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Opening Address

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Kingdom of Cambodia*

At the
**Opening of the 2009 Cambodia's Outlook Conference on "*Cambodia
and the Global Economic Crisis: Impact, Policy Responses and Action*"**

Phnom Penh Hotel, 12 March 2009

- ***Excellencies, Ladies and Gentlemen!***

It is my great pleasure this morning to deliver the keynote opening address of the 2009 Cambodia's Outlook Conference on "***Cambodia and the Global Economic Crisis: Impact, Policy Responses and Action***"~ I would like to take this opportunity to warmly welcome **CDRI** and **ANZ Royal Banks** initiative and partnership in hosting this very valuable annual Outlook Conference. This is the third occasion on which I have had the pleasure of delivering the opening address. I see the Outlook Conference as a unique event in Cambodia as each year it brings together leaders bring together personally invitee;! leaders from government, the private sector, research institutes, and civil society, and the international development community to consider Cambodia's achievements and its future. This year's Outlook Conference, its timing and theme, are of particular significance as we all come to terms with the impact of the global and regional financial and economic crisis, and how we must respond with efficiency and effectiveness.

This global and regional crisis is not a crisis of Cambodia's making. It has been caused by external factors beyond Cambodia's control, and it is a crisis that will have serious impacts on us all. As I have emphasised in other recent forums, we must now work together to manage our way through it, to ensure that the remarkable development and poverty reduction achievements of Cambodia over the past two decades are not lost, and to further strengthen Cambodia's key sectors for future growth and development so that we can

emerge from the crisis with a stronger, more sustainable economy, stronger institutions, and a stable, peaceful and resilient society in Cambodia.

We are fortunate that we face these challenges while our economy is still in good shape by having achieved a decade of sustainable strong economic growth and sound macro-economic management. A recent World Bank's study has placed Cambodia in the top ten developing countries with the highest economic growth rate from 1998-2007/ with our average growth over the past decade reaching double digits, but slowing in 2008 to around 7%/ which is still relatively high by the international standards. At the same time, we have made an impressive record in poverty reduction, from 45% in 1994 to around 30% in 2008. We have been able to achieve this impressive record through responsible macro-economic management and a steady programme of reforms by government, along with the dynamism of our private sector, and the productivity and effort of the Cambodian people. We have made great progress in the provision of better infrastructure, roads, bridges, irrigation, transport and telecommunications, and the promotion of international labour standards in our garment industry, the promotion of tourism, and the promotion of a positive enabling environment for trade and investment sectors development.

It is also important to stress that, although Cambodia's banking sector is small, it is dynamic and growing, with limited exposure to the global financial turmoil. This sector has been placed under strict supervision of the National Bank of Cambodia, and has received the credibility from the government, the private sector and the Cambodian people. We must not lose sight 'Of our other strengths, many of which were discussed during last year's Outlook Conference. Indeed, Cambodia is rich in natural resources - forests, water, fisheries and other minerals. With all these merits, the Royal Government remains committed to the responsible management and exploitation of these natural resources that can bring maximum benefits for economic and social development, wealth creation and poverty reduction, and to address the challenges regarding governance and administration, transparency, conflict resolution, corporate responsibility, and environmental management. Moreover, this is particularly important and challenging in relation to land policy and management, and ensuring a balanced approach that promotes the productive use of land, to increase income and improve people's living standard, and also to ensures that rural land is being put to best use for agricultural and rural development and for poverty reduction, which are our common goals.

The Royal Government continues to demonstrate its responsiveness to the needs of the private sector which plays key role in prioritized development areas such as economic diversification, infrastructure, energy,

telecommunications and financial services, and through initiatives such as the government private sector forum and the open sky investment policy, to support and promote the capacity of the private sector to grow and compete on the regional and global stage. The government also supports the urgent priorities as identified during last year's Outlook Conference, and key issues which are being put up for further discussion in today's conference. Those issues include coordinated and well resourced action of the Royal Government and development partners, and the private sector, to work together to significantly improve the quality and content of tertiary education, and particularly vocational education and training, so Cambodia's human resource development and the skills of its young people can better meet the needs of a booming private sector and a more complex and competitive labour market. This is now more urgent than ever if we are to carefully manage our way through the crisis and emerge stronger in the future.

- Excellencies, Ladies and Gentlemen!

Due to the unfavorable climate resulting from the financial crisis and global economic downturn, the economic growth in Cambodia in 2008 is estimated to reach around 7 percent compared to 10 percent annually in the last four years. The growth in 2009 is predicted to slow down even further. In the difficult situation, the Royal Government has taken systematic and well-sequenced measures in order to ensure macro-economic stability and strong financial sector as well as to stimulate growth through fiscal measures, trade facilitation and investment. The Royal Government has also focused on further strengthening the social safety net for the people.

Although the Royal Government have taken various measures to tackle the crisis, it is still progressing and become more severe for some countries and its relief is unpredictable. This crisis will impact some key economic sectors and bring down the growth of major sectors such as garment, tourism, and construction by about 15-20% which will have negative impacts on our economy and people. This means that we must work even harder on some of the key sectoral challenges which are the agenda of today's discussion as follow:

1. To diversify the markets for our garments and other manufactured goods market to East Asia, the Middle East and Africa etc;
2. To further improve tourism infrastructure and the development of more tourism destinations and attractive tour packages;
3. To prioritize the use of resources and expertise of the government, and donors to broaden and diversity our agricultural sector, in order to attract more quality investments in agri-business and improve agricultural trade linkages, land reform, agricultural diversification and agro-processing;
4. To further invest in infrastructure development, particularly energy generation to reduce energy costs to the private sector and to the community; and
5. Continue to aggressively promote and support wealth creation and

improving the people's livelihood according to the correct principles and procedures as stipulated in the Cambodia's Constitution.

In general, I am particularly concerned that together we develop effective responses to the crisis to help protect and support the poor and vulnerable in our communities, particularly those who may be thrown into unemployment by the contraction in export industries such as garment manufacturing, construction and tourism; migrant workers, who may be forced to return home from working in neighboring countries in the region. Moreover, the Royal Government also has the intention to protect and support those poor rural families with reduced income and increased burden of unemployed family members returning from urban cities; small and micro-enterprises that deliver services in urban areas in support of industries negatively affected by the crisis; the already poor, employed and underemployed whose opportunities will be lost as economic activity contracts, and young people entering the labor market in contracting economies with few prospects of employment. We owe it to these vulnerable groups to ensure that our responses to the crisis meet their needs through sustained economic activity and access to employment and livelihoods, and the development of social safety nets to provide relief and assistance to the vulnerable groups and communities through mechanisms such as food relief and cash transfers.

These challenges will require not only a more effective and dynamic cooperation between the government, its development partners and the private sector but also more effective coordination and collaboration within and across government ministries, and the development community. In key areas such as agriculture and rural development, and associated infrastructure development, irrigation and water resource management, and trade facilitation, I will be requiring much greater communication, coordination and cooperation between relevant ministries/institutions, especially their leaders and senior officials to ensure that development programmes are more speedily and effectively designed and implemented, and that the supporting resources provided by our development partners can be more speedily and effectively disbursed for implementation. This is no easy task but the nature of this crisis means that there has never been a greater need for us all to work together to improve our performance on this issue.

- Excellencies, Ladies and Gentlemen!

I have talked about many of the challenges that we will face as a result of the global economic crisis and how we must work together to address them. However these are not the kind of challenges that Cambodia can deal with alone. It has been said that **"crisis always goes along with opportunities"**~ The current global financial crisis presents opportunity for us to strengthen and expand cooperation and regional integration in order to maximize benefit from our great economic potentials through expanding the scale of regional

market as well as trade and investment promotion in the region. This is important to minimize our overtly dependence on external markets and enhance our competitiveness in attracting investments from outside into the region.

It is also imperative that we work closely with our neighbours, in the Greater Mekong Sub-region, with the member countries of ASEAN and our regional partners, such as **China, South Korea** and **Japan**, to seek regional solutions and strategies that will help us deal with the impact of the crisis and to increase the pace and effectiveness of regional cooperation and integration to make our region stronger and more resistant to future crises. As I have emphasised at the recent ASEAN Summit in Thailand, this is critical if we are to reduce our overdependence on external markets, and enhance our competitiveness in attracting investment into our region. We must work together to promote intra-regional free trade, production networks and consumption, to develop concrete strategies to deliver on the commitment of the *ASEAN Charter* to bridging the development gap in ASEAN, and to move forward on the implementation of the **Chiang Mai Initiative** to strengthen the role of regional financial mechanisms and institutions to support growth and development, and to help protect the countries of East Asia from future external shocks.

In the broader global arena, we must support the involvement of China, India and Indonesia, as major developing countries that can also speak for others in the developing world, in the G20 meeting in London in April, to ensure the development of effective global and regional strategies in response to the crisis, to ensure a deeper commitment in bridging the development gap, and to ensure that development assistance commitments of the developed world to developing world are met with the timely disbursement and implementation of development programmes. Their effective participation is also critical in ensuring that there is progress on the urgent need to the reform of major international financial institutions, particularly the IMF and the multilateral development banks, to be more effective and responsive to the needs of developing countries, both in ASEAN and East Asia, and elsewhere.

We must work together with other developing countries to ensure that, in still aid-dependent economies like Cambodia, international development partners deliver on their ODA commitments and work with recipient governments to speed up disbursement, and ensure improved donor coordination, along with improved across-government coordination, to fast track major infrastructure, food security, social and other key development programmes to mitigate the impact of the crisis on the vulnerable, and to help the recipient government ensure that hard-earned development and poverty reduction achievements over the past decade are not lost due to the crisis.

In the room today we have a great pool of talented people to help Cambodia and its future - they are from the government, development partners, research and policy institutes. I would like to take this opportunity to encourage you all to carefully consider a number of important questions on today's agenda, and to share your knowledge, experiences and ideas to help ensure that Cambodia can emerge from the deepened current crisis:

1. What are the early indications of the impact of the crisis on Cambodia and our region, and how can we carefully monitor its impact to develop responsive strategies, especially for the poor and vulnerable?
2. How can government, development partners, the private sector and educational institutions work together to better respond to Cambodia's human resource development needs, particularly vocational skills for a skilled labor force?
3. What strategies will enable us to best manage our way through the crisis, and to protect and strengthen key sectors for Cambodia's growth and development - agriculture and rural development; tourism, infrastructure and energy to support the broadening of our manufacturing base, real estate, property and construction?
4. What are the priority policies and actions that should be on our agenda in response to the crisis for collaboration between government, development partners, the private sector and research and policy institutes?
5. How can regional and global institutions including international financial institutions and multilateral development banks better serve the needs of developing countries in response to the crisis and in the prevention of future crises?

- Excellencies, Ladies and Gentlemen!

There is much that need to be done, and much that can be achieved with the strong commitment and cooperation of the Royal Government of Cambodia and its development partners, the private sector, and research and policy institutions, working together in the best interests of Cambodia.

Finally, I wish you a very productive day of knowledge sharing and discussion, and I look forward to receiving the report of the outcomes and recommendations of the 2009 Cambodia/s Outlook Conference. May I now announce the opening of the conference!

Thank You!