Business

Inflows...

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for a project currently being carried out by China Huadian Corp for a 338-megawatt dam on the lower Russei Chrum river in Koh Kong province.

Domestic companies went from being the largest investor in Cambodia in 2009 (mainly due to a $3 billion investment by Cambodian conglomerate Royal Group for an island project on Koh Rong off the coast of Sihanoukville) to the third-largest in 2010. A total of $447 million of investment was approved for Cambodian companies in 2010, accounting for 15.19 percent of the total amount of approved investment.

Malaysia rose to the third spot among foreign countries in 2010 from ninth place the previous year, with investment rising from $27 million to $256 million. Most of this investment came from a $107.6 million project for a transmission line from Phnom Penh to Kompong Cham province, with the rest coming from rubber plantations and industry.

Approved investment coming from both Vietnam and Thailand dropped considerably. Vietnamese investment dropped by 56 percent to $153.2 million, while Thai investment fell by 99 percent to a little more than $2 million.

Indeed, just two projects—the South Korean airport in Siem Reap and the Chinese dam in Koh Kong—accounted for almost half of the total amount of approved investment in the country last year.

Experts say that the reality of last year's investment climate was one of low confidence and little activity until the end of the year, when interest started to pick up again.

"It was not a good year. Everybody is waiting for 2011," said Christophe Forsinetti, vice president of Devenco, an investment consultancy firm here. "The whole business community was pretty unhappy with 2010, including lawyers and investment consultants like us, who are the first ones to see investors come to Cambodia. Cambodia was not on the map in 2010."

Mr Forsinetti said, however, that there was a markup in investor interest toward the end of the year in areas such as agriculture, microfinance and retail.

The World Bank estimates that $632 million of investment projects previously approved by the CDC actually entered the economy in capital inflows last year.

That amount is more than the total amount of foreign money invested during 2009, but still less than in both 2008 and 2007.

National Bank of Cambodia figures show that actual capital inflow during the first two quarters of 2010, the latest quarter for which information in available, amounted to just $313 million, compared to $515 for the whole of 2009.

Peter Brimble, senior country economist for the Asian Development Bank in Cambodia, said that capital inflows in the country during the first three quarters of 2010 had actually overtaken the amount for the whole of 2009.

"That reflects what I think of 2010. Most indicators appear to be moving up," he said, adding that GDP growth of more than 5 percent for 2010 was still possible once all the data has been evaluated.

Though investors were far from pouring into Cambodia last year, equity funds say that raising capital was easier in 2010 than in 2009 and that the garment sector made an almost full recovery in terms of the amount being exported.

According to the report, there was a healthy uptick in investment approvals for projects in the industrial and manufacturing sectors, which rose from $272.9 million in 2009 to $478 million in 2010. The number of projects in these sectors increased to 80 in 2010 from 49 the previous year.

It also said that 161,855 jobs had been created from 118 projects, but did not state job losses for the period.

Approvals in agriculture remained relatively stable, with approved investment falling by just 6 percent to $598.7 million and projects dropping by just one to 27.

"What is notable is that the figure on investment in industry doubled in 2010 compared to 2009," Suon Sothy, secretary general of the CDC, said in the report. "This growth reflects the clear investment climate in Cambodia, which still can attract investors."

(Additional reporting by Hul Reaksmey)

Sales...

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The sub-decree also directs that the government solve any dispute that might arise, such as a failure on either side to fulfill a contractual obligation. Mr Bunhak said the problem-solving committee would consist of members from more than 10 ministries, and that business interests would be represented by the Cambodian Chamber of Commerce.

"Cambodian Chamber of Commerce represents the private sector. It is a very important member," he said. If the committee were unable to solve the problem satisfactorily, it would be sent to the courts, he added.

But the committee detailed in the sub-decree will include no farmers, no members from farmers associations and no NGO representatives, Mr Bunhak said.

Sharon Wilkinson, who stepped down as country director of CARE International in December, said the decision to exclude farming representatives from the problem-solving process rendered it profoundly unfair.

"Any arbitration process, whatever name it goes by, to represent full disclosure and transparency requires each interest group must be represented," she said. "You cannot leave key groups out of the dialogue and say it is a transparent process."

Mr Bunhak declined to comment directly on the inclusion of private-sector representatives alone, but said the sub-decree would help protect farmers from buyers that break agreements.

The Agriculture Ministry "helps the farmer. We help to see...whether the land is suitable for the crop or not," he said. "But we have control [over] both parties—also, we control the company. Companies...must finish the contract."

NGOs were also critical of the consultation process for the sub-decree, which consisted of a half-day workshop in July with one day's notice, they said.

"We got the sub-decree from the Ministry of Agriculture, and we have only one day to have a meeting with NGOs and farmers before giving our recommendations," said Keam Makarady, director of the environment and health program at the Cambodian Center for Study and Development in Agriculture. "The time frame was very difficult."

According to a list of those invited provided by Mr Bunhak, the Agriculture Ministry invited 21 representatives from government bodies, 15 from the private sector and 14 from NGOs. One member of the Federation of Cambodia Rice Millers Associations was invited, and no farmers.

Mr Bunhak defended the decision to exclude farmers from the consultation process yesterday, as he said the local NGOs that were invited could adequately represent their views.

"I think local NGOs know well about the situation of the farmers," Mr Bunhak said. "I think farmers we have no space to invite. But we invite [a representative from] farmers association."

Ms Wilkinson said she disagreed.

"To have a meaningful consultation, you have to create an environment that is enabling; you have to put [the sub-decree] in the hands of the people that it will affect," she said.

Mong Reththy, president of Mong Reththy Group, attended the workshop and said yesterday he thought the new sub-decree would be a boon to agribusiness in Cambodia.

"There will be a bigger market and durable price of the product.... There will be more investment." Mr Reththy said, adding that sub-decree would benefit farmers as a whole.

Prey Veng provincial rice farmer Kuy Borath said yesterday that farmers should have been involved in the debate. Mr Borath, who farms a 3-hectare plot, had not heard about the sub-decree, although he did know about contract farming, and said he hoped the draft would improve his ability to sell his rice.

"The government should pay more attention to the farmers by finding markets for the product," Mr Borath said.

Leang Penh, a farmer of Banteay Meanchey province, was also unaware of the draft sub-decree, but noted that if the government body helped the farmers, the farmers would be happy for it to be created.

"We will be very happy if they purchase our rice yield with good price, because now the price fluctuated according to the middlemen's mouths," Mr Penh said.

—International Business Brief—

UK and Chinese Companies Sign $4 Billion in Deals

LONDON - British and Chinese companies signed business deals worth about $4 billion Monday, including an agreement to increase sales of Jaguar Land Rover vehicles to China, Britain said. Oil major BP and the China National Offshore Oil Corp signed an agreement on deepwater exploration in the South China Sea, the British government said, but gave no details. Jaguar Land Rover has committed to sell 40,000 Jaguar and Land Rover vehicles in China in 2011, it said. *(WSJ)*