re-cataloguing of inscriptions according to their proper date
- Photographing rubbings of inscriptions and entering such documentation into a computerised data base which would then be made widely available through the Internet
- Formalisation of the methods and tools used to make rubbings of inscriptions
- Organisation of a plan to make rubbings of newly discovered inscription as well as to give them inventory numbers.

## **Workshop**

The participants of this workshop included: researcher from the EFEO; representatives of the Ministry of Culture and Find Arts; participants from the department of Archaeology (Royal University of find Arts, Phnom Penh); as well as researchers from the department of culture of Apsara Authority. The Workshop was held over a three day period in Siem Reap / Angkor.

Professors from Silpakorn University (Thailand)

Researchers from the Department of Archaeology

Researchers from Apsara Authority

Researchers from the department of Archaeology

Making rubbings of inscriptions at the Bayon

Presenting the results of making rubbings and assigning inventory numbers to newly found inscriptions

## **THE ICC meeting in Siem Reap/ Angkor**

The International Coordinating Committee for the Safeguarding and development of the Historic Site of Angkor (Known as ICC) meets in June and December of each year to consider ongoing restoration, and development projects in the Siem Reap / Angkor Region

The Meeting

ICC members visiting the Banteay Srei worksite

## **An International Meeting on the Conservation of the Bayon**

The Japanese Team for the Safeguarding of Angkor (JSA) also organises many international meeting, which have become annual events in Siem Reap / Angkor, brings together many international and national experts to discuss ongoing plans to conserve the Bayon.

Meeting

Restoration Worksite at Northern library, Angkor Wat

Visit to the research worksite at the Western Prasat Top, Angkor Thom

Angkor International Documentation Centre

The Angkor International Documentation Centre has expanded to a new building marked on the map below. The Centre opened its doors at its new Location on the 1st of January, 2003.

Many more activities are organised, indeed in full respect of the integrity of the monuments such as;

Performances Arts at Angkor Wat

Night Performances at Angkor

Dancers from the Ballet Troup of Lorraine, France

Churning of the Sea of Milk interpreted by The Royal Ballet

Performances during Asian Cultural week at Angkor Wat

### **Traditions**

On the occasion of the Water Festival, The Siem Reap Provincial office organised boat races on the Siem Reap River.

Thirty nine boats having an average of 20 oarsmen. The boats represented various districts and offices of Siem Reap Province as well as the FAO organisation. The race course began at the "Spean Thma" bridge next to the Royal Residency and ended at the Vat Bo

The boat races on Siem Reap River.

### ***INTERVIEW WITH H.E. BUN NARITH, PRESIDENT EXECUTIVE DIRECTOR APSARA AUTHORITY***

**April, 10th, 2003**

**Interview for World Investment News & Far Eastern Economic Review.**



**Vous êtes le Président Directeur Général de l'agence gouvernementale qui gère les sites d'Angkor Wat. Pouvez-vous nous expliquer quels sont les pouvoirs et les attributions de l'Autorité Apsara ?**

Notre institution, appelée Autorité APSARA, a été créée en 1995 après l'inscription des temples d'Angkor Wat sur la liste du patrimoine mondial. Notre autorité a pour objectif, comme son nomme l'indique ; l'Autorité pour la Protection du Site et l'Aménagement de la Région d'Angkor (APSARA). Après sa création, l'autorité a manqué de moyens financiers pour assurer son fonctionnement et sa mission. Elle a donc formé un petit nombre de personnes pour remplir les tâches essentielles, inhérentes à la protection des sites d'Angkor. À cette époque, Angkor avait été déclaré site en péril par l'UNESCO. Car comme vous le savez, le Cambodge a souffert une longue période de guerre qui a entraîné le pillage et la destruction de notre patrimoine national.

Notre première mission a donc été de réduire le pillage et d'assurer les travaux d'urgence afin de protéger les monuments les plus dégradés par le temps et la nature. Vers juin 1999, le Gouvernement Royal a délégué les droits de billetterie à l'Autorité Apsara (auparavant, cette billetterie était gérée par le Ministère du Tourisme), ce qui a permis à l'Autorité APSARA de disposer de fonds suffisants pour assurer son fonctionnement, recruter et former son personnel, et commencer à réaliser sa principale mission de protection et conservation du patrimoine national. Les autres missions de l'Autorité Apsara étant le développement du Tourisme dans la région d'Angkor et le développement harmonieux de la ville de Siem Reap.

Nous avons donc formé nos jeunes afin de protéger et conserver notre patrimoine. Auparavant c'était des spécialistes étrangers qui étaient en charge des travaux de restauration et conservation des monuments ; notamment l'École française d'Extrême Orient qui a opéré à Angkor depuis 1907. Avec l'aide de l'UNESCO et d'autres organisations internationales nous avons ouvert des cours annuels de formation. Jusqu'à présent nous avons ouvert 4 cours. Chaque cours forme entre 25 à 30 personnes qui viennent de sortir de l'université. Nous recrutons des architectes, des archéologues, des ingénieurs et des spécialistes du tourisme.

### **Pouvez-vous nous présenter les chiffres clés de l'Apsara Autorité ?**

En ce qui concerne notre personnel ; nous avons recruté plus d'une centaine de jeunes universitaires ainsi que, pour assurer le gardiennage, plus de 600 gardiens. Nous disposons également d'environ 400 ouvriers qui sont en charge des travaux de nettoyage dans les parcs d'Angkor. Au niveau de la direction, il y a un PDG et 5 directeurs généraux adjoints ; le premier est en charge du département des Monuments et de l'Archéologie, le second de l'Urbanisme, le troisième du Tourisme, le quatrième du Développement Economique et Social et le cinquième de l'Administration. L'ensemble de notre force de travail s'élève à 1000 personnes. Pour vous donner une idée de notre évolution, à la formation de l'Autorité Apsara nous étions 10 personnes. Mai 1999, moment où nous avons commencé à gérer la billetterie marque un virage très clair dans l'évolution de notre institution. En terme de chiffres l'évolution est claire également ; les recettes de l'année 1999 étaient d'environ 2 millions USD, pendant l'année 2002 nous avons atteint les 9 millions USD.

### **En ce qui concerne vos projets de développement nous avons eu vent d'une zone d'environ 50 hectares, au pied des temples, qui serait réservée au développement du secteur hôtelier. Pouvez vous donner de plus amples détails concernant ce projet ?**

Nous sommes responsables, bien entendu, de la préservation et du développement des temples d'Angkor, mais également du développement du tourisme dans la région, comme je vous en ai déjà fait part. En effet, nous projetons de créer une zone touristique, qui se trouve 500 mètres à l'est de la rivière de Siem Reap et à la limite du parc d'Angkor, au sud de la Zone protégée. Cette zone de développement compte 1100 hectares.

Nous avons élaboré une esquisse du plan d'aménagement de cette zone dont la première étape est de développer la zone hôtelière. Dans ce cadre, nous avons d'ores et déjà signé un accord avec le groupe Meta Mékong pour l'aménagement d'une zone de 8 hectares. Cet accord a été établi sous forme de concession pour une durée de 70 ans. Il nous reste encore une zone de plus de 30 hectares réservée à la concession des hôtels.

Dans le cadre des préparatifs nous venons de terminer les travaux de construction des routes permettant un meilleur accès à la zone protégée d'Angkor. La route qui part de la N6 vers le nord et qui rejoint la route du petit



circuit de la Zone Protégée du parc d'Angkor et la route Est-Ouest qui traverse toute la zone. Ces routes ont été financées par la France, par l'intermédiaire de l'Agence française de développement, l'APSARA étant en charge de l'expropriation du terrain dans le cadre de la réalisation de ces routes, qui favorisent non seulement l'accès au site d'Angkor mais également à la zone touristique. Nous sommes actuellement en train d'aménager toutes les infrastructures afin de servir cette zone.

Parallèlement nous allons développer la zone adjacente où nous projetons de construire les nouveaux bureaux de l'APSARA, 95% de notre personnel étant basé à Siem Reap. Cette zone est destinée intégralement aux touristes et nous prévoyons d'y installer des centres à caractère culturel, des centres d'information et de réunion, des terrains de sports dont un terrain de golf, etc.

**Mis à part cet important projet dans le cadre du développement hôtelier de la Zone de Siem Reap, Quels sont les autres projets développés par votre autorité ?**

Nous avons un autre important projet qui est celui de construire un canal reliant le Tonle Sap au port de Phnum Kraom. Actuellement les bateaux arrivent de Phnom Penh à 3 ou 5 km du Phnum Kraom, le niveau de l'eau étant trop bas pour les-y accueillir. Nous sommes donc en période d'étude pour la construction d'un canal permettant de relier les eaux profondes au Phnum Kraom, de manière à permettre aux bateaux d'accéder au port en toute saison. Nous sommes à la recherche de financements pour ce projet qui est estimé de 5 à 7 millions de Dollars. Pour les modalités nous partons sur une base de concession avec une prise en charge du management, mais ceci reste à négocier avec les investisseurs intéressés.

Nous sommes également en train de réaliser les études techniques pour la construction de deux voies de contournement de la région d'Angkor. En effet, actuellement la population, afin de se rendre de la zone de Siem Reap à Banteay Srey, se voit dans l'obligation de traverser le parc d'Angkor ; la circulation y est donc très dense considérant qu'il y a également tous les touristes. Ces deux voies de contournement permettent donc de gérer le problème. Une de ces voies contourne la zone d'Angkor vers l'ouest et la seconde vers l'est, elles sont respectivement de 10 et 20 km.

**Vous nous avez déjà fait part d'une importante priorité de l'autorité ; la maintenance et le développement du site. Dans ce cadre, vous avez mentionné la formation de votre personnel comme l'une de vos actions initiales. Quelles sont les autres mesures prises par l'Autorité APSARA afin d'assurer sa mission ?**

Nous travaillons en étroite collaboration avec l'UNESCO. Depuis l'inscription des sites d'Angkor au patrimoine Mondial il a été créé un organisme, le Comité International de Coordination (CIC), pour la sauvegarde du site d'Angkor. Le CIC se réunit deux fois par an, et regroupe toutes les organisations internationales ou pays intéressés par le site d'Angkor afin d'échanger nos points de vues sur les travaux et trouver les meilleurs moyens de restaurer les

monuments. Nous travaillons en toute transparence, les travaux de restauration et les résultats des études de recherche étant disponibles à notre centre de documentation pour toute personne intéressée.

L'UNESCO demande également, chaque année, à un service d'expert de venir étudier et contrôler les travaux de conservation d'Angkor afin de pouvoir faire des recommandations. Chaque chantier se doit de produire un rapport sur l'avancement des travaux et prendre en compte les recommandations des experts pour leur développement. C'est ainsi, à travers la coopération internationale et la transparence, que nous entendons protéger le mieux notre patrimoine.

Les principaux chantiers de restauration actuels sont les suivants; le monument de Baphuon géré par l'école française d'Extrême Orient. Viennent ensuite le chantier des Japonais, à travers le Groupe gouvernemental japonais JSA, qui prend en charge le temple de Bayon ainsi que la bibliothèque nord du temple D'Angkor Wat. Sophia University, un groupe japonais également, prend en charge la restauration de la chaussée d'Angkor Wat. Les Chinois sont également présents au temple Prasat Chau Say Tevoda. Il y a également les Allemands qui travaillent sur la conservation des Apsaras à Angkor Wat. Les Italiens sont également présents sur deux chantiers à Angkor Wat, dirigés par l'un de leur expert, avec financement joint entre l'UNESCO et l'APSARA, et sur le temple de Pre Rup, sur financement de leur gouvernement.

Apsara prend également en charge, selon ses possibilités, un certain nombre de chantiers, tel Ankor Wat, le temple de Preah Ko, et celui de Banteay Srei sur lequel nous travaillons en collaboration avec les Suisses. A travers le Monument Fund, Il y a également des chantiers sur les temples de Ta Som et de Preah Khan. Sur tous les autres monuments à risque, c'est APSARA qui intervient directement, notamment hors du secteur de Siem Reap. En effet, nous n'opérons pas uniquement sur le site d'Angkor mais nous allons au-delà, avec par exemple le temple de Beng Mealea à plus de 50 km du site sur lequel nous travaillons. Nous avons la responsabilité de l'ensemble de la province de Siem Reap.

Vous avez un rôle bipolaire, qui se partage comme nous l'avons vu entre la conservation et le développement du site d'Angkor et la promotion et le développement du tourisme. Comment gérez-vous l'équilibre entre protection et développement ?

Le gouvernement Royal du Cambodge a établi le secteur touristique comme la locomotive du développement du pays, spécialement dans la zone d'Angkor. Nous devons donc coordonner nos actions entre la protection du site et le développement du tourisme de manière à ce que ces deux missions aillent de pair. Nous devons renforcer nos actions de protection en même temps que nous développons le tourisme. Une solution adoptée a été de créer des parvis aux alentours des temples. Ces parvis sont des espaces réservés aux touristes ; des zones piétonnes, des espaces verts, des toilettes, des parkings, etc..... L'esprit est de construire une vingtaine de parvis aux alentours des principaux temples afin que les touristes puissent profiter d'une guidance et ainsi une

meilleure vue des temples et réduire, par la même, l'impact néfaste du tourisme sur le parc.

Si vous prenez l'exemple du Temple de Banteay Srei, qui est un temple qui attire beaucoup de touristes, l'espace disponible près de ce temple est très réduit, de plus la route est très proche. Afin de limiter l'impact du tourisme nous sommes actuellement en train d'étudier une voie de contournement, qui permettrait uniquement un accès piéton et laisserait plus de place disponible aux alentours du temple afin de pouvoir l'aménager pour les touristes. Dans cette optique, c'est une politique bénéfique à tous que nous développons.

**Dans ce cadre, il a été organisé l'année passée un important évènement sur le site d'Angkor Wat ; la tenue d'un opéra, avec la participation du ténor José Carreras et de l'école royale de danse Apsara. Quelle est votre politique concernant ce type d'évènement sur le site des temples ?**

Notre principe est de ne pas banaliser les monuments. Nous organisons également des activités culturelles et artistiques deux ou trois fois par ans. Les monuments majeurs ne sont utilisés que pour les manifestations à l'échelle nationale. A chaque évènement nous prenons d'importantes mesures préventives, cependant il y a toujours un certain nombre d'impacts que nous ne pouvons pas gérer à 100%. Cependant afin de concilier notre mission de protection avec celle de développement nous devons permettre ce type d'activité artistique.

Nous sommes actuellement en train d'étudier un projet pour l'organisation, sur le temple d'Angkor Wat en décembre prochain, d'une représentation du violoncelliste Mstislav Rostropovitch. Conscients que la renommée de cet artiste est inestimable, nous sommes en train de réfléchir comment organiser une telle manifestation.

**Nous nous intéressons également à votre partenariat avec la société Nationale Sokha Hotel pour la gestion de la billetterie d'Angkor, pouvez-vous-nous en dire plus ? Etes vous ouvert à d'autres partenaires ? Dans quels domaines ?**

Le contrat avec Sokha Hotel a déjà été modifié deux fois et la dernière version de celui-ci prendra fin en 2005. Ce contrat est un peu spécial ; ayant été signé en 1999, nous n'avions pas l'information suffisante afin de prévoir l'évolution du secteur touristique. Lorsque le contrat a été signé la billetterie était gérée par le ministère du tourisme et les chiffres annoncés ne dépassaient pas les 800.000 USD. Il nous était donc difficile de faire des prévisions, au vu des importants changements dès lors. En effet, le tourisme a connu un essor important dû à la fin de la guerre et également à certaines initiatives gouvernementales tel que la politique du ciel ouvert. C'est dans ce contexte que nous avons re-négocié plusieurs fois ce contrat. A travers ces diverses modifications, l'intérêt de l'APSARA a été amélioré notamment par la création d'un fonds ; le fonds de conservation et développement d'Angkor, qui a permis de réhabiliter cette année un certain nombre de routes dans le parc. Lorsque ce contrat prendra fin, nous étudierons de nouveau ses modalités afin de favoriser notre Autorité.

Nous sommes, en principe, ouvert à d'autres partenariats ; notre politique étant de transparence et de recours aux appels d'offre internationaux.

Pour la concession des infrastructures ou la concession hôtelière nous devons faire appel à l'investissement étranger, l'autorité APSARA n'ayant pas la capacité et les moyens nécessaires pour assurer tous ces investissements. Notre ambition est de relier le site d'Angkor à d'autres sites plus éloignés, sous la responsabilité du ministère de la culture notre autorité ne gérant que la province de Siem Reap.

**Nos lecteurs sont aussi intéressés par le profil de l'homme derrière l'organisation, pouvez partager avec nous votre expérience professionnelle ainsi que votre plus grande satisfaction à la tête de l'Autorité Apsara ?**

De 1965 à 1975 j'étais professeur d'histoire. Après la période des Khmers rouges, j'ai été intégré au Ministère de la Culture. J'ai rejoint L'autorité Apsara en tant que directeur de l'administration au début de l'année 1999. J'ai ensuite évolué au sein de cette organisation jusqu'à en prendre la tête. En ce qui concerne ma plus grande satisfaction ; il faut que je vous avoue que de nombreux progrès ont été réalisés. Ces progrès sont visibles dans l'organisation de notre institution, particulièrement au niveau de nos relations avec d'autres organismes. De plus, jusqu'à présent nous avons fait face à l'arrivée massive des touristes sans causer de dommages aux monuments ; notre tâche délicate de prendre soin de ces monuments, qui datent, a été remplie.

Il me reste cependant certaines préoccupations en ce qui concerne notre mission principale car nous sommes souvent confrontés à des problèmes délicats. En effet depuis l'ouverture du site, les familles locales vivant sur le site ont fortement augmenté en nombre. Ces constructions sont en théorie illégales, cependant on peut comprendre qu'il s'agisse d'une nécessité pour ces familles qui s'accroissent en nombre et ont donc besoin de plus de logements. Ce sont des sujets délicats car si nous ne réussissons pas à bien gérer ces évolutions, elles auront un impact direct sur le paysage ou sur l'environnement du site.

**Vous gérer la principale richesse du secteur touristique Cambodgien, dans ce cadre quel serait votre message final à l'attention des investisseurs qui regardent ces projets d'un oeil intéressés ?**

Nous avons un nombre important de projets pour lesquels nous souhaitons l'intervention d'investisseurs. Cependant l'expérience nous a appris qu'il faut l'intervention d'investisseurs qui aient l'amour du patrimoine afin de travailler sur le site d'Angkor. Nous avons déjà reçu un certain nombre d'investisseurs mais qui n'avaient pas la sensibilité et la conception du patrimoine. Ils nous demandent, par exemple, la création d'un escalier mécanique pour accéder aux temples ; il faut comprendre que nous ne pouvons accepter ce type de projet qui ne respecte pas l'intégrité de notre patrimoine. Si vous avez déjà visité Angkor, vous savez qu'il y a actuellement un projet qui fonctionne ; il s'agit du Ballon qui permet aux touristes d'observer le site sous un tout autre angle. Ce

projet est un projet pilote qui nous permettra de développer d'autres activités pouvant attirer les touristes mais ne nuisant pas à l'intégrité de nos monuments.

## HOTEL CAMBODIA PHNOM PENH



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**The first leading luxurious Hotel of the Kingdom of Cambodia with history and personality, and traditional Khmer architecture that offers the highest customers' satisfaction.**

### ***HISTORY***

" Cambodiana " which means golden palace in Khmer was conceptualized under the supervision of His Majesty King Norodom Sihanouk to welcome dignitaries and royalties. Unfortunately the construction was halted due to the events in 1970. The site remained idle under Khmer rouge and Vietnamese occupation, and in 1988 Singaporean investors, M. Stephen Lek and M. Lim Ban Thoon re-launched the project and completed the Hotel as its present site. Traditional Khmer architecture is still prevalent around the façade of the hotel surrounded by large landscapes and the hotel rooms and restaurants were designed and given pagoda themes.



Opened first in June 1990, Hotel Cambodiana has been an integral historical part of the country's progress and hosted numerous guests of honor. Many diplomats stayed at the hotel from 1991 to 1993 during the UNTAC period. Some of these dignitaries included past President Mitterand, Head of UN M. Akashi and Hotel Cambodiana has since then been the home of foreign Ambassadors and Royalties visiting Cambodia.

Nowadays, Hotel Cambodiana has long serving staff having extensive knowledge of Cambodian history, culture and customs. Furthermore the Hotel is well renowned to have the prime location in the city right on the banks of the Mekong River. The Hotel Cambodiana is the longest running top class hotel in Cambodia and the only luxury hotel with breathtaking views on the Mekong River and the Royal Palace. At the Hotel Cambodiana we pride ourselves on providing the most luxurious accommodations in Phnom Penh and an authentic Cambodian experience.

## ***ACCOMODATION AND GENERAL FACILITIES***

Our 300 rooms, including 24 Junior and Executive suites, combine style, comfort and full range of facilities and room amenities. For the ultimate in luxury we have the Royal Mekong Club Suites.





For business or pleasure, a choice of facilities to suit your needs. General facilities include:

- In-house clinic/doctor
- Courier service
- Hairdressing & Beauty Saloon
- Travel bureau
- Delicatessen
- Full laundry service

Our recreational facilities include an excellent swimming pool with garden terrace and two tennis courts and a Spa Center offering Steam Sauna and foot reflexology. The ground floor of the Hotel Cambodiana contains a range of specialty shops to fulfil all of your requirements. Those who require the very best will appreciate the luxury amenities, free upgrades, and special offers provided by the Mekong Club.

## ***BUSINESS FACILITIES***

Business guests will find all of the state of the art communications and productivity tools they need in our new Business Center. Audiovisual equipment and computers are available for rental as well as secretarial services with multi-lingual staff to assist with translation to Khmer, English, French, Chinese, Japanese and Korean.



The Hotel Cambodiana has the facilities and experience required to make your conference or other event a success. Our functions rooms can accommodate up to 500 people for conferences, meetings, seminars or banquets and tailor-made meeting packages available from 22 USD. Enjoy the help of our creative catering staff who can manage your affair with the utmost experience.

## ***RESTAURANTS AND BARS***

The Hotel Cambodiana offers a choice of restaurants and bars serving Asian and Western style cuisine.

Informal all-day dining is available at the full buffet spread of the Mekong restaurant while French cuisine is the specialty at l'Amboise restaurant for the discerning palate. Try a delicious pastry with freshly brewed coffee at the Deli Shop or sample the best the Orient has to offer at the Asian Wok. Al fresco, dining at the Splash Bar & Grill and Pomodoro, Italian restaurant, where the menu commands as much attention as the view of the Mekong River. End your day at the Lobby Bar, cocktails accompanied with live entertainment in the evenings.



The Hotel Cambodiana's six restaurants and bars regularly host special events and are constantly updating their range of offerings. Please check our Restaurants & Bars page for detailed information on each outlet. Or if you wish to relax in the privacy of your own room, we provide 24-hour room service.

***INTERVIEW WITH MR. MICHEL G.L. HORN, MANAGING DIRECTOR CAMBODIANA INVESTMENT PTE. LTD.***

**April 8th, 2003 Special Report for World Investment News & Far Eastern Economic Review.**



**Cambodiana Investment Pte. Ltd. was one of the first foreign investors coming to Cambodia. Can you introduce us the hotel and its historical background?**

Hotel Cambodiana is an investment realized by a Singaporean company called Cambodiana Investment Pte. Ltd. The owners of the company, Mr. Lim Bantoon, Mr. Steven Lek and Mr. Peter Lek came in 1988 to Cambodia and signed an agreement with the government to lease the hotel and the land on which the hotel is built. That same year, the refurbishing of the hotel started and it officially opened its doors at the beginning of 1991. The lease agreement is for 70 years and the surface where the hotel stands is 3,5 ha. The location of the hotel is at the junction of the four rivers the Upper and Lower Mekong, the

Tonle Sap and the Bassac. When we came, the structure of the hotel was already built. We did the decoration, elevators, air conditioning and so on. The construction of this hotel was commissioned back in 1968 by King Sihanouk and formed part of tourism development project along the river. Next to this hotel, were also a V.I.P. bungalow hotel and a casino, which was burned during the war.

We were already fully operational even before the signing of the Peace Agreement in October 1991 in Paris. 1991 was a very difficult year because we didn't have many guests. When the King himself came to Cambodia in November 1991, we saw plenty of countries re-establishing diplomatic relations with Cambodia and also the delegations of the UN settling to help develop the country and all its political activities. Not only the UN had its offices in our hotel, at a certain point we achieved to host thirteen ambassadors because there was nowhere else to stay. There was no electricity so it was hard to get a house in conditions. The hotel is self-sufficient producing its own electricity, treating its water and importing its own gas. So 1992 and 1993 were quite busy years for the hotel.

After the UN personnel left in 1994, occupancy went down because there was not much economic growth, in 1996 and begin 1997 although we saw the construction of two competitors, the Intercontinental and the Raffles. Then in July 1997 we were confronted with the social unrest and also the Asia crisis. We had a few bad years but we managed to survive after drastic actions. In 2000 tourists started to come back. In the year 2001, we managed to restore some confidence to the travel agencies to send some tourists and there was renewed of interest of some investors to return to the country. It was at that time that Cambodia joined the ASEAN. In this context, we saw a substantial increase on the political activities, especially within the region. So we started to have meetings between the ASEAN countries and with financial institutions like the IMF, Asian Development Bank, World Bank and all the donors to Cambodia.

Currently we are being hit by the war in the Middle East. Most of our European reservations have cancelled because of this conflict. At the same time we got the double blow of the appearance of SARS, which is quite bad for all the Asian countries. Our main guests come from French and Japanese tourism and the Chinese (PRC) and Singaporean businessmen. Due to the war and the SARS a lot of them cancelled. Having said that, April is also the beginning of the low season for Cambodia, so it is quite normal to experience a slow down in occupancy.

We are also worried about this year due to the upcoming elections in July 2003. Generally, when elections take place, there is a slow down in occupancy rates, as people want to wait for the result before taking action. Right now it is a wait and see situation.

### **Can you give us some key figures of the hotel?**

We have 300 rooms including 24 suites. There are four restaurants: one Italian, one French, one Asian, a coffee shop and a bar. We have banqueting facilities

for 600 people, three smaller meeting rooms for smaller size conferences. There is also an executive floor and business center designed for business travelers, meeting their specific needs. There is also a swimming pool, which is a luxury here in Phnom Penh; two tennis courts, a gymnasium and a spa center. Next to that there is also 20.000 sq feet of office space. Just to name a few of the companies present in our hotel there is Sumitomo, Mistui, Maersk, Alcatel and the Franco-Cambodian Chamber of Commerce.

We have 460 employees, 430 full time, casual employees are hired for special activities like banquets. What concerns occupancy, the average for 2001 was 65% and for 2002 it went down to 55%. This can be explained mostly because of the effect of the Open Sky Policy of the government. Before the Open Sky Policy, all flights were coming to Phnom Penh for one night and then went on to Siem Reap. Currently 65% of leisure inbound trips go directly to Siem Reap, this explains our loss of occupancy.

What concerns turn over, our room rates decreased tremendously from 1997 to 2000 but then went back again. Presently our average room rate is between 62 and 65 USD. In 1997 we were above the 100 USD.

**When we see the evolution of the Cambodiana throughout the years, Ambassadors, UN officials and delegations from several organizations along with businessmen have been your main clients. Is your strategy exclusively directed toward business travelers?**

We changed our strategy over the last two years. What we are doing now is to focus on all conferences. It is a very interesting market segment for us because they not only consume rooms, but also the rest of the facilities of the hotel, which is what we need. So we are looking at the trend of the last two years and this is a market that is developing quite fast. As you said it's connected with the government, embassies and the UN, the EU and all these organizations, which are here to help politically and financially the country. There are more and more meetings and trainings organized by these organizations here in Phnom Penh, so we are reinvesting in our facilities keeping in mind the needs of these groups.

We focus on business because as long as the Open Sky Policy is in place and as long as the country is not completely open; with new destinations where we can offer various packages for tourists to stay three, four, five nights within Cambodia, tourists may carry on to bypass Phnom Penh. Indeed, the strategy is to invest in our rooms and the conferences and banquet facilities to attract the business travelers. But of course will encourage the tourist to come to Cambodia.

**Do you have any specific project to attract those tourists towards Phnom Penh or to invest yourself in other sites of Cambodia?**

As a single company we cannot sway markets around. But we are working closely with the Ministry of Tourism to develop more awareness about tourism in Cambodia and specifically to Phnom Penh. On that matter I really have to

take my hat off to the Minister of Tourism and his team because they have done a very good job in the last two years. They demonstrated it especially during the ASEAN Tourism Forum last January. It was a fantastic organization, some of my guests said it was the best ATF they have attended. Furthermore they have launched many brochures. The Minister is very active and is extremely good at Public Relations. We are joining them to help in as many things as we can. With this in mind we have created the Phnom Penh Hotel Association and through the association we try to work closer with the travel agencies and the airlines to get packages together and new ideas to promote Phnom Penh as a destination other than Siem Reap. We are helping as well in different forums between the public and private sectors to raise issues and proposals to promote and develop more the interests for tourism to Phnom Penh. It has started to pay off. The more we expose Cambodia through activities like the ASEAN Tourism Forum, the "Visit Cambodia Year" and campaigns in the embassies who transmit information about the country, the more Cambodia will be in the spotlight.

There are not many new destinations worldwide, as soon as Thailand and Vietnam get saturated and markets like Myanmar keep being politically uncertain, Cambodia will remain as the new venue. The view of the Minister of Tourism to achieve the goal of 1 million visitors is achievable. If you realize that Singapore is doing over 7 million tourists a year and Thailand over 10 million, the goal of the Minister is realistic. Keep in mind that these one million visitors can be achieved only with Siem Reap and a little bit in Phnom Penh. There is still a huge potential of development for the whole country.

**Currently your company manages the hotel. As you said earlier, you used to have a managing contract with Sofitel-Accor. Are you planning in the near future to get back to one of those managing contract with an international chain or you want to keep the formula you are using now?**

We are always open to the two options. As an investor, I am always looking into how to get the best return and the best value of my property and my investment. It's a question of making the right decision at the right time. Today, our decision is to manage the hotel ourselves; we have the expertise in management and a long term service staff, most of them have been here since the opening. We have, I believe, a very good understanding of the market and what is Cambodia. Right now it's not the proper time to give the toy to somebody else to play with.

**Can you tell us more about your career path, your experience in Cambodia and your greatest satisfaction while working in this country?**

I have a vocational training certificate at the Hotel Management School in Strasbourg. I started working in Paris for four years with the group Accor. Then I went one year to Abu Dhabi, to come back to Europe, in London, for four years. In 1988, I arrived to Asia where I worked in Singapore for one year, then in China for two years. From there I went for the first time to Cambodia. I moved on again to South Korea. In 1995, I opened my own business in Singapore as a consultant for hotel management. At the same time I invested in the company owning the hotel Cambodiana.

My greatest satisfaction in Cambodia has been to see the development of my staff. Six months after my arrival in 1991, I had to change the uniforms of my staff because they were much more healthy than when they started. It is indeed a great satisfaction to have given jobs, hope and something to look up to. Most of my initial staff is still here, they have their own families and they have also evolved professionally. Furthermore plenty of my managing staff is Cambodian. It is fantastic to have seen their evolution.

**As a businessman having private investments in the country, what would be the final message you would like to transmit to potential investors interested in Cambodia?**

Cambodia is a place you either love or you don't. If you want to invest here, you must love it. Why? Because it is a difficult place to work in. To manage a company here, you must consider yourself as a captain; you are in your own boat and even if there is no wind, you have to make sure you bring your boat forward. If there is a storm you have to keep your boat floating. This is why I compare a businessman here to a captain of a boat. We all want to make money, but you have to understand that there are some aspects of the Cambodian economy that are still in the stage of infancy, such as laws; technical assistance; training, etc. Due to this difficulty you have to make sure you love the country, otherwise it will be difficult for you to make business here. There are still a lot of opportunities; it is just a question of how much guts do you have and you also need to have a special profile to come over here.



## CANADIA BANK LTD.



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Kingdom of Cambodia

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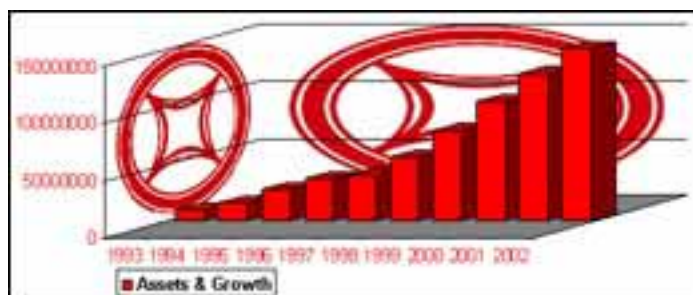
Fax (855) 23 427 064

e-mail: [canadia@camnet.com.kh](mailto:canadia@camnet.com.kh)

website: <http://www.canadiabank.net>

### **HISTORY**

Canada Gold & Trust Corporation Ltd. was founded in 1991 in a joint venture between Cambodians from Canada and the National Bank of Cambodia. At that time it was managed by former staff of the National Bank of Cambodia. To serve our customers better and due to changes in the financial market and the increasing number of banking customers, we re-structured our company and changed the name of Canada Gold & Trust Corporation Ltd. to Canada Bank Ltd in 1993. Today, we have branches in Phnom Penh city and other parts of Cambodia. We are affiliated to major foreign banks in North America, Europe, and Asia to handle financial transactions of our customers abroad. Canada Bank Ltd. has been successful and growing and we would like you to be part of our business.



## ***MISSION***

Our goal is to be competitive and to meet the customers' needs and satisfaction.

## ***SHAREHOLDERS AND DIRECTORS***

Canadia Bank Ltd is a wholly owned subsidiary of Overseas Cambodian Investment Corporation Ltd (a public limited company incorporated in Cambodia).

The Bank's directors are: Mr. Pung Kheav Se  
Mrs. Lim Sophany  
Mr. Phuong Khanh Hoa  
Mr. Mao Khan  
Mr. Tol Hak.

## ***SERVICES***

Canadia Bank is one of the first financial institutions opened in Phnom Penh in early 1991 when Cambodia started to re-build its economy. We are one of the leaders in helping open up the banking and financial sector in Cambodia. Our team works very hard to innovate and design services and products to achieve a professional and high banking standard.



Our services and products are listed below:  
- Personal and business accounts

- Deposit accounts
- Foreign exchange
- Local and international money transfers
- Credit card cash advance & traveller cheques
- Canadia Bank smart cards
- Documentary credits & performance guarantees
- Agricultural, industrial, and commercial loans
- Real-estate transactions
- Business & investment consulting

## **PROJECTS**

Our Bank's core financing is on the tourism related projects as the number of visitors coming to Cambodia has been increasing over the years. The mega projects financed by our Bank are the following:

### **Shopping Center Sorya Ltd.**

The Sorya Shopping Mall is located at Street 142 and Street 63 in Phnom Penh. It is a fully air-conditioned building equipped with elevators and lifts as well as a large parking area.

### **Canadia New Village**

This is the Canadia New Village located Southwest of Phnom Penh. The village consists of a market, stores, a bus station, cinema and houses.

### **Canadia Industrial Park**

The Company has constructed 23 factories in an industrial park at Trapeang Thloeung Village, Chomchao Street, Chomchao Quarter, Dangkor District, Phnom Penh and lease to all the investors. The industrial park is well equipped with all the basic infrastructures i.e. electricity, water, accommodation for the workers, food stalls and garbage collection and etc.

### **Cambodian Folk, Custom & Culture Village**

The Cambodian Folk, Custom & Culture Village is currently under construction. It will have a total area of 20 hectares near the world famous Angkor Wat temples site in Siem Reap.

## **BRANCHES**



Phnom Penh Branches

### **Head Office**

No. 265-269, Ang Duong Street

Tel: (855) 23 215 286

Fax: (855) 23 427 064

Telex: CANADIA KA36188

Credit-Smart Card Tel: (855) 23 215 085 / 215 086

E-mail: [canadia@camnet.com.kh](mailto:canadia@camnet.com.kh)

### **Olympic Branch**

No. 394, Samdech Preah Sihanouk Blvd.

Tel: (855) 23 720 503 / 720 492 / 725 458

Fax: (855) 23 218 395

H/P: (855) 12 811 878

### **Charles de Gaulle Branch**

No. 126, Charles de Gaulle Blvd.

Tel: (855) 23 214 668 / 214 868 / 214 898

Fax: (855) 23 214 288

### **Canadia Industrial Park**

Trapeang Thloeung Village, Veng Sreng Street,  
Chomchao Quarter, Dangkor District

Tel: (855) 23 802 005

Fax: (855) 23 802 005 / 802 003

H/P: (855) 12 988 608 / 12 839 012

### **Sihanoukville Branch**

Independent Blvd.

Tel: (855) 34 933 490

Fax: (855) 34 933 697

H/P: (855) 12 848 673 / 16 347 505

### **Battambang Branch**

The North of Phsar Thom Market

Tel: (855) 53 952 267

Fax: (855) 53 952 005

H/P: (855) 16 538 353 / 16 839 238

### **Kompong Cham Branch**

Canadia Commercial Center

Tel: (855) 42 941 361

Fax: (855) 42 941 360

H/P: (855) 12 848 672 / 11 894 933

### **Pailin Branch**

No. 2, 726 Wat Village, Pailin Comune, Pailin District

H/P: (855) 16 530 011 / 530 013

### **Siem Reap Branch**

No. 558-559, Phsar Chas Street, Svay Dangkum District

Tel: (855) 63 964 808

Fax: (855) 63 964 809

H/P: (855) 16 919 869 / 12 871 738

## ***INTERNATIONAL POLICY***

### **OVERSEAS CAMBODIAN INVESTMENT CORPORATION**

Holding company of the bank, the Overseas Cambodian Investment Corporation has as main mission to attract foreign investors to Cambodia to realize all the projects Canadia Bank is involved into.

List of international correspondent banks by country:

Canada:

- Caisse Populaire Desjardins (du Quartier Chinois)

**France:**

- Banque National de Paris S.A.

**Hong Kong:**

- The Hong Kong and Shanghai Banking Corporation Limited
- The Nanyang Commercial Bank Ltd.
- Standard Chartered Bank (Hong Kong)

**Singapore:**

- Standard Chartered Bank (Singapore)

**South Korea:**

- Korea Exchange Bank

**Taiwan:**

- Chang Hwa Commercial Bank Ltd.

**U.S.A.:**

- Bank of America N.T. & S.A. (New York)
- Bank of China
- HSBC Bank USA
- Republic National Bank of New York
- Standard Chartered Bank (New York)

**Vietnam:**

- Bank for Foreign Trade of Vietnam
- The Hong Kong and Shanghai Banking Corporation Limited.

***INTERVIEW WITH MR. PUNG KHEAV SE, GENERAL MANGER  
CANADIA BANK LTD.***

**April 28th, 2003 Interview for World Investment News & Far Eastern  
Economic Review.**



**You are the founder of the Canadia Bank, the largest bank in Cambodia. Can you present us your bank, its main developments since its formation and tell us why you decided to create it?**

I left Cambodia in 1980 to go to Canada. The situation in my country was quite unstable and we wanted to go abroad to have a new life. In 1988, I received a letter from my uncle who had come back to Cambodia from Paris. In that letter, he explained to me that things had improved a lot in Cambodia at the political and economical level and that it was time for me to come back. So in 1991, I came to Cambodia, met some businessmen and government people and decided to establish a business. While being in Canada, we had a jewelry store and people were asking me to send their money towards family members in Cambodia. Although it began with small amounts, in 1989 we were sending already 5 million USD, which is a huge amount. This transfer of money concept gave the idea to create a bank.

At that point, there was not much confidence in the country and although the policy of the Government was to attract foreign investment, specially the one coming from Cambodians living overseas, we decided to create a trust company which was also able to provide banking services. At that time there were just 5 banks in Cambodia and my bank started to flourish thanks to the UNTAC and its soldiers that made a lot of deposits.



In 1993 the Governor of the Bank of Cambodia approached me requesting me to formally transform my trust company into a bank as it was growing so fast. Although our initial capital was not enough, the Governor told me we could start already with 1.5 million USD. As we had a lot of depositors and also plenty of Cambodians from overseas trusting in our bank, we managed to grow and currently my bank's total assets amounting of 174 million USD. In deposits we have 150 million and our reserves in 2002 totals 18 million USD. Currently my deposits are about 26% of the whole country's deposits and our loans are about 32% of country's total.

**Can you give us some other facts and figures about your bank?**

What concerns the customers, we do not have the statistics on that, but mainly we deal with local businessmen and other foreign businessmen coming mainly from China, Taiwan, Hong Kong, Singapore and Malaysia. We have a hard time attracting Western businessmen as they consider our country not to be reliable. They prefer to deal with foreign banks, as they do not have so much confidence in local banks, my bank is local owned even if the capital comes from foreigners, the money is always in Cambodia.

We have a total of 12 offices throughout the country one head office, one exchange office and ten other branches. There are 290 employees from which around 100 are security guards. This is needed to create confidence with our customers. There are no security companies to transport the money, so I must provide the trucks to send the money to our clients.

**Since the application of the new banking law, there are 17 banks left operating in Cambodia, what would you consider are your competitive advantages in respect to those other 16 banks?**

Before the application of the Banking Law, there were a lot of speculators obtaining a license for other purposes than just banking in Cambodia. Others thought that with the low capital requirements, just 5 million USD, they could come to Cambodia to make easy businesses, but in fact they were always disappointed and their level of business became so low that they had to shut down or the Government revoked their licenses. With the new requirements, there are just 17 banks left complying with the Banking Law.

What concerns our competitive advantage, we are creating the confidence in the people, even during hard times, and we have stayed while other banks, mainly foreign, ran away. We even remained opened during the July events in 1997. Everyone came to get their money so we decided to limit the withdrawals to a 1,000 USD per day and with the priority to customers who had to deal with foreigners in order to let them respect their payments and keep on business. Luckily at that time we had a lot of cash reserve, so we suffered a lot for more than 20 days, but later when everything cleared up, the depositors came back. Since then we have an image of reliable bank. Our money is here, not invested abroad. We also have quite a high cash reserve, between 52% and 48%, people is used to keep a lot of cash for safety reasons. So Cambodia's loan and deposit spread is very high because a lot of bankers keep cash in hand.

Another thing is the solvency ratio of the Central Bank, it is always higher than international standards, so even when the normal ratio is around 8%, in Cambodia is 20%, 2.5 times the average, in Cambodia, every bank keeps the cash.

**Your bank is also known for its product innovation, what are the main services and products you are offering?**

Our bank is the first commercial bank in Cambodia to use the smart card system. We integrated this system from a French company called BULM. We were also the first banks to introduce an ATM machine for my cardholders, but it seems not to be so successful. This is mainly due to the fact that Cambodians are quite conservative and they always want to have cash in hand. In 2001, we became a principal member of MasterCard and a principal member of VISA in 2003. This has helped to increase the country's image.

Another of our advantages is our relatively small size that helps us take decisions quickly and easily on subjects like loan requests. When it comes to loans, we know the local people and business so we can take decisions easily and efficiently. Also my staff is part of my competitive advantage, most of them are multi-lingual, making Chinese, English and French investors feel comfortable. We also have several facilities without charge and we even offer some VIP services.

**What other projects or services is Canadia Bank developing?**

In 2001 we have created our venture capital, so when a client comes with a good project and they have funding above 10% of it, we take the project for study and if it qualifies as a good project we finance the rest of it. We have two conditions, the first one is that we must manage the finances and the second one is to obtain a good profit share. It doesn't have to be seen as equity participation, it is just a loan. So every year the developer must pay interests, the profit sharing and some small management fee to the bank. With this way of working we can help develop the country. There are plenty of people with good ideas but no money to implement them so our bank gets involved and helps those entrepreneurs to realize their projects. It is hard to find businessmen willing to get involved in projects above one million USD, but we already have created an industrial park, a shopping mall, a convention and multi purpose hall and a cultural village with this formula.

**You are mainly focused on the local level but what are the plans of the bank to internationalize its activities and get involved in international projects?**

International development projects are not that easy to start. We started dealing with IFC (International Finance Corporation) and the World Bank, but with Cambodia's image it is not so easy to get funding from this kind of institutions. We presented a project for renewable energy in 1999 with feasibility studies included and after three years we still have no answer. Some of my clients ask if it is possible to obtain from the IFC long-term low interest loans, but in fact in

Cambodia it is difficult to find this kind of projects. Mainly also because of the competition big projects should have to face with our huge neighbors Vietnam and Thailand.

**In order to get into the international scene, do you think you would need to create a strategic alliance or a partnership with a foreign institution?**

We started up one project with a German financial institution called KfW. They prepared a 10 million EUR grant to Cambodia and asked the Ministry of Finance to choose some banks in Cambodia as their partner to run an SME (Small and Medium Enterprise) project. Our bank was chosen, as we are quite active on the small business loan. So, they sent a consultant to our bank and the project was approved.

We are interested into obtaining long term funding, I am talking of ten years with three years grace period. The problem you encounter in Cambodia is that if you deposit 1 million USD, 48% to 52% of it must remain in the bank. So our target is to find foreign financial institutions to have long-term local funds for economic development. My loan interest now is 12%, just the prime rate. This is very hard for local businessmen, we have to reduce the interest rate.

**With all your experience in the Cambodian banking system, what would you say are the strengths and weaknesses of this system?**

One of the points to improve is to be really connected with foreign financial institutions. Not only at the technical or the management level, the most important is the funding. We have had a good start but I think this is a long process. The moment we start to have a more attractive long term, low cost funding, and industries will start to get profitable. The factories can deal with a 7% or 8%, but 12%, as it is currently it makes its development quite hard.

On the positive side, the Cambodian banks have little Government intervention and although the start-up requirements are quite high, the Governor of the Central Bank does not ignore the banker's needs. The Government has established a working group with the banks and the Banker's Association to ask their opinions about new issues. They see the banker as a partner and they want to know about their problems and their opinions.

**Do you have any kind of training policy for your own staff in order to develop their skills?**

When we started our bank, most of the management team was former employees of the National Bank or people we had brought over from Canada or France. We required university level and mastering several languages. Currently we have training programs on Saturday for languages and internal management. We also encourage them to acquire computer skills and to obtain new degrees by paying them 50% to 80% of their fees. We also send employees to seminars abroad to improve our bank staff's skills. So, as you can see our bank is indeed committed to help our staff develop.

**What would be your final message to foreign investors willing to come to Cambodia?**

My opinion as a bank manager is that when a foreign investor decides to come to Cambodia, the first thing he has to do, is to choose a good partner. Second, there is a need to maintain a good communication at the right government level and also at a right timing. The most important thing is you need to do a good market research. Choose a good project with a good partner and invest the money in research.

## COUNCIL FOR THE DEVELOPMENT OF CAMBODIA



**Contact:**

Government Palace

Sisowath Quay, Wat Phnom

Phnom Penh

Kingdom of Cambodia Tel: (855) 23 981 177 / 23 981 199

Fax: (855) 23 428 954 / 23 428 953

**E-MAIL:** [CDC.CIB@BIGPOND.COM.KH](mailto:CDC.CIB@BIGPOND.COM.KH)

Web Site: [www.cambodiainvestment.gov.kh](http://www.cambodiainvestment.gov.kh)

### ***HISTORIC***

In 1994, the Law on Investment of the Kingdom of Cambodia was passed with the aim of streamlining the investment regime and providing generous and competitive concessions for direct private sector investment. This Law also created the Council for the Development of Cambodia (CDC), a one-stop service organization for investment in Cambodia. The CDC, being the highest decision-making level of the government on private (CIB) and public (CRDB) Investments, it is directly chaired by the prime minister. Its board is composed of all ministers of the Royal Government of Cambodia.

The Cambodian Investment Board (CIB), has been designated as the one-stop service of the government, its main task is to effectively promote and facilitate investment through a speedy approval procedure and very competitive incentive packages. The final objective of this policy being to create employment, increase national productivity and competitiveness to achieve a sustainable socio-economic development.

## ***GOVERNMENT POLICY***

Cambodia is one of the poorest countries in the region and international assistance remains a vital component in overcoming the challenges faced in Cambodia's development. Nevertheless, private sector investment is becoming increasingly important for the country as the private sector assumes its position as the main engine for economic growth in Cambodia. The Royal Government of Cambodia sees private sector investment as vital to the development of a fully democratic and prosperous Cambodia in the years ahead.

## ***INTEGRATION INTO REGIONAL AND WORLD ECONOMY OF CAMBODIA***

Cambodia has obtained "Generalized System of Preferences (GSP)" and "Most Favoured Nation (MFN)" status from its major trading partners, including the European Union, the USA, Japan, Canada, and Australia. Cambodia also participates actively in the GMS development and is part of the ASEAN since 1999. Furthermore Cambodia is the first LDC to have integrated the World Trade Organisation in September 2003. The remaining objectives to achieve are the following:

- Integration to the AFTA/CEPT
- AIA

## ***ACCESS TO SOURCES OF FINANCEMENT***

Apart from facilitation and support at the national level, attention is also being given by the government to opening up access to international sources of finance for private sector investment. Cambodia is already affiliated to the IFC and MIGA. It has also signed agreements with the ADB, providing private sector investors with the opportunity to obtain funding for their investment projects from this international financing institution.

## ***CDC A ONE STOP SERVICE WITH AN OPEN DOOR POLICY***

- Information and Application
- Analysis and evaluation
- Approval
- Customs duty and Tax Exemption
- Visa and Work Permits
- Company Registration



## ***SPIRIT OF THE INVESTMENT LAW***

- Job Creation
- Export-Oriented policy
- Free Market System
- Open and Outward-Looking Economy
- Conducive Environment
- Integration into the regional and World Economy

### **Investor's treatment:**

The 1994 Law on Investment provides similar treatment to foreign and domestic investors, with the exception of land ownership, as set forth in Cambodia's constitution. Even in this area, the regulations are generous, with foreign investors able to lease land for a period of up to 70 years.

The government provides investors with a guarantee neither to nationalize foreign-owned assets, nor to establish price controls on goods produced and



services rendered by investors, and to grant them the right to freely repatriate capital, interest and other financial revenues.

Investors can set up 100% foreign-owned investment projects and employ skilled workers from overseas, in cases where these workers cannot be found in the domestic labor force.

In addition, the Law on Investment and its related Sub-Decrees grant generous incentives to investors, especially those concerned in investment projects geared towards exports.

Attention is also accorded to private investment in Build-Operate-Transfer (BOT) projects, and private investment in infrastructure, including public utilities such as electricity, water supply and telecommunications, a successful example of this policy is the Phnom Penh and Siem Reap airports realized in partnership with Vinci.

### **Latest investment regulations in Cambodia 2000/2003**

Cambodia has approved the latest Amendment to the law on Investment on February 23rd, 2003, which governs all Qualified Investment Projects (QIP) and defines procedures by which any person establishes a Qualified Investment Project.

Our policy is concentrated on seven main points;

- 1-** Continue to develop labor-intensive industries, such as garment, toys and footwear.
- 2-** Promote the development of agro-business by strengthening legal framework for long-term land management. The government will provide incentives to establish factories to process agricultural products, such as cotton, jute, sugar, palm oil, cashew nuts, rubber, cassava and fruits.
- 3-** Develop industries based on the utilization of basic natural resources, mainly by processing the existing natural resources in the country such as fish, meat, cement production, brick and tiles.
- 4-** Promote Small and Medium Enterprises (SME's), micro-enterprises and handicraft. The critical issue for SME's is to provide micro financing, streamline procedures, provide marketing services and supply information on sectorial development.
- 5-** Encourage the transfer of technology and diversification of export products by promoting the assembly of electrical and electronic appliances.
- 6-** Establish an environment conducive to a sustainable development in which the private sector has been identified and entrusted as the engine for growth. The Government will play the role of policy maker and facilitator for an

accelerated and expended private sector involvement in the rehabilitation and development of the country.

**7-** Encourage the corporate sector and SME's as its partners in engineering growth and to be the locomotive to pull our economy on the right track. We aim to take maximum benefit from economic integration and foreign trade by maintaining the current liberal trading regime, which allows Cambodia to integrate economically with the rest of the world.

The adoption of these strategies is meant to attract and promote more investment to Cambodia and further expend international markets for Cambodian products. More importantly, they will also speed up the liberalization and modernization of the national economy and increase its competitiveness to meet regional and international standards.

## ***ADMINISTRATIVE PROCEDURES***

### **1 - Investment Application (Prior Approval)**

All investors wishing to obtain privileges and incentives for their investments are required to apply for prior approval from the CDC. Application Submission  
Duly complete application must be signed and submitted by the applicant, or by a representative of the applicant authorized by a certified power of attorney executed in favour of the representative, and submitted to the CDC for review and consideration. A certified copy of any power of attorney must be produced at the time of the submission of the applicant.

### **Requirements for Application**

Application documents: A completed application should include one set of the following documents:

- 1)** A completed application, in the form prescribed by the CDC and signed by a duly authorized representative of the applicant, Whose power of the attorney is attached;
- 2)** A letter stating the intention of the applicant to invest in Cambodia, with a brief summary of the investors, the investment project, the objectives and any special requests to the CDC regarding investment project;
- 3)** The constituent documents of the proposed investment enterprise, such as the Memorandum of association and articles of Association, in accordance with the existing laws of Cambodia;
- 4)** A detailed study of the economic and technical feasibility of the investment enterprise, including an outline of the manufacturing flow
  - I.** Details of the qualifications of the applicant, including:
  - II.** Technical capacity;
  - III.** Marketing capacity;

#### **IV. Human resources and managerial capacity; and financial capacity.**

### ***INVESTMENT PROMOTION AND INCENTIVES***

- 20% corporate Income Tax
- Tax Holiday up to 8 years
- 5 years Loss Carried Forward
- Full Import Duty Exemption
- No Export Tax
- Free Repartition of Profit
- No Withholding Tax on Dividends
- Land Lease up to 70 year; Renewable
- No Nationalisation and Price Control

### ***WHY TO INVEST IN CAMBODIA?***

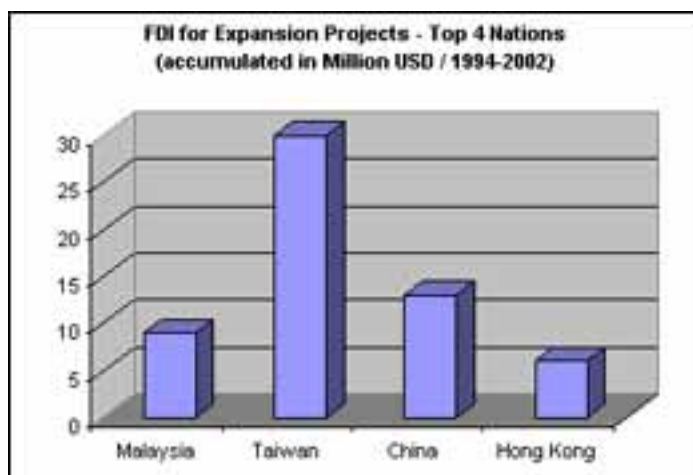
- Competitive Investment Incentives
- Pro-Business Government
- One Stop Service - Fast-Track Investment Approval Process
- Low Labour Cost
- Access to ASEAN and World Markets
- Preferential Trading Status
- Sound Macro-economic Environment
- Strategic Location to Serve the Mekong 6



### ***TRENDS IN FDI***

Investment flows for Cambodia are attributable to 876 projects. Net foreign investment in Cambodia peaked in 1995 with the amount of US\$

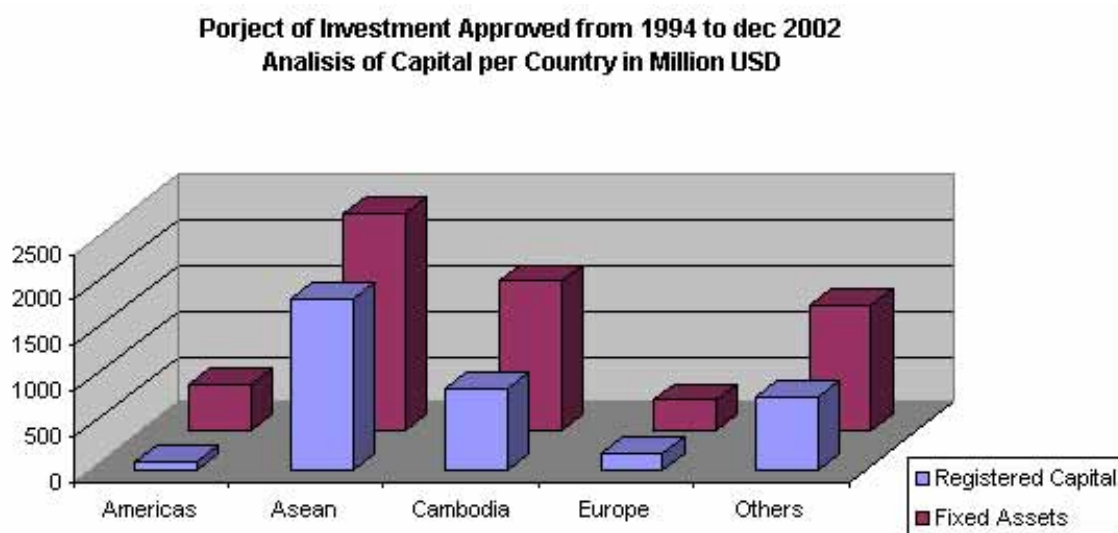
1,909,597,365. The average net foreign investment during 1996 - 2001 was estimated to be around 374 million per annum. FDI has been recorded at US\$ 139,549,798 in 2001, sharing 70% of the total approved projects' investment of US\$ 197,710,415 in 2001. The manufacturing sector, in particular the textile industry, accounts for the largest share of the overall FDI.



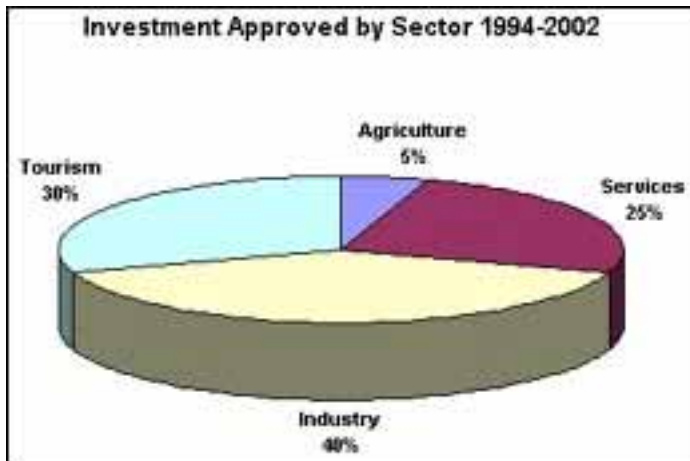
Even if there is a decline in FDI in Cambodia the existing investors have managed to expand their projects at a total project cost of approximately US\$ 90 million during the period of 2000 to 2002.

### Sources of FDI

In terms of major foreign investing nation, the top three sources are Malaysia, Taiwan, and United States of America.



### Sectors of Investment



***INTERVIEW WITH H.E. SOK CHENDA SOPHEA, SECRETARY GENERAL COUNCIL FOR THE DEVELOPMENT OF CAMBODIA (CDC)***

**April 2nd, 2003 Interview for World Investment News & Far Eastern Economic Review.**



**The new Investment Law has reinforced the role of the CDC as the one-stop shop for investors. Could you tell us more about the organisation and the goals of the Council for the development of Cambodia?**

In 1993 the first general elections were organized in Cambodia with the assistance of the United Nations and other countries; a government with a multi-party representation at the National Assembly was formed. Very quickly, this government realized that coordination and optimization of the inflow of capital getting into the country was needed. In this context, the government created the CDC (Council for the Development of Cambodia). This structure has two operational arms; one is the CRDB (Cambodian Rehabilitation and Development Board) which is taking care of aid mobilization and aid co-ordination, to sum up, they are in charge of Official Development Assistance (ODA). The second board being set up was the Cambodian Investment Board (CIB). The CIB is an Investment Promotion Agency (IPA), which is quite common in this region; in Thailand and in the Philippines they are called BOI, in Malaysia MIDA (Malaysian Industrial Development Authority), in Singapore EDB (Economic Development Board) and in Vietnam it is the Ministry of Planning and Investment. The purpose of all those IPAs is to facilitate the operation of foreign investors by helping them to sort out bureaucracy, red tape and other procedures and to provide them services.

In 1994, at the same time as the CDC was created, Cambodia promulgated the Law on Investment. Unlike in other countries, where such kind of law is called Foreign Investment Law, in Cambodia we called it Law on Investment to send a strong message to foreigners that we do provide national treatment to all investors. In fact, when it comes to do business in Cambodia, foreigners have the same rights as nationals; you can own and operate 100% any kind of business for instance, and which shows how liberal our investment policy is compared to other countries. The only difference in treatment between nationals and foreigners is regarding the ownership of land; according to the Cambodian constitution, ownership of land is reserved to a national person or a national entity. When we say Cambodian companies, we understand a company with at least 51% of the shares being held by a Cambodian.

Since the creation of the CDC and the adoption of the Law on Investment, the CDC through the CIB is supposed to be the one-stop-shop on matters of private investment. The fact is that since 1994 up to today, this role of one-stop-shop was not effective; during this period the investor had to come to us but also to several other bodies involved in the decision-making process such as Ministries and local or provincial authorities. Now, with the new law, the investor will come to the CDC, present its project and apply to us on the same way. The innovation lies in the role of the CDC to secure, on behalf of investors, all necessary permits, licenses and authorizations from other ministries. For example, in the case of a hotel, the CDC will have to get the building permits from the Ministry of Land Management, Urban Planning and Construction, obtain the authorization from the Ministry of Environment and acquire the authorization from the Apsara Authority in case it is a hotel in Siem Reap. This way the CDC will become a real one-stop-shop.

There is an other important point to underline, in the text according to the new law, the CDC will not anymore review or evaluate submitted applications; the

law is already adopted but the implementing sub-decree still need to be adopted and signed. All this information is present on our website; so if you are anywhere in the world and you have a project, you just have to go to this Internet site and by reading that law and sub-decree you will know exactly whether your project is eligible for incentives and how many years of tax holidays you can be granted. If your project meets the requirements of the law, nobody in the CDC can reject it. Somehow, submission of an application at the CDC means automatic approval. The key words are transparency, predictability, and automatism.

**Since 1998 the amount of foreign investment and registered companies through the CDC has been decreasing. Nevertheless, the year 2002 is showing an increase. Could you tell us more about the investment climate in Cambodia?**

Figures may lead you to the wrong conclusions or wrong analysis. Let me elaborate on this; first, the figures that you are referring to are the figures of projects submitted to the CDC, which do not reflect the whole economic activities of the country. Why? Because people who came to the CDC are dealing with activities that are eligible for special incentives, but there is a list of activities which are not eligible for incentives such as banking activities; insurance; press; wholesale and retail; airlines; travel agencies. So when all those professional services want to operate in Cambodia, they register and ask for licenses or permits to the Ministry they depend on. To conclude, many activities that are booming in Cambodia are not reflected in the CDC figures and therefore these latter are not reflecting the reality of the investment climate in the country.

**What has been the evolution of the Foreign Direct Investment in the last 5 years?**

From 1994 to 1998 we had indeed a clear growth and from 1998 a decrease on FDI could be observed, due in part to the Asia financial crisis and other internal crisis. But this picture is not that correct as, even though in the first years we were having a lot of applications, the implementation rate was very low; maybe around 20% of the total pledges were effectively implemented. The adoption on December 29th 1997 of the sub-decree number 88, signed by the Prime Minister, arranged a few administrative matters and within this latter a clause state the following: "In order for the applicant to receive its license, he has to pay a deposit of 1.5 - 2 % of the planned investment, and then, when you have implemented 30% of your project, the CDC will refund this deposit". From that moment on, although the number of applications dropped, the real rate of implementation reached 90 to 95%.

Thanks to this new regulation, we also got rid of the "middleman" as there were people presenting a project and once they obtained the license, they sold it to foreign investors without us knowing anything about it. Another measure we have introduced is that once you pay this deposit and undertake no action for 6 months, the deposit is considered automatically state property. Of course, when

a company has a sincere reason of delay, we do not take this amount, there is no intention of speculation. But I think it is a fair measure to ensure the seriousness of the projects.

Last but not least to understand this figures you also have to consider that since 1996, when we signed several agreements with the US and the EU which open those markets to our garments industry, there have been all of a sudden a "mushrooming" of garment factories. Later on, in 1999, garment items from Cambodia were subject to quota; not all items, only twelve, but the key ones were under quota. Cambodia became then less attractive as compared to its previous situation. We can consider that investments in the garment industry have doped these figures for previous years.

**What are the main changes in terms of investment procedure and facilities with regards to 1994?**

As you know, Cambodia is still relying a lot on foreign assistance and two years ago we realized there was a trend of decreasing ODA. Of course, there are always other countries in need of help like East Timor, Afghanistan or currently Iraq. The government knows that ODA will not be here forever; Cambodia has to rely on other sources and one of those is definitely FDI. The government has been then thinking how, not to attract but to be more attractive. In this point of view, it is quite a common observation worldwide that in developing countries one of the main impediments to foreign investment or business activities is the bureaucracy. That explains that the CDC bet on the predictable, automatic and transparent mechanism; this is regarding only the administrative side of the procedure but it has been strongly applauded by the private sector.

At the same time it is also true that in Cambodia production costs are high as compared to neighboring countries. So in the 1994 Law, all approved projects were subject to 9% corporate tax, while the normal corporate tax in the country was 20%. But we bear in mind that the crucial point is to provide better utilities and better public services to these companies and of course all those facilities have to be paid. In order to allow the royal government to do so, in 2003, according on the new investment law, every company will be subject to a flat 20% corporate tax rate. With the collection of that tax we will be able to repair the infrastructure and serve them better. We are trying to strike a better balance between collecting more tax, more revenue for the government action, and on the other hand provide better administrative facilitation to all businessmen.

**Some of the multinationals established in Cambodia are saying that this new taxation system is discriminatory towards foreign companies. What can you comment on this statement?**

The tax law does not have any discriminatory measures, but in Cambodia as in France, because the system is French, we have two systems the real system and the estimated system. The real system is the regime that is applied to companies that have a certain turnover. All other activities with a lower turnover are subject to the estimated system. The estimated system, as in France, is



meant for small companies in order for them not to suffer the administrative burden, declarations, etc. You facilitate the work of those small companies and also save your own resources, by reliving the administrative capacity of our tax department. On the other hand, the big companies are subject to the real regime where they have to do properly the financial statement to the tax department with all the implied administrative tasks.

**As you already mentioned, one of the main changes in the new law is the increase of fiscal pressure to some companies, which will affect Cambodia's attractiveness compared to other countries, could you comment on that fact?**

I don't want anyone to misunderstand this point, when you are talking about taxation you have to be very careful. The technical terminology we are speaking about is the fiscal burden. It is true that we moved from 9% to 20%, but this 20% corporate tax rate is one of the lowest in the region and in the world. As a businessman, when I make a comparison between various fiscal regimes from various countries, I should not look at the rate of the corporate tax alone, I should look at the fiscal burden that means the corporate tax plus the rest of taxes involved. In Cambodia there are no other tax. At the end of the day we are providing supply of better services and more transparency in exchange of this tax increase.

**Can you tell us what are the main projects you are currently handling?**

Right now there are no significant projects. One thing I would like to bring to your attention is that in 2002, out of 35 approved projects for the whole year, 13 of them were expansion projects. Meaning that companies that already are in Cambodia are expanding their facilities, this is mainly the case of garment factories. I must tell you that I prefer the expansion of actual companies than the arrival of new ones. The new comers might collapse or go bankrupt within six months because they were not able to get the market. On the other hand, the expansion projects are for me the perfect counter-example. Some people complain about the conditions here and leave the country, I don't know why, what I can tell you is that I have 13 that are very happy. Did you know that the biggest garment factory in Cambodia is a Korean one? They started with 3,000 staff and now they have 10,000 people working. It is a basic principle; it is better to keep your client than try to get new ones.

**It is indeed a good sign that you are keeping the investors that you already attracted. But as you know, the investment competition in the region is quite tough. What are according to you the competitive advantages of Cambodia?**

In order to be more attractive as an investment destination, the Royal Government of Cambodia has undertaken a set of measures. First of all with the amendment of the investment law, but that was not enough. There are

several reforms going on, the civil administration, the fiscal and the judiciary systems, and the armed forces that are all being reformed with one objective in mind: to create a better environment and to provide better services.

If we don't develop a basic infrastructure, we cannot attract investment. This is why, during this second mandate of the government, the Prime Minister has always said that it is the "government of roads". Although we have a limited capacity and modest financial means, we have done our best to improve the road network. The Prime Minister stated that by 2005, if he remains in power, at least the entire former road network from before the war period should have to be renovated.

How can we compare ourselves with neighboring countries if Cambodia has weak points such as poor infrastructure? Of course there are strong points. When it comes to development the Cambodian economy has several assets. The tourism industry with the entire cultural heritage and a beautiful nature including the seaside; the traditional agricultural sector with abundant land and a surplus of workforce; we also have industrial activities and a strategic location of the country in the heart of South East Asia. Presently, there is no more local market everything is regional or global. So even if the Cambodian market might not be interesting because of its size, it still is interesting to install a production plant here and export regionally or globally. I am convinced Cambodia is able to produce parts of a chain of production for exemple (automotive parts, TV sets, etc.). Then we can ship them elsewhere in Thailand or Malaysia. We can even receive all the parts of a product and assemble them here taking advantage of tariff rates, and then ship them to other markets.

With regards to the agriculture, I am trying to convince everybody in the government that Cambodia, because of its size and its stage of development, has to target a niche market, thinking in terms of high quality. For instance, Organic Food is easy in Cambodia, we are so poor that we don't have money to buy fertilizer, god bless us. I am serious, we don't have money to buy fertilizer, good, let's go for organic. We transform this disadvantage into an advantage. For everything we undertake, we have to go for a niche market and I will work like crazy for this concept. Take a look at rice production; we are between the 1st and 2nd exporters in the world, Thailand and Vietnam, if we do the same rice as them, in terms of export we cannot compete, as we don't have the economy of scale and our price per ton won't be competitive. There is always space for a new product and we have to concentrate on that.

You also have to consider that Cambodia is a young country. We have had just a few years of peace and stability and of course many structures are not in place. Once again I would like to turn this disadvantage into an advantage; this means that we are able to comply easily with rules and legal frameworks from outside (i.e. WTO regulations) as our structure is easily adaptable. This is not the case for other countries that have been developing for a few years now and have more difficulties adapting to new structures.

**The man behind the structure also interests us, can you tell us more about your career path?**

I was born and raised in Cambodia. I obtained my french baccalaureate at the age of 17, in 1974. In Cambodia, it was already wartime with the Khmer Rouge bombarding every day the city. That same year I went to study to France. In April 1975, when Phnom Penh collapsed and the Khmer Rouge took power, I found myself in France with no nation, no ambassador, no money, no family, nothing at all. I managed to survive and finished my studies of Economics. It was very tough but also a good learning experience. I had never made a decision before but from April 17th 1975 on, my future was in my hands and I started to become a manager; I managed my life and then I managed companies and now I manage the CDC.

I remained in France for 17 years where I worked for 5 different companies in 5 different fields. My last job was as General Manager of a French advertising company, from 1987 to 1992. Once the Berlin Wall fell in 1989, I realized that the situation in Cambodia may evolve and it was time for me to prepare myself to come back, as ever since I left Cambodia in 1974 I knew I had to come back. I never asked for French citizenship; and I have only a Cambodian passport, whenever I go to France I have to ask for a visa. In 1991, with the signing of the peace agreement in Paris, I went to my Chairman to discuss about my replacement and one year later in 1992, I arrived in Cambodia. From 1993 to 1997 I was Undersecretary of State for Tourism, and since 1997 I am the Secretary General of the CDC.

**As main responsible for the investment in this country, what would be your final message to investors willing to come to Cambodia?**

Investors will hopefully login your site, will look at your work and will get interested about Cambodia. People should bear in mind that if you look at Cambodia, you should consider it is within a transitional period. Ten years back I would not be able to speak with you at this moment of the day (6 P.M.) as there was no electricity. Of course there are still shortages but work is in progress. We have a lot to do yet, but what we are doing now is to lay the foundations; infrastructures are being built and human resources are being educated, nothing is obvious, but bear in mind that work is in progress.

## **CETIC, INTERNATIONAL HYDROPOWER DEVELOPMENT CO. LTD.**



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### ***CETIC IN CAMBODIA***

#### **MISSION**

Our aim is, using environmental friendly natural resources, to build more hydropower stations and transmission lines in Cambodia, to supply qualified and cheap electric energy, and do our utmost to promote the level of the electric section of Cambodia.

#### ***PRESENTATION***

CETIC International Hydropower Development Co. Ltd (CETICI). is the first investment company, on BOT basis in electric section in Cambodia, approved by the Council for the Development of Cambodia (CDC) in December 29, 2000. The sole shareholder of the CETICI is China Electric Power Technology Import & Export Corporation (CETIC), which is qualified to undertake overseas projects, such as project contracting, labour service, electric power and other civil works. CETIC has established more than 20 economic branches, joint ventures or proprietary corporations at home and abroad including project design and construction firm.



The main aim to establish the CETICI in Cambodia is to rehabilitate the existing Kirirom I Hydropower Station and a 115 kV, 120 kW transmission lines which was completely damaged, after operation for 20 months, during the civil war in 1972 in Cambodia. The Kirirom I Hydropower Rehabilitation Project is mainly composed of the existing facilities and newly constructed facilities with the designed installed capacity of 12 MW turbine generator units in Kirirom Plateau of Koh Kong Province, southwest of Phnom Penh, and the 115kV transmission facilities to connect the plant to EDC's 115/22 kV grid substation.

### ***THE KIRIROM I PROJECT***

In the midst of the construction of the said project, from April 2nd, 2001 to May 29th, 2002, CETICI, as per the Implementation Agreement (IA) and Power Purchase Agreement (PPA) signed on July 28, 2000 in Phnom Penh between the Ministry of MIME (Ministry of Industry, Mines and Energy) and CETIC and between EDC and CETIC respectively, overcame a lot of difficulties and fulfilled the project ahead of schedule on May 29, 2002. Since then, the Kirirom I Hydropower Plant has provided qualified and clean energy to Cambodian people.



### ***FUTURE PLANS***

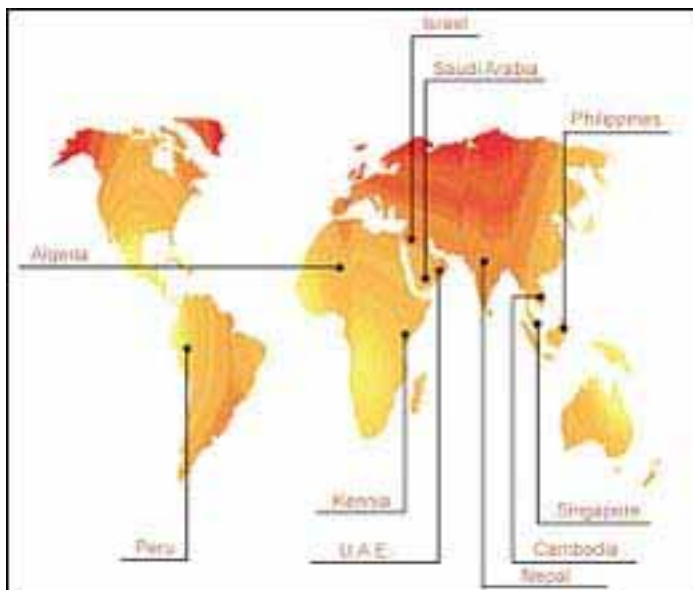
As Cambodia has very rich water resources, CETIC International Hydropower Development Company will develop more hydropower projects, including transmission line, dam, reservoir as well as any other power relevant projects for Cambodian people.

### ***PARENT COMPANY OF CETIC***



China Electric Power Technology Import & Export Corporation (CETIC in abbreviation), formed by the former China Electric Power Technology Import & Export Corporation and the portion separated from the former China International Water & Electric Corporation, is a holding limited liability subsidiary of state Grid Corporation of China. There are a large number of technical and managerial staffs with deep knowledge of modern enterprise management and rich practical experience in CETIC.

The main business scope of CETIC includes contracting and manpower offering for international construction projects, import & export trade, international bidding for procurement of goods, international forwarding agency and industry investment, etc.



CETIC takes international project contracting, import & export trade and industry investment as three main business. CETIC widely adopts advanced technology and scientific management and abides by ISO9000 quality assurance system in implementing projects. CETIC takes "contract abided by, quality guaranteed, excellent service, customer up-most" as its principle of quality assurance.

CETIC is a well-known corporation with a history of more than 40 years in dealing with international economic & technical cooperation and foreign trade in China and abroad. After reorganization, CETIC has been listed among the world top 225 international contractors in "Engineering New-Record" of the United states for 3 years continuously. It also has been ranked the 40th among the top 500 Chinese enterprise engaged in import & export and the fourth among the enterprise mainly specialized in import of technology and equipment in China.

Adhering to the principle of "equality, mutual benefit and unisonant development", CETIC insists on making full use of its strength in combining industry with trade and professional superiority to provide its customers satisfactory services. CETIC sincerely wishes to cooperate in different ways with friends of all circles both at home and abroad.

#### **Contract amount in total: By the end of 1999**

RMB 1,300 million (economic aid & technical cooperation)

USD 1,540 million (international contracting and manpower offering )

USD 7,500 million (international trade)



***INTERVIEW WITH Mr. Xiaoming Ou, General Manager CETIC International Hydropower Development Co., Ltd.***



**June 3rd, 2003 Interview for World Investment News & Far Eastern Economic Review.**

**CETIC ranks very high in the list of top Chinese Import and Export companies as well as in the listing of top contractors in the world. Can you introduce us your company in Cambodia and how it has developed since it was established here?**

CETIC is a state-owned company, which belongs to the State Grid Corporation of China. Our company was registered around 20 years ago and as time goes by our company has changed at the same pace as the reforms and opening of China. CETIC is one of the first major companies in the construction business in China. We ranked the 147th position of Engineering New-Record (ENR).

We started to study the situation in Cambodia since 1998. At that time, we found out that the Cambodian government wanted to build a project, basically in the form of a BOT (Build-Operate-Transfer) contract. The project is called the Kirirom I Hydropower Station. This project was actually completed in 1968 by the Yugoslavian government, but due to the civil war, this project was



destroyed. When Samdech Hun Sen became Prime Minister of the country, Cambodia started to open to the world and started to get investment from other countries. China has historically good relations with Cambodia, so when we heard about this rehabilitation project, we sent CETIC staff to Cambodia to gather more information.

At that time there were 17 companies from China and other countries willing to bid for this project. We also considered it a really attractive investment. First, because we have experience in the construction of power stations and secondly because, as a rehabilitation project, everything is done, so the investment can be easily controlled. The only problem was that after a civil war and thirty years without maintenance, almost everything was destroyed. Indeed our company has never invested in BOT basis before. The investment management is more competitive compared to ordinary contracting project. It is not only the building but the financing process as well. BOT, BOO and BOOT projects are ways of doing business in nowadays market. Our company got to understand that the best way to get in the market and to get more profit is to be the investor as well as the builder.

### **Can you give us some facts & figures about the Kirirom I project?**

On July 8th, 2000, CETIC signed the IA (Implementation Agreement) and the PPA (Power Purchase Agreement) with the MIME (Minister of Industry, Mines and Energy) and EDC (Electricité du Cambodge). According to the contract we were supposed to invest 24 million USD for the project. Being a rehabilitation project, it was easier for us to build it. The main concern for us is the commercial management as this is the first BOT project for us. Nevertheless we are strongly supported by the Cambodian government and also got a loan from Chinese Banks. After one year we finished the project's construction phase. The second phase is to operate it.

The project at Kirirom I comprises one power plant with 2x6 MW capacity turbine units, and the dam which has been rebuilt. The dam and the power plant are connected by a six kilometers long penstock and we have also built a transmission line of 115 Kv. with a length of 120 Km to connect Kirirom with Phnom Penh. In the middle of the line, there is a substation built in Kompong Speu.

This project has been accomplished in one year, 14 months before the end of the contract. Last year we started to operate it though the PPA contract starts in July 28, 2003. During the first year we have produced something like 30 GWH, which upon sale to the EDC (Electricité du Cambodge) meant a total of 2 million USD for last year. This project will be operated by CETIC for 30 years still. So far we consider the conditions quite fine. We have an agreement with the EDC, the payment is being conducted properly and according to our experience in terms of risk (management, finance, construction, insurance, etc...) this operation is considered very stable and risks can be controlled. Until now, there has been no problem with payment, and as you will understand, for an investor, the payment is quite important.

We have a good and smooth relationship with the MIME (Ministry of Industry, Mines & Energy) and EDC. We hope that this will last a long time. According to our calculations, within 10 or 12 years we can refund our investment back. We just hope the political situation will keep being stable, then everything will be just fine.

**You mentioned several kinds of potential risks, do you have any kind of partnership policy to reduce those risks?**

We are a construction company, if we had to bring in all the people you need to operate this plant it could become an expensive operation for us. So we found a Chinese hydropower station company to come here to operate this power plant. It can be seen as a sub-contractor or sub-operator. By doing so, we can concentrate in the development of the business instead of the operational side, and it is good for us to avoid operation risks, as well.

**What about the future of CETIC in Cambodia. We heard you might be interested into bidding for the Kirirom III project?**

From the experiences of the first BOT project, we have learned the risky points and solutions these kinds of undertakings bring along. We are very happy to get support from the Cambodian government who has offered us the sole bid opportunity to develop Kirirom III. The site is around 30 Km. from Kirirom I; near Road No. 4, which implies good conditions for construction. The main difference from Kirirom I is that in this project we will have to start from zero. We have already started studies and drawn maps of the area. We have formally expressed our desire to the MIME to build Kirirom III on a BOT basis. We are scheduled to start in July or August this year. First we will have to get the feasibility studies from the design institute. Once all the studies are made, we will have to submit the report to our parent company in China. The next step will be to negotiate with MIME and the EDC for the IA and the PPA.

**Can you give us an idea of the magnitude of this future project of Kirirom III?**

We have not received the feasibility report yet, but according to our experience, this project will be slightly bigger than Kirirom I, we believe it will be an 18 MW capacity power plant. We estimate the investment around the 36 million USD. We also consider that just one transmission line to Phnom Penh it will not be enough, so we are studying the possibilities to construct a second transmission line towards Sihanoukville.

Those are our plans, but it is not decided yet. We have already reported to our parent company and we have support from them. 70% of the investment will come from Chinese banks because the Chinese government supports companies who want to develop themselves overseas to aid developing country. Kirirom I is the first successful BOT project in power systems of China. It's small but a very typical project. Our Prime Minister Mr. Wen Jiabao has even met with the Cambodian Prime Minister, Mr. Hun Sen. The latter has expressed his strong willingness to develop Kirirom III by CETIC and he wishes the Chinese

Government to support CETIC in its endeavors to achieve the completion of this second project. With those two projects a total of 56 million USD will be invested by our company in Cambodia, it is not so easy for a company like ours to achieve that, so support from the governments is very important to us.

**Can you tell us also about your professional background and what do you want to achieve here in Cambodia as General Manager of CETIC?**

MR. OU - General Manager

My major is not power or electrical studies, but finance management. I stayed at the parent company in Beijing as a CPA (Certified Public Accountant) for many years. Since 1996 I worked in Israel for four and half years. In 2000, I returned to China and started to work in the finance department. Last year, I was appointed to be the assistant to the General Manager of Engineering and Construction department of CETIC. I assistant him to manage some business, and I learned a lot from work. I actually started here in January 2003, I think the former General Manager has achieved a high contribution and left us a good chance to have a good business here. For the future our priority is to operate successfully Kirirom I as it is our first project. Having completed the first phase and now starting the second phase, we have some worries about the political stability of the country, but I do believe the situation will be under control. In the last few years Cambodia has developed a lot. 20 years ago China was in a similar situation and I am confident Cambodia will improve as we have. Now we are still in the risky period, we have a 24 million USD investment to recover, but we have confidence in the Cambodian government and our management.

MR.WONG - Deputy General Manager

My major is hydropower, after my graduation at the university I worked in the design institute, I have worked in Africa also Southern-eastern Asia such as Philippines and other countries. Now I have been assigned in Cambodia and I will do my best to assist the General Manager to carry on the operation at Kirirom I as a successful one. CETIC has other fields of expertise and The more the country open itself, the more opportunities we will encounter.

# ELECTRICITY AUTHORITY OF CAMBODIA

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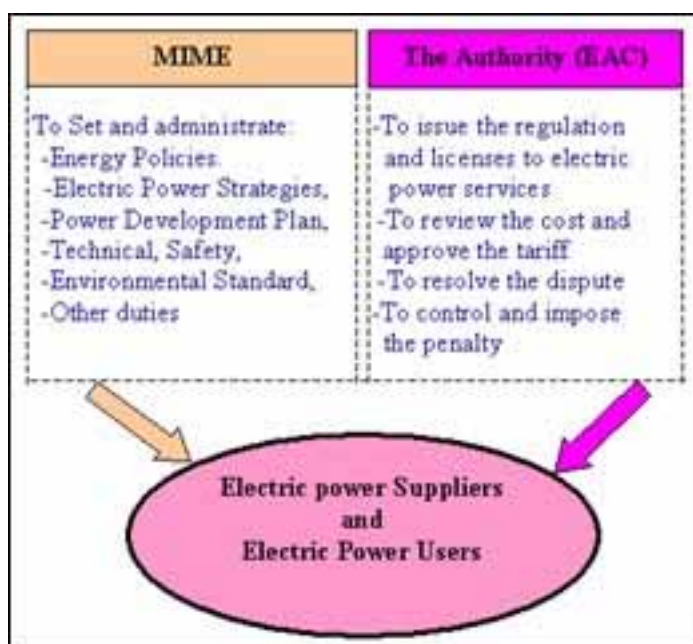
## ***Electricity Authority of Cambodia (EAC)***

The Electricity Authority of Cambodia is a legal public entity, being granted the right from the Royal Government to be an autonomous agency to regulate the electric power service and to govern the relation between the delivery, receiving and use of electricity.

### **1. Responsibility of Ministry of Industry, Mines and Energy and Electricity Authority of Cambodia in Power Sector.**

The Ministry of Industry, Mines and Energy (MIME) is responsible for controlling the whole Power Sector. The ministry has the duty to set and administrate: Energy, Policies, Electric Power Strategies, Power Development Plant, technical, safety environmental standard and other duties in power sector.

The Electricity Authority of Cambodia (The Authority) is responsible for controlling the activities of electronic power service and use. The Authority has the duty to issue, revise, revoke or suspend the license for electric power service, to approve tariff, to issue the regulations, to control, to impose penalty and to resolve the disputes related to the electric power services and uses.



## 2. Power and duties of Authority

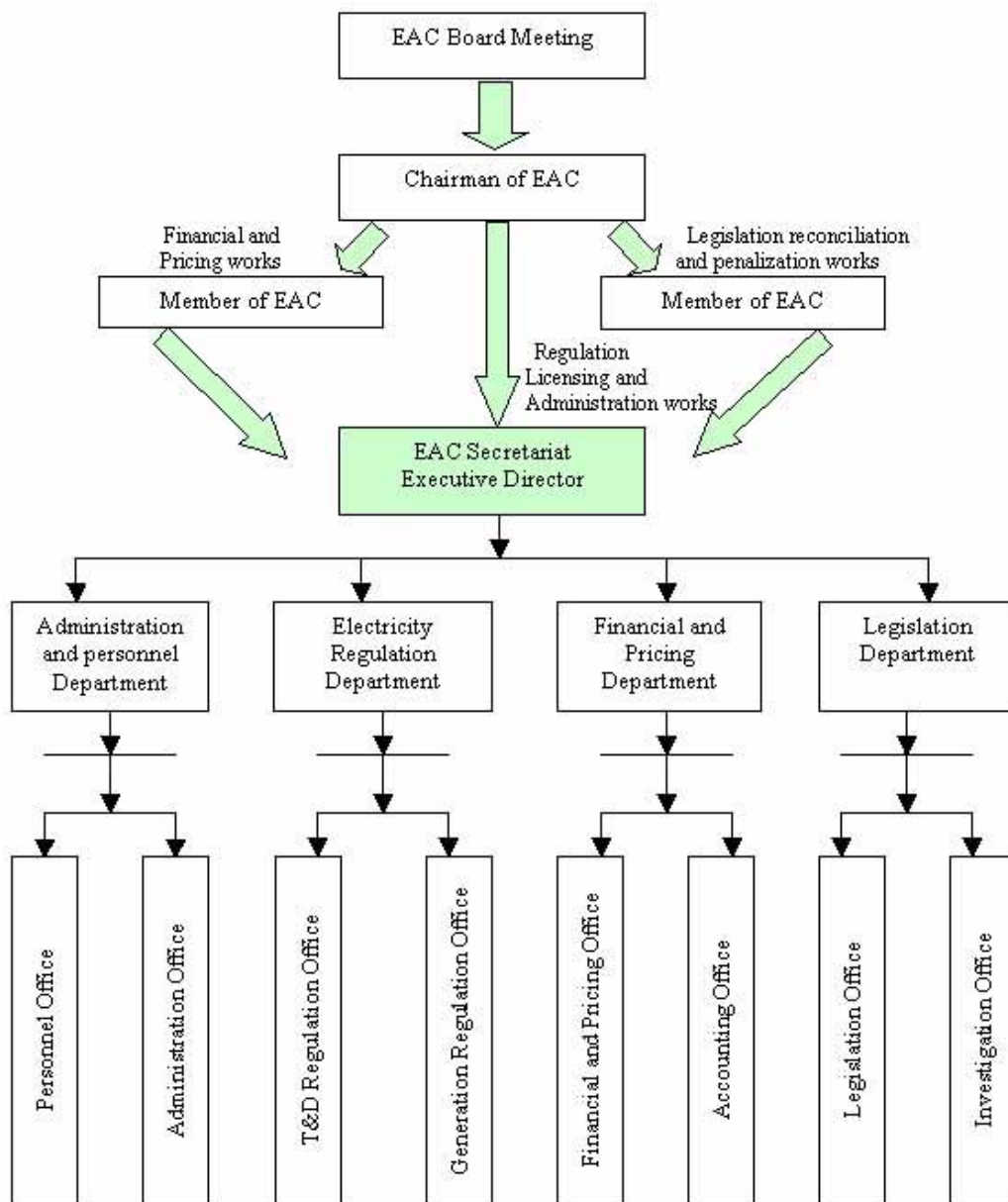
Article 7 of Electricity Law provides to the Authority the following powers and duties.

- (a) To issue, revise, suspend, revoke, or deny the licenses for the supply of the electricity service as provided in article 29 of this law;
- (b) To tariff rates and charges and terms and conditions of electric power service of license, except where the Authority consider those rate or charges and terms and condition are established pursuant to a competitive , market-based process;
- (c) To order to implement guidance procedure and standard for investment programs by licensees;
- (d) To review the financial activities and cooperate organization structure of licensee to the extent that this activities and organization directly affect the operation for the power sector and the efficiency of electricity supply;
- (e) To approve and enforce the performance standard for licensees
- (f) To evaluate and resolve consumers complaints and contract disputes involving licensees, to the extend that the complaints and disputes relate to the violation of the conditions of licenses;
- (g) To improve and enforce a uniform system of account for all licensees
- (h) To Prepare and publish reports of power sector and relevant information received from licensee for the benefit of the Government and the public interest.
- (i) To prescribe fee applicable to licensees;

- (j)** To determine the procedure for informing the public about affairs within its duties, in order to ensure that the Electricity Authority of Cambodia complies with the principle of transparency as set forth in Article 3 of this Law
- (k)** To issue rule and regulation and to make appropriate order, and to issue temporary and permanent in junction for electric power services;
- (l)** To impose monetary penalty, disconnect power supply, suspend or revoke the licenses for the violation of this law, standard and regulation of the Electricity Authority of Cambodia;
- (M)** To require the electric power service and the customer to obey the rule relating to the national energy security, economic, environment, and other Government policies
- (N)** To performs any other function incidental or consequential to any of the duties as describe above; and
- (o)** To establish the terms and conditions of employment of the officer or employee including experts/advisor of EAC.

### **3. The organization of the Authority**

The Authority's decisions and approvals on the key issue will be based on the discussion and voting in Board Meeting. Board Meeting is the highest decision making in EAC. Article 21 of Electricity law has prescribed that all members of the Authority shall have the right to vote on all issues which are require the approval from the board. This approval is based on the majority vote.



#### 4. Members of Authority

The Authority consists of three members, including the chairman. The chairman and members are designated and proposed by the Prime Minister and appointed by the Royal Decree. Each member has a three year terms except for the initial term. The term of each member shall be staggered. The chairman's position is equivalent to the rank of a secretary of State and the position of other member of the Authority shall retire from the office when they attain the age of sixty.

#### 5. Missions of Authority The Authority has following missions:

**1-** Establish a legal and reasonable environment in Power Sector for promoting the fair competition in the electric power business, promoting the long term

efficient and quality investment and motivating the private sector to play the role as the inciter of the economic growth.

**2-** Protects the right of the users to receive the continuous, qualitative and adequate electric power supply at the reasonable tariff.

**3-** Establish the competition in where it can be made in Power Sector.

**4-** Establish the conditions that the supply and use of electric power will be efficient, qualitative, continuous and transparent.

## **6. Budget of Authority**

The Authority has an autonomous budget for its operation. This budget comes from the fees paid to the Authority by applicants and licensees. These fees are called license fee. The Authority shall determine the license fee for each financial year. The maximum license fees shall be determined by Sub-Decree. The budget of the Authority shall be deposited in an account of a state bank of the right to use this fund. The Authority's expected revenues and expenses. The budget shall clearly state the proposed license fees for the financial year, together with the method of calculating the license fees, and the salaries and other remunerations entitlements to be paid to each of the members and senior staff to the Authority. The Authority shall submit this budget to the Government for review and approval.

## **7. The Electric power services under empowerment of the Authority through licensing.**

The electric power services under empowerment of the Authority through licensing are as follows:

- 1-** Consolidated Services (combination of some or all types of services)
- 2-** Generation Services
- 3-** Transmission Services
- 4-** Distribution Services
- 5-** Dispatch Services (Control Center)
- 6-** Bulk Sale Services (on the transmission)
- 7-** Retail Service (on the Distribution)
- 8-** Subcontract Services.



***INTERVIEW WITH DR. TY NORIN, Chairman - Secretary of State Electricity Authority of Cambodia.***



**May 23rd, 2003 Interview for World Investment News & Far Eastern Economic Review**

**Can you explain us when and with which purposes was created the Electricity Authority of Cambodia?**

EAC is a regulatory body, our function is to issue the regulations and give licenses to power service providers. We also review and set the tariffs and when needed, we resolve the disputes between supplier and consumer, to control and impose the penalty if they are wrong or against the rules. We are fully independent from the government and the ministry.

The Ministry of Industry, Mines and Energy is working with the World Bank and ADB since 1994-1995 to create the Electricity Law. This law has been prepared since 1995, it was approved in 2000 and enforced in February 2001. Under the conditions of that law, a national regulator should be established; that agency is the Electricity Authority of Cambodia (EAC). EAC is supported by loans and technical assistance from the institutions mentioned above and donor countries, which are proposing to reform and liberalize the sector. On this basis, we started to prepare the rules and regulations for the sector. In this role, the EAC stands in the middle of the National interests, the investors' or suppliers' interests and the consumers' interests being all three different. Consumers want cheap electricity with a certain degree of quality; suppliers want to see a return on their investment; and the national interests are developed keeping in mind

the whole economy of the country. So we have to find a balance for the three parties.

**Can you share with us the main facts and figures of the EAC?**

The decision making body of the EAC has three members. For licensing, establishment of tariffs and dispute resolution, I cannot decide by myself; it should be by vote. What concerns the structure of the EAC, there is a board, a chairman and an executive director plus four departments. Currently there are 38 employees, but soon we are going to expand it to a total of 52 employees. Our budget comes from licensing fees. The government sets the fee and we use the fee as our revenue. Currently the amount is 1 riel per kv/h.

**As you mentioned, consumers want to have access to cheap electricity. The price of electricity in Cambodia seems to be a major issue, as a regulating body, what does the Electricity Authority do in order to determine and control the tariffs of electricity to better protect the interests of the final consumers?**

The price of electricity is indeed a key point for us. Until now we have not started the setting of tariffs. We need to make a few studies because the tariff setting affects all sides. This should be a fair process. ADB will provide technical assistance to make this study. We will then approach the best way to satisfy suppliers and consumers.

**Can you give us an average of the current price of electricity in Cambodia?**

There are actually three categories or pricing systems. The first group is the consumer in the capital, Phnom Penh, this counts for 80% of the total consumption of electricity in Cambodia and the average price is 0.17 USD per Kw/h. The second category is for the provincial cities where electricity costs 0.25 USD per Kw/h., and finally there is the third category comprising all the rural areas outside the cities, in this case the price fluctuates between 0.40 and 1 USD per Kw/h.

**What are then your plans in terms of pricing policy for the next years?**

The main problem in Cambodia is the cost of power generation. In Phnom Penh the generation of power costs 13 cents and its distribution 4 cents. What concerns the rural areas, the suppliers for those areas are private entrepreneurs who have their own small generator. The National utilities cannot reach those areas and that is what makes electricity so costly. We are concentrating our efforts into helping to bring down the generation costs in order to achieve lower electricity costs. A simple example is Thailand, they generate by themselves or import from Lao at a cost of about 4 cents and the cost to transmit and distribute to the end user is about 3 cents, making a total cost of 7 cents Kv/h., something that cannot be compared with Cambodia.

One of your main objectives is "to create favourable conditions for capital investment in the commercial operation of the electricity sector". Can you tell us which are or will be those conditions in order to attract investment in the Cambodian electrical sector? Big consumers like hotels and factories are using their own power generation capacity. How can I attract them to purchase from EDC (Electricité de Cambodge)? The first step is to lower the tariffs in a way that it become more attractive for them to buy power from EDC than generate it themselves. To obtain that, our strategy is to bring in cheap power by connecting our systems to neighboring countries like Vietnam. Then we will offer potential investors bidding opportunities in the energy sector. First we will interconnect the system, then we will increase the amount of users and finally we will propose investment possibilities.

**Which parts of the electrical power sector are you more interested into promoting and how do you want to do it?**

Now that the implementation plan has been set, we are ready to go ahead; the agreements with Vietnam have been signed and the project to construct the transmission line from Phnom Penh to Vietnam is open for bidding. Now we are handling the process to finance the project. The ADB has agreed to provide financing of a loan for the transmission line. Currently this is being reviewed and in four or five months the bidding will be open.

**Renewable energies are getting more and more attention in Cambodia. Which role do they play in the national supply development and which actions are the EAC taking in order to promote their development?**

Renewable energy plays an important role in the rural electrification. The people who stay in the rural areas have difficult access to cheap electricity. This could be obtained only by connecting themselves to the national grid. There are two ways to provide less expensive electricity; one is by extending the national grid and the other by developing stand-alone systems. Solar, wind, or micro hydroelectric projects can all be effectively used in such isolated areas. We must speed up and simplify the process of licensing and tariffs setting.

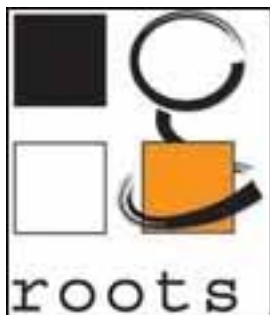
**Can you tell us a little bit about yourself and your professional background?**

I started working in the Ministry of Industry, Mines and Energy in 1986. After that, I came to Electricité du Cambodge, the national electricity supplier, which at that time was a department of the Ministry. I started to be promoted from young engineer to head of the group, then division, and then head of unit to finally become deputy managing director. After that, in 2001 I was nominated to be the Chairman of the EAC.

**What would be your final message to potential investors interested into the energy sector of Cambodia?**

One of our functions is to attract investors towards the energy sector in Cambodia. The main subjects an investor wants to know about are the following: First, an investor wants to minimize risk for his investment; Second, all conditions have to be set by the law without changes afterwards as it can affect dramatically in their business plans and third, an investor wants to have clearly stated the rules of the game. Those are the points that the EAC tries to provide.

## GRAPHIC ROOTS CO., LTD



### **Contact :**

ADDRESS #216B, Street 63, P.O. Box 972, Phnom Penh, Cambodia

Phone: (855 23) 210 712

Fax: (855 23) 987 712

Management: (855 016) 936 387

e-mail: [graphicroots@online.com.kh](mailto:graphicroots@online.com.kh)

Website: [www.graphicroots.com](http://www.graphicroots.com)

### ***Background***

Graphic Roots, based in Phnom Penh, Cambodia, has built a solid reputation as a reliable and creative source for print and web design services over the past 8 years. Graphic Roots is jointly owned by French and Cambodian shareholders.

### ***Our team***

- Our graphic design team has a cumulative record of several years of experiences in creating design concepts, production and coordination of print collateral material in the field of graphic design.
- The team can handle projects in several languages, most commonly Khmer, English and French.
- Our team is led by an expatriate art director who brings several years of experience and an international standard to our print and web design projects.
- We work with our network of freelance photographers and illustrators.
- We work closely with the printing houses once the job goes to pre-press thereby assuring quality throughout to the end of the project.

**• OUR TEAM IS WELL SUITED AS OUR STAFF MIXES LOCAL TALENT WITH EXPATRIATE EXPERTISE**

***Our vision:***

To provide satisfactorily innovative, creative and reliable solutions for design and communication needs of our clients in Cambodia and overseas.

***Our mission:***

To professionally meet the needs of clients and to satisfy them by strengthening their image and enhancing their communication.

***Our services:***

**Our services include:**

- Print design: creating design concepts, production, through close liaison with the printing houses. We take care of the projects to ensure their quality, including identity system, brochures, annual reports, newsletters, magazines, posters, calendars, flyers, packaging, banners, power point presentation...
- Web design: our designer, cooperates with programmers who are specialize in web developing and web application. We have provided several homepages such as: [angkorvillage.com](http://angkorvillage.com), [pyramid-e.com](http://pyramid-e.com)...
- Multimedia: due to the requirement of our clients, through our network we prepare the advertising spots for TV, Radio and manage the advertising on different channels in Cambodia.

**Our local clients:**

We have provided our services to varieties of customers:

- Private companies: Cambodian Airports Management Services (CAMS), Société Concessionnaire de l' Airport (SCA), Artisans d' Angkor, Angkor village, Victoria Angkor hotel, Comin Khmere, Comptoir Medical Du Cambodge (CMC), Citadel, Traditional Creation Phenix Art Khmer Cambodge (DEP-DEP), Power Investment Group, PYRAMID Translation company...

UN Agencies, National and International NGOs: UNESCO, UNDP, UNICEF, Agriculture Development Denmark Asia ( ADDA), The Arbitration Council and

the Process for Labour Dispute Resolution in Cambodia (CLEC), Agriculture Quality Improvement Projects (Aqip)

**Government Ministries:**

Ministry of Health, Ministry of Education Youth and Sports, Ministry of Women and Veterans' Affairs...

**Others:**

Cambodian French Chamber of Commerce (CCFC), Ennatien Moulethan Tchonnebat (EMT), International Republican Institute (IRI), Kantha Bopha Foundation...

**Our clients overseas:**

In addition to local market, Graphic Roots works with several clients abroad including Pierre Fabre, BEAUFOUR IPSEN in Vietnam, ArtAsia, Thai publishing agency..

**Our commitment:**

With our experience, our human resource, our vision and mission, our service and the confidence of our customers, we are committed to provide a better service.

***Award***

Graphic Roots, Cambodia, received the Gold Award for Excellence and Business Prestige on July 14 at the 17th International Convention Quality Summit New York 2003, organized by Business Initiative Directions (BID), to recognize the commitment to quality of our services, the result of which came from close cooperation between the employer and the employees of Graphic Roots company. This close cooperation has created a capable and reliable team, able to gain confidence from private business, national and international organizations, government institutions as well as the many individuals who have supported us throughout.

## MEKONGBANK



### **Contact:**

1 Kramuong Sar St.  
Khan Daun Penh  
Phnom Penh  
Kingdom of Cambodia

Tel: (855) 23 217112

Fax: (855) 23 217122

Web Site: [www.MekongBank.com](http://www.MekongBank.com)

e-mail: [ho.mailbox@MekongBank.com](mailto:ho.mailbox@MekongBank.com)

### ***HISTORY***

By the late 1980's, the group that ultimately founded MekongBank understood that Cambodia would need a modern banking system of international standards in order for the economy to realize its potential. From that time, they began to plan for the institution that became known as MekongBank (the legal name remains Cambodia Mekong Bank Public Limited).

MekongBank began operations in May 1994 with a subscribed and paid-in capital of US\$10 million. Subsequently the subscribed capital was increased to US\$20 million, of which US\$13 million have been paid-in. MekongBank is fully in compliance with the capital requirements imposed by the central bank of Cambodia.

### ***VISION***

From the date of its foundation, MekongBank has stressed the need for developing and maintaining the highest standards of professionalism and ethical business standards. These principles are constantly reinforced through staff training programs and by management example. To reinforce this



commitment, MekongBank has always retained the services of recognized international accounting firms as independent, external auditors. In addition to standard auditing services, these firms have provided continuing advice regarding financial and management systems.



## ***MISSION***

MekongBank strives to remain at the forefront of the private banking community in Cambodia. Its overriding policy is to combine financial strength, technical innovation and superior service with professionalism and ethical business practice.

## ***SHAREHOLDERS AND DIRECTORS***

### **Shareholders**

Mr. Khov Sambath 8%

**MS. KHOV LY HOUNG 23%**

Mr. Khov Boun Chhay 69%

### **Board of Directors**

Mr. Michael C. Stephen, Chairman

Mr. Bretton G. Sciaroni

Mr. Tay Kah Chye

Mr. Khov Boun Chhay

Mr. Khov Sambath

Mrs. Ung Kuy Eng

### **President and CEO**

Mr. Khov Boun Chhay

### **Auditor**

PricewaterhouseCoopers, Cambodia.

## ***SERVICES***

MekongBank is licensed to provide all forms of domestic and international banking services. The Bank's clients include prominent local and international businesses engaged in trading, construction, services and manufacturing, as well as Multinational Corporation with investment in the country.



As part of its commitment to providing superior services, MekongBank has become an industry leader in the area of staff training. As a matter of policy, each employee is expected to be familiar with of the bank's services and operations. To insure that this goal is met, members of senior management conduct training seminars at least once each week. The bank sends selected

staff members to attend training courses abroad and is also working within the Association of Banks in Cambodia (with substantial assistance from the ASEAN Bankers Association) to develop training facilities within the country.

## ***INFORMATION TECHNOLOGY (IT)***

MekongBank joined Visa International in June 1997. The following year it became the first bank in Cambodia to provide on-line connections to Visa international global authorization and settlement network. In April 2001, MekongBank issuing visa cards in its own name, the first financial institution to do so in Cambodia. The bank also expects to introduce on-line services for other international credit cards.

Largely as a result of its deep involvement in the credit cards business, MekongBank has been a pioneer in the use of technology in banking services in Cambodia. The bank has made substantial and continuing investments in Information Technology, and plans to take advantage of its superior technological capabilities by offering transaction-processing services to corporations and financial institutions in Cambodia and in the region.

## ***BRANCHES***

MekongBank's branch network includes three offices in Phnom Penh, one in Siahnouvillie and one in Siem Reap. There are plans to open a branch in Battambang during the second half of 2003. In addition, the bank operates money exchange counters in Phnom Penh and Siem Reap. All this units are on-line and capable of processing credit card and other transactions. Branches will be established as required in other major cities throughout the country.

## ***INTERNATIONAL POLICY***

A fundamental policy of MekongBank is to become Cambodia's leading international financial institution. To foster this goal, correspondent relations have been established with major banks in Europe, Asia and the United States. Thought our principle international correspondent and strategic partner, ABN-AMRO Bank, we have access to their global network of over 3500 locations in 76 countries. Another crucial element in MekongBank's international policy involves the establishment of strategic alliances with key financial institutions throughout the region.

MekongBank also participates actively in efforts to promote the development of the banking sector industry in Cambodia. In addition to its involvement with the

Association of Banks in Cambodia, senior management and members of the board maintain a continuing dialogue with business and government leaders in Cambodia and the region.

### ***INTERVIEW WITH Oknha Khov Boun Chhay***



**May 3rd, 2003 Interview for World Investment News & Far Eastern Economic Review**

**Can you give us a brief history of MekongBank since its formation and significant developments over the past four years?**

Mekong Bank began operations in May 1999. It is licensed to provide all forms of domestic and international banking services. The Bank's clients include prominent local and international businesses as well as multinational corporations with investments in Cambodia .

I am the controlling shareholder and work as President and Chief Executive Officer of the Bank. The Chairman of MekongBank's Board is Michael C. Stephen, an American with many years of international commercial and investment banking experience. Outside directors are Bretton G. Sciaroni, a US

citizen and an attorney who has been resident of Cambodia for more than ten years; and Tay Kah Chye, a Singaporean who is President & CEO of ASEAN Finance Corporation and also Secretary General of the ASEAN Bankers Association.

In 1998, MekongBank became the first bank in Cambodia to provide on-line processing for credit card transactions and in 2001 was the first financial institution in Cambodia to issue credit cards in its own name.

**Can you comment on the performance of your bank in terms of figures? (employees, branches, capital deposited, turnover, etc...)**

As of 31 December 2002 MekongBank had total assets of US\$18.5 million and paid in capital of US\$13 million. We have three banking offices in Phnom Penh and one each in Sihanoukville and Siem Reap (with plans to open in Battambang during 2003). In addition, we have "money exchange counters" located in Phnom Penh and Siem Reap. Total staff is 96 for all locations.

**In addition to the standard services offered by most banks, you have also introduced the credit card system to customers in Cambodia. Which additional new products do you plan to introduce to the Cambodian market in the near and medium term?**

We have two important initiatives under development at the present time. One is Privileged Banking, which is designed to provide a high level of service to individual customers. The other is Wholesale Banking, which will be aimed at large corporate clients and financial institutions. This entails transaction processing and other technology based services. Both of these initiatives are in line with our strategy to combine the most advance IT systems of any bank in Cambodia with a customised approach to client relationships.

**How is your bank positioning itself in the Cambodian market and what will your strategy be over the next few years? Are you looking for partners?**

Stemming largely from our deep involvement in the credit card business, MekongBank has been a pioneer in the use of technology in banking services in Cambodia. We have made a substantial and continuing investments in Information Technology, and plan to take advantage of its superior technological capabilities by offering transaction- processing services to corporations and financial institutions in Cambodia and the region.

It is also a fundamental policy of MekongBank to become Cambodia's leading international financial institution. We have established correspondent relations with major international banks in Europe, Asia and the United States. For example, through our principle international correspondent and strategic partner, ABN-AMRO Bank, we have access to their global network of over 3,500 locations in 76 countries. Another critical element in MekongBank's international policy involves the establishment of strategic alliances with key financial institutions throughout the region.

MekongBank also participates actively in efforts to promote the development of the banking industry in Cambodia. In addition to its involvement with the Association of Banks in Cambodia, senior management and members of the Board maintain a continuing dialogue with business and government leaders in Cambodia and the region.

**You are also president of the association of banks in Cambodia. When was this organization established; how many members does it have now; what are its main activities and objectives?**

The Association currently has 23 members, consisting of local and foreign banks. We began to organise ourselves in 1994 and are now fully recognised under the banking Act. Our chief functions are to share information among members, to participate in joint activities such as training and to act as a single voice for the industry in dealing with the public and the Royal Government. We are also members of the ASEAN Bankers Association, which has been of great benefit to individual banks and to the Cambodian banking system as a whole.

**As president of the Association, as well as the Chief Executive of an important local bank, what do you see as the major strengths and weaknesses of the Cambodian banking sector today ?**

The Cambodian banking industry (with the exception of the Foreign Trade bank) is private sector and represents a healthy mix of local and foreign owned institutions. We are adequately capitalised and backed by a strong regulatory system. We are well positioned to provide the financial backing for future growth in the Cambodian private sector. We are also increasingly integrated into the regional and global international financial system.

Countering this is the relatively undeveloped state of the financial infrastructure. For example, we still do not have a viable market for interbank lending or marketable Government securities that are essential to the development of a local capital market. We also need a much better legal and judicial framework in which to conduct our business.

All of these things and more are contemplated in the ADB's 10 year Financial Blue Print, but we are still in the first stages of implementation .

**Please tell us more about your personal background and career.**

I am a Cambodian national and received my education in Thailand, France, the United Kingdom, and the United States. I returned to Cambodia in 1992 and have been the CEO of MekongBank since its founding in 1994.

Although the bank is my principle occupation, I also spend a fair amount of time working on regional matters. I am firm believer in mutual co-operation and greater integration among ASEAN financial institutions. In pursuit of these interests I travel frequently throughout Asia, as well as in Europe and the united States.

# THE ASSOCIATION OF BANKS IN CAMBODIA



## Contact:

2nd Floor, 1 Kramuong Sar St.  
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Phnom Penh  
Kingdom of Cambodia

Tel: (855) 23 218 610

Fax: (855) 23 217122

e-mail: [bankers@online.com.kh](mailto:bankers@online.com.kh)

## ***HISTORY***

The Association was formed in 1994 and is recognised by the Royal Government as the official organisation to represent the country's private banking sector. Our purpose is to promote constructive dialogue among member banks and to serve as an industry voice to the public and the Government.

Membership is compulsory under the Law on Banking and Financial Institutions. Our membership consists of local and foreign owned commercial banks and branches, specialised banks and one foreign bank representative office.

The Association meets at least once a month, and more often if required by urgent matters. In addition there are regular and ad hoc working committees that focus on specific issues. The regular committees are:

- Private Sector Working Group - Banking & Finance and Insurance



- Educational Working Group
- Government Agencies Relationship Group

The Association now is working on creation of a Bank Training Institute in Cambodia (BTIC) with cooperation with Mekong Project Development Facility (MPDF) and Asian Development Bank (ADB)

The Association has been an active member of the ASEAN Bankers Association and participates in all its meetings and functions.

## LIST OF BANKS AND FINANCIAL INSTITUTIONS IN CAMBODIA As of June 30, 2003

### COMMERCIAL BANKS

<i>Names &amp; Addresses</i>	<i>Phones, Faxes &amp; E-mail</i>
ADVANCED BANK OF ASIA Ltd # 97-99, Preah Norodom Blvd, Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 720434 Fax: (855-23) 720435 E-mail: <a href="mailto:jeong@camnet.com.kh">jeong@camnet.com.kh</a>
CAMBODIA ASIA BANK Ltd. # 252, Preah Monivong Blvd, Sangkat Phsar Thmey II, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 722105, Fax: (855-23) 426628 E-mail: <a href="mailto:cah@camnet.com.kh">cah@camnet.com.kh</a>
CANADIA BANK Ltd. # 265-267-269, Preah Ang Duong St., Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 215284, 215286 Fax: (855-23) 427064 E-mail: <a href="mailto:canadia@camnet.com.kh">canadia@camnet.com.kh</a>
CAMBODIAN COMMERCIAL BANK Ltd. # 26, Preah Monivong Blvd, Sangkat Phsar Thmey II, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 426145, 426639 Fax: (855-23) 426116 E-mail: <a href="mailto:ccbpp@bigpond.com.kh">ccbpp@bigpond.com.kh</a>
CAMBODIA MEKONG BANK Public Ltd. # 01, Kramuon Sar St., Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 217114, 21715 Fax: (855-23) 217122 E-mail: <a href="mailto:ho.mailbox@mekongbank.com">ho.mailbox@mekongbank.com</a>
CAMBODIAN PUBLIC BANK # 23, Kramuon Sar St., Sangkat Phsar Thmey II, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 214111 Fax: (855-23) 217655 E-mail: <a href="mailto:campu@bigpond.com.kh">campu@bigpond.com.kh</a>
FIRST COMMERCIAL BANK Phnom Penh Branch # 263, Preah Ang Duong St., Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 210027 Fax: (855-23) 210029 E-mail: <a href="mailto:fbpp@bigpond.com.kh">fbpp@bigpond.com.kh</a>
FOREIGN TRADE BANK OF CAMBODIA # 03, St. 53-114, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 724466, 722466 Fax: (855-23) 426108, 425410 E-mail: <a href="mailto:ftb@camnet.com.kh">ftb@camnet.com.kh</a>
KRUNG THAI BANK PUBLIC Co., Ltd. P.P Branch #149, Rd. 215, Sangkat Phsar Depo I, Khan Tuol Kok, Phnom Penh, Cambodia.	Tel: (855-23) 366005, 428737 Fax: (855-23) 428737 E-mail: <a href="mailto:kbpmp@bigpond.com.kh">kbpmp@bigpond.com.kh</a>
MAY BANK PHNOM PENH BRANCH # 4B, Kramuon Sar St., Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 210123, 210233 Fax: (855-23) 210099 E-mail: <a href="mailto:mbh@camnet.com.kh">mbh@camnet.com.kh</a>
SINGAPORE BANKING CORPORATION # 68, Samdech Pan St., Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 211211 Fax: (855-23) 212121 E-mail: <a href="mailto:info@shc-bank.com">info@shc-bank.com</a>
UNION COMMERCIAL BANK Ltd. # 61, Rd. 130, Sangkat Phar Chas, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 427995 Fax: (855-23) 427997 E-mail: <a href="mailto:ucb@bigpond.com.kh">ucb@bigpond.com.kh</a>
VATTANAC BANK # 89, Preah Norodom Blvd, Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 212727 Fax: (855-23) 216687 E-mail: <a href="mailto:CSC@vattanacbank.com">CSC@vattanacbank.com</a>



## SPECIALIZED BANKS

01	ACLEDA BANK LIMITED (Specialized Bank) #28, Mao Tse Tung Blvd, Sangkat Boeung Trabek, Khan Chamkar Morn, Phnom Penh, Cambodia.	Tel: (855-23) 211812, 364619 Fax: (855-23) 219185 E-mail: <a href="mailto:acledabank@acledabank.com.kh">acledabank@acledabank.com.kh</a>
02	RURAL DEVELOPMENT BANK (Specialized Bank) #9-13, St. 7, Sangkat Chalotomuk, Khan Daun Penh, Phnom Penh, Cambodia	Tel: (855-23) 220810, 220811 Fax: (855-23) 722388 E-mail: <a href="mailto:rdh@bigpond.com.kh">rdh@bigpond.com.kh</a>
03	PENG HENG S.M.E. BANK Ltd. (Specialized Bank) #74, Preah Norodom Blvd, Sangkat CheyChumneah, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 219243, 219245 Fax: (855-23) 219185 E-mail: <a href="mailto:pengheng@canmet.com.kh">pengheng@canmet.com.kh</a>
04	CAMBODIA AGRICULTURE INDUSTRIAL (Specialized Bank) #87, Preah Norodom Blvd, Sangkat Phsar Thmey III, Khan Daun Penh, Phnom Penh, Cambodia.	Tel: (855-23) 725823, 725827, 217750 Fax: (855-23) 217751

## MICRO FINANCE INSTITUTIONS

01	Ennattien Moulethan Tchonnebat "EMT" # 72-74, St. 598, Sangkat Boeungkok II, Khan Tuolkok, Phnom Penh, Cambodia.	Tel: (855-23) 363913, 880942 Fax: (855-23) 881342 E-mail: <a href="mailto:info@emt.com.kh">info@emt.com.kh</a>
02	<u>Hatthakaksekar</u> Road 4, Peal Ngei I Village, Phteah Prey Commune, Sampov Meas District, Pursat Province, Cambodia 50m from Highway 5	Tel: (855-52) 951404 Fax: (855-52) 951404 E-mail: <a href="mailto:kaksekar@canmet.com">kaksekar@canmet.com</a>
03	Cambodia Micro Finance Limited Co. (Micro Finance) #75E, Mao Tse Tung Blvd, Sangkat Boeng Keng Kang III Khan Chamkar Morn, Phnom Penh, Cambodia	Tel: (855-23) 362885, 987919 Fax: (855-23) 362885
04	Thaneakea Phum Cambodia #20, 105/242 St., Sangkat Boeng Prolit, Khan 7 Makara, Phnom Penh, Cambodia	Tel: (855-23) 211165, 216960 Fax: (855-23) 216960 E-mail: <a href="mailto:dml@online.com.kh">dml@online.com.kh</a>

## REPRESENTATIVE OFFICE

01	STANDARD CHARTERED BANK #Unit G-02 Micasa Hotel Apartments 313, Sisowath Quay Phnom Penh, Cambodia	Tel: (855-23) 216685 Fax: (855-23) 212731
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## SBC BANK



### Contact:

N°68, Samdech Pan Street (St. 214)  
Khan Daun Penh  
Phnom Penh  
Kingdom of Cambodia

Tel: (855) 23 211 211  
Fax: (855) 23 212 121  
e-mail: [info@sbc-bank.com](mailto:info@sbc-bank.com)  
website: <http://www.sbc-bank.com>

### THE BANK FOR YOUR BUSINESS & PRIVATE FINANCIAL NEEDS

### ***HISTORY***

Singapore Banking Corporation Limited (SBC Bank) is a prominent consumer bank and has a strong position in the Kingdom of Cambodia. Since its incorporation in 1993, SBC Bank has grown from strength to strength to become one of the leading commercial banks in Cambodia.

As a leading consumer bank in Cambodia, SBC Bank offers a full array of products and services to meet the needs of both corporations and individuals. The Bank's list of clientele comprises the companies in the "Who's Who" which include companies engaged in infrastructure projects, companies in the distributorship of well-known products, property companies, telecommunication service providers and leading manufactures who export their products throughout the world.

With its track record and experience, SBC Bank is well positioned to maximize the opportunities in Cambodia's financial and capital markets for its clients.

## **MISSION**

Our Mission is to provide high quality banking and related financial services in Cambodia. We aim to be recognized as the best performing bank in Cambodia. In striving towards that aim, we are mindful of the responsibilities towards our shareholders, employees and clients. Providing excellence of service to our clients is of paramount importance to our long-term success. We believe we can fulfill our mission by adhering to our corporate values (Teamwork Respect Unity Motivation Professionalism).

## **SERVICES**

As a premier consumer bank in Cambodia, SBC Bank is committed to provide quality services to its clients for the comprehensive range of products and services available in the following:

- Current Account
- Savings Account
- Fixed Deposit Account
- Cashier's Order
- Remittances / Telegraphic Transfer
- Western Union Money Transfer
- Bank Draft
- Foreign Currency Exchange
- Encashment of Travelers' Cheques
- Mortgage & Commercial Loans & Advances
- International Trade & Trade Financing

In response to different customer needs and Cambodia's economic developments, SBC Bank operates in two principal customer segments:

### **INDIVIDUAL BANKING**

As a private individual, SBC Bank provides a broad range of banking products and services to meet your financial needs. Other than offering current, saving and term deposits, the bank also handles remittances and telegraphic transfer services. For "instant" money transfer service, you can utilize the Western Union Money Transfer service available at the bank.

Attractive bank rates are available for foreign exchange transactions and encashment of travelers' cheques.

### **CORPORATE BANKING**

Catering to different banking needs depending on your business requirements, SBC Bank offers a wide range of services from day-to-day banking deposits and transactions to offering a variety of commercial lending. International trade

financing is available through loans, overdrafts, lines of credit and trade services. In addition, the bank offers payroll transactions by employers requesting for direct monthly salary crediting into employees' individual accounts.

## ***PROJECTS***

SBC Bank is about to launch a new VISA Card system with an EMV chip. This system will be one of the few installed in Indochina and all the Southeast Asian region. With this new VISA card system we will introduce also the possibility of sending to our customers an SMS-message every time a transaction is being made with the card.

At SBC Bank we do not rest on our laurels, there are other projects in the pipeline who will ensure the growth of the bank by providing better service to our customers. Among those future projects there is the putting into place of an ATM Network. We will also provide our customers with the possibility of accessing our banking services through the Internet making it possible to access and operate your account anywhere in the world at any time.

## ***BRANCHES***

### **Phnom Penh Branches**

Head Office: N°68, Samdech Pan Street (St. 214)  
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### ***INTERVIEW WITH MR. ANDY KUN, PRESIDENT & CEO SBC BANK.***



## **May 8th, 2003 Interview for World Investment News & Far Eastern Economic Review**

**Can you present us your bank since its formation and its main developments ever since?**

SCB started in 1993 with the aim of providing all the commercial banking services to Cambodians and any foreigner that come to invest in Cambodia. When we first arrived in this country, Cambodians were used to buy everything from overseas with cash. Throughout the years we tried to teach them how to use letters of credit; presently most of the trade with overseas companies is based on the use of a letter of credit. This is how we started our operation here.

**Can you show us in figures how the bank has evolved in those 10 years?**

We started with about 40 staff in 1993, and now we have about 80 staff working with us in four offices: 3 in Phnom Penh and 1 in Siem Reap. Our customer's deposits have also increased substantially over the years. The Bank is locally registered in Cambodia but is fully owned by Singaporeans.

**In terms of profitability how is the bank managing throughout the years?**

Over the last few years the profitability has not improved that much, mainly due to the fact that the bank has engaged in new investments, which has taken a bit of our resources. Presently, we are investing in a VISA credit card system which is EMV chip based and it is going to be among the first in Indochina and one of the few in Southeast Asia to issue an EMV chip-based credit card.

**Next to this VISA Card project, what is your main development strategy?**

The credit card project is just one of the few projects that we have engaged. After it is implemented, we are studying the possibilities of an ATM network and also to introduce Internet banking. For those using the credit cards, we are also looking at the introduction of an SMS system, which works by sending an SMS message to the cardholder every time a transaction is being made with the card.

What can you tell us about your expansion plans, are you going to concentrate your efforts locally or are you looking for an internationalization of the bank? Presently, we are concentrating in the expansion within the country to reach the provinces. As of today, there are not yet plans for international activities, at least not within the next three years. Possibly in the long term, we may consider expanding to overseas.

**Who are your main customers and what is your positioning within the Cambodian banking sector?**

We have both local customers and foreigners, including some NGO's. We are not targeting an specific group, more towards the general public.

**What would you say is your competitive advantage? Why would someone want to become a customer of SBC Bank instead of one of the other commercial banks in Cambodia?**

I think customer service plays a very important part, as well as the efficiency and speed. By speed, I mean how fast you can attend to the customer when he comes to make a deposit or withdrawal. These are very important to determine the quality of service, and we definitely have an advantage on this area.

**As president and shareholder of the bank can you tell us what are your plans in terms of partnership?**

We will look into all kinds of possibilities to make the Bank grow to a bigger size, whether it is a partner from overseas or a local one, we just have to have the same kind of goals and foresight. For the time being, there is nothing in this area but we are open to any opportunity.

**What are, according to you, the main advantages and constrains of the banking sector in Cambodia?**

I think the Cambodian banking sector is still at its infant stage as it started in 1992, which is 11 years ago. It does have a long way to go, but in the last five or six years, many changes have been made. Regulations and rules have changed. There are certain international standards being adopted. And I foresee there are many more good things coming.

**Our readers are always interested in the background of the managers and decision makers of the country, can you give us a brief historic of your professional background and your greatest satisfaction while working in Cambodia?**

Before I came to Cambodia, I was working in the financial sector, not in banking though, I had a main project in Malaysia to start a membership resort. My greatest satisfaction working here is to see the Bank grow and the staff becoming more knowledgeable about banking.

**You just mentioned that you were working in the financial sector but not specifically in banking. What made you decide to come to Cambodia and start a bank?**

When I came in 1992, I saw there was a lot of potential and opportunities. So, I decided to come here instead of continuing the Malaysian project I was working on at that time. That is how we started the bank. In the last 10 years, we have seen the country going through remarkable changes most of them for the better. We are hoping for this continued change, which will bring Cambodia to be known by other people in the world.

**As a businessman, banker and investor in Cambodia, what would be your final message for all the people interested into coming to this country?**

There are definitely opportunities to invest in Cambodia. Of course, there are certain difficulties. The most important thing is to know the culture. When you understand the people, then you will be able to smooth out those difficulties. My advice is to come and have a look by themselves. Papers and magazines don't always reflect the reality as it actually is. You never get the real picture until you come and see it for yourself. Look at me, I have been here for the last 11 years. They can come to see me or other people from the Government. They are always welcoming potential investors.



## SIHANOUKVILLE AUTONOMOUS PORT



### **Contact:**

Sihanoukville Port

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### ***Introduction***

The Port Authority of Sihanoukville (PAS) is the sole deep sea port with large extent, which consist of natural advantages with large warehouses and yards, for servicing trading companies in bringing vessel in and out for safety handling, Transporting and storing cargoes pursuant to customer requirements.

### ***Quay length***

The total quay Length of PAS is 930 meters.

#### **a).Old Jetty**

The Old Port is a Jetty constructed in 1956 and opened for official exploitation in 1960. The said jetty with 290m long can accommodate vessels at both sides

enabling the total length up to 580m long by 28m wide - 8.5 m draft and can accommodate four vessels connecting to the offshore by the 280m long and 18m wide access bridge.

In respond to the government's objective, which is concentrating on the major field of tourism, PAS will convert the 47 year-old Id pier into passenger terminal in the near future so that it can contribute is concerted efforts to help improve Sihanoukville's tourism and other major tourism sectors throughout the Kingdom of Cambodia into action.

If tourists come to Sihanoukville city, they will firstly spot the beautiful sight of mountain & islands of our pay with good tropical climate, which is warm and humid, the average temperature is over 27°C (80 °F). It is possible to live with comfort for the whole year without fearing of violent storm, snow, and earthquake and volcanic eruption...etc. during their stay in Sihanoukville city they can also visit the beautiful natural scenery such as white beaches with clear water along the coastline together with the 16 km razzmatazz waterfall and Ream National Park which is located 30 km from the shopping center. Every tourist and passenger can spend their free time swimming in the Sihanoukville coastal water or making leisured trip through the islands, verdant valleys, creeks and orchards. We have a lot of fresh fruits and sea food with hygienically good taste and low prices. On the other hand you can find the safest and best security Hotels, Hostels, Guess Houses, Bars, Restaurants, with excellent facilities decorated in Khmer and European styles in Sihanoukville city.

You can travel to Phnom Penh by three different ways: by bus and train with the distance of 230 km & 262 km. respectively, and by plane based 18 km in distance from Sihanoukville.

#### **b) New Quay**

In accordance with the rapid increase of sea transport the Royal Government had extended another new wharf locating in the northeast. This wharf (namely New Port) is a quay completed its construction in 1969 with 350m long by -10m draft (currently -7.5m) and can accommodate three vessels for offloading and loading cargoes.

#### **c). Anchorage**

PAS has already reserved the anchorages and pilots who are being responsible for by the navigation and pilot service for berthing all kinds of vessels and such anchorage is as follows: the latitude of southern channel is 10°36'58N longitude: 103° 28'76E and can be communicated and each working from 7:00 to 11:30 and from 02:00 to 05:30 or by walkie- talkie channel N° 16 (15680MHZ).

## ***II- Port's service equipment***

In order to timely service the market-economic situation and adhere to safety performance in providing service to customers, PAS has prepared its operating facilities as follow:

### **1-Main of Navigation**

- Tug boat 1800HP 01Unit
- Tug boat 1600HP 02Unit
- Tug boat 800HP 02Unit
- Pilot boat 01Unit
- Mooring boat 01Unit
- Speed boat 01Unit

### **2-Cargo Handling Facilities**

- Harbour mobile crane 64 t 02Units
- Transtainer crane 40.6 t 02Units
- Super stacker 45t 04Units
- Empty Stacker 7.5t 01Unit
- Trailer 20'-40' 17Units
- Shore crane 10-50t 05Units
- Forklift 5-25t 10Units
- Truck 10-20t 10Units

***INTERVIEW WITH MR. LU KIM CHHUN, GENERAL DIRECTOR  
PORT AUTHORITY OF SIHANOUKVILLE.***



**April 7th, 2003 Interview for World Investment News & Far Eastern Economic Review**

**Could you introduce us briefly the Port of Sihanoukville and its main activities since it started operations in 1960?**

Our port facility began operations in 1960 and the cargo that flowed through here grew well until we reached in 1967 a cargo handling of nearly one million tons. At that time it was decided to build another phase. The first phase had only one jetty and two warehouses. Due to the cargo increase there were three hundred meters of jetty added plus three warehouses. Between 1970 and 1975 there was a war and then in 1975, the Khmer Rouge regime came. We do not have much information about that period, but there was few activity in our port. In 1979 our port started operations again. In the beginning it was hard as we were lacking both heavy equipment to handle the cargo and lack of experienced labor force. Only three or four workers of the port survived the Khmer regime, all the management staff was killed by the Khmer Rouge. We got assistance from the Soviet Union and Vietnam, and in 1988 those Russian and Vietnamese advisors left and we started working for ourselves. Until 1992 the level of cargo was very low. Only in 1993 the volume began to increase as a result of the new elections. Year by year we kept growing and in 1999 we reached a volume above the one million tons. Since then it has been stable showing a slight decrease in 2002. But the current statistics are very encouraging; in the first three months of this year 2003 the volume increased 28 percent compared with same time in 2002.

**Could you give us the main figures of the Port in terms of infrastructure?**

The first phase began in 1956 building a jetty of 289 meters long plus two warehouses. This phase was finished in 1960 and then we started operations. In 1966 a second phase of extension of the port started adding 350 meter of jetty plus 3 new warehouses and now we are proceeding to a third extension with a container BASE of 240 meters and 6.5 hectares for a container terminal. This phase started on April 2002 and the new terminal will be finished in 2004. The total amount of workers in the port is 1064 people.

**H.E. Cham Prasidh has announced last December his intention to declare an "Open Sea Policy". What are the main expectations for the port out of this Government policy?**

I think that this is a good policy of our Government. The port of Sihanoukville cannot monopolize the cargo system. Now is time for cooperation and competition. The users must decide what is the best for them. This will make us try to upgrade our service quality and try to offer lower services fees to remain attractive.

**What are then your forecasts in terms of tonnage?**

The port is changing its policy and that makes us hope that the port will attract more volume of cargo. As I mentioned at the beginning, during the first three months of 2003 there has been an increase of 24 percent compared to last year. We are doing everything possible to upgrade our service and give to the customer the value of the port fees they are paying.

**So far, what have you been doing in order to get prepared to this new policy which will add competition to your port?**

Our policy in the future will be to offer to the port user a complete transparent fee system. We are going for a flat rate no matter the time or the day of the year, nighttime, daytime, 24/7 365 days a year. This way, the user will know how much time it takes him to stay in the port and how much it will cost him. With this policy we will make the port user feel confident about doing business with us.

**Another aspect that can bring you a higher volume of cargo is the future creation of the "Phnom Penh-Sihanoukville Growth Corridor". What are your expectations in terms of business for the port?**

The "Growth Corridor" between Phnom Penh and Sihanoukville is a very good idea. The studies for this project look very promising, Next to that, we also have, behind the port, 100 hectares of land we want to use as a Free Zone Area. This land belongs to the port and we are considering not to charge a rental fee, perhaps to leave it to private investors to develop it. Those two projects can create a substantial amount of jobs for our people and plenty of business for the port. We are quite pleased with this policy which we call a win-win situation;

Cambodians will obtain more jobs, investors will have more places to choose to install themselves and the port will have more business.

Once more the port seems to have the opportunity to develop another activity for the port, namely the tourism. In their efforts to attract more tourists to the country, the Royal Government is trying to attract the Cruise tourism to Cambodia. What measures is the port taking to receive this kind of vessels?

Last year we had three or four cruise ships calling in, the tourism agencies had to prepare for months the arrival of a cruise ship to our port. Presently the situation has changed, only last month we had three cruise ships for which there was no preparation.

By facilitating their arrival, we try to attract cruise ships to our port. In terms of infrastructure, we are planning to build a passenger terminal. Currently we use the old jetty for passengers, but in the future, once the container terminal is built, we can transform the old one into a passenger terminal.

**In order to achieve all those projects you want to develop, are you looking for investors or partners of any kind?**

For the Free Zone or Export Processing Zone, we need private participation, also for some aspects of the port expansion. The port cannot support those heavy investments all alone so indeed for some operations in the port we are in the look for some kind of partnership. We need to study carefully all possibilities.

**With all those growth prospects and projects to be build, how do you see the evolution of the port in the next few years?**

We try day by day to upgrade our service. We want to make our clients feel confident with us. We try to keep costs down and quality of service high. By keeping this policy, the port can only develop in the good direction.

We have a few objectives; one of them is an increase of the container terminal by 160 meters more. We also want to develop the Free Zone Area with a pilot project to attract more investors. If these project is successful, we will develop the land behind the port which will be a good backup for the port. Another objective is to build the passenger terminal.

But above all, we understand the importance of quality service, compared with the other facilities elsewhere in the region, Sihanoukville is still very low. We need to upgrade our service to compete. We want to be members of the ASEAN Port Association. We study from them how to integrate ourselves with them and that is the priority.

**As only deep-sea water port in Cambodia, you can say that your port is the main gate for the world to Cambodia and Cambodia to the world. What can you tell us about the evolution of the Cambodian economy from your**

**position as General Director of the port?**

In 1993 we started to deal with containers, before it was only general cargo handling. Two years back we couldn't handle containers above the 22 tons, now we get up to 64 tons. We are upgrading our facilities to support the economic growth of our country. Indeed we are the door to get in or out of the country. We understand that this is our obligation. Our performance reflects the evolution of the economy of the country. We have requested to become member of the ASEAN Port Association so that we can standardize our level of service.

**What are the main products being exported and imported?**

Garment industry is the largest sector for import and export. The most imported materials through our port are mainly cement, steel, machinery, fertilizer, sugar, bitumen...

Can you tell us about your career path and what has been your greatest satisfaction while working as General Director of the port of Sihanoukville?

I graduated in Ukraine, at that time still part of the Soviet Union. I was an engineer of port construction and water ways. I stayed there six years. In 1986 I came to work here as a port engineer. In 1989 I became the deputy director and from 1992 on I have been the Director of the Port. I am very happy to work here. We are lucky to have such good workers. It gives me quite a satisfaction to work at the port due to the important role it plays in supporting the economic growth of the country. I hope the Growth Corridor and the Free Zone Areas become soon a reality and we create more jobs for Cambodian people and at the same time provide the right climate for investors to come here.

**What would be then your final message to those potential investors that are looking to Cambodia as an investment destination?**

Some people think Cambodia is not a stable country. I think otherwise. The Cambodian people understand that we must integrate to the world. We study English to try to make that possible. We want people to have confidence that they will have peace in our country, Cambodians are good workers and the labor force is quite cheap. What concerns the port, we are trying to assist any investor in order to facilitate them to come here, especially the Free Zones will give them the chance to save on transport, documentation, etc...

And finally keep in mind that Cambodia is a Buddhist country offering a peaceful environment.

## **SOFITEL, ACCOR HOTELS & RESORTS**



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Vithei Charles de Gaulle  
Khum Svay Dang Kum

### **SIEM REAP**

Kingdom of Cambodia

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## ***INTRODUCTION***

Set amongst tranquil landscaped gardens along the beautiful tree-lined Charles de Gaulle Avenue, Sofitel Royal Angkor is the closest hotel to the stunning ruins of Angkor Wat. The hotel provides refined and elegant accommodation combining French and Khmer architecture. Ideally located near traditional markets and local areas of interest, it is only 15 minutes from the international airport. A five-star deluxe resort with 239 rooms, it is the closest hotel to the Angkor Wat temple complex. This brand new hotel offers swimming pool, Jacuzzi, spa, five restaurants and three bars.

Sofitel Royal Angkor welcomes guests to world-class accommodation and amenities close to the magnificent Angkor Wat World Heritage site. A sophisticated Khmer-in-spirit architecture of high ceilings, slender columns and traditional red-tiled roofs houses a refined selection of leisure options, dining venues and boutiques. Lush tropical gardens, lakes and pavilions provide tranquil surroundings.



## **ACCOMMODATION**

Unrivalled luxury distinguishes the 238 superior and deluxe rooms, including twenty-three suites, a room for disabled and the unique Thubtim Siam Suite.



All rooms are elegantly designed for your comfort and enjoy scenic garden views. Sophisticated in-room facilities satisfy the most discerning tastes. The room fittings are listed below:

- Air conditioning
- Bath
- Mini bar
- Hair dryer in room
- Television
- High speed transmission line
- Satellite TV
- IDD telephone

- In-room safe
- Bathroom with separate bathtub and shower stall
- Ceiling Fan



## ***ROYAL CUISINE***

Five refined international restaurants offer delicate cuisine from both Asia and Europe in stylish locations.

### **Leaf on the Stone (Japanese cuisine)**

A Japanese Teppenyaki Bar serving set menus of traditional fare prepared before your eyes in an open show kitchen.

Opening hours: 12:00-14:00 / 18:00-22:00

### **Mouhot's Dream (French cuisine)**

Enjoy the refined atmosphere and experience the fusing of oriental and western flavours in a French art deco setting. The finest table in Cambodia serves French fare in a truly romantic setting.

Opening hours: 18:00-22:00



### **The Citadel (Occidental & Oriental cuisine)**

A bright and airy restaurant located in one of the terraces of the hotel, it provides contemporary Western and Eastern Cuisine in a traditional Khmer atmosphere.

Opening hours: 6:00-22:00

### **Serpent Bar (Occidental & Oriental cuisine)**

Lunch or refreshment while relaxing near or in the large free-form swimming pool.

Opening hours: 7:00-19:00



### **Wayfarer's (Italian cuisine)**

A pavilion Restaurant and Bar authentically furnished in traditional style with a wood-framed floor adding the finishing touch. A full range of drinks and Crunchy pizzas, home made and ice creams is served in a convivial atmosphere.

Opening hours: 11:00-23:00

## ***THE TEMPLES OF ANGKOR***

The hotel is located 5 km. away from the Angkor Wat temples site, what once was the heart of the powerful Khmer empire. This complex of 72 temples and courtyards now stands as an important World Heritage site.

From the massive stone faces gazing across the Bayon, to the elaborate carvings adorning almost every façade, the Angkor temple complex displays the finest artistry of a cultured and complex civilization.

## ***RECREATION & RELAXATION***



A hotel is a place of comfort, not just a place to stay. A stroll in the beautiful landscaped gardens, a dip in the large free form swimming pool or a visit to Angkor Spa are ideal ways to relax after a day of thrilling discovery. The Sanctuary is a peaceful corner for study of the fascinating Angkor complex overlooking the gardens.

### **Angkor Spa**

An extensive menu of massages, an aqua-therapy and aromatherapy treatment blends the best of western spa experience with the gentle well-being traditions of Khmer culture. Luxurious suites in a natural setting offer the perfect way to indulge your senses and rejuvenate your body.



Next to the Spa facility and the swimming pool, the hotel also offers a state-of-the-art Fitness Room with Jacuzzi included.



## ***MEETING PLACE***

For a successful meeting of minds, the right venue is crucial.

Natural sunlight illuminates the Grand Ballroom and spacious meeting facilities from large bay windows, offering direct access to the pool. Sofitel Royal Angkor is the choice of location for all corporate events, lying only 15 minutes from Siem Reap's international airport.

## ***Interview with Mr. Marc Begassat, General Manager SOFITEL ROYAL ANGKOR***

**April 1st, 2003 Interview for World Investment News & Far Eastern Economic Review**

**Could you present us the Sofitel Royal Angkor and its historic since it started business in Cambodia?**

The hotel opened in October 2000 on a first phase. On a second phase, in October/November 2001, we opened the rest of the hotel. Now we are 100% completed; we have 239 rooms, five restaurants, a swimming pool, a sauna, a spa and a fitness center. We also have all complementary services related to a five star hotel.

**Could you give us some key figures on the performance of the hotel like the occupancy rate, number of employees, etc.?**

On a yearly basis we have an occupancy averaging the 48% for a normal year of operation. But in the five months of the high season we have an average of



70%. What concerns the personnel, we have around 350 staff, which is of course full time staff.

**What kind of customers do you receive here and what is their average expenditure?**

Average expenditure is hard to determine, mainly because most of our customers pay directly to the travel agencies. On the premises, here, they spend mainly for the spa, which is very popular.

**This is indeed one of the major problems for the development of the tourism industry here in Cambodia. Does your hotel have plans to increase this average stay by offering special packages to the tourists?**

We are in fact setting up packages, but Cambodia still an extension from countries around us, we are not yet a one stop destination. Almost all the incoming tourists are brought through travel agencies. We need to develop this new concept, which would be good for the tourism in general. We are collaborating in the whole industry sector in order to increase this stay, at least to three nights, by offering for example a full day spa resort package.

There are plenty of opportunities, but those ideas have to be pushed if we want the visitors to get into it. Cambodia is not only about the Angkor Wat temples site, it offers more than that; the countryside and the bird reserve on the Tonle Sap are beautiful for instance. You can spend a full day in this countryside visiting temples three or four hours away from here; of course you get to see the temples, but you also get in contact with the people, their villages and their way of live, which is quite important.

**Getting back to the average stay of 2 to 3 nights, how do you think the offer can be improved in order to get the tourists for a longer period?**

The average stay is 2 nights due to the fact that Cambodia is an extension of a holiday package from one of the neighboring countries, not a destination by itself. It's difficult to reach the market expectative; offering packages with a combination of temples and beach could be one of the solutions. But this mainly depends on the tourists demand. If we choose a luxurious resort, right on the beach, peaceful to relax and then go to Siem Reap or other temple sites; yes, they will probably come here for a week or even a longer period. This is my perception, but in the meantime there is still much to undertake in order to be able to propose this packages.

**Do you have plans to invest in beach resorts in Cambodia?**

Not at this stage. We are waiting to see what will happen and which trends will follow, from there we will decide which way we will go.

**What about the development of the tourism here in Siem Reap, there are plenty of hotels being constructed, what kind of competition are you facing now and how is this going to affect you in the next few years?**

The competition we are facing now is mainly the Grand Hotel d'Angkor, the Pansea and the Aman; of course the last two have a complete different target market and we do not consider them direct competitors. So on the 5 stars hotel scene is just the Grand Hotel d'Angkor. In the near future there will be the Victoria, which will come with a four star product, as the Imperial is also coming in Siem Reap. But competition is good; at the end of the day, what we have to make sure is that guests are coming to the country. With this in mind, we have to provide transportation and roads to facilitate the access. For instance, the road between Siem Reap and Thailand would help substantially to increase the amount of tourists coming from the country.

**Although there has been no reported case of SARS in Cambodia this latter is affecting the whole tourism industry. Could you tell us more about the present situation and its consequences so far?**

It is true that Cambodia has had no reported case of SARS, which is quite good, but as Cambodia is an extension of a package comprising countries where SARS is causing problems, we are losing customers too. It is affecting not only the whole city of Siem Reap but also the whole country. The level of business is going down, not only due to SARS, but also to the Iraq crisis, which has affected us; of course the tourism is the first industry to be hit in cases like that.

**The Minister of Tourism is promoting quite a lot the sector. What is your point of view on its policy?**

Promotion is not only good for a country. Everyone needs promotion. The more you talk about something, the more people is aware about it and so you get more tourists. It is definitely good. The planning is good and the way of applying it too.

**Could you tell us more about your professional career?**

I studied Hotel management school in France. After that, I moved to California for Meridein, then back to Paris to work in a restaurant. Once again I went to the United States to work in New York City for Novotel. After I did a short stop at Disneyland Paris before I started a new career into luxury properties at the Prince de Galles for Starwood, still in Paris. It was at this time that I joined the Sofitel Group. In the April 2000 I joined the Sofitel Metropole in Hanoi. Finally, since November last year I am here in Siem Reap.

**What would be your final message to anyone interested in investing in Cambodia?**

There are plenty of opportunities, perhaps not in the hotels itself, but for sure in the supplying of those hotels; energy, water, agriculture, catering, almost anything. You have to consider that most of the products consumed here are imported from other countries. I strongly believe that by moving some business in Cambodia, we could be able to get supplies at more competitive prices. If you produce locally you should be able to offer products less expensive than coming

form overseas. This will help not only tourism, but also others sectors of the economy. This is according to me one of the most important factors for the economic growth of Cambodia.



## SOKIMEX



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### ***Historical development; Message from the president***

As a Cambodian who is attempting to rehabilitate and develop the national economy to improve our people's standard of living, and the national reputation as a whole, I am very delighted to establish and run a business in the Cambodian Market.

I practice, the establishment of a business, organization or factory is not easy but we can manage it if we have sufficient resources. The most difficult factor, however, is implementing the appropriate strategies to boost performance and growth.

Before 1990, I was a producer of tires and rubber processing for other products made in Cambodia. When Cambodia entered a new chapter of history, in 1990, and the economic landscape of Cambodia was irreversibly changed by the

adoption of a free market system, I took the opportunity and establish the Sok Kong Import Export Co., Ltd.: SOKIMEX.

Sokimex was established under commercial law of the Kingdom of Cambodia function as a business dealing with imports, exports and the exchange of goods as urged by market demand. We have made a lot of progresses since then and out perform our competitors, but there is always the addition of new players to test our resolve.

Although it has been tough, Sokimex is a local company that has south by all means to conquer every obstacle by using its own resources and potential. Visibly, Sokimex has continuously strengthened its capacities, and as a result, it has become the biggest oil company in Cambodia. Furthermore, in order to sustain long-term growth and success in the free market economy, Sokimex has diversified its activities into many businesses in the fields of industry, agriculture, tourism and other services. This has especially been important since the royal Government adopted the free market system.

In addition Sokimex has increased the supply of oil to satisfy the needs of government institutions and private organizations across the country. To upgrade its capabilities and supply services in the field of power generation to meet the consumers increasing needs, Sokimex built internationally standards, such as oil storage facilities, oil jetties, oil stations, oils transportation, and so on. Moreover, Sokimex has always imported oil from from countries that maintain international standards of quality.

Due to its high profitability, oil trading in Cambodia has brought about hot competition. However, it is the rule of the free market system that we have to cope with competition and compete by using our best strategy. Sokimex is very optimistic and honest as a local company and shares in the weal and woes with all Cambodian people. We continuously serve the interests of our people not only through profit orientation but providing high quality products, environmental protection and national economic and social development.

Sokimex acts as one of the main sources of local employment and Sokimex's return are used to expand investments to help build the national economic infrastructure. A part of Sokimex's prosperity is from the support of the Royal Government of Cambodia, organization, associations, enterprises, and Cambodian people.

In closing this message, I would like to express my thanks to all our supporters and I hope to get their support in the future. And to answer to this support, Sokimex will move heaven and earth to serve better our people's interest.

## **VISION**

Honesty, integrity, people before profit, change and continuity, faster innovation, localization and globalisation.

## ***MISSION statement***

Energy for peoples' well being throughout constant innovation and a leader positioning.

## ***MESSAGE FROM THE MANAGEMENT TEAM***

The development of profitable opportunities for our customers is the primary focus in our business relations. We achieve this by taking the time to understand our clients' businesses needs and the wants of their customers. With Sokimex on your side, you have a partnership focused on providing you with the right solution and hands on customer service.

Marketing must be the customer's watchdog or guardian, and must constantly hold up the standard of "giving the customer the best solution". Total quality is the key to value creation and customer satisfaction.

Management believes existing cash and short-term investments together with funds generated from operations will be sufficient to meet operating requirements.

Our purpose is to honorably serve the needs of the community by providing products and services of superior quality at a fair price to our customers so as to earn an adequate profit required for the company to grow. Doing so, we provide the opportunity for our employees and shareholders to achieve their personal objectives.

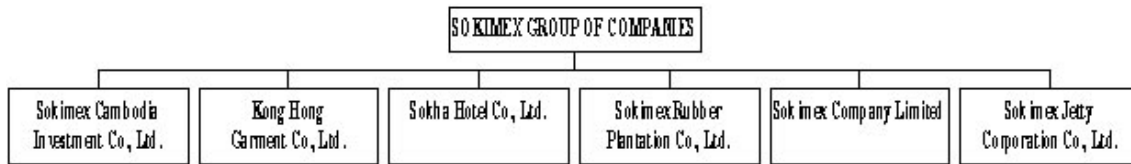
## ***SHAREHOLDERS AND DIRECTORS***

President and CEO  
Oknha Sok Kong

Board of Directors

- Sorn Sokna - D.G. Director Research and Development.
- Lav Si Uy - D.G. Director Accounting - Finance.
- Hue Heng - D.G. Director Marketing
- Sok Vanna - D.G. Director Procurement
- Sok Hong - D.G. Director Garment Manufacturing.
- **PENH SOCHEAT - D.G. DIRECTOR ADMINISTRATIVE**

## ***AFFILIATES***



### ***SOKIMEX CAMBODIA INVESTMENT CO. LTD.***

Established in 1994 under commercial Law of the Kingdom of Cambodia. Areas of business include:

- Kerosene industry
- Oil and gas business
- Transportation
- Oil jetty operations and oil supply for sea crafts
- Establishment of oil furnaces and stations
- Industry building, Civil building, and infrastructure (roads, bridges, etc.)



### ***KONG HONG GARMENT CO. LTD.***

Established in 1995 according to commercial Law of the Kingdom of Cambodia, its objective is the production of clothing to supply local and foreign markets.

### ***SOKHA HOTEL CO. LTD.***

Formed in 1997 under the commercial Law of the Kingdom of Cambodia, its objectives include:

- Resort and Hotel construction
- Resort and Hotel operation
- Tour services

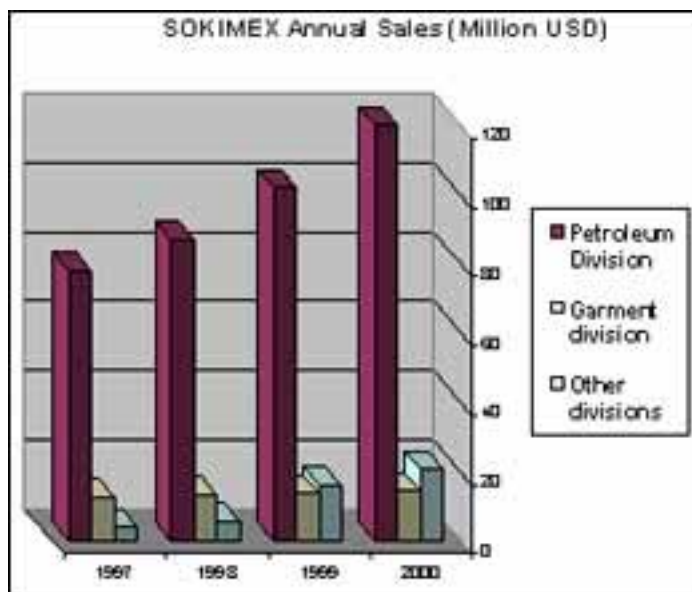
### ***SOKIMEX RUBBER PLANTATION CO. LTD.***

Established in 1998 under the Commercial Law of the Kingdom of Cambodia, its main area of business are:

- Rubber plantations
- Rubber processing factories
- **EXPORT OF RUBBER**

### ***SOKIMEX COMPANY LIMITED***

Formed in 1998, its headquarters is based in Vietnam; its objective is to provide oil transportation service by water.



## ***SOKIMEX JETTY CORPORATION CO. LTD.***

Established in 1999 under the Commercial law of the Kingdom of Cambodia, its objective is to invest in jetty operation and other related transactions.

### ***DEVELOPMENT PROJECTS***

Although Sokimex has made progress in all the above-mentioned affiliates, it still has many investment plans for other businesses in order to enlarge its potential and participate in national economic development.

Those investment plans include:

- Additional construction of oil furnaces to increase capacity in Sihanoukville and in Battambang Province
- Construction of a gas storage furnace, and a gas pumping system in Sihanoukville
- Building of oil stations in provinces where distribution networks are insufficient.
- Construction of international standard hotels in Sihanoukville
- Establishment of an international trade center in the city of Phnom Penh
- Study of rubber plantations and rubber processing factories in Kampong Cham province.

To develop the business plans and capacity, Sokimex has put many efforts in marketing-related work, Competitive Strategies, and HR development, which is essential for business development and management. Presently Sokimex has 2500 employees.

In addition to business development, Sokimex has always endeavored to ease the weal and woes of society through contributions, donations, training of poor students and provision of employment to Cambodian people.

### ***INTERNATIONAL POLICY***

In order to step into the international trade system, the company has got in touch and cooperated with many foreign companies to import high quality oil products from countries with relevant oil refineries such as Singapore and Thailand. It has also equipped itself with the latest technology for both technical work and management to bring the company operations in line with international standards.

IN order to increase international economic cooperation, in 1999, Sokimex formed, with Marubeni Corporation of Japan, a joint venture to increase the investment capacity of physical infrastructures. It invested in the construction of an international standards oil jetty off shore in Sangkat Steung Hav of

Sihanoukville that accommodates oil carriers with a capacity of up to 46.000 tons, which is the first international standard jetty in Cambodia.

## ***INTERVIEW WITH OKNHA SORN SOKNA, VICE-CHAIRMAN SOKIMEX GROUP***

### **June 23rd, 2003 Interview for World Investment News & Far Eastern Economic Review**

Sokimex is not only the first Cambodian company of petroleum products, but it has several businesses in other areas of the Cambodian economy. Can you introduce us briefly your corporation with its main axes of activity?

Sokimex is indeed the first petroleum company of the country but it is also involved in several other businesses like pharmaceutical products; tourism with hotels in Siem Reap and Sihanoukville; we are also present in the garment industry with two factories in Phnom Penh and we have other business operations in Sihanoukville with an oil jetty, and an export terminal in the port.

We started business as a trading company importing mainly construction materials like cement, steel, beverages, petroleum and other needed materials and exporting agricultural products like beans, rice, corn and rubber. At that time Cambodia was leaving a planned economy system to enter a period of free market.

Can you share with us the main figures of Sokimex and its evolution in the last few years?

Sokimex has around 2000 employees in total. The capital of the company is 100 million USD, most of the capital is in the form of fixed assets, around 60%, as we invest a lot in properties in Cambodia, like the hotels, the jetty, the gas stations, etc... The turnover in the year 2002 was between 500 and 700 million USD. We have around 184 gas stations and small distribution outlets distributed all over the country.

Your company is the market leader in the field of petroleum products, what is your market share and what are your development plans to maintain this leading position?

Sokimex has 45% of the market in Cambodia. We reached and will maintain this position by being the cost leader. Our strategy is to reduce the costs in every process we undertake. First, we follow the trends in the oil market so we only buy oil when the prices are low. We have quite a big storage capacity with tanks of our own in Sihanoukville, Phnom Penh and Battambang so we can allow ourselves to have huge quantities of stock at barely no cost. Our own jetty

in the port of Sihanoukville helps us also to reduce the costs and we have also our own trucks to deliver the oil to the stations.

Your activities in the oil industry are all downstream, but Cambodia has a promising potential in the exploration and exploitation of oil. Do you have any plans to start in the upstream side of the oil industry?

So far there are no intentions for Sokimex to get into the exploration and exploitation of the oil reserves of Cambodia. We have seen several foreign companies coming to Cambodia and spending big quantities of money into exploration. the costs attached to this kind of operations are too high. We prefer to keep our business into the import and distribution. We have done some feasibility studies to build a refinery, but if we build a small capacity refinery, the quality of the final product will not be as desired and building a high-technology refinery would take an investment Sokimex can not engage at this moment. Furthermore, the need of the Cambodian market is not big enough for a large refinery and that would force us to export our products, leaving us exposed to a market where we cannot compete with the big international oil companies.

Sokimex has a strong diversification policy, specially what concerns tourism. You have the ticketing concession of the Angkor Wat temples and the Sokha Beach resort in Sihanoukville. Can you tell us more about Sokimex's tourism development policy?

The Cambodian government and our company as well is focusing in tourism as there are several natural resources we can exploit. There are hundreds of temples sites spread throughout the country and the landscape of Cambodia offers also nice beaches and mountains that can attract tourists towards our country. Sokimex has the long term plan to build several hotels throughout the country. A 3 star hotel in Sihanoukville is almost finished and later on will be upgraded to 5 star hotel. We have already built a 5 star hotel in Siem Reap and we have a nearby terrain where we will build a motel too. Other projects we have in the tourism sector is the construction of a hotel in Preah Vihear, close to the Thai border. We have proposed the government to provide us the concession agreement and we will build the road from Preah Vihear to Siem Reap. In the same spirit, we want to build another hotel in Kampong Thom close to another temple site under the same conditions, that is, concession agreement in exchange of road construction. If we achieve that, we will be able to offer to tourists a whole package. First we link several temple sites and from there, the tourist will be able to go South to visit Phnom Penh and finally relax at the beach resorts of Sihanoukville. With this strategy we hope to help Cambodia develop a strong tourism sector.

**Can you explain us more about the capacity of the hotel in Siem Reap and the other hotels you are planning to construct?**

Our hotel in Siem Reap has 200 rooms with Chinese, Thai and Japanese restaurants. There are spa and massage facilities, shopping center, conference rooms and sport installations including a swimming pool. The other hotels will



have the same kind of structure. Our target market is the upscale international and local tourist.

**For the temples of Angkor Wat you have a contract with the Apsara Authority. The construction of the oil jetty in the port of Sihanoukville was in partnership with Marubeni Corporation. What is your strategy in terms of partnership and for which of your businesses would you be interested into attracting associates?**

We are indeed looking for a foreign partner, specially to manage our properties. I am involved in the negotiations with potential partners. Often, we come across barriers when it comes to budget and salary negotiations. Due to that, we are willing to try to operate the hotels by our own hiring someone with expertise in the field who can train the personnel and help us save money.

**What about other businesses you have? Specifically in which ones would you be interested into attracting partners?**

Cambodia has also a great potential in agriculture. So far we are not implicated in this sector, but we are looking at the possibilities. In the long term Sokimex will be involved in this sector, not only in the production but also in the processing area and we will definitely engage a foreign partner to help us specially in the financing. Agriculture is a long term business and it needs a lot of investment.

Next to your function as Vice-Chairman of Sokimex, you are also implicated in the Cambodia Chamber of Commerce where you are the Vice-President. Can you tell us a little bit more about the Chamber of Commerce?

I have been working for 5 years in the Chamber of Commerce. There I meet a lot of foreign delegations interested in Cambodia. The Chamber mainly gathers and channels information for our members about the business and economy of Cambodia and also about possibilities outside our country. We also work in collaboration with the government providing them with information and helping them to improve the laws concerning the business environment and investment possibilities. The Chamber of Commerce has also cooperation agreements with other chambers in neighbouring countries to exchange information. The Chamber has 36 elected members and 20 advisor members appointed by the Minister of Commerce. Further there are around 700 ordinary members comprising all kind of companies, from the biggest corporations in the country to small and medium enterprises.

**A man with such a broad scope of activities, is the kind of people that interests our readers. What can you tell us about your professional background and what has been your greatest satisfaction while working at Sokimex?**

I have a degree as engineer and a post-graduate MBA degree. I worked 4 years for the government and then I decided to establish my own business for two years. After this short experience, I started to work for Sokimex in 1991. Seen

Sokimex growing so fast and having the opportunity to develop my own skills and creating jobs for so many Cambodians, are without a doubt my greatest satisfactions.

**With your position in Sokimex and at the Chamber of Commerce, you are one of the main representatives of the private sector in Cambodia. In this position, what would be your final message to potential investors interested into Cambodia?**

Cambodia has several natural resources, but we lack human and financial resources. There is still need of participation of the private sector to rebuild the economy of the country. There are several opportunities, just come, talk to the local businessmen and join them in partnerships to exploit those natural resources Cambodia is so rich of. The Cambodian government will also be there providing a good environment to conduce businesses in the country. I think it is the right moment to come to Cambodia to do business.

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## ***V.I.P INTERVIEWS***

## **INTERVIEW WITH HIS EXCELLENCY VENG SEREYVUTH, MINISTER OF TOURISM, THE KINGDOM OF CAMBODIA. MARCH 3RD, 2003**



**Q1. Could you give us a brief outline of the tourism industry in Cambodia in the last five years?**

**A1.** Yes, thank you. We have achieved an average growth of 20% to 30% in the last couple of years and this is due to, I believe, several factors. Number one, there is a great change in the image of the country, of course, I don't want to go into detail, but for some decades there has been a war in the country. There was violence, we were associated with the Khmer Rouge this is the past of this country. So people were apprehensive, not sure to come to Cambodia, but in the last five years I think this has changed a lot. The market has started to respond; the industry people are starting to take interest in the country, of course, combined with the infrastructure development and average improvement of life. You have been able to see the airport and other facilities,

so I think it is the strength of the market, the infrastructure, the facilities, not just the roads and the airport, but also the hotels in regards to service, who are upgrading their qualities. I think that this growth has a lot to do with a country that is opening up, offering new destinations, like our well-known temple of Angkor Wat that is really attracting a lot of attention.

**Q2. Tourism has become one of the strongest sector in the Cambodian economy, as you mentioned you have been experiencing an average growth of 20% to 30%. What are the priorities of the government regarding your sector?**

**A2.** The infrastructure development continues to be our priority. In other words, we have to expand the airports to cover other parts of the country. We have to continue to expand the road links. We have to go to certain parts of the country by constructing or rehabilitating airports and also create road links with our neighbors. We have a major link in the southern part of the country with Thailand. We only need to complete the bridge so we will have a new highway from Koh Kong to Sihanoukville. Development of the airport in Sihanoukville will also mean we allow the cruise ships to come in. The cruise ship industry represents 7% of tourism growth in this part of the world, so it is not small at all. We are talking about 136 million people visiting the Asia Pacific area last year. So 7% of this Asian market for cruising would mean big business for us. So we need to build the airport to allow the passengers of these cruise ships to fly from Sihanoukville to Siem Reap, to Phnom Penh, or you enable people to reach Sihanoukville from Siem Reap by airplane. Another priority is to expand the infrastructure in terms of port, sea-port, road, airport, but also at the same time we are expanding our tourism attractions to cover other parts of the country. So we are allowing Cambodia to benefit from people that stay longer and spend more money. So this is the logic of the whole business.

**Q3. Is it your Ministry who is in charge of the infrastructure?**

**A3.** Not completely, but we have signed with ADB (Asian Development Bank) four to six weeks ago for 23 million US dollars. This amount is meant for tourism infrastructure development. So, for example in the eastern part of Cambodia we have allocated approximately US\$9 million for improvements of the airports in Rattanakiri province and Stung Treng province. Logically, as I said to you already, we mean to expand the tourism area to cover the eastern part of the country. This means we are expanding opportunities for eco-tourism. In the East we have waterfalls, hill tribes and large national parks. There is a population density of only 7 people per square kilometer. There is also the Mekong River cutting across the region so we will open up the water ways as well; and the road is part of the infrastructure development linking up with Laos. So, I would say openly that in 3 to 5 years, we are talking about 2008; we will have a complete infrastructure in terms of road link. There will be a national road system all over the country including the ASEAN highway from Thailand to Vietnam and all the national road links up to Laos and the national road to Angkor Wat. We will have new airports and new border openings up north. So the next 5 years for us will mean major improvement in infrastructure, opening up new tourism destinations, linking up Cambodia with Laos, Vietnam and

Thailand. All together we are talking about a tourism industry that is skyrocketing. For this year we have a target of one million tourists. I will achieve 1 million with confidence. So far I have no change in the plan; we need 200,000 more visitors over 2002 to reach the 1 million people target this year. If you take a look at Thailand, they had 10 million tourists last year and their aim for 2003 is 11.2 million. If you consider this figure and the fact that there is only 157 km from the Thai border to Angkor Wat, I only need to attract 5% of this 10 million and I will be receiving 500,000 people using this road to visit Angkor Wat. So I have no problem with forecasting 25 to 30% increase per year.

**Q4. You shared with us your plans to develop other airports in the country. We have been hearing about open sky policy, could you tell us more about this initiative?**

**A4.** Open sky policy is very suitable for emerging countries, we are more than emerging, we are undeveloped, coming from a civil war period and having thus a very bad image. Tourism policy is about deciding to move or sitting on a fence. With this open sky policy I am telling the industry that I mean business. I am for Tourism. I am opening up the country. Tourism is all about opening up and you cannot remain on the sideline on this one. When you are relying on the regional market and the local market you have no other policy than to allow them to fly direct to our country. Open up the country, open up the sky. We are talking about the regional market supplying the tourists to our country from different places like Thailand, Singapore, Malaysia, even Vietnam which is growing very fast now. The Vietnamese airline has direct links with Sydney, Tokyo, France, all that from Vietnam so it is easy to arrange packages on to Cambodia. So an open sky policy to me, for a country like Cambodia, is the only good policy. What is Tourism all about? It is transportation; it is the major component of people moving around, right? What can I do just between Thailand and Vietnam by the border? The air link is very important for us. The open sky policy is very effective for us. This policy also serves other purposes. The industry looks at Cambodia and the policy of its government and see this policy is in place and it is reassuring to them. And we are not talking only about open-sky policy, we also have the visa on arrival policy. It has to come together, people do not need to stand for hours or wait for days to obtain their visas, forget it, they would go somewhere else! Tourism is about choices, so it is very important that you create a policy that really facilitate things. We are really going from visa on arrival at the airport or at the 8 international land border points leading into Cambodia. We are also upgrading the terminal of the international airport in Phnom Penh and concerning the open sky, we will soon also receive flights from Japan and Korea directly. This is why I am saying that in a few years this country will be up there.

**Q5. You have mentioned regional tourism; what then is the added value Cambodia can offer compared to the rest of the sub-region?**

**A5.** I do not believe in the word uniqueness. For me everything is about complementing and people willing to explore something new. So, I must say to you openly, for us Angkor Wat is a platform. The temple is very well-known, we are marketing it as a brand and will keep doing so for years. This is one of the

strengths of our tourism industry, but people want to come and see not only Angkor Wat alone. I must say we are a rich country in culture, in natural resources, but I think the most important asset of Cambodia apart from everything else is the people. It is very important for the tourism industry; it is not just about building a 5-star hotel, you can build 5-star hotels everywhere. It is about hospitality, it is about welcoming, it is about making guests feel comfortable and it is the people who do that. It is their direct interaction with the guests.

**Q6. Last January, you hosted the ASEAN Tourism Forum in Phnom Penh, what are the main conclusions you can draw out of that Forum?**

**A6.** Firstly, there were a lot of doubts concerning our ability to host this event.

It was a huge task organizing a forum for 2000 people with massive transportation and logistical challenges; even the program itself; some people had a lot of doubts. But we were determined to succeed based upon a desire to grab the chance to bring the world to Cambodia and demonstrate that Cambodia is a country that is able to organize such an event and handle it just like other countries. And we performed admirably; we have demonstrated our abilities and the Forum was a complete success! We had no experience before, but you can talk to anybody who came. The conclusion is that right now there is an opportunity that has been missing for 30 years; this country has been at war for 30 years. What makes Cambodia different to the rest of the world or to the region is that we never had the opportunities. Given the opportunity we have demonstrated to you that Cambodia can perform like any other country. So we have been able to take this opportunity and use it to expose ourselves to the world. Seeing is believing. These are not local tourists who run around and shop, they are industry buyers, the ones that pull, push and make the industry move. They were here and they are going to benefit from what Cambodia has to offer for years to come.

**Q7. The ASEAN Tourism Forum has been a great opportunity to promote Cambodia. What other promotion activities does your Ministry handle within and outside the country?**

**A7.** Image is an on going process and is not a one shot you say to them this year. The policy needs to be streamlined, going more on the image building of the country. Marketing again is an ongoing process; you have got to promote your new destinations, you must promote your facilities, so Cambodia has to do ten times more than other countries because of our past and because we are new in the market. We are the new boy in town basically! We have got a lot of work to do. So I think that marketing and image building is important. Of course not only those two aspects are important but also regulation inside the country and the companies are very important. How do you regulate the industry? How do you regulate the hygiene, the service and the safety? All these things have to be compiled and Cambodia have a lot to do in terms of all those matters. We still have the law to be passed by the National Assembly and next month will pass to the Council of Ministers.

**Q8. You mean the new Tourism Law?**

**A8.** Oh! yes, yes, ADB is helping us to develop it.

**Q9. Can you tell us a little bit more about this new Tourism Law?**

**A9.** The Tourism Law goes specifically into how the industry is being regulated, especially with the tour operators, the travel agents, the tour guides, the hotels; all of these elements. This is one of the areas of the Law. The second area is the way to manage malpractice and the sanctions or suspension of licenses. Other issues are the protection of the environment against pollution and the exploitation of sex tourism, which will both be stated in the Law and consequently punished. This new Law will also require that the Ministry of Tourism creates a master plan for the country and it has to be resubmitted every 3 or 4 years. Planning is important specially if we consider that we want to create sustainable tourism development. Tourism can have also a bad side; it is not always a honeymoon. It can destroy the environment, the culture, pollute the area, so the master plan has to be approved by the cabinet and resubmitted every three years to control the execution of it.

**Q10. What are the main tools in your hands to attract foreign direct investment?**

**A10.** Our role is to facilitate the execution of certain policies through incentives in the service industry. For example, we allow the import of construction materials with no tax. In terms of investment for hotels and other constructions and the promotion of it, the main body responsible is the Council for the Development of Cambodia (CDC), we are present on the board in order to review the investment projects concerning our sector. The attraction of investors is the role of the CDC because they have the guidelines for it. We have three ways of working. First we work with our embassies all around the world. Secondly we work by appointing companies to be our representatives in certain parts of the world. We have appointed Indochina Service to be our representative in the United States, and we also recently appointed a representative in India. On a second phase we will send our people to work with them. Finally we also promote ourselves at international fairs like the ITB in Berlin, WTM in London and others in the United States and Asia Pacific.

**Q11. Our readers would like to know about the man behind the Ministry. Could you tell us about your career path and what you want to accomplish while in office?**

**A11.** Yes, first I was a refugee to Thailand in 1980, and then I went to New Zealand from 1980 to 1987. I completed my bachelor's degree in political science from Victoria University in New Zealand. I came back to Cambodia to work as Minister of Tourism from 1993 to 1998. That was my first term, and now between 1998 and 2003 is the second term. I have been here for ten years now. In terms of strengths in the tourism industry, Cambodia has a lot of advantages. We have Angkor Wat, and there is no way you can build another Angkor Wat and we have so many temples around the country. Next to that, we



have also 400 km of the Mekong River, this is an important natural resource and a huge potential for tourism. As I said before, the most important asset is the people. So to me we should continue to see that tourism is one of the most important sectors of the economy of this country. We will talk about better living standards, jobs for the people, foreign exchange; this is the tourism industry you talk about. You talk about the whole development of the country? Tourism has a role in the construction of bridges, electricity, airports... it is because of tourism that the infrastructure of the country is being developed. So, what I want to achieve is that we move into this industry with a proper development plan that divides up the country into regions and combine it, so that it allows tourists to move around and see different aspects of the country but in a way that is sustainable, in a way that protects the environment, in a way that also preserves the culture. I have seen a lot of examples where tourism destroys the culture, pollutes the environment and exploits the poor. What is tourism all about this days? Tourism is about people being fed up and looking for a getaway. They want to go back to nature, they want to go back to the culture and they want to go back to a fresh and green environment. So culture, people, environment is part of the tourism attraction. I will give you one simple example; people wanted to move the local inhabitants from Angkor. In the whole region there are over 300 temples, Angkor Wat is just one temple among the 300 other hundred temples. They said we could plan for this and to move the people north. But this is not possible, the people from Angkor are apart of the whole Angkor tourism attraction. Their blood is part of the culture and the temples itself. They are the ones who protect and give life to the temples, who give life to the whole environment. So we have to talk about the environment, the people, the site, all combined make an attraction, a lively attraction. You asked me what I want to achieve? I want to see a tourism plan, and for us to take advantage from it. The plan will give us strength and open up the area, but at the same time protecting it, because tourism is about the resources and we cannot destroy the resources of tourism we have.

**Q12. A final question, do you have a final message to our readers who are potential investors?**

**A12.** Indeed I do. Don't look at Cambodia in the year 2000 or 2001; see Cambodia in 2010 or 2015. This country will be pushed and pulled by the economic strength and economic expansion of the region. We are talking about 1 billion people in China, 515 million people around ASEAN. So we are talking about Cambodia's position in one of the most dynamic and aggressive regions, and Cambodia will be pushed and pulled by this economic force. I can say to all readers with great confidence that Cambodia in the future will be enormously developed. It will not turn back now it is moving now and it is going to move very, very quickly in the next few years.

## **INTERVIEW WITH H.E. KHY TAING LIM, MINISTER OF PUBLIC WORKS & TRANSPORT KINGDOM OF CAMBODIA**

**March 4th, 2003**

**World Investment News & Far Eastern Economic Review**

**Monsieur le Ministre merci de nous recevoir, afin de présenter votre ministère, pouvez-vous nous donner un aperçu général des secteurs sous votre responsabilité ?**

Je suis très content d'avoir l'opportunité de vous expliquer ce qui se passe dans le domaine des Travaux Publics et du Transport dont j'ai la charge au sein du gouvernement. J'aimerais à cet égard vous présenter tout d'abord le réseau routier car il s'agit là d'un point de départ. Lorsque l'on arrive dans un pays, la première chose que l'on voit c'est son réseau routier; c'est donc la première image que reflète le pays. Ici, la plupart de gens semblent oublier que le Cambodge n'a pas de système routier praticable en toutes saisons. Il est important à mon avis de souligner encore une fois cet oubli, car c'est un pré-requisit si nous voulons changer l'image de notre pays, trop souvent associé aux " Killing Fields ", pour une nouvelle image, plus prometteuse, celle d'une terre d'opportunités et d'investissement.

Avant la guerre, les travaux publics étaient responsables d'un réseau routier de 34.000 Km dont 12.000 Km de routes nationales, pavées et non pavées. Après 30 de guerre, toutes les routes ont été détruites sous l'action conjuguée des trafics lourds, d'inondations et d'un manque d'entretien. On comprend alors que ces routes abandonnées depuis 30 ans ne puissent guère répondre aux besoins actuels, lesquels sont énormes. Donc, pas de routes, pas de mobilité, pas d'échanges possible. Ceci ne touche pas uniquement des secteurs stratégiques de développement du pays tels que le tourisme ou l'agriculture, mais surtout certains aspects essentiels de la vie et du bien-être de la population, tel que les écoles ou les hôpitaux.

Depuis 1992, nous avons consacré beaucoup d'efforts à la réhabilitation de nos routes, cependant l'ampleur de la tâche est telle que nous n'avons pu répondre qu'aux urgences. De 1992 à 2000, en dépit de tous les efforts que nous avons fournis, les résultats demeurent insuffisants, nous ne disposons en fin de compte que de 350 Km de routes nationales aux standards internationaux. Je n'exagère pas quand je qualifie la situation de dramatique.

Afin de pouvoir organiser la mobilité, c'est à dire répondre aux besoins essentiels des Cambodgiens, nous avons besoin d'un réseau routier de base de 6.000 Km. Ces routes nous permettront de relier d'abord la capitale aux 23

provinces, et ensuite de relier les centres urbains aux pôles de développement et aux zones rurales afin de permettre à l'économie de se développer, d'une façon équilibrée et durable. Maintenant, nous devons sortir de la phase d'urgence pour rentrer dans l'étape suivante, celle de la construction d'une fondation solide pour un développement durable.

Il fallait donc changer d'optique: au lieu de parler de sections de route (réparer 10 km ou 50 km), il convient dès à présent de parler d'un réseau routier pour ouvrir l'accès à la population aux services de base. C'est ce que nous avons travaillé ces 4 dernières années, avec le soutien des pays donateurs, en particulier de la Banque Mondiale, de la Banque Asiatique de Développement et des Japonais. Sur cette base, nous avons reconstruit 3000 Km.

Il nous reste donc 3000 Km à réhabiliter. Pour ce réseau complémentaire, nous ne pensons pas aux routes de qualité internationale; des routes non-pavées en terre de 6 à 8 m. de large suffisent amplement pour qu'enfin les villes arrivent à communiquer avec la campagne, les riches avec les pauvres. Avec le même budget, nous voulons construire plus de Km et ainsi réaliser le rêve de construire 1000km/an. Nous estimons que c'est pratiquement faisable, et avec un solide programme d'entretien, nous pouvons disposer d'un réseau qui pourrait être utilisé immédiatement par les habitants. Ce serait d'une grande utilité pour la communauté et pour l'économie du pays.

Malheureusement, je n'arrive pas encore sur ce plan à convaincre les pays donateurs, ces derniers persistent encore à focaliser leur attention sur l'importance des ouvrages de standard international. Moi-même, je reste cependant convaincu que le Cambodge n'a pas besoin de ces types d'ouvrage dans les circonstances actuelles. Ce dont il a grandement besoin, c'est un réseau routier de base modeste, mais praticable et disponible au plus vite, car il s'agit évidemment d'un élément important dans une stratégie globale de réduction de la pauvreté. En effet, pour pouvoir apporter de l'assistance aux pauvres, il faut tout d'abord les trouver et arriver chez eux.

En dernier lieu, j'aimerais noter les enjeux économiques de cette logique. Au Cambodge, le présent réseau routier n'existe que dans la plaine centrale. La majorité des Cambodgiens habitent cette région qui est par ailleurs inondée 4 à 6 mois par an. L'Est du pays est très riche, il y a environ 700.000 hectares de terre rouge à cultiver, Le Nord est la région touristique et enfin dans le Sud se situent les zones industrielles d'exportation face à la mer. Il y a un énorme potentiel de ressources naturelles et culturelles dans ces zones, et cependant on ne peut pas y accéder, car ce sont des régions isolées sans connexions routières avec la reste du pays. Il faut donc désenclaver le pays, c'est à dire sortir de la zone inondée pour développer les parties périphériques qui disposent d'un important potentiel agricole, touristique et industriel.

### **Comment financez-vous vos projets et quelles sont les principales entreprises impliquées dans la reconstruction du réseaux routier?**

Nous avons financé la plupart du réseau existant à travers des prêts accordés par la Banque Mondiale et la Banque Asiatique de Développement, ainsi que

par des dons et prêts du gouvernement japonais, et prochainement de ceux de la Chine et de la Corée du Sud. Pour les dons, des entreprises des pays donateurs réalisent des travaux sous la responsabilité de leur gouvernement respectif.

Concernant les prêts internationaux, nous travaillons selon des procédures internationales avec des appels d'offre, d'évaluation et d'attribution des marchés, supervision des travaux, etc... Les entreprises de construction et les bureaux d'études sont tous des sociétés étrangères: malaises, thaïes, chinoises, vietnamiennes, australiennes, japonaises, françaises, anglaises, etc... Les entreprises locales cambodgiennes n'ont pu jusqu'alors obtenir aucun contrat, les conditions d'appel d'offres étant très sévères. Quant aux projets financés par le budget national, c'est le Génie militaire qui se taille la part du lion.

**Le Cambodge a adhéré récemment à l'ASEAN, dans ce cadre un nombre important de projet sub-régionaux existent, certains vous concernent, pouvez vous nous en parler?**

Dans les 3000 Km dont je vous ai parlé, nous incluons les corridors économiques dont la route de l'Asie. En ce qui concerne le Cambodge nous devons réaliser le premier tronçon qui relie Poipet, à la frontière thaïlandaise, avec la frontière vietnamienne, ensuite le second corridor, reliant la mer à la frontière du Laos. Puis le corridor de la zone côtière, allant de la frontière thaïlandaise à la frontière vietnamienne. Finalement, il y a le projet routier est/ouest, qui relie Siem Reap avec le VietNam jusqu'au port vietnamien de Qui Nhon. Ce projet est inscrit dans les priorités de l'ASEAN.

**Une autre possibilité de développement grâce à l'intégration à l'ASEAN est la construction du réseau de Chemins de Fer. Aujourd'hui quel est l'état de développement du Chemin de Fer au Cambodge ?**

Nous avons deux lignes, Nord et Sud : la ligne Nord de Phnom Penh à PoiPet (frontière thaïlandaise) construite dans les années 30, et la ligne Sud construite dans les années 60, de Phnom Penh au Port de Sihanoukville. Ces lignes sont très importantes économiquement, parce qu'elles traversent des régions riches et peuplées. Avant la guerre, nous avions presque deux millions passagers par an et quelques 360.000 tonnes de marchandises. Actuellement, le parc de matériel roulant s'est réduit de 70%, le trafic voyageur de moitié, mais le fret reste au même niveau d'avant-guerre.

Je voudrai vous donner une autre image de la situation des chemins de fer. Avant la guerre, la vitesse moyenne était de 60 km/h, aujourd'hui elle est de 20 Km/h avec en plus beaucoup d'accidents mortels. Actuellement, le service est non seulement lamentable mais aussi dangereux. C'est pourquoi nous avons vraiment besoin d'investissements tant en capitaux nécessaires à la réhabilitation des infrastructures qu'au niveau de la gestion de ce réseau. Beaucoup d'homme d'affaires semblent s'y intéresser, mais jusqu'à présent aucune proposition concrète ne m'est encore parvenu.

**Quel est votre plan d'action afin de réhabiliter ce réseau et pouvoir vous intégrer au réseau de la sub-région ?**

Le gouvernement a mis en place un plan d'urgence. Il s'agit tout d'abord de réparer la voie ferrée et d'acquérir de wagons et locomotives, car 70% de nos équipements sont endommagés. Les besoins sont énormes. A court terme, nous voulons réparer et reconstruire la voie qui relie Sisophon à la frontière thaïlandaise (48 km), et à long terme, il nous faut envisager un investissement important avec une participation privée. La formule joint-venture, par exemple, permettrait au gouvernement de garder son droit de propriété publique, tout en confiant la gestion au secteur privé. Le projet de chemin de fer trans-asiatique, Singapour-Kunming, traversant la Cambodge, est l'un des projets clés pour le développement régional. Là-encore, il faudrait construire une nouvelle ligne manquante d'environ 250 km entre la capitale et la frontière vietnamienne, Loc Ninh.

**Au niveau des lignes aériennes, en 2000 Royal Air Cambodge a fait faillite. Quelles sont les perspectives pour la création d'une nouvelle ligne aérienne Nationale ?**

Au point de vue de la gestion de l'aéroport et l'aviation civile nous avons un secrétariat d'Etat relevant du Ministre d'Etat, chargé de la Présidence du Conseil des Ministres. Je ne peux donc, malgré ma qualité de Ministre des Transports, vous répondre à cette question. Néanmoins je peux vous donner quelques informations sur la situation des aéroports, si vous voulez. Nous avons aujourd'hui deux principaux aéroports ; le premier, international, se situe à Phnom Penh à 10km de la capitale, et le second, domestique, à Siem Reap. Ces deux aéroports ont été confiés, pour leur réhabilitation et leur gestion, à une entreprise privée.

Si on fait allusion aux futurs aéroports, je pense évidemment à l'aéroport de Siem Reap. En effet, à Siem Reap, nous avons accueilli actuellement 500.000 passagers, mais dans un an, selon nos projections, nous accueillerons 1.000.000 passagers. Le terrain et le concept sont par ailleurs déjà prêts pour construire cet aéroport international. Il ne manque plus qu'un investisseur intéressé.

Il existe un 3ème aéroport destinés aux cargos à Kompong-Chhnang situé au centre du Cambodge et d'autres petits aéroports situés en provinces. Bref, c'est presque impensable que le Cambodge ne possède aucune compagnie aérienne nationale.

**En ce qui concerne le transport maritime et fluvial, pouvez vous nous donner les grands axes de développement ?**

Nous avons actuellement un port fluvial à Phnom Penh. Il a été réhabilité grâce à l'aide japonaise. Cependant, nous devons surmonter les problèmes de la bureaucratie et certains difficultés juridiques pour faciliter les navigations entre le Cambodge et le Vietnam. La navigation intérieure, quant à elle, dispose d'une énorme potentialité; en effet, des 1700 Km. de voies navigables

disponibles, nous n'en utilisons maintenant qu'une centaine. Le second port du Cambodge est maritime et se situe à Sihanoukville. Il est actuellement en reconstruction et sa gestion est prise en charge par une entreprise étatique, sous la tutelle du Ministère des Travaux Publics. Nous avons déjà contracté divers prêts auprès des Japonais, cependant nous avons besoin de nouveaux investissements pour l'extension du port avec de nouvelles infrastructures, d'équipements de levage à haute technologie, afin de pouvoir faire face à la compétition des ports voisins. Je pense qu'après l'amélioration de la gestion du port et la maîtrise des frais de transport, le trafic va augmenter. La marine marchande va être bientôt florissante. Le Cambodge est au centre du marché de l'ASEAN. La région de Sihanoukville a besoin d'investissements, non seulement pour le port commercial, mais aussi pour le tourisme.

**Quel serait votre message final, comme Ministre des Travaux Publics et Transports, à l'attention des investisseurs qui sont aujourd'hui intéressés par le Cambodge ?**

A l'heure actuelle, ma vie, comme le soleil, s'approche doucement vers le " coucher ". Mon humble souhait, c'est de voir poindre à l'horizon une image de lever du soleil au Cambodge, ce soleil avec un éternel éclat qui défie le temps et l'espace. Je crois fermement que tout pays qui veut se développer a besoin d'un réseau d'accès et de communication. Il faut susciter une réelle prise de conscience sur le problème de transport du Cambodge. Pour un pays comme le Cambodge qui vient de sortir d'un conflit, la première des priorités doit revenir à l'infrastructure. Avant même de parler d'économie, il fallait donc penser d'abord à l'infrastructure. L'Europe et le Japon après guerre avaient déjà donné l'exemple, ils se sont donc attelés essentiellement aux travaux de réhabilitation et de reconstruction de toutes leurs infrastructures. De même pour la Corée et la Thaïlande. Le développement économique d'un pays qui avait connu ces catastrophes passe a fortiori par la remise en état de son réseau routier. Au Cambodge, malheureusement, on a oublié cette vérité fondamentale. Dans cet esprit, je me tourne non-seulement vers les bailleurs de fonds, mais aussi vers les institutions philanthropiques, en leur disant que, pour permettre au Cambodge de se développer économiquement et socialement, il lui fallait en toute première priorité un réseau de voies de communication praticable en toutes saisons. Ce rêve pourra-t-il être réalisé un jour pour le bonheur du Peuple Khmer ?

## **INTERVIEW WITH HONORABLE CHAM PRASIDH, MINISTER OF COMMERCE, THE KINGDOM OF CAMBODIA**

**PHNOM PENH, 4TH OF MARCH 2003**

**Q1. Could you give us a brief outline of the commerce in Cambodia and its main statistics?**

**A1.** First of all I believe it is important to understand, when you start talking about Cambodia, that it is a least develop country; it is ranking 45th out of 49. I believe this last 5 years we have been able to climb the ladders quite fast. Since peace has come back to Cambodia, we have been in a greater position to start expanding our trade and also at some point develop our economy. Since we are one of the latecomers, we have been trying to catch up with the rest of the world, especially the rest of Asia. In the year 2000, only three years ago, and in order to speed up our development and our integration with ASEAN we adopted a very liberal economic policy, and also a very liberal trade policy.

Compared to other countries in the region, I believe that Cambodia has almost no restrictions, except for several types of goods that are quite sensitive like wood, which we have still to be careful with when we export, because we have to make sure that it is coming from illegal logging. Apart from these, there are no import restrictions so far, except for those who are harmful for the environment, and we have got almost no import licence also. This is the kind of environment that I want to share with you before we talk about statistics.

The statistics were from the old days, since this country was liberated from the Khmer rouge, it was a time of centrally planned economy and trade was depending on external assistance rather than trade. Trade has been developing after national reconciliation has come back to Cambodia when we started to expand our trade with neighbouring countries. But the balance of trade shows that we import about 2/3 and we export only 1/3. There has always been a large deficit but this amount has been reduced little by little. Over the past 5 years we have been able to expand our export to a very steady level.

During the past two years, we have even been able to export over 1 billion dollars, mainly of garment. If you look to all the investment data you have from the least developed countries, you'll see that none of them have been able to cross that \$1 billion bar, but Cambodia did and continue to have a steady growth. By increasing our export, we have been able to decrease our trade deficit. The trade deficit is now almost nil. This shows also the increase of the Cambodian garment export to the world; you can see a steady growth of about

15 to 20% annually. This cannot be seen in other countries in terms of garment export.

Being a latecomer, we have to face very stiff competition with other countries that enjoy the same privileges, the same treatment from developed markets as you. What do you do in order to be more attractive? You offer investors a very liberal investment environment and you can also offer something special to buyers. Since 1999, we have signed a bilateral trade textile agreement with the United States, in which we link, for the first time, trade with labour conditions. You will see that a lot of countries are opposed to this condition; nobody wanted to follow us in linking trade with labour conditions.

Cambodia has been the first one to do it. How have we been able to do so? We tried to think about the reasons why other countries had objected to this linkage. In fact, they did so, because they feared that the US would use it to bar their exports into the US market. But in Cambodia we improved the idea; instead of the US barring our import, we have a safe control system; US is holding the carrot, we are holding the stick. This means that the garment industries here produce and have to conform to the labour code. If we respect the labour code, the US is going to reward us and we will enjoy more access to the US market; if we do not implement our labour code, we will still have access through the normal door. That means the US cannot bar our imports. With this type of system we have been able to link trade with labour standards, and other countries are now looking at the success story of Cambodia. It is still at a very limited level, because those who are trying to do this, is because they want to avoid the US quota level. If they cannot do it and they are still non-WTO members, it means that they have to face the quotas impositions of the US.

**Q2. You have been talking about the garment industry, this is the most powerful industry in Cambodia, but in the year 2005, your quota will come to an end, which measures is your ministry taking in order to keep this industry a competitive one?**

**A2.** As I mentioned before, we are linking labour standards with trade, this way we ensure that Cambodia is free of "sweat shop"; free of child labour and free of forced overtime. By so doing, we are creating a safe environment for all the major world brands like Nike or GAP. They will feel safer to place orders here because they know that there are no "sweat shops". This way they will prevent future boycott of their products by European consumers or US. This is very important and it will differentiate us when we are competing with other countries. If they produce the same type of products, with the same material, the same quality and maybe even the same price, we'll still have something special: the linkage with labour conditions.

**Q3. One of the other major projects your Ministry is involved in is the growth corridor. Can you tell us more about this initiative?**

**A3.** We have developed the growth corridor with JICA from Japan. The growth corridor, that goes from Phnom Penh to Sihanoukville which is our main international deep-sea port. We are now trying to make it as a linkage with other



corridors we are developing in the Greater Mekong Sub-region. There is the North-South corridor, the West-East Corridor and the one from Thailand going to Phnom Penh until Ho Chi Minh City, what we call the Southern corridor; the one we are developing from Phnom Penh to Sihanoukville is a spur of that corridor that will help to develop the whole region.

**Q4. What about the Special Promotions Zones and the Special Processing Zones that you are creating?**

**A4.** This is also special for Cambodia. We will maximise the potential that we get from the special and differential treatment we have from the developed countries. The European Community for instance has provided the EBA initiative, that means Duty free and quotas free access to the market to any kind of product, except weapons. For Cambodia, we compare ourselves to our neighbours. How are our neighbours getting access to the EU market? Thailand is considered as a newly industrialised country, so when they go to Europe they have to pay MFN rate duty. Vietnam is a developing country so they still pay MFN rate. Cambodia is least developing country that benefits of the 0% tariff rate. So what we do is to set up Export Processing Zones, next to the Thai and Vietnamese borders. We try to get the factories installed on the other side of the frontier to come across the border, resettle in our side and produce using our export documents. They may re-export their production from the same port of Thailand and reach the same old customer in Europe, but cheaper because it is duty-free. According to me, it is a win-win solution that we are providing to Thai and Vietnamese industries, or to those who are investing in Vietnam or Thailand. They will still have access to the good highways and ports on the other side of the border but will benefit of our tax rates.

This is the kind of initiative that is very profitable for a country like Cambodia; in the ASEAN you have two other least develop countries; Myanmar and Laos. But compared with these two countries Cambodia, is in the best position to exploit to the maximum our possibilities in terms of proximity with Thailand and at the same time an access to the Sea. Laos has more problems, it has no access to the sea, and exporting by air is not economic at all.

**Q5. What kind of companies do you want to attract to this Special Zone?**

**A5.** For those who feel they are losing competitiveness, those who feel that for them is more secure to be in Cambodia rather than going to China or Vietnam, we are offering them something special: we are providing them a very streamlined procedure in the Export Processing Zone and one-stop service. Furthermore we propose all kind of incentives that we have provided in our investment law.

**Q6. What other measures are you preparing in order to attract foreign direct investment to Cambodia?**

**A6.** The next policy that we intend to settle, is to start linking trade with intellectual property rights. This is something that some countries have not even considered yet and we have to study to what extent we can develop such a

policy, as we did successfully linking trade to labour conditions. If we link this, we will provide security for those companies who come to Cambodia to invest. They will make sure that other companies will not steal the technology they have introduced previously in the country. They would be protected, and if you have this kind of policy to link trade to intellectual property rights, I believe that many industries which have high-tech will be willing to come here. We have learned from China that some companies are reluctant to go there because of the property rights problem. We feel that if we find a way to implement this aspect in Cambodia and wipe out all the piracy problems, this will make us different from other countries and a lot of people could come here.

**Q7. As Vice-chairman of the CDC, can you tell us which are the main issues the Council is dealing with in order to improve the investment climate in Cambodia and which are its main strategic objectives?**

**A7.** The investment board of the CDC is in charge of creating the best climate for foreign investment. Creating the best climate means first of all to ensure that the country is macro economically stable, politically stable and at the same time also providing the entire legal framework that is suitable to the private sector. That is quite important and at the same time we are offering something plus: the special treatment we have for being a least developed country.

At the CDC we also offer a lot of incentives, almost comparable to the ones that are offered by neighbouring countries. But apart from streamlining procedures, we offer them something special: a government with receptive ears. We set up, twice a year, a meeting between our Prime Minister and investors. Furthermore, every month we have about seven working groups in different sectors that are dealing with their partners in the private sector. Chaired by a minister, those working groups allow the private sector to raise their concerns. I am, for example, chairing the working group for trade facilitation; if any company has a problem, they can come to me. If I cannot settle this at my level, I go to the Prime Minister's level. We ensure that on a daily basis we can solve a lot of problems. There is a real dialogue between the private sector and the government. In Cambodia, if you have a problem you just have to call and we will arrange a solution! In other countries, even if you are a big investor and you ask for an appointment with a Minister it can take you even months to get results.

**Q8. The Kingdom of Cambodia is working hard to join the global community. You are already member of ASEAN, and now you are in charge of the negotiations to join the WTO. What are your expectations by joining this organization and which are the last requirements to fulfil?**

**A8.** By joining the WTO we will be on the same footing as other countries. We try to be special compared to other LDC's, but if we do not join the WTO, we cannot be special by trying to stand up alone. We have to be at least at the same level, and then we will have something special that makes Cambodia more attractive than other countries. This is the way we see our membership to the WTO. Of course by obtaining the WTO membership, a small country like Cambodia will be also protected by international rules and regulations.

We are actually in the final phase of our accession; we are going in April to Geneva for maybe the last round of negotiations. We should complete all the bilateral negotiations by the end of March. Afterwards it is just a matter of small protocol procedures, so we should be able to join the WTO in September, in Cancun. Which are the main issues we are facing to join the WTO? We still have a lot of laws and texts to adopt and, as the elections are approaching, not too many laws will be adopted on time. But we already have an action plan to adopt them by the end of 2004. In any case those laws that are priorities for the WTO will be adopted on time; and as the laws related to intellectual property rights, trade mark, patent, copyright and customs have been already adopted. Those are the main issues that should be ready before our accession process. The others can wait and the WTO gives us some transitional period to adopt those laws.

**Q9. As a final question, we would like to know a bit more about the person behind the Ministry; Could you tell us something about your career path and your greatest satisfaction while being in office?**

**A9.** If you are talking as a private citizen, I will say that I am a politician against my will and I am an economist against my will. When I was studying at school of laws and business economics I intent to join the private sector as an accountant. But, due to circumstances like Cambodia going through 6 political regimes, and being in 1979 in a country with 6.5 million people with only 64 intellectuals surviving, I could not stay in the private sector and I had to join the government to help the country. I was amongst the 64 who came and served the country at the time where there was no more administration. Since 1980 I joined the government. The country was liberated in January 1979, but at that time I was in the countryside and did not want to join but when you feel that you country needs intellectuals and there is so few, you have to come back and serve the government.

From a small clerk in the Ministry of Foreign Affairs I climbed ladders until here; it has been a long way. We have been saluting 6 different national flags in Cambodia and we are fed up with so many changes, we are trying now to do what is best for Cambodia. But it takes time because people need to be educated; they need to get used to accustomed the pen instead of the weapon.

My greatest satisfaction is that, as a Minister of Commerce, I have been able to open this country to the world; by integrating our economy into ASEAN; by changing our entire legal framework from the socialist type to the Anglo-Saxon model. At the same time my final satisfaction will be the WTO membership, with it we ensure that we have integrated our economy in the world trading system and this will put Cambodia with more solid foundations for its future development.

**Q10. What would be your final message to the foreign investors that are interested in Cambodia?**

**A10.** My final message is that we will welcome all the foreign investors in Cambodia, because we want to create the best conditions for them, make them feel at home. As I mentioned before, one thing is very different in Cambodia; we have very receptive ears, and we try always to solve problems even when we do not have enough legal framework in place we always refer to international rules and regulations.

**Winne can't be held responsible for the content of non-edited transcriptions**

## **INTERVIEW WITH HONOURABLE LU LAY SRENG, MINISTER OF INFORMATION, KINGDOM OF CAMBODIA**

**Phnom Penh, March 5th, 2003.**

**WORLD INVESTMENT NEWS & FAR EASTERN ECONOMIC REVIEW**

**Q1/ As the Minister of Information you are responsible for the management of the press in the country. But before getting into the heart of the subject, could you give us a brief introduction to your country; the Kingdom of Cambodia**

**A1/** I would like to underline presenting Cambodia that we have plenty of resources. To give you some examples;

In the underground, we have gold, rubies and sapphires. Our rubies are very famous in Pailin province. They have been exported for over a hundred years already, but we still have plenty more places that can be mined. We have plenty of other mineral resources such as marble and others that are nowadays under exploited.

Coming from our land we also have important possibilities in the agricultural sector. My uncle had a rubber plantation in the sixties, when Cambodia was number seven in the world in exportation; in the old times. We are still producing rubber but there is plenty of room for people who is interested. We also have palm trees; the population of palm trees so far reaches 6.5 million trees. Each tree provides about 320 liters of juice per season. The sweetness of this juice is as sugarcane juice. Now talking about its use; if we were to put it into a 330 ml can, each tree would fill 1000 cans, you multiply it by 6.5 million trees and get the potentialities. Now considering that if each tree can cost around 10 cents we can make over 600 million dollars already from processing the juice. But we can also use the leaves for all the traditional handcrafts. And it still remains the fruit... In the old times we use to make sugar. I used to run a sugar refinery in Cambodia that's why I know it very well. I guess, I'm talking also about the development of an agro-industry, which is also very important. That way we could think about exporting, as the garment factories already do, is very suitable for our country and we need to reduce the bill of products imported, especially food.

Last but not least I would like to underline the potentialities of the tourism sector in Cambodia. The number of visitors is growing and we expect that by 2020 we will get up to 5 million tourists into Cambodia. We have hundreds of temples; big ones like Angkor Wat, Bayon, and Bantei Serei but also hundreds more of small and medium size that can attract different kind of tourists. Not mentioning the future development of Sea tourism in Sihanoukville and Eco tourism in the eastern part of the country. There is in this sector as well, plenty of potentialities.

So with all these potentialities, if we manage them right, it should bring not less than 2 billion dollars a year for Cambodia. So why should we need to ask or beg other countries for money every year? We've been beggars for a very long time, due essentially to the past events of the country, and one day we must stop begging. We must turn from beggar to producer. This country has a lot of opportunities. And, I'm optimistic that Cambodia will become economically healthy.

**Q2/ How has been developing the press since the rebirth of a democratic regime?**

**A2/** You see in this country the press is very young. It started in 1993. They don't always have the skills to write. Living with this kind of society is very difficult. You ask permission to run a press; then you write something that is not professional. What is good is that even if the press is not professional, you have to take into consideration that the readership is not either, so they are very suitable one to the other. So far we are getting more freedom of press, but we still need to control if they remain professional and ethic. Having just recovered from being a communist country, but still having some communist ideology all over the country, we struggle through this process. Nevertheless I think we can be satisfied by the evolution of the past year and we will keep on working on this direction. We want to archive full freedom of press but of a professional and responsible one.

**Q3/ Which are the main policies of your Ministry in order to increment the quality of the press?**

**A3/** First, we have increased the level of our schools; which is a basic requirement for the evolution of the country in a whole. Then we also have special courses at the University. Lately, we also developed training centers that propose courses of 3 or 6 months. We get for all this programs a lot of assistance from foreign countries such as Japan and Canada. We thank them a lot for their support. Comparing 1993 with nowadays we can notice the difference. The press as a whole is getting better, much better and this means we can be positive for its future.

**Q4/ How many media companies are registered in Cambodia?**

**A4/** We have nowadays about 220 press, magazines and bulletins. Among these 46 are foreign media companies. We have also 22 FM stations, and 7 TV stations in town. If we talk about the Internet, than I can't really tell you, we are

completely lost because we do not control the expansion of the cyberspace. In that sense I cannot give you updated statistics. Internet, in fact, is used all over the world, with one click you see everything; it is through this channel that our country is opening more and more.

**Q5/. What are the main goals and objectives of your Ministry?**

**A5/** The Ministry of Information, services everywhere. We must find all relevant information and provide this information to the government. We can also make some suggestion but usually our role is to be the link between the government and our people. I would like nevertheless to see the role of this ministry extended. We should be present everywhere, even in the most remote areas of the country. Send all the information gathered to a center that would be linked to the main ministries. From the social and economical point of view we should analyze this information, and take decisions and actions. This is my intention, or my dream as for the moment we cannot do it because I have very different ideas not always shared.

**Q6/ In the global economy we are living in nowadays, you have already underlined it with the Internet, information runs around in 24 hours. In this sense are you playing a role in the promotion of Cambodia to the international community?**

**A6/** Of course, everyone has to participate. We settle for instance our TVK link through satellite. As a result Cambodian TV can be viewed from 126 countries in this hemisphere. Then we also promote the Internet as I told you, the websites for instance which are a valuable tool to communicate. The quality is still poor, but we will improve. For our ministry the television remains the best channel of communication; being on satellite we can inform all our people, even abroad.

**Q7/. What would be your final message to foreign investors willing to come or interested in Cambodia?**

**A7/** There are good opportunities! The problem lies in getting in contact with the right person, because otherwise it is the best way to be discouraged. I used to be the Deputy Minister of Commerce and I think we have to sell our products. Foreign investors can help us with know-how, technology and even with capitals. It is a win-win situation, even if the Cambodian market is not enough for their production, we have a strategic position in south East Asia that allows them to approach other markets from here. There are plenty of opportunities and together I think we can do it.

They also have to be aware that, living in Cambodia, you have to go with the shape of the river. Never act as if you were smarter than anyone else. Working here is not easy; people are not very well educated. Nevertheless our people is volunteer, they aim to learn and to progress; they just need time.

## **INTERVIEW WITH H.E. CHAN SARUN, MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES.**



**MARCH 17TH, 2003**

**World Investment News & Far Eastern Economic Review**

**Q1/ Could you give us an overview of the agricultural sector in Cambodia?**

**A1/** First of all I would like to give you a quick overview of the policy of the royal Government of Cambodia. We have set, in order to reach a sustainable development and reduce poverty, several priorities in different sectors. The first priority is the agricultural sector and the irrigation system. Second is the development of basic infrastructure like roads and streets. Third is the development of power with a reliable electricity network. The fourth is about development of industry and fifth is the tourism industry.



Among these 5 sectors of course I will focus on the agricultural sector, which is under the responsibility of this ministry. As you know nowadays the agricultural sector in Cambodia is one of the top sectors of the economy of the country. It represents about 40% of the GDP and employs not less than  $\frac{3}{4}$  of the population. In fact 85% of the population is living in rural areas, amongst this people 75% are farmers and rely on the agriculture for their subsistence. 90% of these farmers are considered as poor people. This situation underlines the top priority of the RGC (Royal Government of Cambodia) and the Ministry of Agriculture, Fisheries and Forestry, which is to contribute to the development of the economy and poverty reduction, in other terms the social development of the country.

**Q2/ In order to create a strong agricultural sector, which is one of your priorities, mechanization and industrialization are needed. What measures are being implemented to develop this?**

**A2/** Before I give you the details of the strategic mechanisms to strengthen the agricultural sector in Cambodia, I would like to discuss the policy of the RGC for the development of the agricultural sector. Concerning important historical facts and the actual situation of the agricultural sector in Cambodia there are several points to take into consideration to understand and develop our agriculture.

- An important point is the legal framework that is essential to develop the sector. After 1979, there was an important issue; the legal right of land. This has been resolved through the years and especially with the recent publication of a new Land Law that gives real advantages to investors, and in addition the government's tax exemption policy on agricultural land for our farmers. The land management is an important point of our policy as we need to ensure the right on land utilization for investors, farmers and state agencies for a short or long term practice.
- You have also to consider the state of infrastructure. Nowadays its rehabilitation is essential in order to allow the transportation and exportation of agricultural products. We have to reduce the gap in between the rural and other areas of the country. We already implement 10.000 km of rural roads but there is still a lot to do in this aspect.
- The Land mine clearing is also an important point as the civil war have been going on for more than 30 years in the country and we definitely need to secure the agricultural land. The rehabilitation is indeed a crucial point for the development of our agricultural sector. This has been and still represents an important investment, as the cost of land mine clearing per hectare is around 7000 USD. Once the land has been rehabilitated, it has to be reallocated to the people.
- A follow-up of the agricultural activity is also needed to make sure how the farmers apply the use of this new technologies and new farming techniques.

- You also have to consider the cultural aspects of the development of the agriculture in Cambodia. The Agriculture is an ancestral practice based on a monoculture, the rice. As you know Cambodia has two seasons; the rainy season, from April to October, and the dry season. Our farmers are used to work only during the rainy seasons and live on their earnings during the rest of the year. If we look at it on a capitalism point of view, we are losing 6 months of productivity.

- I have to underline too the land repartition through the country. In the South and East you will found that farmers own land sized in between 0,5 and 1 hectare. On the other hand in the North and West of the country the average size of land is from 2 to 5 hectares. Therefore, we have to rationally apply the scales of the utilization of machinery and irrigation scheme according to the above land repartition aspects.

### **Q3/ Which are the main priorities of the government for the agricultural sector?**

**A3/** Based on the precedent facts the ministry has established the main priorities to develop the agricultural sector:

The diversification of our agriculture. We have to get out of the traditional and ancestral monoculture and work the land during the two seasons of the year. We can for instance develop the aquaculture, where we have already experienced success, or products such as the tobacco, cashew nuts and coffee destined to the agro-industrial sector. We must also encourage our farmers to start raising animals for their own subsistence and also as helpers. And then, encourage them to intensify the raising it in order to sale animal products. They can also diversify through the artisan production, such as baskets in bamboo. All these points aim to increase the farmer's incomes.

- Encourage the investment on the Agro-industrial sector. This point lies in the centre of our development policy in order to give a way out for the production and also create an added value. A social and economic land concession system will be implemented to encourage investments in this area.

- The introduction of new technologies and know how. This will help increase the production and profitability and therefore increase the investment. We must implement and intensify mix-cropping system through the IPM Program (integrated pest management). We must learn to our farmers marketing concepts in order for them to be able to export their production after words.

- The modernisation and mechanisation of the sector. We have to give the means to our farmers to be more productive through adequate tools and education.

Concerning these two aspect we first of all implemented our tax policy establishing an exemption for the imports concerning all materials needed by the farmers such as tractors, fertilizers, chemical products, equipment, etc. In

order to support farmers to reach these targets, we have established our development policy that lies in several points:

- First of all we have strengthened our Agricultural Extension Service. The Ministry sends technical people to the field in order to advise them on issues like cultivation techniques and the rational use of the tools at their disposal.
- We put at disposition of the farmers a marketing information system so they are aware of the needs of the market.
- The Ministry also has an emergency plan in case of need to intervene and help farmers.
- We have implemented a policy of land allocation for all the farmers. By this policy we aim to encourage agriculture on a small and family scale and make sure there is a land security for those farmers.
- We established a policy of rural credits in order for our farmers to expand their capacity. This means extend the surface of the land and also their several means by the acquisition of adequate materials and technologies.
- We encourage our farmers to organise themselves as cooperatives and associations. They can also be in partnership with private companies. This will allow them to gain in productivity and profitability. They will share for instance costs in material acquisitions, transportation, etc.
- Of course the government has an active part in sustaining this development by an intervention to construct the main channels of irrigation and distribute water, even in the most remote areas of the country, free of charge.

**Q4/ The fishing and the forestry industry have also an untapped potential, Cambodia has not only a wide coast but also an internal system of rivers and lakes. What are the plans to modernize and develop further these two industries?**

**A4/** This is an important resource of our country, nevertheless we have to think ahead for future generations and implement a policy that will insure sustainable development. With this in mind we already introduce new laws concerning these sectors. Nevertheless we have to be aware that there are huge opportunities of development in both sectors. You have to know that in Cambodia we count above 66 different species of fish in our waters we want to make sure that we will preserve that and also the different tree species.

**Q5/ Our readers are also interested in knowing more about the man behind the Ministry. Could you tell us about your career path and your greatest satisfaction while in office?**

**A5/** I have a degree in forestry; first of all I was director at the forestry department, in this same Ministry, for 17 years. Then, I went to our education system and became rector of the Royal University of Agriculture. I became then

a Parliament Member to Takeo province, which was an important step. I came back to this Ministry as the Under Secretary of State in Charge of Forestry and finally I was appointed as the Minister of Agriculture, Forestry and Fisheries.

My greatest satisfaction is to be working in an environment that allows me to fight for the poverty reduction. As you know our prime Minister have established it as a priority. We have to focus all our efforts towards the rural people. We should not allow our people to die from hunger and what concerns lands; our Prime Minister already stressed that no Cambodian should suffer of lack of land and become slaves in their own homeland.

**Q6/ Which will be your final message to the investors that are nowadays interested in investing in Cambodia?**

**A6/** Invest in Cambodia! I believe that the investment in the agricultural sector already gave a lot of benefits to investors, and that is a good sign. I would like to underline some important facts concerning the general situation of Cambodia, related to the foreign investment; First of all there is peace in Cambodia and that is an important asset. Furthermore for the agricultural sector the land potential still available for foreign investors is important to develop both industrial crops and animal raising. Last but not least I would like to mention our people, above 80% are Buddhists, as you know, they are kind, smiley and volunteer. They are looking forward to the opening of the country and the arrival of investors.

## **INTERVIEW WITH H.E. HOR NAMHONG, MINISTER OF FOREIGN AFFAIRS & INTERNATIONAL COOPERATION**



**March 25th, 2003**

**World Investment News & Far Eastern Economic Review.**

**Q1. Can you explain us briefly what are the main lines of the foreign policy of the Kingdom of Cambodia?**

**A1.** Cambodia has known a long period of war and turmoil. From 1970 to 1998 we've known civil war. Particularly during the Khmer Rouge regime, everything was destroyed in Cambodia. Therefore, after the election in 1998, the government has set up a triangular strategy.

This triangular strategy lies, of course, in three main points;

- The first side is to consolidate peace and stability in Cambodia. Which is done since 1998, when we achieved complete peace; the Khmer Rouge have been

destroyed, almost all of them having defected to the Royal Government of Cambodia.

- Secondly, is to integrate Cambodia into the international community. What we have done: we joined ASEAN and we are currently cooperating with all the main international organizations such as the World Bank, IMF, ADB, the UNDP, etc., that is the second side of the triangle.

- The third side is to develop the country economically and socially. And these are the three sides of our triangular strategy.

The main mission of the Ministry of Foreign Affairs is to reintegrate Cambodia in the international community and to enhance the cooperation with international institutions.

Since we are fully integrated with the international community, what is the foreign policy of Cambodia? You have to take into consideration that this latter cannot be separated from the main strategy of the Royal Government of Cambodia, which is the economic development of the country.

Therefore, within the ASEAN, Cambodia is very active; in fact we have to narrow the gap between the six old ASEAN countries and the new members: Cambodia, Vietnam, Laos and Myanmar. We have to deal bi-laterally with all our friendly countries in order to get more assistance (ODA), needed for the economic development of Cambodia and also increase foreign investment. As I used to say, to develop the country we need not only ODA but also foreign investment. It is through FDI that we will be able to create jobs for our people, get more transfer of technology and therefore develop the economy.

Of course, our foreign policy is also to enhance the very good relations we have with donor countries such as Japan, which is one of the most important donor countries to Cambodia with China. Concerning China we always had a very strong relationship tied to the personal relations between His Majesty the King Norodom Sihanouk and all leaders of China. We also have very good relations with the European Union, in particular with France, which knows Cambodia very well due to their protectorate period; I would like to underline, concerning France, that we are not talking about colonialism but protectorate, which lasted for more than 100 years. We try our best to keep good relations with all the international community, with the U.S. in particular and Australia who has helped us a lot before.

Therefore, to summarize, I would say that our foreign policy is mainly focused on getting involved for the economic development of Cambodia by keeping good relations, and strong co-operation with all friendly countries and international organizations.

**Q2. You just talked about the ASEAN, Cambodia also joined the Great Mekong Sub-region and will soon become a member of the WTO. What are the benefits your country expects to achieve through all this macro-economic integration?**

**A2.** By joining ASEAN we not only beneficiate from bi-lateral assistance but we also get help, as a new members, to narrow the gap between the existing members and the new ones and obtain a good level of development for all the ASEAN countries. We also benefit with assistance from all the countries in what we call the "ASEAN Dialogue Partners". There are ten countries that also assist the new members, through the Joint Co-operation Committee with Australia, India, and so on; with all the ten dialogue partners.

We hope that this year, perhaps in September, we will be able to accede to the WTO. As you may know, Cambodia has benefited GSP (General System of Preferences) most favorable nation, from many countries such as USA, Canada, EU, Australia, and so on. With our accession to the

WTO, Cambodia will accede to an important market, therefore I consider it is an important step if we accede to the WTO this year.

**Q3. As you said, Cambodia is a country with a long relation with the international economical institutions like the World Bank, IMF and ADB. What are the current relations with those institutions?**

**A3.** From 1993, when we first started to have co-operation with the World Bank, ADB and IMF, we have kept very good co-operation with all of them and nowadays we are still enjoying their very useful assistance.

For instance, the World Bank committed as December 2002 for \$481 million to Cambodia. Nevertheless we can underline the fact that their disbursement was only up to 63%. As far as the ADB is concerned their disbursal is about 55% of what they committed in the amount of \$569 million to our country. We are very pleased with the commitment taken by these organizations to help Cambodia but we wish that they disbursed according to what they committed. By being present they can see with their own eyes what Cambodia has done and is trying to do in the field of economic development and their presence here is very useful for the development of Cambodia.

**Q4. The government of Japan has been historically one of the main supporters for the development of Cambodia, with plenty of donations and technical assistance. Can you explain us the nature of those relations and what are the current relations between both countries?**

**A4.** We have very good relations with Japan. The relations between both countries have been always particular. Despite of the changes of government in Japan, their position towards Cambodia has never changed; assistance to our country has always been a constant within the Japanese policy and this is a very important fact for the Cambodian government.

**Q5. According to us there are over 800 NGO's in Cambodia. What are the actual criteria's to allow these organizations to settle in your country and what are your relations with them?**

**A5.** No one knows exactly how many NGO's there is in Cambodia; I was told that there were more than one thousand. In what concerns the foreign NGO's, at the Ministry we have registered around 200, but there are a lot of them that are not yet registered. We maintain very good co-operation with the NGO's since we overthrew the Khmer Rouge Regime in 1979. At this time, Cambodia was isolated from the international community; there was no assistance, no aid and no investment. We had known an embargo and at that time the NGO's came here and helped the Cambodian people.

After the collapse of the Khmer Rouge Regime we were facing hunger as, before leaving the city, they burned all the rice and food stocks. The international NGO's came here without any governmental assistance. Many of them are still here helping the Cambodian people. These facts can explain that we always had very good co-operation with the NGO's, even for political and human rights NGO's. We seriously take into consideration their opinions when we prepare draft of laws, as many of their recommendations are included in those drafts.

**Q6. Lately H.E. Prime Minister Hun Sen reopened the border with Thailand after turmoil relationship during the last months. What are the steps undertaken by your Ministry to rebuild and normalize relations with Thailand after the recent events of January?**

**A6.** I have to say that relations between Cambodia and Thailand have never been broken. Although we have had demonstrations that turned to violence, the two governments have always kept contacts. Myself, after the demonstrations, I visited Bangkok where I was received by His Majesty the King of Thailand, the Prime Minister and my counterpart the Thai Foreign Minister. In order to establish healthy relations, after the January events, we agreed the following:

- First, the RGC have accepted to compensate the Thai government for all the damages caused to their interests in Cambodia.
- Secondly we committed ourselves to arrest the leaders and all the people who incited violence against Thai interests.

And we keep our word; we have already compensated Thailand with more than \$US5 million for the restoration of the Thai embassy. In any case, I would prefer not to use the words 'rebuild diplomatic relations' because relations have never been broken, although they have stepped down at the level of chargée d'affaires. We have now decided to re-open the border and we will also send diplomatic missions in each capital; within days we should concretize it; send back our ambassador to Bangkok and receive the Thai ambassador to Phnom Penh.

**Q7. The actual event that attracts the attention on a global scale is the crisis in Iraq. What are, according to you, the repercussions of this conflict for Asia and Cambodia and what is the official position of the Royal Government of Cambodia regarding this conflict?**

**A7.** First I must say that we sincerely regret that a peaceful solution could not be found to disarm from weapons of mass destruction, if there is any, the Iraqi



regime. Any war will cause certainly losses of innocent civilian people; therefore we deeply regret this war.

Talking about its repercussions, the impact depends on how long the war will last. This is the main question, how long the war will last? But according to what I saw on TV, we can maybe expect the war to be very brief. The repercussions will be noticed worldwide not only in Asia. If this war lasts a long time, we might have an oil crisis that will increase the prices everywhere for any type of good. So the standard of living of the people, in particular the people in developing countries, will suffer from the negative effect of this war.

**Q8 One important issue in the Cambodian agenda is the Khmer Rouge Tribunal. Last week a draft agreement was signed in the presence of UN head negotiator Mr. Hans Corell. What does this Tribunal mean for Cambodia and when do you expect the Tribunal to actually take place?**

**A8.** We are very happy with this agreement. We are happy that the UN accepted to help Cambodia to try the Khmer Rouge leaders. This also shows that the Royal Government of Cambodia always keeps its word. In the past, many people said that Cambodian leaders did not want to try the Khmer Rouge; they were wrong, we want to try the Khmer Rouge for Cambodian history. We want to try the Khmer Rouge to grant justice for the Cambodian people who survived that regime and those who died; millions of Cambodians. Do I have to underline that 3 million people died under the Khmer Rouge regime? In each family there are at least 5, 6, 10 or 20 people killed. In my own family, I have 5 brothers and sisters and my wife also has 5 brothers and sisters. We have never counted exactly how many victims of the Khmer Rouge we had in my family but roughly it might be about 30. Every Cambodian family has the same experience. It is a tremendous tragedy for Cambodia and that is why we have to judge these Khmers Rouge.

Therefore we are very happy that we signed this agreement with the UN. Now that the agreement is signed, we have to see how to try them as soon as possible. If we cannot try the Khmer Rouge in a short time these people will die, as some of them are sick others are more than 70 by now.

**Q9. Could you tell us about your career path and your highest satisfaction while in office?**

**A9.** I have had a diplomatic career. In 1970, when King Norodom Sihanouk was Head of State by the Lon Nol regime, I was a diplomat in Paris. And when the coup d'etat took place, I decided to join the United Front of King Sihanouk. From then on, I was involved in politics. From a diplomatic career I became a politician.

I am very happy with my current position because I am able to help our people and I can help Cambodia to move ahead. Nowadays I think that the image of Cambodia in the world is good. We organized very successfully several summits in Phnom Penh, last November. The first ever GMS summit was organized in Phnom Penh, then the ASEAN summit plus three (China, Japan

and Korea) and for the first time we also had the ASEAN summit with India. Last but not least we invited the President of South Africa to come here to brief our leaders about the new partnership of Africa.

What was really important on that occasion, was not only that we organized successfully many summits at the same time but mainly the substance we got out of it; the documents that were signed by our leaders. In November, the ASEAN plus three leaders talked more about East Asia as a whole and we have paved the way for the future East Asia co-operation; the East Asia forum, East Asia summit, East Asia community as a whole. But we need time for this to be achieved, we have to achieve first a successful integration among the ASEAN countries.

Next June we will enhance this initiative and host three very important meetings in Phnom Penh; the meeting of the ASEAN Foreign Ministers, on the 16th, the meeting of the Asian Regional Forum (ARF), on the 18th and on the 19th we have a meeting with our dialogue partners that we call the PMC, "Post Ministerial Conference".

**Q10. Your Ministry is working to develop the economical and social welfare of Cambodia. What would be your final message to foreign investors interested into Cambodia?**

**A10.** I would say that Cambodia now enjoys fully peace and stability. Furthermore, Cambodia has a huge potential for tourism through our ancient temples.

You have to think ahead; Cambodia is not only a 12 million Cambodians market, it is a 500 million people market within the ASEAN. We should settle the ASEAN free trade area in 2010. Furthermore Last November, during the ASEAN plus three summits in Phnom Penh, we have paved the way for a free trade area with China, Japan and India within the next 10 years.

Therefore, investing in Cambodia can offer investors a huge market; ASEAN plus China, Korea, Japan and India. These countries represent more than half of the world's population, more than 3 billion; you can produce here in the free trade area and then export.

We also established what we call an Industrial Processing Zone. Now we have a market chained to MFN (Most Favorite Nation) and GSP (General System of Preferences), but we have not enough goods to export to fulfill our quotas. Therefore, we created this Industrial Processing Zone to attract Thai and Vietnamese investments.

As a conclusion, I would like to see all our foreign friends coming to Cambodia and assessing themselves the potential of the country for their investments.

## **INTERVIEW WITH H.E. GOTARO OGAWA, JAPANESE AMBASSADOR TO CAMBODIA**



**March 20th, 2003**

**World Investment News & Far Eastern Economic Review**

**Q1. This is the 50th Anniversary of diplomatic relations with Cambodia. Could you explain us briefly the historical development of those relations?**

**A1.** As you said, this is the 50th Anniversary of diplomatic relations for our two countries. But, because of the civil war period, which lasted almost three decades, I will talk more about our relations after this period. Of course, before the turmoil we had normal and good relations, but because of the Pol Pot regime we had to close our embassy in 1975 and re-opened it in 1992.

I would say that our bilateral relations are very good. I would even say that it is especially good when I compare with bilateral relations between Japan and

other countries, even in Asia. This is mainly because when Cambodia tried to seek peace the Japanese diplomacy was very much involved in that peace process, during the late 1980s, as part of an international effort to bring peace in Cambodia.

Japan played a unique and important role. Many diplomats, government officials and political leaders from Japan were engaged at certain important stages of the process of negotiations to establish peace. Japan also tried, together with France and other countries, to organize international conferences to establish peace. After the peace agreement in Paris, the country was not very stable yet; internal conflicts continued and then the UN came in to establish UNTAC. The Japanese national Mr. Akashi represented UNTAC; of course he's not a Japanese government official, but because of his nationality the Japanese people closely followed the UNTAC's work. As you may remember, the Japanese government sent its first ever peacekeeping forces abroad to Cambodia.

Japan is a country whose public opinion is strongly pacifist, so when the Japanese government decided to play a more active role internationally, during the late 1980s, the public opinion in Japan was against anything related to war. That explains why, when our government tried to enact a law enabling Japan to participate in overseas peacekeeping operations, this first endeavor failed. But after that, the government re-submitted a new draft law and our parliament successfully passed it. Based upon this law, Japan sent its first peacekeeping operations abroad to Cambodia. This strongly impressed the Japanese, and Cambodia became very close to the heart of our people.

After the successful elections administered by UNTAC, Cambodia established its first after war government in 1993. The major task was then to reconstruct the country. Since that time, Japan has been the top donor; we have assisted Cambodia in their efforts of reconstruction in diverse ways and I can say that the whole country is very thankful for the Japanese assistance.

**Q2. As you said Japan is one of the main donors to Cambodia. This falls into the ODA policy, Could you give us the main lines of this policy?**

**A2.** If we go back to an earlier period, it had been a long and consistent policy of the Japanese government to help the economic development of Asian countries. In the 1970s and through the 1980s, the Japanese economy rapidly grew and our government has made a series of five-year plans to double our assistance to developing countries in the world, and especially in Asia through our ODA.

We considered first the organization called ASEAN, as the central group of countries in Asia. Our close relations with ASEAN countries started 30 years ago. In 1977, the former Prime Minister Mr. Fukuda made a very clear policy speech in which he underlined that Japan would consider ASEAN countries as equal partners for development and to establish peace and stability in this area. We increased our ODA to this particular region in Asia year by year. I think we can say with confidence that the massive contribution of our ODA, for these

original ASEAN countries, helped their economic development rather substantially. This is the case for countries such as Thailand, Malaysia, Singapore, the Philippines and Indonesia.

We consider that our policy was very successful. At present day, we continue to help the ASEAN countries as the central core group of Asia. ASEAN has become larger; now they are 10 member countries. The most important agenda of ASEAN today is what they call IAI or Initiative for ASEAN Integration. This means that they are committed to fill the gap of development between the original ASEAN countries and the latecomers: Vietnam, Myanmar, Laos and Cambodia. The Japanese government has now a clear policy of helping this important agenda of IAI. This means that we have to continue to give assistance to ASEAN countries and particularly those new members.

**Q3. Cambodia lies in a strategic place for ASEAN, it is more or less the center of Indochina. What are your expectations for the development of this country?**

**A3.** I consider that among these Indochina countries, Cambodia is by far the least developed. It is far behind the other countries. I can show it to you with some statistics; when we compare some economic and social indicators like the per capita GNP, the ratio of sewage systems, the percentage of paved roads, access to safe water, infant mortality, etc..., we see that those indicators show that Cambodia is the lowest in this sub-region. Even Laos, which is a very poor country, lies ahead of Cambodia.

This is due, of course, to the decades of war and instability. I traveled extensively in the country through all the provinces and I was impressed by the extreme poor conditions of economic infrastructure; roads and bridges. I even saw a bridge which was destroyed by the US bombing during the late 1960's and has not been repaired since then. Since Cambodia went into the civil war in 1970 the roads and bridges were also destroyed and had not been rehabilitated. It was only in 1998, when this country really obtained peace and stability that they have been able to work on their infrastructure rehabilitation. It is only four years ago that Cambodia really started the reconstruction efforts. Not only physical infrastructure, but also legal and administrative systems were destroyed during the war.

You also have to consider that human resources have been destroyed, especially during the Pol Pot regime; they often say 1.7 million people died then, and most of them were intellectuals and engineers who could carry out the development of this country. Because instability kept on until 1998, the people didn't access to "normal education". Therefore, the people who are supporting the development of this country today are those who barely survived the Pol Pot period. The younger generations have not received appropriate education either, so the negative legacy is enormous and almost unthinkable in other neighboring countries. This means that conditions for economic development are very much constrained in this country and therefore consider that priority must be given to Cambodia in developing Indochina sub-region.

**Q4. Which are nowadays the priorities in order to develop the country and allow FDI to flow into Cambodia?**

**A4.** First of all we have to rehabilitate the infrastructure such as roads, bridges, electricity and telecommunications. Prime Minister Hun Sen is very conscious of this need for the country's development. The government has been asking donor countries to help rehabilitate roads and bridges. Japan may be the number one country in helping the infrastructure, but international organizations such as World Bank and Asian Development Bank are also really involved in this aspect.

**Q5. Can you give us an idea of the ODA that the Japanese government has given to Cambodia?**

**A5.** In the past three or four years our government has been helping this country an average amount of some \$100-\$120 million per year; including infrastructure building, human resources development, rural development and assistance to the health and education sector.

Prime Minister Hun Sen seems to give a top priority to rehabilitate infrastructure, as it is the basis of any economic activity. If we go around the provinces, we see that roads are so bad that even farmers who grow some vegetables cannot sell them to neighboring villages. Thus, the Royal Government of Cambodia asked not only to Japan, ADB, World Bank, but also to other countries such as Thailand, Laos, Vietnam and China for infrastructure assistance. South Korea also participates in this effort now.

The government's ultimate goal is poverty reduction but the Japanese government as well as the Cambodian government consider that building infrastructure and thereby promoting economic activities is a very effective way to reduce poverty. There are other focal areas of our assistance such as health and education, the rural development and then human resources development in all areas. We also assist the country in their de-mining activities. Last but not the least we attach importance to system building, such as rebuilding the legal framework; we are providing assistance to draft the civil code, the civil procedures, which are now completed this year.

**Q6. Do all those projects go through JICA?**

**A6.** No, not all of them. In every country the system of assistance is very complicated. JICA is a governmental organization that conduct technical co-operation. It's not a funding organization. We extend a lot of grant assistance to construct bridges and hospitals or rehabilitate roads, but this financial assistance is provided by the Foreign Ministry of Japan.

JICA is under the jurisdiction of the Foreign Ministry and they conduct technical assistance such as dispatching Japanese experts and advisors to this country in all kinds of fields. JICA also receives technical personnel from the developing countries to have them trained in Japan or in other countries. It also dispatches

many development survey teams; for instance when you have to construct a road, establish a hospital or create irrigation facilities, you need these surveys and that is also JICA's job.

**Q7 Could you tell us more about the involvement of Japanese companies in Cambodia and what are their main projects?**

**A7.** At present time there are over 40 Japanese companies in Cambodia; 10 Trading Companies, 16 Construction Companies and the rest are different types of companies. Most of these companies, Trading Companies or Constructors, conduct their activities based on our government assistance or ODA. That explains why there are so many Construction Companies. There are only a few companies that invest as private foreign direct investment and these are rather small in size.

The first investor from Japan is a wood-processing company, called Okada; this company operates in joint venture with the Cambodian government. The second private investment is Eastern Steel Company and is also a joint venture. Japanese Trading Company called Sumitomo invested in this company. They produce tin products for fences or roofs; annual production is about 5 million dollars. There is also Suzuki Motors that has a motorbikes factory; annual production is about 5 million dollars. Toyota Trading has a sales and repair shop of automobiles. There is also Marubeni trading company; they constructed an oil jetty in joint venture with a local Cambodian company. Ajinomoto started a sales company last year, and that's about all for Japanese private investment.

**Q8. What are according to you the advantages and inconveniences that an investor encounters in Cambodia?**

**A8.** I think that among this small number of companies, many of them have some problems. Most of those companies are struggling with the smuggling that makes business very difficult. For instance Eastern Steel who produces tin-plates, they suffer from the smuggled similar products from Thailand or Vietnam. Their production encounters lots of difficulties and they lose competitiveness. Toyota Trading also encounters this problem, the customs ratio is very high for automobiles, but there are many smuggled automobiles that don't pay any taxes. Imported automobiles with high customs duties do not sell very well vis-à-vis smuggled automobiles. So this is one of their serious problems. Cambodian authorities are taking measures to reduce smuggling.

**Q9. Could you tell us more about your career path and your greatest satisfaction as Japanese Ambassador to Cambodia?**

**A9.** Well, I entered the Foreign Service in 1968, so this is my 35th year in the Japanese Foreign Service. As diplomats we serve in Japan or in foreign countries. As for my foreign assignments, I served in France twice, and then the Philippines, the former Soviet Union at the time of Gorbachov, i.e., at the time of the great changes in the Soviet Union. After Moscow I went to South Korea and my latest foreign assignment was at Honolulu, Hawaii as Consul-General.

Cambodia is my seventh posting in a foreign country, but it is my first Ambassadorial assignment. Because of the close relations between Japan and Cambodia, being Japan the largest donor to this country, the Japanese role in Cambodia is very important, so I enjoy being here. Having lived here for more than two years and three months and having traveled in all provinces and countryside; I have observed the development situation and the extent to which poverty is deeply rooted. I sincerely consider that Japan must assist the Cambodian efforts.

I know that to promote foreign direct investment, official development assistance (ODA) is very important. At this stage the investment conditions are not really good particularly because of the lack of infrastructure, such as the roads, communications systems, electricity, etc... So in the early stages of development, aid from foreign donors or international institutions plays a vital role. In order for Cambodia to ensure its development it needs foreign assistance but the government must manage the country in a democratic and non-corrupt way. There is the donor's community that maintains a close dialog and gives advices to the Cambodian government to reduce corruption, to pursue reforms and improve the situation. As representative of the largest donor to this country, I have been trying to join in this international effort, so that the Cambodian government can conduct a good economic policy and pursue serious reforms. In fact, there are many problems like corruption, smuggling, and problems of drugs and even traffic of human beings; we, as donor countries and donor institutions, always encourage this government to make reforms and realize better governance.

In doing so I consider that Japan's role is important. So far I have been doing my utmost efforts in that direction and I think the government headed by Prime Minister Hun Sen has been going in the right direction. There are many difficulties, but they are working hard. Sometimes donors give severe criticisms of the situation in this country and they are often right, but we have to recognize the difficulties coming from the lack of infrastructure and human resources and the weak legal and judicial systems which have also been destroyed during the war. We have to be patient. At least I can say that little by little, and steadily, progress has been made, so we have to continue encouraging the government to do more in that direction.

**Q10. As last question, what would be your final message to foreign investors who are interested into Cambodia?**

**A10.** Cambodia is still at the very initial stages of development, but in certain sectors there are good short- or medium-term prospects. The tourism has a big potential, and has been developing quite well. First, I think Sihanoukville and its vicinity have good prospects for having more economic activities in the near future. Although the major roads are not yet rehabilitated, I think that in four or five years time, major national roads will be more or less rehabilitated and will facilitate the traffic between Thailand, Cambodia and Vietnam.

There is also a hopeful prospect for oil exploitation and exploration offshore of Sihanoukville and if it's successful it will change the perspectives of Cambodia's



economic development. Although it is not really developed, there is a potential for some agro-industries as there are a number of agricultural products that can be processed. The government and the donor community are assisting for the planning and realization of some industrial zones or special processing zones. So, in the medium term perspective this country has a rather good future.

## **INTERVIEW WITH H.E. CHEA CHANTO, GOVERNOR NATIONAL BANK OF CAMBODIA**



**March 27th, 2003 Special Report for World Investment News & Far Eastern Economic Review.**

**Could you tell us briefly the historical development of the central Bank of Cambodia since its creation and its main responsibilities and objectives within the economic development of Cambodia?**

The National Bank of Cambodia is the Central Bank of the country. In this position, it has several aims. The first objective and responsibility of the NBC is to conduct the monetary policy, the ultimate goal of which is price stability. As a second objective, the NBC conducts the foreign exchange policy in order to ensure a smooth transaction internationally. The third mission of the NBC is the supervision of the banking and financial institutions. The forth one is the

exclusive role of issuing the national currency, the Riel. The fifth is to manage the international reserves of the country and sixth, on behalf of the government, we keep the contact with the international financial institutions.

Historically, the Central Bank was established in 1955 after the independence. During the Pol Pot regime from 1975 to 1979, the whole banking system was completely destroyed. Even the building of the Central Bank was physically destroyed. It was a society where there was no money, no markets even no schools. It was some kind of primitive communist society. It was in 1979 that we started to rehabilitate the economy. In 1980 we started to issue bank notes and national currency again. We had to start from zero. We don't even consider it a transition period, we started with a new balance sheet and we had to form our human resources to function correctly. We called that period the mono-bank system.

In 1989, we started economic reforms, so we shifted from a mono-bank system to a two-tier banking system. This new system meant that there is division between the Central Bank, which became the banking authority, and the Commercial Banks as the operators. In 1996, a new Central Bank Law was passed that formally committed us to the two-tier banking system. The law gave the Central Bank the independence in its operations. In 1999, the Law on Banking and Financial Institutions was passed. This law is the legal foundation for the Central Bank to perform its role as supervisory authority of the banking sector and to license those banking operators and to supervise them.

**There have been major changes undertaken toward the commercial banks after the approval this new Banking Law. Could you tell us more about these developments?**

After the opening up of the country and the completion of the private ownership, private banking flourished in Cambodia. Before re-licensing there were more than 30 commercial banks. In the economic context we were involved this high number of commercial banks was not suitable. This is why in 1999 we passed a new Law on Banking and Financial Institutions. The main component of that law was the requirement of a minimum capital to the banks and the imposition to provide the legal basis for supervision. Since the adoption of this law until the end of 2002 more than fifteen banks were closed for none compliance to that requirement. Presently, there are thus only 17 banks operating in the country, from which two banks are state-owned.

Besides this short-term action, we also have a long-term plan for the development of the banking sector in particular and the financial sector in general. This long-term vision is published under the name of Financial Sector Blueprint for 2001-2010. It includes the concept of the development of the legal and financial infrastructure, and also the plans for the development of a stock market and the future of the sector.

**One of the points in the agenda of the Royal Government of Cambodia is, as you just mentioned, the creation of the Cambodian Stock Exchange. What can you tell us about the future formation of this institution?**

Concerning the creation of this establishment, we have set a list of priorities. The first priority is to strengthen the banking sector this will be possible through the issuing of new and more appropriate regulations to shape the banking sector. Secondly, we have to introduce a sound accounting system in the whole country. In terms of capacity building, we focus on the filling up of capacity of the bank supervision department, so they can perform accurately both on-site and off-site examinations. Those priorities can be seen as the first step of our vision, which application began on 2001 and will last until 2004.

During the second step, planned from 2005 to 2007, we need to create the foundation for the stock market in terms of accounting system, legal environment and strengthen the audit system through the introduction of audit standards and security instruments. To initially establish the security market, the Government's securities needs to be issued first. This year we are even thinking about cooperating with the Ministry of Economy and Finance to issue a Treasury bill in the short term. The second phase of 2005 to 2007 will create the foundation, the environment and the instruments for the market. Finally, from 2008 to 2010, the conditions and foundations for the creation of a Stock Exchange will finally be in place and we will be able to establish it.

**Financial institutions like the IMF, the ADB and the World Bank have been in Cambodia helping out for the economical reconstruction of the country. As you mentioned before, the National Bank of Cambodia is in charge of the contacts with those institutions. What are the current relations with them?**

Generally speaking we have a very close collaboration with those international financial institutions. The IMF has even its resident representative in the NBC building. With the IMF, we have mainly a stabilization program called Poverty Reduction and Growth Facility (PRGF), so it concerns the macro-economic development of the country. Recently we have just finished the implementation of the first PRGF program the last disbursement has been done already, being the amount involved in that project around 84 million US Dollars.

With the Asian Development Bank we work closely on the formulation of a long term plan development and recently we have received the assistance from ADB for the implementation of the financial sector development plan. ADB has also provided us the technical assistance to strengthen the micro finance supervision. We also have collaboration with AFD (Agence Française de Développement) in the field of strengthening micro-finance institutions. Those operators are the main agents who provide the small credit to farmers in the rural area. What concerns the World Bank, we do not have direct contact with them as they work closely with the Ministry of Economy and Finance.

**To implement all the reforms undertaken by the RGC and the guidelines from the international institutions, transparency is a must. Your**

**government is fully aware of that and willing to comply, what are the measures undertaken from your side to ensure this Transparency Policy?**

Indeed, transparency is one of the most important issues for the NBC. On that matter, the financial report of the NBC is subject to audit by an international firm. Those audited financial reports are also sent to the IMF on a yearly basis. Furthermore, the report, along with the management letters and the opinions from the Price Waterhouse Coopers auditors are available on the Internet. Also internally, within the country we have a monthly bulletin with monetary statistics.

The top decision making body at the NBC is the Board of Directors. We have the Governor as chairman and the following members: the Deputy Governor and representatives from the Government, from the Ministry of Economy and Finance, from the University of Economics, from the private sector, specifically from Chambers of Commerce and a representative of the NBC staff itself. This Board is the policy making body of the Central Bank, and ensures not only the transparency, but also the budget, the financial report, the balance sheet and so on.

**Another aspect we would like to approach is the high dollarization of the Cambodian economy, which has allow till now the stability of the Riel. What is your personal point of view on that situation and which are the main concerns of the Central Bank?**

In the early 1990s when the UNTAC came to Cambodia to help organize the general elections in 1993, around two billion US Dollars flowed into the country. As a consequence of that, the US dollar started to circulate massively in the country and people started to use it along with our own national currency, the Riel.

Currently, our objective is to "de-dollarize" the economy. But this process should be done step by step, prudently and consciously in order to avoid possible harmful effects. So far, the Central Bank has tried to keep the exchange rate between the Riel against the US dollar stable. This way we create an environment where the general public feels confident with the national currency. With this financial stability added to the political one, the people will start saving in Riels or US Dollars. Our policy is very flexible; we are not enforcing the "de-dollarization", we want the market mechanism to function and progressively build up the confidence of the general public. This is why our concern is to ensure micro-program stability to increase our international foreign reserve. The plan to issue a Treasury Bill will contribute to the process of the de-dollarization as well. In order to create a market for the national currency a lot things need to be done.

**Can you tell us more about your career path?**

I took part in the re-establishment of the Central Bank in 1979 along with the former as Deputy Governor of the NBC. In 1985 I was appointed as the Minister in charge of the Ministry of Planning. At that time it was a centrally planned economy, and I fulfilled my function of Minister for 12 years. I participated with

the Government during the reform program to pass from a centrally planned economy to a market economy. It was only after 1998 that I moved from Ministry of Planning to the NBC to become the Governor. Now, this is my second term as Governor and this term will come to an end in 2006.

**What Final message would you address to those investors looking at Cambodia as an investment destination?**

As I just mentioned, our mission is to strengthen the banking sector and banking business. This means we want to create a smooth, safe and efficient payment system, facilitate financial transactions and encourage savings to arise the confidence of both, the general public and investors.

**Could you tell us more about the main matters that are essential for foreign investors such as the interest rate and its development or the credit system in Cambodia?**

As you may aware of that at present the gap between the borrowing rate and the lending rate is very high. The banking system is constrained by the lack of financial infrastructure, especially legal infrastructure. In Cambodia, investment is practically not fully sensitive to the interest rate as stated in the theory or worked in most developed countries.

Given this environment, the main factor that Cambodia is able to encourage investors, both foreign and local, is to strengthen and develop a competitive, safe, and sound banking system so that to gain more public confidence and to be a good service for all customers. At present, it is necessary to develop the banking system that is well regulated and supervised, and effectively mobilizes savings to provide financing to support the growth of the private sector. In addition, there needs also to create a good payment system that is a safe and reliable system for the transfer of funds between customers/investors and banks, and for the settlement of payment between banks in order to facilitate all kind of transactions, locally and internationally, to all economic agents. Using these mechanisms, it means that we encourage investors.

## **INTERVIEW WITH H.E. ITH PRAING, MINISTRY OF INDUSTRY, MINES & ENERGY**



**April 11th, 2003**

**Reportage Special pour World Investment News et Far Eastern Economic Review.**

**Your Ministry is in charge of three important sectors of the Cambodian economy. Can you present us the main responsibilities within every sector you represent?**

In our Ministry we take care of the industry sector with all the manufacturing plants of the country including the water supply in urban areas except for the municipality of Phnom Penh. The second sector is energy. We are in charge of electricity and any other kind of energy form like hydropower or renewable energies excluding petroleum and gas. The gas and petroleum was our responsibility until end of 1998 when the CNPA (Cambodian National Petroleum Authority) was created and took care of this sector. The third sector comprehends all mineral resources.

**The Garment industry has been showing a steady growth ever since the MFN status (Most Favoured Nation) and the GSP (Generalized System of**

**Preferences) have been awarded to the country by the US and the EU. What is the state of this industry nowadays and what will it be after the end of the quota in the year 2005?**

The most developed sub-sector in the industry sector is the garment industry. Most of the products from the garment factories are exported. In 2002, 70% is exported to the U.S. market, 25% goes to European Union, and another 5% to Canada, Latin America, East-Europe, Japan and some other Asian countries. The total amount exported in 2002 was worth nearly 1.5 billion USD. The number of factories has increased to 230, employing 228,000 laborers, most of them are women. Most of the garment factories are located in or around Phnom Penh, which implies a big migration from the countryside to the city. There is still room for the development of that sub-sector for the next few years. We have the opportunity, after 2005, to let this sub-sector grow by improving the labor conditions and keep our competitiveness, by offering other incentives to investors. Our salaries are not the lowest compared with those of Vietnam or China, but the RGC (Royal Government of Cambodia) is looking for creating further comparative advantages to attract more investment.

We can also start to develop other non-quota products. The export-oriented industry is one of the main objectives of our government because the domestic market is too small and the purchasing power is still too low. Under the GSP and MFN provided by the U.S. and other countries in Europe, there are more than 6,000 articles that are accepted by those countries for export from Cambodia. Right now it is only the garment industry that plays a very important role in the export to those countries, but our Ministry is starting to promote other industries like for instance the agro-industry.

**Can you give us some facts and figures of the agro-industry in Cambodia?**

Presently there are no exact figures yet because we are promoting the sector. But the opportunities in Cambodia are huge. We have a mass of land available for agricultural products. The northeastern part of the country covered by basalt that we call the "red soil" is perfect for the rubber industry. Close to that area the soil is also favorable to other agricultural products like beans, soybeans, maize, corn, and every other kind of tropical agricultural products. Due to the fact that the management skills are not so advanced it is still very difficult to market those products. When some products are needed the farmers produce them massively and the year after they collapse the market, making the prices go down. This is why I think the state has to play a role in the management of the market and the production.

**One of the main issues for the economical development of Cambodia is the creation of affordable energy. Your Ministry has created the Energy Development Plan to solve this issue. Could you give us the main lines of this plan?**

Cambodia has made a good pace of reform in the power sector; the electricity law was promulgated and the electricity regulator is established. The organism



is regulating the sector to ensure the quality of supply, the safety and the compliance with the standards, licensing the service providers and setting tariff. We have formulated a strategy for the development of the power sector, specifically the electricity supply. Indeed electricity is one of the key factors to develop the other sectors of the economy. We have established a master plan for generation of electricity and another master plan for transmission to develop national grid. The master plan for generation includes thermal plants using gas, heavy fuel or coal, depending on what is feasible or is available in Cambodia. If gas were available offshore, a gas power plant would be installed in Sihanoukville. We are also looking at the possibilities of a coal power plant development in coastal areas. The other development projects for the generation of electricity are hydropower projects, those that we have selected as priority projects for development and for private participation, including the bigger scale projects to link to the regional grids, like the ASEAN or the GMS (Greater Mekong Sub-region) grids.

Following our transmission master plan, the first part to be developed is the southern grid from Phnom Penh to border of Vietnam via Takeo, with a link from Takeo to Sihanoukville through Kampot, linking up to the expected gas power plant in Sihanoukville. The idea is first to import from Vietnam cheaper electricity towards Phnom Penh. This transmission line is expected to start next year and to be commissioned in 2006. At the other side we can enjoy the electricity supply at a cheaper cost by interconnecting with Thailand in the northwest to Siem Reap and to Battambang, passing through Banteay Meanchey. The grid linking those three northern provinces will also go at the same time as the southern grid. After that, we link Phnom Penh to Battambang. Then we will connect the major generation sites, especially the hydropower plants.

The power importing strategy is first to widen the domestic electricity market as currently the market is very small because of the price. Once we connected with Vietnam and Thailand, where the electricity is cheaper, the local electricity market will be growing up and when the demand is big enough we can start to develop our own bigger hydropower resources. We have launched our offers to the private sector, foreigner or local. Some hydropower sites have been visited already by electricity companies. Battambang I and Battambang II are being studied by joint Cambodia-Malaysian consortium and Battambang III by a Korean company. Russei Chrum have also been visited by some companies and the study will commence soon. We need to develop those hydro resources to achieve cheaper costs of electricity.

**During your presentation you presented renewable energy sources as a priority for your ministry, what are your priorities on those matters?**

First of all we have formulated the Rural Electrification Strategy. This strategy includes program for rural electricity development and investment. The electricity development program includes grid extension to the areas that are close to an existing grid and the development of stand-alone systems with diesel generators for villages and small communities and the development of renewable energy sources with projects like the micro-hydro in the northeastern

or western part of the country, and the solar power energy. This solar energy system is still relatively expensive but we need that development and we are asking for assistance from the developed countries. Japan for example is helping with small installations mainly for lighting.

This program of rural electrification is expected to be financed by donors and the World Bank. The first five-year program for rural electrification is expected to commence soon, and the World Bank is mobilizing resources to finance it. In the rural electrification strategy, one of the main components is to create the Rural Electrification Fund (REF) to subsidize one part of the rural electrification investment; the other sources of financing are: (1) longer term loan from local commercial bank designated by the World Bank and (2) self equity. This way we can assist in the investment in the rural electrification projects. We are launching this program and formulating the sub-decree and royal-decree for the creation of this fund. Maybe next year or at the end of this year the fund will be established, the Board will be put in place, and the Rural Electrification Program will be started.

**Cambodia is known worldwide for its rubies, but there are more mineral resources in the Cambodian soils. Can you give us an image of the current situation of the mining sector of the country?**

We have a lot of indications of mineral resources in Cambodia, but so far there is not much development, only construction material such as stone, gravel or sand is being developed. There was also phosphate extraction for fertilizer, but the fertilizer plant was not able to work well, this is because of the quality and technology.

**According to you what are the main investment possibilities in the three sectors your Ministry represents?**

We would like to promote the investment in agro-industry as we have a very good soil and products of excellent quality. The main issue is how to manage to produce the quality and quantity for export. Each farmer has its own small piece of land and its own production technique. I think that to promote the development of this sub-sector, production cooperative or association gathering few hundred farmers owners of the land should be formed. The investor would introduce technology, construct irrigation systems, acquire mechanical equipment and fertilizers, then buy products and transform to export. You can help the people in the association to develop itself. There is no need to buy the land, just gather the owners of the land to form such an association. There have been examples like in Kandal province; investor gathered farmers owners of about ten thousand hectares of rice field to form an association, then the final product is sold at an agreed price to the investor, which in turn processes and exports it.

In the small and medium industry sub-sector, the problem is that the development is quite slow because of accessibility to finance and technology.

These two things result in low competitive advantages with countries in the region.

In the power sector we would like to invite investors to come develop our hydropower resources. This is a very good opportunity, once we have linked our network with the neighboring countries, we can even sell the excess of power to them. The GMS countries have signed the Inter-governmental Agreement for Power Trade. So once we have interconnection between the countries we can sell towards the neighboring countries.

For water supply, I mentioned that except for Phnom Penh, the other urban areas are the responsibility of our Ministry. We have set a target for 2015 to supply about 60% of the total population. The supply will be tap water from a pipe, not pit water. This is one opportunity for investment also. The private sector can participate in the water supply development in urban areas throughout the country. The World Bank is assisting us to make a study to select the urban areas that have more than one thousand households to be accommodated in that development. We are conducting feasibility study, listing selected areas for private participation. This is an ongoing project; the list will be issued soon. In connection to that sector, we are going to pass a law on water supply and sanitation, establish a regulator to regulate the sector, set the tariff and to issue licenses to suppliers, the same we had done in the electricity sector.

### **Can you tell us what is your career path?**

My background is electrical engineering. I completed my Ph.D. studies between 1995 and 1997. I got my Doctorate degree in Business Administration at the Southern California University. Before the Khmer Rouge regime, between 1970 and 1975 I was a professor of electricity at the People University and Technical University in Phnom Penh. In 1975, the same as the other Cambodians, I was sent by the Khmer Rouge regime to a countryside working in the rice field in Kampong Cham province. We had to work hard, very hard with nothing to eat. Then in 1979, after the liberation of the country I came back to Phnom Penh, worked as chief electrician at a distillery and was nominated as the director of the factory in 1980. In 1984, I was designated as a vice-minister of this Ministry and promoted as a secretary of state in 1994. I have held this almost same position for 19 years.

### **What would be your final message for investors interested into Cambodia?**

We would like to invite investors to invest in any sub-sector that the Ministry is responsible for, including the manufacturing, especially in the agro-industry. We are going to establish an industrial area to facilitate the investment, and facilitate the operation of the manufacturing sector. The power sector has a good potential, especially the hydropower resources. We are very pleased to invite the investors to participate in the mineral resources development. We have a lot of indication of minerals, even after the overexploitation by the Khmer

Rouge; we still have gold and gemstones. Gemstone is still a very good potential for the country. The last sub-sector is water supply in urban areas throughout the country, there are also good opportunities for private participation in that sector, because we are going to establish the law and the regulator for that sector.

## **INTERVIEW WITH S.E. KEAT CHHON, MINISTRE DE L'ECONOMIE ET DES FINANCES**



**25 Juin 2003**

**Reportage Special pour World Investment News et Far Eastern Economic Review.**

**Votre Excellence, l'économie cambodgienne a connu une progression remarquable les dernières années. Pouvez-vous nous donner un aperçu de son développement depuis 1993, ainsi que les principales données macro-économiques actuelles ?**

Les résultats enregistrés depuis 1993 sont satisfaisants dans la mesure où nous avons pu répondre aux besoins les plus urgents du pays. Cependant les résultats les plus remarquables ont été obtenus à partir de 1999. En effet, durant la période de 1993 à 1999 nous n'étions ni en paix ni en guerre, c'est

une période pendant laquelle nous n'avions pas tout le temps nécessaire pour nous consacrer au développement du pays et résoudre les problèmes de base tel que la lutte contre la pauvreté. A cette époque, nous travaillions d'une main pendant que la seconde tenait le fusil, car il y avait encore des factions de Khmer Rouge armées dans certaines régions. Ce n'est qu'avec la " win-win " stratégie du Gouvernement Royal du Cambodge que nous avons pu démanteler l'organisation politico-militaire des khmers Rouges. Cela a permis de rétablir la paix sur l'ensemble du Royaume et unifier physiquement et politiquement le pays.

A partir de 1999, le royaume vit sous une seule constitution, un seul Roi, un seul gouvernement, avec une seule loi applicable sur l'intégralité du territoire ; il n'y a donc plus de région en sécession par rapport au gouvernement central. Avec cette paix renforcée de jour en jour, nous avons pu également renforcer l'esprit de réconciliation nationale. Tous ces facteurs ont bien entendu contribué à un développement accru, aussi bien social qu'économique, mais surtout à une plus grande stabilité politique qui a permis au gouvernement de raffermir la stabilité macro-économique du pays.

Les trois premières années du second mandat du gouvernement, nous avons réussi à atteindre les objectifs que nous nous étions fixés en terme de croissance économique, avec en moyenne 7% du PIB de 1999 à 2001, et ce malgré les importantes calamités naturelles telles que les inondations et sécheresses répétées. Notre objectif en règle générale est de maintenir une croissance comprise entre 6 et 7%, ces premières années ont donc été des années fastes pour le Cambodge. Cependant en 2002, nous avons dû réviser à la baisse nos prévisions de croissance, due à une conjoncture d'incertitude au niveau international, à l'attaque du 11 septembre, et encore une fois aux désastres naturels répétés. Dans la loi de finance 2002, au lieu de 6% nous avons fixé comme objectif d'atteindre 5%. En ce qui concerne nos estimations des résultats pour l'année 2002, qui sont bien entendu étayées par la banque asiatique, elles sont à hauteur de 5.5%. Pour l'année en cours, pendant laquelle nous espérions une reprise générale, à cause de la mauvaise surprise du SRAS, qui a entraîné une chute de 37% de notre industrie touristique, ainsi qu'un climat d'incertitude générale due à la guerre d'Irak et d'autres facteurs, nous avons dû re-estimer ces données à la baisse, d'une première esquisse optimiste de 6% présentée à l'Assemblée Nationale en début d'année, à un taux plus modeste de 4,7%.

Ceci pour vous donner un aperçu de l'évolution de notre économie. Il faut également souligner la politique du gouvernement en terme de maîtrise de l'inflation pour laquelle notre objectif est de nous situer en dessous de la barre des 4%. Les trois premières années elle était quasiment nulle, pour atteindre en l'an 2002 les 3%, ce qui reste raisonnable. Il faut souligner que dans notre économie nationale l'inflation est très néfaste, en effet il s'agit avant tout du bien être de notre population. Notre économie nationale étant fortement dollarisée, et les salaires étant payés en Riels, une variation, même infime, se traduit directement par une perte de pouvoir d'achat. Cette année 2003 a été dans ce sens très délicate, car le Riel s'est déprécié durant les 6 derniers mois de 6%. Il

faut bien entendu considérer qu'en juillet se tiendront les élections et malgré le bon climat actuel cela entraîne toujours une certaine incertitude.

En ce qui concerne les réserves du pays, elles couvrent habituellement 3 mois et demi de nos importations. Cependant, encore une fois due à une mauvaise conjoncture internationale et régionale nous avons dû nous limiter, cette année, à deux mois et demi de réserves.

Je pense avoir partagé avec vous les principales données macro-économiques du Cambodge durant les dernières années. Il y a cependant un dernier point que j'aimerais souligner ; Il y a actuellement dans notre pays une polémique générale sur la redistribution des bienfaits de ces indicateurs vers notre population. En effet certains affirment, en y incluant l'UNDP, que la redistribution n'est pas efficiente. Je donne un exemple concret, lorsque nous construisons une route et nous permettons à nos populations de réduire leur temps et coûts de transport, cela n'a-t-il pas un impact direct positif sur la pauvreté ? Il ne faut pas se limiter à l'analyse des simples indicateurs sociaux mais avoir une vision plus large et surtout à plus long terme de l'impact de la politique de notre gouvernement sur le bien être de nos populations.

Au cours de ce second mandat du gouvernement nous avons fortement mis l'accent sur la construction de notre infrastructure, et en particulier sur les routes, car désenclaver le pays et permettre aux flux physiques de pouvoir y circuler avec plus de facilité est pour nous une priorité dans le cadre de notre Stratégie Nationale de Réduction de la pauvreté.

**En ce qui concerne le budget national, pouvez vous nous donner un aperçu de ce dernier en terme de provenance et de répartition vers les différents portefeuilles ?**

Je souhaiterais tout d'abord partager avec vous certains chiffres en terme de pression fiscale, afin d'introduire les finances de notre gouvernement. Au cours du premier mandat du gouvernement la pression fiscale ne s'élevait qu'entre 6 et 6,5 de notre PIB, ce qui est très faible. Au cours de notre second mandat, grâce à notre réforme des finances publiques, nous avons pu accroître ce chiffre pour atteindre de 8,5 à 9%. En règle générale nous avons augmenté les revenus du gouvernement d'environ 1% de notre PIB par an. Cet effort de mobilisation des revenus est nécessaire afin de financer les services publics ainsi que les investissements en infrastructures, bien que ces derniers aient été bien évidemment financés en partie par des prêts et des aides multi et bilatérales.

Dans ce cadre j'aimerais vous présenter quelques chiffres qui présentent nos projections en terme de recettes et de dépenses de l'Etat sur les prochaines années ;

Table 2.1. Cambodia: Key Macroeconomic Indicators, 1999-2007

(in percent of GDP, unless otherwise indicated)

1999(Act.)	2000(Act.)	2001(Act.)	2002(Act.)	2003(Proj.)	2004(Proj.)				
2005(Proj.)	2006(Proj.)	2007(Proj.)							
Real GDP growth, %	6.9	7.7	6.3	5.5	4.7	5.8	6.0	6.3	6.5

Per capita GDP nominal	264	262	260	273	282	289	298	308	319	
GDP (CR, B, current price)	12587	12932	13357	14377				15474		16863
18403	20149	22103								
GDP (US\$, M, current price)	3300	3351	3404	3659	3869	4058	4299	4570		
4866										
CR/US\$, average official rate	3813	3859	3924	3917	3995	4115	4238	4365		
4495										
CPI (% increase, Q4/Q4)	0.0	0.5	-0.5	3.0	4.0	4.0	4.0	4.0	4.0	
Budget revenue	10.6	11.2	11.7	12.2	11.6	12.6	13.9	14.3	14.5	
Budget expenditure	14.7	16.4	17.7	19.4	19.4	19.9	19.4	19.7	20.2	
Current budget deficit/surplus	1.6	1.5	1.2	1.5	0.0	0.5	1.3	1.3	1.2	
Overall budget deficit	-4.0	-5.2	-6.0	-7.2	-7.6	-7.3	-5.5	-5.4	-5.7	
Domestic export (US\$, M)	921	1206	1295	1659	1926	2204	2448	2692	2961	
Retained import (US\$, M)	1219	1662	1809	2230	2480		2821	3074	3350	
3685										
External C/A (US\$, M)	1/-	-295	-336	-426	-406	-441	-470	-481	-493	-496

A travers notre politique de dépenses publiques, nous cherchons avant tout à assurer une stabilité macro-économique. En effet tous ces facteurs sont directement liés ; si nous connaissons une inflation importante, et notre stabilité macro-économique est mise en péril, il en va directement de notre stabilité politique, ce point est donc stratégique pour le développement du pays. Nous entendons respecter ce cadre, avec l'aide de nos partenaires tel que le FMI, pour que notre stabilité macro-économique soit assurée.

Si nous nous référons à cette année 2003, de la même manière que nous avons révisé à la baisse notre croissance, nous allons également devoir le faire avec nos prévisions en terme de recettes. Cependant les dépenses vont être maintenues, et c'est à ce niveau là que se situe le problème ; nous avons une pression importante due à la mauvaise conjoncture et, une fois encore, à la tenue des prochaines élections. Cependant je reste optimiste car après les élections nous connaissons un regain de confiance sur le marché national, nous avons déjà connu ce phénomène en 1998.

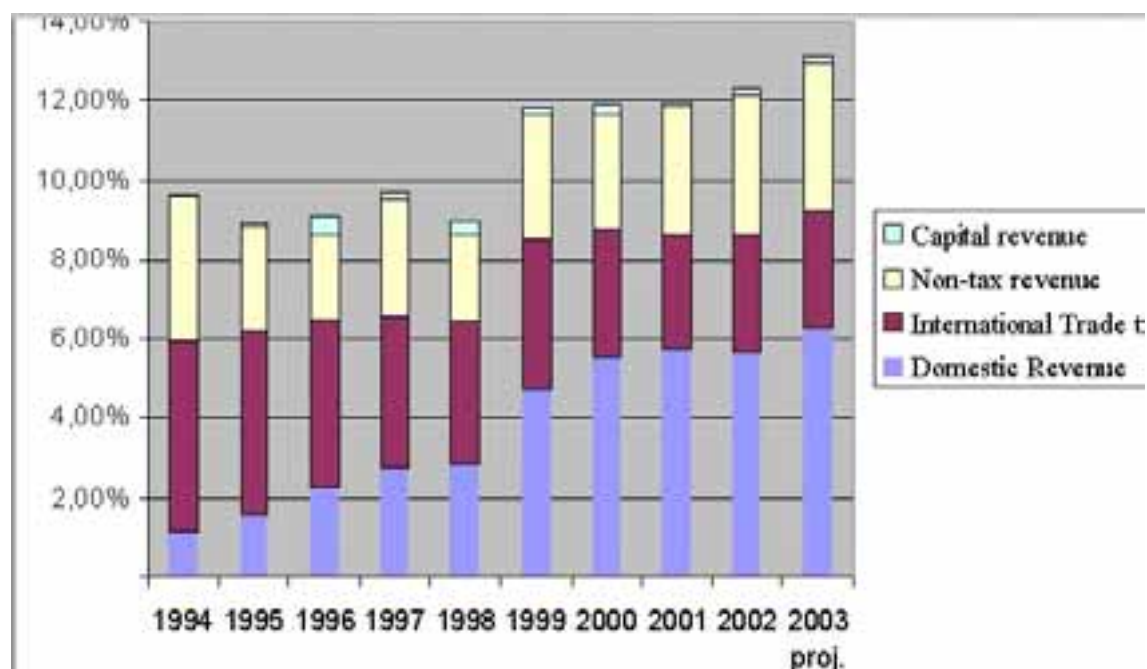
En terme d'allocation des ressources il faut souligner que nous avons réduits les dépenses militaires et sécuritaires de 6,9% du PIB en 1994, à environ 3% actuellement. Ces réductions sont bien évidemment en faveur des dépenses sociales, qui représentent aujourd'hui 3% en comparaison avec le 1% de 1994. Ces dépenses se dirigent essentiellement sur 4 ministères prioritaires qui sont ; le ministère de la santé, le ministère de l'éducation, le ministère de l'agriculture et enfin le ministère du développement rural.

Il y a un autre point qu'il est important de souligner dans le cadre de notre réforme des finances publiques ; La proportion des recettes tarifaires et des recettes provenant du marché interne s'inverse. Auparavant, les taxes douanières représentaient 80% et le marché interne 20%. Nous avons réussi à inverser cette tendance afin de conforter notre position au sein de l'ASEAN ainsi que notre prochaine adhésion à l'Organisation Mondiale du Commerce ; Au jour d'aujourd'hui, cette proportion est de 54% pour les recettes internes au pays et 46% pour les recettes tarifaires. C'est également une performance, car



si nous n'avions pas mis en place et respecté nos réformes nous n'aurions pu atteindre ces résultats qui sont nécessaires afin de faire face à l'échéance de notre adhésion à l'OMC. Il s'agit d'un enjeu important ; notre intégration régionale tout d'abord et internationale par la suite.

## PROVENANCE DES TAXES COLLECTEES EN POURCENTAGE DU PIB



**Comme vous nous l'avez mentionné, renforcer les capacités de l'état par une meilleure mobilisation des ressources est une étape essentielle afin de pouvoir garantir les services minimums et ainsi créer un climat favorable à l'investissement. Dans ce cadre, plusieurs réformes sont en cours tel que la réforme douanière, des taxes ainsi que le renforcement de la gestion du budget nationale. Pouvez-vous nous décrire les principaux résultats obtenus au jour d'aujourd'hui ?**

Nous pouvons mesurer les résultats de ces réformes tout d'abord par les performances de l'administration des impôts, des douanes et par la meilleure gestion de notre budget. Affirmer que nous sommes satisfaits de ces résultats, non pas encore, nous avons encore un long chemin à parcourir. Affirmer que nous sommes à l'aise, non, nous ne sommes pas encore dans une situation où nous avons une certaine marge de manœuvre. La pression des demandes de dépense est telle que notre ministère a des difficultés à gérer cette situation. C'est la raison pour laquelle nous avons tiré une sonnette d'alarme au Premier Ministre, qui nous a écouté. Parallèlement nous devons faire face à d'autres obligations, au niveau international en tant que président de L'ASEAN par exemple, et national avec les demandes de la population pour un investissement croissant dans les infrastructures au niveau rural. Là encore, j'aimerais répondre à ceux qui prétendent que la décentralisation n'apporte rien ; au contraire nous travaillons actuellement pour que les services publics puissent atteindre la base de notre population, en d'autres termes les zones rurales. Dans ce cadre les infrastructures sont, bien entendu, un point crucial

mais il y a également d'autres commodités tel que l'électrification du pays, l'accès à l'eau potable, etc.

Il faut considérer que nous n'avons joui jusqu'à présent que de moins de cinq années de paix, et il est impossible en ce laps de temps de tout réaliser, cependant les progrès sont là, malgré les difficultés. Dans ce cadre nous faisons face à un problème important de liquidités, de cash-flow. Ceci est dû en partie au fait que l'Etat avait pris certains engagements et que l'heure venue l'argent avait déjà été dépensé pour faire face à la série de calamités climatiques qu'a connues le pays. Nous sommes de bonne volonté mais nous devons bien évidemment parer au plus pressé. Suite aux calamités climatiques, notre population a beaucoup souffert mais grâce à notre action immédiate nous avons pu alléger part de cette souffrance et limiter les conséquences économiques de ces événements en sauvant une grande partie des récoltes agricoles.

Nous sommes un pays très jeune, nous avons à peine commencé à nous engager sur un long chemin qui nous mènera très certainement à la prospérité pour le pays et sa population. Cependant ce chemin est juché d'embûches et nous devons y faire face au quotidien. Nous sommes actuellement en train d'établir les bases qui permettront un développement, et nous entendons y arriver pas à pas. Nous sommes déjà membre de l'ASEAN et prétendons à l'adhésion au sein de l'OMC, nous voulons nous situer au même niveau que les autres pays. Je dois également confesser que pendant les années 1993/94 j'étais très pessimiste en ce qui concerne le développement des ressources humaines, cependant la jeune génération, malgré que leurs diplômes ne soient pas aux standards internationaux, bénéficie aujourd'hui d'une éducation de base qui s'est considérablement amélioré. Cette jeune génération a réussi à me redonner confiance en leur contribution à l'avenir de ce pays. En témoignage de cette confiance je dois vous avouer que cette jeune génération fait partie intégrante de mon équipe et me démontre au quotidien leurs qualités. Pour la petite histoire, beaucoup d'entre eux ont également été choisis par le Premier Ministre afin de l'assister dans sa lourde tâche de gérer le pays, tel que le Dr. Moniroth, le Dr. Naron, Sok Chenda, Yanara, etc. Ce qui témoigne de leur qualité et de la confiance que nous pouvons avoir dans cette relève.

**La création d'un environnement propice à l'investissement est essentielle pour le développement du secteur privé. Celui-ci joue en effet un rôle croissant dans la création de richesses. Dans ce cadre, quelles sont les actions entreprises par votre gouvernement afin de favoriser son développement ainsi que celui des PME, qui garantissent à terme le dynamisme de l'économie nationale ?**

Le soutien au secteur privé est un point essentiel de la politique de notre gouvernement que je vais vous présenter en trois volets ; tout d'abord la philosophie générale du gouvernement, en second lieu les développements au niveau sectoriel et en dernier lieu les actions concrètes qui ont été entreprises dans ce sens.

Je pense que vous l'aurez déjà entendu de notre Premier Ministre, notre Ministre du Commerce ainsi que nos collègues du CDC ; nous considérons le secteur privé comme le moteur de la croissance de l'économie nationale et nous travaillons afin que ce concept devienne une réalité. Tout d'abord en garantissant un environnement favorable ; au niveau légal, mais aussi au niveau de la gouvernance afin que le secteur privé puisse s'épanouir. Dès la première année de la seconde ère du Royaume, et j'insiste sur ce terme car il ne s'agit pas du second Royaume, nous avons beaucoup misé sur l'Aide Publique au Développement (APD). Cependant nous savons que cette politique ne peut être appliquée sur le long terme, car tous les pays ont leurs propres contraintes. Dans ce cadre, la principale source de mobilisation des ressources doit être le secteur privé ; qu'ils soient nationaux ou étrangers, nous devons les encourager à investir sur le territoire national.

Nous avons distingué dès le début, j'ai d'ailleurs rédigé un document qui a été approuvé par le Conseil des Ministres et présenté aux pays donateurs, la séparation des tâches entre l'Etat et le secteur privé. Pour cette raison, dès 1995 nous avons introduit dans notre loi des finances les privatisations à venir. L'Etat ne va pas s'impliquer dans l'industrie, le commerce, les services ou les finances (mis à part les finances publiques) pour laisser les principaux pôles économiques aux mains du secteur privé. Dans le cadre des plus grands projets de privatisation déjà planifiés, je peux citer notre industrie du caoutchouc ou encore notre Banque du Commerce Extérieur. Notre philosophie est de substituer les déclins en APD par l'investissement privé. Notre objectif est d'atteindre 30% de notre PIB en investissement aussi bien publique que privé afin que l'économie du pays décolle réellement. Actuellement nous sommes aux alentours des 20%, mais dès à présent je considère que c'est le secteur privé qui va prendre la relève pour le développement du pays. Et nous sommes prêts, dans le cadre d'une stratégie "win-win" entre celui-ci et notre gouvernement, à leur concéder tous les avantages possibles. Dans ce cadre nous avons adopté les formules de BOT, par exemple pour notre aéroport, avec le Groupe Vinci.

Il faut également souligner, dans l'application de cette vision, les points forts et les points plus faibles. Nous devons actuellement tout reformer ; car pour un secteur privé fort, il faut développer un service public qui puisse servir au mieux ses intérêts. L'administration doit être amicale avec le secteur privé et non pas seulement régaliennne. La reforme de notre administration, de nos institutions légales et judiciaires, est donc une nécessité car il faut être en ligne avec les normes internationales ainsi qu'avec nos partenaires tel que l'ASEAN et bientôt l'OMC. Ceci va renforcer la confiance du secteur privé. Dans ce cadre nous avons fait d'important progrès, mais le secteur privé reste insatisfait. Afin de palier à cette situation nous avons créé un forum entre le gouvernement et le secteur privé. Sok Chenda en est le Secrétaire Générale, quant à moi je suis le coordinateur de ce forum avec d'autres ministres afin d'encadrer les sept groupes de travail qui ont été créés. Avec M. Sciaroni, qui travaille dans une firme de droit, nous nous occupons du groupe de travail qui traite de gouvernance, taxes et lois. Grâce à ces groupes de travail nous débattons directement avec le secteur privé sur les grandes orientations de notre politique publique, ainsi que sur leurs préoccupations dans les divers domaines de

compétence de chaque groupe, avant de passer les réformes au Conseil des Ministres. Nous avons ainsi pu amender, en collaboration avec le secteur privé, notre loi sur les investissements, notre loi sur les taxes et notre loi sur la comptabilité et l'audit. Nous disposons également de notre propre Institut de Comptabilité et notre Conseil de Comptables qui proviennent tous deux du secteur privé. Nous avons également collaboré pour la réduction de la contre-bande.

Nous considérons le secteur privé comme un partenaire pour le développement du pays. Récemment nous avons également préparé un code civil et avons, bien entendu demandé l'aval du secteur privé. Ceux-ci ont répondu en affirmant qu'ils nécessitaient du temps afin d'étudier en profondeur ce code, nous avons donc fait le pas de demander à notre Ministre de la Justice de différer son adoption afin que nous puissions prendre en compte les recommandations de notre partenaire privé, avant de le présenter au Conseil des Ministres. Pour vous démontrer l'importance que nous accordons à leurs opinions ; lorsque nous avons un désaccord sur un dossier particulier, nous présentons les deux avis à notre Conseil Interministériel afin que celui-ci fasse office de juge et prenne la décision finale ; à deux reprises, le conseil des ministres a tranché en faveur du secteur privé. Au même titre que le gouvernement ils sont directement impliqués dans le débat pour l'amélioration de notre climat général d'investissement.

Cependant il y a encore un point sur lequel ils ne sont pas satisfaits, il s'agit des dessous de tables. Sur ce point j'aimerais insister sur le partage des responsabilités entre le gouvernement et le secteur privé. En effet, certaines entreprises du secteur privé, au lieu de régler leurs litiges ou problèmes par la voie officielle, préfèrent régler leur problème à l'amiable directement avec des officiels du gouvernement. Au lieu de choisir de régler le problème d'une forme générale, ils préfèrent s'atteler à leurs problèmes individuels. Si le secteur privé ne joue pas le jeu de la transparence, il a distorsion du système, il faut donc une plus grande conscientisation de ce problème de la dynamique du système des acteurs.

En ce qui concerne le développement des Petites et Moyennes Entreprises (PME), elles représentent un point essentiel pour le bien être de notre population tout d'abord, et bien entendu pour le dynamisme de notre économie. Le principal problème se situe en terme de financement et nous travaillons dans ce cadre avec plusieurs partenaires tel que l'Allemagne, la France ou encore le IFC afin de pouvoir garantir un financement minimum pour le développement de ces PME.

Le secteur financier est bien entendu un point stratégique aussi bien pour le développement des petites et moyennes entreprises que pour le soutien au secteur privé dans son ensemble. C'est pourquoi nous avons défini un road map pour le développement du secteur pendant les dix prochaines années. Nous allons compléter la première phase qui s'étend jusqu'en 2004, ce road map devant être achevé en 2010. Ceci inclus le développement de notre système bancaire et des assurances, ainsi que nos systèmes de leasing, des marchés des capitaux et autres produits financiers. Dans ce cadre le

gouvernement ne joue qu'un rôle de régulateur. Nous travaillons en collaboration avec la Banque Asiatique de Développement (BAD) et la Banque Mondiale, en conservant à l'esprit les reformes nécessaires pour notre adhésion à l'OMC.

**Si nous nous focalisons essentiellement sur l'investissement direct dans le pays. Quels sont les principaux constats et les challenges à venir pour le Cambodge ?**

Le challenge à relever au jour d'aujourd'hui reste la mise en place d'un environnement favorable à l'investissement à travers le renforcement de notre système juridictionnel et de notre bonne gouvernance, ainsi que la capacité du gouvernement à assurer les services minimums à moindre coût pour le secteur privé. Dans ce cadre j'inclus bien évidemment le développement de nos ressources humaines. Notre ministère contribue activement dans ce processus avec la création de notre propre Institut Economique et Financier qui forme beaucoup de nos commis de l'Etat, avec le soutien de plusieurs donateurs et du secteur privé.

Ces derniers temps nous avons observé un fléchissement de l'investissement direct dans tout le sud est asiatique, au bénéfice de la Chine. Cependant le Cambodge a fait des progrès considérables, même si nous ne sommes pas encore satisfaits, nous devons souligner les évolutions positives dans ce sens. Les progrès ne se mesurent pas uniquement en terme de déclaration d'intention mais surtout en terme de concrétisation. Avant 1998, nous avons délivré un nombre important de licences, cependant le taux de concrétisation se situait aux alentours des 25%. Aujourd'hui ce même taux atteint les 75%.

**Comme vous nous l'avez également mentionné, le Cambodge est membre de l'ASEAN et présente sa candidature à l'OMC. Cette intégration ouvre bien entendu de nouvelles opportunités au pays mais présente également de réelles menaces, particulièrement pour le secteur de la confection, qui demeure l'un des piliers de votre économie. Pouvez-vous nous faire part de vos commentaires sur cette intégration croissante du pays ?**

Je pense que nous devons être très réalistes sur ce sujet, l'industrie de la confection reste dans ce domaine le talon d'Achille de notre économie. Cependant même si nous n'avons plus accès à un traitement de faveur, je pense que le Cambodge dispose de certains avantages comparatifs par rapport à ses principaux concurrents. Ces avantages ne se situent pas uniquement en terme de bas coût de main d'œuvre, mais surtout en terme de standards de production. Les Américains, ainsi que beaucoup de pays européens, ne sont plus disposés à acheter des produits en provenance de " sweat shops " dans lesquelles les conditions minimums de travail ne sont pas respectées. Nous acceptons les règles du jeu et avons établi dans notre pays une politique triangulaire incluant non seulement les propriétaires de ces entreprises et le gouvernement mais également les travailleurs, tout cela sous la supervision de l'ILO (International Labour Organisation). Nous devons utiliser cette politique comme un avantage comparatif pour le Cambodge, certes les prix de nos produits ne sont pas les plus compétitifs cependant nous garantissons non

seulement la qualité de ces derniers, mais surtout le respect des normes internationales de travaux.

**Nous sommes également intéressés par l'homme derrière l'institution. Vous avez accompagné le développement du pays en faisant partie de tous les gouvernements depuis 1960, pouvez vous nous en dire plus sur votre parcours professionnel ?**

J'ai une formation d'ingénieur civil du génie maritime et en génie atomique et avant de venir au Cambodge, je travaillais en France dans la recherche thermonucléaire. Cependant j'ai considéré que je serais plus utile dans mon pays alors je suis revenu, malgré qu'il n'y ait aucun programme nucléaire à développer au Cambodge. En revenant, je suis devenu directeur général d'une société de construction civile avec laquelle nous avons réalisé et/ou réhabilité un nombre important d'ouvrages tel que la route Nationale de Phnom Penh vers Sihanoukville, l'actuel aéroport de Phnom Penh, ect. Et à travers cette expérience j'ai acquis une bonne connaissance du territoire cambodgien. Les conditions de travail n'étaient pas toujours les meilleures, nous avions des délais très court de réalisation et plus d'une fois nous avons du finir nos ouvrages de nuit car nous devons prendre gare aux intempéries, en cas de pluie par exemples, à chaque minute nous perdions 100 USD.

Puis le Prince Sihanouk, à l'époque, considérant mon background en sciences et mathématiques, m'a honoré en me demandant de fonder l'université en province, l'Université Royale de Kampong Cham. J'en étais le premier recteur. Suite au succès de ce projet, j'ai été appelé à la tête du ministère de l'industrie, ce qui correspondait assez bien avec ma formation car je suis par ailleurs ingénieur. Il me manquait cependant, considérant que j'avais essentiellement une expérience en entreprise, une approche de l'économie sectorielle, que j'ai acquis grâce à cette expérience.

Puis la guerre éclata et le pays fut scindé en deux. A ce moment là je suivis le Roi à Pékin, qui représentait à cette époque la résistance, afin de l'assister en tant que ministre à la présidence du Conseil des Ministres. Je suis ensuite rentré au Cambodge avec le Roi pendant l'époque des Khmers Rouges, et j'ai survécu par chance, car depuis 1978 j'étais devenu une cible. Bien heureusement, l'intervention des troupes de Hun Sen avec les volontaires vietnamiens m'a permis de m'échapper avec le Roi à New York.

Cependant étant séparé de ma famille depuis 3 ans et n'ayant pas de leurs nouvelles je ne pouvais partir et je me suis rendu à la frontière thaïlandaise afin d'assurer leur sécurité. J'ai tout d'abord retrouvé mon fils, que j'ai envoyé à l'étranger ainsi que ma femme. On m'a ensuite assuré que ma fille était en lieu sûr. Une fois rassuré j'ai quitté le Cambodge, pour rejoindre Paris et travailler dans une entreprise privée en tant que directeur des opérations internationales. Ensuite j'ai rejoint L'UNIDO comme co-directeur pour le management stratégique du développement industriel dans l'ancien Zaïre. Cette expérience m'a permis d'acquérir une nouvelle dimension de l'économie, celle de la macro-économie en collaboration avec la Banque Mondiale, le FMI, ect. En 1992 je suis rentré au Cambodge en tant que consultant pour l'UNDP. J'ai ensuite été

nommé conseiller du Gouvernement de l'Etat du Cambodge de notre actuel Premier Ministre Samdech Hun Sen avant les élections. En 1993, j'ai été nommé Vice-Premier Ministre pour le gouvernement provisoire, avant d'être promu au poste de ministre d'Etat pour la réhabilitation et le développement du pays. Suite à une crise ministérielle et au départ de Sam Rainsy, j'ai pris le poste de Ministre de l'Economie et des Finances depuis octobre 1994, jusqu'à présent.

## **INTERVIEW WITH H.E. SO KHUN, MINISTER OF POSTS & TELECOMMUNICATIONS THE KINGDOM OF CAMBODIA**



**Phnom Penh, June 27th, 2003**

**Reportage Special pour World Investment News et Far Eastern Economic Review.**

**Can you give us a background and main developments of the Telecommunications and IT sector in Cambodia?**

The Cambodian telecommunications sector has developed rapidly in the last 10 years. Before 1992, telecommunications in Cambodia was not really significant and in terms of infrastructure, not much had been set up. From 1992 on, the Royal Government of Cambodia, under Hun Sen's leadership, opened the telecommunications sector to foreign operators. The government started a joint venture with an Australian company called Telstra to develop the international



gateway. Even though it was very hard to attract foreign investors towards Cambodia, the telecommunications sector in this country had two points of interest. First we put into place a very liberal and open market and second there were plenty of donations from international organizations to help develop the sector. The private sector is mainly investing mobile phone services. Currently there are several operators in the country 011, 012, 016, etc...

On the other hand, the donations from foreign countries like Japan and France are mainly focused in the expansion of the landline telephone network. Japan is particularly active supporting the switching gear with capacity for a few thousand lines. The German government has also helped us to set up a cable network.

After the signing of the peace agreements, the UNTAC assisted us to set up a telephone network. When the UN mission came to an end, they left behind the network which was taken over by the Cambodian government. The penetration of fixed telephone lines is still low at present, only 3 per 1000. 85% of it is in the capital Phnom Penh and it is available in all provincial cities but not in the remote areas of the country. At the same time, the amount of mobile users is above 300,000. We have one of the highest proportions of mobile phones to fixed lines in the world.

**What are the main infrastructure works undertaken by the Ministry and its partners?**

Thanks to the German cooperation, we built an optic fiber transmission line from Thailand along road number one reaching Phnom Penh and linking the country with Vietnam. Thanks to this experience, the Ministry decided to finance and install with its own staff a 400 km underground line linking Serei Saophoan to Siem Reap. Now we are planning to start extending the lines towards the rural areas under the rural telecommunications development plan, we have to secure the equipment and the building will start. Next to our plans, there are also external initiatives like a Japanese group who is making a study for the construction of an optical fiber transmission line from the province of Kompong Cham passing by Takeo and Kompot to reach Sihanoukville. On the mobile telephony arena, each private operator is expanding their coverage to other areas in the country and what concerns Internet services, we have private and state owned providers. The setting up of the Internet in Cambodia was possible thanks to the assistance of a Canadian NGO.

**The Ministry of Posts and Telecommunications has an operational side. There are already plans to privatize this operation to transform it into Telecom Cambodia. Can you tell us the main developments in this area and when this privatization take place?**

The Ministry should have to be the regulator and not the provider, so indeed we are engaged in a policy of privatization of our services. The first step is to set up the Telecommunications Authority (TCA) in order to be able to prepare a Telecommunications Law. We have drafted some suggestions on how this regulator should have to function and discussed it for a long time with the

Ministry of Finance how to set it up. The privatization is needed, but we don't want to go too quickly to avoid problems. We need to solve subjects like staff and assets and for that we have to create a committee. The ADB will assist us with foreign experts to set up these laws. They came last February to finalize the law that we want to see approved by the National Assembly by 2004. This year we have been able to finish the Law on Postal Regulations.

**The Royal Government of Cambodia is making great efforts to reach the international standards of IT development with the formation of NiDA and the formulation of an ICT master plan. Can you tell us more about this institution and its role in the promotion of IT in Cambodia?**

We really support this new entity, they have a very strong team with the prime minister as chairman. The NiDA has undertaken the task to create an ICT master plan and they are being assisted by Korea and Japan. They are also in charge of setting up the e-government, so they are being very useful to help structure internally all the governmental institutions.

**You mentioned that the Ministry builds its own infrastructure and that you are supporting NiDA to achieve its goals. Does the Ministry have a training policy to get skilled staff for all the projects?**

Indeed, we have one training center for mid-level technicians. When it comes to higher level of skills, we actually have a program to send our people abroad to Japan, Korea or Malaysia for instance. On top of that, Cambodia has also a university with a faculty of telecommunications.

Your Ministry is handling a sector with What about other

We have a...with a local company to set up a VOP network. I have heard they are in a trial period. I have already...and also you see from PP university...slowly we will call these companies to help us and the government will manage the VOP.

**Gateway opening?**

We have plans in the master plan to expand the number of gateways. We have the plan to have only two gateways in the first ten years.. For the moment they will handle the traffic. The Cambodian traffic is not enough for more gateways.

The government needs to privatize the commission so IT will develop through this policy. This government tries to facilities but the market is low and the investment is low... We provide the license for the cdma but the investor can implement because the market is slow. There are a lot of investors to contact me to invest but after they come they say they don't want to invest any longer. In telecommunication needs users and development of the country. Cambodia does not have enough users and so it will be a long term project for the long term investors. Stability of the country is important for the investor. Security is difficult for the investors.

I am pleased to say I was you see the engineer in irrigation before 1970 at the ministry of Agriculture. Many proposals I wrote and I helped the farmer in the provinces by living there for more than a year. When the liberation came I came back here again and the government assigned me to a different department. Department of Water Resources and I was assigned as Prime Minister of Agriculture 1985-1992. Then I was assigned as Minister of Public Works and Post and Telecommunications. In the provisional government at that time I was Minister of Transportation. And after elections I was assigned to be the Minister of Post and Telecommunications as a new independent department. I have a BA and Masters in Economics. I was also an MP in the first assembly.

We are very proud and pleased because I can assist my country from the beginning when it was very difficult. To see all the developments in which I have participated gives me pleasure. From 1979 you can see so many things that have improved. The workforce has improved and we hope that the development will with the assistance from outside. The government considers the telecommunications sector to be important in the development plans for the country.

**As Minister of Posts and Telecommunications, what is the message you want to bring over to our readers who are potential investors?**

We are very happy to invite all the foreigner investors who come and want to invest in the economy. Why tourism is not the ...full security, national security...we are now quite stable and the law and regulations comes to be more complete the investors will find it easier and easier to invest here in the country. Through you will you please help us to send the message. Cambodia needs investment from outside and we hope that this world will...we want to co-exist with the world we want to invite the whole world to come here...

## **INTERVIEW WITH H.E. SOK AN, SENIOR MINISTER, MINISTER IN CHARGE OF THE COUNCIL OF MINISTERS**



**Phnom Penh, March 16th, 2003**

**World Investment News & Far Eastern Economic Review.**

**As senior minister of the council of Minister, you are collaborating with all ministries of the Royal Government of Cambodia (RGC) and therefore have a global view on your country's economy. Could you give us the highlights of the Cambodian economy for the past 5 years and the RGC's main objectives for 5 the coming ones?**

Since 1999, Cambodia has made significant progress in the following aspects:

- Maintaining macroeconomic stability
- Strengthening the banking and some financial institutions
- Implementing fiscal reforms measures
- Ensuring a sound management of public property
- Increasing public investment to develop physical and social infrastructure
- Integration into the international community

In fact, since 1993 average GDP growth has reached 5.6 percent and during the last 3 years it was up to 7 percent, furthermore inflation has remained low (under 3%). The value of domestic currency has been broadly stable; due in part to the high degree of polarisation and the managed floating exchange rate policy, which have contributed to maintaining the value of the Riel. In addition, the Royal Government of Cambodia has adopted a policy of avoiding budget deficit (traditionally financed by the central bank).

Account deficit, for 2001, excluding official transfers, represented 6% of GDP (USD 217 Million). Official transfers were estimated to represent 8% of GDP. For the same year, Cambodia had an overall balance of payments surplus of USD 71 million. Foreign investment flows were estimated to be flat at USD 113 Million, due to global economic slowdown. With the implementation of measures

to improve the investment climate, such as improvement of basic economic infrastructure, amendment of the laws on investment, taxation, corporate accounting and audit (that entered into force on July 2002), FDI is expected to increase at around USD 150-200 Million per year.

With this in mind, the Royal Government of Cambodia has set out a comprehensive policy to increase Cambodia's international competitiveness. By focusing on development and improvement of physical infrastructure, the RGC is responding to increasing needs for basic services such as completion of the road network, low-cost water and power-supply, financial, information and telecommunication services. Moreover, the RGC will focus on the proposed industrial and Export Processing Zones (EPZ).

For the next 5 years the Royal Government of Cambodia aims to achieve;

- Sustainable real rate of broad based economic growth of 6 to 7 percent per year.
- Consolidation of peace and security; deepening and widening of reforms in all sectors such as fiscal, administrative, military, land and natural resources management; reduction of poverty; promotion of good governance; and macroeconomic stability.
- Establishment of a sound legal framework for private sector to conduct their operations, to ensure a fair competition, transparency and accountability of both private and public sectors.
- Sector's policies:
  - o Cooperation to develop vast untapped resources and potentials in agriculture and livestock's, particularly in high-value products and processed foods
  - o Promoting natural and cultural tourism development
  - o Industrial policy will concentrate on the following:
    - Labour-intensive industry such as garment, toys and footwear industry, some more natural resources-based industries and agribusiness.
    - Promoting SME and handicraft
    - Establish industrial and Export Processing Zones

**The budget of the state is still relying up to 40 percent on the international organisation's support, which has been playing a key role in the reconstruction of Cambodia. Could you explain us in which degree they cooperate with the RGC and your relationship for the past 10 years?**

Continuation of the ongoing efforts to improve aid coordination and management is a priority so that more resources are channelled to priority areas. Avoiding aid duplication, promotion of rational allocation and efficient utilization of resources will be achieved by the phased introduction of sector-wide and other approaches in specific sectors such as education and health. Such modalities, based on forging new partnership, offer the potential for improved aid coordination and management.

However, project aid can also effectively contribute to the economic growth and poverty reduction objectives if it is appropriately geared toward the Government national development strategy, policy and programs priorities, on the basis of

consultations with stakeholders. In addition, the government recognizes that the development potential of individual projects would have enhanced prospects of realization if the intended beneficiaries, or their representatives, were involved from the start in identification and design as well as implementation. The process of decentralisation and its potential for greater involvement of the poor in decisions that affect them is a positive move in that direction.

Achieving broad based economic growth and significant poverty reduction is a major policy challenge. It implies a national effort in which all stakeholders, under government leadership, work together to obtain agreed development objectives. The tasks ahead are complex and maintain the desired progress will require a sustained collaborative effort. Nevertheless, the government is confident that with the collective support of Cambodian development partners the required measures, such as sound macroeconomic management, better governance, health improvements, nutrition, land access, development of physical infrastructures, reduction of gender disparities and environmental protection is within the capacity of the national to achieve.

The important international institutions and cooperation's in Cambodia are the following:

Structural Adjustment Credit (SAC) WB

ESAF, PRS and growth facilities IMF

SEDF II, NPRS ADB

Working conditions in garment industry ILO

Reform of the system of Investment Incentives FIAS/ IFC- WB

Asean Investment Area-agreement ASEAN

**One crucial point nowadays within the several reforms undertaken by the RGC, is the demobilization of armed forces. How is evolving this process so far?**

Military demobilization is not only another success story of Prime Minister-led Government reform policy aimed at allocating scarce national resources to social sector, most specifically toward poverty alleviation, but also offers to the rest of the world a new model of reduction in forces, which generally responds to the special conditions of military reform and restructuring; needs of demobilized soldiers to build their lives as civilians and requirements of stakeholders who co-finance this project, as a whole.

Since 1999, over 40.000 names of soldiers were removed from the military payroll. As it turned out, the government can save from its national budget allocated to the army and transferred it to the social sectors development encompassing health and education while other economic development initiatives are being directed from non-productive sectors to the improvement of productive forces. Furthermore, military demobilisation has provided the opportunity to ex-combatants of prolonged and destructive warfare to become productive members of civilian society.

Last but not least, this military demobilisation greatly contributes to further pacifying the country in its process of continued democratisation and building up

of a culture of peace and non-violence. And finally, it goes without saying that demobilisation does help strengthen peace, stability and security in the region and the world as a whole as experiences and lessons learnt from this high political sensitive project will be shared with the rest of the world.

**You are also the chairman of the Apasara Authority, which is in charge of the development, exploitation and conservation of the Angkor site and other temples in the country. Could you give us the main lines of your policy in this field, the evolution for the past 5 years and your future perspectives?**

After years of being neglected due to war and insecurity, Angkor Archaeological Park has now been reintroduced to the tourism world. Since the introduction of the Royal Government of Cambodia open sky policy, a number of positive trends are noted in the area of social and economic development, tourism, and historical and monumental research.

APSARA Authority has primarily set the objective to maintain a balance between actions to protect the cultural heritage and the environment and the need to develop a strong tourism industry as part of a necessary socio-economic development in Siem Reap. To succeed this ambition, APSARA Authority is undertaking two major approaches; urgent and immediate approach and long-term approach. The urgent and immediate approaches are as follow:

### **1 Tourism Management**

- Directory signs and information panels are being put up for tourists,
- Temple approach areas are being planned so that there is a proper layout of business sites, parking lots, restroom facilities and visitor intake spaces,
- Trash collection and treatment in the park is being set up in order to maintain the quality of the environment surrounding the monuments,
- The establishment of rest areas, picnic areas and footpath are underway, so there is something for everyone to enjoy regardless of age,
- Tourist flow control by setting up tour routes,
- Establishing a training program in cooperation with the ministry of tourism for travel guides, thus the quality of offering service will be a token of a worthy experience for the tourist.

### **2 Monument management**

- There are 15 international organisations actively working with APSARA Authority in order to preserve the temples,
- Rules concerning tour inside and outside the monument (approach areas and surrounding park) are in practice,
- Information boards about the history of temples are being put up at the approach areas of the monuments, so tourist could understand the background of the temples,
- Training of monument guards is also necessary to improve their interaction with visitors and guides alike. They will become guardians of their own culture by providing insightful surveillance of their heritage,
- Encouraging travel agencies to inform their customers about the fragility of the heritage and elicit their compliance with the rules when visiting,

- Organising an awareness-raising seminar for local communities in order to get them involved in preservation and maintenance of the sites as well as tourism development,
- Offering local residents the tourism related employment opportunities and allow them to benefit first in line from tourism.

The major activities that need to be undertaken by APSARA Authority for the realisation of future development of the Angkor Site are the following ones:

1. Scientific, cultural and tourism communication; Angkor had hosted major events ranging from academic conference to environment awareness campaign to meaningful cultural shows and world-class entertainment. The ambition of APSARA Authority is to establish Angkor as a regional hub for cultural centres.

2. Environment awareness; Angkor will be the world's first cultural heritage site to be awarded an ISO 14001 certificate for the implementation of environment. Management System Environment promotions are in practices, as we were just kicked off the ASEAN Environmental Year in Angkor last month, reforestation is another fundamental element to promote sustainable environment.

3. The improvement of infrastructure; the improvement on transportation connections is vital for Angkor Archaeological park, as well as the whole region of Siem Reap. Based on this judgment, APSARA Authority had decided to construct three major roads connecting various temples in the park. This determinant was made because a well connected road system in the country would offer tourists a pleasant journey to Siem Reap and that travelling by plane or boat are no longer the options for them.

4. New attractions for visitors: visitors are now given a life time opportunity to view the greatest Angkor Wat temple from a hot air-balloon and helicopter with 360 degree angle.

5. Investment opportunities: APSARA Authority has reserved for investors a large portion of area with the capacity of 1007 hectares. This area is officially named as the "Gate to Angkor". The Gate of Angkor is potentially reserved to foreign investors who would want to seek greater investment growth in tourism facility.

Concerning the Energy sector, you are also the chairman of the Cambodian National Petroleum Authority (CNPA); could you introduce us, briefly its main attributions and objectives? The petroleum exploration is actually going on in Cambodia and could change the done for the country's development. What are the first results of this exploration and could you give us also an insight view of the overlapping claim area with Thailand?

The CNPA sees the discovery and processing of oil and gas products within Cambodia as a vital step in accelerating the country's economic development. At present, petroleum products for domestic and industrial use are imported, at



an ever-increasing rate and at great expense, from Singapore, Vietnam and Thailand.

In order to create a climate where such gains and benefits are possible, the CNPA is committed to putting in place certain regulatory and physical infrastructures. To this end, the CNPA's current development goals and objectives include:

- Providing a comprehensive legislative framework and a fair petroleum policy for the exploration and exploitation of oil and gas, comparable with international standards;
- Putting in place the necessary incentives to promote, encourage and accelerate the exploration and exploitation of oil and gas by the private sector;
- Establishing a National Petroleum Training Centre to ensure that sufficient local personnel are trained and skilled in relation to petroleum and mineral potential and production;
- Establishing a local Petroleum Laboratory to provide physical and chemical data in support of the supervisory, research, exploration and evaluation activities of the CNPA; and
- Supervising and regulating activities relating to the exploration, production, refinement and sale of crude oil, natural gas and other derivative products.

Exploration activities undertaken in Cambodia to date indicate that the geology of Cambodia is such that it is likely to be prospective for both gas resources and petroleum, and considerable petroleum reserves may exist. The following areas of Cambodia are considered to be the most prospective for Hydrocarbons:

- The offshore area in the Gulf of Thailand, being an area of approximately 27.000 square kilometres i.e. areas I, II, III and IV (totally 9 blocks), in relation to which Cambodia and Thailand have asserted overlapping claims for sovereign rights;
- Offshore Blocks I to VII located entirely within undisputed Cambodia waters, being an area of approximately 37.000 square kilometres which covers portions of the khmer trough; and
- The onshore Tonle Sap Basin, which extends for approximately 30.000 square kilometres in the northwest region of Cambodia.

Within the last year, the Royal Government of Cambodia and Thailand have made considerable progress toward resolving their overlapping claims to sovereign rights covering the OCA that is considered to be highly prospective for hydrocarbons, with some estimates of up to 11 trillion cubic feet of natural gas and undermined quantities of condensate and oil.

In June 18th last year, the RGC and Thailand agreed and signed a Memorandum of Understanding, regarding the Area of their Overlapping Maritime Claims to the Continental Shelf, to lay down the foundation for a new era of cooperation in relation to the Joint Development of Petroleum Resources which recorded their intention to divide the OCA into two zones and to attempt, through accelerated negotiation, to agree upon:

- A treaty of the joint development of the hydrocarbon resources located within the areas II, III, and IV of the OCA which have been designated the "Joint Development Area" (JDA); and
- A defined maritime border for the northern Area I of OCA, which has been designated the "Area to be Delimited".

Talking now about the offshore blocks, wells were drilled between 1991 and 1998 and three discoveries were made with these finds containing varying amounts of gas, condensates and light, waxy crude with low sulphur contents. Test flow rates were less than 5m cubic feet a day (cf/d) and 225 barrels a day (b/d) of oil and condensate. However, by the end of 1997, each of the original holders of the production sharing co-contracts had relinquished their blocks, at least in part due to collapsing world oil prices.

On March 18th, 2002, Chevron Overseas Petroleum (Cambodia) Limited (COPCL), Moeco Cambodia Co. Ltd., and LG-Caltex have been awarded block A, Offshore Cambodia, for the exploration and production of oil and gas (Map 4). Chevron Overseas Petroleum (Cambodia) Limited, which is the Operator, received a 55 percent interest in this block, which covered 6,278 square kilometres. 30 percent interest was awarded to Moeco Cambodia co. Ltd as a 100% subsidiary of Mitsui Oil Exploration co, Ltd. (MOECO). LG-Caltex, which is also Chevron Texaco's affiliate, got 15 percent interest share.

The drilled "High and Tight" plan for the initial two wells, namely Kdang Ngea and Angkea sel, were due to be conducted by COPCL in block A, in January 2003. The first well as been successfully completed, for the second one we expect it to be completed by 2004 as we need some complementary 3D seismic studies. Kdang Ngea well will appraise the area around Angkor-1 and Angkea sel well will appraise the area around Koah Tang-1. Kdab Ngea was spud and drilled successfully in good structural position. As a preliminary result, reservoir quality sands were found.

The offshore area includes the Khmer Trough, part of which is located in the OCA. This trough contains all of the offshore wells that have been drilled to date and is considered to share geology similar to the highly productive Pattani Basin in the Gulf of Thailand. However, while it has the potential for further discoveries, exploration will be challenging.

**Within this development context of the sector, many investment opportunities have to arise. What you be your message to potential investors?**

There are presently numerous opportunities for investment in Cambodia's petroleum industry. In particular, the CNPA is seeking foreign investment in:

- Renewing offshore hydrocarbon exploration;
- Further examining the potential of its onshore acreage; and
- Developing the necessary infrastructure to support petroleum operations.

Cambodia presently offers an attractive environment for investment in its petroleum industry, assisted by the following factors;

- The political environment in Cambodia has been stable in recent years and is likely to remain so, going forward. Cambodia has joined the United Nations and has become a member of the Association of South East Asian Nations (ASEAN).
- Cambodia has been experiencing consistent economic growth of between 4 to 6 percent per annum, and is the beneficiary of a variety of multilateral assistance programs, including soft loans through international agencies.
- The security situation in Cambodia has dramatically improved in recent years.

The Government has made it clear that one of its highest priorities is to encourage and facilitate the development. The CNPA has indicated its willingness to be flexible and proactive when considering any proposals for investment in the petroleum sector.

The present investment regime for proposals exploration and infrastructure projects in Cambodia is based on regulations and production sharing contracts. Each project is considered by the CNPA on a case-by-case basis, and the terms on which investment proceeds are flexible and may be negotiating with the CNPA. To date, all exploration arrangements have proposed production share terms between investors and the government.

The CNPA had data covering most of its available acreage and is willing to share this information with companies that are interested in conducting further exploration.

**Last but not least you are also responsible for the Management policy of the Cambodian Airports. We assisted recently to the launching of the "open sky" policy, which has been a success, which are your actual plans of development and do you have in mind the creation of a new national carrier, since Cambodia Airways collapsed a few years ago?**

At present, seven domestic airports are operated, managed and maintained by SSCA; Rattankiri, Mondulkiri, Stung Treng, Battambang, Koh Kong, Prei Vihear and Kratie. BOT/BOO/BOOT arrangements are being sought for upgrading five of these; Koh Kong, Stung Treng, Rattankiri, Prei Vihear and Mondulkiri.

Pochentong International Airport in Phnom Penh is contracted out for operation, management and development on a built-operate-transfer (BOT) basis to a French-Malaysian consortium. In April 2000, the government entered into an agreement that provides for a concessionaire (SCA) to operate Siem Reap airport and share revenues with the government. In the long-term it is expected that a new international airport will be constructed in Siem Reap to meet the demand of growing air traffic and for development into a profitable and self-financing operation. In conjunction with the development of leisure resorts and a free trade zone in Sihanoukville, there is the promise of development of Kang Krang airport as a regional and international airport. For Kompong Chhnang airport, global international freight services are planned as part of further development under ongoing BOT/BOO agreement.

In December 2000, the Government and SAMART Corporation entered into an agreement whereby SAMART established a company under Cambodian Law to develop and operate the civil air traffic control and air navigation system in the country, on a Built-Co-operate and Transfer basis.

The medium term goal of civil aviation is to provide safe, high quality, and cost-effective civil aviation services in a competitive environment, so as to maximize the contribution of civil aviation services to economic growth and international and regional cooperation.

The Government supportive objectives are;

- To establish a legal and regulatory framework,
- To develop commercially oriented airports,
- To develop and, where appropriate, privatise air navigation services,
- To introduce a new community navigation surveillance/air traffic management (CNS/ATM) system,
- To develop human resources to cater to the specialised economic, technical, and operational requirements of civil aviation,
- To transform SSCA from a single centrally-controlled Government agency into separate autonomous civil aviation entities,
- To develop information technology.

Concerning the possible creation of a new national carrier, we have the honour to inform that our royal government is doing its best to find out a partner for re-establishing our new national airlines.

## **INTERVIEW AVEC S.H.R LE PRINCE NORODOM RANARIDDH, PRESIDENT DE L'ASSEMBLEE NATIONALE**



**Special Report for World Investment News & Far Eastern Economic Review.**

Vous avez participé à l'ouverture de votre pays sous divers aspects, aujourd'hui vous êtes à la tête de l'Assemblée Nationale et par ce biais vous gérer les lois de votre pays. Tout d'abord pouvez-vous nous donner un aperçu historique de l'évolution des conditions d'investissement au Cambodge depuis 1993 ?

Je m'adresse à vous en ma qualité d'ancien Premier Ministre, en ma qualité de président de l'Assemblée Nationale et enfin en ma qualité de candidat aux futures élections et je l'espère, candidat au poste de Premier Ministre. En 1993, contre toute attente, aux élections organisées par les Nations Unis, mon parti, le parti royaliste Funcinpec, a gagné les élections. A cette occasion quelles sont les initiatives que j'ai prises afin d'attirer les investissements ?

Tout d'abords j'ai créé le conseil pour le développement du Cambodge (CDC). Je voulais créer un " One Stop Service System " ; Au lieu de se disperser, tous les investisseurs seraient dirigés vers cet organisme appelé le Conseil pour le Développement du Cambodge. Ensuite, toujours en tant que Premier Ministre, j'ai également pris l'initiative de faire voter, le 4 août 1994, une loi sur les investissements. Très simplement j'ai demandé à mes collaborateurs d'étudier quels étaient les avantages que proposaient les pays les plus libéraux de l'Asie du sud-est et nous avons fait en sorte de proposer mieux dans notre loi sur l'investissement, qui en conséquence est l'une des plus libérales au niveau mondial. Dans ce cadre, nous avons également afin de garantir une sécurité aux investisseurs, créé une loi sur la protection de l'investissement. Ensuite, toujours en ma qualité de Premier Ministre, j'ai pris l'initiative de sillonner le monde ; j'ai ainsi participé à divers forums économiques, tel que Davos à deux reprises ou encore des Forums économiques à Hong Kong ou à Singapour. Cette initiative avait pour objectif de faire connaître notre pays, notre nouvelle loi ainsi que le rôle du CDC. Nous organisons des petits déjeuners et des déjeuners pendant lesquels je m'adressais directement à des chefs d'entreprises pour les inviter à s'intéresser au Cambodge.

Le résultat est simple; de 1990 à 1995 l'investissement était très faible aux alentours de 100 millions de dollars. En 1996, nous avons atteints les 600 millions de dollars, démontrant que cette promotion a effectivement eut un impact positif sur l'investissement. En terme d'exportation cela s'est également concrétisé ; en 1993 nous n'exportons rien, en 1994 nous sommes passés à 700.000 USD et en 2002 nous avons dépassé la barre du milliard de dollars. Il est important de prendre en compte, lorsque nous parlons d'investissement, que le climat d'investissement d'un pays n'intègre pas uniquement les lois et organismes mis en place, mais tout particulièrement la confiance que les investisseurs ont dans la stabilité du pays, et c'est cette confiance que nous avons créé à travers cette promotion. Afin d'apprécier l'évolution de ces chiffres à leur juste valeur, il faut également que vous considériez l'héritage de l'époque qui se composait de peu d'intellectuels et d'un pays détruit par trois décennies de guerre, au niveau des infrastructures mais également de la structure de la société elle-même.

Le développement des infrastructures était donc également une priorité afin de pouvoir attirer les investissements ; le run-way de notre aéroport à Phnom Penh a donc été rénové, à mon initiative. Cependant l'infrastructure ne doit pas se limiter à la capitale ; j'ai donc négocié un prêt avec la BAD pour un montant de 14 millions de dollars afin de rénover l'aéroport de Siem Reap ; essentiel pour le développement du tourisme dans le pays. Dans ce cadre, j'ai également signé l'accord avec le Groupe Raffles afin de construire l'hôtel Royal à Phnom Penh et le Raffles à Siem Reap qui nous permettraient d'accueillir non seulement les touristes mais également les businessmen. Malheureusement tous ces efforts ont été réduits à néant par les événements de 1997. Suite à ces événements, qu'il ne convient pas de nommer en cette occasion, j'ai dut partager le pouvoir : ce qui est unique au niveau mondial, un vainqueur partage le pouvoir avec un vaincu.

**Au niveau macroéconomique, quelle a été l'évolution du pays pendant cette même période et quels ont été les principaux axes de développements que votre gouvernement a favorisés ?**

Tout d'abord en ce qui concerne les conditions macroéconomiques de l'époque ; l'inflation a été ramenée à 0,3%, ce qui est ridicule, la monnaie nationale était au niveau de 2700 Riel pour un dollar ; et à travers les années jusqu'à présent nous avons été en mesure de maintenir cet équilibre macro-économique.

En ce qui concerne les axes de développement du pays je suis convaincu qu'il existe trois pôles principaux ; tout d'abord le secteur agricole, qui est un secteur traditionnel dans notre pays et la création d'une agro-industrie.

Le second pôle est bien entendu le tourisme ; cependant nous désirons développer un tourisme respectueux des divers environnements. Tout d'abord l'environnement physique, ce que nous avons fait récemment avec l'adoption de la loi sur la protection des forêts, afin de pouvoir développer un eco-tourisme. Ensuite, il faut également considérer l'environnement culturel traditionnel du Cambodge, en développant nos danses, nos temples, nos traditions et nos festivals et non pas le tourisme sexuel, les karaokés ou les massages qui ne sont pas des traditions khmères.

Le dernier pôle de développement est celui de la création d'une industrie légère, car il ne faut pas nous bercer d'illusions et nous lancer dans une politique industrielle car nous serions confrontés à des pays tels que la Thaïlande, le VietNam ou la Chine contre lesquels nous ne pouvons être compétitifs. Dans ce cadre, nous avons pensé à développer l'industrie textile. Malheureusement cet objectif n'a pas été atteint et nous n'avons put développer que la confection ; en d'autres termes les matières premières sont importées. Malgré cela il est indéniable que cette industrie a créé aujourd'hui plus de 223.000 emplois et un chiffre d'exportation qui dépasse la barre du milliard de dollars. Cependant cette industrie est risquée due à sa volatilité (facilement délocalisable), mais également au système de quotas qui nous rend vulnérables et dépendants des Etats Unis. Il nous faut donc adhérer au plus vite à l'OMC afin de réduire cette vulnérabilité. Pour cela, l'Assemblée Nationale facilite l'adoption de toutes les lois nécessaires à cette adhésion ; Tel que la loi sur la propriété intellectuelle qui a été récemment promulguée. Sans cette adhésion le Cambodge ne pourra pas faire face à la pression de pays tels que la Chine ou le VietNam. Si nous adhérons à l'OMC en septembre nous serions l'un des premiers pays en voie de développement à relever ce défi.

**La stabilité macroéconomique et la mise en place d'un cadre légal favorable sont les bases pour l'attraction de l'investissement, Quels sont donc aujourd'hui les challenges pour le Cambodge afin de consolider l'évolution de ces dernières années?**

Tout d'abord il faut considérer, comme je vous l'ai déjà mentionné, le climat d'investissement dans le pays. Dans ce cadre j'inclus, bien évidemment, la

stabilité politique du pays et les prochaines élections de juillet vont être décisives sur ce point.

Ensuite il faut apporter des remèdes à certains maux dont le Cambodge souffre aujourd'hui ; tel que la corruption endémique. Je m'explique, prenons l'exemple d'un conteneur de 40 pieds que nous exportons depuis divers pays ; à Hong Kong les charges s'élèvent à 250 USD, en Malaisie à 274 USD, au Sri Lanka 205 USD, à Madagascar 400 USD et au Cambodge 1124 USD. Il est évident que dans ces conditions l'investisseur ne sera pas attiré vers le Cambodge. Ce coût pourrait être réduit, par exemple, par la réduction du VAT (10%) qui me paraît trop élevé. Cependant la corruption a sa part sur ce dernier point.

Analysons plus en profondeur ce phénomène. Quand vous parlez de garanties légales, la loi ne suffit pas ; en effet il faut une organisation judiciaire qui donne confiance et qui applique cette loi. La part du budget national accordé au système judiciaire est de 0,4%, en d'autres termes cela traduit des salaires bas pour les juges et encourage donc la corruption. Encore une fois, au risque de me répéter, une garantie légale sans un système judiciaire fiable n'est pas apte à créer un climat de confiance, nécessaire à l'investissement étranger. Avec Samdech Hun Sen, lorsque nous étions co-président du CDC, nous nous étions compromis à donner l'accord aux investisseurs en une semaine maximum. Cependant le One Stop Service (CDC) s'est aujourd'hui transformé en multi-stop service à cause de cette corruption, phénomène qui est actuellement présent dans toutes les sphères de la gente politique. Il est donc inclus dans mon programme une lutte active contre la corruption et c'est de cette manière nous pourrions attirer des investissements sérieux.

**L'Asie du sud-est est une zone de forte croissance économique au sein de laquelle le Cambodge doit faire face, en ce qui concerne l'attraction d'investissement étranger, à une dure concurrence. Il est évident que la taille et les ressources limitées de ce dernier sont un handicap important, comment pensez-vous surmonter ces difficultés ?**

Il ne faut pas considérer le Cambodge comme un marché en lui-même, il faut le considérer comme une plate-forme qui permettrait un accès à d'autres marchés, tel que le marché de l'ASEAN qui représente aujourd'hui 500 millions de consommateurs.

J'avais pensé à l'époque, malheureusement nous n'avons put le concrétiser à ce jour, à une initiative qui s'inscrirait dans le cadre de la création de cette plate-forme. Nous avons à Kampong Chhnang un terrain d'aviation qui a été créé par la Chine pour les Khmers Rouge de l'époque ; un terrain d'une qualité remarquable avec une piste de 3 kilomètres pouvant être étendu à 4km. J'ai ambitionné de créer un " cargo Hub ". L'espace aérien Cambodgien n'étant pas congestionné, ce qui n'est pas le cas de nos pays voisins tels que la Thaïlande ou Singapour, tous les cargos pourraient s'approvisionner au Cambodge sur cet espace privilégié. Annexe à ce Cargo Hub, j'ambitionnais de créer une zone duty free, à 3 kilomètres de la piste d'envol, d'où nous pourrions exporter les produits cambodgiens. Le site est exceptionnel, car vous y cumulez une route d'accès, une ligne ferroviaire, un fleuve ainsi que la piste aérienne, ce qui



permettrait, à moindres coûts, de développer ce Hub et augmenter la compétitivité des exportations cambodgiennes.

**Quelles est votre vision pour le développement du Cambodge dans les prochaines années ?**

Le Cambodge a sa place au sein de l'ASEAN, cependant il faut baser le développement du pays sur 3 points cruciaux ; tout d'abord la création d'une atmosphère favorable aux investissements ; Une atmosphère politique, une atmosphère sociale et également un climat de confiance. La valeur de la monnaie, par exemple, se base tout autant sur les performances économiques que sur cette confiance.

En second lieu, il faut créer un substitut à notre industrie de confection ; le substitue valable, selon moi, est l'agriculture et l'agro-industrie mais uniquement en terme d'excellence. En effet, si nous ne développons pas une agriculture de qualité supérieure, nous ne serons pas en mesure de concurrencer nos voisins qui bénéficient d'économies d'échelles.

Le troisième pôle est le plus important aujourd'hui ; c'est le développement des ressources humaines. Il faut prévoir les besoins de chaque pôle de développement du pays ; l'agriculture, l'industrie, le tourisme ainsi que les services, et orienter notre politique d'éducation dans ce sens. Si nous réussissions à relever ces challenges le Cambodge peut attirer des investissements sérieux et accélérer son train de développement, car les ressources humaines sont potentiellement très riches ; nous avons un peuple travailleur, volontaire et décidé à avancer dans la bonne direction.

**Vous êtes également à la tête du parti royaliste, le Funcipec, qui est actuellement en coalition avec le PPC au sein du Gouvernement Royal du Cambodge, pouvez-vous nous donner une brève introduction à votre parti ainsi que vos objectifs pour les prochaines années ?**

Le Funcipec est un parti royaliste, créé par Sa Majesté le Roi, pour lutter contre l'invasion étrangère, pour tout vous dire contre le VietNam en 1979. Nous avons ensuite gagné les élections en 1993 et au jour d'aujourd'hui, plus que jamais, nous sommes très reconnus.

Nous avons contribué à la construction de notre pays, non seulement à travers des mesures légales et la reconstruction des infrastructures, mentionnées précédemment, mais aussi par le rétablissement de la monarchie constitutionnelle et du drapeau actuel de notre patrie, ainsi que le retour de Sa Majesté le Roi au Cambodge. Cependant, la plus grande contribution du parti Funcipec a été de favoriser la réconciliation nationale et donc le rétablissement de la paix, qui est un élément essentiel pour le développement et la prospérité de notre pays.

En ce qui concerne nos principaux objectifs, je pense qu'il est nécessaire un changement d'image du pays. Même si nous avons fait d'énorme progrès dans ce sens, la perception, qui est beaucoup plus subjective et durable, n'est pas

encore à la hauteur des progrès qu'a réalisés le Cambodge ces dernières années. Dans ce cadre, il y a un point que j'aimerais souligner ; le Cambodge est aujourd'hui un des seuls pays au monde qui ne dispose pas d'une ligne aérienne nationale. Si nous parlons de changer la perception au niveau international cet élément est essentiel. Si nous prenons l'exemple de notre voisin thaïlandais ; l'année passée ils ont entrepris une grande campagne de communication afin de se promouvoir comme destination touristique et pour cela ils ont, bien entendu, utilisé toute leur flotte aérienne. Lors du lancement du " Visit Cambodia Year 2003 " nous ne disposions pas des mêmes atouts et n'avons donc pas pu avoir le même impact. Il me paraît donc essentiel, à terme, de recréer cet élément de notre identité nationale.

Il y a un second point sur lequel nous devons travailler, il faut garantir que le peuple bénéficie du développement économique du pays. Si nous prenons l'exemple du développement touristique ; sur 100 USD qui sont dépensés, uniquement 20% restent dans le pays. Si vous comparez ce taux avec d'autres pays tels que la France ou l'Espagne il atteint les 90%. Ces 20% cambodgiens représentent les salaires, en ce qui concerne la consommation des produits locaux, considérant qu'ils sont tous importés, il n'y a aucun effet démultiplicateur ce qui ne garanti pas que notre peuple puisse bénéficier du bienfait du tourisme dans le pays. C'est un point important sur lequel nous devons nous atteler, en faisant reconnaître nos produits par exemple comme des produits bio, ce qui pourrait garantir une consommation de produits nationaux. Dans ce cadre, les entrées illégales de produits par les diverses frontières terrestres sont également un point important sur lequel nous devons nous focaliser afin de pouvoir permettre ce développement. C'est ce visage du Cambodge qui pourra rendre une totale confiance aux investisseurs.

**Nous sommes également intéressés par votre personne, pourriez-vous, Votre Altesse Royale, nous donner un aperçu de votre carrière et votre plus grande satisfaction ?**

Comme vous le savez, je suis le troisième fils du Roi. J'ai fait mes études secondaires au Cambodge, avant d'entreprendre mes études de droit en France, pendant la période des Khmers Rouges. Je suis docteur en droit, dont une spécialisation en droit public et en droit aérien. En 1983, mon père m'a demandé de prendre la tête de la résistance car je suis, sans avoir suivi de cours à l'Académie Militaire, commandant en chef de l'armée. Pendant Lon Nol, et la République Khmère, j'ai été emprisonné à deux reprises ; j'ai été, à ces occasions, jugé et acuité. Je considère par ailleurs que l'on ne peut être politicien dans mon pays, si l'on n'a pas été emprisonné.

Je suis également le seul spécimen au niveau mondial de co-Premier Ministre, suite aux évènements de 1997. Pour la petite histoire à cette époque lorsque nous étions, Samdech Hun Sen et moi-même, en visite officielle à l'étranger et que nous étions accueillis avec le tapis rouge, il n'y avait pas suffisamment de place pour notre ôte sur le tapis, celui-ci étant prévu pour deux Premier Ministre uniquement, ne considérant pas l'exception cambodgienne. J'ai fait les choses différemment, peut-on dire. J'ai également été déposé, tout comme mon père, par un coup d'état. Suite à 9 mois d'exil et un jugement qui me condamna à 35

ans de prison et 24 millions USD de pénalités, on m'a permit de participer aux élections de 1998, à la suite desquelles je suis devenu président de l'Assemblée Nationale.

Plus personnellement je chante, je joue de la musique et j'ai également réalisé un film afin de promouvoir la culture cambodgienne. J'ai une autre passion qui est celle de piloter. Je pratique également le Golf, je ne triche pas beaucoup, et je me maintien en forme par un exercice régulier. Je me maintien également en forme intellectuellement en étant professeur en France dans mon ancienne université, deux fois par ans, ainsi qu'a l'institut d'études politiques où j'enseigne les régimes politiques d'Asie du sud-est. J'assure également deux cours en doctorat ; un cours de droit comparé à la faculté d'Aix en Provence ainsi qu'un cours de droit du développement. J'ai par ailleurs réalisé plusieurs thèses dont une sur les limites maritimes entre le Cambodge et les pays frontaliers.

**En dernier lieu, quel serait le message final que votre Altesse Royale voudrait transmettre aux investisseurs intéressés par le Cambodge ?**

Mon message final sera concis ; le Cambodge sur le plan interne des ressources disponibles, naturelles et humaines, ainsi que sur le plan externe, en tant que membre de l'ASEAN et de la communauté internationale, et nous l'espérons bientôt en tant en membre de l'Organisation Mondiale du Commerce, est un pays dans lequel il faut avoir confiance. C'est en faisant confiance au Cambodge et en participant à son décollage économique que vous pourrez également assister au décollage de vos investissements.

## **INTERVIEW WITH SAMDECH HUN SEN, PRIME MINISTER ROYAL GOVERNMENT OF CAMBODIA**



**The Kingdom of Cambodia is opening itself to the world economy with agreements such as your incorporation to ASEAN, the Great Mekong Sub region (GMS) or the WTO. What is the strategy of the kingdom within this context?**

The royal Government of Cambodia (RGC) has adopted a "win-win" policy and strategy that has led to genuine national reconciliation in the entire kingdom. The political and military organisation of the Khmer Rouge has been fully dismantled, and for the first time in the last four centuries, the entire Kingdom territory has been unified and peace restored. Cambodia, therefore has marched into the 21st century with a vibrant peace, ample national reconciliation and strengthened Democracy.

Cambodia's quest for integration into the regional and world economy constitutes one of the three pillars of the strategy of the RGC to maintain peace and security in the country, and in the region to embrace regional and world affairs and embark on multi-faceted reforms which will have far reaching effects on the country's social and economic development.

Soon after the 1998 elections we worked out a new political platform and formulated a "triangular strategy", which has underpinned our domestic and foreign policy. The first side of this strategic triangle is building peace, restoring stability and maintaining security for the nation.

The second side is Cambodia's rapid integration into the international community, especially into the community of regional nations, and normalization of our relationships with the international financial institutions.

The third side of the RGC's strategic triangle is to promote national development within the favourable context created by the implementation of key

reform programs: military demobilization, public sector, judiciary and economic reforms including fiscal and banking reforms, land reform, fisheries reform and stringent measures taken to crack down on illegal logging and to promote environmental protection.

It is my conviction that to catch up with the rest of the world, Cambodia must open up and strengthen its own institutional capacity to benefit from globalisation, information and communication technology and thereby build our status as a real partner in regional and global affairs on par with the more advanced countries in the region.

For Cambodia to play a meaningful role in the community of nations, we have to rigorously implement the reform programs in all areas to rebuild a socially connected, educationally advanced, and culturally vibrant society in Cambodia.

Regional economic integration will generate positive externalities in stimulating economic development in Cambodia. Active membership in the ASEAN, the Great Mekong Sub-region program and accession to the WTO are expected to bring about many challenges as well as opportunities for the country which, if well managed, will promote economic take-off.

Cambodia can play a positive role in transforming the entire sub continental Southeast Asia from a region stricken by backwardness and poverty into an epicentre of peace, security, stability and cooperation. It is my conviction that this sub-regional cooperation, within a framework of an open economy, will pave the way for a more rapid transformation of this part of the world into a region of prosperity. This will contribute substantially to narrowing the gaps in development across our region and enable all our people to truly enjoy the benefits of prosperity and peace.

**As underlined, within this context of opening of the country, since 1993, the Royal Government of Cambodia (RGC) has undertaken an ambitious program of economic reforms with the assistance of the IMF, World Bank, ADB, UNDP and other bilateral and multilateral donors. Could you give us a brief outline of the evolution of the Cambodian economy for the past 10 years and the several reforms undertaken to strengthen your national economy?**

Since the establishment of the Royal Government of Cambodia in 1993, annual GDP growth has averaged a healthy 5.6 percent. From 1999 to 2001, overall growth averaged 7 percent annually. In per capita terms, such growths was 4 ½ percent per annum. Inflation was kept below 4 percent. However, growth in 2002 is estimated to be lower, at 4 ½ - 5 percent due to adverse weather conditions.

Agriculture is the most important sector of the economy, accounting for 40 percent of the GDP and employing more than 70 percent of the labour force. The industrial sector has been the main engine of growth, increasing annually by average of 16 percent. This industrial growth has been due mainly to spurts in garments and tourism. The textile and garment sub-sectors have displayed

remarkable dynamism, with exports growing rapidly during the last four years following the grant by the US to Cambodia of Most Favoured Nation (MFN) status in 1996 and access under the Generalised System of Preferences in 1997. In 1996-98 garment exports increase by 70 to 190 percent, but slowed down to 13 to 75 percent in 1999-2001 after the US imposed quotas on 12 categories of garment products. Employment in garment and textile has been a major stabilizing force for the population and the economy in recent years, as the sector has absorbed about two hundred thousand workers, a large number of skilled and semi-skilled labour, especially poor female workers.

Overall, the assistance of the international community to Cambodia these past 10 years has been very valuable and well spent. Official development assistance has reinforced ongoing national efforts. It has strengthened Cambodia's unceasing efforts to lift the country to a higher destiny, to a new plateau of sustainable development. For example, ten years ago, Cambodia was plagued by accidents due to land mines; today, such incidents have been reduced by half. Ten years ago, significant proportions of Cambodian children were crippled by polio; now Cambodia is free from the poliovirus. The HIV/AIDS epidemic has been put under control. Ten years ago, Cambodia was not self sufficient in rice; now Cambodia has attained a rice surplus. Ten years ago, Cambodia was crippled by malaria; Cambodia is now being cited as a success story in combating malaria. The list of achievements can go on and on.

However, the most important development that has taken place in the Kingdom and its people has been the transformation of attitudes, virtues and values, and above all else toward democratic values. The Cambodian people have taken firm hold of democratic ideals, and steadily adopted democratic norms of behaviour, inclusive in the political process. Indeed, in democratic governance we have moved far forward; that it is clear, as the ancient Greek philosophers say: "once cannot cross a river twice!"

Yet so much more remains to be done in Cambodia. Foreign direct investment and continuing donor support will be crucial to the achievement of GDP growth target of 6 to 7 percent per year in the medium term. Attraction of FDI will require relaxing several constraints that weaken Cambodia's competitiveness. In the short term, the civil service and legal and judicial systems must be improved in order to facilitate the implementation of governance reforms and to enhance the environment for private investment. Reduce trade facilitation costs and generally foster private sector development and trade-driven growth is also a must. It will also be important to improve road infrastructure to facilitate market access and reduce transportation costs, as well as enhance port management and power and utility services to reduce production costs.

**A Key objective of the RGC's reform program, that you just underlined, is to improve Cambodia's attractiveness as a destination for foreign direct investment in order to enhance economic growth. Could you tell us more about Cambodia's foreign investment regulations?**

Cambodia's foreign investment regime is set out in the Law on Investment (1994), the Sub-decree on the Law on Investment (1997) and the Amendments

to the Law on Investment (2003). These regulations provide the regulatory framework aimed at attracting foreign investment, highlighted by land tenure of 99 year, 100 percent enterprise ownership by foreigners, favourable labour relations and investment protection. Note that Cambodia does not have law on Foreign Investment; it has a law on Investment, indicating that all investments whether by foreigners or nationals are treated alike, apart from the Constitutional prohibition on land ownership.

The Law on Investment is supported by recent revisions to the Law on Taxation under which investors can choose to be subject to a special depreciation schedule rather than the automatic three years tax holiday provisions under the Law on Investment. The law provides tax and duty exemptions, including those for projects located in Export Promotion Zones (EPZ). Other incentives available to investors include; (i) a corporate tax rate of 20 percent, the lowest in the region; (ii) five year carry forward of losses; (iii) exemption from import duties of all imports used as inputs in certain projects, particularly export oriented projects; and (iv) exemption from export taxes.

Cambodia's investment and tax framework facilitates investment by streamlining procedures and paperwork in applying for investment approval, imports and exports of goods and equipment within the framework of the investment project. The main objective is to simplify paperwork and promote transparency, predictability of approval, monitoring and implementation of investment projects.

Moreover, the RGC has set out a comprehensive policy to improve Cambodia's international competitiveness by focusing on the development and improvement of its physical infrastructure, thereby effectively responding to the increasing need for basic services, such as low-cost water and power supply, finance, information and telecommunications services. Furthermore, we have streamlined the functioning of the Cambodian Investment Board (CIB) so that it serves as a "one stop shop" in the facilitation of investment procedures.

If one has single out one of the many achievements of the Royal Government in the promotion of the private sector, it is that; for the first time, we have established a sound mechanism for consultation with the private sector. This has been accomplished through the organisation of the Government-Private Sector Forum and its seven working groups divided by sector. This consultative structure has been effective in allaying the concerns and difficulties faced by investors and entrepreneurs. Moreover, this mechanism has also enabled the adoption of many measures that have facilitated trade and nurtured an environment conducive to investment.

The nurturing of active partnership between the RGC and the private sector has enabled us to candidly and productively exchange views and experience, ensured the transfer of knowledge by promoting communication and the search for mutually beneficial solutions to various issues. Through this partnership, stakeholders can identify realistic goals, take significant steps to carry out their respective commitments and become genuine owners of the resulting policies and strategies.

**Within the objectives of all reform programs, the Social aspect of poverty reduction is the first priority of the RGC. With this in regards, your government is implementing an important National Poverty Reduction Strategy. Could you give us further details on the strategy's main lines and achievements?**

To facilitate the attainment of our ultimate objective of poverty reduction, in December 2002 the RGC adopted the National Poverty Reduction Strategy (NPRS) to address the challenges of development in a more holistic, integrated way. The NPRS complements several other important initiatives, in particular the First Social and Economic Development Plan, 1995-2000 and the Second Social and Economic Development Plan, 2001-2005.

The main thrust of these strategies include: (i) strengthen peace, stability and social order through concrete measures aimed at enhancing the state of law, human rights protection, and democracy in order to create a favourable political environment and security for the long-term sustainable development; (ii) ensure long term sustainable economic growth of 6-7 percent per annum; (iii) facilitate the equitable distribution of economic growth between the rich and the poor, city and rural, female and male; and (iv) guarantee sustainable management and use of environment and natural resources.

As a result of the implementation of the above strategies, we have managed to maintain macroeconomic stability and promote sustainable economic growth with low inflation and stable exchange rate. We have in particular enabled the private sector to play a leading role in economic growth as already mentioned.

Rural livelihoods have been improved through the multiplication of opportunities for the use of local services, principally by focusing in policy implementation and concrete measures to ensure the increase of income of the people. Program and policy focus include: land reform, water, agriculture, forestry and fisheries policies, and infrastructure projects especially the construction and maintenance of rural transportation infrastructure.

These advances have enabled the expansion of job opportunities, increases the exports, the promotion of light and medium manufacturing industry and the expansion of tourism.

Furthermore we have implemented a New Social Policy Agenda and are pouring a massive proportion of our budget into the priority sectors; education, health, agriculture and rural development.

These sectors served as the foundation for future growth, improved equity and accelerated progress. We are ceaselessly pursuing reforms in the educational system and promote other avenues of human capital formation to make Cambodians more productive and competitive in the global economy. We are restructuring our health programs to better finance referral hospitals and health centres at the district level. We are waging a war against deadly diseases, such as HIV/AIDS, tuberculosis and malaria. We adopted a new Land Law to prevent the eviction of the poor by the powerful. We are reducing the size of official



fishing lots to improve the access by the poor to fisheries resources. We are cracking down on illegal logging to improve official collection of timber royalties. And last but not least we are implementing military demobilization to shift spending from defence and security to the social and economic sectors.

The results of these policies are conspicuous; poverty fell from 39 percent in 1993 to 35.9 percent in 1999 and school enrolment rate, especially among girls, has drastically increased during the last few years. Other indicators show similarly dramatic gains.

Of course there are still many challenges ahead and many milestones to attain. But, what we have so far achieved, gives us confidence that we shall overcome the obstacles and difficulties that lie ahead. Indeed, the road ahead is long and difficult, but you must agree that the considerable distance Cambodia has traversed so far in such a short time, by a society resurrecting itself from destruction, is a clear indicator of our future potential.

The subject of "good governance" is a major theme of the reform process; civil service reform, improvement of the public services, judicial and legal reform and fight against corruption are the relevant main points within this context. How is the RGC reaching its targets so far?

The subject of good governance has gained popularity not only in Cambodia but also in the international arena. Governance is the subject of concern in various venues, and in particular with international frameworks such as the UN, WB, IMF and OECD. Indeed, the RGC and its development partners have come to consider "good governance" as the key to economic reforms and poverty alleviation.

In development thinking, there is growing recognition of the crucial role played by institutions in the promotion of development. A nation's level of administrative skills helps determine the ability of public sector to alter the structure of production and set the character and pace of its economic and social development. The critical role of civil service reform in successful fiscal reforms is also recognised. Institutions, coupled with technology, determine the overall structure and level of transaction and production cost in the economy.

Therefore, in 2001 the RGC adopted its wide-ranging, long-term Governance Action Plan (GAP). The GAP identifies two categories of governance reform where action will be critical for Cambodia's development over the near to the medium-term. This includes legal and judicial reforms, fiscal reforms, civil administration reform and measures to fight corruption. In addition, the RGC has identified two specific policy issues on which governance reforms must be implemented. One is natural resource management, including land and forestry management. A final major policy and implementation challenge is the demobilisation of the armed forces.

Consistent with the GAP, the RGC's National Program of Administrative Reform (NPAR), consists of three stages: (i) consolidation of public services; (ii) restructuring and redeployment; and (iii) rationalisation and capacity building.

A comprehensive program has been put in place to improve the civil service, covering; (a) the rationalisation of civil service wages to attract and retain skilled staff necessary for high level management and priority sectors; and (b) strengthened civil administration to ensure that human resources are wisely deployed in high priority sectors and that human resource expenditures are subject to controls that enable managerial and fiduciary accountability.

The initial stages of the NPAR have been successfully implemented, including: (i) completion of an employee database; (ii) automation of the payroll; (iii) introduction of a new employee classification system and salary grid; (iv) design of Priority Mission Groups (PMG) and adoption of an implemented legal framework; (v) development and introduction of a Human Resource Management Information System; and (vi) initiatives to improve service delivery (e.g. de-concentration, reviews of "back office" processes, etc.).

Moreover, the NPAR has achieved laudable progress in the following key areas: (a) civil service remuneration, in which average pay has been increased by 44% in nominal terms via introduction of a new classification system in 2002, as per the Strategy to Rationalise the Civil Service 2002-2006; and (b) census and documentation of the work force completed in 2000 and which identify some 9.000 "ghost" workers; (c) issuance of a civil service identification card; (d) installation of an automatic pay roll system as part of the Human Resource Management Information System, and (e) by solidifying the legal framework, with the approval of statutes, to cover all civil servants under the Common Statute.

Starting in 2003, the implementation of the Priority Mission Groups program will address major service delivery bottlenecks. The PMGs are groups of civil servants who will be tasked to focus on identified "priority missions". To motivate these groups, they will be provided with special monthly allowances, a structure depending on staff category. In 2003 the government expects to create PMGs comprising a total of a thousand civil servers.

In our efforts to combat corruption, the RGC has drafted an Anti-Corruption Law, soon to be reviewed by an Inter-Ministerial Committee. The Anti-Corruption Law will encode the strategy and action plan to combat corruption, already formulated by the RGC. We are also considering how to ensure an efficient mechanism to effectively implement the law. Rigorous controls on revenue collection and expenditure management are essential for fighting corruption. The transparent application of the Sub-decree on Public Procurement, notably the decision to expand the scope of implementation of the law to all ministries except three, reflects our resolution to combat corruption. Finally the RGC has established and provided support for the efficient functioning of the National Audit Authority (NAA). The NAA has already completed its review of the accounts under the 2001 Financial Act and has submitted its audit report for review by the National Assembly.

The RGC has made considerable progress in the preparation and adoption of many laws and regulations. At the same time, we all know that the shift from

one legal system to another requires much effort, particularly by a large corps of legal experts for research, review, formulation and all other legislative processes. Within this context, Cambodia lacks experts in Anglo-Saxon law, as most of the few legal experts in the country were trained in Continental law. Nevertheless, we have prepared a Strategy for Legal and Judicial Reform that will be adopted in the near future. The amendments to the Law on the Supreme Council of the Magistracy have been drafted. The review of the Law on the Status of Magistrates is underway and the RGC is pushing for its adoption in 2003. This latter sets the duties, rights, obligations and independence of Judges.

As part of the judicial reforms, I have proposed measures to strengthen the Department of Court Inspection inside the Supreme Council of the Magistracy (SCM). The RGC has investigated and sanctioned 48 judges and prosecutors involved in misconducts. As soon as feasible, the SCM will consider the nomination of 12 chief judges, deputy chief judges, prosecutors and deputy prosecutors, and the transfer of 28 judges and prosecutors. In performing these actions, the SCM will adopt a set of principles and consistent procedures for the removal of judges and prosecutors in the Kingdom of Cambodia.

In addition, to improve the performance of the courts, we are preparing a report on the review of the status of Cambodian Court to identify needs and measures for improvement. The development of human resources for the judiciary is key to our success. In this regard, the RGC has conducted a competitive recruitment of the first batch of trainees for the Royal School of Magistracy.

Indeed, much more remains to be done to move to a performance-based civil service system, and the institutional reforms described above are crucial for Cambodia to move forward to a new plateau of development.

**We are also interested in knowing more about the men behind the Royal Government. Can you tell us about your career path and your personal ambition as being part of the Royal Government?**

I was born in a peasant family. While I was a student Cambodia, that was once known as an oasis of peace, became engulfed in the war that followed the coup d'Etat led by the Lon Nol clique against the then Prince Norodom Sihanouk. Our peaceful life was shattered and I followed Prince Sihanouk and joined the maquis. After the war against Lon Nol, I stood against the Khmer Rouge and their genocide policies, leading a group of brave soldiers who helped liberate Cambodia and our people.

After the liberation from the Pol Pot genocide regime, I was appointed Cambodian's Foreign Affairs Minister at the age of 27; I was the youngest Minister in the cabinet. Since then, I have devoted my time and efforts to learning the arts of politics and diplomacy. In 1985 I was elected Prime Minister.

In those early years, we had to start from scratch. There were no schools, hospitals, water and electricity. There were less than 100 people left in the capital city, Phnom Penh. We lived just like in the Dark Ages. The ravages of

wars and genocide left tremendous burdens on Cambodia. In its painful efforts at recovery, the top priorities were to train people to deliver public services at all echelons of the bureaucracy.

You cannot imagine how hard our people's lives were at that time. Yet we managed to rebuild our country from the ashes of war. Furthermore we have accomplished this in such a short period, even though we were subject to an unjust political and economic embargo. Today's visitors will find very difficult to believe that just two decades ago Cambodia's status was comparable to the Middle Age. Those advances have been made with the tremendous efforts of our people, the Royal Government and friends from around the world.

I have always clearly understood that if Cambodia remains at war the country will be denied its rightful place in the community of nations. Many times, since 1987, I met with Prince Sihanouk until we reached a peaceful settlement of the Cambodian problems with the signing of the Paris Peace Agreement in 1991. This agreement restored the Monarchy, established a reviewed Constitution and proclaimed the second Kingdom of Cambodia. Peace, however, remained elusive as the Khmer Rouge boycotted the 1993 elections and continued to wage war against legitimate government.

In 1987, when Asia was hit by the financial crisis, our coalition government collapsed. Since then, by implementing the "win-win" policy, I managed to restore full peace in Cambodia. The political and military organization of the Khmer Rouge was dismantled. Then after the 1998 elections, I implemented the triangle strategy to push Cambodia into the path of long-term peace, reforms and integration with the regional and world community of nations.

In all these efforts, my ambition has always been to turn the first decade of the new millennium into a decade of economic growth, rapid reduction of poverty, social progress and prosperity for Cambodia and Cambodians. My ultimate goal is to create a socially connected, educationally advanced, and culturally vibrant Cambodian society. My agenda is to boost our once strong and proud nation to become a truly free and independent nation that can reclaim its own destiny, and be a real partner in regional and global affairs.

My vision for Cambodia is to have Democracy deeply rooted in the Cambodian society by strengthening the rule of law, implementing good governance, and promoting respect for the rights and dignity of Cambodians from all walks of life, religion and social strata.

**As a final question, which is the final message you would like to address to foreign investors?**

Cambodia needs financial resources to expand production and create employment. We are also in dire need for technology, knowledge and know-how to improve our capacity and productivity. When developed and enabled, these factors constitute the private sector's strengths. To attract investments, we have adopted a policy that regards the private sector as the national economy's engine of growth and the key partner of the RGC. We clearly

understand that in the world of globalisation, capital and technology will flow into investment-friendly countries. As government, we guarantee all investors a favourable investment environment, especially peace, security, political and macroeconomic stability, an increasingly efficient legal and institutional framework, transparency, accountability and predictability.

Cambodia's ongoing structural reform programs shall lay the foundations for sustainable economic development. Moreover, the Royal Government has the good will and strong commitment for genuine cooperation with the private sector, both domestic and foreign. All these are bound by our common aspiration of improving the living standards of the Cambodian people so that they are assured of improved welfare and peace, and become the masters of their own destiny and development. It is in this spirit that I invite all investors to join us to face all challenges proactively.

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## **LINKS**

### **Government**

[www.ocm.gov.kh](http://www.ocm.gov.kh) - Royal Government of Cambodia.  
[www.camnet.com.kh/ocm](http://www.camnet.com.kh/ocm) - Council of Ministers.  
[www.khmersenate.org](http://www.khmersenate.org) - Senate.  
[www.cambodian-parliament.org](http://www.cambodian-parliament.org) - National Assembly.  
[www.moc.gov.kh](http://www.moc.gov.kh) - Ministry of Commerce.  
[www.mot.gov.kh](http://www.mot.gov.kh) - Ministry of Tourism.  
[www.maff.gov.kh](http://www.maff.gov.kh) - Ministry of Agriculture.  
[www.mptc.gov.kh](http://www.mptc.gov.kh) - Ministry of Post and telecommunications.  
[www.mpwt.gov.kh](http://www.mpwt.gov.kh) - Ministry of Public Works and Transport.  
[www.moi.gov.kh](http://www.moi.gov.kh) - Ministry of Information.  
[www.mlmupf.gov.kh](http://www.mlmupf.gov.kh) - Planning and Construction.  
[www.camnet.com.kh/moe](http://www.camnet.com.kh/moe) - Ministry of Environment.  
[www.moeys.gov.kh](http://www.moeys.gov.kh) - Ministry of education, Youth and Sport.  
[www.moi-coci.gov.kh](http://www.moi-coci.gov.kh) - Ministry of Culture and Fine Arts.  
[www.nisgov.kh](http://www.nisgov.kh) - National Institute of Public Health.  
[www.camnet.com.kh/archives.cambodia](http://www.camnet.com.kh/archives.cambodia) - National Archives of Cambodia.  
[www.phnompenh.gov.kh](http://www.phnompenh.gov.kh) - Municipality of Phnom Penh.  
[www.cambodiainvestment.gov.kh](http://www.cambodiainvestment.gov.kh) - Council for the Development of Cambodia.  
[www.cambodiainvestment.gov.kh](http://www.cambodiainvestment.gov.kh) - Cambodian Investment Board.

### **Main Political Parties**

[www.camnet.com.kh/cpp](http://www.camnet.com.kh/cpp) - Cambodian People's Party (CPP)  
[www.camnet.com.kh/funcinpec](http://www.camnet.com.kh/funcinpec) - Funcinpec Party.  
[www.samrainsyparty.org](http://www.samrainsyparty.org) - Sam Rainsy Party.

### **Selected Websites**

[www.business-in-cambodia.com/cambodia.htm](http://www.business-in-cambodia.com/cambodia.htm) - Business in Cambodia.  
[www.embassy.org/cambodia](http://www.embassy.org/cambodia) - Cambodian Embassy in USA.  
[www.phnompenh.com](http://www.phnompenh.com) - City of Cambodia.  
[www.ambafrance.gov.kh/](http://www.ambafrance.gov.kh/) - French Embassy in Cambodia.  
[www.dreee.org/Cambodge](http://www.dreee.org/Cambodge) - Mission Economique.  
[www.uccife.org](http://www.uccife.org) - Franco-Cambodgienne.

[www.jica-org-kh](http://www.jica-org-kh) - Japanse Technical Assistance.

### ***National Sites of Information***

[www.nis.gov.kh](http://www.nis.gov.kh) - National Institute of Statistiques.

[www.cdri.org.kh](http://www.cdri.org.kh) - Cambodian Development Ressources Institute.

[www.cambodia.org](http://www.cambodia.org) - Cambodia information Center.

[www.ppcc.org.kh](http://www.ppcc.org.kh) - Phnom Penh Chamber of Commerce.

### ***Law and Consulting Firms***

[www.dfdl.com.kh](http://www.dfdl.com.kh) - DFDL.

[www.pricewaterhousecoopers.com](http://www.pricewaterhousecoopers.com) - PriceWaterhouseCoopers.

[www.cdpcambodia.org](http://www.cdpcambodia.org) - Cambodia Defenders Project.

### ***Other sites of Information***

[www.ias.nl/wwwvl/southeas/cambodia.html](http://www.ias.nl/wwwvl/southeas/cambodia.html) - South East Asia Studies.

[www.cia.gov/cia/publications/factbook/geos/cb.html](http://www.cia.gov/cia/publications/factbook/geos/cb.html) -

CIA Report on Cambodia.

### ***Media and General Sites***

[www.camnet.com.kh/cambodia.daily](http://www.camnet.com.kh/cambodia.daily) - The Cambodian Daily.

[www.phnompenhpost.com](http://www.phnompenhpost.com) - Phnom Penh Post.

[www.cambodiajournal.com](http://www.cambodiajournal.com) - Cambodia Journal.

[www.bayonpearnik.com](http://www.bayonpearnik.com) - Bayon Pearnik.

[www.camnet.com.kh/akp](http://www.camnet.com.kh/akp) - Agence Kampuchea Presse.

[www.cnv.org.kh](http://www.cnv.org.kh) - Cambodia New Vision.

[www.angkor.net](http://www.angkor.net) - Angkor Net.

[www.gocambodia.com](http://www.gocambodia.com) - Go Cambodia.

[www.cambodiaportal.com](http://www.cambodiaportal.com) - Cambodian Portal.

[www.cambodia.org](http://www.cambodia.org) - Cambodian Information Center.

[www.khmerinstitute.org](http://www.khmerinstitute.org) - The Khmer Institute.

[www.khmerkrom.net](http://www.khmerkrom.net) - www.khmerkrom.net.

[www.khmer.cc/home](http://www.khmer.cc/home) - The Khmer Connection Comunity.

[www.yellowpages.com.kh](http://www.yellowpages.com.kh) - Yellow Pages

[www.cambodiandirectory.com](http://www.cambodiandirectory.com) - Cambodian Directory

[www.tv3.com.kh/](http://www.tv3.com.kh/) - TV 3.

## ***History***

[www.geocities.com/khmerchronology/](http://www.geocities.com/khmerchronology/) - Cronology of Cambodian History.

[www.al-astro.com/Khmer%20HTML/Cambodia.htm](http://www.al-astro.com/Khmer%20HTML/Cambodia.htm) - Kings of Cambodia.

[www.angkorwat.org/html/history.html](http://www.angkorwat.org/html/history.html) - Khmer History.

[www.edwebproject.org/sideshow/history/index.html](http://www.edwebproject.org/sideshow/history/index.html)

Cambodian recent history before 1975.

[www.yale.edu/cgp/](http://www.yale.edu/cgp/) - The Cambodian Genocide Program - Yale.

[www.welcome.to/dccam](http://www.welcome.to/dccam) - Documentation Center of Cambodia.

[www.pbs.org/frontlineworld/stories/cambodia](http://www.pbs.org/frontlineworld/stories/cambodia) - Front Line World Report.

[www.kyotoreview.cseas.kyoto-u.ac.jp/issue/issue2/article\\_242.doc](http://www.kyotoreview.cseas.kyoto-u.ac.jp/issue/issue2/article_242.doc) -

Cambodia-Thai a Love-Hate relationship.

## ***Culture and Art***

[www.norodomsihanouk.org](http://www.norodomsihanouk.org) - H.M. the King of Cambodia.

[www.norodomsihanouk.info](http://www.norodomsihanouk.info) - Their Majesties King and Queen of Cambodia.

[www.royalty.nu/Asia/Cambodia.htm](http://www.royalty.nu/Asia/Cambodia.htm) - Khmer Royalty.

[www.angkorimages.com](http://www.angkorimages.com) - Images of Angkor.

[www.ancientasianart.hypermart.net/KhmerJars.htm](http://www.ancientasianart.hypermart.net/KhmerJars.htm)

KhmerJars.

[www.asia-art.net/khmer\\_ceramics.htm](http://www.asia-art.net/khmer_ceramics.htm) - Khmer Ceramics.

## ***Sculture***

[www.nga.gov/exhibitions/camwel.htm](http://www.nga.gov/exhibitions/camwel.htm) - Sculture of Ankgor and Acient Cambodia.

[www.bergerfoundation.ch/Home/high\\_angkor.html](http://www.bergerfoundation.ch/Home/high_angkor.html) -

Scultures and Bas Relief in Khmer Art.

## ***Literature***

[www.seasite.niu.edu/crossroads/ledgerwood/CambodianLiterature.htm](http://www.seasite.niu.edu/crossroads/ledgerwood/CambodianLiterature.htm) -

Origins and evolution.

## ***Architecture***

[www.orientalarchitecture.com/angkor](http://www.orientalarchitecture.com/angkor) - Architecture of Ankgor.



## ***Bibliographic ressources about Cambodia***

[www.oldbookroom.com/readingsuggestions/cambodiabiblio.htm](http://www.oldbookroom.com/readingsuggestions/cambodiabiblio.htm) - Architecture, Arts, Culture, History, Literature.  
[www.history-asia.com/l-4890-1.html](http://www.history-asia.com/l-4890-1.html) - History of Cambodia.  
[www.hallasianhistory.com/asia/1045.shtml](http://www.hallasianhistory.com/asia/1045.shtml) - The Ancient Khmer Empire.  
[www.cambodiaadopt.com/cambodian\\_history.htm](http://www.cambodiaadopt.com/cambodian_history.htm) - History and Society.  
[www.khmerinstitute.org/books/books7.html](http://www.khmerinstitute.org/books/books7.html) - Culture and studies.  
[www.book.realbuy.ws/0834804247.html](http://www.book.realbuy.ws/0834804247.html) - Khmer Mythology.  
[www.longitudebooks.com/find/d/3362/pc/Cambodia/mcms.html](http://www.longitudebooks.com/find/d/3362/pc/Cambodia/mcms.html) - Learn about Angkor.  
[www.home.earthlink.net/~som1950/wsn8176.html](http://www.home.earthlink.net/~som1950/wsn8176.html) - Life during the Angkorian Period.  
[www.catalog.lib.washington.edu/search/c?SEARCH=p14327.5](http://www.catalog.lib.washington.edu/search/c?SEARCH=p14327.5) - Khmer Literature.

## ***NGO's***

There is over 1000 NGO's present in Cambodia, we are listing some of them in different fields but do not intent to be exhaustive;

[www.crc.org.kh](http://www.crc.org.kh) - Red Cross.  
[www.uccdf.org](http://www.uccdf.org) - UCC development Fondation.  
[www.cardamom.org](http://www.cardamom.org) - The Cardamon Project from US.

## ***Tourism***

[www.lonelyplanet.com/destinations/south\\_east\\_asia/Cambodia](http://www.lonelyplanet.com/destinations/south_east_asia/Cambodia) - Lonely Planet.  
[www.canbypublications.com](http://www.canbypublications.com) - Canby Publications Cambodia Guides.  
[www.pmgeiser.ch/cambodia/](http://www.pmgeiser.ch/cambodia/) - Peter M. Geiser's Hotel and Travel Guide.  
[www.asiatour.com/cambodia/content1.htm](http://www.asiatour.com/cambodia/content1.htm) - Asia Tour.  
[www.itisnet.com/english/asia/cambodia](http://www.itisnet.com/english/asia/cambodia) - ITIS Cambodia.  
[www.theangkorguide.com](http://www.theangkorguide.com) - Angkor Temples Guide.  
[www.stoessel.ch/cambodia.htm](http://www.stoessel.ch/cambodia.htm) - 90 days in Cambodia.  
[www.mytravelguide.com/countries/cambodia](http://www.mytravelguide.com/countries/cambodia) - My Travel Guide Cambodia.  
[www.passplanet.com/Cambodia](http://www.passplanet.com/Cambodia) - Backpacking in Cambodia.  
[www.visit-mekong.com/cambodia](http://www.visit-mekong.com/cambodia) - The Mekong travel site.

## ***Hotels***

**In Pnohm Penh:**  
[www.hotelcambodiana.com](http://www.hotelcambodiana.com) - Hotel Cambodiana.

[www.raffles.com](http://www.raffles.com) - Hotel Le Royal.  
[www.intercontinental.com](http://www.intercontinental.com) - Hotel Intercontinental.  
[www.allsonhotels.com](http://www.allsonhotels.com) - Sunway Hotel.  
[www.imperialgarden-hotel.com](http://www.imperialgarden-hotel.com) - Imperial Gardens Villa and Hotel.  
[www.holidayvilla.com.my](http://www.holidayvilla.com.my) - Holiday Villa.  
[www.starroyalhotel.com](http://www.starroyalhotel.com) - Star Royal Hotel.  
[www.scandic-hotel-cambodia.com](http://www.scandic-hotel-cambodia.com) - Scandic Hotel Cambodia.  
[www.walkabouthotel.com](http://www.walkabouthotel.com) - Walkabout Hotel.

#### **In Siem Reap:**

[www.accorhotels.com/asia](http://www.accorhotels.com/asia) - Sofitel Royal Angkor.  
[www.angkor-hotel-cambodia.com](http://www.angkor-hotel-cambodia.com) - Angkor Hotel.  
[www.raffles.com](http://www.raffles.com) - Grand Hotel d'Angkor.  
[www.pansea.com](http://www.pansea.com) - Pansea Angkor.  
[www.damnakangkor.com](http://www.damnakangkor.com) - Damnak Angkor Village.  
[www.angkorcentury.com](http://www.angkorcentury.com) - Angkor Century.  
[www.angkorvillage.com](http://www.angkorvillage.com) - Angkor Village Resort.  
[www.auberge-mont-royal.com](http://www.auberge-mont-royal.com) - Auberge Mont Royal d'Angkor.

#### **Travel Agencies:**

[www.diethelm-travel.com](http://www.diethelm-travel.com) - Diethelm Travel.  
[www.exotissimo.com](http://www.exotissimo.com) - Exotissimo.  
[www.apextravel.com.kh](http://www.apextravel.com.kh) - Apex travel.  
[www.kt-tours.com](http://www.kt-tours.com) - Khmer Temple Tours.  
[www.angkortravel.com.kh](http://www.angkortravel.com.kh) - Avia Angkor Travel.  
[www.cambodiavisit.com](http://www.cambodiavisit.com) - Ravy Tours.  
[www.eastwest-travel.com](http://www.eastwest-travel.com) - East West Travel Ltd.  
[www.apsaratours.com.kh](http://www.apsaratours.com.kh) - Apsara Tours.  
[www.nagaresorts.com](http://www.nagaresorts.com) - Naga Resorts & Casinos.  
[www.ariston-asb.com](http://www.ariston-asb.com) - Ariston Group.

### ***Telecommunications***

[www.nida.gov.kh](http://www.nida.gov.kh) - NiDA.  
[www.camshin.com](http://www.camshin.com) - Cambodia Shinawatra.  
[www.royalgroup-kh.com](http://www.royalgroup-kh.com) - Royal Group of Companies.  
[www.mobitel.com.kh](http://www.mobitel.com.kh) - Mobitel  
[www.camnet.com.kh](http://www.camnet.com.kh) - Camnet.  
[www.camintel.com](http://www.camintel.com) - Camintel.  
[www.alcatel.com](http://www.alcatel.com) - Alcatel.  
[www.hello016-gsm.com](http://www.hello016-gsm.com) - Cambodia Samart.  
[www.everyday.com.kh](http://www.everyday.com.kh) - Everyday.  
[www.tele2.com.kh](http://www.tele2.com.kh) - Tele 2.  
[www.telesurf.com.kh](http://www.telesurf.com.kh) - Telesurf.  
[www.firstcambodia.com](http://www.firstcambodia.com) - First Cambodia.  
[www.bigpond.com.kh](http://www.bigpond.com.kh) - Telstra Bigpond.  
[www.cambodia-roaming.com](http://www.cambodia-roaming.com) - Samart GSM.  
[www.online.com.kh](http://www.online.com.kh) - Cogetel.

## ***Transport***

[www.bangkokair.com.kh](http://www.bangkokair.com.kh) - Bangkok Airlines.  
[www.siemreapairways.com](http://www.siemreapairways.com) - Siem Reap Airways.  
[www.presidentairlines.com](http://www.presidentairlines.com) - President Airlines.  
[www.royalpnhair.com](http://www.royalpnhair.com) - Royal Phnom Penh Airways.  
[www.pas.gov.kh](http://www.pas.gov.kh) - Port Authority of Sihanoukville.  
[www.fedex.com](http://www.fedex.com) - Federal Express.

## ***Finance***

[www.mekongbank.com](http://www.mekongbank.com) - Mekong Bank.  
[www.canadiabank.net](http://www.canadiabank.net) - Canada Bank.  
[www.sbc-bank.com](http://www.sbc-bank.com) - SBC Bank.  
[www.maybank.com.kh](http://www.maybank.com.kh) - MayBank.  
[www.acledabank.com.kh](http://www.acledabank.com.kh) - Acladea Bank.  
[www.ftb.camnet.com.kh](http://www.ftb.camnet.com.kh) - Foreign Trade Bank cambodia.  
[www.vattanacbank.com](http://www.vattanacbank.com) - Vattanac Bank.  
[www.forteinsurance.com](http://www.forteinsurance.com) - Forte Insurance.  
[www.indochine.net](http://www.indochine.net) - Indochine Insurance.

## ***Energy***

[www.eac.gov.kh](http://www.eac.gov.kh) - EAC.  
[www.sokimex.8k.com](http://www.sokimex.8k.com) - Sokimex.  
[www.total.com.kh](http://www.total.com.kh) - Total Cambodge.  
[www.chevrontexaco.com](http://www.chevrontexaco.com) - Chevron Texaco.  
[www.shell.com.kh](http://www.shell.com.kh) - Shell.

## ***Agro- Industry***

[www.mongreththy.com](http://www.mongreththy.com) - Mong Reththy Group.  
[www.angkorrice.com](http://www.angkorrice.com) - Angkor Kasekam Roongroeung.  
[www.nestle.com.kh](http://www.nestle.com.kh) - Nestlé (Cambodia) Ltd.  
[www.bat.com](http://www.bat.com) - British American Tobacco.

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## ***OUR TEAM***

### ***OFFICIAL PICTURES***

