The 2011 Cambodia Outlook Conference: A Partnership of CDRI and ANZ Royal Bank was opened here this morning at Phnom Penh Hotel under the presidency of Prime Minister Samdech Akka Moha Sena Padei Techo Hun Sen.

The one-day conference being held under the theme “Driving High Growth and Sustainable Development for Cambodia-Opportunities and Challenges” will discuss three important topics – (1) driving high growth and sustainable development in Cambodia,

(2) important factors ensuring high growth environment and sustainable development in Cambodia and (3) preparing Cambodia for high growth and sustainable development through strengthening success factors and removing impediments, according to H.E. Dr. Hang Chuon Naron, Permanent Vice-Chairman of the Supreme National Economic Council and Chairman of the Board of Directors of the Cambodia Development Resource Institute (CDRI).

“I am fully confident that the result of discussion in this conference will become the most significant inputs for the policies design of the Royal Government with high effectiveness and efficiency, and especially is the common framework for the private sectors to plan their profitable investment and contribute to building a prosperous society,” he said.

In his opening keynote address, Prime Minister Samdech Techo Hun Sen said Cambodia economy is performing well. Growth for 2010 has recently been revised upward from 5.5 percent to 5.9 percent of GDP.

“The future outlook for Cambodia is positive – the economy is projected to grow between 6 percent to 7 percent annually over the medium term. It is expected that Cambodia will benefit from future global investment and credit flows which will favour Asia due to the weakening of demand in the other parts of the world. The growth of the traditional U.S. and EU markets could remain below its earlier trend at least for some time. With the growing regional cooperation and integration and faster growth of the Asian economies, Asian markets could offer more prospects of export and income growth to Cambodia. Thus, we have to diversify Cambodia’s economic structure to focus not only on serving the U.S. and EU markets, but also Asian market,” he said.

The Cambodian premier also touched on key opportunities and challenges Cambodia faces in ensuring a future of high inclusive growth, sustainable development for Cambodia.
His full keynote address reads as follows:

Full speech

Keynote Address at the 2011 Cambodia Outlook Conference: A Partnership of CDRI and ANZ Royal Bank «Driving High Growth and Sustainable Development for Cambodia – Opportunities and Challenges»

16 March 2011, Phnom Penh HotelPhnom Penh, Cambodia

Excellencies, Distinguished Guests,Ladies and Gentlemen,

It is for the fifth time that I have delivered the opening keynote address to the 2011 Cambodia Outlook Conference on ***“Driving High Growth and Sustainable Development for Cambodia – Opportunities and Challenges”.*** I would like to congratulate CDRI and ANZ Royal Bank on their initiative in hosting this important annual conference, which brings together officials from the Royal Government of Cambodia, the private sector, the research community, civil society and international development partners to consider Cambodia’s achievements and the challenges we face, and to seek good approaches we can work on

together for the benefits of our nation.

I would like to take this opportunity to convey to the People of Japan, particularly the victims and members of bereaved families, my deepest sympathy and condolences for the loss of lives and colossal damages caused by the most powerful earthquake and tsunami that struck Japan in the afternoon of 11 March.

Today's conference and its theme, *Driving High Growth and Sustainable Development for Cambodia – Opportunities and Challenges* , are both timely and relevant. We have recently gone through and mitigated the negative impacts of the global financial crisis and economic downturn of 2008-9 and are moving confidentially but carefully forward. We survived well for some important reasons - the stability and quality of our macro-economic management and the early policy responses of the Royal Government with the support of our international development partners; good governance and stability of our financial institutions; our economic and geo-political location in the East Asian region, the dynamism of our private sector, and the industry and resilience pf the Cambodian people.

However our experience of the crisis taught us some very important lessons that now drive government priorities.

Firstly we learnt that the economic growth of the prior decade would not be sustainable and inclusive without economic reforms.

Secondly, we understood better the need for a focused growth strategy and industrial policy to increase competitiveness and diversify the economy Cambodia if sustainable inclusive growth is to be achieved.

Thirdly, we now see more clearly than ever that Cambodia is well positioned to benefit from three important opportunities - harnessing the benefits of regional integration in our dynamic East Asian region; the management of our considerable natural resources in a sustainable way; and investment in the future through agriculture, infrastructure, education, and higher savings.

I am pleased to see that the priorities arising from these lessons are well reflected in the agenda of today's conference and I welcome your specific ideas and suggestions of how we best respond to the opportunities and challenges they present.

The Cambodia economy is performing well. Growth for 2010 has recently been revised upward from 5.5% to 5.9% of GDP.

The future outlook for Cambodia is positive – the economy is projected to grow between 6% to 7% annually over the medium term. It is expected that Cambodia will benefit from future global investment and credit flows which will favours Asia due to the weakening of demand in the other parts of the world. The growth of the traditional US and EU markets could remain below its earlier trend at least for some time. With the growing regional cooperation and integration and faster growth of the Asian economies, Asian markets could offer more prospects of export and income growth to Cambodia. Thus, we have to diversify Cambodia's economic structure to focus not only on serving the US and EU markets, but also Asian market.

International price for both oil and non-oil commodities rose considerably in 2010, partly in response to strong global demand and the situation in the Middle Est, but also due to supply shocks for selected commodities. Despite that, in 2010, Cambodia's inflation has maintained an annual average at around 4%. If compared to December 2009, inflation in December 2003 was only 3%. In the coming years, we need to carefully watch the inflation as rapid rise of regional inflationary pressures coupled with the hike in food and oil prices could have an adverse spillover into our domestic economy disturbing macroeconomic stability.

Real sectors of Cambodian economy are on the strong path of recovery. **Agriculture**, which has maintained sound growth even during the crisis, in 2010 grew at around 4%. Asia's demand for agricultural products is set to grow rapidly. This would result with the prevailing high prices of food and persisting food security concerns. Price of raw materials for industrial use (like rubber) also expected to increase along with the increased trend of oil prices. The changing economic environment and its implications for food supply will likely also increase demand for agricultural products. Taking all this factors into account, the agricultural sector projected to maintain good performance in 2011 and in medium term. Agricultural product exports, including rice exports, expected to increase owing to high priority has been given to this sector by the Royal Government.

Industry grew by 13.5% in 2010 as compared to negative growth of -9.5% in 2009. Main

subsector which underpins the growth in the industry sector is the garment exports, which increased by 15.2% in 2010. Industry sector expected to grow robustly in 2011 as the textile exports projected to rise further as the result of the EU's "Everything But Arms" initiatives, where Cambodian garment exports, as from 1st of January 2011, will be subject to 0% of customs duties (compared to 12% previously).

The **services** sector expanded in 2010, supported by good performance in the tourism sector. Tourists' arrival into Cambodia increased by 16% in 2010 and reached around 2.5 million. Visit to Angkor (main tourist destination) increased by 26% to 1.15 million. In 2011, service projected to grow at around 5.7%.

Cambodia has already established a firm base in cultural tourism; the diversification can be based on clustering other tourism attraction such as leisure and eco-tourisms with cultural tourism. The government plans to develop a comprehensive tourism policy to transform the tourism industry to a high value added sector with linkages to the domestic economy.

As I said earlier, today's conference agenda reflects some of the key challenges and opportunities Cambodia faces in ensuring a positive enabling environment to achieve our goals of high inclusive growth and sustainable development, and how we build on successes and remove constraints to position Cambodia to better achieve our goals. Let me deal first with the enabling environment to achieve our shared goals.

The maintenance and deepening of a positive enabling environment for business, as the driver of growth, employment and economic diversification is critical to our future success. We have provided business with political stability and responsible economic management it requires to thrive. We remain one of the most open economies in the world. The government's Rice Production and Export Promotion Policy provides opportunities for rice producers, millers and exporters and will be a useful model for other crops and for the development of agribusiness.

Our strategic location in an increasingly integrated Grater Mekong Sub-region, in ASEAN and in our proximity to China, the world's second largest economic power and the world's largest market for agricultural surpluses is a major asset in private sector development and investment. We have an abundance of good arable land but this will only be effectively utilised if we better manage economic and social land concessions to ensure they contribute to productive land use that benefits investors, the private sector and local communities.

We have competitive low labour costs but we need to ensure that we make a more strategic investment in vocational education and training in to meet real labour market needs, through collaboration between the government and its development partners, and through creative public-private partnerships. We have provided the private sector with useful consultative mechanisms and direct access to government through the Government Private Sector Forum and its Working Groups, but we also need to more often get together the best thinkers, the most strategic planners, and the most entrepreneurial business people in focused 'think tank' processes to target our industry policy and private sector development support more effectively.

We need to ensure that the message that Cambodia is a safe travel destination with rich cultural assets and diverse tourism experiences is better broadcast regionally and internationally. We must keep up the pace of infrastructure and human capacity development, and mobilise more savings for domestic consumption and investment, to drive economic productivity and diversification in the transition to a new set of comparative advantages in the medium term.

The revised National Strategic Development Plan (NSDP) 2009-13 provides a supportive policy, legal and regulatory framework to achieve these objectives, with its focus governance, private sector development, human development, and agriculture. The passing of anti-corruption legislation and the establishment of the Anti-Corruption Commission send a clear message to the nation, to investors and to the international community that we take anti-corruption measures seriously. However we also need to work harder, in cooperation with the private sector, to continue to government and business governance and practice to a higher international standard, strengthening institutions and building the capacity of government officials to build a healthy and dynamic but well-regulated environment for business.

Success in dealing with the related challenges of vocational education and training, tertiary education, human resource development and labour market responsiveness, in response to the country's growing need for a skilled and educated workforce, will also be fundamental to our success. The government's new Technical and Vocational Education and Training (TVET) initiative, supported by a grant of USD 24.5 million grant from the Asian Development Bank will deliver vocational and skills training to ensure continuing improvement in national productivity, to promote the creation of jobs in the formal and non-formal sectors, to increase agricultural productivity by creating jobs in rural areas. It will establish technical vocational education and training (TVET) networks to assist both men and women, especially the poor, disabled and vulnerable, to respond to labor market needs. We will provide an expanded and more integrated training system that is endorsed by industry and better aligned with the skill requirements of the formal and informal economies, focusing initially on three industrial sectors - mechanics, construction and business services and information and communication technology.

As part of our commitment to a more pro-active human resource policy we are also now working with our development partners, and the private sector to enhance the quality and relevance of tertiary education to meet our nation's needs. In response to out changing economic and demographic circumstances we need to rationalise the tertiary education sector to ensure that it delivers quality education for young Cambodians through both state and private universities, so that so that their graduates will be competitive in the domestic and international labor markets. This will require a significant investment in both the physical infrastructure and quality of academic leadership and management in our tertiary institutions, and in ensuring that tertiary education offers a more appropriate balance of physical and social sciences education on the one hand, and business and management on the other.

I believe these human development strategies will help deliver the skills and job opportunities to the younger generation of Cambodians that they deserve.

As an open, export-oriented market economy, building on our past success in trade and investment will be a strength for us as we move forward. Cambodia's trade with China, South Korea and Vietnam all increased significantly in 2010, along with a recovery in garment exports to Europe and North America. The government's rice policy reflects our high potential in agricultural production and the needs to continue promoting and attracting investors to invest in the agricultural sector, in the production of both rice, and other high demand export crops in our region such as cassava, soy beans and rubber, and in broader agribusiness and food processing. However we also need to focus our efforts, through more strategic industry policy, on the creation of new industrial sectors such as vehicle assembly and electrical appliances and other light industry, and further reforms to improve trade facilitation and the investment climate.

Underpinning the push for trade-based growth and economic diversification will be the continuation of the significant progress we have made on infrastructure development, along with associated improvements in both the hard and soft infrastructure that promotes a better logistics environment for the smooth movement of people and goods within Cambodia and across our borders. The progress we have made in the construction and rehabilitation of roads, railways, ports, and irrigation systems must continue, with cost-effective and environmentally responsible energy generation now also a priority. A $141 million project to repair 650 km (400 miles) of railway linking Cambodia's capital, Phnom Penh, to its borders with Thailand and Vietnam is now in train. Cambodia's entire railway system is being rebuilt and expanded.

We must ensure that, along with this 'hard' infrastructure, we make further progress in the 'soft'

infrastructure, the regulatory reform and capacity building of government agencies and officials responsible for the smooth, transparent and cost-effective movement of goods and people across our borders. This is now more an imperative that ever with the increasing pace of GMS, ASEAN and East Asian connectivity and integration.

Energy generation infrastructure to widen national access to reliable and affordable electricity is also now an imperative to help drive economic development, particularly in rural areas. While the benefits of exploitation of off-shore oil and gas resources, and their potential use in energy generation, may be a long-term opportunity, in the short term we will focus on significantly enhancing our hydro-power generation capacity and managing associated environmental impacts.

These are just some of the key opportunities and challenges that we face together in doing all we can to ensure a future of high inclusive growth, sustainable development for Cambodia.

I am advised that at tomorrow's meeting of CDRI's Board of Directors, the current Chair of the Board, His Excellency Dr Hang Chuon Naron, will step down as Chair, after serving two terms for 6 years allowable under the Anukret establishing CDRI concludes. I would like to express my sincere gratitude and congratulations to His Excellency Dr Naron for the very significant contribution he has made to the growth and development of CDRI over the past 6 years, and for the role model he has played for CDRI staff. I am confident that, even though he is stepping down, he will continue to work in close collaboration with CDRI in the years to come. I am also pleased to note that H.E. Dr. Sok Siphana, wil be nominated as Chair of the CDRI Board to replace H.E. Dr Hang Chuon Naron. I wish Dr Siphana every success in working with the CDRI Board, management and staff in taking CDRI forward.

May I conclude my opening keynote address here. I wish the conference a success in exchanging views and dialogue on the future of Cambodia. Once again, I congratulate the organising partners of the 2011 Cambodia Outlook Conference, ANZ Royal Bank and CDRI, and look forward to receiving good policy recommendations and ideas for action generated by the conference. I am now declaring the 2011 Cambodia Outlook Conference open. Thank you for your attention!

EndItem.