

# Cambodia New Vision

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## 04 September 2003 [Keynote Address]

### Investment in Cambodia — The Diamond of the Mekong



On September 17, 2003, Samdech Hun Sen accompanied Princess Astrid and Prince Lorenz of Belgium to review the honor guards upon their arrivals in Phnom Penh.

Following is the extensive reprint of Samdech Hun Sen's keynote address at the Conference on Investment in Cambodia on September 04, 2003.

"... I warmly welcome all the distinguished guests and investment and fund managers from various countries to the Kingdom of Cambodia. I thank the Naga Corporation, particularly Dr. Chen Lip Keong, for organizing this conference. I also thank Naga Corp for working with Cambodia's Ministry of Tourism to organize events in Singapore to attract visitors and investors to Cambodia. Moreover, I congratulate NagaCorp on becoming the first Cambodian business to be listed at the Singapore Stock Exchange. This is an important achievement, since NagaCorp is the first Cambodian business to be listed in the stock exchange of a more developed country and a well-known financial center in the region...

### Cambodia's Decade of Outstanding Achievements

Cambodia has undergone dramatic changes in the last ten years. The country has completed the transition from a centrally planned to a market economy, from a one-party state to a democratic system of governance, and from war and conflict to sustainable peace. To reconstruct the war-ravaged economy, a partnership has been forged between government, the private sector and civil society, with assistance from the international community. Relationships between the government, donors and civil society have significantly strengthened through regular meetings and dialogues of reform working groups. Furthermore, labor costs remain competitive, while productivity is on the increase.

Three national elections (May 1993, July 1997 and July 2003) and the

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## 21 September 2003

### Commemorating the International Day of Peace

"... It is a greatly joyful and happy day for the Royal Government and people of Cambodia across the country, especially those in the capital of Phnom Penh, - that we get together with greatest pleasure to commemorate, for the first time, the International Day of Peace (September 21) with other peoples all over the world..

We should note that the celebration of this first International Day of Peace coincided with the "period" that Cambodian people are eagerly waiting for the convening of the third mandate National Assembly after

the general election held on 27 July 2003, which has been assessed to be free, fair, accurate, transparent and acceptable by the national and international observers. All Cambodian people have expressed their strong support of the wise decision by His Majesty the King of Cambodia NORODOM SIHANOUK, that the opening session of the third mandate National Assembly will be held on 27 September 2003 in accordance to the our national constitution.

Moreover, this celebration also  
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## 16 September 2003

### Addressing the SEILA Program National Workshop

"... I am extremely pleased and honored to participate in the closing of this important National Workshop on SEILA Program 2004 to share with all of you some of my thinking on the challenges the SEILA program is facing in its quest to support the policy reform of decentralization and deconcentration, in the context of overall state reform in Cambodia. May I congratulate and highly appreciate the SEILA Steering Committee's Secretariat for its effort in organizing this workshop, in collaboration with its development partners. I consider this as a forum for national policy institutions and concerned provincial/municipal operators with our international partners to take stock of the 2003 performance and challenges as well as to propose work plan for 2004.

To take this opportunity, I would like to express my deep gratitude and

appreciation to the "Partnership for Local Governance" of the UNDP with co-financing from Sweden and the United Kingdom in supporting the SEILA program of the Royal Government. In general, the SEILA Program has showed two points of its strength:

First, the pilot phase of SEILA Program and "Partnership for Local Governance" has provided many lessons for the national institutions in charge of policy formulation, especially the National Committee for Supporting Communes/Sangkats and the Ministry of Interior in formu-

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first-ever Commune Council Election (February 2002) have been successfully conducted in Cambodia. These elections herald a new era of peace, democracy, respect of human rights and local development. After years of war and isolation, Cambodia has now become a full-pledge member of regional and world community, thus enabling us to mobilize and make an effective and sustainable use of the full potential of our resources for rehabilitation, reconstruction of the nation, and regional and international integration.

Cambodia is now a member of most international organizations. In 1999, Cambodia became a full member of the ASEAN. Cambodia expects to become a member of the WTO very soon. The Royal Government also achieved historical success in the organization of the Greater Mekong Sub-region (GMS) Summit, the ASEAN Summit, the ASEAN plus China Summit, the ASEAN plus Japan Summit, the ASEAN plus Republic of Korea Summit, the ASEAN plus India Summit, and the Special Meeting Between ASEAN and the African Union. More recently Cambodia hosted the ASEAN Tourism Forum, the ASEAN Ministerial Meeting, the ASEAN Regional Forum, and the ASEAN Economic Ministers' Meeting and its related meetings from 2 to 4 September 2003.

The country's economy has rapidly recovered, boosted by rapid growth in garments and tourism. In 2002 garments exports reached US\$1.3 billion. Cambodia has also entered into strategic partnerships with bilateral and multilateral donor agencies, enabling the mobilization of significant resources for reconstruction of physical infrastructure and institutions destroyed during the decades of war and upheaval.

Despite the severe slowdown in the global economy, since 1999 the Cambodian economy has remained dynamic relative to most Asian economies. Cambodia's GDP grew by approximately 6.7 percent per year for the last five years. Production of crops and livestock remained robust in 2002 despite widespread flooding. Garments exports increased by 13 percent in 2002, against 78 percent in 2001. Construction also increased due to the acceleration of the government's infrastructure program in 2001-2002.

Tourism continues to be at the forefront of Cambodia's economy. Investment in the hotel industry alone totalled US\$200 million in 2002. International tourist arrivals increased by about 14 percent in 2002, as against 31 percent in 2001. This growth was boosted by Cambodia's "open skies" policy in air transport which enabled direct flights to Cambodia.

To encourage tourists to spend more time and money in Cambodia, the Royal Government has implemented actions to ease travel and entry: streamlined issuance of visas, especially for ASEAN citizens, strengthened security for tourists, and new services and recreation areas. Cambodia has also prioritized ecotourism programs.

The service sector has contributed 46 percent to GDP and provided 15 percent employments of the total Cambodian workers. This sector rapidly grows at 10 percent per year between 1993 and 2002.

#### **Cambodia: Open for Business**

Just as Cambodia's skies are open, so is the country open for business. The Investment Law of the Royal Government of Cambodia was originally passed in 1994 and improved by amendments in 2002 in systematically consistent with the

Tax Law, with the active participation of the private sector. Based on this law, foreign investment in Cambodia is a simple, open process, one much easier than experienced in some countries in the region. Cambodia does not differentiate between investment projects undertaken by Cambodian nationals and those undertaken by foreign investors. Most sectors of the economy, including services and international trade, are open to foreign investment.

The Cambodia Investment Board (CIB), operating within the Council for the Development of Cambodia (CDC), is the government agency responsible as one-stop for controlling and approving investment projects, and granting investment incentives in accordance with the Investment Law. Investors are encouraged to obtain a CIB license if the investor wants more favorable treatment than is otherwise available. Otherwise, an investment company can be established simply by registration with the Ministry of Commerce. The law provides that from application all projects considered by the CDC must be processed within 7 days. Other projects subject to "one-stop" processing will be vetted in a maximum of fourteen days. The service offered by CDC/CIB is "one stop" in that the CIB handles all relations with and approvals issued by other Ministries. Presently, we are working in more detail in order to issue sub-decree and technical regulations, aimed at facilitating the implementation of the Investment Law and other related laws, especially the Tax Law.

The Royal Government has also facilitated access by investors to international financing. Cambodia is already a member of the International Finance Corporation, Multilateral Investment Guarantee Association, and International Center for Settlement of Investment Disputes. The Royal Government has also

agreed with the Asian Development Bank on arrangements that may provide private sector investors with access to funding from the ADB's private sector lending facilities.

The Royal Government made poverty-reducing economic development its first priority and launched a comprehensive reform program, with emphasis placed on strengthening fiscal revenue collection, enhancing financial institutions and banks, civil service reform, demobilization of soldiers, land reform, and improved forestry and natural resource management.

In rural areas, the Government is exerting efforts to resolve the root causes for land disputes and poverty. The agricultural sector contributes about 30 percent of the country's GDP and employs 77 percent of the labor force. Real agricultural sector growth was 2.6 percent per year between 1993 and 2002. Cambodia's agriculture is very sensitive to weather patterns since irrigation and flood control mechanisms are inadequate. The Royal Government is focusing its attention on these urgent needs. Nevertheless, the country attained rice production self-sufficiency since 1995 with production at 3.5 million tons compared to only 2.0 million tons as of the mid-1980s. Yields rose from only 1.2 tons per hectare in the early 1990s to two tons per hectare in 2002. Output of other crops and livestock grew at about 2 percent per year.

We admit that labor conflicts, mostly concentrated in the garment industry, are also being attended to. However, this problem has been receiving much attention from the Royal Government. Industrial relations disputes have become more visible due to the operation and better understanding of the Cambodian Labor Law by both factory owners and unions.

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We should emphasize once again that the important outputs in all reform sectors, especially the success of the maintenance macro-economic stability and the notable high growth rate have been achieved in the very difficult circumstance due to unfavorable conditions exposed from both internal and external factors such as natural disasters, international terrorism, uncertainties in the global geopolitics and the world economy, and the recent eruption of SARS.

**Continuing Challenges and Actions for Private Sector Development**

Although there are positive changes, the Royal Government acknowledges that everything is not totally good and smooth. However, the importance is that the Royal Government and people of Cambodia have strong and firm commitment to continuing all necessary reforms to create a better environment conducive to investments in Cambodia.

The Government considers the private sector as the engine of economic growth, while the government serves as the strategist to create the better business environment for private sector and manager of development. A healthy private sector is the key to robust economic development and thus the government should ensure a legal framework for fair competition, transparency and accountability. The overall environment for enterprise will be strengthened through broadened good governance and human resources development.

The Royal Government very well understands that the success of private sector development in Cambodia heavily relies upon SMEs. To achieve the set goal, the RGC laid out the vision, strategy and concrete actions for the medium term.

In general, to ensure a private sector led economic growth in Cambodia, the incoming third terms of the Royal Government will address the following challenges: (i) *strengthening the business environment and improving good governance*; (ii) *deepening infrastructure, production and supply chain*; and (iii) *creating jobs and enhancing level productivity*. All these will lead to both market and corporate competitiveness, thus requiring a stronger and more transparent public and private partnership to systematically tackle selected market and administrative distortions strategic to stimulating growth and competitiveness in the economy.

Once again, I confirm our commitment and determination to cooperate with the private sector in order to strengthen our partnership and establish a climate favorable conducive to investments in the Kingdom of Cambodia. We welcome recommendations on ways and means to improve the investment climate, promote export diversification, facilitate supply chain linkages and maximize the impact of Special Economic Zones. I believe we need more analysis and dialogue on the dynamics of Special Economic Zones.

As a part of private sector development strategy, the Royal Government has approved several Special Economic Zones and the Export Processing Zones. We expect that these zones will attract foreign direct investments and create jobs and generate income for Cambodians. The establishment of these zones arises from the logic of regional integration and efforts to capture market niches and make Cambodia competitive in labor-intensive manufacturing.

Let me end at this point with a simple and direct assurance: Cambodia is open for business, and the Royal Government of Cambodia will exert

its utmost efforts to ensure successful enterprise and investment in Cambodia. We are now entering into our third mandate, after having received the collective will of the people through the free, fair and democratic national elections of 27 July 2003. We are now making our utmost efforts to solve differences among political parties who have been selected by the people through the National Election to serve in the National Assembly, based on the principles of democracy, the respect for human rights, the will of people and the existing laws, especially the Constitution of the Kingdom of Cambodia. I am optimistic that the new Royal Government will take over its third mandate in accordance with the will and aspiration of the people, and with firm commitment to the cause of peace, development and prosperity for every Cambodian.

Thus, we are confident that we are on the right track and stand ready to welcome and facilitate international investments for the mutual benefit of Cambodia and foreign investors. Through this short intervention, I hope that you could appropriately assess Cambodia—The Diamond of the Mekong. "*Work together and prosper together*"...?"

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lating national policies and regulations on decentralization.

*Second*, once a number of regulations finalized the SEILA Program has continued its support to the actual implementation through the organization and strengthening institutional structure and human resource as well as providing finance for investment at the provincial and commune/sangkat levels via the Commune/Sangkat Fund.

Moreover, in implementing its program SEILA has provided many best practices in further fine-tuning the regulations. Currently, we have more than 1,500 civil servants, both at national and provincial levels, who have been actively participating in the implementation of SEILA Program. I know that in the past one day and a half you have listened to the presentations and clarifications of my colleagues as well as participated in a broad discussions on key topics with regard to the process of SEILA implementation in 2003 including the difficulties and challenges that have occurred within the general context of decentralization reform program of the RGC.

You have also discussed and agreed on an action plan and budget for the 2004 operation. May I congratulate and highly appreciate all of you for your comments in an open manner and constructive recommendations to help us overcoming those policy, institutional and working procedure challenges aimed at improving the effectiveness and efficiency of SEILA program, promoting the sustainable decentralization and deconcentration reforms, as well as to successfully implementing the NPRS, because the decentralization is a process of democratization aimed at improving governance structure in order to improve the effectiveness of public service delivery to citizens. I was informed that the SEILA Program

has a budget of about USD40 million for 2004 which the Steering Committee of SEILA (CDC) and the Ministry of Economy and Finance have mobilized from donor community including the UNDP, International Fund for Agricultural Development, World Bank and from Sweden, UK and Denmark.

With co-financing arrangement between the Government and donors, SEILA has become a national program covering all provinces and municipalities across the entire country. Such a co-financing arrangement truly testifies the full support of donors provided to governance reform program of the Royal Government in decentralization and deconcentration in general. In particular, it shows the confidence of our international partners on the effectiveness of the management structure of SEILA as well. On this basis, I see the efficiency and transparency of SEILA management are the most important or I can say the "die or survive" factor for this program.

Decentralization is an important part of the governance reform within the general context of state reform. In this sense, SEILA has helped the Royal Government to realize considerable achievements in past years, especially after the commune/sangkat elections. I would like to sum up those results in the following four points:

(1) *SEILA has helped creating policy and legal framework including regulations for the local authorities in conformity to decentralization, such as regulation on mandate and role of commune/sangkat councils, the delegation of power to governors to support commune/sangkat councils and the role of commune secretary so on and so forth.* The introduction of policy and legal framework as well as those regulations has indicated

strong commitment of the Royal Government in implementing governance reform to gradually improve the distribution of power, mandate, roles and resources between national and commune/sangkat levels.

(2) *SEILA has helped train commune/sangkat councils to formulate their own development plans. The formulation of development plans with direct local participation would indeed appropriately respond to the priority need of communes and sangkats as only the local people themselves are well aware of their own needs. In this context, SEILA has provided training on decentralized administration and financial management to all commune/sangkat councils across the country to improve wide-ranged awareness on local development management with broad participation from population.* Moreover, SEILA has also trained provincial staff to understand the methods of decentralized management by provincial/municipal authorities and their functional offices in support to commune/sangkat councils.

(3) *SEILA has helped create and introduce the commune/sangkat funds, which get biggest share of funding from the national budget and the rest from "Partnership for Local Governance" project. In the first year that is in 2002, only one quarter of communes/sangkats had received fund for development.* This situation has been immediately improved in the second year (2003) with increased funding from the national budget by the Royal Government that has enabled the allocation to reach all communes and sangkats in the entire country.

(4) *SEILA has helped strengthening partnership between 8 national institutions and all levels*

*of authorities in 24 provinces/municipalities across the country. In addition, through the arrangement for the formulation of commune/sangkat development plan SEILA has strengthened its partnership with civil society, NGOs and the local people.* Furthermore, SEILA has strengthened partnership with donor community. So far, six donors are in agreement to use the structure and management of SEILA as a channel of their assistance and implementation of their aid projects.

All these are the achievements gained from national unity and the resolved determination of the Royal Government and the efforts of the authorities and civil servants at all levels with full financial and technical support from all our international development partners. Nevertheless, the Royal Government recognizes that there are many difficulties and challenges ahead which we must solve to strengthen and expand further our results. I would like to raise some critical challenges and share some recommended solutions as follow:

### 1. Institutional Challenge

So far, ministries and institutions at national level have established many committees at provincial and municipal level and transferred some responsibilities to those committees to implement activities in their respective sectors. The key point I want to raise here is that most committees have very similar composition while their responsibilities are mostly duplicated.

I am aware that the workshop has focused its discussion on this issue and proposed option for the possibility of institutionalizing those structures into a unified structure. This is indeed very crucial, as when we have a unified and clear structure we would be able to ensure an

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effective ownership in our cooperation with assistance partners in order to promote the development projects at the grass-roots level. Thus, I would like to express my full support of the outcomes of the workshop and urge the National Committee for Supporting Communes/Sangkats, the Council for Public Administration Reform and the SEILA's Steering Committee to cooperate with other concerned institutions to finalize the review of the organization and management structure at the provincial and municipal level as well as the formulation of required guidelines and regulations within the first year of third mandate Royal Government. The realization of this work would considerably contribute to the accelerated reform of decentralization and deconcentration and to strengthening the governance of the RGC.

## 2. Financial Challenge

Actually, the Ministry of Economy and Finance has been working hard in mobilizing revenue and channeling the funds to the locals. That is why the commune/sangkat councils have been receiving their salaries on time. However, the Royal Government recognizes that there are some delays in disbursing development fund to the local because of the decline in national revenue linked to unfavorable internal and external factors, especially the emergence of SARs in the region as well as the lack of cash to meet the biggest demand for expenditure especially those concerning democratization process in the third mandate national election. As I was reported by HE Senior Minister Keat Chhon that early last week the MEF has released additional funds for local development projects.

I would encourage the Senior Minister to continue to pay greater attention to settle such the demand.

Moreover, development partners have expressed their understanding of the situation and are seeking solutions to reduce the difficulties through the framework of "*Partnership for Local Governance*" via the quarterly meeting between donors and SEILA Secretariat General.

The Royal Government expresses its deepest appreciation for the flexible position of our development partners in helping solve this critical issue. As a Khmer proverb says "good friends help each other in a difficult time". Thus, this indeed testifies our strong partnership between the Royal Government and our development partners.

Concerning the finance issue, our Law on Commune/Sangkat Administration allows the commune/sangkat councils to have their own sources of revenue. However, so far the national authorities have not specifically define types of revenue in this category yet. Thus, we shall start studying and considering the arrangement for the communes and sangkats to have their resource gradually according to a multi-paced principle based on economic status of each commune or sangkat that is to reduce full dependency of local authorities on national government.

## 3. Political and Strategic Challenges

As I have already mentioned on many occasions that decentralization reforms must be run parallel to deconcentration reforms due to the mutual supports between these two reform programs. Experience from various countries has shown that decentralization alone cannot achieve sustainable goal if it lacks strong supports from deconcentration.

Particularly in Cambodia, we do have some visions and experience, which are sufficient enough to form the basic foundations of for the

preparation of the policy and strategy framework for deconcentration. Nevertheless, we do realize that we still need technical and financial supports for the preparation and implementation of this policy framework.

Firstly, we actually have institutions for policy preparation and implementation along with various development partners. Secondly, deconcentration experiences do differ from one country to another. For these reasons, we should consider the possibility of forming a mechanism of coordination such as a task force for decentralization and deconcentration within the consultation-meeting framework for the preparation of policy and strategy for deconcentration, for regulations actuality on decentralization and for the smooth implementation between decentralization and deconcentration policies.

In this context, I also notice that while there is a lack in policy framework, several national institutions continue to implement the existing management system, which is centralized and operates in resistance to decentralization and deconcentration currents. Please allow me to, once again, inform you that ministries and institutions cannot nor try to do anything, which is related to the needs of the local level of administration. We have to leave local authorities to do what they can do because local authority participation in local development is the key of ownership and sustainability in development.

In order to strengthen decentralization and deconcentration policy implementation, I recommend related ministries and institutions to delegate more responsibilities to provinces and vertical departments in preparing their plans and implementing programs or development projects even if we also need to preserve these vertical departments under the responsibility and general

coordination of specialized national ministries and institutions. Such a deconcentration implementation will allow provinces and municipalities to have additional resources and be able to use them to respond efficiently to people needs. But we need to figure out that policy makers at national level must carefully prepare the deconcentration policy in a way to avoid the situation of "state in State".

## 4. Challenges in Preparing Visions of SEILA Program after 2005

The first phase of the SEILA program will end at the end of 2005 and 2003 is the year where half way of the program had been implemented. One of the many special characteristics of the SEILA program is that the program has created an organization and trained human resource for the implementation from national to local levels country-wide. Moreover, I am also aware that till the present time, there are six development programs, which have their time limit after 2005, with the total budget of USD 100 million. These programs are currently implemented using organization and human resource of the SEILA program. Two important reasons that urge aids providers to implement this way are: firstly, SEILA is an incredible organization, and secondly, aids providers have considered the efficiency of the program implementation by cutting enormous amount of budget on support expenditure and program management and by allocating maximum budget on investment. This is the stance that the government supports and wants to see many more of such implementation in other programs.

In this spirit, I strongly appeal to the aids community to continue to support the SEILA program for the phases after 2005. Even if the

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phases after 2005 may take another name and operational activities other than the actual ones, I still believe that the main goals of the program remain the important working framework for the aids mobilization, which will support the decentralization and deconcentration reforms in order to strengthen good governance in Cambodia.

As you may know, decentralization and deconcentration reforms are the most fundamental reforms in the State activities and especially, they are reforms in working attitudes of the public servants in all levels. These reforms have just begun from the start and still have a long way to go through. Management of special programs, transparent budget management, accountability and efficiency are the highest priorities of the good governance principles of the government.

In this direction, Excellencies, ladies and gentlemen, let me propose to all of you to continue to improve the cooperation more actively and closely and I do appeal to the aids community to continue to extend the necessary supports both technical and financial in implementing SEILA program in 2004 and afterwards within the general framework of the decentralization and deconcentration reforms. This is to extend and improve the public services to serve the concrete needs of local people...!

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status under existing GSP schemes for access to the markets of some 28 developed nations. As a new ASEAN member, Cambodia needs bilateral/multilateral technical cooperation and assistance to upgrade/process agricultural products to facilitate and increase domestic production and exports.

Indeed, I am pleased to know that you will be meeting with ASEAN's partners from around the region. It is also important to extend and deepen our economic cooperation beyond ASEAN's borders. In doing so with other economic players in the region and beyond, we are expected to take the most advantages from globalization... Our motto is *'to work and prosper together'*...!

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happens in the time that Cambodian people are happily celebrating the Buddhism's traditional days of "Phchum Ben" and the 10th Anniversary of the new monarchy under the rule of His Majesty the King Norodom Sihanouk and Her Majesty the Queen Monineath Sihanouk. Also, this time is especially a coincidence with the event that Cambodia was recently honored and entrusted to be another member of the WTO. The WTO Ministerial Conference has officially adopted and signed the protocol of admission on 12 September 2003 in Cancun, Mexico.

The Royal Government and people of Cambodia would like to express our deep gratitude to all members of the WTO for providing support of Cambodia's membership into this important international organization. This membership will open access for Cambodia to broader world market and provide the opportunities for Cambodia to share the benefits from such an international trade relation, which is more conducive and equitable within the fast changing globalization. The membership in the WTO this time reflects the right-track and wise leadership of the Royal Government in its efforts toward economic and structural reform, modernization of legal system, building of institutional capacity and human resource, and especially the implementation of trade liberalization and investment programs in order to achieve the goal of integrating Cambodia into regional and world economic structure and market. Thus, it is indeed a great political and economic victory for the Royal Government of Cambodia in implementing its "Triangle Strategy", and it is a "diamond" opportunity for Cambodia to promote her long term development, and that will serve as a firm foundation for the third mandate Royal Government to move forward. Cambodia has invested her consid-

erable time and fullest efforts for the past decades by surviving many dangers, difficulties and innumerable obstacles to restore and rebuild the country from scratch left behind by the genocide and decades of prolonged civil war, thus achieving full peace and strong economic stability as we have seen nowadays. As a country suffered from series of catastrophic wars, Cambodian people are too well aware of the importance and value of peace. In this sense, on behalf of the Royal Government and people of Cambodia I wish to convey our deepest appreciation to the United Nations for initiating the observance of International Day of Peace on 21st September each year, thus it fully meets the will and insisted demand of the Royal Government and Cambodian people.

As a member state of the UN, so far Cambodia has been always fulfilling her obligations with greatest interest to contribute to achieving the ideal objective of the United Nations, - the maintaining of universal peace and security, and social development for humanity all over the world. In this spirit, I therefore solemnly declare, on behalf of the Royal Government and people of Cambodia, the commemoration of this International Day of Peace! May this first year, 21 September 2003, be a launching of new campaigns for strengthening the ideal peace, reduced tension and the elimination of sources of disputes, thus ceasing all violence and conflicts, big or small, all over the world. I believe that, through the past experiences and new challenges faced by humanity, the UN's initiative of choosing the 21st September as the International Day of Peace will indeed help Cambodian people and other people in the world, who love peace, to have a hope and confidence in a bright future of peaceful co-existence in a great family of humanity with harmonization and development, which is the happiness for the entire human

society without discrimination in relation to races, political affiliation and religions.

Seeking for and maintaining peace and political stability to be everlasting are indeed the aspiration of the Royal Government and people of Cambodia. Peace for humanity is invaluable. Thus, we all shall together help nurture with utmost care and responsibility so that peace, which has been achieved with great difficulties and sacrifices, will be firmly maintained and last forever. For this goal, the Royal Government has made its every effort to secure the peace, from the "depth of its heart to its day-to-day activity". We are committed to sacrifice everything for the cause of peace and safety, for each individual, each family as well as for each country and each society, thus ensuring peace for nations all over the world. Indeed, with strong commitment the Royal Government of Cambodia has succeeded in achieving the targets it has set. Specifically, in the second mandate the Royal Government has implemented with determination the "Triangle Strategy", creating a favorable environment and the required prerequisites, both at home and abroad, for Cambodia to move forward with strong hope and confidence on the path of reform and development.

The success in the implementation of a "win-win" policy has helped Cambodia to undergo a profound transformation from a region of uncertainty, civil strife, backwardness and instability to become the epicenter of peace, stability, safety and social order, democracy and respect for human rights and dignity, cooperation and development. For the shortest period compared to the development history of other developed countries, we have clearly shown to our international partners that Cambodia is fully capable to participate with equal footing in regional and world's affairs.

All these have been reflected in the increased confidence about Cambodia, which resulted in increased trade and flow of investment and tourists into Cambodia. These are the main factors helping to create employment and generate income for Cambodian labor, thus finally contribute the poverty reduction and improved well-being of people.

The Royal Government and people of Cambodia strongly believe that with this initiative, the solid solidarity and sincerity in implementing tasks and actual practices by people and governments of other UN's member states, the world will succeed in its mission to strengthen peace, reduce tension, cease violence and disputes, and stop armed confrontation, threats and harms to human lives, thus creating the prerequisites for sustainable development, progress and prosperity. I am confident and strongly believe that the celebration of this International Day of Peace will further strengthen the will of our people and peoples over the world in contributing to secure peace, stability and social order for the sustained well-being and prosperity of all of us.

Recalling the importance of peace, the Royal Government and people of Cambodia always remember the valuable contribution by the international community, friendly countries as well as that of all national and international organizations in the peace process for Cambodia and continue their spiritual, financial and technical support extended to our people in the reconstruction and development of our country..!

**02 September 2003 [Extensive Excerpts]****Opening Address at the 35th Meeting of the ASEAN Economic Ministers**

"... I am extremely pleased to welcome... the distinguished ASEAN Economic Ministers of the ASEAN member countries, the ASEAN Secretary-General, and all guests and their delegations at this important 35th Meeting of the ASEAN Economic Ministers..."

In the past year Cambodia has had the privilege of hosting all of the Leaders of the ASEAN at the 8th ASEAN Summit and related meetings in November 2002. In January 2003, Phnom Penh hosted the ASEAN Tourism Forum. In June 2003 we were privileged to welcome the ASEAN Foreign Ministers to Cambodia. Today, the Kingdom of Cambodia has the great privilege of hosting the 35th Meeting of the ASEAN Economic Ministers, as well as the related meetings with the Economic Ministers from ASEAN Dialogue Partners such as Australia, China, India, Japan, Republic of Korea and New Zealand. Meetings will also take place with the representatives of the private sectors from the ASEAN, US and CER...

... The people of Cambodia have expressed their collective will through the fair, free and democratic elections, which took place just a month ago, on 27 July 2003. We are now working to solve the differences among political parties who have been selected by the people through the elections to serve in the national assembly, based on the principles of democracy, the respect for the rights and will of the people and the existing laws, especially the Constitution of the Kingdom of Cambodia.

I am optimistic that the new Royal Government of Cambodia will enter into its third mandate, according to the people's will and aspiration and fully committed to the cause of peace, development and prosperity

for all. Cambodia has come a long way in the past 5 years, since the second term of the Royal Government. With strong political commitment, expressed in decisive action on its policy and institutional reform agenda over the past five years, the second term Royal Government has generated a powerful momentum towards progress and has achieved positive results toward development, progress and prosperity.

Such success won by Cambodia through hard work and sacrifice is reflected in the performance of the economy which has grown each year by an average rate of 6.7 percent. Moreover, inflation was kept very low, the exchange rate stable, and international reserves steadily increasing. Furthermore, the Royal Government's positive reforms and the maintenance of macroeconomic stability has been achieved in the face of external and internal disruptions including natural disasters, international terrorism, uncertainty in the global geopolitics and the world economy and even the SARS virus. With the national elections completed in good order, we in Cambodia now need to renew and intensify our efforts to execute our economic policy agenda. To restate our ultimate goal: "we shall endeavor to build the Cambodian society marked by sustained prosperity and a firm democracy, gained through solidarity, progressive education, respect for moral values and social justice"...

... One of the most important items on our regional agenda has been the economic development for many years. Our ASEAN members and region as a whole possesses immense potential with abundant natural resources and productive, skilled people. With peace and stability our region can collaborate to

maximize the employment of resources and generate sustained benefits for our peoples. I am therefore gratified that ASEAN has shown strong resolve in working together, and with other countries to counter terrorism.

During the 8th ASEAN Summit in November 2002 here in Phnom Penh, the ASEAN Leaders considered the formation of an ASEAN Economic Community, as the end-product of the implementation of the Road Map for ASEAN Integration and Vision 2020. Our respective Ministers have been studying these proposals... We should all look forward to the presentation of findings and recommendations at the 9th ASEAN Summit next month in Bali. I believe that the deepening integration of ASEAN countries must be accompanied by technical and development cooperation to bridge the gaps within ASEAN so that benefits of ASEAN integration are shared among all ASEAN members. In 2002, the ASEAN commissioned the consultancy McKinsey & Company to study and recommend on ASEAN Competitiveness. We have heard the report in various forms and forums these past months. At this point we need to seriously consider the final report and recommendations and act accordingly. We look forward to receiving the recommendations of the Economic Ministers on this matter. At the Special Informal Meeting of the ASEAN Economic Ministers in July 2002 in Jakarta, new measures to strengthen economic cooperation within ASEAN were introduced...

### **1. Extend the Comprehensive' AISP to CLMV**

We suggest that the coverage of the ASEAN Integrated System of Preferences (AISP) be extended by the more-developed ASEAN

members, at a zero rate across all sectors, to Cambodia, Laos, Myanmar and Viet Nam (CLMV) by 2004 and onwards. I strongly believe that such an extension will stimulate the expansion of trade across our entire region and even beyond. This initiative will also promote increases in the flow of investments particularly to the newer, lesser-developed and weaker production-base ASEAN members.

### **2. Maximize the Use of Regional (ASEAN) Branding in Producing Competitive ASEAN Products.**

Organized as the ASEAN, we need to develop the brand of "Made in ASEAN" of products where parts could be produced in different ASEAN countries, then transportable duty and tax-free into other ASEAN countries for final assembly. With inputs and spare parts being produced in and sourced from any ASEAN country where it is most advantageous and competitively-priced, the ASEAN as a whole will be able to produce finished products that are able to face increasingly stiff world competition.

The ideal arrangement would be that inputs, parts or components are produced in the developed ASEAN countries and the final products are assembled and completed in the less-developed ASEAN members, where labor costs are competitive and where local content performance meets the requirements under the Rules of Origin/GSP schemes of the major markets: North America or the EU. In such arrangements the GSP/rules of origin status of Cambodia becomes available for use by the more-developed ASEAN members in order to access the major markets.

### **3. Developed ASEAN Countries to Assist in Production, Trade Facilitation and Export Promotion.**

Cambodia has received preferential

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