



KINGDOM OF CAMBODIA

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Ministry of Foreign Affairs and International Cooperation

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**Samdach Prime Minister HUN Sen's Address
at the Sixth Government-Private Sector Forum
at the Council for Development of Cambodia**

The following is the integral text of Samdach Prime Minister HUN Sen's Address at the Sixth Government-Private Sector Forum at the Council for development of Cambodia on 07 August 2002 :

*Your Excellencies,
Ladies and Gentlemen,*

Today, I take great pleasure and honor in participating with Your Excellencies, Ladies and Gentlemen in this Sixth Government-Private Sector Forum. On behalf of the Royal Government of Cambodia, I wish to express my warm greetings to all of you who are here today.

Allow me to take this opportunity to make an overall assessment of the status of our economy and our performance in the management of development in Cambodia since our last forum and up till now. I wish also to comment on the affectivity of this Government-Private sector Forum as a mechanism to share experiences and collaboratively improve our performance.

Overall, during the last sixth months the Royal Government of Cambodia has exerted serious efforts to ensure our country's take-off toward sustainable economic development. Recognizing the positive developments, the Executive Board of the International Monetary Fund completed on 22 July 2002 the fifth review of Cambodia's economic performance under the Poverty Reduction and Growth Facility program (PRGF.) This review was encouraging and this achievement has enabled the immediate release of an additional US\$ 11.2 million for the support of Cambodia's balance of payments.

The International Monetary Fund noted:

The Cambodian government has continued to make good progress in implementing its economic reform program. Inflation remains low and economic growth is being sustained despite a weaker external environment. Progress in the implementation of structural reforms has also been broadly satisfactory...

Thus, the IMF agrees with us that Cambodia has performed quite well during the first half of 2002. However, the IMF also noted that:

"... but reform efforts need to be strengthened in key areas, particularly revenue administration, public expenditure management, forestry policy and civil service reform."

Therefore, while we have performed well during the first semester of this year, we should not relax. We should work even harder for accelerated development and the improvement of the welfare of our Cambodian people.

We are ensuring that the Royal Government is well prepared for calamities, and is setting out measures to prevent such disasters from constraining our economic growth as well as the livelihood of the people. For example, Cambodia has experienced drought that could badly impact on the agricultural sector. As you know, agriculture contributes about 40 percent of our Gross Domestic Product (GDP), and the production of rice and other crops together contribute about 15 percent of GDP.

In order to achieve our economic growth targets, the Royal Government has been taking actions to reduce the impact of drought and flood. The Government has been mobilizing resources from domestic as well as offshore sources, donor countries as well as international finance institutions. We must stop any declines in rice and crop production while promoting growth in other sectors through further reforms. Together, all these measures are further accelerating the socio-economic development of Cambodia.

This year, Cambodia will host several very important international meetings and conferences. All these meetings will contribute to the improvement of the credibility of Cambodia in the region and in the international arena as a whole. This heightened profile and credibility will further promote the socio-economic development of Cambodia.

You all know we hosted in June 2002 the meeting of the Consultative Group (CG) of Donors in Cambodia. This was a historic event since it was held for the first time in Cambodia. At this meeting, the donor community discussed and assessed the progress and setbacks in the performance of the government's reform programs. Based on their assessment, they pledged a total of US\$ 635 million in new assistance to Cambodia – exceeding the US\$ 50 million pledged by NGOs.

This pledge far exceeds the government request for only US\$ 486 million for the year 2002. It is an important encouragement for the government's efforts in bringing peace and political stability, strengthening the foundations for democracy and respect for human rights in our society, and especially in promoting sustained economic growth and substantially reducing poverty. Indeed,

the success of the CG signifies the approval and support of the international community for the appropriateness and success of the government's reform policies and program.

In the next few months, Cambodia will be honored to host the summit of the Greater Mekong Subregion (GMS), the ASEAN Heads of State, the ASEAN + 3 and ASEAN + 1, and also the ASEAN-India Summit. In addition, we are preparing for other important events such as the ASEAN Cultural Week for 2002 and the ASEAN Tourism Forum in early 2003. Note that during the ASEAN tourism Forum, the ASEAN Framework Agreement of Tourism (T-ASEAN) is expected to be signed.

All of these major meetings will certainly raise our profile in the international sphere and over time provide Cambodia with positive effects leading to further growth of the trade, investment and the tourism sector.

You all know that in recent years, the Royal Government has been quite successful in maintaining macroeconomic stability. We have maintained the annual average growth rate of 7% during the last three years, from 1991-2001. In fact, although Cambodia suffered some difficulties in 2002, we were still able to achieve our forecasted rate of growth of 5-5.5%! Furthermore, inflation rates of the last three subsequent years were close to zero and the exchange rate has remained firm.

However, despite such stability in our macroeconomy, the Royal Government is very much worried to see only a slight increase in approvals of new investments by the Council for the Development of Cambodia (CDC). Investment approvals for the first half of 2002 increased by only 7 percent or US\$ 60 million compared to the same period last year. While these investments will create jobs for more than twenty thousand Cambodians, still we want to see more employment.

In the second half of this year 2002, we expect to approve the proposed investment in Build-Operate-Transfer (BOT) contracts. These include the construction of Route 68, Route 10 and Route 72 for a total investment of US\$ 42 million. Moreover, we expect to see investment of US\$ 46 million in mobile phones by S Telecom Ltd.

The key sources of our economic growth continue to be tourism and the garments industry. Thus the Royal Government has taken major steps to build and strengthen the foundations and prerequisites for the accelerated growth and competitiveness of the tourism and garment sectors. These include programs to rehabilitate and develop roads and bridges, airports, ports and related facilities such as water and power supplies and telecommunications. We need this entire

infrastructure to transform Cambodia's tremendous tourism and garments potentials and comparative advantages into economic reality, sustained through the medium and even long term.

Therefore, so far in 2002, there have been some improvements in investments compared to 2001. However, we are not satisfied even with such a positive result, since we believe we can and should do much better. Our philosophy is to make and enable private investment play a more pivotal role in spurring greater economic growth. With such a goal in mind, the Royal Government has focused on major policy actions to intensify legal and judicial reforms that will ensure an enabling environment for business and improve Cambodia's competitiveness as an investment destination.

Indeed, a basic thrust of our economic development policy is on reducing the costs of doing business and streamlining the regulatory environment. With this conception, the Cambodian Government is also taking systematic actions to encourage and facilitate investment in the country. Certainly, we expect that the satisfactory amendment of the Law on Investment, with broad participation from all stakeholders specially from the private sector, should build greater confidence among investors and make Cambodia attractive for investment, trade and business.

I am pleased to report that after the extensive consultations, the Royal Government finalized the amendments to the Law on Investment in the middle of 2000. The amended version is now being reviewed and debated at the National Assembly.

An important point of our conception in amending the Law on Investment is to facilitate investments by streamlining procedures and paperwork in the processing of investment applications and approvals. Streamlining will also cover imports and exports of goods and equipment covered under the framework of the investment project. The main objective is to simplify and reduce paperwork and promote transparency and predictability in the process of approval, monitoring and implementation of investment projects.

In connection with the systematic approach of revising the Law on Investment, we have also arranged for the amendments of the Law on Taxation, which will be reviewed by the Cabinet soon. The same process of consultation with private sector and broad participation from stakeholders has been applied to the amendments of this law. I learned that, during the process, the private sector has raised some concerns. At this point, I assure you that the Cabinet will review the provisions of this Law very carefully, taking into account all the arguments raised.

The Cabinet is now working on the new Customs Code since it was submitted by the Ministry of Economy and Finance to the Council of Ministers on 31 July 2002. There is another important step forward which should be recognized, since it deals with another area of business-related legal reform – the Law on Corporate Accounting and Audit, which entered into force on 8 July 2002.

Indeed, there is much that has been done, but admittedly much more work that needs to be done! But we must say that all the progress so far achieved reflects strong commitment and decisive efforts of the Royal Government in the legal and economic reforms necessary to build an enabling environment for investment and business in Cambodia.

Furthermore, the Royal Government is actively implementing structural reforms aimed at improving and streamlining the procedures in investment approval and monitoring. As a result, we have now been succeeding in reducing the time required for review and approval of investment projects by the CDC Executive Committee to only seven working days.

Moreover, the approval of projects subject to the "one-stop-shop" mechanism is now a maximum of fourteen working days. It is encouraging that many positive changes have taken place. To this end, we will continue to work on a broad range of policies aimed at reducing transaction costs and removing impediments to effective competition.

We are conscious that the introduction of tolls for route 4 and the container scan result are additional costs for business in Cambodia. However you must realize that the collection of tolls would improve our capacity to maintain the roads and thereby help keep transport costs low in the long run.

We should accept the reality that Cambodia would always request aid for road repair. In addition, we cannot leave our roads in damaged condition. Without repair, bad road leads to high transport costs, damage to vehicles, slow traffic and even more dangerous travel. In the end, poor maintenance will take us back to where we started 15 years ago. Let me ask you: which is better and more sensible – build the road, or buy a car? Just like the problem of the chicken or egg, when we have good roads then our car will last longer. But when the roads are poorly built, the service life of the road is much shorter. We should take into account economic efficiency, time and accident implications of road design and building. Under such circumstances, we are formulating mechanism to ensure sustainability. This is to ensure good roads and the shift in our approach from aid dependency to managing road maintenance by ourselves.

As for the CT scanner, if properly managed, it will help improve the efficiency and effectiveness of the Customs in performing their job with regard to goods and commodities control as well as the fights against illegal acts especially the tax evasion. The CT scan will also be an effective measure for risk management, which will help improve trade by greatly improving safety and risk-management measures against criminal acts.

We should discuss these and related issues carefully to find a mutually satisfactory solution, particularly in the setting of a transparent and rational price setting formula. I ask the working group on Law, Taxation and Governance to discuss possible solutions with all the stakeholders as soon as possible.

There is another important, related matter that I want to inform all of you here today. We have found through careful review and consultation with many companies that the high transaction costs in Cambodia is mainly caused by illegal charges. According to the recently established Government Commission to oversee the matter, the illegal charges are collected at 27 different points in the Sihanoukville port, which involve some authorities, and dramatically increases transaction costs.

Specifically, we found that for a tax-exempted 20-foot container, the illegal charges amount to US\$ 113. For a 40-foot tax-exempt container the charges total US\$ 130. For a container subjected to taxation, the illegal charges amount to US\$ 138 for a 20-foot container and US\$ 155 for a 40-foot container.

The situation of the collection of high and illegal charges cannot be allowed to continue. I have taken a personal interest in this matter and have given instructions to the heads of all the concerned authorities, especially the CamControl, the Customs, the CamSab, and the Immigration Police and the Port authorities to take immediate actions to wipe out such illegal practices. I request for further follow-up of the progress on this matter at the level of the working groups concerned.

Over the past six months, the Royal Government has established and supported an inter-ministerial task force to fight against tax evasion. The task force, comprising of officials at central and provincial levels, the armed forces, the national military police, the police and local authorities, works closely with the Department of Customs and Excise in combating and cracking down on tax evasion activities. I think it is time to assess the progress and the performance of this measure! I welcome comments and recommendations by all of you regarding this matter.

Ensuring the availability of a skilled, flexible, and reliable workforce is another priority of the Royal Government. Reform of the education and training system is required to build such a labor force. Such reforms leading to improved quality of education are being pursued through the following key initiatives:

1. increased focus on professional and language skills, especially in English language skills for students;
2. greater utilization of information technology as a learning tool; and

Therefore, the Royal Government has strongly encouraged companies to give priority to the training of their employees. Companies are also encouraged to set up on-the-job training facilities so that they are assured of labor that meets their specific requirements. The Royal Government has also taken a liberal policy with regard to private sector training and education so that many private schools and institutes have emerged to respond to the demand for labor and the deep hunger among our people for skills for personal employability, growth and advancement.

Complementing these policies and programs in support of competitiveness is more intensive attention to the promotion of tourism opportunities. In this regard, we shall work closely with the private sector to develop tourist destinations. As you know, we have given much attention to the improvement of sanitation and health services in Siemreap, to ensure the sustainability and continuing beauty of the monuments and the City.

The Royal Government has also devoted more attention to the development of the tourism potentials of areas other than Siem Reap. We should promote attractions that enable greater tourist traffic in under-served areas, as well as longer stay and increased spending by tourists. Thus, the Royal Government encourages the development of access to eco-tourism destinations such as Mondulkiri and Ratanakiri, beach tourism in our sea access areas to the South, the upgrading of Kang Keng airport in Sihanoukville and the promotion of initiatives such as the night market. We should push for all of these initiatives as we prepare to serve as hosts for the ASEAN Tourism Forum in 2003.

Just last week, on 29 July 2002, the Royal Government launched the Second Socio-Economic Development Plan (SEDP-II) for 2001-2005. The overall thrust of poverty is the accelerated creation of employment, so that each and every Cambodian will have a dignified, human livelihood. Therefore, it is a key aspect of the industrial policy of the Royal Government to give priority to the development of other labor-intensive industries such as toy-making, footwear, and the assembly of electrical and electronic appliances.

Furthermore, the development of micro and small-scale enterprises is at the heart of our plan to promote industrial development. This strategy we will apply particularly in the areas at the outskirts of Phnom Penh, and in Sihanoukville, Banteay Meanchey, and Koh Kong. In these areas, the Royal Government will enable the provision of micro-finance and marketing services, streamline procedures, provide some training on production techniques, management and the liberal supply of crucial information.

Cambodia still has vast untapped and potentials in agriculture and livestock, particularly in high-value products and processed foods. We should all cooperate to develop these potentials in a sustainable manner. Our agricultural sector can provide jobs for so many of our labor force if we develop the rural sector in a rational and substantial manner. To achieve this momentum, the resolution of land issues and the establishment of roads and irrigation systems are the priorities of the Government in the next several years.

Moreover, the Royal Government will focus on the proposed industrial and export processing zones in order to attract private investment. In these zones, priority attention will be focused on completing the road network, systems for power and water supply, ensure waste management and environmental protection, provide education and vocational training, upgrade health services, the establishment of warehouse and reduction of customs procedures, and so forth.

Indeed, the improvement of Cambodia's international competitiveness is crucially dependent on success in the upgrading of basic physical infrastructure – including water, power, telecommunications and information. However, we cannot supply all these public goods all at once and in all parts of the country as we are under tough budget constraint. We only have limited resources, and so we have to prioritize and carefully manage and allocate these resources for investment in those projects and areas with the highest economic reforms.

Therefore, the establishment of industrial corridors or centers concentrated in the key areas in the right solution for Cambodia. I strongly believe that the private sector – who is the potentially heaviest users of the entire system of infrastructure -- is in a good position to share with the government their visions and recommendations, advice and guidance, in the management and allocation of these scarce public resources for investment in the common interest.

I am appreciative of the working group mechanism within which the Government and private sector communicates and cooperates. The working group has become a very effective mechanism for addressing the concerns of investors and in reducing the difficulties in the situations

that they encounter in business. Of course, regular participation in the working group demands time and effort – an expensive proposition for all of you as executives.

However, let me assure you that your valuable time and efforts are not wasted, and the results achieved thus far confirm that it worth these efforts. This mechanism has brought the Government-private sector partnership to a new openness and mutual gain, which are all crucial for the development and poverty reduction in Cambodia. I greatly appreciate all of you who have participated in the regular meetings of the working groups to address the concerns of the private sector. I understand that some of the working groups are convened as frequently as once a month, such as the working group on Law, Taxation and Governance. Of course, between the meeting dates issues can be resolved through the secretariat.

I have received regular reports from HE Keat Chhon who is coordinator of the seven working groups of this forum. I support the proposal for transferring the "Distribution" component from working group "C" to working group "G," and the component on small and medium-scale enterprises from working group "D" to working group "C." Therefore, later on, working group "D" will be the working group on Law, Taxation and Governance, while working group "G" will be called the working group on Export Processing and Trade Facilitation.

I also welcome the establishment of a core group representing the private sector to discuss important issues with the Prime Minister during the period in between the forums, when those issues are of high priority requiring immediate solution, but could not be resolved at the working group level.

At this point, I should give way so that all of you can also take the floor. I wish that you could all express, in a frank and candid but constructive manner, your concerns, suggestions and recommendations. I encourage all my colleagues in the government who are present here and the representatives of the private sector to continue our good tradition of close partnership and together explore ways to establish favorable conditions for profitable enterprise and to attract investments to Cambodia.

Finally, I encourage all of us to take a problem-solving attitude in our dialogue. We cannot just find fault nor blame one another for problems. We should see the problems of Cambodia as our own. The problems of Cambodia are not the problems of the Royal Government alone. The problems of Cambodia are OUR problems, you and I, and all of us together. These mutual problems can only be resolved if we work together on solutions which in the end will yield better lives for our children and for all of our people.

STATEMENT BY
His Excellency Senior Minister HOR Namhong
On the 35th Anniversary of ASEAN

The following is the integral text of a Statement delivered by His Excellency Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, at the 35th Anniversary of ASEAN in Phnom Penh on 08 August 2002 :

*Your Excellencies,
Distinguished Guests,
Ladies and Gentlemen,*

1.Today, it is truly an auspicious occasion for all of us to commemorate the Thirty-Fifth Anniversary of the founding of the Association of South-East Asian Nations (ASEAN). Since its inception in 1967, ASEAN has evolved significantly over the years and has undeniably built up an impressive track record of achievements. In the thirty-five years of its existence, ASEAN has created a positive climate of regional cooperation and friendship through the establishment and strengthening of close relationships among all its members. The transformation of ASEAN over the years has been real and substantive.

2. Despite some of the challenges confronting our association in recent years, ASEAN remains vibrant, dynamic and forward-looking. Cambodia's admission into ASEAN in 1999 finally realized the ASEAN founding fathers' vision of bringing together all Southeast Asian countries to cooperate in securing the region's peace, stability and development.

3.ASEAN has built a solid foundation on the key principles of “unity in diversity” and “consensus-building,” which are important for responding to the increasing challenges confronting our region. However, impacted by the rapid change of regional and global political security and the overall economic outlook, I believe that ASEAN has and will face several key challenges, which will require a greater spirit of solidarity.

4.The first challenge, in my view, is how to achieve ASEAN integration, which is the most important factor today for ASEAN to be able to move forward at the same pace, and to meet the challenges of globalization and regionalization in other parts of the world in order for us to stand in partnership with the Plus Three Countries.

5.The second challenge is that ASEAN must continue to broaden and deepen its partnership with the Plus Three Countries of China, Japan and the Republic of Korea (ROK) in order to strengthen East Asian identity. This deepened relationship will enable ASEAN to move ahead toward the establishment of the East Asia Summit in the future. At the moment, ASEAN should do its utmost to push forward the Initiative for the Development in East Asia (IDEA) and the recommendations of the East Asia Study Group (EASG), which will be endorsed by the ASEAN+3 Summit in Phnom Penh this year.

6.The third challenge, I believe, is the strategic importance of ASEAN to look west. Given the economic and strategic importance of India in the world today, ASEAN will not only need to pay greater attention to India, but will also need to strengthen overall relations with this country. The strengthening of relations between ASEAN and India, particularly after the upcoming inaugural ASEAN-India Summit in Phnom Penh in November this year, would be mutually beneficial.

7.As the current Chairman of the ASEAN Standing Committee (ASC), Cambodia is very much committed to do its best to mobilize our common endeavors to address the challenges I mentioned earlier.

8.Regarding the ASEAN Regional Forum, I believe that the ARF has significantly evolved over the course of time. While the ARF concentrated much of its efforts on confidence-building measures successfully in the early years, it has since moved on to preventive diplomacy (PD) by adopting the “Concept and Principles of Preventive Diplomacy” and the “Enhanced Role of the ARF Chair” last year in Hanoi. The challenge now is how to move progress further in the future.

9.To be sure, the concept of security has changed dramatically since the September 11 terrorist attacks on the U.S. As a result, there have been far-reaching implications on our region and the world at large. In this context, the concept of security in the Asia-Pacific is different than that of nearly a decade ago. We all know that the threats of terrorism remain real and serious despite the preventative measures and plans of action that have been put in place, both collectively and individually, by ASEAN and ARF. Thus, there is a need to redefine our security concept to tackle the threat of terrorism.

10. In conclusion, based on the successes and experiences achieved in the past thirty-five years, in addition to the collective will and strong commitment in the spirit of solidarity, unity and integration of all members, I believe that ASEAN will be able to successfully overcome the difficulties and deal effectively with the present and future challenges.

11. The road ahead toward the realization of ASEAN Vision 2020 is still long however, the prospects are extremely promising. Collectively, we have already achieved some successes in reaching the goal of this Vision through the Hanoi Plan of Action (HPA). The implementation of the HPA, although not yet completed, has contributed much to the realization of this Vision, which is based on the ideas of "A Concert of Southeast ASEAN Nations," "A Partnership in Dynamic Development," and "A Community of Caring Societies and An Outward-Looking ASEAN."

12. Finally, I wish to take this opportunity to thank each and every one of you for being present at this joyful ASEAN night in the commemoration of the Thirty-Fifth Anniversary of the founding of ASEAN. I wish you all happiness, good health, and longevity. Happy ASEAN Anniversary.

Thank you very much.

**Senior Minister HOR Namhong
Participates in IDEA Ministerial
Meeting in Tokyo**

His Excellency Senior Minister **HOR Namhong**, Minister of Foreign Affairs and International Cooperation, led a delegation of the Kingdom of Cambodia to participate in the **Initiative for Development in East Asia (IDEA) Ministerial Meeting**, held in Tokyo on 12

August 2002 at the initiative of His excellency Junichiro KOIZUMI, Prime Minister of Japan. Attending this meeting were Foreign Ministers and Ministers in charge of development of ASEAN countries, China, Japan, and Republic of Korea.

The meeting had a frank exchange of views and experiences on coordination of cooperation in East Asia that led to economic growth by recovering from economic crisis in ASEAN countries, China, Japan and Republic of Korea.

The meeting focused on poverty reduction, including equitable income distribution and social development.

During one day discussion, the Ministers examined the current challenges facing East Asia, including the accelerated economic globalization, technological revolution, and global economic climate.

Participated Ministers highlighted the importance of and supported the Regional and Sub-Regional Cooperation, such as Greater Mekong Sub-Region Cooperation (GMS) and the realization of the Initiative for ASEAN Integration (IAI).

The meeting emphasized on the significance of maintaining adequate Official Development Assistance (ODA) as a tool for strengthening regional cooperation. Meanwhile participated Ministers urged the developed countries to open the market for poor countries and encouraged Foreign Direct Investment (FDI) to those countries in South East Asia which would lead to economic sustainable development and prosperity in the whole region.

In his address to the meeting, Senior Minister HOR Namhong had successfully gathered support for regional and sub-regional cooperation such as Greater Mekong Sub-Region, Initiative for ASEAN Integration and the encouragement of FDI to South East Asia, especially to the less developed countries in the region.

Finally, the meeting passed a Joint Ministerial Statement, which would be submitted to the upcoming ASEAN + 3 Summit in Phnom Penh.

**STATEMENT BY
His Excellency Senior Minister Hor Namhong**

at IDEA Ministerial Meeting

Here is the integral text of a Statement delivered by His Excellency Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, at the IDEA Ministerial Meeting in Tokyo on 12 August 2002 :

*Excellency Madam Chairperson,
Your Royal Highness,
Excellencies,
Distinguished Colleagues,
Ladies and Gentlemen,*

1. First of all, allow me, Madam Chairperson, to express my most sincere appreciation to you and your colleagues for the warm hospitality and the excellent arrangement of our meeting today.

2. First, I believe that IDEA is a bold and a very important and positive initiative for the development of our entire East Asia region, based on our common understanding that this is in the interest of all of us, East Asia as a whole. I also believe that we will have much to gain, all together, North East and Southeast Asia, in pushing forward ASEAN integration as the way to enhancing East Asia cooperation.

3. I believe that the materialization of this initiative will promote economic growth, poverty reduction and sustainable development in our region. I also think that the implementation of IDEA would further strengthen peace, security and prosperity in this region. As development experience demonstrated in the past, ODA continues to play a significant role in ASEAN development and prosperity.

The ASEAN member countries achieved in the past years economic development by effectively utilizing Japanese ODA.

4. IDEA, in my view, will help pave the way for, in Prime Minister's words, "Act Together and Advance Together". Given its stated goals, IDEA could be an important catalyst for ASEAN, particularly the new members, to meet the challenges of the world today.

To act together and advance together, it should not be, I believe, a wide gap between partners within ASEAN and between ASEAN and +3 countries. Therefore, I fully share the views

of our colleagues from Singapore and Malaysia regarding the importance and the necessity to realize IAI East Asia cooperation.

5. However, while talking about East Asian development experience, I wish to share with you the Cambodian perspective on development and growth. Based on our experience, believe that there are several key elements which are important for economic development in our region, such as stable macroeconomics policies, policy coherence, substantive investments in infrastructure, human resource development, and good governance.

6. Nevertheless, I believe that the official development assistance remains necessary and vital for ASEAN, particularly the new members, as they need to catch up with the development in the region. Once fully integrated, ASEAN becomes an equal partner with North East Asian countries, which would be beneficial to the whole East Asia region.

7. Equally necessary and important, I think that private investment is crucial for the development of any country. ODA alone is not sufficient. Therefore, any help from the Japanese Government in this sense would be very important for the new members of ASEAN, in particular Cambodia, where Japanese investment is very weak.

8. Finally, I think that with internal public investment, efficient and transparent use of ODA and FDI, ASEAN can continue to move ahead with stable economic growth and sustainable development in the years to come. This would ultimately help advance East Asia through narrowing regional development gap.

Allow me to take this opportunity to sincerely thank the government of Japan for helping greatly Cambodia in the economic and social development.

Thank you very much.

**OPENING ADDRESS OF
His Excellency Senior Minister Hor Namhong
at IAI Development Cooperation Forum**

The following is the integral text of Opening Address delivered by His Excellency Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, at the IAI

Development Cooperation Forum at the ASEAN Secretariat, Jakarta, Republic of Indonesia on 15 August 2002 :

- *H.E. Hassan Wirajuda, Foreign Minister of the Republic of Indonesia,*
- *H.E. Rodolfo Severino, ASEAN Secretary General,*
- *Excellencies,*
- *Ladies and Gentlemen,*

1. At the outset, I wish to take this opportunity to thank H.E. Rodolfo Severino, ASEAN Secretary General, for inviting me to speak at the opening of this important IAI Development Cooperation Forum (IDCF). It is indeed a great honor and a great pleasure for me to be here at the launching of the IDCF, which I believe is a significant gathering in advancing the implementation of the IAI Work Plan, programs and projects that surely will contribute to ASEAN integration.

2. The IAI Work Plan, which is a key development framework for the new ASEAN members in the next six years, is vital for achieving ASEAN integration. As a top priority, IAI focuses on four strategic areas, namely infrastructure, HRD, ICT, and regional economic integration. The realization of the IAI programs and projects would require sufficient resources and active support.

3. On this occasion, I wish to inform you that at the Initiative for Development of East Asia (IDEA) Ministerial Meeting in Tokyo a few days ago, the ASEAN+3 Foreign Ministers discussed extensively the East Asia cooperation and they unanimously supported the IAI Work Plan and projects. I believe that the support of the Work Plan by China, Japan and the Republic of Korea (ROK) is an important step forward toward the success of IAI. In this context, I think that our meeting here in Jakarta is very timely as we attempt to seek the support of all our partners and friends represented here. Their support, in my view, would be an important guarantee for the achievement of the IAI programs and projects which have also been approved by all the ASEAN Foreign Ministers in Brunei last month. The ASEAN's Dialogue Partners also supported these projects in Brunei.

4. Nowadays, we are in the process of three important initiatives for strengthening East Asia partnership, namely the Initiative for Development of East Asia of Japan, the East Asia Study Group (EASG) proposed by ROK, and the Framework Agreement on Economic Cooperation between ASEAN and China which will be agreed by the ASEAN-China leaders at the upcoming summit in Phnom Penh in November this year. I believe that these initiatives and the IDEA meeting in Tokyo recently demonstrate a strong will of all the thirteen countries in East Asia to move ahead with the broadening of East Asia cooperation as well as in advancing East Asian integration in a long-term perspective.

5. However, to realize this cooperation policy and the vision of East Asian integration, there is an urgent need to eliminate the current two-tier ASEAN, because an ASEAN divide is a serious handicap not only for ASEAN as a whole but also for East Asia as well. Therefore, I believe that ASEAN must have a strong determination to narrow the development gap within our region. Although they need foreign assistance, I believe that the new members would have to do their utmost in enhancing the self-help first to promote development so that they can benefit from the support of other ASEAN members, as well as our partners and friends.

6. In my view, we have no other viable alternative to realize ASEAN integration and effectively addressing the imbalance of development in the region on the one hand, and move ahead in our way to enhancing and deepening East Asia cooperation, on the other hand. The disparity in ASEAN today constitutes our real major challenge, which we must overcome it at any cost. In this context, I wish to thank those original members of ASEAN for having provided assistance and support in capacity building, training and human resource development to the new members in recent years, specifically after the IAI was launched by our leaders in Singapore in November 2000.

7. While recognizing that much more can be done to reduce the development gap within ASEAN, I hope that the positive outcome of this Forum would be an important contributing factor to realize this goal. In this regard, external support is utterly necessary to assist the CLMV countries to accelerate the economic growth, poverty reduction, sustainable development and integration. I expect that this Forum will demonstrate the rationale of the Work Plan, programs and projects, as well as the impact of such projects on CLMV's development. I wish to convey our message to our friends and partners present here that we need your support and assistance to help us realize the ASEAN integration first and East Asian integration in the long-term. I believe that both ASEAN integration and the broader East Asia cooperation are very much linked to one another, as we now agreed in Tokyo to "act together and advance together," to borrow the words from Japanese Prime Minister Koizumi.

8. Although we are fully aware of the budgetary constraints of our friends and partners as well as the international organizations due to global economic slowdown and the competing needs in other parts of the world, I still hope that you all understand the necessity and importance of ASEAN integration.

9. In recognition of their generous support and assistance over the years, I wish to take this opportunity to thank all ASEAN's friends and partners for having accepted to attend this important

forum. In particular, the commitment of China, Japan and ROK to support IAI which was made in Tokyo a few days ago constitutes an important factor of the success of IAI.

10. While understanding the need for greater accountability and effectiveness of using the resources provided by our friends and partners, we will work closely with everyone to ensure the effectiveness of the assistance. I also believe that the CLMV countries will play their part in ensuring the realization of the Work Plan and projects in the framework of their national plans of development. In this regard, I believe that CLMV have been and will continue strengthening the legal framework, creating an enabling environment for attracting investment, and enhancing transparency.

11. Finally, I believe that a fully integrated ASEAN will sustain its relevance, boost its competitiveness in the face of increasing challenges of globalization and regionalization, as well as be a catalyst for strengthening East Asia. Moreover, an economically strong ASEAN will not only benefit ASEAN alone but also its partners. Therefore, the integration of ASEAN, in my view, remains a critical factor which will be of significant benefits to East Asia as a whole as well as to other partners of ASEAN.

12. Once again, on behalf of ASEAN, in particular the new members, may I take this opportunity to thank you very much for your presence here. Your participation in this Forum has already indicated your support of ASEAN as well as IAI. I also wish to extend my best wishes for a successful IDCF.

Thank you very much.

Letter to Editor in Chief of The Cambodia Daily

On 22 August 2002, Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, sent a following letter to the Editor in Chief of The Cambodia Daily. This letter was published in the next issue of The Cambodia Daily on 23 August 2002 .

Dear the Editor in Chief,

In the article "Annan Letter Renews Hope For KR Talks", "The Cambodia Daily" on 22 August 2002 wrote: "At various points, Foreign Minister HOR Namhong said Cambodia would never allow international control of a trial".

In this connection, I would like to clarify as follows:

- 1- "During the 35th AMM, ARF and PMC in Brunei Darussalam from 29 July to 1 August 2002, at the meeting between the ASEAN Foreign Ministers with the ASEAN's Partner Countries, I solemnly stated: "Cambodia would like to see the UN's involvement in the trial of former KR leaders to have a fair trial in conformity with the international standard of justice".
- 2- Furthermore, on my arrival at Pochentong International Airport on 02 August 2002 from Brunei Darussalam, I reiterate the same position to the reporters on this matter.

I hope that this clarification will be published in the next issue of the "The Cambodia Daily".

Please accept, Dear Editor in Chief, the assurances of my high consideration.

**Senior Minister holds Discussion
with Singaporean Foreign Minister**

His Excellency Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, held on 26 August a bilateral discussion with His Excellency Prof. S. Jayakumar, Minister of Foreign Affairs of the Republic of Singapore, who had been in Cambodia for a working visit on 26-27 August 2002.

Both Ministers expressed satisfaction with the excellent relations of friendship and cooperation between the two countries and shared the same wishes for their further promotion, especially the flow of more Singaporean investments to Cambodia.



Senior Minister HOR Namhong holds Discussion
with Singaporean Foreign Minister Jayakumar

As far as the ASEAN Integration is concerned, Senior Minister HOR Namhong stressed on the necessity to move the Initiative for ASEAN Integration (IAI) forwards in order to reduce the development gap between the original and the new members of ASEAN.

Senior Minister HOR Namhong and Minister Jayakumar also had discussions and exchange of views on how to move forwards the Initiative for Development in East Asia (IDEA) as well as the ASEAN + 3 cooperation and the cooperation between ASEAN and its partner countries.

**Senior Minister HOR Namhong
Signs two Exchanges of Notes
with Ambassador of Japan**

On 27 August 2002, at 16:30, at the Ministry of Foreign Affairs and International Cooperation, Samdech Prime Minister HUN Sen of the Kingdom of Cambodia presided over the signing by His Excellency Senior Minister HOR Namhong, Minister of Foreign Affairs and International Cooperation, and His Excellency Mr. Gotaro OGAWA, Ambassador Extraordinary and Plenipotentiary of Japan to the Kingdom of Cambodia, on two Exchanges of Notes of Japan's Grant Aid up to ¥ 2,422,000,000 (equivalent to 20 million US dollars).



*Senior Minister HOR Namhong Signs Exchanges of Notes
with Ambassador Gotaro OGAWA.*

The Royal Government of Cambodia would use the Japanese Grant Aid for human resource development scholarship project (¥ 366,000,000) to be carried out by 31 March 2003 and for flood protection and drainage improvement in the Municipality of Phnom Penh (¥2,056,000,000) to be executed by 31 March 2004.

**Secretary of State UCH Kiman holds
Consultation with Hungarian Counterpart**

His Excellency Mr. BÁRSONY András, Political State Secretary of the Ministry of Foreign Affairs of the Republic of Hungary told Secretary of State UCH Kiman that Hungary might help Cambodia in agriculture, tourism and human resource development. Hungary would consider the

Cambodian requests through bilateral relations, added the Political State Secretary in the consultation held on 16 August 2002 at the Ministry of Foreign Affairs and International Cooperation during his visit to Cambodia from 16 to 18 August 2002.



*Secretary of State UCH Kiman holds Consultation with
His Excellency Mr. BÁRSONY András*

His Excellency Mr. BÁRSONY András also told Secretary of State UCH Kiman that Hungary would help Cambodia in its efforts to become ASEM member and study the possibility in providing assistance to Angkor Foundation.

His Excellency Mr. UCH Kiman recalled the good relationship enjoyed by the two countries and shared the views expressed by his interlocutor for the sake of the promotion of bilateral relations. He also said that in order to reach this goal, a delegation of the Ministry of Foreign Affairs and International Cooperation would visit Hungary and other countries in Central Europe in early 2003.

**Secretary of State UCH Kiman Signs
an Exchange of Notes on Office
Equipments Aid with Ambassador of China**

On 28 August 2002, at 11:00 a.m, at the Ministry of Foreign Affairs and International Cooperation, a signing ceremony of an Exchange of Notes on Office Equipments Aid provided by the Government of the People's Republic of China was held between His Excellency Mr. UCH Kiam, Secretary of State of Foreign Affairs and International Cooperation, and His Excellency Mr. NING Fukui, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Kingdom of Cambodia.



*Secretary of State UCH Kiam Signs Exchange of Notes
with Ambassador of China NING Fukui*

Those office equipments valued at RMB 1,000,000 Yuan will be used by the Royal Government of Cambodia in its preparation for the 8th ASEAN Summit to be held on November 4-5, 2002 in Phnom Penh.
