

# CAMBODGE nouveau

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## The race is on!

While an offensive against Pailin is being planned, which could mark the end to a tragic era in Cambodian history, the Cyclo Race which took place on 27 February symbolises quite well the start of a more favourable period.

The race was an immediate success the cyclos were strong in stamina and skill. The public was enthralled as the constant crowds and applause showed. The 'Phnom Penh Four Hour Cyclo Race' realised its objectives: to provide a popular spectacle, a peaceful scene, to show the Cambodian population at its best and Cambodians giving their all..

Is there a lesson to be learned from this race? A number of foreign companies, like the cyclos, are prepared to enter the long race to invest in Cambodia, to spare no effort, to work up a sweat. They too will have to choose a gear, negotiate bends, keep a close eye on competitors, control their efforts.

Just as the 'Phnom Penh Four Hour Cyclo Race', the rules must be clear and simple, the route well marked out., the objective understood and known to all, and the chances equal for all competitors. The investors are waiting for an Investment Code, a Trade Law, the establishment of organisations which will give them the go-ahead.

They are awaiting impatiently on the starting line.

Alain Gascuel

Provincial Development

## Kompong Speu an industrial town?

**K**ompong Speu is situated a mere 40 km from the capital on National Route 4 which links Phnom Penh to Sihanoukville. Due to its fortuitous location, it has the potential to become an industrial town and even an attractive commercial centre.

Its proximity to the capital should soon enable the citizens of Phnom Penh to relocate there and in so doing relieve pressure on the capital. Manu-

facturing industries, at present forbidden in Phnom Penh due to pollution regulations, could consider Kompong Speu as an alternative.

Reconstruction of the dam at Kirirom Hydro-Electric Power Station will soon resume. This station will not only feed Kompong Speu and the businesses established there, but will also supply Phnom Penh with a large part of its energy, which at the moment is in short sup-

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interview John Holloway, Australian Ambassador

## AUSTRALIA IN CAMBODIA

**F**or 20 years it was very difficult for Australians to become involved in the Cambodian conflict. But from 1983 Australia acted as mediator and in particular, Senator Evans worked hard for peace under the aegis of the UN.

With the departure of UNTAC and since the King's accession to the throne on September 24, 1993, our approach has changed. The period of instability is drawing to an end, and it is time to take bi-lateral action. However we have not completely abandoned our multi-lateral policy. We believe that long term stability depends on it. Thanks to multi-lateral action, we have been able to fight against corruption, increase discipline and efficiency, organise aid, investment, foreign trade and deal with macro economic problems. We are on the ICRC at UNDP. We also act through the World Bank and the IMF.

### A relatively modest presence

As a market, Cambodia is very restricted. With a GNP of \$250 per inhabitant, Cambodia is very poor. Trade totals only \$50 million; \$45 million for import and about

\$5 million for export.

Our bilateral aid comes to \$20 million in 1993 and will be approximately equivalent in 1994. Our cooperation as regards defence is \$2 or \$3 million, low compared with that of France. We won't try to compete! We are involved in communication, maintenance of the navy, malaria prevention, demining and English language teaching. In total we expect about 20 more people to arrive.

Australian investment in Cambodia is low; we only rank 8th among the foreign investors. OTC is the leading investor. We have several joint ventures in engineering, food import, the sale of solar technology and Angkor beer interests.

Our oil companies are interested in offshore Cambodia, but in areas for which there is already competition. For the moment our investors are holding back, waiting for more security and clear regulations. Many come to look without making a decision.

It is true that the laws are awaited, and the longer the wait, the more mistrust grows. There must be certainty that there is no favouritism, that the best contracts are not being kept for friends, Singaporean or other, that the rules are the same for everyone, that there is, as we say, a 'level playing

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**"It's quite simple"**

"They want foreigners to invest in Cambodia? Its quite simple. The tax on company profits must be lower in Cambodia than in its neighbouring countries where they are often as high as 30%. Import tax should be abolished for investors and especially tax on machinery. All products imported for the manufacture of export goods should be exempt or at least subject to large tax reductions. These simple rules could be part of the business laws" was the opinion of an investor who came to Phnom Penh to investigate the situation.

However, the government's advice to 'invest without further ado and then come and discuss the conditions with the authorities' does not please serious investors, whether Asian or European, who wish to know the rules of the game before deciding whether or not to play. They are united in the belief 'there must be a clear legislative framework'

#### **No pay rise for civil servants**

The administrative workers' pay packet, including civil servants and the military, will account for 40.8% of the government's expenditure in 1994. With these costs in mind, the government's policy is 'not to guarantee any pay rise for civil servants in 1994, unless it is offset by a reduction in numbers' indicated the document 'Public Finance' dated February 8, which was drawn up for the ICORC conference.

#### **What will a NCI do?**

"What is the point of a National Committee for Investment?" asked one foreign investor. It would be much better if the rights and obligations of investors on subjects such as securities, import taxes, the tax

## **Guidelines to setting up a company and investing in Cambodia.**

**F**irst the distinction must be made between an investment and a trading company.

#### **Trading Companies**

The majority of staff must be Cambodian, and the manager must be of Cambodian nationality. The foreign partners are only entitled to hold a maximum of 49% of the capital.

A Cambodian national is only permitted to manage one company. If he holds a position in more than one company, he is restricted to the posts of Assistant Manager or general staff.

The maximum registered capital can be either 50 million riel or \$80,000. To set up a new company, a proposal must be submitted to the Ministry of Foreign Trade.

The documents required are as follows:

- address of the head office with a supporting document, stating right of ownership or a rental contract.
- proposal for the establishment of the company (2 copies).
- company charter and by-laws (prepared texts are provided)
- statement of residency of Manager (2 copies)
- for Cambodian staff: photocopy of identify card (2 copies)
- for each Cambodian partner: a curriculum vitae (2 copies) and photo 3 x 4 cm (6 copies)
- for foreign nationals: photocopy of passport (3 copies); photocopy of entry visa (3 copies); address in country of permanent residence; photo 3 x 4 cm (6 copies for each partner)

The fee for setting up a company may total \$800 - 850. It takes 15 - 20 days.

On February 15, 1994 (circular No. 12 from the council of Ministers 15-02-94), the \$3,000 fee to set up an import or trading company was abolished.

#### **Investment companies**

The new Investment Code has not yet been made public. There are two rough drafts, drawn up by the Ministry of the Finance and Mr. Keat Chhon, Minister of State. The final version will probably be a combination of the two.

According to our information, the General Secretary of the NCI will be Mr. Ith Vichet, at present manager of Royal Air Cambodia.

The location will be Street 55, near the hotel, Lucky Inn, in a building currently undergoing renovation. The present relatively chaotic system will be replaced by a single office where one person is available to answer all queries.

The rough draft of the laws of investment in Cambodia has been made known to us and contains notably the following provisions

- **general provisions:** investments by Cambodian and foreign nationals may be undertaken in any economic activity or sector without permission from governmental authorities, except: 1) activities or sectors forbidden by the constitution of the Kingdom of Cambodia or by laws concerning public safety; 2) activities or sectors specified on an approval list, for which a license must be obtained from the Cambodia Development Council; 3) specific service activities regulated by law, for which a license must be obtained from the relevant governmental authorities upon fulfilling technical and financial criteria.

. investment must be effected and registered in one of the legal forms prescribed in the commercial law. Foreign nationals may invest through any legal form, either in joint-ventures with Cambodian nationals or in wholly-owned legal entities or branches. Investments may be made using local or foreign currencies, goods, intellectual property, know-how, or goodwill.

- **investment guarantees:** Cambodian and foreign nationals shall be treated identically, in a non-discriminatory manner, in respect to all rights, benefits, guarantees and obligations attendant to their investments (...);

. the Kingdom shall not discriminate among foreign nationals on the grounds of nationality, subject to more favourable standards of treatment resulting from customs unions, free trade area agreements, or international treaties;

. pursuant to the constitution, the Kingdom shall not expropriate, nationalise or take any measures having the same or similar effect with respect to investments established in Cambodia, except when an overriding public interest dictates, against which prompt, adequate and effective compensation shall be paid (...);

. in accordance with the relevant laws and with the regulations determined and published by the National Bank of Cambodia, the Kingdom shall permit Cambodian and foreign nationals with investments in Cambodia to purchase foreign currencies through the banking system

and to pay freely abroad these currencies for the discharge of obligations incurred in connection with their investments. This includes but is not limited to payment for imports, for transfer of technology, management fees and repayment of principal and interest on international borrowings;

. in accordance with the relevant laws and with the regulations determined and published by the National Bank of Cambodia, the Kingdom shall permit foreign nationals with investments in Cambodia to purchase foreign currencies through the banking system and to transfer freely abroad these currencies for payment of their holidays, revenues, dividends, profits, etc. Similarly, they shall be able to repatriate their invested principal and the net proceeds of the sale or liquidation of investments in Cambodia.

- **disputes:** a) as far as possible, should be settled amicably through consultation between the parties in disputes. Should the parties fail to reach an amicable settlement within one month from the date of the first written request to enter such consultations, the disputes shall be brought before the Cambodian Development Council by either party. Should the Cambodian Development Council not render a decision within one month from the first request to make a decision, or in the event of disagreement by one of the parties with the decision, the disputes shall be definitely settled through binding arbitration, in accordance with the rules of the United Nation Commission for International Trade Law (UNCITRAL), unless other arbitration procedures have been agreed upon by the parties;

- as soon as the Kingdom shall have ratified the Washington Convention on the settlement of Investment Disputes Between States and Nationals of Other States, any disputes shall first be submitted to the procedures specified above and, failing a resolution shall be a submitted to the International Centre for the Settlement of Investment Disputes (ICSID).

- **investment incentives:** the Kingdom shall, as necessary, make incentives available to encourage investments to fulfill objectives of national economic importance, such as increased exports, creation of employment, regional development and processing of raw materials. Investments by Cambodian and foreign nationals shall be entitled to the same incentives shall constitute the forgiveness, in whole or part, of duties, tariffs and taxes, and shall be set forth in law. The Cambodian Development Council shall propose the design of incentives and shall be respon-

sible for any necessary regulations.

- **Cambodian Development Council** shall by a published decision, established non-discretionary and transparent rules, procedures mad criteria, including:

. the rules and procedures that potential investors must follow for making license applications and incentive applications.

. the procedures and criteria that the Council will use in making licensing decisions and incentive decisions.

The Council shall apply the same rules, procedures and criteria to reach decisions on license and incentives applications from Cambodian and foreign persons.

The Council shall make licensing and incentive decisions, upon recommendation from the National Investment Committee, within thirty days of receiving a properly completed application. It shall publish a summary of all licensing and incentives decisions, starting the reasons for acceptance or rejection of all applications.

All decisions of the Council with respect to licensing and incentives shall be final.

- **land ownership:** ownership of land shall be vested only in natural persons with Cambodian citizenship or in moral persons in which more than 50% of the equity capital and/or voting rights are controlled by natural persons with Cambodian citizenship;

Use of land shall be permitted to Cambodian and foreign nationals, including long-term leases up to a period of "x" years, renewable automatically for a further period of "y" years. Such use may include the right of ownership over any buildings and immovable property as a guarantee to the fulfillment of financial obligations.

- **employment practices:** the Kingdom shall permit Cambodian and foreign nationals to hire expatriate experts necessary for the establishment and operation of investments, providing that Cambodian citizens receive training in conjunction with these investments; and good faith efforts are made over time to substitute Cambodian citizens for expatriate experts.

Expatriate experts shall be able to exchange all remunerations earned in the Kingdom for foreign currencies obtained through the banking system and to transfer such currencies freely abroad.

- **transitional and final provisions:** any investment authorized shall at the choice of approved investors; either:

. continue to benefit from the specific forms of tax and customs duty exemptions stated in its investment approval agreement, until such time as these

benefits expire under the terms of the agreement, after which time the investment will be subject to the taxes and duties in force under the laws and regulations of Kingdom or

. be entitled to apply for incentives in accordance with this law, which incentives shall replace all exemptions granted in the investment agreement.

This shall come into force upon enactment of the provisions of the Commercial law necessary for the enforcement of this law.

#### **Information for investors**

According to decision no.2 of the Council for Development of Cambodia, dated 27 December 1993, the NCI will comprise the following

- a General Secretary will be the Executive Director

- a lawyer; an investment programme specialist; a project analyst; an environmental expert; a specialist in contracts.

The General Secretary will also be in charge of the administration of the NCI

A new office will be created which will be responsible for:

. creating favourable conditions and providing information about the investment laws, procedures and other necessary information to investors in the various sectors, (...);

. giving advice to investors on the preparation of the necessary documents.

. coordination of necessary relations between the investors, the Ministers involved and the provincial and municipal authorities (...);

. following and supervising compliance with relevant laws and reporting back to the CDC (...);

-The NCI sends the investment proposals for approval to Samdech Krom Preah Norodom Ranariddh, President of the CDC, or if urgent straight to the CDC or to the Vice President of the CDC, if authority has been delegated.

- The Vice President of the CDC, has among other responsibilities, the power of ultimate decision, after discussion with the General Secretary of the CDC and the National Committee for Investment in matters of: investors' imports, authorisation of investment plans which total less than \$5 million; the settlement of anticipated problems in authorised investment projects.



## Salaries in Banking

system, pollution, location etc. were clarified by law.

Each investor could then refer to the laws and carefully prepare his plans for investment in Cambodia. Thus the time spent in negotiation with the authorities and the element of arbitration (even corruption) would be reduced to a minimum or even cut out completely. The more specific the law, the better the preparation for investment, which would prevent loss of time in negotiation with the National Committee for Investment.

In Thailand it is not compulsory to go through the Board of Investments (BOI) and many investors prefer to manage without it even if it means a little greater expense. But they do avoid four months of negotiations.

### Political leanings

Many civil servants from the former State of Cambodia are disappointed by the lack of consideration shown towards them by the Funcinpec officials. Because of this, the good will and cooperative spirit which prevailed after the elections is wearing thin. They are less motivated in their work. Although many State of Cambodia civil servants started to leave the party and depoliticize before the elections, they are now turning to the Cambodian People's Party as if it were a natural refuge, haven and guide when there is no alternative available.

"If the elections took place today, none of the civil servants who voted for Funcinpec would do so again. They would vote CPP", claimed a Cambodian observer at the heart of the government.

**A Chamber of Commerce?**  
The Association of Cambodian Trades (ACC) has decided to establish a Chamber of Commerce. The Honorary Presi-

**W**e have divided Banking into public and private sectors.

### the public sector

There are 367 staff in the National Bank.

- At the lower end of the salary scale, there are about ten unskilled employees: drivers, maintenance workers, guards etc. The salary is 22,500 riel per month, or about \$9.

- On the next level are the bank employees, distinctly more numerous, who have completed technical college. There are several categories according to experience. The salary is 38,000 riel per month, or a little over \$15.

Levels 1 and 2 consist of about 60 people. A section manager who has passed grade three at the Technical College of Banking earns 45,000 riel, or \$18.

- The two managers earn 57,000 riel, or just less than \$29 per month.

- The seven assistant managers receive salaries close to those of the managers.

- The Chairman earns 92,000 riel per month, or \$36-8.

Social security cover

The policy is as follows: in case of illness or absence, if the employee does not produce written permission or a medical report, he may have one month's unpaid leave of absence and will resume work on his return; after one month he will not be accepted back.

On production of a medical report, the bank will pay the usual salary; hospital costs will be paid but up to a limit of 50,000 riel

In the former system, employees paid 10% of their salary to a trade union which controlled these funds and decided beneficial use for the employees.

Salaries are very low in the public banking sector. Even with the 10% rise promised by the Chairman for 1994, it is hardly enough to live on. "We are in the process of restructuring the system" the Personnel Manager told us. "Our employees are trained in different fields. Some officials have graduated from the Institute of Economics. Others have been trained by the Vietnamese. Some employees have been with the bank since the times of Sihanouk and Lon Nol, some are following French language courses at the Alliance Francaise, others English at the ACE schools, other have been trained by

CDRI. A considerable amount of training takes place abroad. In 1993 an assistant manager went to Japan, and employees have followed intensive courses in Malaysia, Taiwan, Thailand and the United States. Seven of our officials have gone to Thailand for several years".

The Personnel Manager believes the training and the opportunity for promotion, are greatly appreciated by the employees. Some of them even value it more than the salary.

### the private sector

This bank is a company with mixed

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# Kompong Speu, an industrial town?

**By the way...**

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ply. A high tension cable is to be constructed between Kompong Speu and Phnom Penh, supplying industries all along its route.

## **Kirirom high altitude station**

The Royal Government has just declared Kirirom a restricted area and entrusted its security to the army. The road to the station, which is open in all seasons, winds its way through the hills up to an altitude of 800 m. The area was previously named Tioulongville and was a pleasant resort for tourists. In order to improve its popularity with visitors, it would be wise to create attractions which would appeal as much to the local population as to foreign visitors. The reservoir could be a lake on which water sports and games are played. It would also be an ideal location for a rest home for the elderly. The spring water at Kirirom is renowned. A harnessing and bottling factory could be established there. Kirirom water

could be sold all over the country and even exported under the name 'Kiri Water (Eau Kiri)' as was previously the case. There could be a health spa, complete with a massage and physiotherapy centre. At present Kompong Speu is a popular destination on Sundays. Visitors go to Poper Phnom, an area famous for its scenery, on the outskirts of the province, where there is a suspension bridge over the river. The people like to cross from one bank to the other, stroll in the countryside and picnic in the 'Sala' huts. Sometimes they improvise Ramvong dances in the shade of the trees. To attract more visitors, horse riding and children's games could be organized in a well maintained park. A scenic train ride could carry visitors there, as there is already an existing track.

Investment could be made in a sports area for adults, in particular a golf course, which is very popular with the foreign clientele.

Of course investors will see a whole range of possibilities; the construction of staff lodg-

ings and offices for administrative managers.

Communication with these recreation areas would be improved by expanding the national route to four lanes, an investment which could quickly be made profitable by introducing a toll system on what would become a motorway.

For inhabitants who work in Phnom Penh and commute daily a regular bus and taxi service would be provided, not increasing the already heavy flow of traffic towards the capital too much. The railway would have to be improved too, and then an economical train or railcar shuttle service established between Kompong Speu and Phnom Penh.

In order to relieve pressure on Phnom Penh, bars and dancing restaurants could relocate to Kompong Speu. For closer proximity to energy sources, film and television studios and the arts centre could be situated there in an aesthetic environment. Kompong Speu could also be the site for a television tower and powerful radio transmitter.

dent will be Arun Reasmeay, the Chairman and Managing Director; Positith, an advisor to first Prime Minister Ranariddh and member of the royal Sisowath family; and advisor: Seng Chhey Out, President of Seng Enterprise. The Chamber of Commerce would be situated not far from the Holiday Inn. LBL was to have carried out the construction work, before the fire at the National Theatre which could prove extremely damaging to them financially (\$23 million and no insurance?)

## **Mines**

In some villages in the north and north-west, CMAC deminers have noticed that mines have become familiar objects used to keep undesirables at bay. Just as others build fences or employ guards, the villagers lay mines at night and remove them in the morning. But sometimes they forget where they laid the mines, or they forget to remove one or two and then accidents happen...

## **New accounting system**

*"For businesses which have kept their accounts well, the presentation of accounts in conformity with the french system will not be a problem"* said Madame Thioulong Saumura, Vice-Governor of the National Bank in response to criticism by several Anglo-saxons company managers ("see *Cambodge Nouveau* n° 2). *"The differences in presentation are minimal. Specialists firms like Arthur Andersen, Ernst and Young, Price Waterhouse, Guérard Viala, ... are accustomed to this practice"*.

There is no way that the French accounting system could hamper foreign investment in Cambodia. The whole world invests in France without the slightest objection to the french accounting plan.

## **Salaries in Banking**

backing; 30% of its capital is held by the National Bank, 70% by Khmers from abroad. The staff consists of about thirty employees, all of whom are Khmer or Chinese-Khmer.

- at the lower end of the salary scale are 6 unskilled workers; guards etc. They earn \$100 per month;

- at the next level are 8 secretaries without qualifications or experience: \$120 per month.

- 15 salaried workers who have qualifications corresponding to the French 'bac' or a CAP : \$150.

- 5 salaried staff with a Certificate of Banking : \$200.

- the Deputy Chairman earns \$800

- the Chairman earns \$1,500.

The Personnel Manager recognises that the

salaries are not as high as in the Phnom Penh foreign banks. In those banks an unqualified secretary could earn \$200 or if trained \$300. But the employees of this bank have other advantages.

- medical costs are 100% reimbursed on presentation of the bill.

- there is a retreat financed by a compulsory contribution of 5% of the staff's salary and 8% of the employers'.

- the bank grants interest free loans up to \$1500 per person, to buy a motorbike for example. This loan is repayable over one, two or three years.

- there is a thirteenth month 's salary, paid in two instalments.

- there a bonus dependent on profits, which is equal to half a month's salary.

- at New Year, there is an individual gift from the Chairman, for each employee.

- for the Tet festival there is once more an additional half month's salary.

## A U S T R A L I A I N C A M B O D I A

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field', a pitch where there is an equal chance for everyone. In short, there must be more clarity.

Within the Australian presence in Cambodia, mention must be made of the NGOs; Australian Catholic Relief, Australian Red Cross, Australian Quaker Service, Care Australia, APHEDA, IWDA (International Woman's Development Association), Common Aid Abroad, (...)

### English language teaching

In this field the question we have been asking since 1991 is 'what do the Cambodians need?' They themselves say to us, "We need to learn English to communicate with our neighbours; Thailand, Singapore, Malaysia, Hong Kong, etc. We need English to access more aid, because most of the donor countries do not speak Khmer but all speak English; we need English to answer their questions; and we need it to write proposals which will enable us to receive their aid." Parents, however want their children to learn English to

establish contacts with the outside world. We are not missionaries, we respond to demand.

Our work takes several forms:

- We have a programme for the staff of about ten government ministries. We teach them the specialised vocabulary they need. About a thousand are following this course.

- ACE (Australian Centre for English) has several language schools. It is a University creation, in a way the 'commercial branch' of the University. These are general English courses and also courses in English for Specific Purposes where specialized English for certain professions is taught: bridge building, for example. These courses are a great success. At the beginning of 1992, we had 16 students and 3 teachers; at the beginning of 1994, 4,500 students and 60 native English speaking teachers ( they are not all teachers by profession). Now ACE has three schools: two in Phnom Penh and one in Battambang, and we are soon to open one in Sihanoukville.

- At the Foreign Language Centre we are training 226 Cambodian teachers ( we award 100 scholarships every year). On successful completion of the 4 year course they receive a Bachelor of Education

degree.

To those who suspected us of having led the demonstrations of last November against the French language, I can assure you 150% that we had absolutely nothing to do with it. We can't satisfy the existing demand for English language teaching as it is. Look at the proliferation of schools on 'Oxford Street'! I have no comment to make except that conditional aid ( We will help you on condition that you ...) always brings problems. The Japanese had the same experience.

For the moment, the Cambodians are oriented towards Europe. But it is the market that will decide the language. Cambodians will choose to speak French if they see that it is in their interest. The same goes for English. They have learned and then abandoned Russian, German, Czech , etc.

However, the value of learning several languages must not be dismissed. I think the contribution of ideas from other countries is always valuable. Look what is happening to Vietnam which remained closed to the outside world for so long. And, of course, we Australians too should learn more foreign languages.

## Speaker's Corner : **H a r m o n y i n C a m b o d i a**

**T**here was a time when everyone would devote themselves wholeheartedly to manual work. Everyone owned a piece of land to cultivate, some a vegetable patch, others whole fields. These farmers earned their living either by working their own fields, or those of a wealthy landowner. Disputes over land ownership were rare. During my childhood, when there was disputes over land, I would set whole families hurrying through the countryside to attend the provincial court. If the outcome was unsuccessful, an appeal could be made to higher authorities and the case could even be brought before the King then, every thing could be settled. The people were the judges. Cambodia is large enough to provide work for all her children, but many among Khmers has never been more necessary. We must realise that

with a population of less than 10 million, in the 2000, Cambodia would not be able to withstand the hols that South-East Asia would have over her. Given the geopolitical context, she would surely be crushed by her immediate neighbours. Thailand will have a population of 61.2 million by the year 2000 and 122 million by 2019. Vietnam will have 81.5 million by 2000 and 160 million by 2019. These figures were published by UNDP in 1992.

The reconstruction of Cambodia demands the immediate use of all her human resources. The provinces must be developed without delay according to the needs of the country. This is possible if state institutions are well-organised, and if political quarrels do not continue to assure the most unpleasant forms.

There is no need for Cambodians be

wiped out.

The appeal launched by the government on February 13 (for the benefit of Khmer Rouge) to put the Khmer Rouge back on the right track is time to the realities of the low. It is high time that Khmers put their pride in being descendants of the Ankor warriors behind them and instead rally around their King, and march all together, without weapons, hand in hand for national reconstruction under the banner 'Cambodia helps itself' with the good organisations of the international community.

In Kandal Province on the February 8, a fire example was set: labourers began to plough the land manually, as was done before in the times of Sangkum Reastr Niyum. Once united, people will become more alike, the quarrels forgotten and replaced by friendship. *Kong Phirum*

## Baksheesh lives on !

**N**ew Cambodia Issue No. 2 reported the progress of customs, which, thanks to improved efficiency, now has tighter control over fraud, puts 60% of its funds into the State coffers. However, one custom that has not disappeared, is that of the 'baksheesh'. We made inquiries with the experts. Baksheesh is still widespread. The

**It is expected less frequently from a foreigner than a Cambodian.**

amount demanded is decided according to the look of the client. It is expected less frequently from a foreigner than a Cambodian. 'The latter will be told that he should give money to help the reconstruction of his country.' In general, it is the Chinese who give them most readily. Westerners try not to. They prefer to argue the authority of the law. Since imported goods are taxed on their declared CIF value, attempts are made to fiddle this sum. But you can never be sure when you will be caught in a country where the rules change from day to day. Even the government follows the practice of baksheesh. Our sources cite the Minister of Culture and the Minister of Foreign Affairs, who prefers gifts. The baksheesh is first given to the Customs Inspector and his colleagues, next to the customs police and finally to Kamcontrol. They are all aware of their financial gain from the official fines, but nevertheless take advantage of these 'small gifts'. The importers are not without blame, since they are often dishonest and lie on their forms. "If all importers paid the appropriate amount for their goods, there wouldn't be a

problem". In short they say "If you cheat, so will we".

Although the customs supervisors carry out their work efficiently, in this area nothing is changing. It's 10,000 riel for an official stamp or seal, and \$300 for a whole container. It is not uncommon to give baksheesh to eight customs officers in a row, 10,000 riel each, which means that

for convenience sake importers often prefer to pay the \$300 per container. It's even worse in Thailand; 4,000 baht for a parcel.

98% of customs officers accept baksheesh: A few don't accept any, others are unaware that their colleagues receive them. In general, the officers are aware of the situation. Often the Customs Supervisor is not informed about it. It is the Inspector who

earns the most significant sums in baksheesh. Kamcontrol taxes 0.5% of the value indicated on the form, or a minimum of 50\$. But 20\$ can suffice, at least if the police are not there.

All this is a very lucrative business. For example, in Kompong Som, 600 containers arrive every month. At 10,000 riel a stamp or signature and \$300 per container, the dozen people involved, after the money is divided, are richer by at least \$300. Some find themselves with monthly earnings of \$1000 or more, better paid than expatriates. Cars, jewellery,

restaurants ... etc... And then there is another source of income; the fines imposed on smugglers of which the State takes 50%, while the other half goes to the customs, police and informers.

French customs experts, paid for by the Cooperation, have to adapt their aid to the task at hand. They have to close their eyes to the small bribes (10,000 riel) but clamp down on the excessive ones.

The Finance Minister Sam Rainsey's plan to increase the customs control, share the fines and reward with promotion, is perceptive. At Koh Kong, a major site for contraband, the noose is tightening. More and more trucks are being stopped. At Kompong Som, two teams of twenty work shifts.

In six months, from July 1993 to

January 1994, the monthly customs receipts have more than doubled. They went from 51 million riel in the first half of 1993 to 122

**98% of customs officers accept baksheesh.**

million in the second. They ought to reach 248 million riel for 1994.

It remains to be said that the practice of baksheesh does not look like dying out. Will the authorities in trade or management ever abandon it? Forwarding agents for whom 'time is money', go on their days off to release containers stopped at customs with bribes.

And as for customs officers, the dollar bill is not just a dream, in the short term it is a concrete reality.

agent 002

**Cambodians, foreign nationals, the private sector, the public sector ...**

**the answers are in**

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