

Cambodia New Vision

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**Address of Samdech HUN SEN to
the World Summit for Social Development and Beyond:
Achieving Social Development for All in a Globalizing World**
(United Nations Office, Geneva, 26 June 2000)

**Address of Samdech HUN SEN
to the Business Community
in Singapore**
(02 JUNE, 2000)



Samdech Hun Sen and Prime Minister Chuan Leekpai are cutting the ribbon to inaugurate the Cambodia-Thai Skills Development Center "Poun Phnom" (15 June, 2000)

We are meeting here on a very appropriate occasion to discuss an over-arching subject of immediate importance to all of us. This is the first major United Nations Assembly at the start of the new millennium, and I am particularly delighted that this meeting devotes its attention entirely to Social Development and poverty alleviation with particular focus on the Least Developed Countries and their needs and handicaps arising from globalization and its impact.

Five years have passed since the United Nations World Summit for Social Development in Copenhagen in 1995, which marked the first time in history that Heads of State and Government had gathered to recog-

nize the significance of social development and human well-being for all and to give these goals the highest priority into the twenty first century. The Copenhagen Declaration on Social Development and Program of Action established a new consensus to place people at the center of our concern for sustainable development and pledged to eradicate poverty, promote full and productive employment, and foster social integration to achieve stable, safe and just societies for all. However, it is also clear that the national and international policy responses for this purpose have been uneven. Despite some advances, there has been little progress in some key areas, and re-

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It is a great honor and pleasure for me to address this prominent audience today. First of all, I would like to take this opportunity to express our deep and sincere gratitude to the Government and the People of Singapore for the warm hospitality extended to our delegation during the visit to this beautiful and prosperous country. My deep thank is also extended to the Singapore Chinese Chamber of Commerce and Industry and the Singapore Trade Development Board for hosting this important and useful meeting.

As Cambodia is back on the fast track of sustainable economic growth, testified by encouraging achievements during the past year, I am confident that it is the right time for the business community and investors to make a thorough assessment of Cambodia's potentials and opportunities, and work out a long-term vision for the country. I wish to take this opportunity at today's gathering to brief you, Excellencies, Ladies and Gentlemen, on some important aspects of the current socio-economic developments in Cambodia and our long-term visions and plans for the future. At the same time, it is my intention to give you a glimpse on what I believe are the advantages for investing in Cambodia.

At the outset, may I brief you on some fruitful results of the efforts deployed by the Royal Government of Cambodia (RGC) during the past

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gress is evident in others. Globalization and unprecedented rapid technological advances continue to present both opportunities and challenges for social and economic development.

Never before in the world history that mankind has built up the potentials and capacities in science and technology to create such enormous wealth and provide the welfare. However, the world has also never seen before such disparity and inequality. Technological and scientific revolutions, which shortened the distance and made this world smaller through the development of the state-of-the-art transportation and telecommunications, co-exist with the increasing gap between wealth and poverty, as well as between development and underdevelopment. Almost 900 million people in Asia are living below the poverty line. Around 30 percent of Asians do not have access to clean water. About 50 percent of Asian adults are illiterate. One can point out to the long list of this kind of statistics, which is called by the mainstream economists the challenges of globalization.

In this particular context, we are all standing at an important juncture to invent a new inclusive "developmental paradigm" which will benefit the many and uplift them to acceptable levels of human condition.

In developing the new paradigm, we have to pay more and full attention to the importance of building social institutions – families, communities alike -- which play a crucial part in any development process. Age old beliefs, values, traditions and patterns of relationships and behavior to each other so unique to each group of people, and ever adjusting to demands of technology induced modern life, form the sheet anchor for societies and social development. It is very essential that these are preserved, enhanced and not allowed to wither away in spite the onslaughts of influences and life-

styles brought to each door by the globalized media. Once there is a breakdown in basic values of each society there is no new and easy way to build what is lost in order to ensure future survival and progress. Social Capital has come to be recognized at last as an important and inevitable ingredient of progress.

A starting step for the future should be to reinstate the sense of "sharing" which has governed human existence from the dawn of history but has somehow got diluted in the race for economic growth in the recent few centuries. Sharing is therefore a necessity not a charity. Sharing has to be between neighbors at the individual level, between communities, between nations and regions.

By practicing the sharing concept, I believe, we will be able to effectively address the first and foremost concern for all of us at present that is the need to rapidly reduce an increasing poverty and the ever enlarging gaps or the economic-divide in the globalized world. In this regard, sharing means to provide opportunity and create adequate conditions for poor countries to adequately benefit from globalization. This requires a transfer of more financial, technical and technological resources and the opening of opportunities to poor countries to participate fully and on equal footing in free trade by providing favorable access to developed markets without hidden conditionalities and domestic subsidies.

Also in this direction, a good step has been taken to write-off the heavy burden of outstanding loans to some of the poor countries. I would like to appeal to further develop this initiative by adding extra funds to help the Highly Indebted Countries and this has to extend to many other countries through a global strategy for external debt, consisting of flexible formula for debt reduction and rescheduling. In addition, more "grant" rather than "loan" funds have to flow to them for development till they reach a

minimum threshold. However, as one of the poorest countries in the world, we are very concerned by the overall decreasing trends of Official Development Assistance (ODA) in the world, and fully support the strive to fulfill the yet to be attained internationally agreed target of 0.7% of GNP of developed countries for overall ODA as soon as possible.

As shown by our recent experience, the impact of the financial turmoil in the region two years earlier has resulted in large-scaled tragedies that cannot be gauged. The experiences drawn from this crisis show that the poor are the most vulnerable and the most affected by the crisis. Therefore, there is a dire need for the establishment of social safety nets to prevent future crisis and for the enactment of regulations and the adoption of some policy measures to ensure smooth operation of the market mechanism. The world has spent a lot of time to discuss the need to establish social safety nets and a new financial architecture, to control capital flows and speculative operations in the financial markets. However, it is regretful that so far there is no concrete, tangible outcome. It is time to end this rhetoric and grapple with concrete actions to resolve the cross-cutting issues, currently faced by the world economy and financial system in order to maintain decent social safety nets for millions of poor people, who are scattered around and vulnerable to all kinds of crisis.

It goes without saying that the developing countries have their part to play as well in the fight to eradicate poverty, promote full and productive employment, foster democracy and social integration, and create enabling environment for social development. For this purpose, they have to adopt and apply policies to preserve peace and security within and among nations; strengthen rule of law; ensure effective state institutions, transparency and accountability in the management of public af-

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fairs; encourage the participation of all citizens in the decisions that affect their lives; protect all human rights and fundamental freedoms, including the right to development and gender equality. Further more, developing countries need to implement measures for the sustainable use of natural resources and environmental protection so that they continue to provide sustenance and support to all future generations as well. Last but not least, capacity building is an important means of creating a national political, socio-economic and legal environment conducive to development and social progress. Therefore, priority should be given to the enhancement of the capacities of LDCs such as Cambodia, for them to achieve the ultimate goals of social development, including adopting long-term strategy for sustainable growth and taking actions to implement, monitor and evaluate its policy and strategy.

I have only outlined with the broadest strokes of the brush the global needs to be debated and analyzed so that common consensus could be reached on measures acceptable to and implementable by all. I am convinced that given the vision and commitment for the future of mankind, which we all agreed upon in the Copenhagen Declaration and Program of Action adopted five years ago, these are entirely achievable. We do not need additional volumes of position papers. We need only to trust our collective knowledge and lessons of the past which are immense, and surely put more efforts and energy to honor our own commitment...■

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year.

I never tire of repeating that Cambodia enjoys today unprecedented peace and stability – politically, socially and economically. Such a situation has arisen afresh in the past 18 months since the formation of the present coalition Royal Government in November 1998. The country is experiencing it after several decades of turmoil, turbulence and tragedy. Democracy, where people make their choices from many alternatives, is now taking stronger and stronger roots by the day. Freedom of expression and assembly is enjoyed by all though some obviously try to exploit it for narrow political ends. Unrestricted open dialogue and debate and expression of divergent views take place without hindrance or obstruction, both in all the media and elsewhere. Public security has improved vastly in spite of more openness. I don't need to elaborate on the efforts to guarantee the rights and freedom of expression and the successive actions aimed at cracking down on crimes, as well as the imposed ban on the use of weapons and the confiscation and subsequent crushing of tens of thousands of illegal weapons.

The people of Cambodian are unified as never before. Renewed hope, optimism and resolve pervade the air everywhere. People feel a new sense of dynamism, of purpose and of vibrancy. Progress is evident in every sphere in a short time although much remains to be done. The Government by the people, of the people and for the people, is fulfilling its promises one after another in a determined and speedy fashion. Even some of those external critics who so far have been die-hard opponents of this government have openly and graciously conceded these happenings.

Shortly after its inception, the Royal Government of a new term of office has made tremendous achievements by succeeding in dismantling the political and military organizations

of the Khmer Rouge, integrating their forces into the mainstream of the society and accomplishing peace for the first time in many decades. With strong political will, meticulous preparation and serious endeavours, the RGC has achieved encouraging results in the implementation of the "Triangle Strategy", put forwards by myself as the Prime Minister of the Royal Government of Cambodia for this second term of office. This strategy succeeded to get over the political games, clean up the internal and external political environment and create conditions to put the country on the path of reforms. Through this reform the government hopes to ensure a favourable environment, which stimulates economic activities in the country and instil the confidence of the international community and foreign investors in Cambodia.

We have taken long strides forward to remove impediments and difficulties, which hinder this inter-twinned reform process. Having implemented these programs, in 1999 real GDP rose 4.3% after plummeting to 1% in 1997 and 1998. The inflation rate fell sharply down to almost 0% after rising up to 12.6% in 1998. This is a significant success, as unrestrained inflation as we all know afflicts the poor first and foremost since their resources are inelastic to withstand these volatile movements. The exchange rate was fairly stable ranging around 3,800 Riels per USD. The international reserves increased 8%, covering 3.9 months of imports. Our tourism arrivals are increasing exponentially – a further testimony to our internal security situation as well. Our exports have increased rapidly thanks in a large measure to our growing garment industry which now employs over 100,000 people – imparting skills to them and putting valuable income in their pockets and improving the lots of their families and communities.

Impediments to reforms have been gradually removed. The government's political platform and reform

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programs have been fully supported and embraced by the donor community. A few days ago I led the Cambodian delegation to the Consultative Group (CG) meeting held in Paris, France, attended by delegations representing more than 20 donor countries and international organizations, in order to mobilize development assistance for Cambodia. We achieved tremendous success in this endeavor since the donor community has highly appreciated the efforts and the achievements made by the government in the past year by pledging a total of US\$548 million in development assistance to Cambodia in 2000, far exceeding our request.

Given the favorable political and security developments, Cambodia is expected to experience GDP growth of 5.5 percent in 2000 and 6 percent in the years afterwards. Inflation will be kept under the 5-percent benchmark. The riel-dollar exchange rate will be broadly stable around 3,800 Riels per 1 US dollars.

Building on hard, newly gained peace, stability and unity of territory and goals agreed upon at the national level, the Royal Government's most important agenda is rapid alleviation of poverty and accelerating economic progress. The thrust of the government's strategies are geared towards achieving the following three strategic objectives:

- 1- Long-term, sustainable economic growth at the annual rate of 6 to 7%.
- 2- Equitable distribution of the fruits of economic growth between the have and the have-not, between urban and rural areas and between the two opposite sexes.
- 3- Ensure sustainable management and utilization of the environment and natural resources.

Hence, our strategic motto is "Poverty reduction through high

economic growth over the long term by ensuring environmental sustainability and social equity." This is a large-scaled war requiring sacrifices and joint efforts with strong will and determination. The main elements of the government's strategy are as follows:

First, the consolidation of peace, stability and social order by taking concrete steps to strengthen the rule of law, uphold human rights, promote democracy with the view to establishing favorable political and security environment for sustainable development over the long term.

Second, investment promotion and facilitation through and mobilization of foreign aid and attraction of foreign direct investment (FDI). Cambodia needs massive influx of investment during the next few years to generate economic energy and accelerate the take-off. Therefore, the RGC has made tremendous efforts to attract foreign direct investment and is working hard to improve investment climate with the view to ensuring adequate conditions for economic take-off.

Third, Domestic resource mobilization through actions taken to implement policies aimed at stimulating private savings by developing the financial industry and strengthening the banking system, and carry out budget and fiscal reforms, aimed at enhancing domestic revenue and rationalizing and programming public expenditure. The thrust of these policies is to gradually reduce defense and security expenditures and earmark the savings for public investment in physical infrastructure and economic and social sectors.

Fourth, Shifting investment outlays to priority sectors and improving the productivity of agriculture in order to build a solid foundation for economic growth. Infrastructure and essential supporting facilities, such as road, irrigation, water supply, electrical power and telecommunications will play a crucial role and constitute sine qua non conditions in our endeavors for economic take-

off. Given the fact that 90 percent of the poor live in the rural areas, the strategy for poverty alleviation should be placed on the implementation of integrated rural development programs, notably the improvement in agriculture productivity, through the use of high-yielded seeds, the research on rice and industrial crop production, infrastructure development, rigorous implementation of water policy, the combat against land grabbing and landlessness, the development and implementation of sound land tenure and land use policy and environmental protection. At the same time, attention is being given by the RGC to the strengthening and expansion of the micro-finance institutions in order to expand economic opportunities and create employment in the rural areas.

Fifth, Building institutional capacity and strengthening good governance is key to the concept of sustainable development with equity. This is also linked to the establishment of the rule of law, administrative reforms, the promotion of transparency and accountability and the combat against corruption, which will have direct impact on the promotion of investment and business activities, and trickle down economic growth to all strata of the society.

Sixth, Integration of the Cambodian economy into the region and the world with the aim to increase the economies of scale by expanding the markets, improve factor mobility and reduce the prices of imported and exported products. In this sense, Cambodia's participation in globalization and regional economic integration will increase the attractiveness of Cambodia to investors, promote higher factor productivity, create and develop comparative advantages of the nation, through the participation in international competition and specialization.

Seventh, Social and human resource development: The experience of a

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number of developing countries show that investment in human capital, especially investment in education, vocational training, job creation and health, is key to ensuring economic take-off and reducing poverty. The RGC has deployed considerable efforts in increasing investment in these areas, through both the budget and foreign aid mobilization. We warmly welcome the participation of the private sector in this important task, especially in the education and health sectors.

Eighth, Maintaining and strengthening partnership with the donor community, NGOs and the civil society, as this represents significant sources of financial and intellectual capital for Cambodia's moving towards progress.

From my earlier comment you can see that the RGC has attached great importance to private investment for the development and poverty alleviation in Cambodia. Recognizing the crucial role of the private sector in this regard, attention has been given by the RGC to remove the obstacles and impediments to investment in Cambodia. I have made extensive comments, on many occasions both inside and outside of Cambodia, in respect of the efforts deployed by the government to attract and facilitate private investments in Cambodia. In understanding that some people gathering here might not be aware of this. Therefore, may I highlight some important points, for your information, as follows:

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. We have brought with us and distributed to you a set of important documents related to law, regulation

and opportunities of investments in Cambodia. Further more, H.E. Sok Chenda, Secretary General of the Council for the Development of Cambodia, will afterward make a presentation for all you on this very important topic. I therefore will not get into the details of the incentives provided by the Law on Investment of the Kingdom of Cambodia and relevant legal instruments. I just would like to highlight the fact that with my personal involvement, the Council for the Development of Cambodia (CDC) has endeavored to improve its performance by strengthening the Cambodian Investment Board (CIB)'s "one-stop shop" in order to facilitate investment approval and implementation of investment projects. Moreover, I have initiated a Government-Private Sector Forum, which was held on 21 December 1999. This forum, chaired by myself as a Prime Minister, is an open channel of dialogues between the private sector and the government. It is aimed to explore in conjunction with the business community measures and solutions to facilitate and promote investment in Cambodia. We have agreed that this forum will become a permanent mechanism and will meet once every six months. The second meeting of this forum will be held in the near future. Moreover, I plan to initiate the establishment of a joint government-private sector mechanism to follow up the implementation of the decisions and resolutions adopted by the forum.

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. We have prepared the list of BOT projects, which the RGC give particularly high priority and wishes invite private sector participation. This list is included in the information folder distributed to all of you. In this re-

gard, 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.

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. Cambodia is working very hard to maintain this preferential trading status and further expand its international markets.

Fifth, As a 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 agree-

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ments with the Asian Development Bank (ADB) and the European Union (EU) provide the private sector with the windows of opportunity to get funding from these international financial institutions for their investment projects. Moreover, 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), which provide the guarantee of political risks for investors. 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 trading partners, including ASEAN members and other bilateral partners, such as China, Korea, Germany and Switzerland. We continue to work with many other bilateral and multilateral partners in this area. 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.

Cambodia has some important comparative advantages and is endowed with significant potentials in agriculture, agro-industry, labor-intensive industry, processing industry, tourism and in some other production and services, due to its endowment in land area, soil, climate, natural resources, cheap labor, historical heritages and the beautiful scenery of its beaches, rivers, lakes and forests. These potentials are awaiting investment and sustainable development.

Given these potentials and in order to build a sound and strong foundation economic growth as well as to ensure Cambodia's long-term comparative advantages, the RGC has accorded priorities to the develop-

ment of the following six sectors:

- 1 Agriculture;
- 2 Physical infrastructure, transportation and telecommunications;
- 3 Electrical power supply;
- 4 Labor-intensive and export industries;
- 5 Tourism sector, and
- 6 Human resources development.

Cambodia needs financial resources to expand production, 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. 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 spent some time briefing you on the overall situation in Cambodia, as well as the government policy, strategy and measures with regard to economic reforms and private investment. After this presentation you might think that we are overtly optimistic about the future of Cambodia's development. Indeed, we are optimistic. However, this optimism is based on Cambodia's obvious potentials and endowments, as well as on the achievements that we have made during the past years. It is also based on the long-term vision of the nation, strong determination of the Cambodian people and the resolute political will of the government in implementing the reform policies, programs and measures in order to moving our young nation towards a sustainable progress... ■