

Economics Today

Cambodia's Business Magazine

- Inefficient agriculture squanders potential
- Regional commodities market mooted: myriad benefits, many limitations
- ASEAN integration needed to rescue garment sector
- Much-maligned tobacco firm leads in corporate social responsibility

Cambodia Braces for Tough 2009

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**On the Cover:**

Dubbed by international media last year the “newest tiger economy” after a long stint as the “Asian mouse ready to roar,” the Cambodian economy now has a tough year ahead. (page 8)

Think Tank Moots Regional Commodities Market

Myriad Benefits, Many Limitations

The six countries that comprise the Greater Mekong Sub-region (GMS)—Cambodia, Laos, Myanmar, Thailand, Vietnam and China (limited to the southern Yunnan province)—could take a giant leap forward in trade development and integration through the establishment of a GMS commodities market and derivative exchange (CMEX). (page 16)

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Background to ASEAN integration

The Association of Southeast Asian Nations (ASEAN) was created in 1967 by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei Darussalam joined ASEAN in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. The objectives of the Association are to encourage economic growth, social progress and cultural development, and promote regional peace and stability through respect for justice and the rule of law.

In 2003, the ASEAN Leaders decided to establish an ASEAN Community comprising an ASEAN Security Community, **an ASEAN Economic Community (AEC)** and an ASEAN Socio-Cultural Community. The AEC builds on previous ASEAN agreements –like the ASEAN Free Trade Area (AFTA) – and will broaden and deepen the integration process, with the region becoming a single market and production base, characterised by the free flow of goods, services, investment and freer movement of capital and labour (making ASEAN more competitive) by 2015.

Details on this are outlined in the AEC Blueprint adopted in November 2007 at the 13th ASEAN Leaders' Summit in Singapore (see <http://www.asean.org/21083.pdf>).

The AEC feature articles competition

As one of the activities under the 2008 Communications Plan for the AEC Blueprint, the ASEAN Secretariat and ASEAN-EU Programme for Regional Integration Support (APRIS) are organising an **AEC feature articles competition to promote the AEC and the public understanding of how the fledgling Community is benefiting businesses, traders and consumers in the ASEAN region**. Aimed towards ASEAN economics, journalism, international relations, and mass communications students (although any ASEAN national under the age of 30 is free to enter), entries should be in the form of a 1,000 word (approx.) article that show how ASEAN integration is working in relation to one (or more) of the following themes: 1) Business opportunities, 2) Business competitiveness, 3) Consumer choice, 4) Consumer protection.

Articles should be **carefully researched, including interviews with ASEAN consumers, traders, and/or business people**, and address issues of key importance to ASEAN. That is:

Theme One – Business opportunities

How are businesses benefiting from increased trade and investment opportunities, the harmonisation of trade rules and other forms of trade facilitation (e.g. free trade in the 11 Priority Sectors, the removal of tariffs under AFTA, the creation of national single windows by ASEAN customs, or the ASEAN Cosmetics Directive and ASEAN Electrical and Electronic Equipment Regulatory Regime in the standards area)?

Theme Two – Business competitiveness

How are businesses becoming more competitive on world markets as a result of ASEAN integration (e.g. through the integration of regional production networks, the harmonisation of production processes and other business support programmes – such as visa free travel – within ASEAN)?

Theme Three – Consumer choice

How has consumer choice been expanded by the opening of regional markets for goods and services (e.g. for businesses, in terms of intermediate goods and services, and for individual consumers for air travel, education and healthcare services, and the range of regional goods in local markets, malls and supermarkets)?

Theme Four – Consumer protection

How are consumers protected by ASEAN product directives in areas such as cosmetics, electrical and electronic products and pharmaceuticals?

Who can take part, how do I enter, and when is the deadline for submissions?

Any ASEAN national under the age of 30 can take part in the competition, although entries are particularly welcomed from university students (and trainee journalists) with previous experience of undertaking research and conducting background interviews.

The articles submitted should be original works in English (though they will be judged on content **not language**) of approximately 1,000 words in length, and be sent by e-mail (including the name, age, nationality, contact details and passport – or identity card – number of the author) to apris@asean.org on or before 6 p.m. (Jakarta time) on 27 February 2009. Participants may submit more than one article for consideration by the competition judges should they desire.*

How will the winners be chosen and what prizes are on offer?

Entries will be reviewed by the staff of the ASEAN Secretariat and APRIS Technical Assistance Team. Short-listed entries will be scored by a panel of judges at the ASEAN Secretariat, to select two runners up and an overall winner. **The overall winner will receive a return air ticket to Jakarta plus €1,000 in spending money, meet the Secretary General of ASEAN and assist in the editing of selected articles – together with a professional journalist – for publication by ASEAN and/or regional media. The two runners up will receive a cash prize of €500.**** The results of the competition will be announced on the ASEAN Secretariat and APRIS websites by 31 March 2009 and the winners notified by telephone, letter and/or e-mail.

WE LOOK FORWARD TO YOUR ENTRIES!

* Please note that the reception of entries will not be confirmed, that no correspondence will be entered into by the ASEAN Secretariat and/or APRIS, and that any copyrights for entries received will belong to the ASEAN Secretariat / APRIS.

More information on ASEAN is available at <http://www.asean.org>. Information on APRIS can be found at <http://www.asean.org/apris2/index.htm>.

** If the winner is an Indonesian national (resident in Jakarta) a cash prize may be awarded in addition to the time spent in Jakarta.

Taking Responsibility

Much-maligned tobacco firm leads in Cambodian corporate social responsibility

Lambasted by health organizations as peddlers of pernicious cancer sticks, British American Tobacco (BAT) is lauded by many ordinary Cambodians for its wide-ranging corporate social responsibility programme (CSR).

The concept of CSR, until recently confined to the US and European nations, is now expanding to emerging markets across the world, not least developing countries in Asia. The increasing popularity of CSR may be explained by its simplicity: in essence CSR is no more than a voluntary social contract between businesses and communities. (page 18)



Unsecured Loans Lift Urban Poor



Banks lend money only to those who don't need it, famously joked Bob Hope, a gag that is all too accurate for many poor Cambodians. Fortunately, Chamroeun Microfinance Services offers hope to legions of urban poor without any collateral.

In developing nations, unsecured loans are often rightly denounced as usurious, predatory loan sharking. But for the urban poor, who commonly lack even the meager assets of their rural counterparts, choices are few. (page 20)

Dey Krahorm

Removals Raise Resettlement Concerns



The Jan 24 forced eviction of residents from the Dey Krahorm community in Phnom Penh's Tonle Bassac area that shocked the media and civil society bore a close resemblance to the eviction of around a thousand families from the Sambok Chak community in the same area about two and a half years ago.

Only the scale was different, with a mere 150 families still holding out at the Dey Krahorm community, but the means were the same: anti-riot police, tear gas and trucks. (page 26)

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Publisher: Sao Sonita

Editor-in-Chief: Kim Natacha

Managing Editor: Sam Campbell

Reporters: An Sithav, Chhun Kosal, An Chanthal, Leng Bunthea, Phen Raksmei

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Alanna Jorde, Teng Chankaruk Ratha

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Designers: Ouk Vibol, Sreng Veseth

Business Development:
Socheat Kanharith (016) 979 757

Marketing:
Ourng Chansy (012) 431 194
Kim Nida (012/016 274 739)

Office: Room 233, Second Floor,
Building A, Phnom Penh Center,
Phnom Penh, Cambodia
Phone/Fax: (855-23) 987 943
etm@etmcambodia.com

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Cambodia's Business Magazine

Cambodia Braces for Tough 2009

Real Estate Bubble Bursts, Garment Industry set to Unravel



Sellers now outnumber buyers in Cambodia's stagnant real estate market

By An Chanthal & Kim Natacha
Economics Today

Dubbed by international media last year the “newest tiger economy” after a long stint as the “Asian mouse ready to roar,” the Cambodian economy now has a tough year ahead.

The global economic slowdown that started in mid-2008 has contracted Cambodia’s real Gross Domestic Product (GDP) from 13.3 percent in 2005, to 10.2 percent in 2007 and only 6.8 percent in 2008, according to figures from the Ministry of Economy and Finance (MEF).

And as experts predict the slowdown will worsen in 2009, the World Bank (WB), the International Monetary Fund (IMF) and the Cambodian government project a domestic growth rate of less than 5 percent, a

16-year record low for the kingdom.

The garment, tourism, and construction sectors—the three major engines of economic growth in the past few years—started to run out of steam in the last quarter of 2008, leaving investors and economists scrambling to identify new potential sources of growth.

Integration, Speculation Spur Slowdown

According to Chan Sophal, a leading economist and president of the Cambodian Economic Association (CEA), the 2008 slowdown was due to both internal and external factors, and the same factors will continue to restrict growth in 2009.

The main domestic driver of the sharp slowdown is “the downturn in the land and real estate market, be-

cause speculation shot up too high in the previous year,” he told *Economics Today*.

Outside of Cambodia, the global financial crisis has heaped calamity on investors, Chan Sophal added, resulting in tumbling demand for Cambodian goods and services, sending prices into a downward spiral.

Stéphane Guimbert, senior country economist for the World Bank in Cambodia, broadly agreed, saying projected growth of less than 5 percent for 2009 is mainly because of external factors. Ironically, the integration of the Cambodian economy into international and regional markets is responsible for both past rapid growth and the current malaise.

“What made Cambodia’s strengths over the past decade of growth is now a challenge,” he said. “The key threats to growth at the moment are coming from the country’s exposure to the external environment.”

Trade in goods and services—especially garments and tourism—is suffering from weakening global demand, the economist said.

The tourism industry has been significantly affected by a border standoff between Thailand and Cambodia, and political and economic upheaval in Thailand.

An escalation of the tense standoff, which has already resulted in several deaths, would not only pose a threat to the tourism sector, but also hinder efforts towards reviving the economy, Chan Sophal feared.

The global financial crisis and credit crunch that have battered major investor countries will also take their toll on the Cambodian economy, which relies heavily on Foreign Direct Investment (FDI) to grow.

“Cambodia has been very dependent on foreign savings for its investment and, in the current environment, foreign capital has dried up,” said Stéphane Guimbert.

In 2007, inflows of FDI into the country totaled US\$866 million, according to the country’s Balance of Payments prepared by the National Bank of Cambodia (NBC). In early January, the World Bank stated that it expects annual FDI inflows to reach about US\$800 million in 2008, while World Bank Economist Huot ►



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- Chea was quoted as saying that FDI inflows could drop again, “probably to US\$ 600 million” in 2009.

Doom and Gloom

Economic analysts usually credit a combination of the real estate market, the construction sector, the garment industry and tourism for the double-digit economic growth seen in the last five years. But as the US sub-prime crisis and foundering financial markets put the brakes on the world economy, disaster stalks these key sectors.

Depressed retail consumption in the US—Cambodia’s major export market for garment products—resulted in cuts in purchasing orders and closing of garment factories. Over 50 factories closed their doors, while only 17 new ones opened, said Kaing Monika, business development manager of the Garment Manufacturers Association in Cambodia (GMAC) in early January.

Commerce Minister Cham Prasidh was more positive, claiming that garment exports decreased a mere 2 percent in 2008.

Statistics from the Ministry of Commerce show that, while the value of garment exports decreased in comparison to the previous year in the first ten months of 2008, the volume of exports increased, meaning that the unit price of clothing dropped.

GMAC Chairman Van Sou Ieng acknowledged that the global economic crisis has pushed buyers to lower their purchase prices so much that Cambodian factories can no



One of a growing number of shuttered factories

longer make a profit. He predicted a 6 to 9 month crisis for the garment industry this year.

Tourist arrivals in 2008 were also deeply affected by external shocks, resulting in only an 8 percent increase in comparison to 2007, well down on the 15 percent the Tourism Ministry expected.

Reduced household income in most countries led visitors to spend less on vacations, Tourism Minister Thong Khon conceded in early January. But it was the Thai anti-government protests that paralyzed the Suvarnabhumi International Airport, Thailand’s main air travel hub, which had the most detrimental effect.

Thailand is one of the two most important gateways for visitors to Cambodia, Thong Khon said, noting that about 33 percent of visitors pass through Thailand, and 29 percent through Vietnam. However, the minister remained upbeat about the pros-

pects for 2009, saying that “the number of tourist arrivals will increase next year, though not by too much,” the AFP news agency reported.

In June 2008, the real estate market—buoyant to the point of fantasy over the previous year—began to stagnate. Realtors were initially skeptical, first claiming that buyers were cautious because of the July parliamentary elections, then criticizing conservative lending practices. Clearly, the causes of the real estate dive are more substantial.

Real estate prices slid by around 20-25 percent at the end of 2008, Sung Bonna, president and CEO of Bonna Realty Group, told *Economics Today* in December last year.

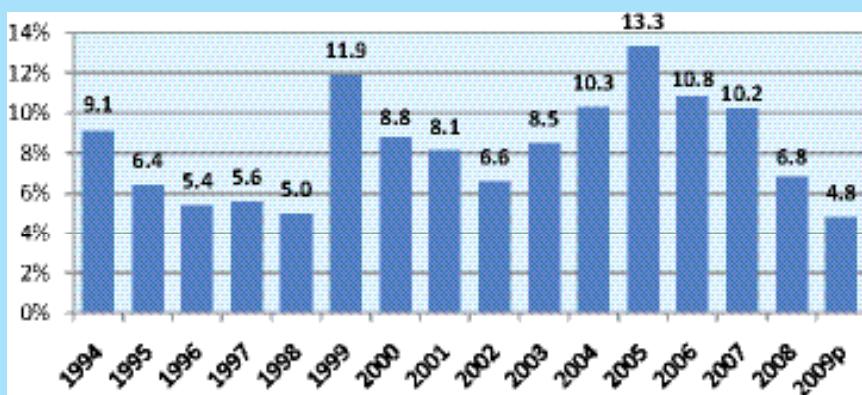
Experts warn that Cambodia’s real estate could be further decimated as speculative purchases turn sour.

“Speculators, mostly from the middle class, put up their land titles or house property as collateral to borrow money from banks and buy other pieces of land,” said Neou Seiha, senior researcher at the Economic Institute of Cambodia (EIC).

This year, banks will ask for repayment on loans, and as borrowers default, their collateral will be repossessed by banks. Financial institutions eager to sell repossessed properties to recoup losses will not indulge in the rosy over appraisals so rife in the local real estate market, he explained, further driving down real estate values.

The real estate downturn in turn translates to a major slowdown in construction, sending the price of construction materials off a cliff.

Real GDP Growth, Cambodia, 1994-2009



Source: MEF Report, Second Cambodia Development Cooperation Forum, Dec 4, 2008.

Almost 50 percent of construction projects in Phnom Penh have either slowed or stopped in the last quarter of 2008, Sung Bonna told *Radio Free Asia* in early January, adding that the construction sector will be a major concern in early 2009.

According to a report from the Ministry of Land Management, Urban Planning and Construction, the amount of capital invested in construction sector in 2008 contracted to US\$2.8 billion from US\$3 billion in 2007.

Silver Lining

Although the drop in growth comes as a shock to Cambodians who thought boom times were here to stay, 5 percent growth is still an enviable figure. Economists and investors alike could easily list assets that may attract investors panicked by recessions in the developed world.

Good available land and cheap labor are Cambodia's main strengths, according to Chan Sophal, while Stéphane Guimbert points to opportunity in Cambodia's emerging market status.

Macroeconomic tensions, especially inflation that hamstrung the economy and consumers in the first part of 2008, have eased, the World Bank economist said. Also, Cambodia continues to benefit from external assistance, with almost US\$1 billion in foreign aid pledged by development partners last December.

He also underlined that demand for food that remains strong in comparison to other goods, providing Cambodia with an opportunity to expand agricultural exports.

Chan Sophal also considered the food sector a golden opportunity, provided that "investors turn to the basics, investing in food production, which is needed permanently by the world population."

Douglas Clayton, managing partner of private equity fund Leopard Cambodia, predicted that investment will continue to flow into agriculture and infrastructure, enabling Cambodia to achieve at least modest growth.

"Foreign investors remain interested in Cambodia and I think we will see them focusing now on productive industries rather than

property speculation, which didn't bring any long term benefits to the country," he said.

Gilles Vernet, head of the French Trade Commission at the French Embassy in Cambodia, agreed, saying that investors are now likely to make strategic and rational decisions based on concrete evidence and real economic potential.

"The four major growth engines of the economy—that is, agriculture, garments, tourism and real estate—are very sensitive to shocks. So Cambodia will need to identify new sources of growth. But the potential for growth is still there," he told *Economics Today*.

French investors are especially interested in road and railroad infrastructure, as well as the food in-

dustry, the energy sector and telecommunications.

Still, the French economic counselor acknowledged that because of the crisis he "already sees French investors who delay their decisions," as they carefully scrutinize the return rate of potential investments.

"French investors will be interested in investing in Cambodia if the return is good," Gilles Vernet stressed, recommending Cambodia continue infrastructure development, especially in energy generation, roads and railroads.

Even the beleaguered Koreans are apparently keeping Cambodia on their radar.

"Although it is not an easy time for Korean entrepreneurs to expand overseas, I believe that the current ►

Close Scrutiny for Banks

A Ministry of Economy and Finance (MEF) a report presented at the second Cambodia Development Cooperation Forum in December last year revealed that domestic credit to the private sector grew 70 percent in the first half of 2008, and by a staggering 100 percent in comparison to the previous year, just in the first quarter.

The MEF acknowledged that such rapid growth of the banking sector poses some challenges. Not only may the quality of loans decline, but the NBC's capacity to supervise commercial banks is outpaced by banks' rapid expansion.

Commercial banks in Cambodia could be exposed to the crisis through their parent companies, but according to the MEF there has been no sign yet of sub-prime crisis fallout.

Stephen Higgins, chief executive officer of ANZ Royal Bank, concurred, saying that the global CEO of ANZ, Mike Smith, on a two-day visit in Phnom Penh in January confirmed "ANZ's absolute commitment to Cambodia."

Recently, the media has reported anecdotes of individual and business borrowers who anticipated that they would be unable to repay their loans on time. But at

least two of the largest lenders in Cambodia claimed they have yet to encounter such problems.

Stephen Higgins claimed that ANZ Royal is in a strong position, though he acknowledged that in banking there are always some customers who cannot repay loans.

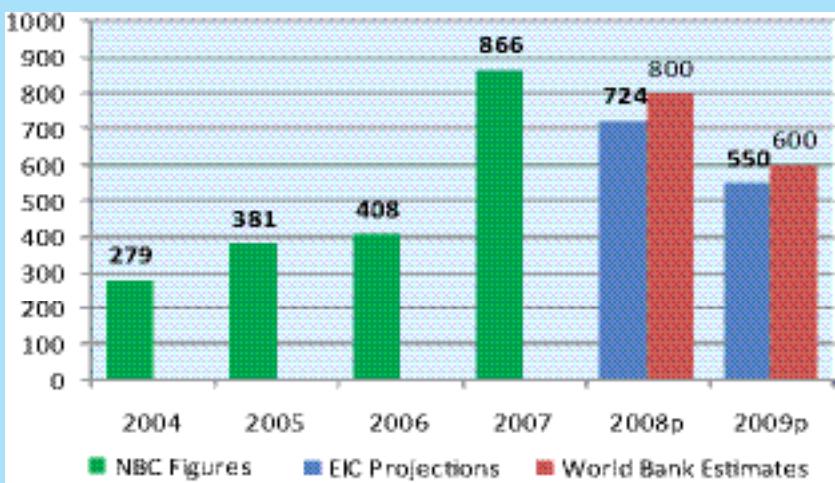
"The key is to make sure you don't have too many of them," he wrote by e-mail, emphasizing that ANZ Royal has always implemented strict credit standards and would continue to do so.

Likewise, In Channy, president and CEO of ACLEDA Bank, said that, "we don't have any problem at all, since our loan portfolio is much diversified with the average loan size of US\$ 2,162 by the end of 2008."

Strict compliance with the regulatory framework and the law on banking and finance, and ACLEDA Bank's assets and liability management ensured that there were no cash flow problems, In Channy said.

Cambodia's banking system is highly centralized, and centralization of commercial banks has accelerated during the last few years, with the five largest banks accounting for 71 percent of loans, the MEF noted in its December report.

Foreign Direct Investment in the last five years (in Million US\$)



Source: Compiled from National Bank of Cambodia, Economic Institute of Cambodia and World Bank.

► economic slowdown will not deter Korean investors' strong interest in Cambodia," said Han Kyung Tae, chief representative of Tong Yang Securities Inc. in Cambodia.

He highlighted long-term cooperation between the Cambodian and South Korean governments, and a firmly established Korean community in Cambodia as two reasons why Korea was one of the largest FDI nations in 2007 and 2008.

"This trend will continue for years to come," he stressed.

Figures from the Cambodian Investment Board show that approved FDI in 2008 totaled almost US\$10.9 billion in fixed assets. Chinese investors led the pack, with about US\$ 4.3 billion poured into various projects. Cambodia comes in second with US\$ 3.9 billion; followed by Korea with

US\$ 1.2 billion. The largest Korean investment project to be approved was the International Finance Complex (IFC), worth US\$967 million.

Around 80 percent of the total approved FDI in 2008 was earmarked for the tourism sector, with the planned development of several islands, luxury hotel constructions and eco-tourism sites.

A question mark remains, however, over the implementation of such projects and whether annual inflows of FDI will remain steady in coming years.

Lingering Concerns

Although Cambodia is an attractive market, serious concerns remain, investors and economists said.

For Gilles Vernet, the high cost

of electricity and poor transportation networks are "Cambodia's millstones around its neck."

"Sometimes, just the cost of energy is a disqualifying criterion for investors," he said, mentioning one French investor who chose to do business in Laos rather than in Cambodia because of cheaper, more reliable electricity.

High energy costs, poor transportation and widespread corruption have been repeatedly denounced by economists, businesspeople and development organizations alike.

"An important weakness remains the poor business environment and the lack of a number of public goods," said Stéphane Guimbert, referring to the infamous Cambodian bureaucracy that often involves 'facilitation payments', and the lack of a good collateral system for credit and poor standards systems, respectively.

Leopard Cambodia's Douglas Clayton urged the government to retool the business environment to enable Cambodia to draw a larger share of FDI in the region.

In times of crisis, Cambodia should not go into hibernation, but rather dedicate efforts to increasing its attractiveness to investors, recommended Vernet.

"Cambodia should be more dynamic through a better dissemination of information about its economic potential, as well as the promotion of major Cambodian business groups, because foreign investors are looking for local partners," he suggested.

Attracting major multinational companies (MNCs) in Cambodia would bring more than investment, cash and economic growth: MNCs also bring corporate social responsibility (CSR) practices, as well as good human resource management policies and good corporate governance, averred Vernet.

"Cambodia provides a great potential of investment for MNCs, which in turn can bring in social investments," he said.

The World Bank advocates continued investment in infrastructure, social safety nets and agriculture to protect the poor, sustain growth in the short term and expand the growth potential for the medium term, said Stéphane Guimbert. ■



Many construction projects have slowed or stopped

A Stitch in Time

ASEAN integration needed to rescue garment sector



By An Sithav
Economics Today

Dwindling orders from importers suffering the worst economic crisis in decades cast a pall over the annual ASEAN Federation of Textile Industries (AFTEX) meeting Jan 7. Many called for better ASEAN integration to present a united front against strong competitors such as India and China.

Le Quoc An, the outgoing chairman of AFTEX, was surprisingly positive. "I am confident AFTEX's ability to serve the textile and apparel sector in a more comprehensive manner," he said, urging ASEAN members to examine markets closer to home.

This change in priorities comes as Cambodia's US garment exports have slumped by as much as 46 percent, according to some sources. Still, Cambodia's garment exports within ASEAN rose in the 12 months from August 2007 from around US\$3 million to around US\$8.9 million, according to the Cambodian Customs and Excise Department, figures that seem to support ASEAN industry

representatives' hopes that regional sales can at least partially replace the stricken US market.

A timely response to the tougher global textile and garment market is needed, said Ok Boung, secretary of state for the Cambodian Commerce Ministry, adding that better cooperation among ASEAN garment manufacturers should help boost competitiveness.

With a total population of about 600 million, he said that the ASEAN community could follow the European Union's example in building a strong economic block that speaks with a single voice, and is capable of fighting off competition.

"The real competitor of ASEAN countries is China," said Ok Boung. He claimed that ASEAN nations "are not competitors," advising greater ASEAN integration as a tonic for dire economic forecasts.

"Although building respective national competitiveness is one of the keys things to sustaining market share, ASEAN integration is a necessary requirement for continued growth and to stay competitive," he added.

Kaing Monika, business development manager for the Garment Manufacturers' Association of Cambodia (GMAC) shared similar sentiments.

"To reduce costs and become more competitive [compared to] China, intra-ASEAN trade should be considered necessary among ASEAN countries," he said. All AFTEX members should try to source raw materials such as thread from ASEAN countries, rather than from China, Kaing Monika added, as delivery is cheaper and easier, and intra-ASEAN imports of such goods are mostly duty free.

According to AFTEX, import taxes on thread and around 85 percent of the raw materials used in

textile and apparel manufacture have already been eliminated within the ASEAN zone.

However, that leaves about 15 percent of raw materials with duty still payable, a situation that could remain unchanged until 2012. Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand and Vietnam still tax items including cotton, yarn, linen and silk, something delegates said must change.

Minister of Commerce Cham Prasidh was optimistic, noting that Cambodia's garment sector losses are not yet detrimental, and much can still be done to address withering demand.

A good relationship between the Cambodian government and garment manufacture associations in Cambodia means that issues affecting the sector can be easily discussed, he said during closing remarks, advising manufacturers to investigate other non-traditional markets.

"We have to target markets nearby because we save on transportation costs," Cham Prasidh said. "Markets in Japan, Australia and Korea are better than markets that are over 10,000 km away."

The minister also noted that market priorities may now have shifted away from quality towards price. "The global economic crisis means that some customers are poorer than before," he said. "Some retailers in US are already bankrupt, while the other buyers prefer to buy cheaper products." ■

AFTEX Facts

- Formed in 1977 comprised of textile and garment associations of the six ASEAN nations at that time. Cambodia, Laos, Vietnam and Myanmar joined after their respective countries joined ASEAN.
- AFTEX members meet regularly to discuss policies and implement ASEAN-wide projects that have a common position on international trade policies, encourage intra-ASEAN trade and promote ASEAN textiles and garment in global marketplace



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Phnom Penh, Cambodia

Think Tank Moots Regional Commodities Market

Myriad Benefits, Many Limitations



By Phen Raksmey
Economics Today

The six countries that comprise the Greater Mekong Sub-region (GMS)—Cambodia, Laos, Myanmar, Thailand, Vietnam and China (limited to the southern Yunnan province)—could take a giant leap forward in trade development and integration through the establishment of a GMS commodities market and derivative exchange (CMEX).

A CMEX is designed to provide a reliable system for handling, grading, and storing commodities, often agricultural products and their derivatives, enabling traders to match offers and bids for commodity transactions. Such exchanges also foster a transparent trading environment through aggressive market data dissemination to all market actors, central warehousing, visible payments, a clear delivery and business code of conduct, an internal dispute settlement mechanism and clearly defined rules of trading.

Recent talks on a GMS CMEX mark a new interest in greater regional integration, a strategy that some believe may help GMS countries weather the current plunge in international trade caused by the deepening global financial crisis.

“The establishment of GMS-

CMEX for the region is, in practice, quite meaningful to achieve great success in economic development and helping the poor out of poverty,” said Bui Ngoc Son, director of Department of the International Economics of the Vietnam Institute of World Economics and Politics (IWEP).

The GMS Task Force, a network of policy makers, academics, experts and businessmen from the GMS countries met for their third annual conference Jan 16 to discuss the development of a GMS CMEX at the Cambodian Hotel in Phnom Penh. Representatives from Myanmar were not present.

Established in April 2007 in Hanoi, Vietnam, the GMS Task Force, organized by the Economic Institute of Cambodia (EIC) and the Vietnam Institute of World Economics and Politics (IWEP), with support from the Swiss Agency for Development and Cooperation (SDC), discussed whether GMS countries need an integrated commodity market, how such a market should be developed and what its future prospects might be.

Preparations for an integrated commodity market would probably take a decade, so there is little likelihood any CMS CMEX could begin trading before 2020, GMS Task Force members agreed. The GMS Task Force members present said they will submit a CMEX proposal to their respective governments for consideration.

If it ever materializes, the GMS CMEX will boast a shared warehouse for commodities and a trading floor located in one of the GMS countries, explained EIC Economic Researcher Ek Chanboreth during the meeting. From this centralized depot, commodities would be exported to international markets.

Under such a plan, everything—from warehouses, an exchange clearing bank and a comprehensive market

information system—would operate as a single umbrella operation.

Concrete Benefits

Other similar commodities exchanges around the world have made a great contribution to enhancing trade and accelerating development, argued IWEP’s Bui Ngoc. The most successful operations specialize in products available locally, such as agricultural produce, bio-fuel, energy, precious metals, oil, gas and chemicals, he said, touting the Ethiopia Commodity Exchange as a model for the GMS CMEX.

GMS country experts and officials concurred that their countries are rich in agriculture products—especially rice—and mining resources, which together present a great potential for commodities trade within the region.

For Cambodia, a regional CMEX would help strengthen its trade system and add value to trade in local agricultural commodities as these are often exported informally to neighboring countries at lower than

What is an Integrated Commodity Market?

A commodity exchange is a centralized spot where sellers and buyers meet to transact in an organized fashion, with certain clearly specified and transparent “game rules” (*Gabre-Madhin and Goggin, 2006*).

In its wider sense, a commodity exchange is any organized marketplace where trade, with or without the physical commodities, is funneled through a single mechanism, allowing for maximum effective competition among buyers and sellers (*Ibid, 2006*). Commodities can be agricultural-based (rice, wheat, coffee, maize, cotton, etc.), mineral-based (gold, platinum, etc.) and energy-based (crude oil, etc.).

Source: Jan 16 Presentation by Ek Chanboreth, researcher at the Economic Institute of Cambodia, Third Meeting of the Greater Mekong Sub-region Task Force.

market prices, the EIC's Ek Chamboreth said.

Commodity exchanges have the potential to reduce transaction costs because they facilitate contracts between buyers and sellers, provide a robust mechanism for price setting, and transmit information about prices and volumes to a wider market. All of these mechanisms are currently lacking or non-existent in Cambodia.

The benefits of trading through a commodity exchange for countries that, like Cambodia, are still backward in terms of trade facilitation are myriad, said Ek Chamboreth. These include transparency in price setting, alternative markets beyond immediate neighbors, improvements in farming techniques, the development of quality standards, better risk management (especially for farmers) and the possibility for producers to plan production in advance.

Distant Goal

But major obstacles stand in the way of these potential benefits, obstacles that must be overcome before any commodity exchange is viable, acknowledged GMS Task Force members. Establishing a CMEX within the GMS will be an arduous process requiring lengthy negotiations among member countries, task force members stressed.

According to Ek Chamboreth, impediments include (at least for Cambodia) massive informal cross-border trade, a lack of standard and certification facilities, poor physical infrastructure, low access to credit, a lack of drying and storage facilities, as well as poor rule of law and a culture of impunity.

Another challenge lies in nature of the region itself, which is comprised of nations with dissimilar institutions at very different levels of economic and trade development. Official intraregional trade is small in volume, but a large amount informal trade slips through the cracks, as exemplified by Cambodia.

"This means it will take time for the GMS CMEX to be established in the region," said the IWEP's Bui Ngoc Son.

In addition, poor transportation networks and infrastructure, and tough topography—the region

is strewn with valleys, mountains, and rivers—could make trading at the GMS CMEX costly. Building integrated regional transportation networks will require time, patience and, most of all, massive spending.

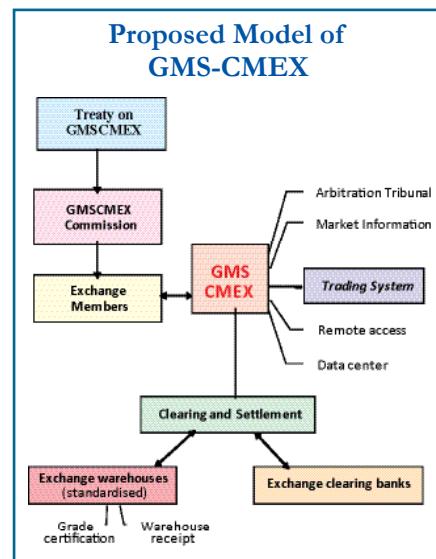
So far, infrastructure development projects in the GMS have mostly been funded by the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC), noted Oudet Souvannavong, secretary general of the GMS Business Forum, a non-governmental joint initiative of the six countries' chambers of commerce.

Any integrated financial market in the region would need to attract more private investment and capital to finance and accelerate regional infrastructure development, he suggested.

However, financial systems in GMS countries still need to be improved before small market players can really benefit from a CMEX. Some countries, including Cambodia, still lack a domestic stock exchange. Unless banking and financial systems reach an "adequate and consistent level of development" in all countries, the size of the market will be necessarily limited, affecting the potential for poverty alleviation, Bui Ngoc Son said.

As far as Cambodia is concerned, the integrated commodity market could be a failure if informal trade with its neighbors is not reduced.

"If cross-border informal trade is easier for Cambodian farmers, they will not be interested in participating in the CMEX," Ek Chamboreth warned. Despite the probable higher prices offered by a CMEX, many smallholders might well prefer



Source: Jan 16 Presentation by Bui Ngoc Son, Department of International Economics, Institute of World Economics and Politics, Vietnam, Third Meeting of the Greater Mekong Sub-region Task Force.

to sell more cheaply to buyers willing to pick up produce directly from the fields where it is grown.

Certainly, the establishment of the GMS-CMEX rests on the political will of regional governments that don't always see eye-to-eye. Many challenges, such as political unrest in some parts of the region and stark cultural differences, linger.

There will be lots of work ahead "before we can get our dream realized," cautioned Bui Ngoc Son. Still, GMS Task Force members seemed convinced that a GMS CMEX was worth the effort. Different channels will be created to present the idea to leaders and senior officials in GMS countries' governments, the meeting concluded. ■

*—Additional reporting
by Kim Natacha*

Potential Cambodian Commodities for Exchange

| Commodities | Production | Current Export Destinations |
|-------------|---|------------------------------|
| Paddy | 6.7 million tons in 2007 (<i>surplus of about 2.7 million tons</i>) | Vietnam, Thailand |
| Rubber | 40,000 tons in 2007 | Vietnam |
| Cassava | 2.2 million tons in 2007 | Vietnam, Thailand |
| Maize | 522,700 tons in 2007 | Thailand, Vietnam, Taiwan |
| Soybeans | 117,900 tons in 2007 | Vietnam, Thailand |
| Fish | 458,000 tons in 2007 (85 percent are freshwater) | Thailand, Vietnam and others |
| Others | Livestock, vegetables, fruit and offshore oil and gas | |

Source: Jan 16 Presentation by Ek Chamboreth, researcher at the Economic Institute of Cambodia, Third Meeting of the Greater Mekong Sub-region Task Force.

Taking Responsibility

Much-maligned tobacco firm leads in Cambodian corporate social responsibility



A Kampong Cham tobacco plantation

By Chhun Kosal
Economics Today

Lambasted by health organizations as a peddler of pernicious cancer sticks, British American Tobacco (BAT) is lauded by many ordinary Cambodians for its wide-ranging corporate social responsibility programme (CSR).

The concept of CSR, until recently confined to the US and European nations, is now expanding to emerging markets across the world, not least developing countries in Asia. The increasing popularity of CSR may be explained by its simplicity: in essence CSR is no more than a voluntary social contract between businesses and communities.

Companies and NGOs are scrambling to implement CSR programmes, the new response to concerns over the social and environmental consequences of business. BAT is already an old hand, having adopted CSR activities since beginning operations in Cambodia in 1996.

"Around the world, in every country where BAT operates, we

adopt and embed CSR. There is no exception in Cambodia," said Kun Lim, BAT Cambodia's corporate and regulatory affairs director.

Churning out approximately 4 billion cigarettes annually and vendor of popular cigarette brands such as ARA, Liberation and National, BAT seems an unlikely model for corporate responsibility.

Certainly, in a country where about 67 percent of Cambodian men in urban areas smoke, rising to around 86 percent in rural areas, according to the World Health Organization (WHO), the presence of a multinational tobacco firm has not gone unnoticed. Greater awareness of the dangers of tobacco has ignited an anti-smoking crusade, with many activists and organizations pouring scorn on tobacco producers for profiting at the expense of Cambodians, many of whom are still unaware of the risks.

The WHO is one of those helping educate Cambodians about the risks of smoking, and the organization has urged a blanket ban on tobacco advertising.

In response to these criticisms,

Kun Lim pointed out that BAT has never tried to deny that smoking is harmful. "At BAT, we believe that, due to the risky nature of tobacco products, it is important that the tobacco industry is adequately and sensibly regulated," he said, noting that BAT has gone beyond its legal obligations in this regard. "While Cambodia has yet to put a tobacco control law in place, we have ourselves implemented marketing standards since 2001. We have stopped all our TV and radio commercial advertisements ... As a company whose products pose health risks, it is all the more important that we operate and manage the development, the marketing and sale of these products in a responsible manner. We believe we need to work with the government and society to ensure our products are responsibly managed."

While BAT's willingness to compromise on advertising should please international health organizations, it is their poverty reduction campaigns, especially income generation in rural communities, which ordinary Cambodians have gained most from.

A Fair Deal

"BAT Cambodia is proud to have been able to contribute to socio-economic development and poverty alleviation in Cambodia, especially in Kompong Cham province," Kun Lim said. "Our vertically integrated business model plays a key role in the economic development of Cambodia, contributing directly US\$19 million per annum to the local economy."

Behind the jargon lurks a commonsense approach that benefits both BAT Cambodia and small scale tobacco farmers.

Around 800 contracted farmers working 2,334 hectares of tobacco plantations are supported by BAT

here, said Dr. Vuthy Choun, operations director of BAT Cambodia.

"Many programs have been provided to contracted farmers," he told *Economics Today*. "The Leaf Extension programme is a simple contract farming model that was established to help improve the living conditions of the tobacco farming community and to ensure local leaf sufficiency."

BAT Cambodia educates farmers in agronomic best practices and techniques, as well as providing seeds from high-yield tobacco varieties. As a result, farmers have tripled tobacco harvests from 750 kg per hectare in 1997 to 2,000 kg per hectare in 2005, Kun Lim said.

Agro-chemicals are avoided wherever possible to limit environmental damage, said Dr. Choun. BAT also has a reforestation project to restore at least some of the once-luxuriant jungle that swathed the area until relatively recently.

Relaxing on his wooden porch as he watched his wife tend their squat, green tobacco plants, Yin Pai, 60, sung the praises of BAT's CSR programme. A longtime tobacco farmer—the crop has been popular in Kampong Cham for generations—the Kampong Russey village resident said life had become much easier after he became one of BAT's contracted farmers. "My income has dramatically increased by 50 to 70 percent, and my harvest has increased unbelievably. Before joining BAT, sometimes I lost money because I could not find any market to sell my tobacco. Without BAT's support, I would farm tobacco no longer."

Yin Pai's six hectare plantation is typical of Khmer tobacco farmers. Unlike smallholders who plant staple crops, BAT contract tobacco farmers have a quality of life many urban Cambodians would envy. Economic benefits mean that the next generation of Yin Pai's family has much better prospects, locking in social progress even if his children choose not



Yin Pai, 60, a BAT contracted farmer

to farm tobacco. "Thanks to BAT ... my living conditions and my family's economy is improving from year to year. Moreover, I can afford for my son to study further at a university in Phnom Penh," said Yin Pai.

The smiling 49-year-old Yin Seng Hour, who has been a contract farmer with BAT for over nine years, seemed to agree. "My output has noticeably increased from year to year due to the fact that BAT staff have provided better techniques and, especially, loans," said the resident of Dey Krom village, Kompong Cham province. "My living standard has greatly improved."

Te Lim, 48, was equally enthusiastic. "[After] becoming a BAT contracted farmer, I'm proud that my profits have grown from year to year and that my living condition is now

much better," he said. "Furthermore, I can afford to send my son to study at university in Phnom Penh and I can buy the things that I like."

Win-Win

In addition to the benefits for farmers, there are also plusses for both the Cambodian economy and BAT. Better local supplies of tobacco mean less reliance on imports, decreasing costs for BAT and lowering Cambodia's trade deficit. "In 1997, 60 percent of the tobacco we used to produce local brands was imported. In 2007, that figure number had fallen to less than 10 percent," remarked Kun Lim. "We have to date also facilitated the export of approximately 5,000 tons of local leaf, which contributes to reducing the balance of trade deficit."

Thus, he continued, CSR is a major contributor to national economic growth, socio-economic development and enhanced business and labor competitiveness. From a business perspective, the end product is higher quality and often cheaper. But for BAT, the moral aspect is prime.

"Today, a responsible corporate citizen is expected to use their economic strength for the broader social goals and to demonstrate environmental responsibility, support for communities, high standards of ethical behavior, transparency and accountability," Kun Lim said. ■



Correction:

In "EZECOM Lifestyle Package Sets the Standard in Communication" (a company press release published on page 19 of *Economics Today*, Volume 02, Number 31, January 16-31, 2009), the logo of riverorchid was erroneously included. riverorchid is not part of EZECOM.

Unsecured Loans Lift Urban Poor



Training courses ensure that Chamroeun's borrowers have the skills they need

By Phen Raksmei
Economics Today

Banks lend money only to those who don't need it, famously joked Bob Hope, a gag that is all too accurate for many poor Cambodians. Fortunately, Chamroeun Microfinance Services offers hope to legions of urban poor without any collateral.

In developing nations, unsecured loans are often rightly denounced as usurious, predatory loan sharking. But for the urban poor, who commonly lack even the meager assets of their rural counterparts, choices are few.

Surprisingly, even as multi-billion dollar corporations flush with assets are forced to beg for loans, a Cambodian organization is lending to those with literally nothing but ambition and an idea.

Chamroeun Microfinance Services offers indigent entrepreneurs a way out of poverty with loans provided at a competitive interest rate of around 3 percent per month (most other MFIs charge around 3.5 percent). Chamroeun currently has over 4,200 outstanding loans worth US\$375,737 and another

2,010 depositors with savings of US\$11,568 (it is compulsory for borrowers to deposit savings to deal with unexpected expenses but voluntary depositors are welcome). Most applicants are small-scale market vendors looking to expand operations, or employees of informal micro-enterprises who want to go into business themselves.

Chamroeun was established by Entrepreneurs du Monde (Entrepreneurs of the World), a France-based non-profit organization founded in 1998 that specializes in microfinance and operates in nine developing countries: Cambodia, Vietnam, Myanmar, the Philippines, India, Haiti, Benin, Ghana and Burkina Faso.

Usually, Entrepreneurs du Monde works through a local partner, but unable to find any suitable organizations in Cambodia, Chamroeun—a common appellation that means to prosper in Khmer—was set up by Entrepreneurs du Monde in late 2005.

The organization was founded with a specific goal, said Suon Sophea: providing low interest loans to the poorest families, especially in urban areas, to help them develop micro and small economic ventures,

without requiring immovable property assets as collateral. Prioritising these people is a great way to alleviate poverty, he said, as the urban informal economy is a major absorber of Cambodia's huge pool of unskilled unemployed, as well as being key driver of GDP growth. Most borrowers come from Phnom Penh, Cambodia's largest conurbation and the kingdom's economic engine.

The main difference between Chamroeun Microfinance and other microfinance institutions (MFIs) is Chamroeun's willingness to work with the poorest of the poor, rather than the so-called "richest of the poor," often property owners of some kind despite still being categorized as "low income."

"We found out that many urban poor Cambodians do not have access to financial services because many microfinance institutions in Cambodia mostly operate in rural areas," said Suon Sophea. "Although some MFIs operate in the city, their principal clients are small and medium enterprises, not the urban poor families that we work with."

Satisfied Clients

El Sous, 45, is one of the many Phnom Penh residents to benefit from a Chamroeun loans. Last year, he and his wife turned to Cham-



Suon Sophea, General Director of Chamroeun



Market Vendors arrive to receive their loans

roeun after other MFIs turned them down for a loan of US\$100. Lacking half of the US\$200 necessary start-up capital for a small retail business at Chruoy Changvar on the outskirts of Phnom Penh, the couple despaired at their lack of assets to use as collateral for a secured loan.

Luckily, a neighbor told him about Chamroeun Microfinance Services, and a visit to Chamroeun's Phsar Kandal branch saw El Sous walk away with a loan of US\$100 on a two month term.

After using the funds to boost his business, El Sous was so pleased with the service that he later borrowed another US\$400 to further enlarge his grocery venture. His bustling stall now sees better profits with each passing month, El Sous said, providing better security for his family and helping him reach a better standard of living.

Low Risk

Just the thought of handing over cash without any collateral is enough to send most bankers into a cold sweat in today's dire economic conditions, but Suon Sophea revealed that Chamroeun's repayment rates are high at over 98 percent, with only a single borrower vanishing since Chamroeun began operations.

To ensure that borrowers truly are from the urban poor and intend

to repay their loans, staff interview loan applicants personally, visit their place of business and talk to neighbors. A committee weighs the evidence and decides whether to grant loans.

As many borrowers are poorly educated, clear explanations of repayment policy are a must. Borrowers are cautioned that Chamroeun will send agents to their homes should they be tardy with repayments.

Guarantors are another safeguard, but according to Suon Sophea, the main qualifications for wishing to borrow money from Chamroeun are business initiative and entrepreneurial spirit.

To improve borrowers' chances of success (and thus their own chances of repayment), Chamroeun offers training and provides business consultation to help micro-entrepreneurs to develop long-term projects and improve their self-confidence.

"It's important for the potential borrowers to decide what businesses they want to operate and to have a clear business plan," Suon Sophea said, adding that the viability of business projects is carefully examined.

Sustainability is another key concept: the organization wants not just to improve livelihoods, but also to maintain business growth. Clients are required to undergo business training before receiving loan funds and lenders may return each week to seek further advice.

The four training sections—business and skills training, social training, and social counseling—help potential borrowers understand fundamental business concepts and management techniques. The business training and social training sessions are compulsory for all loan applicants.

"At [the very] least, clients understand the basic concepts of business, entrepreneurship, markets and marketing, bookkeeping, and business planning," said Lim

Sharon, Chamroeun's business and social development officer and social trainer. "And they will be able to apply this knowledge to their own businesses."

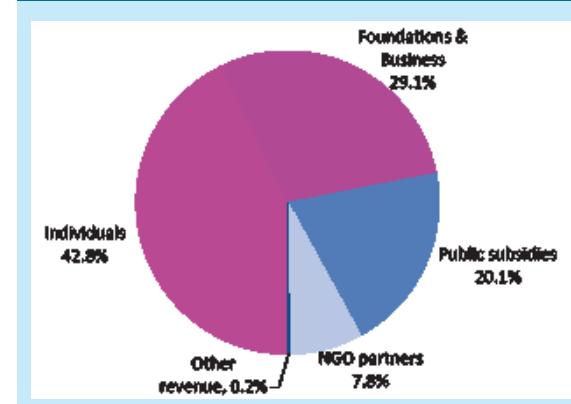
Expanding Operation

With such a successful business model, it is unsurprising that expansion is on the cards for Chamroeun Microfinance. Entrepreneurs du Monde's "humanitarian funds" come from donations, noted Suon Sophea, so Chamroeun needs not repay its annual budget. Profits, mostly interest on loans, are added to existing capital and used to expand operations. There are plans to add to the network of eight offices spread around Phnom Penh

The director was bullish about his organization's prospects, confident there will be little fallout from the global financial crisis because Cambodia represents only a fraction of Entrepreneurs du Monde's worldwide commitments. In 2007, Entrepreneurs du Monde received €1.15 million (almost US\$1.5 million) through public subsidies and donations from individuals, foundations and businesses, and NGO partners, he stated.

In a bid to provide better service to clients, Chamroeun Microfinance has already applied to be registered as a Microfinance Institution, Suon Sophea told *Economics Today*. The proposal was submitted to the National Bank of Cambodia in late 2008, and the registration should take around six months. ■

Source of Funding in 2007



Source: *Entrepreneurs du Monde Website*

Paying with Peanut Butter

Western Treats Help Needy Cambodians



Healthland's tasty peanut butter

By Teng Chankaruk Ratha
Economics Today

Helping the poor seems to be the goal of most organizations based in Cambodia. Healthland Development Organization chooses food production as its vehicle for poverty alleviation.

Western favorites like cookies, spaghetti sauces, salsas, peanut butter, jams, juices, and biscuits are usually shipped in at great cost. Healthland makes these products locally, providing much needed training and employment for the capital's poor, said Healthland's General Manager Ly Sophanny.

Vissot, Healthland's trademark, is prominent on nearly twenty products on sale throughout Phnom Penh, she said. As well as Western foods, local items like Curry Samlor, or traditional Cambodian curry, and chili pastes are also on offer.

Ross McKenzie, advisor to Healthland, was instrumental in setting up Healthland's food production operation. An Australian, McKenzie initially arrived in Cambodia on a one year English teaching contract with the Adventist Mission.

"I chose English as a way to meet people," he said. "As I interacted with the young people there, I found that they were very poor ...

They came from villages into Phnom Penh to pursue their studies, but because their families were unable to support them, they didn't have any extra money to pay for classes or school fees."

Shocked by the grinding poverty, McKenzie was spurred to help his students find a way out.

"Because of the poverty I was always confronted with, I just had this burden to try to help in some way. Sometimes you feel really helpless but I thought: 'there must be something I can do,'" he said. "I looked for simple ways to help them develop income and I worked with them to start a little cottage food industry."

McKenzie began with peanut butter, as peanuts are a common crop in Cambodia but peanut butter almost unknown. Being the only local peanut butter producer, Healthland was soon supplying local supermarkets.

Naturally High Quality

Most consumers care little about the socio-economic status of workers, focusing instead on quality. Vissot, the organization's trademark, means good, pure and natural, so is an ideal choice for Healthland's high-quality produce, said, Ly Sophanny. All products are made from natural raw ingredients and are chemical-free.

The Healthland production line has stringent quality controls: officials from the Ministry of Mines, Industry, and Energy (MIME) visit quarterly, taking samples of Vissot products for analysis. An exacting evaluation checks both quality and sanitation before anything is delivered to markets, she added.

Vissot products are growing in popularity, Ly Sophanny claimed, and Healthlands plans to begin exports to Australia in January.

"We are conducting market research to find out which products Australian consumers want," she said.

For the approximately 30 Healthland workers, that is good news. Most staff receive training from Healthland partners such as the South Asia Unitarian Mission, and other partners provide technical assistance. Training is a key concept for McKenzie.

"To be able to employ these people, first you have to train them ... because they're not used to working or they have a low education; some of them can't read or write in their own language," he explained. "I've tried to find ways to make people more employable, and we can give them a job, or help them find jobs elsewhere."

Training in English, food production, design and sales helps, but McKenzie is careful not to coddle his staff.

"I think sometimes we try to help too much. I think the important thing is just to give them a springboard to be able to help themselves. If you try to just hand them everything, I don't think they'd grow and develop: they don't develop the skills and the maturity that they need. I think the best thing is to give them some opportunities. Sometimes that means just a little bit of encouragement, or a few skills that they can use to generate their own employment or start their own little business. It doesn't take a lot." ■



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A cartoon baby character is shown on the right side of the advertisement.

Press Release**Ezecom chooses Redline for Cambodia WiMAX network**

TORONTO – Redline Communications Group Inc, a leading provider of WiMAX and broadband wireless infrastructure products, announced Jan 23 that Ezecom, a Cambodian Internet Service Provider (ISP), has chosen Redline's RedMAX equipment for its residential and commercial WiMAX network.

Ezecom has deployed RedMAX base stations throughout Phnom Penh, where it will launch high-speed wireless voice, video and data Internet services across the capital in 2009. The RedMAX network operates in the 3.6 to 3.8 GHz frequency band and is capable of supporting more than 500 users per base station radio, enabling a rapid return on Ezecom's infrastructure investment. Ezecom plans to extend its WiMAX network to additional cities following the commercial launch of its Phnom Penh network.

"Redline's RedMAX products de-

liver the performance and feature that we need to bring connectivity to our customers today," said Paul Blanche-Horgan, Ezecom's CEO. "By choosing RedMAX, we have the confidence that we have the capacity and reliability to support the growing demand for voice, video and data communications services we need to attract new subscribers to our service and ensure long-term customer loyalty."

Ezecom has launched its WiMAX network and is currently installing additional base stations to meet the growing demand among businesses and residents of Phnom Penh for broadband wireless access.

"We are pleased to be part of this exciting WiMAX network deployment in Cambodia," said Kevin Suitor, vice president of marketing and business development for Redline Communications. "Ezecom joins our roster of more than 65 carriers that have launched commercial, revenue-



A RedMAX WiFi base station hooked up to a laptop

generating WiMAX networks using Redline's RedMAX solutions."

Redline's RedMAX family of WiMAX solutions includes the world's first complete system to receive the WiMAX Forum Certified mark for conformance to WiMAX standards for performance and interoperability. Redline plans to maintain its WiMAX leadership by expanding its RedMAX family to include products for additional frequency bands, applications and standards. ■

Cultivating Cambodia's Future

Inefficient Agriculture Squanders Potential

By An Sithav
Economics Today

A brief drive through its sprawling fertile plains, sparsely populated by subsistence farmers, reveals the great promise of Cambodia's soil. But inefficient use of the abundant land and water, and the outdated techniques of its agrarian workforce mean this potential is mostly wasted, say experts.

Although the rocketing commodities prices seen last summer, which raised the specter of food insecurity, have retreated on the back of the current financial crisis, in recent years farming has not kept pace with global population growth, so similar problems are likely to re-emerge. In such an economic climate, Cambodia's fertile soil, willing workforce and low population density give the agricultural sector great potential.

Some authorities warn that the developed world, already extensively using high-tech, intensive methods, can squeeze little more out of its industrialized agricultural sector. "Expansion of utilized land resources provides few opportunities for substantial growth in developing countries today," warn George Norton and Jeffrey Alwang in *Introduction to Economics of Agricultural Development* (McGraw-Hill, 1993). Like many experts, the authors believe that the key to increased agricultural production is a more efficient use of the

land and labor available globally.

The government, it seems, has belatedly woken up to the promise: Prime Minister Hun Sen has repeatedly called Cambodia's rice "white gold," and agricultural land has been leased to foreign nations as far away as Kuwait in high profile deals. However, even the government realizes that more can be done.

"There is much abandoned farmland and about 70 percent of the labor force [are farmers], giving rise to potential for Cambodia's agriculture," the Ministry of Agriculture, Forestry and Fisheries (MAFF) told *Economics Today*.

Dr. Yang Saing Koma, president of the Cambodian Center for Study and Development in Agriculture (CEDAC), agreed that more effective use of agricultural land should boost Cambodia's economy and alleviate poverty. "There is the potential to increase farming outputs and food security," he said.

Massive swathes of fallow land mean the kingdom is ideally placed to take advantage of a global heightened interest in agriculture, the CEDAC president said. "Cambodia has a lot of potential for agriculture ... [with] over 6 million hectares. But currently Cambodian land devoted to agricultural activities is just over 3 million hectares, of which 2.5 million ... [is designated for] rice crops."

Despite this potential, invest-

ment is needed to ensure the technical training and irrigation infrastructure needed to increase productivity, continued Yang Saing Koma, adding that without such developments, Cambodia will be unable to compete in international markets.

Ek Chanboreth, a researcher for the Economic Institute of Cambodia (EIC), predicted that agriculture will be instrumental to any attempts at development. "I think improving the agriculture is very important because about 4.2 million people are engaged in this sector," he said.

He stressed that agriculture is the main occupation in rural Cambodia, so agricultural development "can ensure more sustainable development and higher pro-poor growth than other sectors such as industry and services."

Conscious of such considerations, the MAFF and other governmental entities claim they are striving to help agriculture meet its potential. Governmental priorities are bringing abandoned farmland back into cultivation, constructing irrigation systems and training an often poorly educated labor force.

Although progress has so far been slow, many hope the brakes will come off as improvements detailed in the National Strategy Development Plan for Agriculture and Water, a massive five year US\$350 million development project to be completed in 2010, begin to take shape. ■

Paddy Rice Production in Cambodia

| Period | Cultivated land area (in hectares) | Yield per hectare (in tons) | Paddy Rice Production (in tons) | Surplus |
|-----------|---------------------------------------|--------------------------------|---------------------------------------|--|
| 1967-1968 | 2,470,000 | 1.314 | 3,251,000 | Exported rice: 252,000 tons |
| 1998-1999 | 2,094,690 | 1.790 | 3,509,871 | Surplus: 30,000 tons (rice) (47,000 tons of paddy) |
| 2007-2008 | 2,585,905 | 2.621 | 6,727,000 | Surplus: 1,649,000 tons (rice) (2,577,000 tons of paddy) |
| 2008-2009 | 2,596,390 | 2.614 | 6,778,172 | Estimated Surplus: 1,800,000 tons (2,800,000 tons of paddy) |

Note: Figures for 2008-2009 are preliminary estimates only.

Source: Ministry of Agriculture, Forestry, and Fisheries special report



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Press Release

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Siem Reap Branch

Street 5 (corner of Sivutha Blvd), Mondule 2 village, Svay Dangkom commune, Siem Reap district, Siem Reap province

Dey Krahorm

Removals Raise Resettlement Concerns



By Kim Natacha
Economics Today

The Jan 24 forced eviction of residents from the Dey Krahorm community in Phnom Penh's Tonle Bassac area that shocked the media and civil society bore a close resemblance to the eviction of around a thousand families from the Sambok Chap community in the same area about two-and-a-half years ago.

Only the scale was different, with a mere 150 families still holding out at the Dey Krahorm community, but the means were the same: anti-riot police, tear gas and trucks.

The land conflict, pitching Cambodian residents at Dey Krahorm against Cambodian developer 7NG, has smoldered since 2006. But after several rounds of negotiations between the two parties through the Phnom Penh Municipality, and the passing of ultimatums in late December and early January, company workers, accompanied by police and city officials, moved into action.

In the early morning of Jan 24, just before the Chinese New year, hundreds of workers hired by 7NG and escorted by anti-riot police embarked upon a "methodical destruction" of the shacks and houses, online newspaper Ka-Set reported on the day of the brutal eviction.

Civil society organizations immediately reacted, condemning the "illegal" expulsion and denouncing the "excessive use of force endangering the lives of Dey Krahorm residents" in a joint press release. The seven organizations—including Cambodian rights groups Licadho and Ad-hoc and international grassroots organization Bridges Across Borders Southeast Asia (BADSEA)—argue that "the Dey Krahorm forced eviction resulted from an improper land transaction between so-called 'community representatives' and 7NG."

On the other side, a Cambodian constitution specialist argued in mid-January that Dey Krahorm residents did not hold proper ownership documents. Invited to a Jan 13 roundtable discussion organized by the Club of Cambodian Journalists (CCJ), Chhim Phalvorin, director of the Institute of Demography, said Dey Krahorm residents asked Prime Minister Hun Sen in a 2003 letter to be authorized to live there. For the jurist, this meant that residents knew they had settled illegally on the land.

David Pred, director of BADSEA, denied that claim, stating in a letter published Jan 27 in the *Phnom Penh Post* that most of the former resident families "have the documentation to prove their possession rights."

Meanwhile, the evictees were

transported to a relocation site proposed by 7NG about 16 km from Dey Krahom in Damnak Trah Yeuung village in Phnom Penh's Chaom Chao district. The company claimed that apartments were ready to accommodate the families, with water supplies already connected.

However, of the 150 removed families, only 27 were assigned a home, the *Phnom Penh Post* reported, while human rights activists who inspected the site judged it unfit and "woefully unprepared to absorb the evictees." Kim Ratana, deputy director of the aid group Caritas, told the *Phnom Penh Post* that assigned homes had neither water nor toilets, contradicting the claims of the company and City Hall.

Other families left at the site were squatting in fields, the daily newspaper reported, without access to either water or electricity. The resettlement was strongly reminiscent of the Sambok Chap case in which Licadho denounced the squalid living conditions of the evicted families two years after their relocation.

Amnesty International (AI) called for a prompt government intervention, noting that Cambodia is obligated to protect its population against forced evictions as a signatory to international covenants and treaties.

"The most urgent task now is for the government to immediately address the humanitarian needs of these people," said Brittis Edman, AI's Cambodia researcher. "They will also need assistance for a long time to come."

Following the Sambok Chap evictions in 2006 and the recent expulsion of Dey Krahom, residents of the 'Boding' another well-known insalubrious residential block in the Tonle Bassac area, fear their turn will come soon. In fact, 7NG itself is eyeing the building for further development, but company chairman, Srey Sothea, said its acquisition would probably be more expensive, as other developers would also bid for it. ■

Opposition Alliance Becomes Reality



Source: Sam Rainsy Party Website

Kem Sokha (left) and Sam Rainsy (right) signed the agreement forming the alliance of their parties.

By Kim Natacha
Economics Today

A long-mooted alliance between Cambodia's two major opposition leaders came to pass as Sam Rainsy, president of the eponymous Sam Rainsy Party (SRP), and Kem Sokha, president of the Human Rights Party (HRP), signed an agreement Jan 15 to form an opposition alliance: the Democratic Movement for Change (DMC).

Both party presidents insisted the alliance was not a merger of their respective parties, saying they would only merge their goals and draft a joint political platform, the Phnom Penh Post reported.

Seemingly inspired by new US president elect Barack Obama, Sam Rainsy decided to take the jump and accepted the HRP proposal, submitted by Kem Sokha to SRP secretary general Mu Sochua last December.

"We have worked together for a long time, and we realized the political trend in the world is moving towards change, such as in the US with [President Barack] Obama," he

told the Phnom Penh Post.

Recalling the US president's slogan "The change we need," Sam Rainsy said his party and the HRP "want to change society, which, currently, is filled with injustice and corruption," Cambodge Soir Hebdo reported.

Although Sam Rainy and Kem Sokha now present a common front, claiming the DMC will be a stronger opposition to the ruling Cambodian People Party (CPP), political observers and Prime Minister Hun Sen expressed doubts about the alliance.

Koul Panha, executive director of election watchdog Comfreel, told the Phnom Penh Post that personal ambition of political leaders has often caused the demise of similar alliances.

"Some leaders of small parties don't learn from their experiences of division," he said. "They don't look [at] the political evolution. Every party is weak at studying the information they receive

from their local activists, which sometimes is untrue."

As for the CPP, party officials are confident that the alliance will not affect their election performances. Information Minister and government spokesman Khieu Kanharith told Voice of America that he doubted that the two parties, even united, could topple the CPP.

During a Jan 22 visit to Oddar Meanchey province, Prime Minister Hun Sen predicted the alliance would not last, saying he was unworried by opposition mergers, which he claimed present no threat to the CPP.

Kem Sokha dismissed such criticisms, saying that the two parties have learned from their time in the political wilderness. "We signed the joint statement for the DMC because we need to change. If you cannot mobilize, then you cannot change," he told the Post.

The Jan 22 first public joint appearance of the two party leaders under the DMC banner was to commemorate the murder of popular union leader Chea Vichea, gunned down in broad daylight in 2004.

In one of their first statements, lawmakers from the SRP and the HRP signed under the name of the DMC to urge the government to reinvestigate the case, and to request King Norodom Sihanouk to posthumously elevate Chea Vichea as a Workers' Hero.

The two parties plan to put their alliance to the test at the 2012 commune council elections and then at the legislative elections the following year, urging all their members and supporters to work together. ■



Source: Sam Rainsy Party Website

Sam Rainsy and Kem Sokha walked side by side during a rally to commemorate the fifth anniversary of Chea Vichea's murder on Jan 22.

Vietnam

The Vietnamese cabinet members met at a Jan. 15 conference.

■ The decision came during a Jan 15 conference that examined a range of other issues, including assistance to allow poor households to welcome Tet (Lunar New Year festival), the use of resources for development investment, a mechanism of guarantees for SMEs, and the deferral, reduction and exemption of tax payments.

Cabinet members agreed to use the package to cover 4 percent of the interest rates on SMEs' bank loans to give a boost to their production levels and safeguard employment.

However, importers of non-essential goods and real estate and securities businesses are not covered by the package.

Gov't Announces Economic Package for SMEs

The cabinet has agreed to use a US\$1 billion economic stimulus package to assist small and medium-sized enterprises (SMEs) for the next 12 months, to help them to complete their projects in 2009.

The cabinet showed a high degree of unanimity regarding the Finance Ministry's suggestion to provide Tet payments to more than 3.8 million poverty-stricken families nationwide, with most of the funding coming from the State's coffers.

They also agreed to provide credit guarantees for businesses with capital of VND20 billion (about US\$ 1.14 million) or less and who employ a maximum of 500 workers, and to establish a VND200 billion guarantee fund in the near future.

Regarding tax issues, they agreed that it is necessary to allow tax payment deferrals, reductions and exemptions for businesses in order

to remove obstacles hindering production levels and exports.

Concluding the conference, Prime Minister Nguyen Tan Dung asked the Ministry of Planning and Investment to present to the Government a list of SMEs that would benefit from the package in order to implement it before the end of January.

He decided to provide the poor, who are most affected by the high rate of inflation, with aid amounting to VND 200,000 (about US\$11.5) per person, though not exceeding VND1 million (US\$57.4) per household, to enable them to participate in the upcoming Tet celebrations. ■

Source: Vietnam News Agency

Vietnam

Vietnam, Laos Agree Preferential Tariff

■ HANOI – Vietnam and Laos signed an agreement detailing the items of import goods that will enjoy preferential tax treatment in 2009 and following years in a bid to achieve their trade target of US\$1 billion in 2010.

The agreement was inked by Vietnamese Minister of Industry and Trade Vu Huy Hoang and his Lao counterpart Nam Viyaketh in Hanoi Jan 17.

Under the agreement, Vietnam will drop taxes on an additional 16 items of Lao commodities belonging to the groups of car and motorbike engines and components.

Vietnam, particularly, will give preferential quota to its import of commodities with Lao origin,

including cigarettes and tobacco blades (3,000 tons per year) and rice (40,000 tons a year).

Meanwhile, Laos will levy a zero tax rate on 87 additional items of Vietnamese commodities that are from the groups of vegetable raw materials, processed fruit, cigarettes, apparel, motorbikes and home furniture.

The Ministry of Industry and Trade estimated that the two countries' import-export value reached US\$450 million in 2008, a surge of around 44 percent over 2007.

In 2008, Vietnam earned US\$136.4 million from exports, mainly of apparel, coal, electric wire and electric cable, and plastic products, representing a year on year rise

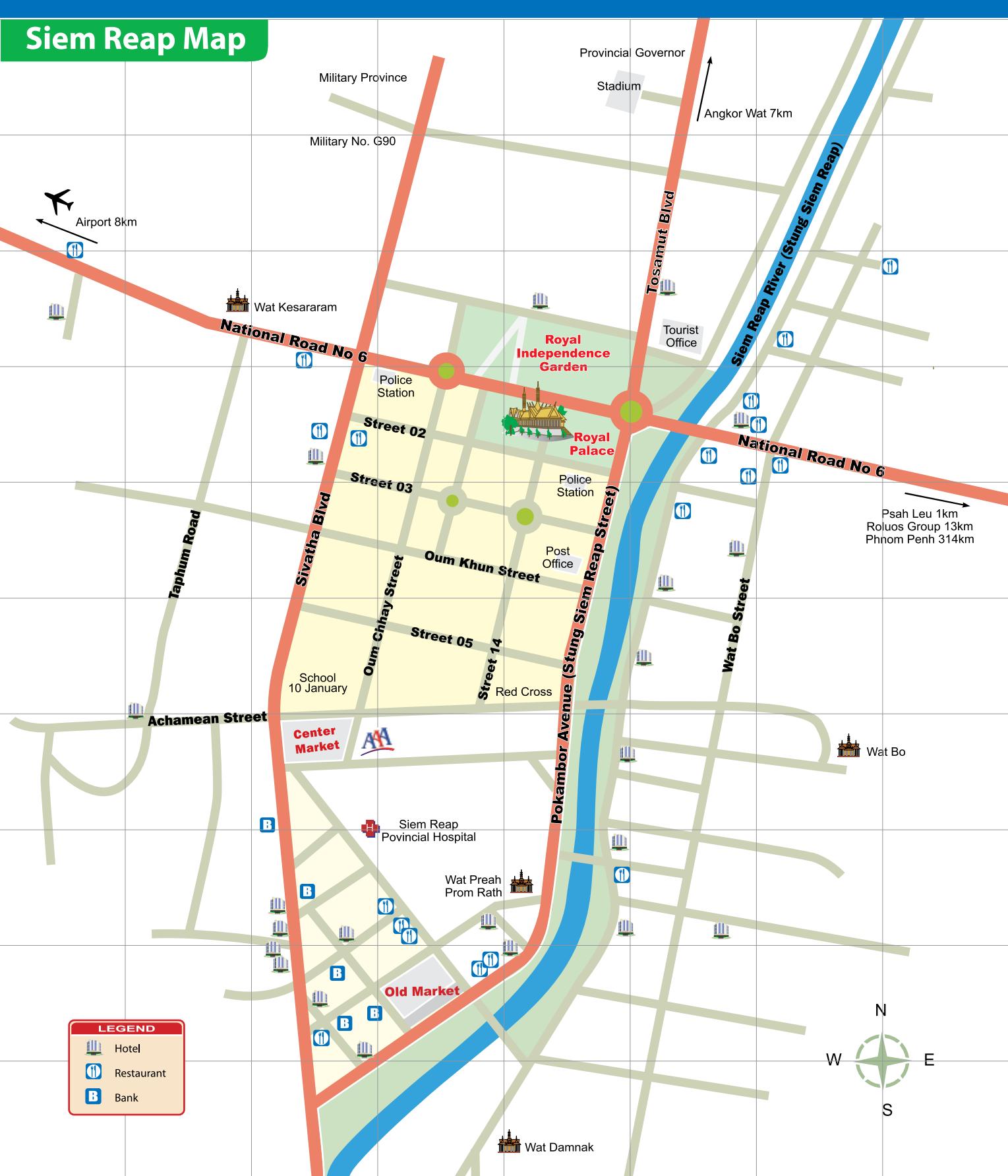


of 41.7 percent.

Vietnam imported from Laos US\$259 million worth of metals, timber and wood products, assembled cars, and tobacco, an increase of 34.2 percent year on year. ■

Source: Vietnam News Agency

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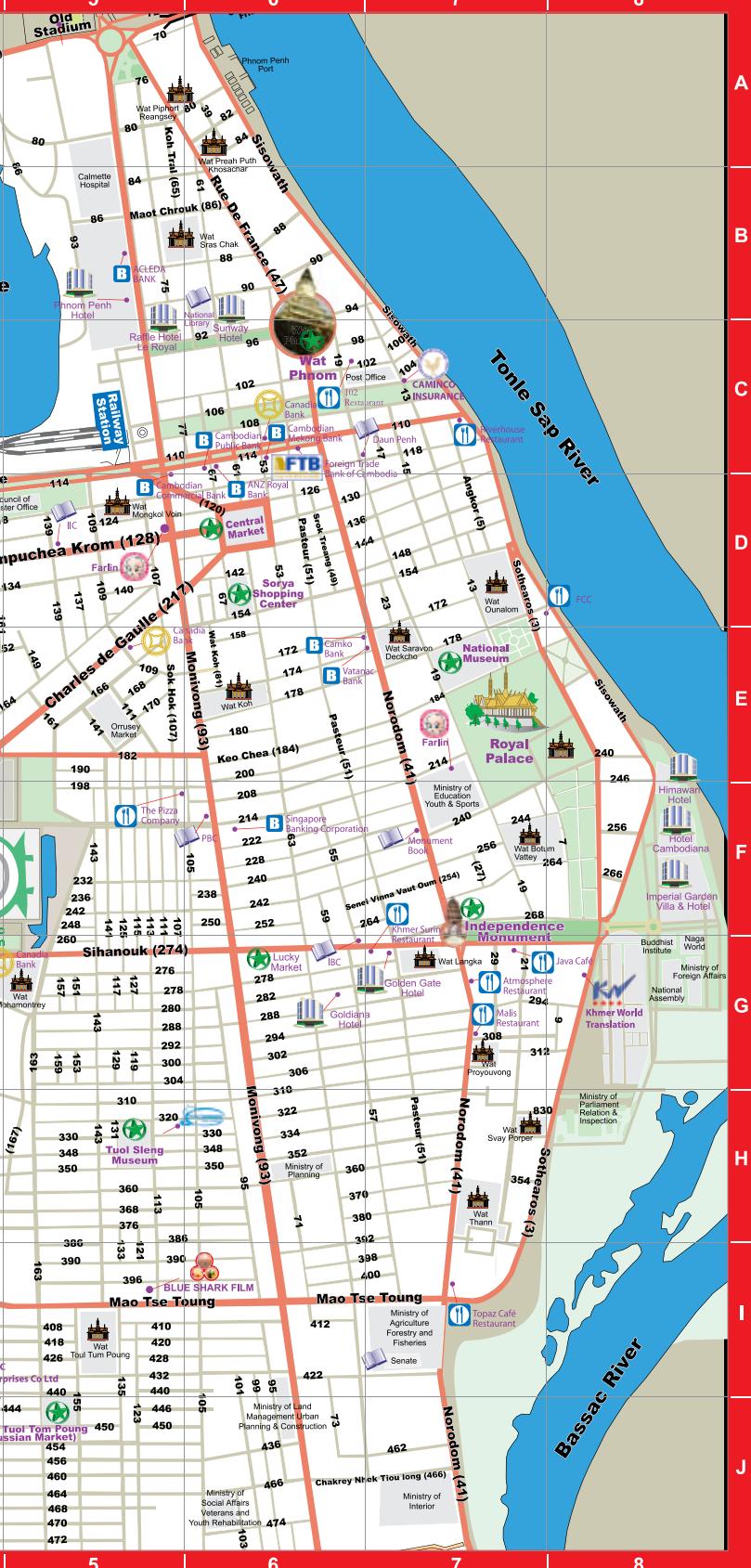
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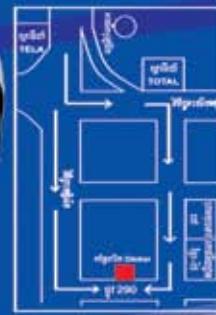
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Vietnam

Struggling Cashew Industry Calls for Help

 HANOI – The Vietnam Cashew Association (Vinacas) is calling for the Government's support in obtaining loans for cashew processors and growers to ease difficulties in production and export this year.

In a petition to the Prime Minister, the association has requested banks to lend VND 6.7 trillion (US\$375 million) to the farmers and processors that produce, purchase, process and export the nuts.

Vinacas has proposed that the farmers and processors could borrow VND 2 trillion (US\$114.3 million) of the funds from the state-run Vietnam Development Bank with a zero interest rate.

The rest of the funds would be borrowed from commercial banks, with preferential interest rates for processors of farm products for export, Vinacas said.

Nguyen Duc Thanh, acting chairman of Vinacas, forecast that the



Photo: VietNamNet Bridge

export price of cashew nuts would fall to US\$4,500 a ton for this year from US\$5,500 last year, because the global economic downturn has decreased demand for cashews on the world market.

Nguyen Duc Thanh said from cashews harvested last year, processors still had stockpiled 30,000 tons of cashew nuts worth VND4.675 trillion (US\$267.1 million)—the money to produce them was borrowed from banks.

Nguyen Duc Thanh said that last

year's leftover stock would probably not be exported by April of this year. In the meantime, processors must pay interest rates of 15 percent for the loans, so losses would increase as the goods have to wait longer for export, he added.

Vietnam exported 165,000 tons of cashews last year, earning US\$908 million. The industry had a year-on-year increase of 38.8 percent in value. Its key export markets for cashews include the US, China and the Netherlands.

The nation expects to produce 450,000 tons of raw cashews, equivalent to 100,000 tons of cashew nuts for this year, according to the association. The processors plan to export 70,000 tons of cashews from May to December of this year. The remaining 30,000 tons would be exported in 2010.

So far this year, enterprises in the industry had signed contracts to export 10,000 tons of nuts, and the exports would be delivered in the first half of this year, the association said. ■

Source: Vietnam News Agency

Vietnam

Vietnam Likely to Export 5 Million Tons of Rice

The Agriculture and Rural Development Information Centre (ARDIC) has forecast that Vietnam is likely to export 5 million tons of rice in 2009.

 Vietnam's huge foreign markets will purchase half of the volume, according to the ARDIC.

In 2008, Vietnam signed contracts to export 5.1 million tons of rice, of which 4.65 million tons have been shipped, bringing in US\$2.9 billion, double the previous year's total. The price of Vietnamese rice also increased to US\$550 per ton on the average, almost double 2007's figure.

Experts say that global financial turmoil has forced big consumers



to increase food reserves, and this is a good chance for Vietnam to export a great deal of farm produce, including rice.

The Food and Agriculture Organization (FAO) forecast that rice prices would remain high in 2009, but not rocket as they did in 2008.

Currently, Vietnam has 7.5 million hectares of land under rice cultivation, producing approximately 39 million tons a year. ■

Source: Voice of Vietnam

Vietnam

Price of Rice Likely to Fall

 The price of domestic rice seems to be following a downward trend, said the Vietnam Trade Information Centre under the Ministry of Industry and Trade.

The average price of rice in the Mekong Delta region hovers around VND 3,800-4,000 (US\$0.22-0.23) per kilo but the price of some varieties has fallen by VND 100-200 (around US\$0.01) per kilo.

The price of export rice has also dropped, with 5 percent broken rice down by US\$15 to US\$380-405 per ton, and 25 percent broken rice down by US\$15 to US\$330-340 per ton. ■

Source: Voice of Vietnam

Thailand

Exports Fall Again in December

Falling China orders a major factor

■ Thailand's exports shrank in value for a second consecutive month in December, causing total export value for 2008 to miss the ambitious 18 percent growth target set earlier last year.

The US dollar value of overseas shipments dropped 14.55 percent in December from a year earlier to US\$11.605 billion, according to Siripol Yodmuangcharoen, the permanent secretary for the Commerce Ministry.

Exports fell 20.5 percent in November to US\$11.97 billion, the biggest decline in 17 years.

Exporters are getting fewer orders and some of them are beginning to cut jobs, said Pramon Sutivong, the chairman of the Thai Chamber of Commerce. "It will be a drag on the whole economy."

Somphob Manarungsan, an economist at Chulalongkorn University, said the export slump in December stemmed from a big shift in the China supply chain. He said China had begun cutting imports in November, affecting many Asian countries that rely on serving its huge economy.

"Thailand's export growth of 15.6 percent in 2008 is still deemed satisfactory," said Somphob Manarungsan. "This year, [the outlook] is much more challenging."

"The government must thus better understand and analyze the challenging issues such as the economic stimulus measures of trading partners and China's supply chain policy and consumption behaviors of the world's consumers."

Shipments of agricultural and agro-industrial products fell 16.1 percent in value. Rice shipments fell 46.1 percent in volume and the value fell 22 percent. Rubber exports also declined both in volume and value by 33.1 percent and 50.4 percent respectively, while tapioca products dropped 36 percent in shipment volume and 42.6 percent in values.

Exports with values down over 20 percent in December include electronics, electrical appliances, automobiles, plastic products and plastic pellets, chemicals and finished oil products.

Imports also fell 6.5 percent last month to US\$11.25 billion after gaining 2 percent in November. That was the first contraction since May

2002. The trade surplus was US\$350 million, compared with a US\$1.2 billion shortfall a month earlier.

For the whole year, Thailand's exports were valued at US\$177.84 billion, up 15.6 percent from 2007, while imports expanded 27.6 percent to US\$178.65 billion.

The resulting trade deficit of US\$812 million was lower than forecasts of up to US\$3 billion by several economists.

Siripol Yodmuangcharoen said the government would strive to raise export growth despite the fact that the world economy was still in the doldrums.

"We are still upbeat that exports this year are unlikely to see a contraction if the government has set aside an additional budget to stimulate export activities," said Siripol Yodmuangcharoen. "Clearer export prospects are likely to be seen in the second and third quarter."

Commerce Minister Pornthiva Nakasai said that, given the export contraction in the last two months of 2008, the ministry needed to ask the government for an extra export stimulus budget of about Bht3 billion (US\$86 million). ■

Source: Bangkok Post

Thailand World Bank Economist Optimistic about Thailand's Stimulus Package

■ BANGKOK – A World Bank economist expressed optimism that the Thai government's new stimulus program announced mid-January would help cushion the impact of the world economic slowdown, but said that more measures are needed to improve the country's competitiveness.

The government's mid-year package of Bht115 billion (US\$3.3 billion) was approved by the Cabinet Jan 13.

Dr. Kirida Bhaopichitr, World Bank economist for Thailand, said the newly-launched package is considered timely and appropriate as the program, under which Bht2,000 (US\$57) in cash will be distributed monthly to people who currently earn monthly salaries or wages less than Bht15,000 (US\$143), had come in a timely manner to address the country's ailing

economy on a short-term basis.

Under the government's economic measures, the beneficiaries of such allowances will have Bht2,000 more to spend on a monthly basis and thus help bolster domestic consumption nationwide.

The economist, however, said it was too early to tell whether or not the program would help raise Thailand's economic growth above the two percent level earlier projected by the bank—the lowest in 11 years—as the impact of the global economic slump on the Thai economy must be taken into account.

Dr. Kirida Bhaopichitr warned that the Thai economy in the first quarter of 2009 is likely to be severely impacted by the global economic crisis, particularly the likely hardest-hit export sector.

Thailand's exports are expected to contract by 1.6 percent this year as the global financial crisis bites into the country's traditional key markets, according to the Centre for International Trade Studies of the University of the Thai Chamber of Commerce (UTCC).

Dr. Kirida Bhaopichitr urged the Thai government to issue more medium-term measures involving infrastructure investment and assistance for structural adjustments of small- and medium-size industrial entrepreneurs to increase their production capabilities and competitiveness amid fierce competition in the world market.

The economist said the measures would boost confidence among investors and that the government must help particular groups such as the poor, as well as the small- and medium-entrepreneurs. ■

Source: Thai News Agency

Thailand

Economists Bicker over Stimulus Proposals

Mistargeting of new fiscal spending programs and a deteriorating global economy could undermine the government's efforts to revive growth, according to local economists.



Former Finance Minister Pridiyathorn Devakula: Job creation needs more

a short-term impact on the economy.

The Bht115 billion (US\$3.28 billion) supplementary budget, together with a new Bht 40 billion (US\$1.14 billion) program for homebuyers and small businesses, could boost economic growth by just 0.5 percent this year.

"The government should adjust its concept in stimulating the economy. It should selectively invest in quality projects. And it should have transparency. This will help fuel the private sector," Prof. Teerana Bhongkapat said at a conference held by Thammasat University.

The government has said the stimulus programs, which include price support for key commodities, grants for community development programs and free education for students, should boost growth to between 2 percent and 2.5 percent this year.

But most economists are more pessimistic for 2009, with consensus growth estimates ranging from zero to 2 percent.

Prof. Teerana Bhongkapat said the outlook for the global economy and US housing market could be worse than expected, creating spillover effects to other economies and affecting global manufacturing demand.

M.R. Pridiyathorn Devakula, a former finance minister and central bank governor, said plans to accelerate spending of Bht140 billion (US\$4

billion) in unused funds held by rural administration bodies offered the best chance to boost growth.

The funds, allocated for community development, had been slow to enter the economy due to bureaucracy at the Interior Ministry.

M.R. Pridiyathorn Devakula said more funds should have been allocated in the supplementary budget for job creation.

"The current structure has just Bht7 billion [US\$200 million] of the package targeted at jobs," he said.

"It's too little, considering that more layoffs are expected in the industrial sector. ... The impact on the economy would be greater if

the government uses more funds for job creation."

But Banyong Pongpanich, the chairman of Phatra Securities, said the state bureaucracy was a significant obstacle to the government in disbursing funds quickly.

"Measures giving out handouts and cutting taxes are quick and direct. And it will have no problem in terms of leakage or corruption," he said.

Banyong Pongpanich agreed that the US recession was likely to be protracted, and cautioned against overly high expectations of a quick recovery. "I think that Thai society may have too high expectations that the government can salvage the economy. We may be disappointed."

Banyong Pongpanich predicted that the crisis among international banks would increase the dominance of Thai banks in the local market. "An oligopoly could arise again," he said. "Thai banks now have among the highest net interest margin in the world, compared with countries at the same level of development." ■

Source: Bangkok Post

Thailand

Thai Market: Property Stimulus Packages to Benefit Homebuyers

BANGKOK — Property stimulus packages issued by the government Jan 20 to boost economic growth will encourage people to decide to buy houses without any delay.

Athip Peechanont, director and senior executive vice president of Supalai Plc, said the packages would benefit potential homebuyers because they could save money on both the ownership transfer and mortgage fees.

In addition, buyers are able to get the principal and interest deducted from taxes.

Overall, it meant the government helps bear the burden of around Bht400,000-500,000 (about US\$11,400-14,300) for people who purchase houses priced around Bht1 million (US\$28,580) or more.

He said that single houses and townhouses left in stock or under construction would benefit most

from the measures.

Athip Peechanont conceded the government had issued measures in a larger number than expected to stimulate the property sector.

"I have never seen [as many] measures as this before in the past 30 years. It seems the government has issued many measures to stimulate the property sector this year," he said.

This, coupled with the lower interest rate, would help lessen loan burdens borne by the general public. At the same time, many property developers are refraining from raising house prices and are offering attractive promotions.

Because of this, he believed, this year business in the property sector will grow close to that of last year with total sales of around 70,000 units. ■

Source: Thai News Agency

China Becomes World's Third-Largest Economy



A child gives some coins to an elder woman begging in a street in Nanjing, East China's Jiangsu Province in this file photo.

By Ariana Eunjung Cha
The Washington Post

■ BEIJING – China leapfrogged over Germany to become the world's third-largest economy in 2007, sooner than predicted, underscoring how quickly the concentration of global economic power has shifted.

Although earlier estimates had put growth of China's GDP that year at 11.9 percent, revised figures released Jan 14 by the government statistics bureau show that its economy actually expanded by 13 percent to US\$3.38 trillion. That compares with Germany's 2007 GDP of US\$3.32 trillion.

"It was inevitable," said Ting Lu, a Merrill Lynch economist based in Hong Kong.

Whether the growth trajectory will continue, however, has been complicated by the global recession, which has already prompted massive layoffs and waves of company closures, especially across southeastern China, the heartland of its export-driven economy. If China were to continue to grow at its current rate, economists say it could surpass Japan in as soon as three years and the United States in 18 years to become the world's No. 1 economy.

In 2007, the US remained the world's largest economy with a GDP of US\$13.8 trillion and Japan

the second-largest with a US\$4.38 trillion GDP, according to calculations based on an annual average of daily exchange rates by Merrill Lynch.

China is one of the few major economies that is on track to have positive GDP growth this year. Merrill Lynch, for example, calculates that China will have a GDP growth of 8 percent as compared with declines of 2.8 percent for the US, 1.3 percent for Japan and 0.6 percent for the EU.

"In 2007, the gap between the growth rates of China and other big countries was huge. Actually in 2009 the gap between will be even bigger," Merrill Lynch's Lu said.

But even if China achieves a projected 8 percent rate of growth this year, that might be insufficient to stop the wave of company bankruptcies and layoffs that have alarmed China's leaders. Economic data released earlier only added to the pessimism: Exports dropped 2.8 percent in December from the same month a year ago, the sharpest decline in a decade.

In the early days of the global economic crisis, some economists had debated whether China would serve as an engine that would keep Asia from being pulled into the turmoil affecting other parts of the world. Pakistan, which was suffering from a balance of payments crisis, even came to China looking for a loan. But this fall China found its own economy cooling so fast that its leaders issued statements saying that the best thing it could do to help the world economy was to help itself.

Coming into this global slowdown, 30 years of capitalist-style reforms pioneered by Deng Xiaoping had transformed China from an isolated and impoverished nation into one of the world's great economic powers.

Years of white-hot, double-digit growth driven by exports and in-

vestment went hand in hand with achievements in politics, science and engineering and the arts.

Huang Yiping, chief Asia economist for Citigroup, said that China grew so quickly because it had the "advantage of backwardness."

"As China used to be a very backward country, there was huge potential for the economic and technological development," Huang said.

China has trumpeted its achievements in the past few years especially: It hosted the Olympics and pulled off its first spacewalk, and native sons and daughters such as Jet Li and Zhang Ziyi became Hollywood darlings. Its engineers have built the world's largest building (the new Beijing airport), the longest trans-oceanic bridge (connecting Shanghai to Hangzhou), longest plateau railway (to Tibet), the fastest train (Shanghai's "maglev") and the largest dam (Three Gorges).

China has been using its increasing wealth to buy political clout by investing in underdeveloped parts of Asia, Latin America and Africa. It is gaining influence in global economic institutions such as the Group of Eight and the International Monetary Fund, which have long been dominated by Western powers. It is now the biggest holder of US Treasury securities.

Economists said that despite all the wealth implied by such a large GDP, China should still be considered a poor country.

Yi Xianrong, a researcher at the Chinese Academy of Social Sciences, a government-affiliated think tank, emphasized that widespread unemployment and rural poverty are still major problems. China's 1.3 billion residents have a per capita GDP of about US\$2,500 while Germany's 82 million inhabitants have a per capita GDP of US\$40,400.

"If we look at the per capita figures we still have a long way to go," Yi said. ■

Park Region Turns Green With Ecotourism Envy

By Lisa Girion
Los Angeles Times

■ SHANGRI-LA, China — Yang Xuemei grew up tending yak with her family in this outpost on the edge of the Tibetan plateau. These days, she herds tourists through the alpine pastures and other scenic climes of Pudacuo National Park—3,220 square kilometers of soaring mountains and glacial lakes inhabited by red pandas and nearly 100 other endangered species.

Her job as a tour guide broadens her horizons beyond the mountains that define her life.

“It’s hard to go out into the world from here,” said Yang, 23. “This way, I meet people, and I hear how exciting the world is.”

The park’s broader value lies in the 2,000 tourists who visit each day—mostly from other parts of China as well as Japan and South Korea—and the jobs their spending creates. Tour guides, for instance, make about US\$1,300 for 10 months’ work—twice what Yang’s parents earn from their yak herds in a year.

Worldwide, the economic downturn is slowing tourism. The slowdown—combined with tightened entry rules for the Beijing Olympics, a catastrophic earthquake and Tibetan unrest—contributed to the first decline in China tourism since the 2003 outbreak of severe acute respiratory syndrome, or SARS. In 2008, China received 130 million foreign visitors,



Guide Yang Xuemei, at the entrance to Pudacuo National Park near Shangri-La, China, makes more than twice as much as her yak-herding parents.

a decline of 2 million, the government reported in early January.

Still, local leaders see Pudacuo, China’s first national park—and plans for others like it—as key to the economic future of the region. The central government also is promoting tourism to help lift rural inhabitants out of poverty the way manufacturing has improved the fortunes of city dwellers. The national tourism administration has declared 2009 the “year of ecotourism,” a promotional effort that will showcase China’s spectacular natural attractions outside the better-known cities.

Opened nearly two years ago with the help of the US-based Nature Conservancy, the park is a stunning example of how this southwest corner of China is trying to raise the standard of living by showcasing its natural beauty.

The Diqing Tibetan Autonomous Prefecture, which consists of three counties in Yunnan province, is developing along the path of the American West—capitalizing on its wealth of mineral resources, the power of the three rivers that rush through it and the splendor of its soaring peaks, plunging gorges and bucolic mountain valleys. This is big-sky China.

There is some concern that overdevelopment could spoil the natural beauty and dilute the Tibetan culture of Diqing. But local authorities pledge to tread lightly. Logging in the region was halted a few years ago to preserve the alpine forests, and heavy industry is off the table, said Qi Zhala, the Communist Party secretary for Diqing.

Ecotourism, farming, mining and hydropower are the “four pillars” of the region’s economy, Qi said. Promoting environmentally sensitive tourism, already 20 percent of the area’s GDP, is a high priority.

“We have one national park,” Qi said. “We are planning four more over the next 20 years. ... There is huge space for growth in tourism.”

The development of tourist at-



Shangri-La, China, is more urban than pastoral. The city’s name was changed from Zhongdian in 2001 in an effort to boost tourism to the region.

tractions enables rural residents to cash in on the travel dollars of China’s growing urban middle class. With 1.6 billion tourists a year, China’s domestic travel market represents a huge cash yak for the nation’s economy.

Diqing’s bid for tourists has been anything but subtle. The region’s historic gateway, Zhongdian, was renamed in 2001 after the fictional paradise of James Hilton’s “Lost Horizon”: Shangri-La.

But the rustic frontier town is hardly a paradise. Butcher shops hang yak carcasses dripping with blood out front to dry. Stray dogs roam the dusty streets. Cinder-block homes on back and side streets are surrounded by cinder-block walls topped with broken bottle glass.

Diqing lies east of the Tibet that has struggled with Beijing for decades. Still, with 23 Buddhist monasteries and a largely Tibetan population living in far-flung villages, Diqing has more in common, culturally and historically, with Lhasa, a few hundred miles to the west, than with Beijing, thousands of miles to the east.

Its bid for tourism reflects that heritage. The otherwise drab concrete facades of Shangri-La’s main street have been given a Tibetan face-lift with painted window and door frames, faux stone siding and ornamental parapets.

A recent report issued by the Pacific Asia Travel Association encouraged China to develop just this kind of tourism.

Both cultural and “green” tourism, the report said, “have the potential to help lift the rural population out of poverty.” ■

Photos by Lisa Girion

Despite Pact, US Firms Hampered in Setting Up Reactors in India

By Rama Lakshmi

The Washington Post

■ NEW DELHI, India – It took three years of diplomatic wrangling to get a controversial agreement signed late last year to allow India to participate in global civilian nuclear trade, but US business executives now say there are more hurdles to overcome before they can start setting up reactors and selling fuel to India.

The largest-ever business delegation from the US met with high-level Indian officials, lawmakers and nuclear executives mid-January and pored over the fine print in the historic agreement. Some executives said it would take at least two to three years to jump through the bureaucratic hoops, complete the commercial negotiations and sign the contracts.

"The passage of the 123 Agreement into law was a herculean task," said Ted Jones, director of energy, environment and enterprise with the visiting US-India Business Council, referring to the nuclear accord. "But now we are seeing how much work remains to be done, and the challenge may be equally great on the US side. We thought we would get down to business sooner."

Many of the delays involve US nuclear companies that must comply with stringent US laws that prevent them from sharing details of their technology with Indian partners before bureaucratic approval. Another is India's insistence that the US allow it the right to reprocess spent fuel before American companies can sell reactors and fuel to India. Additionally, India needs to pass laws covering liability and patent protection before US companies can do business. Rival companies from France and Russia, which do not have such restrictions, appear to be racing ahead, executives said.

Last year's nuclear agreement between India and the US sought to

end India's 34-year nuclear isolation. It was passed after the 45-member Nuclear Suppliers Group in Vienna, Austria, revoked a global ban on nuclear trade with India. The landmark deal had been expected to generate business worth more than US\$100 billion and potentially tens of thousands of jobs in both the countries in the next two decades, when 63,000 megawatts of nuclear power will make up 7 percent of India's total power generation.

India conducted nuclear tests in 1974 and 1998, earning international sanctions, and has not signed the Non-Proliferation Treaty. India continues to produce fissile material.

As India prepares for national elections in April, the outgoing government appears to have little time to begin the process of enacting a nuclear liability law that facilitates compensation in the event of a catastrophic accident. "The liability law is a major initiative and cannot be rushed just because American companies are in a hurry. India is a democracy, and there will be a thorough Parliament debate and approval. There is not enough time before the election to do this," said Mabel Rebello, a lawmaker who met the delegation.

Rebello said the issue is particularly sensitive because of the messy experience of compensation when poisonous gas leaked from the Union Carbide factory in Bhopal in 1984 and killed more than 14,000 people. Unlike Americans, state-owned French and Russian nuclear companies do not require these laws to do business because they can claim immunity.

On the US side, companies need to comply with "Part 810" licensing requirements that govern all commercial nuclear exports. "The 810 is a permit that is required to



ensure that there is no re-transfer of American nuclear information and technology from safeguarded to non-safeguarded facilities within India," said Meena Mutyal, vice president of global growth and India business leader of Westinghouse. "These are little bumps we have to walk through."

In meetings with potential partners in India, sources in the delegation said General Electric and Westinghouse kept hitting roadblocks. "We are open to talks, but there are restrictions in the American law that prevents their companies from talking openly about technical specifications of their product. And we need this information in commercial negotiations," said Sudhinder Thakur, executive director of the Nuclear Power Corp. of India, a state-owned company that has a monopoly on nuclear power generation.

But perhaps the most challenging and basic obstacle between the two governments is granting India the right to reprocess spent fuel, which India needs for its three-stage breeder reactors. Reprocessing also entails the risk of proliferation.

A representative of a US nuclear company who asked not to be identified said that reprocessing consent is likely to be more difficult under the new US administration which may include many "nonproliferation czars." ■

Economic Slump Crashes Extravagant Weddings



Photo by Emily Wax

Harbinder Singh Gill takes a break from fixing the display at this New Delhi shop to enjoy the wedding gowns that sell for up to \$10,000. The economic downturn has forced Indians to scale back on opulent weddings.

By Emily Wax
The Washington Post

■ NEW DELHI, India — For couples about to be married here, the global economic crisis has forced the big fat Indian wedding onto a crash diet.

Gone are the so-called helicopter grooms of last year's wedding season—the most opulent on record—where in a still-booming economy some husbands-to-be abandoned the traditional white horse procession and arrived at their nuptials on landing pads, amid a whirl of wind.

Now, couples pick and choose from a menu of possible cuts, including trimmed guest lists, slightly less sumptuous matching sari and jewelry sets—think pearl- and ruby-encrusted beadwork with only a smattering of diamonds and emeralds—and floral canopies looped with marigolds instead of orchids and lilies, according to wedding planners, florists and turban tailors, all of whom reported slumps in business.

"Guest lists have fallen, invitations are less ornate, DJs have replaced Bollywood performers and dance troupes. Even instrumental-

ists are no longer commonly requested," said Jai Raj Gupta, chief executive officer of Shaadionline, one of the first and largest Indian companies devoted to planning weddings, known as shaadi in Hindi. "The main wedding is still a grand affair, but on a much smaller budget. Even in India, marriage isn't always inflation-proof. One has to settle for second-best now if there are financial restraints."

In India, the prestige of staging a lavish wedding has collided with the harsh reality of global recession, with many economists predicting that last year's record 9 percent growth rate will sink to 5 or 6 percent this year.

Indians spend on average US\$32,000 for a wedding, about US\$7,000 more than the average bill for American nuptials, according to industry experts—despite India's significantly lower average annual family income. Weddings here often include elaborate ceremonies spread over a week, with separate parties for the bride and the groom, all requiring special outfits, hairstyling, jewelry, shoes and catering.

It's all seen as a once-in-a-lifetime extravagance that most families

save for over decades, or even generations. Marriage is the engine of traditional Indian society, an occasion that links families permanently and is often seen as an indicator of wealth and status.

"To save something, anything, we made a risky, even shocking strategic move to combine some of the ceremonies and just spend on one grand night," said Kanha Ram Meghwal, 50, the father of the groom at an enormous wedding held recently at a posh hotel in the northern state of Rajasthan.

Meghwal, a government tax official, is painfully aware of India's stock market plunge.

"I sat everyone down and quietly said, 'Look, guys, we might enjoy it more if it's not a bankrupting expenditure,'" he said. "There were tears. But we pushed through it. In the end, the day of the wedding still had 1,500 guests and a horse-drawn carriage ride for the groom."

As India has prospered, so has the country's vast wedding industrial complex, now estimated by analysts to be worth US\$10 billion.

But as with diets, many couples are finding it a challenge to stick to a strict plan for economizing. Temptations include features that have become obligatory for many middle- and upper-class weddings: 100-dish multi-cuisine food stations; a chocolate fountain, the gold-standard item; and over-the-top lighting with dozens of gas burners, chandeliers, lanterns and candles to simulate a starry sky.

Many families in India's small towns and rural areas, where inflation and job losses have hit harder than in the cities, are experiencing the wedding crisis more intensely.

Kamlesh Kumar is from Uttar Pradesh, one of India's poorer states, and is organizing his younger brother's wedding there next February.

"The financial crisis has definitely had an impact on us. We're trying to keep a smaller tent for the wedding area, which will reduce the amount of lighting and decor needed. We've had to negotiate and bargain with decorators and caterers again and again," he said, adding that the family was trying to keep the cost of the wedding under US\$5,000. "Trying' being the key word here." ■



Japan, South Korea Connect Over Economic Crisis

Japan's Prime Minister Taro Aso (left) during a Jan. 12 joint press conference with South Korea's Prime Minister Lee Myung-bak (right) in Seoul.

By John M. Glionna
Los Angeles Times

SEOUL, South Korea — Japanese Prime Minister Taro Aso's visit here in mid-January was all about the future: mostly about how to boost cooperation between the Asian neighbors to overcome the global economic crisis.

But for many South Koreans, Aso's presence was a troubling reminder of a painful past—not only Japan's history of colonial brutality but also the use by the Aso family's mining company of thousands of Koreans in forced labor during World War II.

The legacy of Koreans, Chinese and other Asians being used as Japanese slave labor generations ago still clouds Tokyo's attempts at normal diplomatic relations with its neighbors.

And although South Korean President Lee Myung-bak's administration appeared willing to overlook past tensions—holding talks that included disabling North Korea's nuclear arsenal, signing a possible free-trade deal and other economic pacts—others here weren't so accommodating.

Aso's visit drew protesters who decried Japan's claim to the disputed Dokdo islands as well as what they called Tokyo's brutal colonization of the Korean peninsula between 1910 and 1945.

"Before any economic cooperation, territorial and historical issues should go to the top of any diplomatic agenda," said Jae-ik Choi, chairman of Dokdo Island Guardian Nationwide Alliance.

Since taking office 11 months ago, Lee has said he would not demand any new apology from Japan for its colonial rule and has pushed for improved ties with Tokyo.

Choi said Lee's approach "does not make sense—it does not seem right."

"As German leaders shed their tears when they visit Poland, Japan needs to do the same thing," Choi said. "Aso does not have any right to step on Korean soil until he has said he is sorry for Japan's past."

South Korea, a major industrial power in Asia, has been hit hard by the global financial crisis. Many analysts predict continued gloom in 2009, as the economy is expected to contract by as much as 3 percent.

Japan, one of the world's largest

economies, slid into recession last year and faces massive layoffs and rising unemployment, marking the biggest economic decline in decades.

South Korea and Japan are key trade partners, with two-way trade reaching US\$82.6 billion in 2007. But critics accuse Lee's administration of sacrificing South Korean national pride for short-term economic gain.

Economists say both Asian leaders are eager to move forward.

"Both sides need economic coordination now," said Sung-deuk Hahm, a political economy professor at Korea University. "Lee is pragmatic, so is Aso. They did not want to deal with historical matters that can inflame public sentiment."

"That's why they focused on the economy."

But Lee faces critics in his own government.

"South Korea has a lot of unsolved issues with Japan," said Jung-Hee Lee, a member of South Korea's National Assembly. "The president has done nothing to satisfy people's sense of justice."

"Even in an economic crisis, the past cannot be ignored." ■

Obama Takes Oath as America's First Black President

**By Christi Parsons
and Peter Nicholas**
Los Angeles Times

■ WASHINGTON — Barack Hussein Obama took his place as the 44th US president under a bright January sky Jan 20, defining the problems the nation now faces in unsparing terms and exhorting Americans to respond by taking greater responsibility for themselves, the country and the world.

Standing on the West Front of the Capitol as the first black sworn in as president, Obama celebrated that historic achievement, noting that "a man whose father less than 60 years ago might not have been served at a local restaurant can now stand before you to take a most sacred oath."

But the heart of Obama's first address to the nation as its president was rejection of the policies and values of his immediate predecessors and a somber call for the return of what he called traditional American virtues of hard work, fair play, tolerance and sacrifice for the common good.

In moments of crisis, "America has carried on not simply because of the skill or vision of those in high office, but because we the people have remained faithful to the ideals of our forbearers and true to our founding documents," Obama said.

"So it has been. So it must be with this generation of Americans."

Evoking the names and values of the Founding Fathers is commonplace in presidential speeches, but in Obama's case the device seemed intended to make a larger point:

The change he hopes to bring about will require even his support-

ers to accept things they don't want to accept, work with opponents they've long demonized and break long-ingrained lifestyles.

Americans must adopt a new, more self-denying way of life with little room for "those who prefer leisure over work, or seek only the pleasures of riches and fame," he said.

In a passage that echoed Franklin D. Roosevelt's first Inaugural, Obama said, "Our workers are no less productive than when this crisis began. Our minds are no less inventive, our goods and services no less needed than they were last week or



Los Angeles Times photo by Carolyn Cole

last month or last year. Our capacity remains undiminished.

"But our time of standing pat, of protecting narrow interests and putting off unpleasant decisions—that time has surely passed. Starting today, we must pick ourselves up, dust ourselves off, and begin again the work of remaking America."

If the speech was exceptionally somber and included relatively few lines designed to draw roars of approval from the enormous crowd, the day nonetheless resounded with jubilation.

More than 1 million people flocked to the National Mall to take part in the event, spilling outward from the gleaming white Capitol

steps toward the Washington Monument and the Lincoln Memorial more than a mile away.

People listened, mesmerized as the speech rolled across the mall from a sound system that took two or three seconds to get to the farthest reaches of the crowd.

As is traditional, former President George W. Bush and former first lady Laura Bush were whisked away by helicopter immediately after the inaugural ceremony and headed for their home state of Texas after a private farewell to staff at nearby Andrews Air Force Base.

And almost at once, the wheels of the new administration began to turn.

In the afternoon, new White House chief of staff Rahm Emanuel, as expected, put a hold on all regulations the Bush administration had been drafting, pending a review by the new team. Obama was expected to begin issuing his own administrative measures later that week.

Obama made the appointment of his Cabinet his first official act, and the Senate approved several members before the day was over, though Senate Republicans delayed others.

That Obama was taking office in challenging times, both domestic and foreign, he was quick to acknowledge, including an economic crisis as ominous as any since Roosevelt moved into the White House amid the Great Depression.

"Our nation is at war, against a far-reaching network of violence and hatred. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices and prepare the nation for a new age." ■



Keo Veasna, 48

Freshwater Clam Vendor

"I was born in Kampot province and I'm now living with my two sons and a daughter at a rented house in Phnom Penh.

I've been selling clams for five years but I purchased this cart only two months ago. I spent US\$50 to buy it. Before, I used to rent a handcart for 1,500 riel a day.

I prepare the clams from 7am until 8am and I sell them from 9am until 2pm along streets from the riverside to the O'Russei market. The supplier brings clams for us every morning.

In the afternoon, from 3pm until 11 pm, I sell boiled corn and duck eggs with embryos inside. But during the last six months, business has slowed down because people just walk around the riverside and go back home quickly.

I sell from 30 to 40 cans [about 200 g] on average per day. Each can costs 1,000 riel."

"Freshwater Clams"

BY KONG SOCHEAT
ECONOMICS TODAY

Keo Sok Rattana, 20

Student at Pour un Sourire d'Enfant (PSE) (vocational training center)

"Today my classmates are on a field trip around Phnom Penh. We just arrived at the riverside and saw the clam handcart. The clams are mixed with sugar, salt and pepper. Even if the hygiene is a bit questionable, the clams taste so delicious and the price is so affordable that I couldn't resist."



Phen Theary, 20

Student at Pour un Sourire d'Enfant (PSE) (vocational training center)

"I come from Siem Reap and today is the first time I have ever visited Phnom Penh's riverside. Currently I live and study at the NGO "Pour un Sourire d'Enfant."

I saw the lady selling the clams and they looked yummy so my friends and I wanted to taste them, although I think that the hygiene is not very good." ■



Traits et Portraits de Femmes

French Cultural Centre (CCF)



Sam Campbell
Economics Today

Portraiture has been a mainstay of Cambodian art for millennia, so Traits et Portraits de Femmes comes as a refreshing new take on a traditional form. Penned with Chinese ink on homemade paper, the Traits et Portraits de Femmes series sounds uninspiring. But homemade paper made from forest leaves and tropical fruits adds texture to

the works (a sample is available for tactile exploration), its rough grade and tatty edges belying a surprisingly velvety surface.

The portraits are hung in pairs for the most part, dark and light re-workings of the same image, an idea that seems to set up a dialectical relationship that goes beyond the tiresome negative reflections so popular in contemporary art. Like the rough/smooth dichotomy of the paper, the images are ambiguous, hauntingly so perhaps. Course, curved cross-hatching, sometimes so stylized as to recall fingerprints, is interwoven with even patches of color. The figures themselves are contemplative, their thoughtful gaze almost expressionless, giving the series a hushed, other-worldly quality. Despite their impassive quality, this is engaging, challenging art, not the vacuous souvenirs efficiently churned out by many of the capital's other artists.

"We are both won over and intimidated by their beauty," said the artist, Margherita de Balzo, of the female sitters. "Their faces and their bodies functioned like inner duplications of my thoughts; it was these reflections passing each other that I

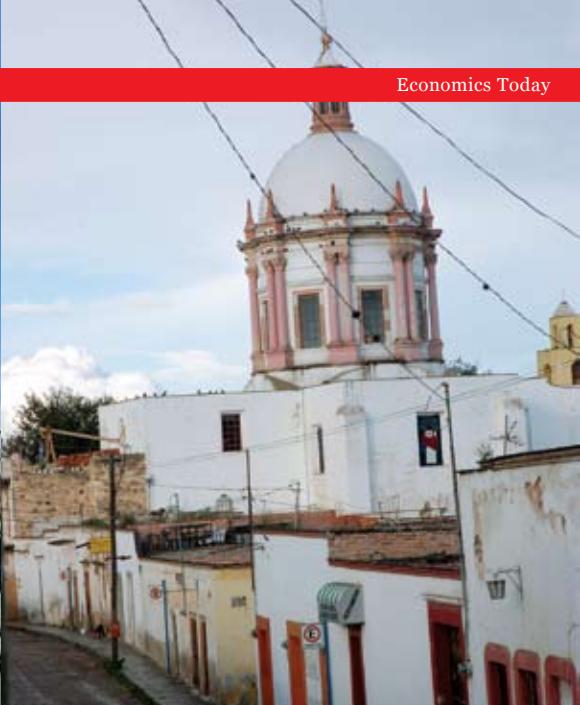
brushed against, first with a pen somewhat brittle, then more seductive and pensive ... This exhibition is a homage to their brilliance and to their grace."

Margherita de Balzo was born in Rome in 1962 and she has lived in San Francisco, Paris, Manila, Ouagadougou and Phnom Penh. The Traits et Portraits de Femmes series apparently comes after a decade of works based around the African savannah and the Cambodian jungle. ■





The Santa Brigida mine, now a ruin on the edge of Pozos, includes three towering stone ovens that resemble pyramids. Deep shafts are minimally marked, so it's best to hire a guide if you go.



Calle Hidalgo, the main street in Pozos, leads past the town's principal church and a public garden.

OLD MEXICAN MINING TOWN YIELDS NEW TREASURE

By Christopher Reynolds
Los Angeles Times

MINERAL DE POZOS, Mexico — I arrived in eerie, old Mineral de Pozos in the middle of a half-sunny afternoon, with cotton-candy cloud shadows creeping all over the adobe rubble, the reclaimed ruins, the cactus thickets and the little-trod cobblestone streets.

Never heard of the place, a hotel clerk had said in Spanish as I prepared to make the 50-mile trip here from Queretaro.

Another clerk piped up, I have. It's small.

Very small, said a taxi driver.

Now I was here, paying the cabie, waving goodbye, turning to face a scene as dusty and forsaken as the one Butch Cassidy and the Sundance Kid found upon their cinematic arrival in Bolivia.

Bleached skulls hung atop old poles. The hands on the clock that towered over the main plaza were frozen. At an abandoned chapel that now serves as a goat pen, 4-foot cactuses rose from the eaves. I could have

fired a cannon in that main plaza and hit nobody, although it might have disturbed a sleeping dog or two.

The Mexicans call their ghost towns "pueblos fantasma," and Mineral de Pozos—about 185 miles northwest of Mexico City and 40 miles northeast of San Miguel de Allende—is one of them, a relic from the great Mexican mining boom of the late 19th century.

But Pozos isn't dead. It's slowly growing, its ghosts joined by perhaps 3,500 residents who have begun filling the reclaimed ruins with contemporary art and pre-Hispanic music. The town has three hotels, eight to 10 art galleries (depending on how you count them) and perhaps 50 Americans, many of them artists, who live here at least part time.

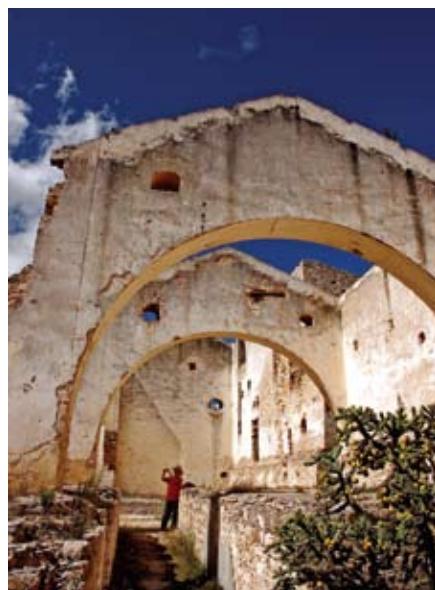
I found my hotel, the Casa Montana, asked about a guide and soon was shaking hands with Marco Antonio Sanchez, whose family history tells the story of Pozos: His grandparents worked in the mines. Sanchez earns his living by making, selling and playing pre-Hispanic musical instruments and occasionally guiding newcomers

like me. (We spoke mostly Spanish, but he seemed to understand every word I uttered in English.)

At one rustic crossroads between town and the Santa Brigida mine to the northeast, we stopped to ask a local named Pepe Fernandez about road conditions.

"It's ugly this way," he said in Spanish, looking up one rugged path. "But it's uglier this way," he added, looking up another.

Still, it was only a few miles. Before long, we were crouching amid the ruins of an old mining hacienda,



Los Angeles Times photos by Christopher Reynolds.

The Cinco Senores mine, now a ruin at the edge of Pozos, Mexico, was once one of the town's top employers. Sometimes a modest admission fee is charged to tour the old mine sites, and sometimes not.



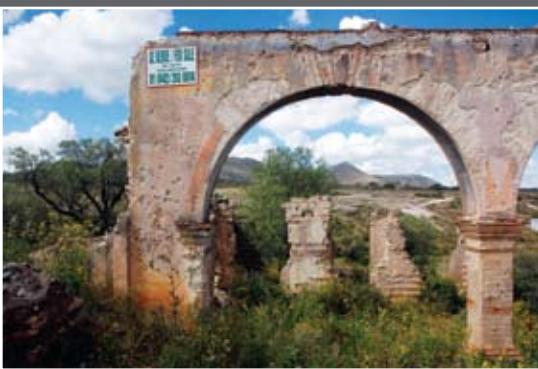
Pozos resident Marco Antonio Sanchez demonstrates one of the pre-Hispanic musical instruments he makes and sells in his shop Camino de Piedra.



Calle Hidalgo, the main road of Pozos. It was born in 1576 as a mining town, and by the last years of the 19th century, the population in the town had reached 70,000.



A guest room at Posada de las Minas in Pozos, Mexico.



Architectural ruins in Pozos, Mexico.

the sky spread above where a roof should have been, peering into the black depths of an old well ("pozo").

"Muy profundo," Sanchez warned me. (Pozo: well. "profundo": deep.)

At the Santa Brigida, a trio of bulky stone ovens loomed like pyramids or maybe smokestacks on a half-buried cruise ship. At the Hacienda de Cinco Senores mine on the west end of town, the buildings arched and sprawled down the hillside, the walls riddled with strange openings that once held all sorts of mineral-extraction machinery. Crazy sunbeams and shadows all over.

As for measures to ensure safety or prevent vandalism—there are nearly none. At Santa Brigida and Cinco Senores, the biggest sites, deep shafts were minimally marked. It's a rotten place for unsupervised kids, an excellent place for hiring a guide.

Every May, there's a mariachi festival; every July, a pre-Hispanic music festival; every September, a celebration of the nopal and maguey plants. (The nopal, also known as prickly pear cactus, is an occasional ingredient in tacos and egg dishes. The maguey, also known as agave, is an indispensable ingredient in tequila.) There are art walks in summer and winter, and one or two home-and-garden tours annually.

As I drifted off to sleep that first night, on a four-poster bed in a spacious, well-appointed room, I imagined the whole town as an artifact carried back by an artist to the studio—not a conventionally pretty artifact but an absorbing one, evocative, compelling, mysterious.

And then I wished I had aspirin, because Pozos is about 2,300 meters above sea level and my altitude headache didn't subside until the next morning, when Sanchez led me through the landmarks of the town's resurgence.

On Calle Centenario and Leandro Valle, two streets that miners used to walk to work, the Sanchez workshop, Camino de Piedra, is one of three storefronts devoted to the making and selling of pre-Hispanic musical instruments, mostly drums, flutes and whistles.

Three more instrument-makers are scattered elsewhere in town among the galleries and studios, in-

cluding Galeria 6, which Nick Hamblen and Manrey Silva opened about four years ago.

Their live/work space, on the Jardin Principal near the Casa Montana and Casa Mexicana, includes a generous garden, a pair of battered cowboy hats hanging on the stone wall, a bevy of pet birds, and a jar full of yellow and green feathers. Most of their sales—as diverse as abstract paintings and photography—are to American visitors and expats, and most of the art they show is produced by expats.

I headed back out to the dusty street, where a tethered horse sipped from a bucket. In the town's only bar, the barkeep hunkered down beneath his collection of boxing posters and historic photos.

I flashed back to a moment out at the mine site the day before. I was coming up a hill, a few steps behind Sanchez, when he abruptly halted, grinned and pointed.

Coyote, I thought.

But he was pointing at a prickly pear cactus in front of a crumbling wall. Working with something sharp, some man, woman or phantom had carved a near-perfect cross out of the flesh of the cactus. The bright blue sky and fast-drifting clouds shone through the freshly cut-away shape.

"Never seen it before," Sanchez said.

Pozos. Pueblo fantasma. ■



Postcard from

Phnom Tamao Wildlife Rescue Center

Check out Chhouk

By Alanna Jorde
Economics Today

The lotus flower has been a symbol of spiritual awakening for two-and-a-half millennia, ever since Buddha compared the lifecycle of the common Asian water lily to his own path to enlightenment. Since the lotus bud rises above the mud and muck to blossom into a beautiful flower, it has also come to symbolize triumph over adversity.

That makes “Chhouk” (the Khmer word for lotus flower) a fitting name for the infant bull elephant, who defied the odds by surviving the loss of his foot—even if it was geography and not providence that inspired his moniker.

It's impossible to say for certain how Chhouk ended up with a stump where his left forefoot should be. The nature of his wound and the fact that only one of his feet was injured suggests to wildlife rescue experts that he lost it in a poacher's snare, says Nick Marx, an advisor to Cambodia's Wildlife Rapid Rescue Team.

The injury left Chhouk unable to keep up with his herd and likely explains how he became separated from his family. Motherless and

handicapped, Chhouk almost certainly would have died if he had not stumbled across a WWF patrol elephant before being taken in by the WWF staff at his namesake, Trapeang Chhouk forest outpost in Mondulkiri.

“Chhouk was an infected bag of bones” when Nick Marx first met him at the outpost in March 2007. His stump was a swollen, angry, red mess, oozing puss and crawling with maggots; he “was missing all of his nails and bits of his foot were still dropping off,” he recalls. Chhouk held his stump off the ground most of the time because he couldn't bear the pain of putting weight on it.

He was very small and thin back then and looked to be only about a year old, but his growth had likely been stunted because he was denied the vital nourishment of his mother's milk, says Nick Marx. He was subsisting on roots, grasses and rock-hard tubers that elephants usually aren't strong enough to chew until they're at least two years old.

After a medical examination by the Government's top vet, Nhim Thy, Chhouk's wound was cleaned, treated and bandaged. He began receiving daily injections of antibiotics

and multivitamins.

But he also showed emotional scars. He was aggressive, nervous and would not tolerate being touched. Initially, he refused to eat the fruit and milk and rice porridge that was offered to him and he'd charge and head butt anyone who dared approach him.

To mend these less visible wounds, Nick Marx slept in a hammock beside Chhouk and hand-fed him. The prescription worked. Chhouk quickly calmed, became easier to manage and even began allowing people to pet him.

New lease on life at PTWRC

At the urging of Forestry Administration Director-General Ty Sokhun, Chhouk was transported to Phnom Tamao Wildlife Rescue Center (PTWRC), where his treatment continued in earnest.

His primary keeper, Prom Tham, threw himself into caring for Chhouk with devoted abandon. He bought a bunch of bananas and a couple of chickens as Buddhist offerings in a bid to inspire divine intervention in Chhouk's recovery. He slept beside the baby pachyderm each night until his stump was fully healed and got



Chhouk and his handler Mr. Tham are surrounded by adoring fans of the little pachyderm at PTWRC.

stitched up at a local health clinic and was promptly back by the elephant's side after a clumsy Chhouk accidentally gored Prom Tham's own foot with one of his tusks.

Elephants may be Earth's largest land mammal, but they are also one of the most intelligent and sensitive creatures on the planet. Some research suggests elephants are capable of experiencing grief, compassion, altruism and self-awareness.

In the wild, baby elephants are the center of attention in tightly-knit matriarchal elephant communities and all community members share in the responsibility for rearing them. Given their complex natures, nurturing "is as important as food" in the development of healthy, well-adjusted elephants, says Nick Marx.

Recognizing humans alone would not be able to provide Chhouk with the emotional and spiritual support he needs, he was deliberately placed in an enclosure at PTWRC next to nine-year-old Lucky in the hopes the affable female elephant would become Chhouk's adoptive "auntie."

The strategy worked brilliantly. The pair formed an instant friendship and are practically inseparable today. Lucky takes her role as auntie very seriously and immediately runs to Chhouk's aid if she hears him trumpet out in distress. Chhouk hobbles gaily behind Lucky during their twice-daily walks in the forest and is by her side every Sunday when she delights crowds at PTWRC with her dance moves.

After almost two years at PTWRC, Chhouk's physical and emotional wounds have healed and the infant elephant has adjusted to life without his left forefoot. But Nick Marx worries about the long-term health complications his handicap are bound to bring given that elephants can live to be upwards of 70 years old.

The strain and stress that his hobbling has on his joints and spine are certain to cause Chhouk discomfort and pain in the future and that's why Nick Marx is now working to raise funds to purchase a prosthesis for the infant elephant.

Nick Marx has helped rescue animals in Africa, the UK, India as well



Chhouk and a very tolerant Lucky frolic in a bath that was constructed for the baby bull elephant near his enclosure at PTWRC.

as Cambodia, but he admits he was reluctant, at first, to invest himself emotionally in Chhouk because he feared the little pachyderm wouldn't survive.

The strength of the baby elephant's resolve, his courage to fight

through his pain and his determination to live surprised and impressed the Wildlife Alliance staffer. "Chhouk has had a difficult first few years. He does not deserve this and it is our duty to see he receives better from now on," says Nick Marx. ■

Pachyderm Prosthesis

While designing prostheses for elephants "is not an exact science," says Nick Marx, it is not unprecedented. Veterinarians have been doing so since 1999, when Thai vets made history by fitting Motala, who lost her left forefoot to a landmine in Myanmar, with the world's first pachyderm prosthesis.

A fund has been established to raise funds to purchase a prosthesis for Chhouk, who would be the first-ever Cambodian elephant to be fitted with a prosthesis. The Cambodian School of Prosthetics and Orthotics has agreed to assist with the project, which is likely to cost as much as US\$30,000.

Donations may be dropped off to either Nick or Amy at Wildlife Alliance headquarters in Phnom Penh, Villa 109, Street 99. Chhouk can also be sponsored via the Wildlife Alliance website at: https://secure2.convio.net/wa/site/Donation2?fdb=1413553572&df_



Nick Marx greets Chhouk shortly after meeting him in Mondulkiri in March 2007.

id=1420&donation=form1. Those who wish their sponsorship funds to be directed towards purchasing a prosthesis for Chhouk should be sure to specify so. Donations also are being collected via the online social networking website Facebook, where a "Help Chhouk the baby elephant get a new foot!" group has sprung up featuring photos of Chhouk's stump being measured for prosthesis and a YouTube video of his stump being cast.



SMOKED CHICKEN SALAD

SERVES 4

INGREDIENTS

1 ½ kg smoked chicken, skin removed and flesh shredded
 2 red capsicums (peppers), roasted and cut into thin strips
 2 yellow capsicums (peppers), roasted and cut into thin strips
 2 green capsicums (peppers), roasted and cut into thin strips
 250g cherry tomatoes, halved
 1 cos lettuce, leaves separated and torn into pieces

BASIL DRESSING

3 tablespoons French dressing
 ½ cup / 125g mayonnaise
 1 tablespoon wholegrain mustard
 2 tablespoons chopped fresh basil

METHOD:

- 1 Arrange chicken, capsicums (peppers), tomatoes and lettuce attractively in a salad bowl or on a serving platter.
- 2 To make dressing, place French dressing, mayonnaise, mustard and basil in a small bowl and mix to combine. Spoon dressing over salad and serve immediately.

Serving suggestion: Accompany with toasted rye or whole meal bread.

Note: Smoked chicken is one of the more recent food arrivals and is available from some supermarkets and delicatessens. It has been cured and smoked and has a pale pink flesh with a delicate flavor.

Source: Chicken for all season

CHAMPY SAA

Khmer name : Champy Saa
Latine name : Plumeria alba Linn.
Family name : APOCYNACEAE
French name : Frangipanier à fleurs blanches
English name : White frangipani



DESCRIPTION:

The white flowers form part of a ritual offering to the deities, and necklaces are sometimes made to decorate coffins. They are also edible in the form of fritters.

DISTRIBUTION:

Introduced into Cambodia and is often cultivated as a decorative plant, especially in Buddhist monasteries.

PARTS USED:

Wood, flowers and leaves.

CONSTITUENTS:

Alkaloids and glycosides.

DOSAGE:

The heart of the woods is used as a vermifuge. The plant's milky bark is applied as a plaster over hard tumours and used to dispel indolent swelling. Internally, the root-bark is a strong purgative and used as a laxative. Studies conducted have shown potential anti-viral properties.

Source : Cambodia Medicinal Plants





LIPS

LipStick

Find out how you can attain sexy and sheer lips guaranteed to seduce!

Firstly we need to understand that lips also need protection, even more so than our facial skin. As their protective layer known as the stratum corneum is very thin, choose a non-medicated stick like Nivea Lip Care Daily Care and apply it daily to keep lips soft and supple. For serious flaking or soreness, look for products that contain camphor, menthol as both are soothing and always remember to apply lip balm underneath lipstick as it makes the lipstick easier to remove and cause less damage.

Some Best Tips to Sexy Lips.

1. Here's the best bet to setting your lip color. No matter what the texture of your lipstick is, always apply lip balm first to soften and smoothen the skin. If your lips are chapped, apply some Vaseline and softly rub your lips with a soft muslin cloth to remove dead skin, leaving your lips looking healthier.

2. The first step to a fashionable mouth is to define your lip line. If you want to make your lips appear smaller use colors like dark berry or chocolate shades that make lips look thinner. Also, apply the liner on the inner boundary of your natural line. On the contrary, if you want a fuller look, recreate your lip line slightly above your natural line and use a sheeny or sheer moisturizing lip stick in warm coal, rosy pink or a bronzed caramel tone. Make even more of your mouth by applying little gloss in the middle of your lower lip.

3. After a proper definition, apply your lipstick with a lip brush—this gives a more even and lasting look to the lipstick—then blot with a tissue. You can dust some powder through a single ply tissue to achieve a sophisticated matte look or reapply another coat of lipstick for intense color.

4. If you always land up with lipstick on your teeth, then simply put your index finger in your mouth, close your lips around it and slowly pull it out of your mouth. The residue will stick to your finger.

5. The new look of glossy shimmering lips can be achieved easily by applying a gloss that matches your lipstick color so it enhances the actual tone as well as add shine. Or think of updating a tired brownish lipstick with a lick of shiny gold shimmer—instant sun-kissed splendor on your lips.

6. You can also choose a nude shade close to your own skin coloring and apply carefully with a brush all the way to the edges of the lip line and add a new dimension with a touch of sheer gloss to give a striking effect for day and night.

7. You can also opt for one of the most versatile, classic and ageless tones of red by tapping your ring finger onto your red lipstick and apply them to your lips by dotting on the color and then spreading it. Apply sheer gloss to add a touch of class. You can also decrease the voltage of red by applying a nude/natural lipstick as base color.

General Tips for Lips

- Apply cold cream or moisturizer or lip balm before applying lipstick.
- To get natural pink lips apply beetroot juice before bed.
- Grind rose petals and apply on lips for smooth pink lips
- If you have thinner lips, use more neutral lip color.
- If you want different shade of lip color, mix two or three lipstick colors together and use as new lip color.
- If your face is bumpy, irritated or ruddy or rashed, don't use true red color until you get normal skin. Red will show more attention on the skin.
- Pale shades make lips look fuller.
- Apply menthol based lip balm and take an old toothbrush and brush gently on lips (don't rub too hard, because lips are very sensitive) to get rid off chapped lips. ■



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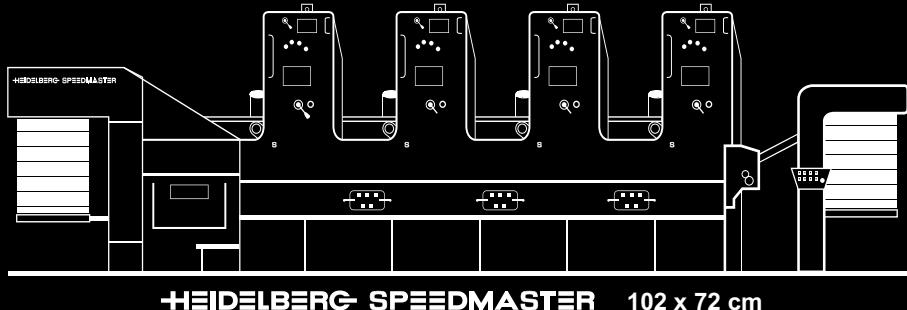
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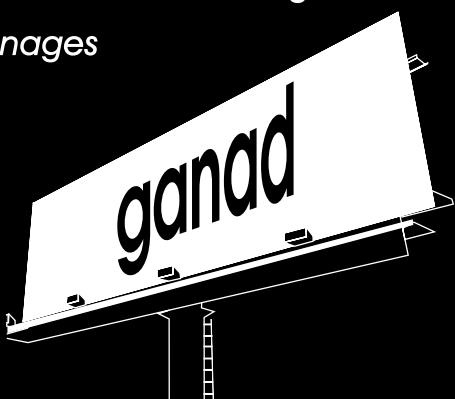


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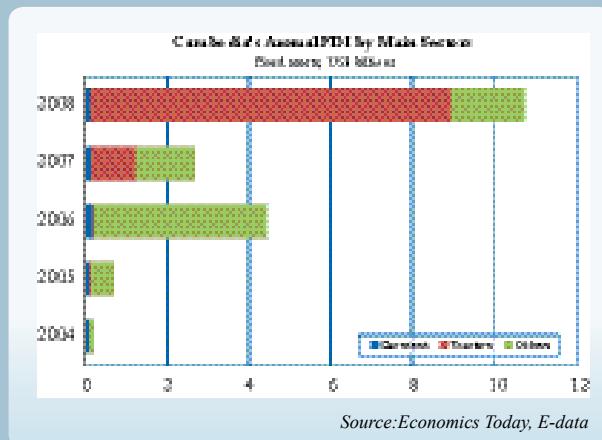
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Cambodia's FDI in 2008: A record high in fixed assets

Cambodia's approved foreign direct investment (FDI) projects recorded an exceptional amount of US\$ 10.8 billion in fixed assets in 2008, a three-year record high.

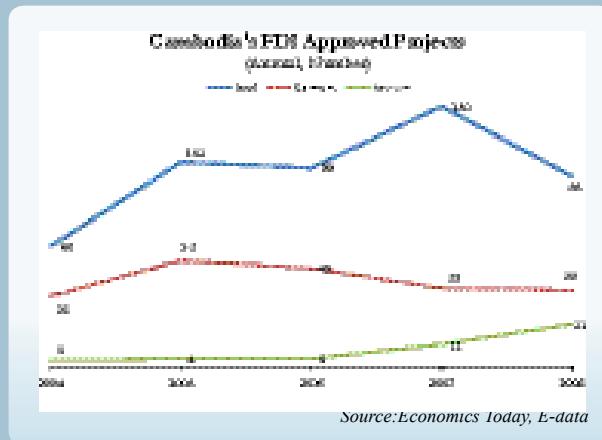
In 2006, FDI in the tourism sector represented merely 0.5 percent of total fixed assets, whereas other sectors, besides the garment industry, accounted for almost 95 percent of the annual approved FDI, which amounted to US\$ 4.5 billion in fixed assets. Inversely, FDI in the tourism sector in 2008 represented 82 percent of total assets, while other sectors had only an 18-percent of the total FDI.



It is worth noting that several 'mega projects' in the tourism sector were proposed and approved by Cambodia in 2008. Those projects were most likely approved in June and July, since fixed assets of FDI during these two months reached respectively US\$ 4 billion and US\$ 3 billion, constituting approximately 64 percent of total FDI fixed assets in 2008.

Regarding the garment industry, annual FDI in 2008 totaled only US\$ 149 million, representing only one percent of the total FDI that was approved that year. In comparison to 2007, when fixed assets of FDI projects in the garment industry reached US\$ 171 million, FDI inflow in fixed assets dropped by 13 percent, signaling the uncertainty reigning in the country's garment sector.

The number of approved FDI projects in the garment industry was relatively flat during the last three years, hovering around 40 projects. In the meantime, the number of approved projects in the tourism sector jumped from only 4 projects in 2006 to 11 and 21 projects respectively in 2007 and 2008. ■



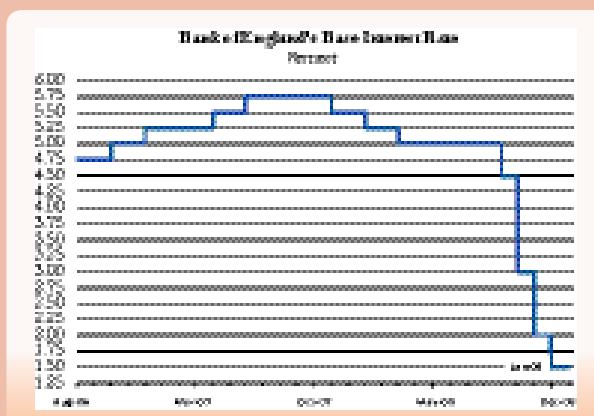
U.K. Pound Depreciated to a 23-year low against US Dollar

The UK pound sterling exchange rate fluctuated markedly in the beginning of 2009. The sterling sharply depreciated against other currencies, particularly the green back. On Jan 23, the sterling was valued at around 0.73 against the US dollar, the greatest depreciation since 1985. The sterling value dropped by 42 percent in comparison to the same date last year, where it was 0.51 per US dollar. Although it is subtle to explain why the sterling depreciated, two particular factors may be noteworthy.



Source: Graph by Economics Today, based on Bank of England

The first factor, which could have played a part in the current sharp depreciation of the sterling, is the cut of the Bank of England's base rate. Since its foundation in 1694, the bank's current base interest rate hit an all-time low of only 1.5 percent, after another 50-basis point cut on January 08, 2009. The bank's base rate was consecutively cut during the last few months starting from October 2008 to January 2009. Despite this tremendous depreciation, it could be possible that there is another base-rate cut to cope with the contraction of the British economy.



Source: Economics Today, compiled from EIA

The second factor is the fall in the general sentiment on the sustainable value of the UK pound sterling in the market. It is believed that there is much illiquidity in the market now, resulting in a decrease in the UK financial services and in a current account deficit. As a corrective measure to liquidate the market, most market players expect an additional cut of the bank's base rate, which in turns has made the money market more volatile and push the pound sterling to further depreciate.

However the nightmare of the UK pound sterling has not yet ended as the sterling could see more depreciation in the near future. ■

| Cambodia Investment & Trade | | | |
|-----------------------------------|--------|----------|--------|
| | Dec 08 | Year Ago | % chg |
| FDI Approvals (last 12 months) | | | |
| Total Fixed Assets (US\$ million) | 10,753 | 2,667 | +303.1 |
| Garment industry | 149 | 171 | -12.9 |
| Hotel | 8,796 | 1,101 | +698.8 |
| Others | 1,809 | 1,395 | +29.6 |
| Total Projects (number) | 95 | 130 | -26.9 |
| Garment industry | 38 | 39 | -2.6 |
| Hotel | 21 | 11 | +90.9 |
| Others | 36 | 80 | -55.0 |

Source: E-data, Council for the Development of Cambodia

| External Trade (last 12 months) | Nov 08 | Year Ago | % chg |
|---------------------------------|---------|----------|-------|
| Exports (US\$ million)* | 3,198.0 | 3,026.3 | +5.7 |
| Garments (US\$ million)* | 2,980.3 | 2,824.4 | +5.5 |
| Rubber ('000 mt)* | 17.0 | 26.5 | -35.8 |
| Imports (US\$ million) | 4,463.7 | 3,714.3 | +20.2 |
| Gasoline | 86.0 | 73.6 | +16.8 |
| Diesel | 122.1 | 135.4 | -9.8 |
| Cement | 53.3 | 69.7 | -23.6 |
| Steel | 82.0 | 62.8 | +30.6 |
| Car | 163.1 | 83.2 | +96.1 |
| Motorbike | 127.2 | 88.4 | +43.8 |
| Imports (Quantity) | | | |
| Gasoline ('000 mt) | 281.1 | 235.5 | +19.4 |
| Diesel ('000 mt) | 455.0 | 500.0 | -9.0 |
| Cement ('000 mt) | 1,063.6 | 1,354.6 | -20.0 |
| Steel ('000 mt) | 153.5 | 138.4 | +11.0 |
| Car ('000 unit) | 23.7 | 15.9 | +48.7 |
| Motorbike ('000 unit) | 287.1 | 199.6 | +43.8 |

Source: E-data, CBD Note: *October 08

| Garment Exports (last 12 months) | Oct 08 | Year Ago | % chg |
|----------------------------------|---------|----------|-------|
| Total Quantity (mn doz) | 87.2 | 76.4 | +14.1 |
| USA | 63.5 | 55.5 | +14.3 |
| E.U | 14.9 | 13.3 | +11.9 |
| Others | 8.8 | 7.5 | +16.5 |
| Total Values (mn US\$) | 2,980.3 | 2,824.4 | +5.5 |
| USA | 1,980.0 | 1,951.2 | +1.5 |
| E.U | 651.2 | 578.8 | +12.5 |
| Others | 349.1 | 294.4 | +18.6 |

Source: E-data, Cambodia Customs and Excise Department

| Cambodia Market News | | | |
|-----------------------|--------|----------|-------|
| General Items | 19 Jan | Year Ago | % chg |
| Gasoline (riel/liter) | 2,950 | 4,450 | -33.7 |
| Rice (riel/kg) | 2,500 | 1,900 | +31.6 |
| Fish (riel/kg) | 11,300 | 12,000 | -5.8 |
| Beef (riel/kg) | 23,000 | 18,500 | +24.3 |
| Pork (riel/kg) | 15,700 | 17,400 | -9.8 |
| Chicken (riel/kg) | 16,700 | 16,100 | +3.7 |

Sources: EIC survey in Phnom Penh markets

| Local Commodities (whole sale, riel/kg) | Aug 08 | Year Ago | % chg |
|---|--------|----------|-------|
| Black pepper (Kampong Cham) | 13,938 | 14,533 | -4.1 |
| Cashew nut (Kampong Cham) | 4,000 | 2,200 | +81.8 |
| Cassava (Kampong Cham) * | 691 | 450 | +53.5 |
| Maize (Phnom Penh) | 1,245 | 1,010 | +23.3 |
| Paddy (Krong Prek Pong, Kampong Cham) | 1,600 | 889 | +80.0 |
| Sesame (Banteay Meanchey) | 4,306 | 3,571 | +20.6 |
| Soybeans (Kampong Cham) | 3,357 | 2,233 | +50.3 |

Sources: E-data, MAPP Note: *Jul 08

| Cambodia Inflation (% YOY) | Oct 08 | Year Ago | chng |
|---------------------------------------|--------|----------|-------|
| All items | 18.1 | 8.7 | +9.5 |
| Food Beverages & Tobacco | 28.7 | 16.8 | +11.9 |
| Clothing & Footwear | 0.2 | 3.1 | -2.9 |
| Housing & Utilities | 7.4 | 0.8 | +6.6 |
| House Furniture & Household Operation | 26.9 | 5.1 | +21.8 |
| Medical Care | 11.1 | 5.6 | +5.5 |
| Transportation & Communication | 17.6 | 5.6 | +12.0 |
| Recreation & Education | -1.3 | 2.1 | -3.4 |
| Personal Care & Effects | 5.3 | 0.1 | +5.2 |

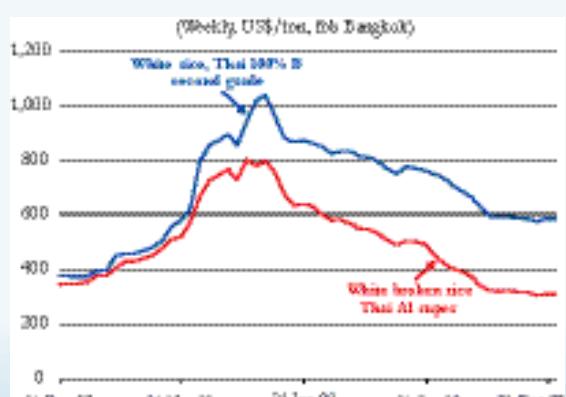
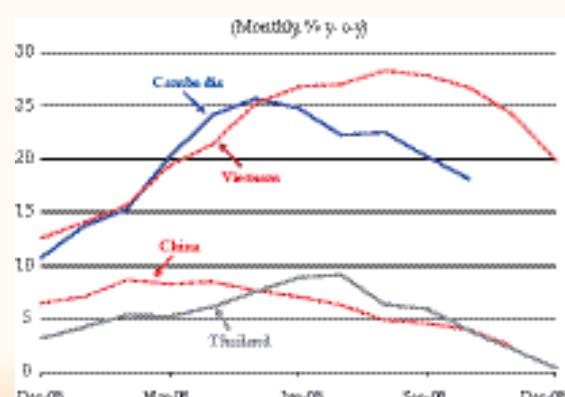
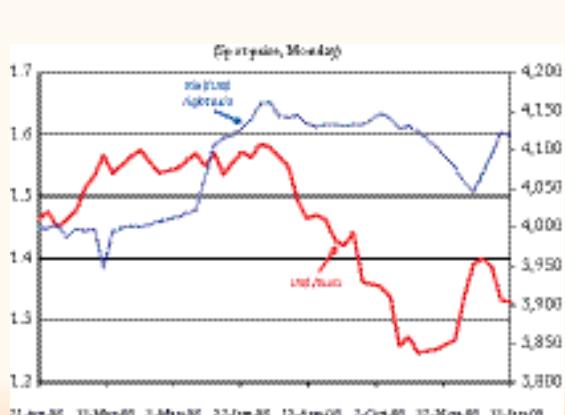
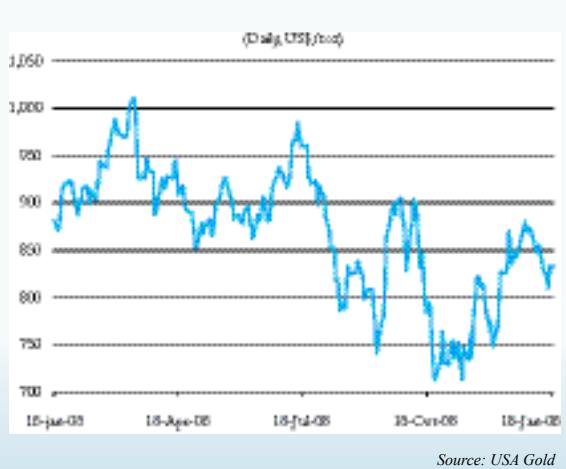
Sources: E-data, National Institute of Statistics

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Rice**Inflation****Crude Oil****Exchange Rate****Gold Price****Stock Exchange**

| International Main Economic Indicators | | | |
|--|--------|----------|------|
| Inflation (% YoY) | Dec 08 | Year Ago | chg |
| Cambodia ** | 18.1 | 8.7 | +9.5 |
| China* | 2.4 | 6.9 | -4.5 |
| Japan * | 1.0 | 0.6 | +0.4 |
| Korea | 4.1 | 3.6 | +0.5 |
| Singapore | 4.3 | 4.4 | -0.1 |
| Thailand | 0.4 | 3.2 | -2.8 |
| Vietnam | 19.9 | 12.6 | +7.3 |
| USA | 0.1 | 4.1 | -4.0 |

Source: E-data, Country Authority **Note:** *November **October 08

| GDP (US\$ billion) | 2009 | 2008 | % chg |
|--------------------|--------|--------|-------|
| Cambodia | 12.4 | 11.0 | +12.9 |
| China | 4,772 | 4,222 | +13.0 |
| Japan | 4,803 | 4,844 | -0.8 |
| Korea | 1,019 | 953 | +6.9 |
| Singapore | 210 | 193 | +8.7 |
| Thailand | 295 | 272 | +8.4 |
| Vietnam | 105 | 91 | +15.7 |
| USA | 14,571 | 14,334 | +1.7 |

| GDP per capita (US\$) | 2009 | 2008 | % chg |
|-----------------------|--------|--------|-------|
| Cambodia | 834 | 751 | +11.1 |
| China | 3,577 | 3,180 | +12.5 |
| Japan | 37,644 | 37,940 | -0.8 |
| Korea | 20,955 | 19,638 | +6.7 |
| Singapore | 44,113 | 41,291 | +6.8 |
| Thailand | 4,401 | 4,099 | +7.4 |
| Vietnam | 1,197 | 1,047 | +14.3 |
| USA | 47,335 | 47,025 | +0.7 |

| GDP Growth (%) | 2009 | 2008 | chg |
|----------------|------|------|------|
| Cambodia | 6.0 | 7.0 | -1.0 |
| China | 9.3 | 9.7 | -0.5 |
| Japan | 0.5 | 0.7 | -0.2 |
| Korea | 3.5 | 4.1 | -0.6 |
| Singapore | 3.5 | 3.6 | -0.2 |
| Thailand | 4.5 | 4.7 | -0.2 |
| Vietnam | 5.5 | 6.3 | -0.8 |
| USA | 0.1 | 1.6 | -1.5 |

Source: EIC(Cambodia) and IMF estimates, Oct 08 update

More Info <http://data.eicambodia.org>

| International Market News | | | |
|------------------------------|--------|----------|-------|
| Exchange Rate (US\$ 1 = ...) | 19 Jan | Year Ago | % chg |
| Cambodia | 4,119 | 3,997 | +3.0 |
| China | 6.84 | 7.25 | -5.6 |
| Japan | 91.03 | 107.82 | -15.6 |
| Korea | 1,373 | 943 | +45.6 |
| Singapore | 1.49 | 1.46 | +2.2 |
| Thailand | 35.05 | 33.08 | +6.0 |
| Vietnam | 17,650 | 16,070 | +9.8 |
| EU | 0.76 | 0.68 | +11.6 |
| UK | 0.68 | 0.51 | +34.3 |

| Selected Commodities | Dec 08 | Year Ago | % chg |
|-------------------------------|--------|----------|-------|
| Gasoline SGP (US\$/liter) | 0.26 | 0.62 | -58.5 |
| Crude oil Dubai (US\$/barrel) | 40.99 | 85.75 | -52.2 |
| Soybeans (US\$/mt) | 360 | 515 | -30.1 |
| Maize (US\$/mt) | 158 | 180 | -12.2 |
| Rice (US\$/mt) | 531 | 360 | +47.8 |
| Rubber (US\$/mt) | 1232 | 2490 | -50.5 |
| Gold (US\$/oz) | 895 | 881 | +1.6 |
| Steel (cr coilsheet, US\$/mt) | 1100 | 650 | +69.2 |

| Source: E-data, WB, IMF | | | |
|------------------------------------|--------|----------|------|
| Interest Rate (US\$, 1 yr-term, %) | 19 Jan | Year Ago | chg |
| Cambodia Market * | 15.83 | 16.14 | -0.3 |
| LIBOR | 1.87 | 3.44 | -1.6 |
| SIBOR | 1.84 | 3.49 | -1.6 |
| US Federal Fund | 0.25 | 3.95 | -3.7 |

| Source: E-data, NBC, BOT, Reuters | | | |
|-----------------------------------|--------|----------|-------|
| Note: *November 08 | | | |
| Closing Stock Index | 19 Jan | Year Ago | % chg |
| China (Shanghai SE Composite) | 1,987 | 5,181 | -61.7 |
| France (CAC 40) | 2,990 | 5,157 | -42.0 |
| Hong Kong (Hang Seng) | 13,340 | 25,202 | -47.1 |
| India (Bombay Stock Ex 500) | 3,443 | 7,973 | -56.8 |
| Japan (NIKKEI 225) | 8,257 | 13,861 | -40.4 |
| Korea (KRX 100) | 2,428 | 3,534 | -31.3 |
| Singapore (Straits Times) | 1,747 | 3,140 | -44.4 |
| Thailand (SET) | 435 | 790 | -44.9 |
| UK (FTSE 100) | 4,108 | 5,902 | -30.4 |
| USA (Dow Jones Industry) | 8,281 | 12,099 | -31.6 |
| Vietnam (Ho Chi Minh Stock) | 305 | 847 | -64.0 |

Source: Bloomberg

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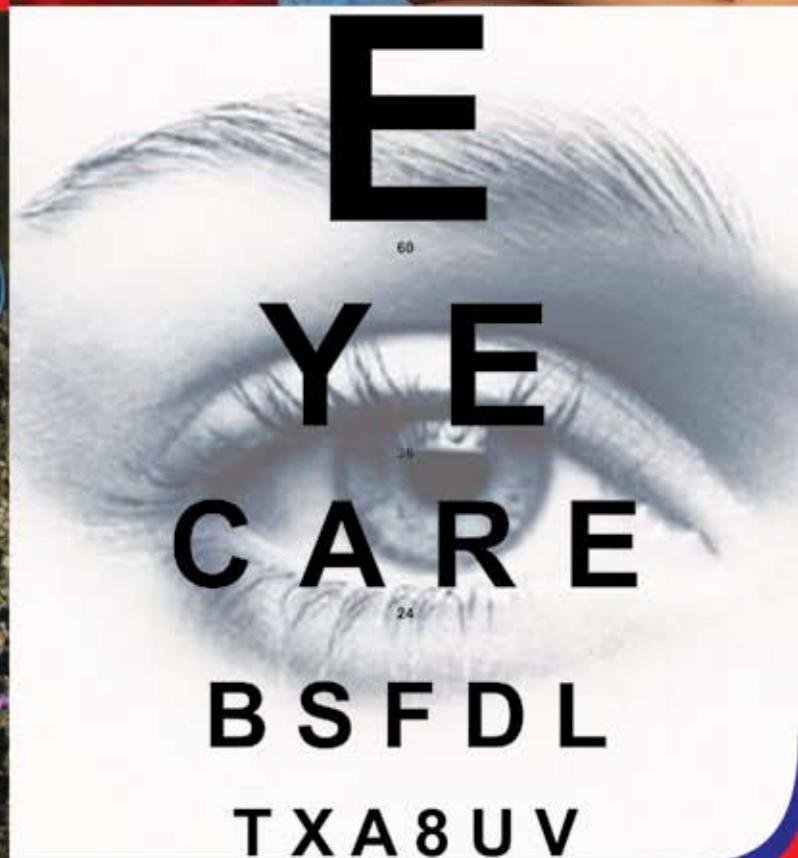
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បាត់បាយ



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