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Keynote Address

by

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At the
*Seminar on "Accelerating Development in the Mekong
Region – The Role of Economic Integration"*

Siem Reap, June 26, 2006

- *Your Excellencies,*
- *Distinguished participants,*
- *Ladies and Gentlemen:*

On behalf of the **Royal Government** and the **Cambodian people**, I would like to extend my warmest welcome to all of you to **Siem Reap-Angkor**, an ancient city which represents Cambodia's culture and a marvelous place of our Angkor Wat temple.

This Seminar on «**Accelerating Development in the Mekong Region – the Role of Economic Integration**» provides an excellent forum for government officials, academia, researchers, business people from the Mekong countries and beyond to ponder on ways of enhancing regional cooperation and promote sustainable development and charter a "**Roadmap**" on how we are going to expedite the bridging of development gap in this part of the region.

In this regard, I commend the efforts of the International Monetary Fund (IMF) for initiation to jointly organize this seminar

with the Royal Government of Cambodia and the ASEAN Secretariat. As such, I would like to take this opportunity to express my appreciation to **H.E. Keat Chhon**, Senior Minister and Minister of Economy and Finance of Cambodia for his efforts in hosting this seminar.

Also, my sincere appreciation goes to **H.E. Ong Keng Yong**, Secretary General of ASEAN, to **Mr. Takatoshi Kato**, Deputy Managing Director of the IMF and to **Mr. John G. Nelmes**, IMF Resident Representative to the Kingdom of Cambodia for their kind contribution and cooperation with the Royal Government of Cambodia in making this conference happens.

- *Excellencies,*
- *Ladies and Gentlemen:*

The topic today plays two key important factors: "**Accelerating Development and the Role of Economic Integration**". These two factors are complimentary and closely reinforcing one another. For instance, as societies grow and economies expand, the processes of development and economic integration will change but their fundamentals and objectives remain practically as they were many years ago. In this context, "**Economic Integration**" was meant to bring people and societies closer together through sharing markets and economy of scale, attracting foreign direct investment, generating employment and of course improving the quality of lives of the people. On the other hand, "**Development**", was meant to expand the economic diversities and opportunities for people and nations. Therefore, the processes of **accelerating development** through **economic integration** not only affect our own individual life but they also affect how societies interact with each other and co-exist among one another.

Within this framework, the role of economic integration is essential because economic integration enables the expansion of the economic and market coverage. Inevitably, the **processes of development** and **economic integration** help to improve the way we work, to transform our societies, and to influence our institutional arrangements. Moreover, the Mekong region is endowed with abundant natural resources, and inhabited by

almost 300 millions people, which presents a tremendous potential for the economic and market opportunities.

In retrospect, the region had suffered from the legacy of wars and social and political conflicts. The Mekong region was torn by political and ideological warfare. Decades of wars within the Mekong region ultimately destroyed local economies, political and social institutions that in so many ways contributed to the erosion of social unity, destruction of infrastructure, regional peace and stability that ultimately led to the present predicaments such as poverty, economic deprivation and social insecurity.

However, as we are marching into the 21st century, we have witnessed the following transformation of the Mekong Region:

- **Firstly**, its transformation from a region, stricken by internal conflicts and instability to an oasis of peace, security, stability and cooperation.
- **Secondly**, its gradual transformation from an under-developed region into a center for sustainable development.
- **Thirdly**, the emerging vision of a prosperous Mekong Region in the 21st century.

At the same time, the past experiences have taught us that the lack of cooperation among nations of the Mekong region has made the region vulnerable to external shocks and mire in poverty. Therefore, the learned lessons are to closely cooperate with each other in order to become a region with strong integration and resilient regional economic development.

- *Excellencies,*
- *Ladies and Gentlemen:*

The Leaders of the ASEAN have responded to changes and challenges in the region by adopting the vision and long-term programs for sustainable development of the Mekong Region. We have witnessed the proliferation of different cooperation frameworks and sub-regional initiatives. These are: the **Mekong River Commission** (MRC) under the auspices of the United Nations, the **Greater Mekong Sub-region** (GMS) cooperation

framework for 6 Mekong countries spearheaded by the Asian Development Bank, the ***ASEAN-Mekong Basin Development Cooperation***, the ***Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy*** (ACMECS) between Cambodia, Lao PDR, Myanmar, Thailand and Vietnam; the ***Triangle Development Region*** between Cambodia, Laos and Vietnam; and the ***Emerald Triangle Development Region*** among Cambodia, Laos and Thailand.

Under the umbrella of ASEAN, we also have the Cambodia-Laos, Myanmar and Vietnam (CLMV) cooperation framework. For instance, the ASEAN Leaders adopted the “***Initiative for ASEAN Integration (IAI)***” and approved the “***ASEAN Integration System of Preferences (AISP)***”, aimed at reducing the gaps among the ASEAN economies. ASEAN launched the Initiative for ASEAN Integration in 2000 for a closer ASEAN Integration, through this mechanism the more developed ASEAN members assist its less-developed member countries – thus fulfilling the principle where to “***prosper the neighbors is to prosper ASEAN***”.

- *Excellencies,*
- *Ladies and Gentlemen:*

Our vision for cooperation among the Mekong countries is to achieve sustainable development, promote poverty reduction in the pursuit of growth, equity and prosperity. Our vision is one of wide participation, where local, national, and regional interests blend – resulting in a region with more potential than being a part. For instance, the GMS cooperation constitutes a comprehensive effort to transform the Mekong Region into a well-integrated economy with a market approaching 300 millions people. Cambodia had an honor to host the GMS Summit in November 2002, back-to-back with the 8th ASEAN Summit. The summit proposes the establishment of the GMS economic corridors by basing on hardware as well as software pillars. The hard components are cross-border infrastructure: roads, telecommunications and power. The soft components are laws and regulations for management and sub-regional strategy to facilitate travel, transport, trade, investments, information and human resource development.

The strategic objectives of the GMS are to attract investments and transform the sub-regional economy into a broad, rapidly growing market of close to 300 millions people who enjoy the benefits of prosperity and peace. In this regard, I highly appreciate the active role and assistance provided by the ADB in supporting a number of flagship projects aimed at harnessing the economic potential of the Mekong region. Among others, tourism was endorsed as the 11th flagship program encompassed tourism development and visa facilitation.

At the Phnom Penh Summit, the GMS Leaders launched the ***Phnom Penh Plan*** for Development Management (*PPP*) to provide high quality education through learning programs to participants from the GMS countries. The ***Phnom Penh Plan*** supports the GMS governments in improving internal capabilities to shape the national development agenda and to align themselves with regional priorities and programs, especially building capacities to plan, coordinate, and implement regional programs and projects to expand and sustain cooperation.

At the same time, the Ayeyawady - Chao Phraya - Mekong Economic Cooperation (ACMECS), which initially included only Cambodia, Laos, Myanmar and Thailand, while Vietnam officially joined at the ***ACMECS*** Summit in 2005, set out the vision of “**five nations, one economy**” shaped by our commonalities and sustained and complementary efforts to strengthen the linkages among respective governments, entrepreneurs and people. This cooperation framework was born out of the conviction that the key to enhanced peace, security and shared prosperity among the five nations is mutual cooperation and coordination for mutual understanding, which is strengthened by continuing dialogue, investments and technical and scientific cooperation and exchange.

Indeed, ***ACMECS*** cooperation achieved significant progress in concrete projects in the areas of trade and investment facilitation, transport linkages, agricultural and tourism cooperation. Cambodia and Thailand also agreed to pilot “***Single Visa***” of the ***ACMECS*** Economic Cooperation based on an ***ACMECS minus X*** formula (*ACMECS-X*).

I believe that the development of the Mekong region should be an interest not only of every ASEAN and Mekong member country but also for the other countries that would benefit from the development of Mekong region. Therefore, at the **ACMECS** ministers' meeting in Siem Reap last year, the development partners expressed their supports for the goals and objectives of **ACMECS** and their interests in forging partnership with **ACMECS** on sub-regional development. Japan has exemplified the cooperation with Laos and Thailand on the Savannakhet Airport. Development Partners promised to look into possibilities to extend their existing bilateral cooperation projects with our **ACMECS** members to the third country of **ACMECS** in the form of tripartite cooperation. Moreover, the Triangle Development Region by Cambodia, Laos and Vietnam has also remarkably progressed. Other than summits between the leaders of the three countries, there have been two summits between the Prime Ministers of Cambodia, Laos and Vietnam with the Japanese Prime Minister in Vientiane and Kuala Lumpur in 2004 and 2005 respectively, back to back with the ASEAN meeting. As a result from these summits, the aid from Japan has contributed to the development of this triangle region.

- *Excellencies,*
- *Ladies and Gentlemen:*

We are convinced that these cooperation initiatives would help us to exert our joint utmost efforts to reduce trade barriers, improve transport linkages and upgrade major border checkpoints and promote cooperation to a higher level through greater intra-regional trade and investment, competitiveness enhancement and employment generation as well as improving the living standard of the people in the sub-region, in which most are the less developed new members of ASEAN. To this end, we would be able to timely envisage challenges to our future and together to develop effective measures to overcome these challenges.

As for Cambodia, to facilitate the cooperation in infrastructure, the Royal Government of Cambodia has put its utmost efforts to rehabilitate and restore all kinds of infrastructure including electricity, water supply, and telecommunication and transportation network. The Royal Government has also considered the development of irrigation system to be a top

priority in agricultural development. We need technical assistance and additional financing to further develop the irrigation system.

- *Excellencies,*
- *Ladies and Gentlemen:*

Even we have faced with challenges such as an issue of overlapping work, we have to check and to ensure the effectiveness of the projects and programs that are complementary under our cooperation frameworks. Based on this, some development partners have also raised concerns about the proliferation of such frameworks and meetings. In this regard, I believe that there is a need to set up a monitoring mechanism as a clearing house in order to avoid overlapping projects and mechanisms.

In spite of all endless efforts and inspirations on accelerating the development of the Mekong region, the fundamental challenge of our cooperation is financing. Thus, foreign direct investment, market integration, trade and investment in conjunction with official development assistance play a significant role for our development initiatives.

Indeed, alongside with the cooperation initiatives, we also have witnessed the proliferation of countless meetings at different levels. In this regard, I would urge all member countries in the Mekong Region to take serious strides to tackle the following issues:

Firstly, domestic resource mobilization to ensure sustainable growth;

Secondly, enhance cooperation with donor community;

Thirdly, private sector participation in all initiatives;

Fourthly, joint efforts to improve market access to products originated from the Mekong countries;

Fifthly, collective work to generate support for our initiatives under multilateral frameworks, particularly in attracting international financing.

- *Excellencies*,

- *Ladies, Gentlemen*:

I would like to stress that economic integration is essential and perhaps inevitable, but to accelerate the process such as integrating markets and promoting free flow of goods, services and factors of production requires not only policies coordination, capital and institutional reform, but also even yielding national-jurisdictions and sovereignty.

At national level, we also recognize the essence of structural reform, if we are to accelerate the transformation of the Mekong region. The structural reform in the areas of public financial management, trade, legal systems, investments regimes, and civil service reform are critical for the sustainability of economic growth and economic integration as well as for the development of human capital. With this, at regional level, we recognize that "***Good Governance***" is needed to ensure that the Mekong sub-region sustain its competitive edge and provides the best investment environment.

Cambodia continues to work closely with development partners and regional member countries to expedite development through ***Economic Integration***, in which we recognize that economic integration enables the expansion of opportunity, to promote the economic and market coverage, which is an important factor in the social and human resource development.

Finally, I am convinced that all the endless efforts and inspirations on accelerating the development of the Mekong region that we have invested will transform each country as well as our region, especially our borders, into a zone of peace, integrated and sustainable growth, prosperity and harmony in the first half of the 21st century.

I would like to thank you for your kind attention, and I wish you all a successful and productive seminar and a memorable stay in Siem Reap, the land of Angkor!