

# Cambodia New Vision

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**Samdech HUN SEN: "... Cambodia is endowed with great potentials... to expand production and create employment..."**

Address to the National Conference on Human Resource Development

On December 21, 1999, at the Inter-Continental Hotel, Samdech Prime Minister Hun Sen delivered the following speech to the Government-Private Sector Forum.



It is a great honor and pleasure for me, as the Head of Government and Chairman of the Council for the Development of Cambodia (CDC), to preside over the meeting of the Government-Private Sector Forum today. It is the first time that a Prime Minister, members and senior officials of the Royal Government of Cambodia (RGC) have met the representatives of the private sector at this open forum. The government has always considered the private sector as an engine of growth and its main development partner. Today's meeting is organized to highlight this private sector's role and strengthen our traditional partnership. In this sense, I am confident that today's forum will provide the private sector with golden opportunity to share with the government its concerns and constraints in doing the business and undertaking investment in Cambodia. It is also a rare opportunity for the government to learn from and have direct contact with the private sector, so that it will be able to develop appropriate measures aimed at promoting private sector development and improving the environment for attracting business and investment in the Kingdom of Cambodia.

pressing issues, impediments and concerns during a one-morning meeting, and actually, this is not the objective of this meeting. The CDC is open to welcome any investor who wishes to discuss or explore measures to facilitate or address his/her requests and concerns within the framework of the existing laws and regulations. Our main objectives this morning are to initiate a dialogue and exchange of views between the RGC and the private sector in order to touch upon the sensitive points, which are critical to ameliorating the overall environment for investment affecting all business people and investors in Cambodia.

To this end, in today's presentation, I would like to focus on the government efforts and achievements in establishing a favorable environment for investment. I believe that as leading business people in Cambodia

*(Continued on page 2)*

On December 23, 1999, at the Royal National Academy of Cambodia, Samdech Hun Sen delivered an extensive address which CNV re-publishes as follows:

It is a great honor and pleasure for me to attend the National Conference on *Human Resource Development: Balance and Vision*, which is being held during the next two days.

I would like to express my sincere appreciation to the Royal Academy for organizing this seminar, while efforts are being deployed by the academy to build up administrative, scientific, spiritual and material capacity with the view to inaugurating its headquarters in January 2000.

This conference on human resource development is of great significance, since it is a timely response to the immediate needs and requirements of Cambodia and helps the country to bring about poverty alleviation and sustainable development.

I am confident that the presentations by all our tertiary education institutions and the brainstorming on each topic will become a comprehensive database, information and a strong foundation for the development of a vision for the development of the national intellectual force.

This force will play a key role in building up Cambodia comparative

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Indeed we don't have time to cover everything or to address all the

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dia, you are mostly interested in this issue. I also hope that after my short presentation, representatives of investors and business people will take the floor and share with the government their views and recommendations aimed at facilitating their business activities in Cambodia.

While the new government was about to be established, as Prime Minister elect, I had outlined priority areas of the Government's policies and plans of action for a new term of office. I called this policy the Government's "Triangle Strategy". This policy platform is structured in a strategic triangle consisting of three key areas of government business, which I have outlined already many times both within and outside Cambodia. Allow me to share with you once again a short summary of this strategy.

The first side of this strategic triangle is building peace, restoring stability and maintaining security for the nation and people. This is the Royal Government's top priority and a life-and-death issue for the country's development. During a relatively short period of its new term, the Royal Government, through its "win-win" policy, managed to dismantle the political and military organization of the Khmer Rouge. This is crucial to the restoration of peace and stability for Cambodia and Cambodians, which is the prerequisite to sustainable development. Security and social order in the country have been boosted and improved from day to day. During the last few months, concrete actions have been taken, as a matter of urgency, by the RGC to maintain and further enhance these achievements. The guarantee of the right and freedom of expression, as well as immediate measures successfully implemented to crack down on murder, kidnapping, armed robberies, the recently imposed ban on the use

of weapons and the confiscation of tens of thousands of illegal weapons, especially tough measures taken recently to clean up and strengthen the courts, reflect the endeavors and the resolve of the RGC to protect human rights, promote democracy, strengthen security and social order and establish a favorable environment for promoting economic growth and fostering investment.

The second side of our strategic triangle is Cambodia's integration into the region and normalization of our relationships with the international community. This will allow Cambodia to attract more foreign assistance and Foreign Direct Investment (FDI) to support our ultimate objectives of development. As you are aware, the regaining of Cambodia's seat at the UN, the successful conduct of the Consultative Group (CG) meeting in Tokyo, membership of Cambodia in ASEAN, the recent normalization of relationships with the IMF are the highlights of the government's invaluable achievements in these endeavors.

The third side of our strategic triangle is to promote development based on the favorable conditions created by the implementation of the policy directions mentioned earlier, namely peace building and integration into the region and normalization with the international community. To achieve this objective, the RGC has launched a reform platform, which was arrived at and agreed upon after intensive discussion and thorough consideration. This program, which has been widely embraced and accepted, has been implemented by the RGC with strong political will with the view to establishing sound foundation for long-term economic growth and sustainable development. The key areas of the reform programs consist of military and police demobilization and the public sector reform, including the reforms of the civil service and the judiciary,

aimed at strengthening democracy, upholding the respect for human rights, improving and increasing the efficiency of the public services, enhancing the rule of law. The government's economic reform focuses on ensuring macroeconomic stability, strengthening the banking and financial system, undertaking fiscal reform measures, ensuring a sound management of public property, the sustainable management and utilization of our natural resources, especially forestry and increasing public investment in the area of physical and social infrastructure and developing human resources.

From my earlier comment you can see that the RGC has attached great importance to private investment for Cambodia's development. Then, what are the government policies and measures designed to promote and facilitate private investment in Cambodia? In this regard, may I raise the following important points:

**First**, as I mentioned earlier, it is the RGC's top priority to ensure and promote social environment for peace, security and stability in all parts of the country.

**Second**, the RGC has developed and strengthened the legal framework, regulations and institutional capacity conducive to private investment and business activities in Cambodia. I will not get into the details of the incentives provided by the Law on Investment of the Kingdom of Cambodia and relevant legal instruments, of which you are fully aware. To attract more investment to Cambodia, the CDC held its meeting on 1 December 1999 to discuss measures to strengthen the Cambodian Investment Board (CIB)'s "one stop shop", to facilitate investment and to set new investment opportunities for Cambodia. The CDC has made public that meeting's resolution and I believe

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that this morning the CDC/CIB has circulated this announcement to all of you. I am happy to welcome your comments and recommendations on this topic, which can be openly discussed this morning.

**Third,** the priority is given by the RGC to increase public investment, through the mobilization of foreign assistance and domestic savings. Attention is accorded to private investment, especially "Build-Operate-Transfer (BOT)" projects, and investment in physical and social infrastructure as well as public utilities, such as electricity, water supply and telecommunications. Our ultimate objectives are to put in place an efficient and viable infrastructure network that links our domestic markets and provide physical access to the outside world in order to facilitate, promote and expand economic activities and investment in all sectors. I gave instructions to the CDC to cooperate with relevant ministries and agencies to develop a list of BOT projects of high priority to the government to be widely disseminated to the private sector for their consideration and participation.

**Fourth,** Cambodia has ready access to various international markets. Cambodia obtained the "Generalized System of Preferences (GSP)" and the "Most Favored Nation (MFN)" status from its major trading partners, including the European Union, the USA, Japan, Canada and Australia. This is an important opportunity for achieving the economies of scale and Cambodia now is working very hard to maintain this favorable condition and to expand further its market access.

**Fifth,** As a full member of ASEAN, Cambodia is participating in various ASEAN's economic initiatives, in particular the ASEAN Free Trade Area (AFTA), ASEAN Industrial Cooperation Scheme (AICO), the ASEAN Investment Area (AIA) and the cooperation in the service sector, aimed at

promoting service liberalization. Moreover, Cambodia has actively participated in a number of regional and sub-regional initiatives, such as the Greater Mekong Sub-Region (GMS). Another important priority in the agenda of the RGC is to join the World Trade Organization (WTO). All these will further expand international markets for Cambodian products and more importantly will speed up the liberalization and modernization of the national economy and upgrade its competitiveness to the regional and international standards.

**Sixth,** Apart from the facilitation and support at the national level, attention is also given by the RGC to open access to international sources of financing for private investment. Cambodia's membership in the International Finance Corporation (IFC) and the RGC's agreements with the Asian Development Bank (ADB) and the European Union (EU) provide the private sector with windows of opportunity to get funding from these international financial institutions for their investment projects. New financing windows for the private sector have recently been explored by the RGC with bilateral donors. Cambodia has recently joined the Multilateral Investment Guarantee Agency (MIGA). Furthermore, the RGC has endeavored to become a member of the international organization involved in investment dispute settlement, such as and the International Center for Settlement of Investment Disputes (ICSID).

**Seventh,** Cambodia has signed agreements on investment protection and promotion with a number of its partners, including ASEAN members and other bilateral partners, such as China, Korea, Germany and Switzerland. We are now exploring the possibility of signing similar agreements with other bilateral and multilateral partners. As part of the endeavors mentioned earlier, I am

confident that these agreements will surely contribute to the improvement of conditions and climate for your investment.

I spent some time briefing you on the policies, strategies and measures set out by the RGC to facilitate the private sector in order to establish a favorable environment conducive to investment. Cambodia is endowed with great potentials in many areas, which await your investment in all sectors. Cambodia needs financial resources to expand production and create employment.

We are also in dire need for technology, knowledge and know-how to improve our capacity and productivity. These factors mentioned lately constitute the private sector's strength. This is the cornerstone of the government's policy, which regards the private sector as an engine of growth and its development partner.

We clearly understand that in the world of globalization, capital and technology will flow mainly into business and investment-friendly countries. As a government, we can guarantee to all investors a favorable environment conducive to investment, especially peace, security, political and macroeconomic stability, efficient legal and institutional framework, transparency, accountability and predictability.

I wish to invite you all to join us, through your concrete contribution in preparing Cambodia for a bright future. I also would like to suggest that this traditional dialogue should continue on a regular basis in the future by organizing this "Government-Private Sector Forum" every six months. I will be happy to chair the next forum too. I also would like to invite Cambodia's donors to be part of this very important process.. ■

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advantages in the world of globalization and the third millennium.

Taking this rare opportunity, may I share with you all my own views, which hopefully could be instrumental in developing the vision of human resource development in Cambodia.

At the Consultative Group (CG) meeting held in Tokyo, Japan, from 25-26 February 1999, I said that before the first decade of the next century ended, Cambodia would like to fully reclaim its destiny, be a real partner in regional and global affairs and be well on its way to becoming a truly free nation, free from want and poverty above all.

This is my own long-term vision and it is also shared by the RGC's. In 20 to 30 years, I want to see Cambodia developed to the level of neighboring advanced economies in the region and the Cambodian people attaining a proper and decent living standard, progress, prosperity and happiness.

I understand that this is not my personal groundless ambition, but the virtuous aspiration of the Cambodian people.

The experience of many countries show that human resource development is key to alleviating poverty and upgrading the living standards of its people.

Human resource development, through equitable access by the people to basic education and health, the opportunity to upgrade and improve the skills, the establishment of a favorable environment and climate allowing the people utilize their full potentials and entrepreneurship constitute the main ingredients of any program on poverty alleviation.

Moreover, human resource development is of crucial importance to

Cambodia, for our nation is struggling to overcome the horrendous legacy left over by the genocidal regime and the protracted wars in the recent past.

Very often the level of country's development is traditionally measured by GDP growth, the height of a new building or the diversity of goods displayed in the stores. Indeed, economic growth, new buildings or the opulence of products in the markets are key indicators reflecting the degree of economic progress in a society. However, development should not be gauged only by economic indicators or visual parameters.

Development is a multi-dimensional phenomenon, which consists of both quantitative and qualitative changes.

Development is about the change in social and economic structures, political system, societal institutions, administration, behavior and the mentality of the people, institutional capacity, welfare and standards of living of the people, the acceleration of economic growth, poverty alleviation and the reduction of inequality, the preservation of ecosystem and the natural environment.

Development should be understood and valued in the sense of positive change in the quality of life, ways of living, mentality and behavior of the people as a whole.

Development should be linked to the increase in labor productivity and the knowledge of the people, the transfer of expertise and technology, diversity and access by the people to health care and education, the development of entrepreneurship and the accumulation of new cultural assets.

In general, human is both means and end for development. As resource, human is a means for development, and as subject, human is an end for Development. Everything in the society is being done by human and

for human. This is the will and the order of history.

Moreover, Cambodia is currently a full member of ASEAN. Membership in this regional organization has put Cambodia in a new situation, requiring us to prepare ourselves in order to cooperate better and compete effectively with other members.

The ultimate objectives are to share the "win-win" situation with other partners in this regional grouping as a full member and on an equal footing. In this regional economic integration, Cambodia possesses some comparative advantages and has many endowments.

However, the key to ensuring the success in these endeavors is to have highly qualified human resources with adequate skills, knowledge and know-how. This is another factor, which requires from all of us to pay more attention to the development of human resource development strategy for Cambodia.

If we look beyond the horizon towards a future, we can see that at the dawn of the new millennium the world is moving very fast, fuelled by globalization, towards a new, unfettered economic system, which is characterized by the free flows of goods, services, capital and labor.

Another main feature of this new age is that wealth and economic growth are increasingly being generated by ideas, invention and brain. So are the wealth of nations is being created predominantly by land, labor and financial capital.

In mid 1970s, it was obvious that wealth, economic growth and comparative advantages were the products of ideas and know-how rather than the traditional factors, such as land and muscle. Since the early

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1980s, the advance in technology has paved the way for a new momentum.

As the 1980s was progressing, the development of new high tech and computers has shortened the distance of the world and is giving way to the emergence of a new, digitalized, knowledge-based and service-oriented economy. In this new age, the need for intellectual capital has considerably increased. This intellectual capital transcends geographical and national boundaries.

These changes require a new development paradigm for the world. There is a general recognition that the central defining feature of future economic growth and comparative advantages is being shifted from production to productivity and from physical assets to intangible assets.

Given the strategic importance of intellectual capital for the future, the economy of any country will find it difficult to survive and prosper, if the government uses only the instruments of traditional economic policies that encourage only the creation of physical assets.

In the future, the economies that perform best will not be those in which the government helps particular industries but those that develop, exploit and manage their intellectual most efficiently. Therefore, it is vitally important for national governments to promote environments that are conducive to the development and management of intellectual assets.

This shift in the development paradigm imposes a new development scenario for a small country like Cambodia. In the short to medium term, comparative advantages that are based on physical assets, namely land and natural resources or factor endowments, such as cheap labor, will remain important for Cambo-

dia.

The country currently has comparative advantages within some sectors of its economy, in particular the agricultural sector, the agro-industrial businesses, labor-intensive manufacturing and tourism. These sectors should form the foundation for the take-off of the Cambodian economy. However, we also should recognize that comparative advantages in these sectors, while important, are limited in nature.

In the long run, key factors of production will shift from land and natural resources to information, knowledge and innovation embodied in Cambodia's human capital. In other words, knowledge, skills and expertise of the Cambodian people will become increasingly crucial to the country's future economic growth. Extensive economic growth and development will be gradually giving way to intensive economic growth. This type of growth requires more added values from ideas and innovation.

The conclusion that we should draw from this is that human capital will be the key to long-term development of Cambodia. Therefore, in order to ensure Cambodia's long-term competitiveness in a globalized, knowledge-based world economy, the government must restructure its development policies by encouraging resources to be directed toward the creation of intellectual capital which can spread into the economy and create new ideas, increase productivity and support adoption, adaptation and innovation in know-how and new technology.

To achieve the above objectives, Cambodia needs a long-term human resource development strategy, which responds to the realities of the country, the changes and new developments in regional and world economies.

A sound human resource development vision can be developed only if we are fully aware of our past and current training system. With the technical assistance of the World Bank, a Higher Education Task Force was established by the government to develop a National Action Plan for Tertiary Education for the period of 10 years, from 1997 to 2007.

At present, a Committee on the Reform of Education Policies was established by the Ministry of Education, Youth and Sports to revise and improve Cambodia's education policy. Thus, the preparation of Cambodia's human resource development strategy should be based on the results and these endeavors and should be expanded to include the physical, intellectual and spiritual energy of all segments of the society, public, private and the civil society.

The Royal National Academy of Cambodia, in conjunction with all tertiary education institutions, can greatly contribute to the preparation of a sustainable human resource development vision in order to get Cambodia well prepared to meet the challenges of the 21st century. This vision should be supported by a detailed action plan for implementation.

The common vision for human resource development, with all the supporting policies, strategies and multi-discipline measures to be elaborated by the government, as well as concrete actions being undertaken at the national level, should guide Cambodia towards a bright future, strengthen the culture of peace, promote virtues, knowledge and living standards of our people, and more importantly Cambodia's prestige in the international arena.

As the Head of the Government and as a Cambodian, I wish to make a

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*(Continued from page 5)*

humble contribution to the development of this vision by drawing your attention to the following:

First, priority should be given to the establishment of a framework for knowledge accumulation and information management at the national level. To this end, I wish to make the following recommendations:

A. Language is how knowledge is transmitted. The acquisition of language skills plays an essential role in the knowledge-production process. Without careful attention to language, there will be serious impediments to the promotion and building up of intellectual capital. Moreover, given our commitment to integrate the Cambodian economy into ASEAN, in which English is the official language, and Cambodia's membership in the Francophonie, language skills, especially English and French takes on even greater importance. For Cambodia's future competitiveness, the country should promote English and French as the second or third language, while Khmer will remain our official language. In general, I support the idea that every Cambodian should know at least four languages (Khmer, English, French and a language of one of the countries of East Asia). In the future, language skills will become an important comparative advantage for Cambodia.

B. Advances in information technology have facilitated the capture, capitalization and leverage of intellectual assets. In short, the power of intellectual capital has grown immensely. In this context, computer literacy, as is the case with foreign languages, must be promoted among Cambodians. Computer

literacy is currently one of the most important tools that exist for communications, economic management, trade, domestic and international investment, as well as for knowledge accumulation and management expertise. This is true for every country in the world, and Cambodia is no exception to this. The most important direction is to include computer literacy in the curriculum of every secondary school, faculty and university throughout Cambodia.

Second, intellectual capital includes access to and the use of people's knowledge and experiences as well as appropriate institutional structures, new technology.

People are significantly less effective at wealth-creation in the absence of proper institutions and incentives. This is the biggest challenge that Cambodia needs to address if we are going to effectively and successfully compete in the regional and world economies. To this end, the government has embarked on a comprehensive administrative reform. Over the short to medium term, attention should be given to delivering training programs, upgrading skills of civil servants, providing appropriate incentives to those officials.

Third, continuous efforts should be given to promote the activities and encourage the participation of the private sector in human resource development. This does not mean that we should only promote and encourage direct participation of the private sector in the delivery of health care services and education, but it is also related to government's policies to ensure the sound management of foreign direct investment.

This should provide sufficient incentives for companies to transfer to Cambodia technical skills and new

technology for the country's development while at the same time allowing other companies and individuals to access the ideas that flow from research. This can be achieved by deregulating markets to encourage competition, giving maximum freedom and incentives to knowledge-based companies in importing and creating knowledge, know-how and new technology and in raising the standards for education, training and technology in Cambodia.

These are the main elements of our strategy, which should be taken into account while considering the preparation of a long-term vision for human resource development in Cambodia.

As I have stated on many occasions, the Royal Government of Cambodia (RGC) has embarked on wide-ranging reforms. The results of the reform measures have been encouraging. Nevertheless, a lot remain to be done and many challenges need to be addressed. In all these endeavors, human resource is the key to success.

The future survival of Cambodia as a nation, the competitiveness of the national economy and the prosperity of the Cambodian people will depend on human resources. I would like to recall that the RGC's main objectives is poverty alleviation and the amelioration of the people's living standards and welfare.

To this end, human resources constitute both means and end. I am confident that this conference will provide opportunity for lively discussions on this very important topic and contribute in a concrete and substantial manner to the formulation of a human resource development vision for Cambodia. ■