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TABLE OF CONTENTS

- ☞ The Prime Minister's Remarks at the Conference on Trade Performance in 2005 and Targets for 2006;
- ☞ The Prime Minister's Remarks at the Launch of the 2006 Poverty Assessment;
- ☞ The Prime Minister's Remarks at the National Workshop to Launch the General Population Census Plan 2008 of Cambodia;
- ☞ The Extension of Japan's Loan and Aid to the Royal Government of Cambodia;
- ☞ Court's Verdict on Trafficking in Person in Hotel Chhay Huor-II;
- ☞ The Creation of Special Economic Zones;
- ☞ The Visit of the President of Indonesia to Cambodia;
- ☞ The Visit to Cambodia of Mr. Paul Grove, Majority (Republican) Clerk, Subcommittee on Foreign Operations, US Senate Committee on Appropriation;



**Key Points of the Prime Minister's Remarks at the Ministry of Commerce
Conference
on Trade Performance in 2005 and Targets for 2006**

On 08 February 2006 **Samdech Hun Sen**, Prime Minister of the Royal Government of Cambodia presided the closing ceremony of the Ministry of Commerce Conference on “Trade Performance in 2005 and Targets for 2006”. In closing remarks, the Prime Minister emphasized that this conference is indeed of great importance in terms of promoting export-oriented manufacturing and market access development for Cambodian products, which is mainly based on trade facilitation and consistent with the overall reform policies of the Royal Government toward poverty reduction and development of Cambodia.

Clearly, trade is crucial, and without trade there would be no economic progress. Trade is a key source of growth in Cambodia, and it is also true for the world economy at large. In recent years, the Royal Government has exerted its utmost efforts in responding to the needs for regional and world integration through the formulation of laws and regulations that makes the national financial sector, investment and trade consistent with international standards and practices. At the same time, the Royal Government is strongly committed to adhering democratic principles, respecting and protecting human rights, ensuring peace and national reunification. These, indeed, have importantly and invaluablely contributed to strengthening the regional and international affairs.

The annual average GDP growth has been around 5.6% due to our prudent macroeconomic management over the past 12 years. From 1999 to 2002, average growth reached 7% every year while GDP per capita reached an annual average growth of 4.5 %. In 2005, Cambodian Economy is estimated to increase by 7%. This reflects strong progress in agriculture, industry, construction and tourism, especially garment and textile production export, which have played an important role in boosting economic growth.

Moreover, the RGC has been successful in maintaining inflation rate of 1% in the last five consecutive years. Although, between 2004 and 2005, inflation rate is higher than previous years due to oil price increase and high cost of foods, the inflation remains 6% in 2004 and at the same level in 2005. However, trade balance and Riel's stability in many years contribute greatly to the macro-economic management and the credibility of national currency. Furthermore, international reserve increases to the level that is able to ensure 3 months of imports, reflecting more progressive exports and higher tourist arrivals.

With no doubt, the overall progress can be seen in all sectors. Positive changes and gradual improvements in the previous decade reflect in: (1) strong and stable macroeconomic growth, (2) balanced and improved fiscal management, (3) poverty reduction, and (4) improved measurable social indicators such as expanding the scope of primary education, reducing infant and child under 5 mortality rate, reducing pandemic diseases, especially HIV/AIDS, improving access to clean water in urban areas and hygiene services in rural areas as well as reducing gender inequality in various sectors and other achievements

The reforms, completed and implemented by the Royal Government, have substantially contributed to growth. Those reforms include public financial management, civil administration, and trade facilitation program with the establishment of “one stop service”, and justice and other reforms.

Normalization of relations with the US and other countries in European Union has resulted in fruitful trade agreements, which are generally considered as Cambodia success in generating jobs and investment with good labor conditions. Our factory products have marketed in the US, and in return, we accept inspection from international labor organization. The exports of clothes, textiles, shoes and other products under preferential system have increased sharply from USD 20 million in 1996 to USD 2,115 million in 2005, implying that exports under preferential system have increased 10 times over the past decade. This is indeed our pride as a poor country which is able to export more than USD2.44 thousand million a year. Now, there are 258 factories in operation with 299,500 employees and USD 20 million in wages. Job creation in garment sector and textiles is an important source of income for our people, particularly women, and the economy in the recent years.

Moreover, Cambodia has made impressive strides in integrating itself into international community. Cambodia membership in ASEAN and World Trade Organization (WTO) including the Cooperation in Greater Mekong Sub-region, Ayeyavady-Chaopraya-Mekong Economic Cooperation Strategy (ACMECS) and other sub-regional Development Triangles have provided the opportunity for reforming investment works and international trade regime.

The effort in trying to open Cambodia’s market for exports is not an easy task because every country in the globe always competes with one another to export their products to the international market. Therefore, the Royal Government has immediately put in place reform measures on trade facilitation since March 2005, before the 8th Government Private Sector Forum, which was an appropriate policy decision aiming at supporting and promoting a stable and fast-growing sector for exports. With regard to the trade facilitation, every ministry and agency have jointly cooperated in order to resolve and actively promote every instance measure which aim at eradicating any impediment to economic growth and institution building measures with the goal of ensuring Cambodia’s export capacity and competitiveness in relation with neighboring countries to attract more investments. The trade facilitation activities are as follows:

- The establishment of the “Federal Office” to reduce the amount of time spent on applying for goods inspection.
- The creation of a “Single Inspection Unit” for both CED and CAMCONTROL.
- The reduction of time spent on acquiring documents related to C/O and exporting and the time spent on goods inspection. There were many other major works which we have and are being accomplished.
- The average costs for import have decreased from USD 2,477 per transaction in 2003 to only USD 673 per transaction in 2005.

- The average costs for export have decreased from \$942 USD per export transaction in 2003 to USD 598 per transaction in 2005.

As I have already mentioned, reforms are most important instruments for Cambodia. *“If we want to build a better society, we must be brave in making a new start”*. In this sense, I am indeed very proud that our people and the Royal Government have made a clear decision that *“Cambodia has no other choice but to continue the reform that we have started for the better”*.

For instance, since the 8th and 9th Government-Private Sector Forums, the Royal Government has made many reforms which satisfied the private sector. In this occasion, once again, I would like to reiterate our commitment for closer and continued cooperation with the private sector in ensuring our strong partnership to create a favorable environment for investment and trade in Cambodia. The Royal Government welcomes any recommendation on the method and necessary means aiming at promoting the investment environment, broadening exports, facilitating the supply network, and to expand the influence of special economic zone. I believe that we must analyze and exchange more ideas on these priority actions.

The statement above, together with other experiences regarding the economic sectors, which have been carried out, I believe that we must continue to clearly identify more opportunities for trade promotion as well as upgrading the economic status for fast-track development. Thus, I would like to share some views on these important issues as follows:

1. Cambodia has the potential for agriculture production. Therefore, we must look for new ideas on implementable strategy which can be achieved through increasing agriculture products such as the appropriate use of fertilizers, the creation of community in using the same type of crops on the production land which make the products easy to be sold overseas because most consumers abroad are willing to buy any agriculture products which are similar and of large quantity up to thousand tones.
2. Must continue to negotiate on tariff reduction and other technical barrier in order to broaden international market through GSP for Cambodia.
3. Implementing any reform strategy which improve the competitiveness of Cambodia's economy, especially the exports in industrial sector as well as the strategy which can bring about more benefits from the fast growing regional markets, especially from China through early harvesting from ASEAN and CHINA as well as methods on further developing Cambodia's comprehensive tourism potential to promote tourism, trade and the competition of qualified labor market generation. At the same time, how can we capitalize on our WTO's membership?
4. For opportunity reason, how do we improve local business environment to generate jobs, especially in crowded rural areas in the context of the weak and developing institutional capacity. Within the same point, how can we attract qualified foreign direct investment to generate jobs and transfer skills and knowledge to Cambodian and to get more value-added at the world market?

5. Whilst facing threat and strong competition in the region, what is the best economic incentives that can be used to improve situation and efficient for governance strengthening?
6. To seek for formula and strong components that use less resource, guarantee appropriate cost and are able to compete in international markets, especially export-oriented manufacturing in the special economic zone I just singed on its sub-decree that just come into force.
7. Last but not least, effective implementation of regional and global obligation that I believe it is more difficult than process to be membership. In this spirit, we have to make our effort to deal with difficult issues and obstacles through deepen reform in all sectors, especially the strengthening of production base, export diversification, legal and judicial reform, good governance, institutional capacity building and human development, that need time, strong commitment and political will.



Key Points of the Prime Minister's Address at the Launch of the 2006 Poverty Assessment

On 16 February 2006 **Samdech Hun Sen**, Prime Minister of the Royal Government of Cambodia participated in the launching of the 2006 Poverty Assessment, which has been prepared by the World Bank over the past 6 months. On behalf of the Royal Government of Cambodia (RGC), the Prime Minister congratulated the World Bank on the successful completion of this very important document!

The Government really excited by the results of the recent Cambodian Socio-Economic Survey, which shows that poverty in Cambodia has fallen by 10-15 percent between 1994 and 2004. If based on the 1993 survey which covered 56% of Cambodia's territory, there has been a rapid decline in poverty levels from 39 to 28 percent. This implies that there was a decline of at least 1 percent every year as expected by the RGC. Moreover, per capita daily consumption of the people has increased by 32% in real terms.

Politically, this assessment can help clarify the misperception by some international and national circles who believed that Cambodia's robust growth over the past decade did not contribute to poverty reduction in the country, and that the RGC's determined efforts in implementing comprehensive and in-depth policy reforms, strongly supported by our development partners, did not produce significant results in reducing the poverty. Thus, before the release of this assessment, the possibility in attaining the Cambodian Millennium Development Goals (CMDGs) was dominated by pessimistic views, and the political commitment and efforts of the Royal Government and all the development partners were undermined by this unfounded perception.

In addition to the change in perception, this Poverty Assessment would give a boost to the Royal Government's and Development Partners' efforts over the past decade for choosing the right ways in developing our country. Thus, our active efforts have indeed resulted in fruitful outcomes, though potentials have not been fully realized. On this ground, there is room for us to improve our performance in the future. Therefore, we should not be overwhelmed by our past performance, but shall double our efforts in order to achieve better results in light of our vast existing potentials.

The RGC adopted the "Rectangular Strategy", which is now being vigorously implemented. Moreover, we have completed the formulation of the "National Strategic Development Plan 2006-2010", which clearly states strategic objectives, policies and specific measures including the need for investments and the mechanisms for resource allocation in order to successfully implement this important plan. I believe that the Report on Cambodia Poverty Assessment 2006 will provide much more value added to the efforts in ensuring the perfection, comprehensiveness, appropriateness and accuracy of the Royal Government's policies and strategies to speed up the poverty reduction process.

Furthermore, this positive result prompted the Government to set another ambitious **objective of moving Cambodia out of a Least Developed Country (LDC) status by 2020**. This objective is of great ambition! However, with our recent achievements and

the strong commitment of the Royal Government and Cambodian people at all walks of life in implementing our own adopted policies and with the active and generous support from our development partners, we are convinced that **this objective is not an illusion, but it is attainable.**

The Royal Government will take the results of this assessment seriously. Poverty reduction is always at the core of all the Royal Government's development policies and strategies, especially its "Rectangular Strategy" which targets to promote economic growth, generate full employment for Cambodian workers, enhance social equality and justice as well as strengthen efficiency of the public sector through implementation of in-depth and comprehensive reform programs. The Poverty Assessment will guide us in our future actions in halving the poverty level in Cambodia as set by the Millennium Development Goals.

There are some priority areas of the Royal Government in accelerating poverty reduction. Cambodia has made good progress towards meeting the **CMDG target of reducing poverty to half its 1993 level by 2015.** Within this context, the National Strategic Development Plan provides a clear framework for pro-poor Government policies over the next five years.

The "Rectangular Strategy" and NSDP have adopted policies to widen the pattern of economic growth so that the poor gain more from each point of GDP growth. International experience suggests that, with such policies, an acceleration of the rate of poverty reduction is possible.

Within this framework, the first priority is to create the conditions that allow agriculture to grow as fast as industry and services have grown. The growth and poverty reduction that has occurred over the last ten years were felt firstly and most strongly in the towns. Garment exports and tourism have created jobs in Phnom Penh and Siem Reap Provincial Town (and also to a lesser extent other towns) - but have not created many jobs or opportunities in the countryside, where 91 percent of Cambodia's poor now live. Analysis of the 2004 survey data clearly shows that small farms are much more productive than large farms.

In order to resolve this issue, the social land concession program is thus very important. Identifying non-functioning economic concessions and supporting the orderly redistribution of this land to landless farmers would transform non-productive land into productive land, solving both social and economic problems. The project for Land Allocation for Social and Economic Development (LASED) – which aims to help local administrations develop capacity in implementing the Social Land Concessions Sub-decree - needs to be implemented fully and effectively.

With resolving the land disputes, the building of rural infrastructure for irrigation will change the traditional ways of cultivation that is dependent on rainfalls, the “unpredictable power of nature”, thus helping farmers overcome their production risks. Moreover, improving roads – and reducing the costs levied for moving goods along these roads – will then help them get their crops to market.

The poor depend critically upon access to “common property resources” such as forests and fishing waters. Once communities are granted use rights over these resources, they then need to be helped to develop the local management structures that will allow them to use these resources sustainably to reduce poverty over the long term.

In the area of public service delivery, the Government has made significant advances in primary school enrolment and primary health services, particularly preventive health services. More progress will require improvements in the quality of education and the affordability of health care. The Royal Government will also commit to an adult literacy campaign. Those who can read and write have far greater options for making a living. In general, reducing illiteracy would improve household incomes and accelerate economic growth.



Key Points of Prime Minister's Remarks at the Opening National Workshop to Launch the General Population Census Plan 2008 of Cambodia

On 27 February 2006 **Samdech Hun Sen**, Prime Minister of the Royal Government of Cambodia participated in the national workshop to launch the General Population Census Plan 2008 of Cambodia, which is an important work for Cambodia. In the opening remarks, the Prime Minister emphasized that we are all pretty well aware that the world's demographic structure has been changed rapidly unlike what we had experienced before. In particular, the world population has increased by 2 billions in the last 20 years of the 20th Century reaching 6 billions by the Year 2000. Due to declining fertility rate among women, it is expected that the population will increase by another 2 billions in the first decade of the 21st Century. However, it is noted that this increase mostly happens in the developing countries especially in those poorest countries and urban areas. Thus, in general, the population census will reflect the demographic status of those countries and help their respective governments to formulate specific policies and programs balancing the population growth and development.

The UNFPA, a multilateral partner, has for long played a leading role in helping build the capacity in data collection and census in developing countries. Clearly, many countries of different continents are not able to conduct census if there is no external assistance. After interruption in more than 36 years, the first Population Census of Cambodia was successfully conducted in 1998, with the only support from UNFPA.

Indeed, many countries and their development partners are now facing the challenges in meeting the MDGs, which were universally agreed through the Millennium Declaration 2000. Nevertheless, measuring the progress in achieving MDG targets is based on available census information and data. Primary data on the number and nature of population, census of population and housing are important for realizing the MDG targets and for other development plans. In this sense, the census information presents a solid basis for monitoring and reviewing MDGs targets. Census can provide immediate indicators for monitoring and reviewing targets in education, gender, mortality and environment. Moreover, the socio-economic surveys can also provide direct indicators for monitoring poverty and HIV/AIDS prevalence.

Based on the 1998 Census, the Cambodian population was 11.4 million. The Cambodian population will further increase even though the fertility rate among women is low. The population growth during the current first half decade is 1.9 percent per annum. This is due to the growth pattern among women group who borne during high fertility generation between 1980 and 1995. By the end of this decade, our population will reach 15 million.

In order the development to improve the welfare among our people, especially eliminating the poverty; it requires increased gender equity, improved health and human resource as well as the environment. Thus, as demographic factors are closely linked to those targets, any strategy taking into account the population issues will be successful. The national population policy of Cambodia is the outcome gained from the Cambodia Population Census 1998 and Health and Demographics Survey 2000 and other related studies, which aim to improve social conditions and expand individual choices. Indeed, it

is crucial to recognize the population issues and their rights, capacity and opportunities which are very useful for individuals and society and the stable relations with the environment. A sustainable development policy should take into consideration of population growth and distribution, movement of people, vulnerability and empowerment of people especially women. Thus, the results of this census will be crucial in all these contexts.

The RGC has attached great attention on reforms in all sectors with the objective to reduce poverty of the people, which becomes the core of every policy and development strategy of the Royal Government, especially the "Rectangular Strategy", in which the Royal Government has clearly stated the importance of promoting economic growth, creating jobs and ensuring full employment for Cambodians, enhancing equality and social justice as well as strengthening efficiency in public sector through the implementation of in-depth and comprehensive reforms. In order to develop such a vision within the Rectangular Strategy, the Royal Government and its development partners agree on establishing the National Strategic Development Plan for 2006-2010 that is the combination of the MDGs, Socio-Economic Development Plan 2001-2005, National Poverty Reduction Strategy 2003-2005 and Governance Action Plan including the Public Administration Reform's elements at the national level.

The 2008 Population Census Plan of Cambodia, which is one of the main statistical tasks, will enhance professional skills of our staff at the National Institute of Statistics, especially in the fields of data collection, evaluation, development as well as statistics presentation, data analysis and dissemination. Indeed, these experiences will go along with further capacity strengthening in managing statistical tasks and population related activities as well as enhancing broader dissemination and use of data.

We can observe that the capacity in population data collection, data processing and dissemination at national level has been greatly improved. Nevertheless, the capacity of our officials in conducting data analysis and interpretation is still limited. This requires internal trainings on data analysis for the future. Conducting censuses is an immense task that none of any government of any developing country can take over by its own. This task requires both technical and financial assistance from every concerning actors. This is an important task that entails quality and reliability.

For this reason, what are the requirements needed for the successful completion of the 2008 census? There are surely adequate and timely financial resources as well as necessary technical assistance.

Up to now, we have received technical assistance and financing from UNFPA and JICA. In addition, we will need additional contributions to fill in the huge budget gaps. In order to successfully complete the 2008 Population Census of Cambodia with international standards, I urge the development partners, both bilateral and multilateral as well as the civil society and the private sector to provide additional contributions in terms of technical and financial supports to carry out this immense task.

Extension of Japan's Loan and Aid to Cambodia

On 01 March 2006, at 09:00a.m, at the Ministry of Foreign Affairs and International Cooperation, His Excellency Deputy Prime Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation and His Excellency Mr. Fumiaki TAKAHASHI, Ambassador Extraordinary and Plenipotentiary of Japan to the Kingdom of Cambodia, signed two Exchanges of Notes on the Extension of a loan and a grant aid to the Royal Government of Cambodia for the execution of the following projects:

- 1- ¥ 318,000,000 for the implementation of Sihanouk-Ville Port Special Economic Zone (SEZ) Development Project.
- 2- ¥ 1,100,000,000 for the purpose of contributing to promotion of the economic structural adjustment effort by the Royal Government of Cambodia as well as migration of the economic difficulties, including indebtedness of the Kingdom of Cambodia.



Court's Verdict on Trafficking in Person in Chhay Hour-II Hotel

On February 17, 2006, Phnom Penh Municipal Court declared the final verdict on the case of trafficking in person for sexual exploitation which was committed in Chhay Hour-II hotel by four persons, including the hotel manager, that were arrested and put behind bars for a couple of months before the trial.

The convictions are as follows:

1. Mr. Te Por Ly, hotel manager has been sentenced to 4 years in prison for providing accommodation for prostitution and one more year in prison for illegal weapon possession.
2. Mr. Sam Leng has been sentenced to 4 years in prison also for providing accommodation for prostitution.
3. Mrs. Khun Nary and Mrs. San Sreynith have been sentenced to 10 years in prison for sexual exploitation.

Recall that on the 7th of September 2005, the Department of Anti-Human Trafficking and Juvenile Protection raided the Chhay Hour-II Hotel to rescue minors suspected of having been trafficked for sexual exploitation and the suspects were arrested, including the hotel manger.

Creation of Special Economic Zone at Dangkor, Angsnoul and Phnom Den

On February 15, 2006 at the Council of Ministers, there was a first meeting of the Committee on the Special Economic Zone, which was presided over by Samdech **Hun Sen, Prime Minister** of the Royal Government of Cambodia. The Committee was established in early 2006.

During its first meeting, the Committee has considered and approved requests of investment on two projects relating to the creation of Special Economic Zone. The first project is in Phnom Penh area located at Dangkor and Angsnoul and the second one is in Phnom Den, Takeo Province.

The Prime Minister strongly supported the two said projects, hoping it will attract more investment and contribute to create more jobs for the Cambodian people. The Prime Minister recommended the chiefs of related Institutions and Ministries such as Customs, Police Authority, Construction and Commerce, to facilitate the working process of establishment of these Special Economic Zones in order to increase the economic growth.

Currently, Cambodia has nine Special Economic Zones (including the two stated) which is located in Sihanouk Ville and the Provinces of Koh Kong, Banteay Meanchey, Svay Rieng, kandal.



**President of the Republic of Indonesia
pays a State Visit to Cambodia**

*At the invitation of **His Majesty Preah Bat Samdech Preah Boromneath NORODOM SIHAMONI**, King of Cambodia, His Excellency Dr. **Susilo Bambang Yudhoyono**, President of the Republic of Indonesia, led a delegation to pay a State Visit to the Kingdom of Cambodia from 28 February to 1 March 2006.*

*His Excellency Mr. **Susilo Bambang Yudhoyono** and delegation were received in Royal Audience by His Majesty **Preah Bat Samdech Preah Boromneath NORODOM SIHAMONI**, King of Cambodia.*



The Visit of Mr. Paul Grove to Cambodia

During the visit to Cambodia, Mr. Paul Grove, Majority (Republican) Clerk of the Subcommittee on Foreign Operations, US Senate Committee on Appropriation, has met with Samdech Hun Sen, Prime Minister of the Royal Government of Cambodia and the leader of opposition party as well as some leaders of civil society.

Mr. Oum Yim Tieng, Assistant to the Prime Minister reported that the meeting held on February 23, 2006 between Mr. Paul Grove and the Prime Minister was very fruitful and positively discussed the current development of democracy in Cambodia. Mr. Grove stated that the United States highly appreciate the current development in Cambodia and the cooperation between the two countries on many fields such as MIA, fighting against terrorism, Avian Flu and trafficking in Person . Mr. Grove also expressed his optimistic view on Cambodian future while commended Samdech Hun Sen of being committed to develop Cambodia and strengthen Cambodia-US relation.

