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SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS
ON
**EXTENSION OF UNCONDITIONAL MOST-
FAVORED-NATION TREATMENT TO
CAMBODIA AND BULGARIA**



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CONTENTS

	Page
COMMENTS ON CAMBODIA	
Press release of Thursday, February 23, 1995, announcing request for written comments	1
<hr/>	
Cambodia, Kingdom of, His Excellency H.E. Var Huoth, Ambassador Designate, statement and attachments	2
Rohrabacher, Hon. Dana, a Representative in Congress from the State of California, letter	19
Sauls, Michael, Alexandria, Va., statement	20
Shelby Group International, Inc., Hilliard Crews, letter	22
U.S.-ASEAN Council for Business and Technology, Inc., Irene Wu, statement	23
World Vision Relief & Development, Inc., Thomas Getman, letter and statement	24
COMMENTS ON BULGARIA	
Press release of Wednesday, April 19, 1995, announcing request for written comments	28
<hr/>	
Bulgaria-U.S. Trade and Economic Council, Gary Litman, letter	29
PlanEcon, Inc., Paul M. Hunt, letter	31

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
February 23, 1995
No. TR-4

CONTACT: (202) 225-6649

CRANE ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON THE EXTENSION OF UNCONDITIONAL MOST-FAVORED-NATION TREATMENT TO CAMBODIA

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written comments for the record from all parties interested in the extension of unconditional most-favored-nation treatment to Cambodia proposed as part of a bilateral agreement concluded last year with the United States on trade relations and intellectual property rights protection.

BACKGROUND:

In the spring of 1994, the Administration concluded a bilateral agreement on trade relations and intellectual property rights protection with Cambodia. Among the provisions included in this proposed agreement is an extension of unconditional most-favored-nation treatment to Cambodia.

Since 1980, the United States has provided approximately \$900 million in humanitarian and development assistance to Cambodia. After the democratically elected Royal Cambodian Government was formed on September 24, 1993, the United States and Cambodia immediately established full diplomatic relations. The purpose of the proposed extension of most-favored-nation treatment to Cambodia exports is to aid the development of mutually beneficial trade relations.

Trade between the United States and Cambodia has increased in recent years. From 1990 to 1993, U.S. exports to Cambodia rose from \$34,000 to \$15,650,000. During the same period, United States imports from Cambodia grew from \$63,000 to \$655,000. Cambodian exports to the United States during the first nine months of 1994 were valued at \$412,000.

DETAILS FOR SUBMISSION OF WRITTEN COMMENT:

Persons submitting written comments should submit six (6) copies by the close of business, Friday, April 28, 1995, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

[BY PERMISSION OF THE CHAIRMAN]

**Statement of
H.E. VAR HUOTH
Ambassador designate
of the Kingdom of Cambodia
to the United States of America**

On February 10-11, 1994, there was a discussion between the Trade Delegation of the Kingdom of Cambodia and the Trade Delegation of the United States of America. Both sides made progress towards our common goal of reaching a bilateral trade agreement between Cambodia and the United States. This agreement would include the reciprocal extension of Most-Favored-Nation (MFN) tariff treatment and other measures to facilitate enhanced trade between our two countries such as protection of intellectual property rights. This successful discussion represents a milestone in the normalization of our bilateral trading relationship which will contribute to the prosperity of our both nations.

Regarding to the MFN status, we submit the following statements :

- The general situation of the Kingdom of Cambodia.
- The Cambodia - US economic relationship.
- The great role of MFN to promote the Cambodia - US economic relations and its impact on the Royal Government efforts to rehabilitate and develop the Cambodian economy.

I - THE SITUATION IN GENERAL OF THE KINGDOM OF CAMBODIA

1- Historical Perspective: From 1975 to 1978:

Cambodia was under the yoke of Khmer Rouge regime. It was the worst history not only for Cambodians but for humankind in the twentieth century as well. Under Khmer Rouge rule most of the country's economic and social infrastructure was dismantled. Private property, factories, industrial center were destroyed. Currency was abolished. Living conditions were extremely harsh, with collective manual labour of up to 18 hours a day, and often with meager rations of food. More than two million people were tortured and executed, others died of hard labour, malnutrition, and diseases. A manifestation of autogenocide was unique in its kind in world history.

2-The Paris Peace Agreement:

The process of peace and national reconciliation set in motion by the Paris Peace Agreement of 23 September 1991 has fundamentally changed the overall situation of Cambodia. Assisted by the international community a free, fair, and democratic, election was held in May 1993 and led to the adoption of a new Constitution, the establishment of the National Assembly, and the formation of the Royal Government of Cambodia. Cambodia is now a full-fledged democratic society and is respecting the principles of a free market economic system.

3-Natural Resources:

Cambodia occupies a land area of 181,035 sq. km. Its population is 9.89 million of which 51% are in the working age group. Our labour force is hard working and motivated. Labour cost is low compared with other ASEAN countries.

a-Agriculture

Cambodian livelihood generally depends on agriculture and its related sub-sectors of livestock rearing, fisheries and forest exploitation. Agriculture contributes about half of Cambodia's GDP and employs over 80% of the available labour force. Crops and other products such as rubber, soybean, cotton etc. account for roughly 30% of GDP, livestock rearing another 15%, fishing for an estimated 4 to 5 % and forestry for roughly 1 to 2 %. Rice accounts for about one-third of the total value of agriculture production. Rubber and timber are by far the most important export commodities (in recent year comprising roughly 75 % of the total recorded exports). But other agricultural products including live cattle, fruit, and fish are also traded to neighboring countries. Agriculture supplies food for the people, raw material for agro-industrial development and hard currency from export.

b-Industry:

Industrial value added remains at a relatively low 19 % of GDP, although it is growing at a more rapid pace than agriculture. Manufacturing output is varied but is not very extensive and is mostly conducted on a small scale and informal basis. Many prospering local activities such as brickmaking and ceramics are linked to the fortunes and performance of the construction sector. Mining activities are minimal. In the early 1970s, the following were being mined: clay (for ceramics), dolomites (for glassmaking), gold, limestone (for cement), pagodite, phosphate, quartz, sapphire, rubies, silica sand, and other precious stones. Extraction was on small scale. With the exception of gemstones (Pailin mine) and gold, the exploitation of most of these minerals has now reverted to artisanal method and goes largely unreported. The only mineral exploration on any significant scale is that of oil and gas. So far there is considerable interest in oil prospecting. The three existing offshore license agreement are producing, sharing agreement. Four holes were drilled in 1994 and three of them produce positive result and show hydrocarbon flow and natural gas.

The potential growth of industry was shown on the basis of raw material taken from Agriculture sector in the early 1970s. The industries were present at those time: cigarette-factories, saw-mills and work-shop, match factory, tire factories etc.

We note the recent arrival of the garment industry. They use imported raw material and take advantage of our low labour cost. We hope that when Free Trade zone are in operation, the investor can set up other kinds of factories such as car assembly, electrical goods assembly etc.

c-Tourism:

Cambodia has a wide range of potential tourism industry. Cambodia is rich in architectural and cultural site of world renown, wildlife, scenic beauty. Cambodia

belongs to the region with the strongest tourism growth in the world (East Asia and Pacific). The numbers of tourists grow every year (1992 : 87,700 tourists; 1993: 118,000 tourists; 1994: 177,000 tourists).

4- POLICY - LEGAL FRAMEWORK

A. According to the constitution approved by the constitutional assembly in 1993, Cambodia adopted the principle of liberal democracy and pluralism and moved towards market economy system . The Kingdom of Cambodia recognize and respect Human Rights as stipulated in the United Nations Charter and the Universal Declaration of Human Rights.

B. The National Programme to Rehabilitate and Develop Cambodia (February 1995)

Since assuming office in July 1993, the Royal Government has devoted an increasing amount of attention to defining national short-medium and long term development objectives, to identifying the means to achieve the objectives, to laying the policy and institutional foundation. These are included in the National Programme to Rehabilitate and Develop Cambodia.

Here is the summary of the NPRD in February 1995 :

B1- The Royal Government 's prime concern and its most important objective are to improve the well-being of the people .

B2- To achieve these objectives, the Royal government is forcefully pursuing three pillars of development policy, namely:

- Sustainable economic growth
- Sustainable human development
- Sustainable management and use of natural resources .

B3- The Royal Government set the important goals as below :

Legal framework and management:

rule of law, good governance.

Economy

Rural development - Restructuration the economy and support for the private sector as the engine of economic growth - Investment in infrastructure and closer integration with the wider regional and global economies.

Social field

Poverty alleviation - elimination of misery - investment in people - reintegration - health - education .

B4- The Royal Government's goals are as follow :

B4-1 Restructuring of the economy

The Royal Government consider as a necessary condition for a vibrant

private sector (private ownership - the sanctity of contract - transparency and predictability of public administration) .

The restructuring of the economy includes :

+ **Macroeconomic Management** (fiscal discipline and consolidation - to stabilize the currency - to tame the inflation) .

+ **Public sector management**

The Royal Government management capabilities must be reinforced to be a true partner of the private sector which is the engine of economic growth.

+ **Legal and institution framework**

The Royal Government will make headway in promulgating basic law for the efficient working of a liberal economy .

+ **Privatization and private sector development** to accelerate the development of the private sector, and to privatize the state owned enterprises.

B4-2 Reforming State Institution

+ **Reforming of the administration**

To adapt the civil service to become an effective instrument of public policy and facilitate the private activities .

+ **Reform of the Judicial Apparatus**

To rehabilitate the network of courts.

+ **Reform the security apparatus .**

To demobilize and absorb the demobilized soldiers and the Khmer Rouge defectors into productive and civilian occupation .

B4-3 Developing the rural economy

The essential need to be addressed urgently : food, water, demining, credit, shelter, skills, physical access to markets and public services such as health and education. To reduce the gap of standard of living between urban and rural area .

B4-4 Investing in people

In education - to universalize access to nine years of basic schooling. In health - to expand access to basic health facilities and to rebuild the country's health system based on the district Health Approach.

B4-5 Rebuilding physical infrastructure

- To rehabilitate and develop the road , port ,railroad, the civil aviation.
- To improve the generation , distribution and transmission of electricity energy.
- To investigate the hydropower development.
- To supply water in Phnom Penh , Sihanoukville and other provinces.

B4-6 Supporting sustainable growth in output

- To encourage output expansion in agriculture, industry and tourism.
- a) **In agriculture**: To achieve food security for each citizen - to increase farm production, processing and marketing activities - to stop the exploitation of the forest and accelerate the pace of reforestation.
 - b) **In industry**: To increase private manufacturing, processing activity, to accelerate the foreign investment - to develop the hydrocarbon, oil and gas exploration activities.
 - c) **Tourism**: To improve the tourism related infrastructure. The Royal Government and the private sectors involve in building hotels, recreational facilities.

5-THE MAIN ACHIEVEMENT OF THE ROYAL GOVERNMENT OF CAMBODIA

The Royal Government has been in his office for more than one year, a very short period to rehabilitate and develop Cambodia which is just beginning to emerge from two decades of continuous warfare and violence. We note the following achievements:

- a) **The first achievement** was establishing political environment which is favorable to rehabilitation, reconstruction and development. The Royal Government is promoting national reconciliation among the political parties which joined the election in May 1993. The government has been promoting political stability which means that any difference, any quarrel, any problem that occurs can be settled through the democratic process.
- b) **The second achievement** is the smooth transfer of power from the pre-election authority to the legitimately elected government.
- c) **The third achievement** is the economic rehabilitation and development: During 1994, the Royal Government implemented firm stabilization policies. Overall, macroeconomic performance was good despite severe flood followed by drought. Growth in 1994 is at 5,2%. Strong growth in constructions and services continued. The inflation rate is forecasted to be under 10% down from 180% three years ago. Our currency has been stable during the last 12 months. The Government approved over US \$ 2 billion of foreign direct investment after the adoption of the new Investment Law. This figure shows that the private investors place their confidence on Cambodia. With regard to the national budget, both the current and overall deficits were lower than originally targeted.

We have enlarged National road 1 and 2. National road 4, 6, 3 are being rehabilitated. Five old bridges are already repaired. 36 new bridges have been set up. The Cambodian Mine Action Center (CMAC) have cleared 8,015,231 square meters of mines for the agriculture purpose. Regarding the rice cultivation, in 1994 we have realized 75% of the rice cultivation plan.

- d) **The fourth achievement** - For the first time in many years, Cambodian can enjoy democracy, seen especially in the proliferation of the free media and in the large number of non governmental organizations (NGOs) spread throughout the country.

There are over a hundred of non governmental organizations (NGOs) stationing in Cambodia. As for human right NGOs, they can get access to where they consider as abnormal. They can even go to monitor the prisoners in prisons. The stress is also placed on the series of emergency measures to guarantee the judicial independence.

The basic human right of the people has been guaranteed. They have freedom of expression, belief, travel, and association which they have never enjoyed before.

Currently, the National Assembly of Cambodia now is debating the draft press law from which the criminal penalties have been removed with the support from the Royal Government of Cambodia. This is a good condition to ensure the freedom of expression which just emerged in Cambodia. In short, the conditions of human right in Cambodia are totally different from the past which the people were living under terror and fear.

- e) **The fifth achievement** - the government is working on different reforms - reform in the civil administration, reforms in the judiciary, reform in the police and armed forces.

A recent Nationwide civil census revealed 137,604 actual state employees compared to a payroll of 146,311. There were 1,867 General officers. On March 1995, this number is reduced to 141 Active General officers.

- f) **The sixth achievement** - In the area of tourism, despite frequent misleading reports about Cambodia in the national and international media, the country continued to receive a large number of tourists compared to 1993.

The Government is in the process of establishing a hotel and tourism school in the international curriculum. The Triangle development plan for Phnom Penh-Siem Reap/Angkor-Sihanoukville are being implemented: The road system around the world famous temples of Angkor Wat are being rebuilt. Many tourist sites around Phnom Penh are being opened, the Naga Island casino project, the single biggest investment ever in Cambodia, is being implemented, the realization of this project will be soon. Pochentong International Airport is being rehabilitated.

- g) **The seventh achievement** - the government holds its primary goal to improve the conditions of the poorest citizens throughout the country, especially in the rural areas. We are increasing our efforts to ensure the safety of rural zones, to respond to food needs in sufficient quantity and quality, to give access to basic health and education services and to support the reintegration of displaced people and ex-Khmer Rouge defectors.

All these successful achievement are from the efforts made by the Royal Government, the participation of the whole Cambodian people and the contribution of the world communities among them the United States of America is one of the biggest supporters and donors.

II- CAMBODIAN - USA RELATIONSHIP

Whenever Cambodian people faced unfortunate circumstances, the American people always come to Cambodia 's rescue. We are grateful for the American people for its contribution to the rebirth of Cambodia. More and more we see the strengthening of the relationship of our both countries.

- a) The United States has lifted the US trade embargo against Cambodia, has normalized relations with the Royal Government of Cambodia and upgraded its mission to a full Embassy in Phnom Penh. For its part, the Royal Government will reopen its embassy in Washington D.C.imminently.
- b) The Cambodian Government is fully committed to cooperate in the issue of American MIA . We are very happy that MIA mission in Cambodia has reached satisfactory results.
- c) The US aid programme has gradually shifted its emphasis from emergency relief to reconstruction and long-term development assistance to the Kingdom of Cambodia. For instance, stabilizing population growth and protecting human health - infrastructure development - strengthening democracy - promoting broad based Economic growth. In that respect, great amount of US fund have been allocated.
- d) Recently, top level government delegation exchanges between our two countries have been emphasized .
- e) Trade and investment :
 1. Trade between the United States and Cambodia has increased in recent years . From 1990 to 1993, US export to Cambodia rose from US\$34,000 to US\$15,650,000 during the same period, Cambodian export to United States grew from US\$63,000 to US\$655,000. During the first nine months of 1994, US export rose to US\$5.8 million, out of which US\$1.3 was in automobile exports. Cambodian exports to United States for the first nine months of 1994 were valued at US\$ 412,000. In local Cambodian market, we find various kind of US commodities such as: Coca Cola, computer and other related apparatus, books, cosmetic, electronics, clothing, household commodities. This is a tangible proof that Cambodian appreciate and prefer to use US commodities.
 - 2- More and more US traders, entrepreneurs, and investors are coming in Cambodia and contribute in the economic development of the country, and to name just a few: Bank of National Wealth cbd. Co.Ltd; Ban Chang Int'l

(Cambodia) Co. Ltd; Frank E. Basil, inc; King Group Company Ltd; KC-USA International Co. Ltd; All the names and addresses of the US Companies are included in Annex 1. We note that the US oil giant UNOCAL is now looking at the investment opportunity in Cambodia. This Company will bid on four blocks for offshore oil and gas exploration.

III- THE GREAT ROLE OF MFN AND GSP FROM USA

Once the United States grant Cambodia the MFN and GSP status, we can expect dramatic increase in bilateral trade which in turn will further reinforce the economic relationship between our two nations.

A . Benefit for the Cambodian side

Through MFN and GSP scheme, Cambodian companies can actively promote their export to the USA, attract more foreign investment, create more jobs for the Cambodian people, and as result stimulate economic growth. Therefore MFN and GSP have great advantages for the Cambodian people. The Royal Government will be armed with special and efficient tool to fight against POVERTY. The more we develop the country, the less the threat of the return of the Khmer Rouge to power is. The drama of two decades of war will fade away. Peace and prosperity will once again return to the whole country. As Cambodia is one of part of Asia region, peace in Cambodia will contribute to peace and cooperation development of the Region. Investors throughout the world including US investors have more investment opportunities to choose from.

B. Benefits for the US side

MFN can give the opportunity to the US investors, traders, and entrepreneurs to invest and engage in businesses in Cambodia by taking advantage of :

- low cost labour
- various natural resources
- and the new historic stage of Cambodia towards economic liberalization and openness to the world

SPECIAL CHARACTERISTICS OF INVESTING IN CAMBODIA:

1. Cambodian is now open for business and encourage foreign investment in its free market economy.
2. The new investment law is the most liberal and advantageous one compared with others in the region: 9% corporate income tax; tax holidays of up to 8 years; 5 years loss carried forward; full import duty exemption; no withholding tax on dividends; free repatriation of profits; no nationalization and price controls; no discrimination between foreign and local investors; land leases of up to 70 years .(Annex 2: investment law)
3. CDC is a one stop investment center which provides for speedy approval (Fast track investment approval)

4. Special promotional zone (Free Trade Zone , Export Processing Zone) will be set up Sihanoukville very soon.
5. Cambodia currently has great market in the world through GSP status (26 countries have granted GSP to Cambodia).
6. International companies already in Cambodia :Coca-Cola company, Shell, Banque Indosuez, Standard Chartered Bank, Teltra, DHL, Aerospatiale, McCann-Erickson, Accor Group, Maeda, Ernst & Young, Bangkok Bank, Siam Commercial Bank, Shinawatra, Sumitomo, Nissho Iwai Enterprise Oil, Thai International, Silk Air, Dragonair, Diethelm, Daewoo.

Cambodia welcome US investment.

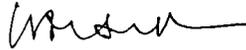
7. Opportunities for US investors range from infrastructures development such as: roads, ports, airports, power plants, telecommunication, fuel and energy distribution, agro-manufacturing , wood factories ,restaurant,hotels...
8. When Cambodia experiences economic growth, the standard of living of its people is high, as a result they can afford more US commodities. For the last two decades, Cambodians have been starved of international quality consumer goods and is looking forward to consume them again.

Granting MFN and GSP to Cambodia means:

- to promote bilateral economic and trade relation.
- to develop Cambodia economy, and to fight against Khmer Rouge
- to consolidate the free market economy basic in Cambodia.
- to integrate Cambodia economy into regional and world economy and enable Cambodia to step by step join in the future the new world trade principles: transparency, non discrimination, by reducing trade taxes and removing non tariff barriers to trade.

- to bring the real peace to Cambodia and delete totally the legacy of war during the past decades.

We thank very much the US congress, the US government, and the US people for their great contribution to Cambodia's RESURRECTION and to WORLD PEACE.



VAR HUOTH
*Ambassador Designate
of the Kingdom of Cambodia
to the United States of America*

**U.S. Companies & Companies
Representing U.S. Products in Cambodia**

NAME	CONTACT	ADDRESS	MOBILE	PHONE	FAX	Business/U.S. Branch Repres.
1. Ben Chang Int'l (Cambodia) Co. Ltd	Mr. SOK SANN	#422, Meayvong Blvd.	(855) 15 192 525			Investment transportation (U.S Branch)
2. Bank of National Wealth Cbl.Co.Ltd	Mr. HENRY SHI CALLE	#15, Street 214, PNP		(855) 23 26847	(855) (23) 26847	Banking
3. CALIFORNIA Restaurant	Mr. SEA BAMBLY	N/A	(855) 15 912 796			Restaurant with USA Food
4. CAMBODIA Tours & Investment	Mr. JANG CHOI	#89, Soboros Blvd.	(855) 15 912 541		(855) 23 61000	Import and Export, & Investment
5. DANIEL OLLIVIER INC.	Mr. DANIEL OLLIVIER	#27, Street 178, PNP				Trade (U.S. Branch)
6. FRANK E BASIL, INC	Mr. SOVATHA PROM	#17A, Street 836	(855) 15 914 182		(855) 15 914 182	Major Construction and Infra-struct. (U.S.)
7. FISCHBACH INTERNATIONAL	Mr. Donald L. Noble			(855) 23 66342	(855) 23 66342	Route 4 Rehabilitation Project (U.S.Br.)
8. GEB Development Corporation	Mr. JEFF BLOOM	#16, Street 63, PNP.	(855) 15 913 113		(855) 23 23944	Road Equipment Import + Construction
9. INTERCORE INC.	Mr. CHUON SAM-OL		(855) 15 913 983	(855) 23 66143	(855) 23 66009	Electricity energy in Phnom Penh (U.S.Br.)
10. INTL SUPPORT SERVICES	Mr. MARSHALL PERRY	#6, Isarak Blvd., PNP		(855) 23 60051	(855) 23 60051	Construction (U.S Branch)
11. KING GROUP Company Ltd.	Mr. TED NGOY	#176, Street 63, PNP	(855) 17 209 636		(855) 23 27240	Hotel, Restaurants, Construction
12. KC-USA International Co. Ltd.	Mme. KUN DARACHAN	#18, Street 294, PNP	(855) 18 810 579		(855) 23 27973	Construction + Education
13. KATKO Company Branch Ltd.	N/A	#69, Street 566, PNP				Investment in field of public works
14. KASEVINA Motor Company Ltd.	N/A	#3 Ea, Street 360				Investment as allowed by law.
15. Louis Berger Int'l, Inc.	Mr. James S. Myers	#55, Street 315, PNP	(855) 18 811 820		(855) 18 810 824	Route 4 Rehabilitation Project (U.S.Br.)
16. L & D Investment Int'l Inc.	Mr. DANNY CHAN	N/A	(855) 15 912 382			Investment in light industry.
17. MATTRESS Factory.	Mr. LOW SOVANIAY	Steing Meanchey	(855) 18 811 633	N/A	N/A	Produce towel & mattress
18. MERKONG RIVER INTL &	Mr. LOW SOVANIAY	Steing Meanchey	(855) 18 811 633	N/A	N/A	Foam, mattress (U.S Branch)

NAME	CONTACT	ADDRESS	MOBILE	PHONE	FAX	Business/U.S. Branch Repres.
BROKER AGE Co. Ltd						
19. Might-Spectra Knitting Factory Co. Ltd	Mr Kheng Laychay (or Called DAVID)	Bakheng village, Prek Leap, Russeykeo Dist.		(855) 23 60777	(855) 23 60778	Textile factory
20. M & V Lurti Manufacture Ltd.	Mr. SAM			(855) 23 60151	(855) 23 60151	Textile factory
21. NOGAPONA Company Ltd.	Mr. SAN SOPHY	#175, Monivong Blvd.				Export & Import, Factory + Tourism.
22. PACIFIC RIM DEVELOPMENT COMPANY LLC.	Mr. SAM C. FENNEL Mr. SOPHA Y	N/A	(855) 15 915 855			Petroleum and Oil (U.S.Branch)
23. PANORAMA INDUSTRIAL Co. Ltd	N/A	N/A				Garment (U.S Branch)
24. Potamon Cambodia Glove & Garment Manufacturing Ltd. Co	N/A	N/A				Glove (U.S Branch)
25. RAMA INN Hotel (East & West)	Mr. RATA	#17, Street 9 or #8, Samdech Lur-Ea		(855) 23 25667 (855) 23 27948	(855) 23 7265 (855) 23 27948	Hotel & Import and Export.
26. R. M. ASIA Co. Ltd and 3-M Ltd	Mr. GILLES GAEMENT Mr. KEVIN WHITCRAFT	#27, Street 134, PNP	(855) 15 911 533		(855) 23 27654	JEEP vehicles, computers, Generators, etc. (U.S Branch)
27. SITCO (USA) INC.	Mr. KHVANG CASEY TED	#300, KPC-Krom Blvd.	(855) 18 810 203		Fax: 23 66151	
28. SKD Alcohol Factory.	N/A	km/6, Russeykeo di.	(855) 15 912 333	23 22139/6667	(855) 23 26667	Printing telephone book Produce wine.
29. TWG- The Washington Group.	Mr. Robert H Kim		N/A			Investment & Import/Export (U.S.Branch)
30. TONLE THOM Restaurant	Mr. KIM HENG	3-5 km/rom Japan brid.	(855) 15 913 969			Delicious food in restaurant.
31. UNOCAL CAMBODIA-76.	Mr. SORASAK PAN	#37, Street 294, PNP	(855) 18 813 076	(855) 23 62576	(855) 23 62574	Petroleum and Oil (U.S Branch)
32. UNIVEST GROUP INC.	Mr. RICHARD L. Erleben	N/A				Trade and Services (U.S.Branch)
33. VIRGINIA American Management Co.	Mr. MARK CORRIGAN	N/A	(001)(703)3712383 (001)(703)3711073			Cement, Electricity, Tobacco, Gems (U.S.Branch.)
34. VAREL Manufacturing Company.	Mr. LIZ FRIEDRICH					Oil and Gas Business (U.S Branch)
35. WORLD TRADE CAMBODIA	Mr. LAY KIMTONG	#23, Street 208	(855) 15 911 109	(855) 23 27072	(855) 23 27871	Garment textile.

KINGDOM OF CAMBODIA
Nation Religion King

ANNEX 2

LAW
ON THE INVESTMENT
OF
THE KINGDOM OF CAMBODIA

Chapter 1
General Provisions

- Article 1.** This Law governs all investments projects made by investors who are Cambodian citizens and/or foreigners within the Kingdom of Cambodia.
- Article 2.** Investor can be either a natural person or a legal entity.

Chapter 2
The Council for the Development of Cambodia

- Article 3.** The Council for the Development of Cambodia is the sole and one-stop service organization responsible for the rehabilitation, development and investment activities. The Council for the Development of Cambodia is the Royal Government's headquarter responsible for the evaluation and the decision making on all rehabilitation and development, and investment project activities.
- Article 4.** The Council for the Development of Cambodia comprises the following two executive Boards:
1. The Cambodian Rehabilitation and Development Board
 2. The Cambodian Investment Board
- Article 5.** The organization and functioning of the Council for the Development of Cambodia shall be mentioned by Sub-Decree.

Chapter 3
Investment Procedures

- Article 6.** Investors have to submit investment applications to the Council for the Development of Cambodia for review and decision.

Article 7. The Council for the Development of Cambodia shall provide a response as to its decision to all investors/applicants within a period of forty five (45) days maximum following the date of submission of the complete investment application.

Any Government officials who, without proper justification, refuse to review and respond to investors' application past the above mentioned period of time shall be punished by law.

Chapter 4 Investment Guarantees

Article 8. Investors shall be treated in a non-discriminatory manner as set by law, except for ownership of land as set forth in the Constitution of the Kingdom of Cambodia.

Article 9. The Royal Government shall not undertake nationalization policy which shall adversely affect private properties of investors in the Kingdom of Cambodia.

Article 10. The Royal Government shall not impose price control on the products or services of investors who have received prior approval from the Government.

Article 11. In accordance with the relevant laws and regulations issued and published to the public by the National Bank of Cambodia, the Royal Government shall permit investors to purchase foreign currencies through the banking system and to remit abroad these currencies for the discharge of financial obligations incurred in connection with their investments. This concerns the following payments:

- (1) Payment for imports and repayment of principal and interest on international loans.
- (2) Payment of royalties and management fees;
- (3) Remittance of profits;
- (4) Repatriation of invested capital in compliance with Chapter 8.

Chapter 5 Investment incentives

Article 12. The Royal Government shall make available incentives to encourage investments in such important fields as :

- (1) Pioneer and/or high technology industries,
- (2) Job creation,
- (3) Export-oriented,
- (4) Tourism industry,
- (5) Agro-industry and Transformation industry,
- (6) Physical infrastructure and energy,
- (7) Provincial and rural development,
- (8) Environmental protection, and
- (9) Investments in Special Promotion Zone (SPZ) as shall be created by law.

Article 13. Incentives shall include the exemption, in whole or in part, of duties and taxes.

Article 14. Incentives shall consist of the following:

- (1) A corporate tax rate of 9% except for the exploration and exploitation of natural resources, timber, oil, mines, gold, and precious stones which shall be set in separate laws.
- (2) A corporate tax exemption of up to 8 years depending on the characteristics of the project and the priority of the government which shall be mentioned in a Sub-Decree. Corporate tax exemption shall take effect beginning from the year the project derives its first profit. A 5-year loss-carried forward shall be allowed. In the event the profits are being reinvested in the country, such profits shall be exempted from all corporate tax.
- (3) Non-taxation on the distribution of dividends or profits or proceeds of investments, whether they will be transferred abroad or distributed in the country.
- (4) 100% import duties exemption on construction materials, means of production, equipments, intermediate goods, raw materials and spare parts used by :
 - a. An export-oriented project with a minimum of 80% of the production set apart for export, and
 - b. Located in a designated Special Promotion Zone (SPZ) listed in a development priority list issued by the Council;
 - c. Tourism industry
 - d. Labour-intensive industry, transformation industry, agro-industry,

e. Physical Infrastructure and energy industry

These 100% exemption of duties and taxes mentioned above shall be in effect according to the terms of the agreement or requirement book of the investment projects which will produce goods for export in minimum of 80% of total production as stipulated in the above point (4) a and for the investment projects which will be located in Special promotion Zone (SPZ) as in (4) b.

Beside the investment projects mentioned in the above points (4) a and (4) b the 100% exemption of duties and taxes shall only be authorized for an arrangement of construction period of enterprises, factories, building and the first year of operation of business production.

- (5) 100% exemption of export tax, if any;
- (6) The permission to bring into the Kingdom of Cambodia foreign nationals who are:
 - Management personnel and experts
 - Technical personnel
 - Skilled workers
 - Spouses and dependents of the above persons as authorized by the Council for Development of Cambodia and in compliance with the immigration and labour law.

Article 15. The approval and incentives granted by the Council for Development of Cambodia shall not be transferable or assigned to any third parties.

Chapter 6 Land Ownership And Use

Article 16. In accordance with the Constitution and relevant laws and regulations pertaining to the ownership and use of land:

- (1) Ownership of land for the purpose of carrying on promoted investment activities shall be vested only in natural persons or in legal entities holding Cambodian citizenship. Legal entity holding Cambodian citizenship is the legal entity in which more than 51% of the shares are owned by natural persons or legal entities holding Cambodian citizenship.

- (2) Use of land shall be permitted to investors, including long-term leases of up to a period of 70 years, renewable upon request. Upon such use may include the right of ownership of real and personal property situated on the land as may be permitted by the law.

Chapter 7 Employment Practices

- Article 17.** Investors in the Kingdom of Cambodia shall be free to hire Cambodian nationals and foreign nationals of their choosing in compliance with the labour and immigration law.
- Article 18.** The investors shall be allowed to hire foreign employees who are listed in Article 14 (6) provided that :
- (1) The qualification and expertise are not available in the Kingdom of Cambodia among the Cambodian population. In the event of such hiring, appropriate documentation including the photocopies of the employee's passport, certificate and/or degree, and a resume shall be submitted to the Council;
 - (2) Investors shall have the obligation to provide adequate and consistent training to Cambodian employees,
 - (3) Promotion of Cambodian staff to senior positions will be made over time;
- Article 19.** Foreign employees shall be allowed to remit abroad their wages and salaries earned in the Kingdom, after payment of appropriate tax, in foreign currencies obtained through the banking system.

Chapter 8 Disputes and Dissolution

- Article 20.** Any dispute relating to a promoted investment established in the Kingdom by a Cambodian or a foreign national concerning its rights and obligations set forth in the Law shall be settled amicably as far as possible through consultation between the parties in dispute.

Should the parties failed to reach an amicable settlement within two month, the dispute shall be brought by either party for:

- conciliation before the Council which shall provide its opinion or
- refer the matter to the court of the Kingdom of Cambodia, or
- refer to any international rules to settle the disputes as mutually agreed by the parties.

- Article 21.** In the event a promoted company intend to end its activity in the Kingdom of Cambodia, it will have to inform the Council through either a registered letter or a hand delivered letter stating the reasons of such a decision, which letter shall be signed by the investors' authorized directors.
- Article 22.** In the event of a proposal for a dissolution of a company without judicial procedures, the investor shall provide proofs to the Council that the company has properly settled its potential creditors, suitors and claims from the Ministry of Economy and Finance before the investor is allowed to officially dissolve his company according to the applicable commercial law.
- Article 23.** Once the investor is allowed to officially dissolve his company either within the judicial procedures or not, the investor can transfer the remaining proceeds of its assets overseas or use them in the Kingdom of Cambodia. However, in the event that the dissolving company had used machineries and equipment which were imported duty free for less than five years, the company will have the obligations to pay the duties applicable to those machineries and equipment.

Chapter 9

Final Provisions

- Article 24.** Investments authorized under the previous "Law on Investment" of the State of Cambodia and its Sub-Decrees shall be subject to the same benefits and obligations as stated under this Law. This law is not retroactive.
- Article 25.** In the case where the promoted company violates or fails to comply with the conditions stipulated by the Council, the Council shall have the power to withdraw the rights and benefits granted to him, in whole or in part.
- Article 26.** This Law shall be promulgated immediately.

This law is adopted by the National Assembly of the Kingdom of Cambodia in Phnom Penh on August 4, 1994 during the extraordinary session of the first legislature.

Phnom Penh, August 4, 1994

Chairman

DANA ROHRBACHER
45TH DISTRICT, CALIFORNIA

WASHINGTON OFFICE:

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Congress of the United States
House of Representatives

February 23, 1995

Cambodia
COMMITTEES
SCIENCE

CHAIRMAN, SUBCOMMITTEE ON
ENERGY AND ENVIRONMENT
SUBCOMMITTEE ON SPACE

INTERNATIONAL RELATIONS
SUBCOMMITTEE ON ASIA AND THE PACIFIC
SUBCOMMITTEE ON INTERNATIONAL
ECONOMIC POLICY AND TRADE

The Honorable Philip Crane
Committee on Ways and Means
Chairman, Subcommittee on Trade
1104 Longworth House Office Building
Washington, D.C. 20515

Dear Phil:

I have been following events in Cambodia for some time. The long fight against the Khmer Rouge by the non-communist resistance brought democratic elections in the Spring of 1993. A fragile democracy has emerged which is now struggling to complete the transition from a totalitarian past to a free society. Cambodia shares the same challenges that other formerly communist countries face, but democracy in Cambodia is most threatened by economic isolation.

Next week I plan to introduce legislation calling for MFN status to be granted to Cambodia. My Bill will fall under your jurisdiction. This legislation is significant for two reasons. First, it rewards a country which has taken steps to embrace a democratic government based on the rule of law. As Americans, we need to follow-through with our rhetoric about respect for human rights, freedom of speech, etc. While the State Department and some businessmen rush to bolster their relationships with communists in Beijing and Hanoi, we have done little to acknowledge the positive developments in Phnom Penh. Second, without this legislation, the pro-freedom forces in Cambodia may not be strong enough to overcome the interests of entrenched and powerful remnants of the former regime.

I am planning a CODEL to Southeast Asia, including a stop in Phnom Penh, during the Easter break. I would like you to join me on that trip. I am also interested in having the MFN legislation passed through the House when we arrive in Phnom Penh.

This issue is not controversial. Senator McCain has already introduced similar legislation. MFN for Cambodia was never a priority for the old leadership of your Committee. This is an opportunity for us to demonstrate that our advocacy of democratic principles is sincere.

Sincerely,

Dana

April 28, 1995

Mr. Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Moseley,

I applaud your decision to request written comments on extending Unconditional Most Favored Nations (MFN) status to the democratically elected Kingdom of Cambodia. I would like to express my strong support for extending MFN status to Cambodia and urge the Committee and the Congress to expedite the legislative process as much as possible.

I fully recognize that with the many other important issues the Committee has on its agenda, to take the time to consider MFN extension to Cambodia is commendable as well as prudent. Having come to know Cambodia and the Cambodian people, in my opinion, extension of Unconditional MFN status to Cambodia is clearly in the best interest of both the United States and Cambodia. This small, yet strategically important country continues to struggle against the Khmer Rouge insurgency and deserves to have its MFN status restored, providing it equal status to almost every other non-outlaw country in the world. This, at no real cost to the U.S. government and taxpayer.

Again, Mr. Chairman, I applaud your leadership and urge swift passage of Unconditional Most Favored Nation status to the Kingdom of Cambodia.

With best wishes,

Sincerely,



Michael Sauls

Michael Sauls
342 N. St. Asaph St.
Alexandria, VA 22314

COMMENTS IN SUPPORT OF MFN EXTENSION

The Kingdom of Cambodia is a small, strategically important country in Southeast Asia struggling to rebuild itself after years of communist aggression and destruction. In May 1993, 90% of eligible Cambodians defied Khmer Rouge threats to elect a democratic government.

I firmly believe that it is in the interest of the United States to grant Most Favored Nations (MFN) to the Kingdom of Cambodia for the following reasons:

The United States officially recognizes the Kingdom of Cambodia which is also a full member in the United Nations. Before the Khmer Rouge seized control in 1975, Cambodia enjoyed MFN status which should now be reinstated following the expulsion of the Khmer Rouge from power and the subsequent free elections in 1993. To deny MFN status to this nation would be to punish the Cambodian people for the atrocities committed by the Khmer Rouge many years ago. Further, because the vast majority of nations today enjoy MFN status, to continue to deny Cambodia MFN would, in effect, group Cambodia with a handful of outlaw nations which the U.S. does not support. This, at a time when this fledgling democracy needs trade and opportunity to strengthen its economy and democratic institutions thereby destabilizing the guerilla forces of the Khmer Rouge who still, by force, control 5-10% of the population and land area.

The United States has historically supported countries which have thrown off the yoke of communism and totalitarianism. The U.S. has already contributed \$517 million to the UNTAC effort and has pledged over \$30 million in humanitarian assistance this year. Extension of MFN status will greatly support our efforts to date, costing the U.S. Government and taxpayer nothing, while allowing the Cambodians to help themselves. With MFN status, Cambodia's private sector will be able to realize its full potential creating private sector employment, thereby promoting economic and political stability for the nation. The benefits of MFN status will make a relatively dramatic difference in the lives of the Cambodian people as their per capita income is only about \$200.

Although Cambodia is a small, poor country and currently not much of a market for U.S. goods and services, MFN status will benefit both countries and our commercial interests, particularly as Cambodia seeks to join ASEAN and integrate itself into the dynamic economies of Southeast Asia. Situated between Thailand and Vietnam, with direct access to the sea, Cambodia's estimated 10 million people are destined to become an expanding market for U.S. goods and services. With \$500 million in international aid in the pipeline to rebuild the country and its infrastructure, U.S. companies will have many opportunities to participate in the rebuilding of roads, bridges, airports and power plants.

It is in the geopolitical, strategic and military interests of the United States to grant MFN status to Cambodia and help promote stability in an unstable region of the world. No one needs to be reminded of our history in IndoChina and a strong, free Cambodia could prove to be an invaluable ally to the United States in the future.

SHELBY®

April 3, 1995

Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: Cambodia

Dear Sirs:

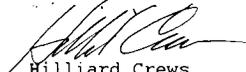
I am President of Shelby Group International, Inc. in Memphis, Tennessee. Shelby Group manufactures and imports industrial work gloves and protective clothing. Our annual sales are over \$100 million and we employ over 500 people in the United States.

In late 1994, I traveled to Cambodia to investigate the possibility of opening a factory to manufacture gloves and protective clothing. I was impressed by their government's commitment to free enterprise and human rights. I was also impressed by the Cambodian peoples' work ethic and their desire to improve living conditions.

I strongly support the extension of unconditional most-favored-nation status to Cambodia. I believe this will help Cambodia further develop a democratic government and free economy.

Best Regards,

SHELBY GROUP INTERNATIONAL, INC.



Hilliard Crews
President

**U.S.-ASEAN COUNCIL
for Business and
Technology, Inc.**

1400 L Street, N.W.
Suite 375
Washington, D.C. 20005-3509
202-289-1911
Fax: 202-289-0519

**Comments in support of the extension of unconditional
most-favored-nation treatment to Cambodia.**

April 27, 1995

The U.S.-ASEAN Council is an independent, non-profit organization that represents U.S. private sector interests in trade and investment in the region of the Association for Southeast Asian Nations (ASEAN). As Cambodia is currently an observer of ASEAN, the Council and our member companies take a particular interest in the development of the U.S.-Cambodia bilateral trade relationship. The Council fully supports the extension of unconditional most-favored-nation (MFN) treatment for Cambodia.

First, the Council supports efforts to liberalize international trade. Reducing barriers to trade, as the extension of MFN status to Cambodia would, permits greater efficiency of markets and a relative increase in economic wealth for both countries.

Second, in recent years, Cambodia has made concrete efforts to develop its economy and open it to foreign participants. In keeping with our normal trade relations with most countries, MFN status should be extended now to Cambodia to support its efforts to enter the global economy. Refusing MFN status to Cambodia at this time might give the impression that Cambodia is a economic pariah in the world community, an effect diametrically opposite to current U.S. efforts to help Cambodia and foster a positive working relationship with that country.

Third, the more Cambodia's foreign trade increases, the more foreign exchange is at its disposal to buy American products. U.S. purchases of goods from Cambodia create the wherewithal in Cambodia to buy U.S. goods and services. In turn, more jobs and greater economic activity are generated in the U.S. In the near future, Cambodia faces great needs in areas where American companies are highly competitive, in infrastructure development, for example. Fostering a positive commercial relationship with Cambodia should be a priority of U.S. policy in Southeast Asia.

Fourth, Cambodia's status as an observer within ASEAN demonstrates its interest in becoming a full participant in the dynamic economy of the region. ASEAN is one of the largest and fastest growing markets for U.S. products and services. Already the U.S. Department of Commerce has named ASEAN one of the world's "Big Emerging Markets." In light of U.S.'s foreign and commercial policy goal of improving relations with ASEAN, extension of MFN status to Cambodia now is both timely and appropriate.

Submitted by Irene Wu, Manager for Vietnam, Cambodia, and Laos, U.S.-ASEAN Council; 1400 L Street, N.W., Suite 375; Washington, D.C. 20036; tel (202) 289-1911; fax (202) 289-1911.


WVRD
WORLD VISION RELIEF & DEVELOPMENT INC
2000 WASHINGTON, DC 20005-1000
 202-544-1000 FAX 202-544-1001

April 24, 1995

The Honorable Philip M. Crane
 Chairman of the Subcommittee on Trade
 Committee on Ways and Means
 US House of Representatives
 1102 Longworth House Office Building
 Washington, DC 20515

Att: Phillip D. Moseley, Chief of Staff, Committee on Ways and Means

Dear Congressman Crane,

Your leadership is commendable in requesting written comments on extending unconditional most-favored nation treatment to Cambodia. World Vision strongly urges its support in favor of MFN for Cambodia and we applaud you for focusing the Committee's efforts in this direction.

World Vision is a Christian, Humanitarian International Relief and Development organization, one of the largest in the world, with offices in over 100 Nations. World Vision Cambodia (WVC) has been active since the early 1970's. The National Pediatric Hospital was constructed by WVC in 1973-74, with medical teams providing outreach services to the thousands of displaced people from the countryside. World Vision was forced to evacuate in 1975, but was invited back by the State of Cambodia in 1979 to start a major relief and development rehabilitation program. Food distribution, infrastructure rehabilitation, and assistance to orphanages were principal activities. The National Pediatric Hospital (NPH) was renovated and reopened to the public in 1980. For the past 15 years, an expatriate medical team has worked side by side with a Khmer counterpart.

Involvement in the health sector has been the bulk of WVC's program since 1981. During the period 1986-90, WVC's program expanded into additional sectors including rural health, agriculture, income-generation, vocational skills training, and literacy. From 1990, USAID has funded the Urban Child Health Project whose primary purpose is to expand and improve the availability of health services to children

Presently, WVC has an expatriate staff of 35 and a local Khmer staff of 220 headed by Mr. Jaisankar Sarma, Director for WVC. The FY 95 budget is nearly \$ 5 million, and growing as more projects are identified. The current strategy is to shift the WVI-C national program from a sectoral approach into an integrated community development focus in five provinces of Battambang, Kandal, Kompong Thom, Kompong Chhnang, Kompong Speu, and in Phnom Penh proper. Please note that WVC does not provide any assistance directly or indirectly to the Khmer Rouge.

A highlight of 1994 was the presentation of a Gold Medal to WVC by the Royal Cambodian Government. This, the country's highest award, was presented by First Prime Minister His Royal Highness Prince Ranariddh on September 12, 1994, in recognition of World Vision's contribution to the reconstruction of Cambodia.

As you can see, World Vision knows Cambodia intimately and has many years and hours of activity and invested in this country. We are very pleased that you have chosen to focus on MFN for Cambodia, a very important issue for this well deserving Nation. Please see the attached comments prepared by World Vision for the record.

Sincerely Yours,



Tom Getman
Director, Government Relations

**WRITTEN COMMENTS OF THOMAS GETMAN
DIRECTOR OF GOVERNMENT RELATIONS
WORLD VISION**

EXECUTIVE SUMMARY:

Extending unconditional most-favored-nation treatment to Cambodia would strongly benefit the United States by:

- Providing an opportunity for moral leadership;
- Offering leverage to exert positive influence in Cambodian policies;
- Increasing trade relations and a positive trade balance;
- Having a geo-political ally strategically located in Indochina.

POSITION:

THE UNITED STATES SHOULD EXTEND UNCONDITIONAL MOST-FAVORED-NATION TREATMENT TO CAMBODIA.

ARGUMENTS:

The country of Cambodia is today striving to rebuild after years of destruction caused by both war and communism. While all of the Indochina nations are liberalizing to some extent, Cambodia has been the most progressive in opening up both its market and its government. Extending Most Favored Nation treatment to Cambodia would help Cambodia in its attempt to forge a new, more open society in the midst of numerous obstacles. It would also benefit the United States, which has a keen interest in expanding trade around the world and in increasing global stability.

In the 1970s Cambodia suffered immensely under Pol Pot and the Khmer Rouge. The Khmer Rouge killed between one and three million people. Then in 1978, Vietnam invaded Cambodia. By the late 1980s no country in Indochina had its physical and economic infrastructure in worst condition than Cambodia. The economic, cultural and environmental destruction was so deep and widespread that the future of Cambodia held very little promise.

In October 1991, however, more promising events began to occur. "Agreements on a Comprehensive Political Settlement in Cambodia" was signed by nineteen nations and the four warring Khmer factions. The United Nations Transitional Authority in Cambodia (UNTAC) became responsible for the transition from a nation torn by civil war to one governed by a single, free government. Less than two years later in May 1993, free elections were held under UNTAC supervision, resulting in the formation of a coalition government creating democratic governance in Cambodia.

- Given the devastation in Cambodia in the 1970's and 80's, the road to real stability and prosperity remains an uphill climb, a climb that the United States can make easier for Cambodia by extending MFN treatment. There is a moral benefit to the United States in extending MFN treatment to Cambodia. Cambodia is a country that needs assistance; the United States is a country capable of providing that assistance. Extending MFN, besides being an economic and political tool in U.S. policy, could also be considered, in a sense, a tool of U.S. moral leadership. As Cambodia forges a democracy and a market economy, it continues to be fraught with difficulties. If the U.S. establishes mutually beneficial trade relations, then there would be doors of opportunity open to influence Cambodian policies regarding human rights, corruption in the military and government, repression of free press, etc., that are threatening this fragile democracy. Not extending MFN to Cambodia is, in a sense, treating Cambodia like an enemy, putting it in the same category with Libya, Cuba, or North Korea.
- Cambodia has begun to decentralize and privatize its economy in an effort to adhere to more free market principles. Extending MFN status would not only be a fair reward to Cambodia for its strong moves toward a free market

economy, it would also assist economically by making trade easier between the U.S. and Cambodia. Current tariffs make it difficult for Cambodia to either import or export goods to the United States. The U.S. would reap the economic and political benefits of open trade relations and a positive trade balance: our exports entering a new market with potentially rapid growth. Extending MFN to Cambodia would cost the United States little and could yield high returns.

- Extending MFN to Cambodia will make the Cambodian market more accessible to U.S. products. While Cambodia is a country of only 10 million people and could thus be considered a small market, it is important to remember that any increase in the export of U.S. goods benefits the United States by creating more jobs for American citizens. Every \$1 billion in exports means 20,000 new jobs for Americans. As Cambodia continues to rebuild and develop its infrastructure it will need to import the machinery and equipment necessary for many of its roads, bridges, and buildings to be repaired and constructed.

- The geopolitics of the Indochina region and the strategic location of Cambodia is relevant to US foreign policy. Assisting in the development of democracy in previously authoritarian nations has always been an interest of the United States. In Cambodia, the people have gone to the ballot box despite the threats of violence against them because they desire freedom from fear and oppression. It is in the strategic interest of the United States to assist in building a stronger Cambodia so that it can be a source of stability in a relatively unstable region. US strategic interests and our ability to collaborate with Cambodia on critical international issues would be strengthened. Helping Cambodia, particularly by extending MFN treatment to it, may provide us with an ally in the uncertain world of tomorrow. History proves development leads to greater stability.

Much of Cambodia's recent history is full of destruction and despair. But the 1990s have, so far, brought previously unimagined signs of hope as Cambodia is currently implementing systemic economic reforms allowing market forces to determine economic activity and emphasizing privatization and decentralization. In addition, the government is striving towards sound economic planning and development. There is a desire among the people to rebuild their country.

Strengthening economic ties with Cambodia could build a relationship between our two nations that has long term benefits for the United States. World Vision urges the Congress to recognize that it is in the interests of both countries to extend Most Favored Nation treatment to Cambodia.

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
 April 19, 1995
 No. TR-7

CONTACT: (202) 225-6649

CRANE ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON THE EXTENSION OF UNCONDITIONAL MOST-FAVORED-NATION TREATMENT TO BULGARIA

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee is requesting written public comments from all parties interested in the extension of unconditional most-favored-nation treatment to Bulgaria.

BACKGROUND:

On June 25, 1991, President Bush extended most-favored-nation treatment to the products of Bulgaria, subject to the provisions contained in the Jackson-Vanik amendment to Title IV of the Trade Act of 1974. Since then, the extension has been renewed each year after the President has found Bulgaria to be in full compliance with the conditions stipulated in U.S. law. At present, Bulgaria is in the process of acceding to the World Trade Organization.

Since the initial extension of most-favored-nation treatment to Bulgaria, trade between the United States and Bulgaria has increased. From 1991 to 1994, two-way trade between the countries rose from \$199 million to \$322 million. In 1994, U.S. exports to Bulgaria totaled \$110 million, while imports from Bulgaria were valued at \$212 million.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies, with their address and date of request noted, by the close of business, Thursday, May 11, 1995, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Bulgaria-U.S. Trade and Economic Council



Chamber of Commerce
of the United States
1615 H Street, N.W.
Washington, D. C. 20062-2000

International Division

(202) 463-5482
Telex: RCA 248302
Fax: (202) 463-3114

May 15, 1995

Caresbac
Caterpillar Overseas
Coca-Cola ECE
Curtis Instruments
Dodge International
Dow Chemical
Eli Lilly
Honeywell
Laporte
PepsiCo Wines & Spirits
Planisco
Royal Gold
Socotab
Taney International

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
The United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Bulgaria-U.S. Working Group at the Chamber of Commerce of the United States is a leading association of American companies with trade and investment interests in Bulgaria. The Working Group is the successor to the Bulgaria-U.S. Trade and Economic Council, established twenty years ago as an information and advocacy body whose main goal has been protection and promotion of U.S. business interests in Bulgaria.

We firmly believe that an unconditional extension of MFN treatment to Bulgaria is necessary for economic reasons and fully justified on political and human rights grounds. Since the beginning of the market transition in Bulgaria, the members of the Bulgaria-U.S. Working Group have been closely watching the economic and political developments in the country. We are keenly interested in the growth of the Bulgarian market for U.S. goods and services. As an export-driven economy, Bulgaria can only develop its market through free trade. This is clearly understood in Bulgaria where successive governments have been working for fast-track accession to the World Trade Organization which will further open Bulgaria's market for American exports.

Bulgaria is undertaking steps to make its market more attractive to American exporters and investors. Bulgaria's record on the protection of intellectual property rights provides a recent example of the country's commitment to market economic reform. Subsequent to President Zhelev's visit to the United States in February 1995 and the open discussions he and members of Prime Minister Videnov's government had with representatives of the American government and business community, including the U.S. Chamber of Commerce, Bulgaria pledged to strengthen the protection of foreign intellectual property rights. These pledges have been kept. The

Bulgarian government was recently commended by the United States Trade Representative for effective enforcement of its IP commitments.

At the same time, Bulgaria has been losing its traditional export markets as a consequence of the collapse of the Comecon trading bloc and the restrictions on trade with the republics of the former Yugoslavia. Despite these external difficulties, Bulgaria's economy appears to have bottomed out in 1994. An extension of MFN status for Bulgaria will be crucial for sustaining this growth and ensuring the continuation of market reforms in the country.

Bulgaria's recent human rights record justifies the extension of unconditional MFN treatment to Bulgaria. We are not aware of any policies or practices of Bulgarian authorities that would run afoul of the language or spirit of the Jackson-Vanik Amendment to Title IV of the Trade Act of 1974. President Zhelev, who proudly holds honorary degrees from the Universities of Tel-Aviv and Ankara, is well recognized as an advocate of human rights. The government of Prime Minister Videnov has been consistent in developing its domestic and foreign policies to the West European Union, NATO and European Union accession.

Bulgaria is on a steady course of transition to a fully-fledged market economy with democratic political institutions. Regular reviews of Bulgaria's eligibility for MFN treatment create unnecessary restraints on and uncertainties about U.S.-Bulgarian trade that benefits both countries. The Bulgarian-U.S. Working Group strongly urges your Committee to recommend the extension of unconditional MFN treatment to Bulgarian.

I am attaching a separate letter from one of our members, PlanEcon, Inc. Please do not hesitate to contact me or members of the Working Group with any questions or comments.

Sincerely yours,



Gary Litman
Executive Director
Bulgaria-U.S. Working Group

Attachment

PlanEcon, Inc.

*Investment Advisory Services,
Market Research, and Economic Assessments of
Eastern Europe and the Former Soviet Republics*

May 15, 1995

Mr. Phillip D. Moseley
Chief of Staff
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Moseley:

I am writing at the request of Gary Litman, Executive Director of the U.S. Chamber of Commerce Bulgaria-U.S. Working Group in support of the extension of unconditional most-favored-nation status to Bulgaria.

PlanEcon, Inc. is an economic research and consulting firm which specializes in the economies of Central and Eastern Europe and the Newly Independent States. In conjunction with our subsidiaries PlanEcon Capital Group, Inc. and PlanEcon Europe Ltd., we offer a comprehensive approach to investing in this region of the world, including strategic consulting, financial evaluations and market studies.

For the past three years PlanEcon has maintained an office in Sofia, Bulgaria which is managed by Georgi Stoev, a PhD Economist and Bulgarian native. During this period we have worked extensively in Bulgaria on behalf of Western clients, the EC PHARE program, and the Bulgarian Government. These projects ranged from a policy study of the Bulgarian energy sector to a valuation of the Bulgarian freeway system.

In addition to performing consulting assignments in Bulgaria, we also provide comprehensive analysis and forecasts on the Bulgarian economy. The Bulgarian economy has progressed in a series of fits and starts over the past few years. Estimated GDP growth of 2.8 percent in 1994 will mark the first annual rise in aggregate output since 1988. In 1993, Bulgarian GDP declined by 4.2 percent.

In elections last December the Bulgarian Socialist Party (BSP) under the direction of Zhan Videnov won a clear majority in Parliament. The party appealed to voters by promising a return to a more orderly state of affairs and the economic security that characterized the communist past. This combined with the ambivalence of the BSP toward expansion of Bulgaria's private sector activities raise concerns that economic reforms will continue to stall.

On the other hand, many of Videnov's choices for key government posts in charge of economic affairs are promising. The choice of Rumen Gechev, a reform-minded economist intent on expanding markets for Bulgarian producers at home and abroad, as Minister of Economic Development is a positive development. In addition, Dimitar Kostov, chosen as Minister of Finance, will draw upon past experience cooperating with international financial institutions and constructing austere budgets. In short, these two policy makers offer hope for rational economic policy in 1995.

In terms of the Bulgarian private sector, the bulk of activity has been concentrated in the retail and entrepreneurial area. This sector, which often is not reflected in official statistics, got off to a strong start in 1991 and continues to thrive, despite widespread problems with the local bureaucracy. Although large scale privatization has been virtually non-existent to date, plans for a mass privatization program in late 1995 are progressing.

Open access to US markets is an important contributor to Bulgaria's progress to a healthy market economy. Trade between the two countries grew significantly between the years of 1990-1993, despite a dramatic downturn in the Bulgarian economy. Extension of MFN and GSP status would greatly aid Bulgaria's ability to recover now that the economy is experiencing positive growth. We forecast 5 percent annual growth rates for the Bulgarian economy for the period 1995-1999.

In addition, foreign investment in Bulgaria, which has been slow to date, appears to be picking up as several US manufacturers re-assess Bulgaria's potential market and low-wage labor resources. Several US automotive manufacturers have found Bulgaria's market small yet promising.

In closing, I strongly urge the Ways and Means Committee to recommend an extension of MFN and GSP status to Bulgaria. Please do not hesitate to contact me if you have questions or need additional information.

Sincerely,



Paul M. Hunt
Senior Associate

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