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The Cambodian Garment Industry

Cambodia's garment industry has grown phenomenally in the last few years. In this article, CDRI researcher Chea Huot and Senior Economist Sok Hach summarise preliminary research they conducted in 2000 and 2001 on the performance of the industry.*

In a few short years, Cambodia's garment industry has grown from almost nothing, to become the country's leading export earner. In 2000, the total value of Cambodian garment exports was about \$985 million, it represented 70 percent of exports, and the sector provided jobs for at least 160,000 people.

For the short term, the outlook for the industry generally appears good because labour is cheaper in Cambodia than in other garment-producing countries such as Sri Lanka, Thailand and the Philippines, and the incentives the Cambodian government provides to foreign investors are attractive. Cambodia also has more favourable trading terms with the worlds' most lucrative markets – the United States (US) and the European Union (EU) – than do other countries with low-priced labour such as China and Vietnam.

Although these factors indicate good prospects for the Cambodian garment industry in the short term, what about the longer term? How sustainable will Cambodia's garment industry be when countries such as China and Vietnam have equally-good trading terms with the US and the EU? What steps should Cambodia be taking now to prepare for stronger competition in the near future? Also, how can the government increase the revenue it earns from the garment industry without adversely affecting investors?

In order to gain insights on these questions and a better understanding of the garment industry, in 2000 and 2001, CDRI researchers conducted a literature review and some in-depth interviews with garment factory owners, government officials, garment workers, and union leaders. This article presents some of the findings and recommendations from this research.

* This article is based on a chapter in CDRI's forthcoming *Annual Review of the Cambodian Economy*. The ideas, facts and opinions expressed in this are those of the authors and do not necessarily reflect the views of CDRI.



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Development of the Export Garment Industry

The export garment industry has a very short history in Cambodia. Historically, the country has focused on agricultural production. Under French rule (from 1863 to 1953), Cambodia was a provider of raw materials and a buyer of finished products. Although silk and cotton were produced and made into the garments on a small scale, it was only after independence from France in 1954, that industrial production of textiles began in Cambodia (Prud'homme 1969).

SONATEX (a state-owned textile company) was established at the end of 1950's and over the next few years textile and garment factories were built in Kompong Cham, Battambang and Phnom Penh. Thousands

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of Cambodian families benefited from jobs in these factories, but unfortunately many of the factories were damaged in the fighting of the 1970s. In the 1980s, some factories were rebuilt with international assistance, but their production of cotton clothing and medical supplies was only for domestic purposes.

In the early-1990s, when Cambodia was largely at peace for the first time in two decades, and the government had converted from a centrally-planned to a market economy, the export garment industry began to develop. It grew rapidly after 1996 when favourable trade agreements were signed; first with the European Union, and then with the United States.

Initially the EU was the top destination for garment exports, but when favourable trade relations were established with the US, exports to the US quickly surpassed those to the EU. In 1999, due to the high volume of Cambodian garments coming into the United States, the US government imposed quotas on 12 items. These include: gloves, coats, trousers, shirts, blouses, sweaters and underwear. The US government promised to increase the size of Cambodia's quotas by 6 percent per year and increase them even more if the country improved labour standards.

The Industry Today

CDRI researchers found that the textile and garment industries are highly labour intensive and they appear to have done well in Cambodia because of the availability of a large, low-cost labour force. The industry is also at the same stage of development today as it was in the Philippines, Thailand, Malaysia, and Singapore in the 1970s, when industrialisation was just beginning and labour costs were low. As happened in these countries, the Cambodian government hopes that the garment industry will lay the foundations for other industries such as electronics manufacturing.

Research shows that the garment industry is largely concentrated in Phnom Penh and neighbouring provinces. Most Cambodian garment workers are young, minimally-educated and unskilled women who have migrated from rural areas. With the exception of a few local investors, factory owners are from Hong Kong, Taiwan, China, Singapore, South Korea, and the United States. The managers of garment factories are often foreign as well.

According to statistics from the Ministry of Commerce, the total value of Cambodian garment exports grew from \$533 million in 1999 to \$985 million in 2000 – an increase of 50 percent. By 2000, garment exports represented 70 percent of Cambodia's total exports of goods and services (86 percent of goods only). The number of countries buying Cambodian garments also increased between 1999 and 2000, from 24 to 38. However, the US and EU markets continue to take over 97 percent of Cambodian exports (Figure 1).

As stated previously, the US has been the largest market for Cambodian garments since 1998. Despite the imposition of quotas on some categories of garment products, garment exports to the US rose 46 percent in 1999, and another 78 percent in 2000 because Cambodia expanded production of garment types not covered by the quotas. In 1999, the US market represented about 88 percent of Cambodia's garment exports, but in 2000, the US market declined to 76 percent. Overall growth in exports continued, however, because exports to EU countries rose steeply from \$58 million in 1999, to \$221 million in 2000.

In the short term, US quotas have not had an impact on total exports. As already stated, manufacturers are exporting garments to the US which are not covered by the quotas, and sales to Europe have grown considerably. Also, as a result of improved labour conditions in Cambodia, the US government has granted an increase in imports covered by the quotas and has promised more if labour standards continue to improve.

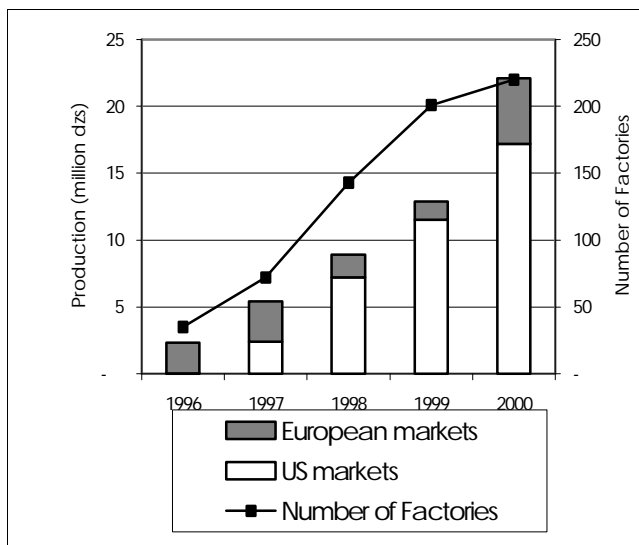
Factory owners interviewed by CDRI researchers stated that if Cambodia can expand sales in the region and to other developed countries, and the political and social climates in Cambodia remain favourable, the industry should continue to thrive, at least in the short term.

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The Garment Workforce

As mentioned earlier, the garment and textile industry plays a significant role in employing low-skilled labour in Cambodia. According to a survey conducted by the National Institute of Statistics, about 64 percent of workers in the manufacturing sector are employed by the garment industry. However, as Cambodia is still largely an agricultural country, the work force in the garment industry is

Figure 1. Number of Garment Factories and Destination of Their Production



Sources: Ministry of Commerce and CDRI estimates

still relatively small (only about 4 percent of the total labour force). From 1997 to 1999, the modern garment industry created an average of almost 40,000 new jobs per year. However, because of declining investment in 2000, only about 20,000 new jobs were created that year.

As in other countries, women make up the largest part of the garment and footwear production workforce (about 85 percent). According to the Garment Manufacturers' Association of Cambodia (GMAC) and surveys CDRI researchers conducted in 2000, about 90 percent of workers come from rural areas near Phnom Penh.

About 50 percent of the garment workers CDRI researchers interviewed stated that they paid an average of \$38 (about one month's wages), to secure their jobs. This "fee" was paid to a variety of people - factory security guards, interpreters, labour brokers (Maclean 1999). To pay this fee, 57 percent of workers took out a loan. According to GMAC, factory owners strongly oppose the practice of charging "fees" to secure employment, and they invite workers to complain when this occurs. However, none of the workers interviewed would consider making a complaint.

CDRI's survey shows that the average educational level of young female garment workers in Cambodia is low. Only 61 percent of them had attended primary school, only 31 percent had gone on to middle school, and only 8 percent had earned a high school diploma.

Overhead Costs

According to the factory owners interviewed during this research, the cost of building a garment factory for 500 workers (excluding land), is about \$700,000. Based on this unit cost, the stock of fixed assets for the 220 garment factories operating in Cambodia can be estimated at about \$200 million. If the cash flows needed to run the factories are added in, the total invested in the garment industry between 1993 and 2000 was approximately \$500 million.

Factory owners estimated that "bureaucracy costs" in Cambodia's garment industry accounted for about 7 percent of sales, or about \$70 million, in 2000. These "bureaucracy costs" include permits to set up and operate factories, import raw materials and export garments, plus the cost of delays in obtaining these. Factory owners estimated that the amount for "bureaucracy costs" is about the same as the net profit, and about half the total for labour costs. If this amount was redistributed to employees, the average salary of garment workers would exceed \$100 per month. If this amount was reinvested in the garment sector, more than 70 new factories could be built every year. If this amount was used to develop rural irrigation systems, an additional 140,000 hectares of rice could be irrigated every year.

To compensate for the high "bureaucracy costs", the Cambodian government provides many tax exemptions

to the garment industry. There is no tariff on imports of garment-related raw materials, nor are there taxes on profits or value-added taxes (exempted by the *Investment Law*). According to a speech made by Prime Minister Hun Sen in February 2001 during the *Government-Private Sector Forum*, the government granted \$163 million in tax exemptions to the garment industry in 2000. These exemptions are major incentives to foreign garment investors, but industry experts state they only partially compensate for the high "bureaucracy costs."

According to factory owners, for every \$100 worth of garments exported, 63 dollars were spent on imported raw materials, and 4 dollars on utilities and small expenses. The value added thus represents about one third of each \$100 sold. Labour costs in the garment industry account for about 13 percent of total sales, while "bureaucracy costs" are estimated to be about 7 percent. Gross profits (including capital amortisation) were estimated in CDRI's survey to be 13 percent (Figure 2). Although the amount earned from export sales is very high, factory owners estimated that only about 25 percent of earnings from sales remain in Cambodia.

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The Garment Manufacturers Association

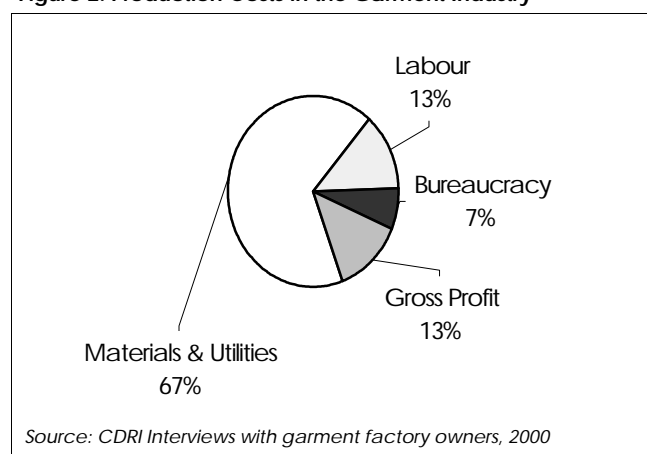
Founded in March 1996, the Garment Manufacturers' Association of Cambodia (GMAC) has so far been the most important player in the development of Cambodia's garment industry. In 1997, this powerful asso-

ciation actively encouraged the government to seek special trading status (General System Preference and Most Favoured Nation) from developed countries (primarily the US and the EU). The Association has also advised the government on how to promote the garment industry in Cambodia, and acted as mediator in conflicts between garment factory owners and workers.

Garment Workers Unions

According to a US Embassy report published in 2000, unionisation of the Cambodian work force is not strong outside the manufacturing sector. As of June 2000, there

Figure 2. Production Costs in the Garment Industry



were a total of 106 registered labour unions in Cambodia, and most of them represented garment workers. All garment unions are affiliated with one of the five national labour federations. Collective bargaining in Cambodia is minimal, although some unions believe this is occurring. What people call "collective bargaining", is negotiation to get employers to comply with the labour code. Collective bargaining, in which a union negotiates with an employer to get better terms than those required by law, has yet to occur. Also, unions have yet to develop a fruitful partnership with management and government (US Embassy 2000).

Wages, Working Conditions and Complaints

US Embassy data indicate there were 76 strikes in Cambodia in 1999, and 35 strikes in the first seven months of 2000 (US Embassy 2000). The strikes usually concerned working hours, wages, and excessive overtime. In June 2000, a series of strikes led by the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC), along with a coalition of garment factory unions, pressed for improvements in working conditions and an increase in the monthly minimum wage. The strike also proposed to reduce the work week from 48 hours to 44 hours, and to raise minimum wages from \$40 to \$70 per month.

The proposal to raise monthly wages remains controversial because factory owners claim they cannot stay competitive if they pay higher wages. However, in July 2000, after a long bargaining process with government, an agreement raised the minimum monthly wage to \$45 per month, plus a \$5 monthly bonus for full attendance. The agreement also stipulated cash payments for meals when employees work overtime. Unfortunately, this agreement has been very hard to enforce, resulting in some labour unrest over the past year.

In Cambodia, wage rates in all sectors are largely determined by market forces, except for wages of civil servants, which are set by the government. CDRI's research found that on average, with extensive overtime, garment workers earn about \$61 per month, and about half of this is spent on subsistence (rent, meals and transportation between home and factory). Garment workers gross savings are even lower than those of motorcycle-taxi or bicycle rickshaw drivers.

In order to send a proportion of their earnings back home to support their families in rural areas, garment workers often have to minimise their own spending, and work as much overtime as possible. As a consequence, many of the workers interviewed stated that

they experience frequent illness due to their inadequate diet and long hours of overtime work.

Improvement in Labour Standards

Despite the fact that Cambodian labour conditions have not totally met international standards, Cambodia has made notable progress in the area of workers' rights. These include:

- No discrimination in employment
- Prohibition of forced or bonded labour
- Prohibition of exploitative child labour

As a US Embassy report indicates, the application of labour law in Cambodia has been deemed relatively acceptable by international labour authorities, but some companies are still not complying with the labour code. For example, although the Cambodian Constitution and the labour code clearly guarantee freedom of association (unions), in practice, there are still problems encountered over this issue. The report also notes that the level of harassment, including dismissal of union leaders, intimidation of workers, interference in union formation and anti-union activities, has gradually declined in the past few years. (US Embassy 2000).

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Longer-term Prospects for Garment Exports

The garment industry in Cambodia appears to have developed so far as a result of trade concessions granted by developed nations and low labour costs. So far, potential competitors such as China and Vietnam have not been granted equivalent concessions, which means that for now, Cambodia has comparative advantage. However this could change once Vietnam and China have equally-favourable trade agreements (Table 1).

China's membership in the World Trade Organisation is imminent, and the US may soon grant Vietnam *Normal Trade Relationship* status. China already has comparative advantage in garments because of its better-skilled labour force, cheap raw materials and more sophisticated-equipment. With WTO membership, China

(Continued on page 8...)

Table 1. Working Hours and Wages (\$) in the Garment Industry in Selected Asian Countries

Country ⁽¹⁾	Year	Legal working hours per week	Minimum wage set by law ⁽²⁾	Average salary per month	Hourly wage rate ⁽³⁾
Malaysia	1995	48	None	296	1.42
China	1997	40	[12 - 39]	191	1.14
Philippines	1999	48	130	182	0.88
Thailand	1999	48	[93 - 109]	106	0.51
Sri Lanka	1998	45	[29 - 37]	63	0.31
Cambodia ⁽⁴⁾	2000	48	45	61	0.29
Vietnam	2000	48	45	60	0.29
India	1999	48	[6 - 54]	57	0.27
Indonesia	1999	40	[15 - 34]	40	0.22
Bangladesh	1996	48	[12 - 76]	40	0.19

Notes: ⁽¹⁾ Classified by hourly wage rate; ⁽²⁾ minimum wage set by industry occupation skill level or geographic area; ⁽³⁾ average labour costs per hour calculated by CDRI; ⁽⁴⁾ CDRI survey. Sources: US Department of Labour and Bureau of International Labour Affairs

Tampuan Villagers Adapt to a Rapidly Changing Economy

Since the 1990s, the opening up of Cambodia's economy has had far reaching consequences for Ratanakiri province. Anthropologist John McAndrew reports on the findings of a field study he undertook there in May 2000.*

In the last ten years, increasing numbers of Cambodians have left their homes in one part of the country and moved to another. Although some of this migration has been to cities such as Phnom Penh, by far the largest number of internal migrants (57 percent) have moved from one rural area to another.¹

Government figures show that from 1992 to 1998, the population in Ratanakiri province grew more rapidly than in Cambodia as a whole, and that the province's central district, Banlung, gained more population proportionally than did the capital, Phnom Penh. This rapid population growth was mainly the result ethnic Khmers migrating from other parts of Cambodia.

In order to examine the impact of Khmer migration into ethnic-minority areas, a team of researchers from Coopération Internationale pour le Développement et la Solidarité (CIDSE) undertook a field study in Ratanakiri in May 2000. This took place in two ethnic-minority Tampuan villages where land sales and market activities have recently increased. Along with taking up residence in the two villages covered by the study and conducting a 50 percent random sample household survey, researchers also interviewed government officials and NGO workers, and conducted surveys in the markets closest to the target villages.

The study found that from September 1996 to May 2000, the number of establishments in the Banlung market increased by 77 percent – a rapid growth in market activity.² The growth of the provincial market in Ban-

lung has, in turn, stimulated development of district markets in Andong Meas and Borkeo, with consequences for two Tampuan villages: Kahoal village, which lies along a provincial road four kilometres from the district center of Andong Meas, and Kamang village, which lies along National Road 19, bordering the district centre of Borkeo.

Change Comes to Kahoal and Kamang

In 1994, one researcher recorded the population of Andong Meas at 5,831, with 54 Khmer persons living in the district. The population of Borkeo in the same year was 9,386, with 35 Khmer persons living in the district.³ In May 2000, the District Governor of Andong Meas listed the Andong Meas population at 7,200, and estimated the Khmer population at about 100. The District Governor of Borkeo listed the Borkeo population at 12,069, and estimated the Khmer population to be more than 1,000.

According to officials, the varying rates of increase in the Khmer population in the two districts have affected villages differently. In Andong Meas, the increase in the Khmer population has been minimal, albeit concentrated in the district centre and the market area. In Borkeo, the in-migration of Khmer settlers has been high, and likewise concentrated in the district centre and market area. As the Khmer population continues to rise, more land will have to be appropriated in adjacent villages such as Kamang to accommodate the growing numbers.

In May 2000, researchers found that the rather remote Okap market in Andong Meas district had 10 stores, a net increase of three since late 1996. Most of these stores were managed by Khmer or Jorai/Khmer couples. Of note, a majority of the store owners had acquired land in the district for the cultivation of cash crops. In Borkeo, the pattern of growth was similar, although on a much larger scale. In late 1996, the Borkeo market already contained 40 stores, and by May 2000, the number had increased to 84 (110 per cent increase). In 2000, as in 1996, Khmer owners dominated the market and indigenous people remained without shops of their own.⁴ By 2000, store owners in the Borkeo market had acquired 140 hectares of land for the cultivation of cash crops.

CIDSE researchers found that the varying growth of the markets in Andong Meas and Borkeo has likewise affected villages differently. This is particularly true with respect to the land market. In Andong Meas, Kahoal village has experienced the reach of Khmer land buyers who have come to the area to purchase land. However, because the village is located along an interior provincial road four kilometres from the district centre, requests to sell land rights have not been very common. In large measure, Kahoal village has been able to resist outside buyers of its land. As yet, none of the 67 village households has sold their land rights. While Kahoal villagers have still to reach consensus on how to deal with

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* This article is an abridged version of a report that appeared in the *Bulletin of Concerned Asian Scholars*, Vol. 32, No. 4: 39-51. The study was undertaken by Coopération Internationale pour le Développement et la Solidarité (CIDSE) Cambodia as part of its integrated community development (ICD) programme in Ratanakiri province. John McAndrew acts as the advisor for the ICD programme. The ideas, facts and opinions expressed in this article are those of the author and do not necessarily reflect the views of CDRI.

those who may become involved in land sales, they are in agreement that communal rights take precedence in all land transactions. As the senior elder in the village stated resolutely, "The land in the village is communal land. It should be used for communal purposes and not for personal gain."

In Borkeo, the situation in Kamang village has been quite different. Lying along a national road adjacent to the district center and marketplace, it has encountered considerable pressure to surrender land rights within its borders. The study found that, in large part, Kamang village has not been able to deal effectively with the pressures of the land market. The village chief of Kamang, who himself sold one hectare of land in the village, stated that villagers with plots along the road sold them because they feared land would otherwise be taken from them without payment. He reported that 35 of 67 village households have sold land rights – most to Khmer buyers. In addition to individual plots, the rights to a 100-hectare tract of communal land in the interior of the village was sold for \$2,500. As with the individual plots, the sale of the 100-hectare communal plot was negotiated without consulting all the village residents. One village elder expressed his objections this way, "People in Kamang will encounter difficulties if they continue to sell land, for the land is becoming smaller and smaller and the population is getting bigger and bigger. If the land sales continue, future generations will have no land to cultivate their crops. How will they survive?"

Consequences of Change

In Kahoal and Kamang, local governance structures are evolving with elders, village chiefs, and village development committees (VDCs) exercising various leadership roles. The study found that women VDC members are marginal to village decision-making. Also increased integration with the broader society furthered by the market economy has seen the authority of the elders in both villages give way to younger Khmer-literate leaders.

But despite the similarities, local governance structures in each village appear to have evolved quite differently. While these reflect, to some extent, differences in the personalities of leaders in each village, land sales in Kamang appear to be contributing to the breakdown of the tradition of making decisions by consensus.

In Kahaol, the study found that leaders consult among themselves and with the village as a whole. As a result, the elders are included in decision-making and all leaders generally hold themselves accountable to the people. Due to the close interaction and mutual respect that exists among village leaders, Kahoal appears to deal effectively with land issues when they arise such as conflict with a neighbouring village over a tract of wetland rice.

In Kamang, the village chief has concentrated author-

ity in himself and limited the influence of others. As a consequence, the elders are excluded from deliberations and leaders do not consult widely with the people. This has eroded the communal approach to decision-making that has characterised Tampuan villages for generations. It has also deepened mistrust and resentment among many villagers. In Kamang, local governance structures have not been able to deal effectively with the forces that are driving the land market.

Despite the rapid growth of a market economy, researchers found that Kahoal and Kamang households remain essentially subsistence swidden cultivators who supplement their livelihoods by gathering, hunting and fishing. Up to May 2000, the numerous sales of land rights in Kamang had not affected villagers livelihoods in an obvious way. This is likely the case because most of the land that has been sold lay fallow under crop rotation. Similarly, the opening up of forest areas for cultivation has not negatively impacted the yields of food gathered and hunted, but yields will likely diminish in future. Although they live close to the market, few Kamang households have become entrepreneurs or traders. While a large number of Kamang households do earn money from wage work,

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this is largely seasonal farm labour.

As expected, Kahoal households are strongly involved in swidden cultivation and gathering, hunting and fishing. More noteworthy, many Kahoal households raise chickens and pigs for sale to Khmer middlemen who regularly visit the village. Also remarkable is the number of Kahoal households that earn from wage work, although this, too, is mostly short-term farm labour (Table 1).

In general, Kamang households are more involved in market transactions than Kahoal households. But the differences, with the exception of land sales, are not as pronounced as one might expect. Moreover, the number of households in each village who participate in the buying and selling of goods (Table 2), indicates the level of integration into the market economy. Of note, rather high numbers of households in both villages sell cash crops and forest products. This suggests the importance

Table 1. Livelihood Strategies by Household, May 2000

	Kahoal	Kamang
Swidden Cultivation	34	34
Wetland Rice Cultivation	6	0
Pig Raising	27	22
Chicken Raising	29	17
Gathering Food from Forest	33	34
Hunting or Trapping	27	28
Fishing	33	27
Making and Selling Goods	7	9
Buying and Selling Goods	2	5
Wage Work	14	28

n = 34 for each village

of sustainable natural resources in their lives. Diminished yields from swidden plots, forests, and rivers would reduce the returns from sales in the market. At the same time, increased sales of the food villagers cultivate or gather in order to purchase manufactured goods, could undermine villagers nutrition and good health.

The study found that the incidence of working for others is high in Kamang and relatively so even in Kahoal. But the money earned from wage labour is generally small. By comparison, exchange of labour on swidden plots is practiced by most households in each village, and swidden cultivation remains the predominant source of livelihood. While the market economy has made inroads in Kamang and Kahoal and residents have participated accordingly, for the time being, villagers remain subsistence cultivators.

Implications for Policy and Practice

The findings of the study on Kahoal and Kamang villages have implications for both development practitioners and policy makers. While the expansion of the market economy has had far reaching consequences for both villages, the long-term effects are still unknown. It would be unfair to state at this time that the market economy has produced only disastrous outcomes in the two villages. In both Kahoal and Kamang, the study found that villagers were eager to participate in the benefits brought about by the growth of local markets. By raising pigs and chickens, by cultivating cash crops, and by hunting wildlife, villagers are able to barter or buy the manufactured goods they desire. By working for daily wages now and again, villagers are also able to supplement their livelihoods. By living close to roads and district centres, villagers are also able to take advantage of development projects introduced by the government and non-governmental organisations. So far the changes brought about by improved roads and expanded trade appear to have had little negative impact on the valued lifeways of the indigenous people.

This noted, the study did find that market forces operating in Ratanakiri province have shown the potential to drastically undermine the well-being of indigenous communities. This was dramatically highlighted in the case study of Kamang village. Here the market economy, particularly the land market, has seriously eroded local governance structures and communal solidarity. Land sales in the village had not only reduced the natural resources necessary for sustaining livelihoods, sales also debilitated the cultural and social resources needed to deal with the exigencies of change itself. By comparison, the case study of Kahoal illustrates how a village, while collectively resisting land sales, has built capable local governance structures and maintained communal

cooperation.

With respect to land sales, the message of the study is clear. As advocates of indigenous people, development practitioners and policy makers must assist highlanders in the protection of their land rights. The government's passing of a strong *Land Law* could contribute towards this. The enactment of progressive and comprehensive legislation will help to provide a legal framework for redressing land-grabbing cases that involve indigenous people. But it will at best supply only a partial solution to the problem. The judicial system in Cambodia needs to be strengthened considerably before it can guarantee adequate protection for indigenous people under the law. This means that indigenous communities must empower themselves and advocate for their own rights. Development workers are well placed to assist in this effort, although for many, it will require a strategic shift in emphasis. Too often development agencies take for granted a community's access to natural resources and secure land tenure. This can no longer remain the case.

As advocates of indigenous people, development practitioners and policy makers must assist highlanders in the protection of their land rights. The government's passing of a strong Land Law could contribute towards this. The enactment of progressive and comprehensive legislation will help to provide a legal framework for redressing land-grabbing cases that involve indigenous people.

Development organisations working with indigenous people on local infrastructure, agriculture, health, and education projects, should complement these with activities in land use mapping, planning, and management. Local governments at the commune, district, and provincial levels should likewise recognise and support internal agreements made by indigenous communities with respect to their use of the land.

In Ratanakiri province, Khmer in-migration and the expansion of the market economy is likely to continue unabated for the foreseeable future. Indigenous groups that retain control over their land resources will be in a stronger position to

Table 2. Market Participation by Household * May 2000

	Kahoal		Kamang	
	Bought	Sold	Bought	Sold
Land	1	0	0	4**
Labour	***	14	***	28
Rice	15	6	12	12
Cash Crops	12	16	12	22
Cattle or Buffaloes	5	3	2	6
Pigs	14	11	17	10
Forest Products	3	11	10	15

n = 34 for each village

*Data for the buying and selling of land includes the past five years, while data for the buying and selling of all other items includes only the

**Only four of the sample households in Kamang acknowledged that they had sold land. However, when asked to identify households in the village that had sold land, the village chief included 19 households in the sample. When asked the same question independently, the village development committee chief included 13 households in the

***A specific question on the buying of labour was not included in the

adapt to rapid and inevitable change than those groups who do not. The lesson for development practitioners and government officials is clear. Genuine development of indigenous groups in the province must become synonymous with the struggle against land encroachment and the productive use of natural resources.

Footnotes

1. See Desbarats, J. and Boreak, S. (2000) "People and Land in Rural Cambodia," *Cambodia Development Review*, Vol 4: Issue 3:6-10.
2. The UNTAC Population Census of 1992 lists the population of Ratanakiri at 66,764. The General Population Census of Cambodia 1998 records the population of Ratanakiri at 94,243. This amounts to a 41 percent increase in these years compared to a 29 percent increase for Cambodia as a whole. In the same period, the population of Banlung district increased by

82 percent compared to a 49 percent increase for Phnom Penh.

3. In September 1996 a survey conducted in the Banlung market by researchers from CARERE recorded 302 stores. See Sri Sugiarti, *Rural Market System and Trading Patterns of Rotanak Kiri Province of North-east Cambodia* (Banlung, Ratanakiri: IDRC/CARERE-PRDC, 1998). In May 2000 a survey undertaken in the Banlung market as part of this study identified 535 stores.
4. See F. Boudier, "Health, Women and Environment in a Marginal Region of Northeastern Cambodia." Reprinted in *Ethnic Communities and Sustainable Development in Northeast Cambodia*, Supplemental Material to Final Report of the Ethnic Communities Seminar, 29 and 30 August 1995, (Phnom Penh: CIDSE).

(...Continued from page 4)

The Cambodian Garment Industry...

Vietnam also has an abundance of skilled and lower-cost labour. If Cambodia is going to remain competitive in future, ways will have to be found to reduce the overhead costs of manufacturing garments in Cambodia.

Conclusions

Improving government regulation of the garment industry includes streamlining procedures for licensing factories, importing raw materials and exporting finished goods in order to avoid delays and unnecessary charges. GMAC has stated that these improvements would enable the industry to respond better to buyers' need for quick changes of style, textiles, colour etc. and also would reduce manufacturers' need to keep large supplies of raw materials on hand.

Strengthening the enforcement of labour laws is crucial in order to improve working conditions in the garment industry. These, in turn, would result in a healthier and more productive workforce and also in satisfying the requirements set by the United States for a further relaxation of US import quotas on Cambodian garments. A more-productive working environment could also be created by strengthening existing mechanisms for dialogue among management, unions and the Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation, as well as the capacities of these stakeholders to peacefully resolve disputes.

Improving productivity and the quality of garment products could help Cambodia thrive in a fiercely-competitive world. This could be achieved in several ways. First, an educated labour force, with regularly-upgraded skills, will increase the potential to produce higher-quality goods. Second, an educated workforce will have the flexibility to adapt to changing needs and changing markets. The benefits of investing in the con-

tinuing education and training of factory workers far outweighs the cost of such investment. Third, giving employees a proportional share of the company's annual profits, as has been tried in some enterprises, has proven a successful incentive for improving the quality and productivity of work.

Membership in the World Trade Organisation is crucial to keep Cambodia competitive with other countries. To become a member of WTO, however, Cambodia has to fulfil certain conditions which include improving and enforcing commercial laws and maintaining a fair and efficient judicial system.

Reducing costs for utilities and land and improving transportation infrastructure could help the garment industry remain competitive. This includes reducing the high taxes on energy costs so that they are in line with neighbouring countries, improving roads and other forms of transport, and providing industrial investors with secure title to the land they buy.

Diversification of the export market to include Japan and Australia and other Asian countries is important because the Asia-Pacific region is home to 500 million people.

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Vendors' Voices

Women micro-vendors in Phnom Penh's markets lead very difficult lives. This article, presents some of the findings from a study on the needs of micro-vendors and the programmes developed to empower them.*

The WELR Project

In the summer of 1997, The Asia Foundation's Women's Economics and Legal Rights (WELR) programme began a challenging four-year project in Cambodia to encourage women micro-vendors to work collaboratively to improve their incomes and their working conditions. These women, who are at the bottom of the ladder in Cambodia's commercial sector, are too poor to rent a market stall. Instead they sell from a basket and often from the worst locations in the market.

As initial interviews which WELR researchers conducted in 1997 reveal, poverty weighs heavily on these women. Lack of access to the means of survival, including food, water, and shelter contribute to the belief that "suffering is their destiny." Yet, at the same time, these women have enough faith in the future that they strive to provide their children with "luxuries" such as education and healthcare, and the realisation of basic human rights.

Whether married or single, the study found that micro-vendors are often the sole earners in their families, and, in addition to long hours working in the market, they spend more hours on household work. For all their hard work, WELR researchers found that micro-vendors usually earn less than a dollar a day, and from this they must sometimes deduct fines because they cannot always pay the fees and taxes that are required.

Initiating a project with women micro-vendors was a challenge for WELR because vendors had no previous experience of working together, and did not necessarily perceive themselves as potential parts of an integrated, cohesive whole. Instead, the WELR study found that independent vendors tend to think of themselves as just that: independent. Also there was no leader who could pull a group together. The best examples of programmes which empower and enhance the economic well-being of women such as the Self-employed Women's Associa-

tion (SEWA) in India and Banchte Shekha in Bangladesh, were founded and run by local visionary activists who dedicated their lives to the work.

Before WELR launched its programme, it conducted extensive, structured interviews with the teams of government officials who oversee market operations (called market committees); 89 women micro-vendors; and, NGOs (one of which The Asia Foundation hoped would take over the project). A report on this action-oriented research and the programmes evolving from it, was published by The Asia Foundation in February 2001, under the title *Vendors' Voices*.

In the course of conducting research, WELR staff spent every day of several months in the two markets included in the study. In their report, researchers state that such close contact was crucial in order to build the rapport, trust and foundations necessary for on-going programming. Without such goodwill, WELR staff state they would not have been able to work in such a challenging environment.

Markets Covered by the Project

The WELR programme focused on two big wholesale markets – Daum Kor and Chbar Ampeau. These sell fresh produce, rice, fish, meat, and simple prepared food. The majority of micro-vendors in these big produce markets are women. Because micro-vendors cannot afford to rent a stall, they carry their goods in a basket and station themselves wherever they can. In one market covered by the study, officials estimated the numbers of poor women micro-vendors at over 300.

The Circumstances of Women Vendors

The study found that most micro-vendors take up this demanding work as a last, or only, resort. With little or no education, these women have few other opportunities for work. Some learned the trade from their mothers; some follow neighbours to the markets. The rest figure it out as they go.

Working Conditions

Organic waste, flooding, heat, and dust are significant

Table 1. Problems in the Markets

	Daumkor	Chbar Ampeau	Total Average
Access to credit/debt	45.2	42.6	43.9
Health and hygiene	31	34	32.5
Business not good	26.2	23.4	24.8
Market space	31	19.1	25.05
Child care	16.7	23.4	20.05
Living conditions	14.3	25.5	19.9
Food security	9.5	19.1	14.3
Lack of support from spouse	9.5	8.5	9
Taxes	4.8	0	2.4
Flooding	0	2.1	1.05
Bad smell	0	2.1	1.05
Transportation	2.4	0	1.2
Domestic Violence	2.3	0	1.15

Source: *Vendor's Voices* (2001)

* WELR, which is funded by the United States Agency for International Development, was created to promote the rights of women workers in both the formal and non-formal sectors in varied settings across Asia. In addition to Cambodia, WELR programs operate in Nepal, Bangladesh, and Sri Lanka. *Vendors' Voices: The Story of Women Micro-Vendors in Phnom Penh Markets and an Innovative Program Designed to Enhance Their Lives and Livelihoods*, is by Suzanna Stout Banwell, and available from The Asia Foundation, Phnom Penh. The ideas, facts and opinions expressed in this article do not necessarily reflect the views of CDRI.

problems in many markets. So is access to clean drinking water. Without access to clean drinking water and latrines, some women avoid urinating for long periods which can lead to bladder infections and other serious health consequences.

Taxes and Fees

The study found that market committees draft the internal rules of the markets, including those governing daily fees and taxes, and submit these to the municipality for approval. However when the first WELR interviews were done in 1997, vendors reported that they sometimes had no idea who was demanding payment or why the charge was being requested.

Household Income

Because there was little privacy in the markets, researchers did not ask direct questions about income. Instead they asked interviewees whether they had items such as a radio, television, bicycle, motorbike, or car. Micro-vendors had a much lower percentage of these items than the average population in Phnom Penh.

More than half of the 89 women WELR surveyed said that their work was the only source of income for their households. Another 18 percent said that they provided the most important source of household income. Of the few micro-vendors that had working husbands, most of these men were porters, cyclo (bicycle rickshaw) drivers, and unskilled construction workers.

Housing

WELR interviewers found that many of the poorest sellers in the markets do not own their own homes. Instead, some rent, others live with relatives, and quite a few are actually homeless. When micro-vendors do have houses, these are typically shacks, three metres square in size, with thatch and/or bits of plastic for a roof. These small houses tend to consist of one room furnished with only a wooden bed with no mattress and a water jar. Monthly rents for such homes range from 10,000 to 30,000 riels and higher – a charge which interviewees said they were often unable to pay.

Although it was not clear how many of the women micro-vendors in the market were actually homeless, many of those sleeping in the markets said they did so because either they had no homes at all, or their homes were too far away. Indeed, several women chose to sell from certain markets *because* they were allowed to sleep there. However, sleeping in the markets brings with it serious risks. Women reported a wide range of incidents including physical and sexual assault and theft of their

produce and goods. Some also said they feared that their children, particularly their daughters, would be kidnapped and sold into prostitution. Those who sleep in the market also face the constant threat of arrest. Although women said that they received prior approval from officials before they began to sleep in the market, several were nonetheless regularly arrested and had to pay financially-devastating fines to get out of detention.

Women micro-vendors reported working an average of 11 hours a day, seven days a week. They rise at 3:30 am, on average, and travel about four kilometres to work. Many said they were scared to travel at these early hours because streets are deserted. With housework on top of the hours spent selling, micro-vendors reported working 18 or more hours per day.

Credit and Debt

The study showed that micro-vendors are active borrowers, and sometimes lenders as well, and have a relatively-clear understanding of the usefulness of credit in their businesses. Amounts borrowed ranged from \$10 to \$333, with an average loan of \$46. The repayment period ranged from just a few days to two years. Interest rates from moneylenders ranged from 10 percent to 40 percent per month, but most were 20 percent-30 percent per month. Clearly, few of these micro-vendors have access to affordable credit.

Legal Literacy

The market committees told WELR interviewers that they conduct their business according to written rules and regulations. However, of the micro-vendors interviewed in the initial phase, all reported that they had never seen these rules or regulations, nor had they any independent knowledge of their content. Not only did this leave micro-vendors vulnerable to corruption and harassment, it also made it nearly impossible to develop profitable business plans because they could not accurately predict expenses.¹

Health and Healthcare

Almost all of the vendors surveyed mentioned health problems, whether these were their own, their children's or their spouse's. When women micro-vendors and family members get sick, the negative consequences quickly multiply and the economic implications are profound. To meet health expenses, many women said they borrow or sell whatever they can find. From these comments, the WELR team realised that any effective intervention to improve micro-vendors' economic status must incorporate a strategy for responding to their basic healthcare needs.

Because the WELR programme was intended to respond to the most important issues identified by women micro-vendors, the team ranked access to credit, debt relief, training in business skills, health and childcare as strategic entry points for intervention.

Responsive Programming Savings, Credit, and Related Training

Table 2. Sources of Most Previous Loans

Sources of Fund	Percentage
Moneylenders	81
Relative or friend	10
Other sellers in the market	4
NGO credit program	4
Other	1

Source: Vendor's Voices (2001)

The WELR team launched a group-based savings and credit programme as its first initiative for three reasons. First, the majority of micro-vendors had identified access to fair credit as their top priority. Second, interviewees revealed that the cycle of perpetual debt played a significant role in keeping them in desperate poverty. Third, micro-vendors have almost no “free” time. If the WELR programme was to engage vendors in collective strategies to enhance their economic and legal rights, it would have to yield quick results.

Initial results from the credit programme indicate that it has both reduced the debt burden of members and increased their income-generating capacity. In 2000, there were 33 savings and credit groups, with 302 micro-vendors participating in the two markets. The women have received 15,000,000 riels in loans, created savings funds worth 9,284,000 riels, and generated 1,500,000 riels in interest.

One indicator of commitment to the credit and savings programme is that despite challenges, loan repayments have continued. When women have occasionally been unable to repay loans on time, the WELR/Urban Sectors Group (USG) team has worked with the delinquent borrower and her group to find an acceptable payment schedule. In addition to the group savings and credit programme, project staff have also helped a number of women to learn how to use the banking system.

Small Business Training

WELR training has helped women learn the core skills needed to run a small business. These include the importance of keeping good records, marketing and product display. Fundamental principles of economics have also been taught, with an emphasis on directly applying concepts to the realities of daily market life.

Organising and Advocacy on Key Issues

Once women became comfortable with the structure and dynamics of their savings and loan group, they naturally began to use the group to address some of the time-consuming and complicated issues confronting them. To increase micro-vendors’ ability to advocate for themselves, which is a core objective of WELR, the programme initiated activities to improve micro-vendors’ knowledge of their rights and their ability to work collectively to see these realised.

Meetings of the credit groups and regular involvement with the market committees have yielded a number

of results. Women micro-vendors have begun to develop the courage, confidence, and skills needed to voice their concerns and, in doing so, have resolved significant problems and secured better treatment from market officials. Also, the women have observed and experienced firsthand, the benefits of working in a group, including increased bargaining power and better relationships with the market committees.

As a result of their efforts, violence and the use of bad language has declined and women now have access to the rules which govern the market. Problems still exist with the collection of taxes and fees for vending, but some progress, in the form of identification tags for collectors, has been made.

Programme members have also lobbied the market committees for improvements in infrastructure. In one market, women identified a lack of lighting as the cause of significant security problems. With support from USG, the women, who are mostly illiterate, obtained a grant from the United Nations Centre for Human Settlements (UNCHS) to install lighting. This has reduced the incidence of theft and abuse and also enabled vendors to earn more because they can continue to sell their goods after it gets dark.

Addressing Legal Problems

Although the WELR legal advocacy strategy is still evolving, the team has supported members in reconciling quarrels and disputes with the market committee and higher levels of authority. The WELR team has also supported vendor members when legal proceedings are brought against them.

Childcare and Health Care

WELR micro-vendors and programme staff have collaborated on setting up childcare centres near project markets and also in finding low-cost, effective healthcare. To date assistance with health care has been primarily on an ad hoc basis, with members of the WELR team accompanying women to low-cost healthcare clinics, otherwise unknown or inaccessible to the vendors.

Building Members’ Leadership Capacity

A critical component of the WELR programme is capacity building for member vendors in the areas of leadership and democratic governance. These are skills that will take WELR programme members far beyond the WELR programme, with positive impact on all aspects of their lives.

Table 3. Reasons for Borrowing Money

Reasons	Percent
Business activities	65.2
Health crisis	15.9
Purchase food	10.1
Farming	2.9
Ceremony	1.4
Other	4.3
Total Percent	100
Number of respondents	69

Source: *Vendor's Voices* (2001)

Footnote

¹ After more than a year of trying, the WELR team was finally able to secure copies of the internal rules and regulations for Phnom Penh markets. Since then, the Urban Sectors Group (USG), the local NGO selected by WELR to take over the micro-vendors’ project, has conducted several meetings to “demystify” the rules and regulations and ensure greater transparency in the way the markets are run. Market committee members, municipal officials, tax collectors, and micro-vendors have all participated in these meetings.

Economy Watch—External Environment

Recent data indicate a general economic slowdown worldwide. Interest rates were cut to boost the economy, but this has not been effective. Therefore, the Asian economies are now beginning to decline. In some countries, economic difficulties appear to be worsening political unrest. Despite the weakness of the US economy, the US dollar has remained strong against other major currencies and inflation has remained largely the same.

World Economic Growth

Recently-released economic data clearly show that the world economy is slowing down. The US economy grew only 2.5 percent in the first quarter of 2001, in comparison with 3.5 percent in the fourth quarter of 2000, and 5.3 percent in the third quarter. In countries using the euro as currency, economic growth declined by about 1 percentage point in the first quarter of 2001, compared with the previous quarter. In Japan, GDP growth rebounded in the fourth quarter of 2000. However, recent data indicate that Japanese industrial production declined by 4 percent in the year prior to April 2001, and that the Japanese unemployment rate is at an almost-record level of 4.9 percent.

To curb an economic slowdown in their countries, the US, European and Japanese governments cut interest rates and undertook other financial adjustments to ease credit. But so far, these measures have not had a positive impact. According to a survey published in *The Economist* in May 2001, economic prospects in the developed countries will be weak for 2001, but recovery should begin in 2002. Survey results showed that economic growth in the US would be only 1.5 percent in 2001, but up to 3 percent in 2002 (as against 5 percent growth in 2000). For the euro countries, *The Economist's* survey projects economic growth of 2.3 percent in 2001, and up to 2.6 percent in 2002 (as against 3.3 percent in 2000). In Japan, economic growth of 0.6 percent is expected in 2001, and up to 1.3 percent in 2002 (as against 1.2 percent in 2000).

In Asia, the economic slowdown is now perceptible almost everywhere, except for China, where GDP growth remained high, reaching the level of 8.1 percent in the first quarter of 2001. However, GDP growth in Hong Kong fell to 2.5 percent in the first quarter of 2001, down from 7.3 percent in the previous quarter. In South Korea, GDP growth continued to decline in the first quarter of 2001 (reaching only 3.7 percent), after a sharp fall in the previous quarter. In the ASEAN countries, the economic situation was no better. In the first quarter of 2001, Singapore experienced a real slowdown, with GDP growth of only 4.5 percent, a significant fall from more than 10 percent in the previous quarter. In Thailand, Malaysia, the Philippines and Indonesia, the downward trend was similar.

The combination of extreme rural poverty and the current economic slowdown has provoked explosive political situations in some Asian countries. According to the *Far Eastern Economic Review* (May 24, 2001), for

example, the arrest of former President Joseph Estrada, almost brought about a coup in the Philippines. Many of the tens of thousands who streamed into the streets of Manila to protest, were rural people who had moved to the city to escape poverty. To prevent more riots, the government gave the people handouts of fish and rice and promised to increase spending in the countryside as part of the war on poverty. Unfortunately, states *The Review*, the government has made such promises before, with little result. According to the World Bank, between 1975 and 1995, the number of Filipinos living in poverty rose from 15 million to more than 17 million. Now, more than one third of Filipinos live on less than \$1.00 a day. Every day, large numbers of rural people migrate to Manila looking for work. Unfortunately, with few jobs available, migrants end up as scavengers, picking through garbage dumps in search of any scrap they can sell. Although dirty and dangerous, scavenging still pays more than farm work.

World Inflation

In the first quarter of 2001, inflation rates in the US, Europe and Japan changed little. The same was true throughout Asia, except for South Korea, the Philippines and Indonesia, where prices of imports increased significantly due to currency depreciation. In South Korea, for example, the inflation rate rose to 4.3 percent in the first quarter of 2001, up from 2.9 percent in the previous quarter. In Indonesia, the inflation rate rose to 10.5 percent from 8.6 percent.

Exchange Rates in the International Markets

The most recent information shows that the US dollar remained strong against the euro and the Asian currencies. This may be because currency traders anticipated a more pronounced decline in economic growth in Europe and Asia, than in the US. Early in June 2001, the US dollar traded at about 1.15 euro and 120 yen, up from 1.07 euro and 116 yen in early January. The US dollar also significantly appreciated against other Asian currencies during the same period, for example, trading at about 46 Thai baht, and 11,400 Indonesian rupiah to the dollar in early June. Earlier this year, these currencies were 43 baht per dollar and 9,500 rupiah per dollar, respectively.

Commodity Prices in the World Markets

The global economic slowdown continued to put pressure on commodity prices in world markets. The price of first quality rice in Bangkok continued to decline, trading at US\$182 per ton in the first quarter of 2001, against about US\$185 per ton in the previous quarter. The price of soybeans, rubber and timber followed this declining trend. The price of crude oil in Dubai significantly decreased to US\$24 per barrel in the first quarter of 2001, against about US\$28 per barrel in the previous quarter.

Prepared by Sok Hach

Economy Watch—External Environment

Table 1. Real GDP Growth of Selected Trading Partners, 1999–2001 (percentage increase over the previous year)

	1999			2000				2001	1999	2000
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	-	-	-	-	-	-	-	-	4.5	4.0
Indonesia	2.0	0.5	5.8	3.2	4.1	5.1	5.2	4.0	-0.5	4.4
Malaysia	4.1	8.2	10.6	11.7	8.8	7.7	6.5	3.2	5.4	8.7
Singapore	6.7	8.2	7.1	9.1	8.0	10.4	10.5	4.5	5.7	9.5
Thailand	3.5	7.7	6.5	5.2	6.6	2.6	3.1	-	4.7	4.4
Vietnam	-	-	-	-	-	-	-	-	4.8	-
Selected other Asian countries										
China	7.1	7.0	6.8	8.1	8.3	8.2	7.3	8.1	7.3	8.0
Hong Kong	1.1	4.4	8.7	14.3	10.8	10.4	6.8	2.5	2.9	10.6
South Korea	9.9	13.4	13.0	12.8	9.2	9.2	9.2	3.7	10.7	10.1
Taiwan	6.5	5.1	6.8	7.9	5.4	6.6	4.1	1.1	5.3	6.0
Selected industrial countries										
Euro-11	1.7	2.2	3.1	3.4	3.7	3.0	3.0	-	2.1	3.3
Japan	0.9	1.0	0.0	0.8	0.8	0.5	2.8	-	0.5	1.2
United States	3.8	4.3	4.6	5.0	6.0	5.3	3.4	2.7	4.1	5.0

Source: the International Monetary Fund

Table 2. Inflation Rate of Selected Trading Partners, 1999–2001 (percentage increase over the previous year)

	1999			2000				2001	1999	2000
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	6.4	1.8	0.0	0.2	-2.3	-1.4	0.5	-0.8	4.0	-0.7
Indonesia	30.9	6.6	1.7	-0.6	1.1	5.7	-	-	20.5	-
Malaysia	2.7	2.3	2.1	1.5	1.4	1.5	1.7	1.5	2.7	1.5
Singapore	0.1	0.9	1.5	-1.5	0.8	1.5	2.0	1.7	0.5	0.7
Thailand	-0.4	-1.0	0.1	0.8	1.6	2.2	1.6	1.8	0.4	1.6
Vietnam	-	-	-	-	-	-	-	-	4.0	-
Selected other Asian countries										
China	-2.1	-1.3	-0.8	0.1	0.1	0.3	0.6	1.3	-1.4	0.3
Hong Kong	-4.0	-5.9	-4.1	-5.2	-4.4	-2.9	-2.0	-1.8	-4.0	-3.6
South Korea	0.6	0.7	1.3	1.5	1.4	3.2	2.9	4.3	0.8	2.3
Taiwan	-0.8	0.6	0.1	1.1	1.4	1.0	-	-	0.4	-
Selected industrial countries										
Euro-11	1.0	1.1	1.5	2.0	2.1	2.5	2.7	2.5	1.1	2.3
Japan	-0.3	0.0	-1.0	-0.7	-0.7	-0.7	-0.6	-0.1	-0.3	-0.7
United States	2.1	2.3	2.6	3.2	3.2	3.5	3.4	3.4	2.2	3.3

Source: the International Monetary Fund

Table 3. Exchange Rates of Selected Trading Partners Against the US Dollar, 1999–2001 (period averages)

	1999			2000				2001	1999	2000
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia (riel)	3,822	3,885	3,808	3,822	3,845	3,912	3,906	3,925	3,832	3,871
Indonesia (rupiah)	7,921	7,531	7,193	7,340	8,279	8,693	9,297	9,780	7,855	8,402
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.8	3.80	3.8
Singapore (S\$)	1.71	1.69	1.67	1.71	1.72	1.73	1.74	1.75	1.69	1.72
Thailand (baht)	37.2	38.3	38.8	37.8	38.6	40.9	43.3	43.2	37.8	40.2
Vietnam (dong)	13,931	13,960	14,009	14,060	14,060	14,150	14,382	14,556	13,950	14,163
Selected other Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.75	7.76	7.77	7.78	7.79	7.79	7.80	7.80	7.76	7.79
South Korea (won)	1,190	1,195	1,173	1,125	1,116	1,115	1,167	1,272	1,189	1,131
Taiwan (NT\$)	33.4	32.2	32.0	30.8	31.7	32.8	32.1	32.4	31.6	31.8
Selected industrial countries										
Euro-11 (euro)	0.95	0.95	0.96	1.03	1.07	1.10	1.15	1.08	0.94	1.09
Japan (yen)	131	114	106	109	107	108	110	118	118	109

Sources: the International Monetary Fund

Table 4. Selected Commodity Prices on the World Market, 1999–2001 (period averages)

	1999			2000				2001	1999	2000
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q1-Q4	Q1-Q4
Hardwood (logs) - Malaysia (\$/m3)	178	196	199	189	193	192	186	171	187	190
Hardwood (sawn) -Malaysia (\$/m3)	585	632	643	641	633	593	530	507	601	599
Rubber - Malaysia (\$/ton)	596	573	689	700	714	684	669	632	634	692
Rice - Bangkok (\$/ton)	245	247	225	240	205	185	185	182	249	204
Soybeans - USA (\$/ton)	200	196	200	212	224	201	209	202	200	212
Crude oil - Dubai (\$/barrel)	15	20	23	24	25	28	28	24	17	26
Gold - London (\$/fine ounce)	274	259	296	290	284	277	267	264	279	280

Sources: the International Monetary Fund

Economy Watch—Domestic Performance

Robust growth in garment exports, tourism and the telecommunications sector is expected to contribute significantly to economic growth during the first quarter of 2001. However, there was a slowdown in private construction and foreign direct investments in this period. So far there has been no obvious economic impact from the revision of Cambodia's *Investment Law* earlier this year. Monetary performance during the first quarter was stable. According to the National Institute of Statistics, the inflation rate in Phnom Penh was -0.8 percent (down from 0.1 percent, in the first quarter last year). The exchange rate was 3,925 riels per US dollar. The Cambodian riel, because of dollarisation of the economy, has stayed strong against the Thai baht, as well as against the Vietnamese dong. Privatisation of the Foreign Trade Bank of Cambodia, and adoption of the *New Banking Law*, are two significant steps towards reform of the banking sector.

Economic Activity

The agricultural sector appears to have made a good recovery, despite devastating floods last autumn. According to the Ministry of Agriculture, Forestry and Fisheries, the wet-season paddy harvest for 2000 was an estimated 3.2 million tonnes (compared to 3.3 million tonnes the previous year). With such a harvest at hand, in addition to existing stocks, the country will most likely have adequate rice supplies for the current year. All is not well with agriculture though – a fall in the price of rice in Bangkok and of rubber in Kuala Lumpur, has adversely affected the incomes of rice farmers and rubber producers. In this regard, crop diversification appears to be a way to stabilise farmer's incomes. For example, some farmers in Svay Rieng have begun to grow sugar cane for export to Vietnam.

The garment industry continues to grow, as well as dominate, exports. Ministry of Commerce data show that exports to the European Union (EU) countries and the United States (US) have continued to rise. During the first quarter of 2001, total garment exports accounted for \$252 million, representing a 29 percent rise over the same period in 2000. Most of Cambodia's garment production in 2000 was oriented towards the export market. About 90 percent of garment production left the country, while another 10 percent was sold domestically. An expansion of the quotas for exporting to the US is crucial to sustain Cambodia's garment industry and to achieve this, progress needs to continue regarding the application of labour standards. Labour difficulties may occur in the coming months in the garment sector as unions push for a reduction of the workweek from 48 to 44 hours.

Tourism, the second largest foreign exchange earner in Cambodia, has experienced a steady increase in recent years, though it varies seasonally. Tourist arrivals at Siem Reap Airport continue to rise faster than arrivals in Phnom Penh. In the first quarter of 2001, tourist arrivals totalled 130,247 – a 28 percent rise over the same quarter of 2000. The "Open-Skies" Policy introduced in late 1997, which allows foreign airlines to fly into Siem Reap airport, has been successful in increasing arrivals, but this may be at the expense of tourist earnings. According to the Ministry of Tourism, tourists who come through Siem Reap Airport stay half as long as those coming through Phnom Penh's Pochentong Airport.

Cambodia's tourism industry has been growing at an impressive level since 1999. Unfortunately, studies undertaken by the Ministry of Tourism, the Cambodia National Council for Children, and World Vision, show a corresponding growth in sex tourism, including the sexual exploitation of children.

The telecommunications sector, though as yet small, is growing at a rapid rate, particularly in urban areas. According to the Ministry of Posts and Telecommunications (MPTC), by the first quarter

According to the Ministry of Agriculture, Forestry and Fisheries, the wet-season paddy harvest for 2000 was an estimated 3.2 million tonnes (compared to 3.3 tonnes the previous year). With such a harvest at hand, in addition to existing stocks, the country will most likely have adequate rice supplies for the current year.

of 2001, Cambodia had 151,802 cellular phone users and 31,433 fixed line users. Compared to the same quarter last year, cellular phone users have increased 55 percent, but fixed line users only 8 percent. At this point, Cambodia has about five times more mobile phone users than fixed line users, and nation wide, only 26 people per 10,000 have a fixed telephone line. Although the

country has several cell phone service providers, no private company has applied to install a nation-wide network of fixed lines. However MPTC, with assistance from the Japanese government, has a Master Plan to install a national network by 2010.

While there appears to be a rising demand for telephone services, the growth of Internet customers is not nearly as good. So far, increases in the number of Internet subscribers have been limited by the lack of fixed telephone lines, and the high cost for Internet services. By the first quarter of 2001, there were 3,733 Internet subscribers in Cambodia. Of these, a total of 53 percent were customers of the private company, Big Pond, and the other 47 percent were customers of MPTC's Camnet.

Inflation and Foreign Exchange Rates

According to data collected by the National Institute of Statistics, the inflation rate in Phnom Penh in the first quarter of 2001 was -0.8 percent. Prices of food had fallen more steeply, compared to prices of other items. The provinces, however, experienced an inflation rate of

Economy Watch—Domestic Performance

4.8 percent in the first quarter of 2001, compared with a rate of 0.6 in the same quarter of 2000.

In the first quarter of this year, the Cambodian riel depreciated very slightly against the US dollar (less than one percent). In contrast, there was a gain in the value of the riel against both the Thai baht and the Vietnamese dong, since both of these currencies depreciated against the dollar. This means that goods from Thailand and Vietnam have become cheaper for Cambodian consumers. When compared to the last quarter of 2000, gold prices have continued to decline, prices of diesel have stayed the same and prices of gasoline have declined nearly 6 percent.

Poverty Situation – Earnings of Workers

Economic growth can effectively diminish poverty only when accompanied by a comprehensive commitment to social development (education, health care etc.). Given the limited resources for social development, poverty alleviation will remain Cambodia's major task for years to come. According to CDRI's survey of vulnerable workers conducted in Phnom Penh in May, the daily earnings of porters, scavengers and skilled construction workers plummeted dramatically compared to the same period last year (see Table 5). The decline was reportedly due to competition from growing numbers of migrants from rural areas. The survey showed that 80 percent of cyclo-drivers, small vegetable sellers and motorcycle-drivers were temporary migrants from the provinces adjacent to the city of Phnom Penh.

The worst hit of the vulnerable workers were the scavengers. Their daily earnings had fallen 46 percent, in comparison to May 2000. The cause is likely the much greater number of migrants who took up scavenging after failing to find better-paying jobs in the city. Scavengers interviewed in CDRI's May 2001 survey, indicated that they had migrated to Phnom Penh as a consequence of serious flooding in 2000. They also stated that their earnings were lower in May, both because of

competition and because in the rainy season they are ill more often and unable to work. A total of 65 percent of scavengers surveyed revealed that their daily earnings were sometimes so low that they could not afford to buy food and had to borrow money in order to eat.

Also hit hard were skilled construction workers, though the absolute value of their earnings was not as low as those of the scavengers. They attributed the decline in their incomes to stagnancy of the construction sector – a consequence of lower foreign direct investment. Daily earnings of garment workers, also decreased by 9 percent (from 8500 riels in May 2000 to 7500 riels in May 2001). Garment workers explained that this decline was the result of less overtime hours and of some factories cutting work hours down to eight hours per day. Although shorter work hours and less hours of overtime have resulted in lower incomes, workers stated that they experience less illness now that they are not working as hard.

In the absence of data from a large survey, it is difficult to say whether poverty proportions have risen or not, though figures on earnings suggest that they might have. It is believed though that migration into Phnom

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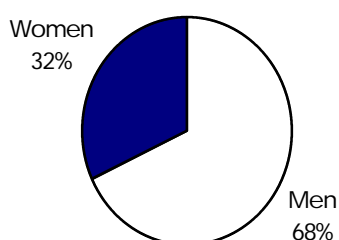
Penh from other provinces is on the rise, likely due to demographic pressures. However, if vulnerable workers in Phnom Penh cannot earn enough to support themselves or save adequately to support their families, this may result in social problems and unrest.

Monetary Developments

According to the National Bank of Cambodia, with implementation of the *New Law on Banking and Financial Institutions*, 11 non-viable commercial banks have shut down since they were not able to meet the requirements for registered capital, as set out in the new banking law. In 1998, there were 30 registered banks in the country. The Foreign Trade Bank of Cambodia was state-owned, 22 banks were owned by local investors, and seven were branches of foreign banks. As of March 2001, there were 21 banks: the Foreign Trade Bank of Cambodia, 13 local banks, four branches of foreign banks, and three specialised banks. The Foreign Trade Bank is now in the process of being privatised, with completion expected by the end of 2001. The bank is also expected to open branches in other provinces over the next three years.

During the last quarter, when compared with the same quarter in 2000, net foreign assets had risen by nearly 12 percent, while net domestic assets had declined by about 23 percent. During the same period of this year, net claims on the government account rose to the highest levels in eight years. Based on these figures, it can be concluded that there has been a flight of capital from the country.

Percentages of male and Female Vulnerable Workers Who migrated to Phnom Penh



Source: CDRI Survey in 2000

Economy Watch—Domestic Performance

During the first quarter, the money supply to the market totalled 511 billion riels. This represented a slight rise (0.4 percent) compared to the first quarter of 2000. Foreign currency deposits in commercial banks totalled 1303 billion riels, a rise of 10 percent over the same quarter last year. As the latest move shows, the National Bank of Cambodia is moving fast to tackle a year-long weakness in the banking sector and the commitment of market-oriented reform has brought more monetary stability and competition.

Public Finance

According to the Ministry of Finance, there was a shortfall of 11 percent in the government's total revenues in the first quarter of 2001, compared to the planned target (407 billion riels). However, revenue rose by nine percent, compared to that in the first quarter of 2000. The strong performance of non-tax revenue and tax revenue (the payroll tax and the value-added tax (VAT), were responsible for the growth in revenue in the first quarter. Further, the government has plans to extend VAT to the provinces during the current year, with a view to raising more revenue. Expanding the application of VAT, rather than of customs duties, is preferred because customs duties are expected to be harmonised in future with those prevailing in ASEAN.

On the expenditure front, total expenditures during the first quarter of 2001 were restricted (down nearly 6 percent), compared to the previous year. Current expenditures were also lower – down 38 percent compared with the same quarter of 2000. Expenditures on education rose by 3 percent during the first quarter, whereas health spending was down by 47 percent. The sharp fall in expenditures has also resulted in a reduction in the size of the deficit. However, according to the budget passed in 2001, expenditures on education and health were supposed to rise by 17 and 18 percent, respectively. The budget also proposed more spending on agriculture and rural development, and less on the military. The defence-cum-security budget was set at 5 percent

below that for 2000. However, actual spending in this area has been higher than projected. Government expenditure is usually higher than government revenue and to make up for this deficit, the government relies on foreign aid.

Private Investment and Employment

Foreign direct investments plummeted sharply during the first quarter of 2001. The number of investment projects approved was 50 percent less than those in the first quarter of last year. During this quarter, the Council for the Development of Cambodia (CDC) approved five new private investment projects and six applications to expand existing operations, worth a total of 10.1 million in fixed assets. In the first quarter, only one new garment project was approved by CDC. It is believed that the slowdown in the global economy, the forthcoming membership of China and Vietnam in the World Trade Organisation, and the Normal Trade Relationship Treaty between Vietnam and the US may be the reason for the slowdown in investments in Cambodia. Vietnam may be more popular with investors than Cambodia because the country has better-educated and trained workers, superior infrastructure and a superior legal framework covering the commercial sector. The decline in foreign direct investment is a cause of concern because Cambodia needs to create about 200,000 new jobs per year in order to employ those joining the labour force.

Foreign Aid and External Debt

According to figures released by the Ministry of Economy and Finance and CDC, foreign assistance to Cambodia totalled about \$3 billion between 1994 and 2000. Of this amount, 13 percent was in the form of loans and the rest provided as grants. However, grants are becoming increasingly difficult to obtain without instituting the reforms requested by donors. Nevertheless some donors believe that while the reform process is slow, it is steady, and in the right direction.

Chea Huot, Pon Dorina and Sarthi Acharya

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Economy Watch—Economic Indicators

Table 1. Cambodia: Main Macro-economic Indicators, 1993–2000

	1993	1994	1995	1996	1997	1998	1999	2000E
GDP at current prices (billions of riels)	5,414	6,131	7,200	8,250	9,100	10,900	11,500	12,400
GDP at current prices (millions of dollars)	1,924	2,386	2,925	3,124	3,033	2,868	3,010	3,217
GDP per capita (dollars)	200	241	284	292	274	251	256	266
Growth rate of real GDP (1993 prices)	6.1	5.7	7.6	7.0	1.0	1.0	5.0	4.0
Agriculture	4.5	3.3	10.5	0.8	1.4	-0.1	-1.1	-7.2
Industry	13.6	3.8	6.8	17.9	2.4	6.1	17.2	21.9
Service	5.5	9.4	4.5	10.7	-0.1	0.3	6.6	7.3
Inflation (in riels, final quarter basis)	41.0	17.8	3.5	9.0	9.1	12.6	0.0	2.5
Riel/dollar parity (annual average)	2,814	2,569	2,462	2,641	3,000	3,800	3,820	3,906
Budget revenue (percentage of GDP)	5.4	9.6	8.9	9.1	9.7	8.6	11.5	11.8
Budget expenditure (percentage of GDP)	11.2	16.5	16.7	17.5	13.8	14.2	16.8	17.9
Current public deficit (percentage of GDP)	-1.5	-1.4	-0.8	-1.2	0.7	-0.2	1.7	2.3
Overall public deficit (percentage of GDP)	-5.9	-6.8	-7.7	-8.4	-4.2	-5.6	-5.3	-6.1
Domestic exports of goods (percentage of GDP)	8.4	11.2	11.1	11.4	17.1	21.9	27.2	36.3
Retained imports of goods (percentage of GDP)	18.9	23.5	23.9	27.2	28.1	33.4	40.5	48.7
Trade balance (percentage of GDP)	-10.6	-12.3	-12.8	-15.8	-11.0	-11.5	-13.3	-12.4
Current account balance (percentage of GDP)	-10.4	-13.1	-13.7	-15.4	-9.8	-10.7	-11.9	-10.3
External contribution to the economy (percentage of GDP)	11.7	16.2	21.0	21.4	14.6	13.5	14.4	16.4
Total savings (percentage of GDP)	15.8	17.1	21.0	27.4	22.4	21.4	21.9	22.8
Gross foreign reserves (months of imports)	1.5	1.4	1.7	2.2	2.5	3.5	3.2	3.1
Population (million)	9.6	9.9	10.3	10.7	11.1	11.4	11.8	12.1
Labour force (percentage of population)	48.0	47.3	46.6	45.9	45.3	44.8	44.7	44.6

Sources: Government data and forecast by CDRI.

Table 2. Destination of Garment Exports, 1994-2001 (quarterly average)

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
	Millions of dollars												
United States	0.0	0.02	0.1	26.8	74.1	121.5	117.8	154.0	187.7	220.4	187.9	189.3	
Rest of the world	1.0	6.6	19.6	30.0	20.5	17.0	15.0	41.3	37.6	78.8	77.3	62.8	
Total	1.0	6.6	19.7	56.8	94.5	138.5	132.8	195.3	225.3	299.2	265.2	252.1	
	Percentage change over previous year												
Total	-	560	200	187	66	47	9	47	64	98	100	29	

Source: Ministry of Commerce, Department of Trade Preferences Systems.

Table 3. Passenger Arrivals by International Flights at Pochentong and Siem Reap Airports, 1994-2001

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
	Thousands of passengers												
Tourist visas	27.9	38.7	55.3	46.3	38.1	44.9	53.6	64.7	55.8	56.0	66.6	64.6	
Business visas	7.1	10.6	15.8	13.9	10.7	16.0	15.7	13.7	13.0	12.7	14.7	20.0	
Official visas	3.3	3.9	3.2	3.6	4.4	8.8	9.8	3.4	3.5	4.3	5.0	3.8	
Total Pochentong	38.3	53.2	74.3	63.8	53.2	69.7	79.1	81.7	72.3	73.0	86.3	88.4	
Total Siem Reap	-	-	-	-	2.6	7.15	12.1	19.9	14.8	20.1	32.2	41.9	
	Percentage change over previous year												
Total Pochentong	29.7	38.9	39.7	-14.1	-16.6	31.0	33.9	21.2	13.3	6.5	9.1	8.2	
Total Siem Reap	-	-	-	-	-	175	365	342	202	183	166	111	

Sources: Ministry of Economy and Finance and Ministry of Tourism.

Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1994-2001 (period averages)

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
	Consumer price index (percentage change over previous year)												
Provinces	-	-	-	6.1	16.3	6.2	1.5	0.6	4.0	6.5	10.4	4.8	
Phnom Penh - All Items	-0.5	7.8	7.1	8.1	14.2	4.2	0.0	0.1	-2.3	-1.4	0.5	-0.8	
- Foods	-13.4	4.9	7.6	6.7	15.6	8	0.7	-1.2	-5.5	-5.1	-1.3	-2.6	
- Energy	-1.2	19.4	20.7	21.0	10.7	5.5	11.9	13.0	3.6	8.8	6.7	0.5	
	Exchange rates, Gold and Oil prices (Phnom Penh market rates)												
Riel per US dollar	2,582	2,479	2,666	3,029	3824	3832	3,808	3,822	3,874	3,912	3,906	3,925	
Riel per Thai baht	102	99	105	98	88	101	103	102	99	94	90.3	88.5	
Riel per 100 Vietnamese dong	23.5	22.3	24.0	25.6	28.6	27.8	27.5	27.4	27.3	27.5	27.3	26.9	
Gold prices (US dollar per chi)	45.8	45.9	46.3	40.4	36.0	34.0	32.7	32.8	33.8	34.0	32.6	32.0	
Price of Diesel (Riels)	750	716	779	883	1,065	1,105	1,143	1,223	1,256	1,353	1,483	1,483	
Price of Gasoline (Riels)	698	847	1,118	1,378	1,613	1,760	1,897	1,975	2,043	2,200	2,233	2,100	

Sources: CDRI, IMF, NIS, Ministry of Planning, Ministry of Economy and Finance

Economy Watch—Economic Indicators

Table 5. Average Daily Earnings of Workers, 1997–2001

	Daily earnings (riels)										Change from last year (%)		
	1997		1999		2000			2001			2000	2001	2001
	Pre-Jul	Aug	Nov	Feb	May	Aug	Nov	Feb	May	Nov	Feb	May	
Cyclo drivers	12,250	8,415	8,226	9,682	9,691	9,511	8,398	8,200	9,568	2.1	-15.3	-1.3	
Porters	9,675	7,446	6,143	8,275	8,002	8,068	6,893	7,300	7,058	12.2	-11.8	-11.8	
Small vegetable sellers	7,050	6,402	9,071	7,864	7,267	6,611	5,813	6,400	7,386	-35.9	-18.6	1.6	
Scavengers	4,155	3,005	2,600	4,750	4,969	4,186	3,006	3,900	2,670	15.6	-17.9	-46.3	
Waitresses*	-	-	-	1,873	2,030	2,250	2,335	2,600	2,600	-	38.8	28.1	
Rice-field workers	-	-	-	3,600	4,000	4,443	4,184	4,100	3,613	-	13.9	-9.7	
Garment workers	-	-	-	7,283	8,272	8,500	7,410	8,300	7,500	-	14.0	-9.3	
Motorcycle-taxi drivers	-	-	-	9,200	12,100	11,044	9,522	10,000	12,050	-	8.7	-0.4	
Unskilled construction workers	-	-	-	9,193	6,900	8,220	5,970	7,500	8,261	-	-18.4	19.7	
Skilled construction workers	-	-	-	15,873	15,600	14,891	14,517	11,200	10,306	-	-29.4	-33.9	

Notes: Surveys on the revenue of waitresses, rice-field workers, garment workers, motorcycle taxi drivers and skilled and unskilled construction workers began in February

Table 6. Monetary Survey, 1994-2001 (end of period)

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
	<i>Billions of riels</i>												
Net foreign assets	391	550	881	1,172	1,550	1,961	2,019	2,373	2,510	2,448	2,589	2,733	
Net domestic assets	59	99	31	-109	-435	-591	-576	-640	-679	-656	-759	-834	
Net claims on government	143	148	128	54	141	111	103	94	41	6	3	-69	
Credit to private sector	237	293	435	637	682	731	763	779	860	932	898	905	
Total liquidity	450	650	912	1,063	1,116	1,370	1,443	1,733	1,831	1,792	1,831	1,899	
Money	200	279	329	385	466	515	532	550	546	540	540	548	
Quasi-money	250	371	583	678	655	855	911	1,183	1,286	1,252	1,291	1,351	
	<i>Percentage change from previous year</i>												
Total liquidity	35.1	44.3	40.3	16.6	4.9	22.7	17.2	31.8	39.1	27.4	26.8	9.6	
Money	-1.9	39.5	17.9	17	21	10.5	-2.0	4.4	9.2	7.8	1.5	-0.4	
Quasi-money	93.2	48.1	57.2	16.4	-3.4	30.5	32.5	50.1	53.4	38.5	41.7	14.2	

Source: National Bank of Cambodia.

Table 7. National Budget Operations, 1994-2001 (billions of riels)

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
Total revenue	148	161	187	220	230	329	301	332	378	336	377	366	
Tax revenue	91	111	134	149	169	239	213	244	281	246	268	263	
Customs duties	70	80	86	87	94	108	87	98	106	83	104	98	
Non-tax revenue	56	47	44	68	51	87	87	88	97	84	85	100	
Forest exploitation	22	13	7	9	5	9	12	11	11	7	13	10	
Post and Telecoms	15	14	16	21	22	27	36	20	34	14	25	23	
Capital revenue	0	2	10	3	9	3	2	0	0	6	23	3	
Total expenditure	252	300	360	315	324	448	591	353	483	514	653	333	
Capital expenditure	84	128	157	113	92	156	213	167	209	280	223	184	
Current expenditure	168	172	203	202	245	291	378	243	274	234	430	149	
Education and Health	23	25	31	32	33	70	159	32	35	32	150	27	
Defence and Security	98	106	102	105	110	116	113	86	118	74	164	63	
Other Ministries	48	41	71	65	83	103	98	125	122	128	116	59	
Overall deficit	-105	-139	-173	-95	-95	-119	-290	-78	-105	-178	-276	-73	
Foreign financing	108	140	170	111	67	104	103	122	168	212	164	147	
Domestic financing	-3	-1	3	-16	31	1	130	-44	-63	-34	112	-75	

Source: Ministry of Economy and Finance: Quarterly average

Table 8. Investment Projects Approved, 1994–2001*

	1994	1995	1996	1997	1998	1999	1999	2000					2001
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q4	Q1	Q2	Q3	Q4	Q1	
	<i>Number of investment projects</i>												
Total	46	51	75	34	35	24	30	22	27	29	13	11	
Garments	27	30	36	12	21	11	11	13	17	13	7	4	
	<i>Registered capital (millions of dollars)</i>												
Total	116.0	89.0	97.8	69.5	104.1	61.7	107.0	14.5	19.7	42.7	24.5	5.1	
Garments	26.8	28.0	39.2	8.6	22.9	13.9	16.4	6.5	7.0	8.2	4.0	1.0	
	<i>Fixed assets (millions of dollars)</i>												
Total	303.0	76.2	186.7	190.4	212.3	118.5	239.4	28.4	85.8	86.6	56.0	10.1	
Garments	25.1	25.4	39.6	9.7	30.2	19.9	23.6	23.5	28.3	17.3	7.5	5.7	

Source: Cambodian Investment Board: Quarterly average

Glossary

Terms Related to the Garment Industry

Freedom of association -esrPabksagsmaKm!

The right to band together with others in a common cause. In the case of the garment industry, this means the right to form a union, join an existing union or communicate with union members.

Market forces -kM dtTpSr!

The economic factors that affect the availability of goods and services and the demand for them, without any help or control by the government.

Collective bargaining -karcraCarh!

When a trade union engages in collective bargaining, it has talks with an employer about improving wages and working conditions beyond what is required by law.

Tax exemption -karel kEl gBn\$

A tax is an amount of money an individual or organisation must pay to the government. Taxes are charged on such things as income, the sale of goods and services, imports, exports and many other things. A tax exemption means that the government releases an individual or organisation from the obligation to pay a particular tax.

Utilities -ptpysaFaN³!

A utility is an important service such as water, electricity or gas that is provided to both individuals and or-

ganisations for a fee. In the case of a Cambodian garment factory, the utilities are electricity and water.

Quota -kta!

An administrative device to limit either production or trade. In the case of Cambodia's garment industry, the United States has imposed quotas on 12 categories of garment products produced in Cambodia.

Value added -tM benh!

The difference between the value of a firm's or an industry's output (i.e. the total revenues received from selling the output) and the cost of the inputs such as the raw materials, components or services that are used to produce the output.

Gross profit -R)akcNj du !

The difference between sales revenue and the cost of producing the goods sold. Gross profit, less the operating expenses, equals the net profit.

Capital amortisation -rM smU Fn!

To amortise something means to spread out the cost of something, such as debt repayment, over time. In the case of the garment industry, capital amortisation means that money borrowed to establish a garment factory is repaid over a number of months or years.



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CDRI Update

Management and Institutional Development

In April, the Director and Deputy Director spent two weeks in the United States to strengthen relations with donor agencies and to explore the potential for new partnerships with a number of foundations, academic and policy research institutes.

Research

In April, CDRI organised a Stakeholders' Workshop to present the findings from the *Social Assessment of Land Project*. The first phase of two surveys for the *Land and Food Security Project* was finished in April. At the end of May, CDRI's research staff made presentations during CDRI's 5-day development workshop for Provincial Governors and Deputy-Governors. In June, work began on the *Cambodia Human Development Report*. The theme of this year's CHDR is the impact of the HIV-AIDS epidemic on poverty in Cambodia. This year's human development report is a collaborative effort by researchers from the Royal University of Phnom Penh, the Ministry of Health and the National AIDS Authority, with technical assistance from CDRI.

Centre for Peace and Development

From April to June 2001, the monthly COPCEL meetings held at CDRI focused on three key election issues: procedures for implementing the Commune Election Law, the role of media, and the election budget. In April, the Coordinator visited Brussels and Strasbourg to learn more about the European Union, and to talk about the Commune Election. Also in May, CPD/CDRI visited Oddâr Meanchey province to prepare for two workshops in June and July. In May CPD staff facilitated training and discussions during the five-day Governor's workshop held at CDRI. CPD's Coordinator

also made presentations on Land Policy and on the Commune Election in meetings organised by the Cambodian Institute for Cooperation and Peace. In June, the Coordinator flew to India to participate in a roundtable of the International Commission on Intervention and State Sovereignty.

Library

The number of people using CDRI's library continues to increase. In the first six months of 2001, Library visitors totalled more than 5000, compared with 3500 in the last six months of 2000. The library's collection also grew to 6398 titles. To meet the needs of increasing visitors, another computer was added for searching the Library's electronic catalogue, and the organisation and labelling of the collection was improved. The recruitment of a second librarian at the beginning of March has also helped the Library keep up with the increasing demand.

Publications

In April, Publications finalised brochures for CDRI as a whole, and for the Centre for Peace and Development. The book *Labour Markets in Transitional Economies in Southeast Asia and Thailand*, which CDRI produced for the Development Analysis Network, was also printed and distributed in April. In May, production began both on the *Annual Review of the Cambodian Economy*, and CDRI's Annual Report for 2000. Other forthcoming publications include a working paper on the Cambodian labour market (Working Paper 18), an assessment of socio-economic issues which CDRI conducted jointly with the National Institute of Asian Studies in Denmark (Working Paper 19), and two studies for the Centre for Peace and Development (one on fact-finding missions to former Khmer Rouge areas and the other on Cambodian approaches to conflict management).

Cambodia Development Review is also available in Khmer

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