

# Bloomberg

## Pol Pot Victims From Killing Fields Plan Resorts by Angkor Wat

*By Yoolim Lee and Netty Ismail  
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Kith Meng grew up in Australia as an orphan and a refugee from Cambodia's genocide. He tells of washing dishes and mowing lawns to make ends meet while living in Canberra. Being a poor outsider made him stronger, he says, and unusually driven.

Back in Cambodia since 1991, Kith Meng, 39, has built his Royal Group into an empire that owns Cambodia's biggest mobile phone company and television network and is developing a \$2 billion resort and casino on a fishermen's island on Cambodia's coast. The country's most successful businessman, he supports Prime Minister [Hun Sen](#) and benefits from his ties to the government, which granted the 99-year lease on the island for his resort. Kith Meng is a Neak Oknha, an honor the royal family confers on a few of the wealthiest members of society.

Black-and-white photographs of Kith Meng's parents adorn one wall of his office in the capital city of Phnom Penh. They starved to death during [Pol Pot](#)'s reign, when Cambodia's fertile countryside became the [killing fields](#) -- two victims among the 1.7 million, or 20 percent of the population, who perished. Kith Meng fled the terror, first to a refugee camp in Thailand and then, in 1981, to Australia. "Suffering is my mentor," he says.

Thousands of former refugees, with their own harrowing stories, have returned to Cambodia, and now investors hoping to profit in the next frontier market -- a term Standard & Poor's coined for economies smaller or less developed than traditional emerging markets -- are coming to the country, too.

### 'Discovery Story'

The entrepreneurial drive and technical skills the returnees bring with them from overseas are breathing life into the [economy](#). Three decades after Pol Pot exterminated the country's educated classes and emptied its cities, Cambodia's gross domestic product is just \$8 billion a year.

Political and business leaders are grappling with poverty, inadequate health care, poor education and a lack of roads in this nation of 14 million. Corruption is slowing progress, says [Joseph Mussomeli](#), the U.S. ambassador.

"The trick with a frontier market is getting the timing right," says [Douglas Clayton](#), who founded Leopard Cambodia Fund LP last year and is raising \$100 million to invest in real estate, banking and agribusiness. "Cambodia is really a discovery story -- and it's being discovered."

Cambodia grew 9.5 percent a year from 2000 to '07, the fastest pace in Asia after China, which expanded 9.9 percent a year. Political stability under the administration of Hun Sen,

56, has helped the Cambodian economy take off, says [Bretton Sciaroni](#), chairman of the American Cambodian Business Council in Phnom Penh.

## Hun Sen

Hun Sen has run the country since 1985. He came to prominence as a communist while the Vietnamese occupied the country, having pushed Pol Pot's Khmer Rouge from the capital. He strengthened his grip with a landslide victory for his Cambodian People's Party in July's parliamentary elections. An opposition leader has alleged manipulation of voter rolls, and the royalist party that shared power in the 1990s has been reduced to two seats in the legislature.

Clothing exports and tourism have buoyed the tiny economy, though the revenue of any of the world's 500 largest companies would still dwarf Cambodia's annual economic output.

A 1994 law to open the country to foreign investors has encouraged some to put money in. Approved foreign direct investment rose to a record \$4.4 billion in 2006, according to the Cambodian Investment Board. Investors can own 100 percent of a company, and they face no restrictions on taking money in and out of the country -- in contrast to China or Vietnam.

## First KFC

From 1994 to 2007, foreign exchange reserves expanded 16-fold to \$1.6 billion. Cambodia is scheduled to open its first stock and corporate bond markets by the end of 2009.

Global companies have opened offices in Phnom Penh, encouraged by the robust economic growth -- and by the prospects of oil and gas development following a discovery off Cambodia's coast in 2005 by Chevron Corp. They include power-turbine maker [General Electric Co.](#), Microsoft Corp. and London-based Knight Frank LLP, a property consultant. Kith Meng has brought Phnom Penh a KFC chicken restaurant, the nation's first foreign fast-food chain.

Government revenue from [Chevron's](#) planned project could reach \$1.7 billion when peak production is reached in 2021, an International Monetary Fund report said last year.

``The significant oil discovery by Chevron really was the one that pushed me over the edge," says [Stuart Dean](#), president for Southeast Asia at GE, which also provides aircraft leasing, water treatment and health-care services. The company may invest in health-care and energy projects, Dean says. Today in Cambodia, electricity costs three times as much as in Thailand.

## Outdated Views

Still, the business council's Sciaroni, a former lawyer at the White House under President [Ronald Reagan](#), says perceptions of Cambodia have not caught up to the changes. In May, a U.S. State Department official inquired on behalf of an executive if it would be safe to visit Siem Reap, home to Angkor Wat, the five-towered archaeological wonder. ``He wanted to know about bandits and land mines," he says. ``I said this is ancient history."

If Cambodia is about to take off on the same trajectory as Vietnam to its east or Thailand on its western border, the time to get in is now, says Robert Ash, a former executive at the asset management arm of insurer American International Group Inc. ``Where the perceived risks

are greater than actual risks, investment opportunities are the result," Ash says. "Such is the case of Cambodia."

Investors familiar with Thailand and Vietnam have been among the first to spot the changes taking place in Cambodia. "In the past, when you went to a dinner party here, everybody would be talking about politics," says Leopard's Clayton, 47, who used to run the Thailand office of CLSA Securities, a Hong Kong-based brokerage. "Last year, when I came, nobody was talking about politics. Everyone was talking about property, investments, deals, like everywhere else in the world."

#### Frontier Market

Besides Leopard, at least two other private equity funds have been established to capitalize on Cambodia as a [frontier market](#). Cambodia is outpacing Asia's other frontier markets in Bangladesh, Laos, Mongolia and Myanmar, says Clayton. Cambodia is represented by just one company in the [S&P/IFCG Extended Frontier 150 Index](#).

[Marvin Yeo](#) and Kim-Song Tan, co-founders of Phnom Penh-based Cambodia Investment & Development Fund, say they noticed the buzz when they visited the capital city in May 2007 to deliver speeches to senior government officials on how to develop capital markets.

Indeed, the streets of Phnom Penh are filled with traffic and roadside vendors who sell everything from motorbikes and household goods to tropical fruits and local snacks. Multistory office buildings, residential towers and bridges are under construction. From 2004 to '07, the number of cars in Cambodia doubled to 200,000, according to figures from the Ministry of Public Works and Transport.

#### Rogers, Faber

Yeo and Tan are raising \$250 million for their private equity fund. They brought in Ash, the former AIG executive, as an adviser, along with [Jim Rogers](#), a former hedge fund manager who predicted the start of the commodities boom in 1999.

Rogers, who has circled the world by motorcycle in search of investment ideas and now mostly invests his own money, says he was surprised by Cambodia's progress. "It's got a lot of great things going for it," he says. [Marc Faber](#), an investor who forecast a bust in Asia before the region's financial crisis in 1997, is also an adviser.

"Cambodia is Vietnam 8 to 10 years ago and Thailand 20 years ago," says Yeo, a former financing specialist at the Manila-based Asian Development Bank. He says the boom will move fast in Cambodia, because it's a smaller country than Thailand or Vietnam and has more pro-business policies. "You can expect to see very time-compressed growth in Cambodia," he says.

#### Following Vietnam

Vietnam, with six times as many people as Cambodia, may be the model -- and the cautionary tale. The [benchmark index](#) for Vietnam's Ho Chi Minh Stock Exchange surged almost fivefold in two years to a peak on March 12, 2007. By June of this year, it had lost more than two-thirds of its peak value.

Investors face many hurdles in Cambodia -- not just the risk of getting in late. In a report this year, the World Bank and International Finance Corp. ranked Cambodia 145th out of 178 countries as a place to do business. The assessment weighed criteria such as how difficult it is to register property, secure credit or move goods across borders.

In [Transparency International's](#) 2007 survey of perceptions about corruption, the Berlin-based watchdog group put Cambodia among the world's worst, ranking it 162nd among 180 countries.

“The rule of law needs to be more central to Cambodian society and business,” Ambassador Mussomeli said in a speech to mark the opening of an aluminum can factory in Phnom Penh in December by an affiliate of [Crown Holdings Inc.](#), the U.S.-based packaging manufacturer. “Cambodia will lose a great many of its potential investors if it does not fiercely combat corruption,” said Mussomeli, who is scheduled to leave his post at the end of August.

‘Shortcuts’

As much as \$500 million a year is diverted from government coffers, the U.S. Agency for International Development estimated in 2004 in its most recent report on the issue.

John Brinsden, vice chairman of Acleda Bank, Cambodia's biggest bank, says the country's attitude toward business is laissez-faire. “You are apt to get a few people who're going to take shortcuts all over the place,” he says.

Kith Meng, the country's most prominent business leader, has a gap in his resume. A chamber of commerce biography says he earned his “B.S. Economics & Political Science at the Australian National University” in Canberra. He repeated this piece of his biography in an interview.

“The Australian National University is unable to find any record of Kith Meng ever attending or graduating,” [Jane O'Dwyer](#), a spokeswoman for the school, said in an e-mail. In addition, the degree he describes is not offered, she said.

NagaCorp

After being told of the discrepancy, Kith Meng said he attended the school for two years and didn't graduate. “What year, I can't recall,” he said.

“Newly emerging and developing markets like Cambodia do tend to attract entrepreneurs of all shapes and sizes,” Brinsden says. He declines to comment on Kith Meng.

[NagaCorp Ltd.](#), a gaming company that has a government-granted monopoly on casinos in Phnom Penh, initially failed to list its shares on stock exchanges in Hong Kong and Singapore. The exchanges said internal money-laundering controls were inadequate. NagaCorp managed to list its shares in Hong Kong in 2006 after working with U.S. consultants to develop better practices. It's the only publicly traded Cambodian company.

“After that experience, we gathered much more capability and credibility,” said Malaysian tycoon [Chen Lip Keong](#), who owns 62 percent of NagaCorp.

## Business Meeting

Hun Sen hasn't passed an anti-corruption law, despite pledging in 2003 to push it through the assembly. The leader says he wants to diversify the economy to reduce its dependence on textiles and tourism. Clothing and other manufacturing account for 26 percent of the country's GDP, agriculture makes up 31 percent and tourism and other services 43 percent.

Every six months, Hun Sen sits down with top executives from the private sector to find ways to eliminate obstacles to doing business in the country. The meeting is broadcast nationwide. Its decisions immediately get addressed with legislation.

Crown's can factory got built partly because the government was quick to react to the company's concerns. In 2005, Crown was hesitating because of Cambodia's 7 percent import tariff on raw aluminum compared with 1 percent or no tariff in most countries. Company representatives met with Commerce Minister [Cham Prasidh](#) and Economy and Finance Minister [Keat Chhon](#). Soon after, the government scrapped the tariff.

The company opened its Phnom Penh factory last year. "You have to listen to the private sector," Cham Prasidh, 57, says.

## Genocide Survivor

During the Khmer Rouge genocide, Cham Prasidh survived by disguising his identity and education. He told the Khmer Rouge he was blind and was given the task of burying hundreds of bodies of those who were executed or killed by disease or starvation. Cham Prasidh says he lost 74 members of his family, including his father, a parliament member who was executed; only his younger sister and brother survived.

Pol Pot and the Khmer Rouge rose to power in the chaos that engulfed Indochina during the Vietnam War in the late 1960s and early '70s. As fighting spilled across the border and the U.S. Air Force bombed inside Cambodia, the Khmer Rouge gained strength in remote mountainous areas.

General [Lon Nol](#), in a coup in 1970, ousted [Prince Norodom Sihanouk](#) and overthrew the constitutional monarchy. By 1975, the Khmer Rouge reached Phnom Penh and toppled Lon Nol. Paris-educated Saloth Sar, who later took the name Pol Pot, renamed the country Democratic Kampuchea and declared it was Year Zero, according to [David Chandler's](#) book *The Tragedy of Cambodian History* (Yale University Press, 1991).

## Year Zero

The Khmer Rouge set about creating a purely agricultural society. Money, markets and private property were abolished. Schools, universities and monasteries were closed. Tens of thousands of professionals were executed and many more citizens died of starvation and disease.

In the [Tuol Sleng](#) Genocide Museum in Phnom Penh, black-and-white portrait photos of thousands of genocide victims fill the walls. The museum is in a former high school where the Khmer Rouge imprisoned, tortured and killed an estimated 17,000 people.

In late December 1978, Vietnamese forces invaded Cambodia. They captured Phnom Penh on Jan. 7, 1979. The Khmer Rouge fled to near the Thai border, where Pol Pot lived until his death in a jungle hideout in 1998.

Hun Sen is a former Khmer Rouge officer -- he lost an eye while fighting as a guerilla. He fled to Vietnam in 1977. By 1979, he was back. At the age of 26, he became minister of foreign affairs in the Vietnamese-backed government. On the strength of his ambition, bureaucratic skills and loyalty to the Vietnamese, Hun Sen rose to prime minister by 1985.

Peace

The Vietnamese remained in the country and fought the Khmer Rouge through the 1980s. A peace settlement signed in Paris in 1991, restoring the royal family and setting the country on a path to elections, finally allowed Cambodia to begin rebuilding.

Cham Prasidh is one of Hun Sen's longest-serving government colleagues. He returned to Phnom Penh from the rural areas a year after the defeat of the Khmer Rouge. He joined the foreign affairs ministry and within three months became Hun Sen's private secretary.

The violence of Pol Pot's time, and the uncertain years that followed, have left the country to this day without the factories, roads and bridges needed to make and move basic supplies.

'Country Needs Everything'

"Other than bricks, we have to import pretty much everything," says [Jung Myung Sik](#), a representative of South Korea's World City Co., which is constructing a \$2 billion complex called Camko City near Boeung Kak Lake, a 20-minute drive from Phnom Penh's central district. Camko City, modeled on a successful satellite city outside Seoul, will include the planned stock exchange, residential and commercial buildings, three schools and a medical center.

"This country needs everything -- electricity, steel, cement, broadband, bookstores," Jung says. "This is a big challenge for us. The situation can only improve in time."

Khaou Phallaboth, who returned to Cambodia in 1991, is among those trying to create the industry the country needs. He spent some of his 20 years as a refugee in Paris and Brussels as a Buddhist monk and an artist.

He and his father, Khaou Chuly, have rebuilt the family construction business decimated by the Khmer Rouge. Khaou Chuly Group has set up a venture with [Siam Cement Pcl](#), Thailand's biggest cement producer, to make 1 million tons of cement a year. Khaou Phallaboth, now 47, plans to triple capacity to meet the country's demand of 3 million tons.

50 Cents a Day

He also plans to expand into agribusiness, securing land to grow rice and rubber. He is in talks to form a venture with Clermont-Ferrand, France-based [Michelin & Cie.](#), the world's second-largest tiremaker, to export the rubber. Known to friends as "Peck," Khaou Phallaboth has, like Kith Meng, been proclaimed an Oknha, which means lord in the Khmer language.

A third of the country's people still live on less than 50 cents a day. Eighty percent live in rural areas, and 60 percent of the population is younger than age 20.

Just eight kilometers (five miles) southwest of Phnom Penh, some 800 families live in shacks built on bamboo stilts above a vast garbage dump. Barefoot children, some abandoned by their parents, pick garbage to survive.

Today, former refugees who have seen wrenching hardships of their own run Cambodia's economy. They're spurring growth -- and creating a measure of glamour -- in this still-impoverished land.

Kith Meng owns a hotel on the banks of the Mekong River in Phnom Penh and is planning a boutique resort with India's Oberoi Group near Angkor Wat.

### Island Resort

In his office overlooking the Royal Palace in one direction and Cambodia's first shopping mall in another, he flips through a 20-page document that outlines his island resort-casino plan, which will take more than a decade to complete. He declines to say how much Royal Group is paying the government for the island lease. He says Cambodia is still hungry for investment and expansion. "Every sector of the economy will drive growth," he says.

Public Works and Transport Minister Chanthol Sun, 52, is another former refugee lured back by the chance to play a role in transforming his country. He lost his mother and a brother when the Khmer Rouge drove the population out of the cities. The rest of the family managed to escape to a refugee camp in Thailand. He had been sent to the U.S. in 1973, escaping the violence with a one-way airplane ticket and \$50 in his pocket.

After earning a master's degree in public administration at Harvard University's Kennedy School of Government in Cambridge, Massachusetts, he went to work at GE. Then came a call for help that Chanthol Sun decided he couldn't turn down. The Cambodian government asked him to set up a Cambodia development council, and he came back in 1994 to the country of his birth.

"When I worked at GE, I worked hard for the shareholders, but who are they?" he says. "Here, my shareholders are men, women and children in the streets I see every day."