

Opening of the 2009 Cambodia Outlook Conference on “Cambodia and the Global Economic Crisis: Impact, Policy Responses and Action”*

This year’s Outlook Conference, its timing and theme, are of particular significance as Cambodia comes to terms with the impact of the global and regional financial and economic crisis, and how to respond with efficiency and effectiveness. This is not a crisis of Cambodia’s making. It has been caused by external factors beyond Cambodia’s control, and it is a crisis that will have serious impact on us all.

Achievements over the Years: Growth and Poverty Reduction

Cambodia is fortunate because it faces the crisis while its economy is still in good shape, having achieved a decade of sustainable strong economic growth and sound macroeconomic management. A recent World Bank study placed the country in the top 10 developing countries with the highest economic growth rate from 1998 to 2007, its average growth over the past decade reaching double digits. At the same time, it has made an impressive record in poverty reduction, from 45 percent in 1994 to around 30 percent in 2008.

These exceptional achievements in economic development and poverty reduction were accomplished through responsible macroeconomic management and a steady programme of reforms by government, along with the dynamism of the private sector and the productivity and effort of the Cambodian people. Great progress has been made in the provision of better infrastructure—roads, bridges, irrigation, transport and telecommunications; the promotion of international labour standards in the garment industry; and the advancement of tourism and a positive enabling environment for trade and investment. Also, although the domestic banking sector is small, it is dynamic and growing, with limited exposure to the global financial turmoil. This sector has been placed under strict supervision by the National Bank of Cambodia and has gained

credibility among the government, the private sector and the Cambodian people.

In addition, Cambodia has been able to utilise its strengths. The Royal Government has remained committed to the responsible management and exploitation of the country’s rich natural resources, which can bring maximum benefits for economic and social development, wealth creation and poverty reduction, and to addressing the related challenges regarding governance and administration, transparency, conflict resolution, corporate responsibility and environmental management. It has also remained committed to a balanced approach that promotes the productive use of land, ensuring specifically that rural land is being put to best use for agricultural and rural development and poverty reduction. The government has also demonstrated its responsiveness to the needs of the private sector, which plays a key role in priority development areas such as economic diversification, infrastructure, energy, telecommunications and financial services. Through such initiatives as the government-private sector forum and the open sky and investment policy, the government has supported and promoted the capacity of the private sector to grow and compete on the regional and global stage.

The Global Crisis: Impact and Responses

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

* This article is an abridgement of the opening address to the 2009 Outlook Conference delivered by Samdech Techo Hun Sen, prime minister of the Kingdom of Cambodia.

Although the crisis has been tackled through various measures, it is still progressing. It will impact some key economic sectors of the country and bring down the growth of major sectors such as garments, tourism and construction by about 15–20 percent, which will have a negative impact on Cambodia's economy and its people. This means that everyone must work even harder to address several key challenges (Box 1).

Effective responses to the crisis must be developed to help protect and support the poor and vulnerable, particularly those who may be thrown into unemployment by the contraction in export industries such as garment manufacturing, construction and tourism; migrant workers, who may be forced to return home from neighbouring countries; poor rural families with reduced incomes and the increased burden of unemployed family members returning from cities; small and micro-enterprises that deliver services in urban areas in support of industries negatively affected by the crisis; the already poor, employed and underemployed, whose opportunities will be lost as economic activity contracts; and the young people entering the labour market in contracting economies with few prospects of employment. We owe it to these vulnerable groups to ensure that our responses to the crisis meet their needs.

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

It has been said that “crisis always goes along with opportunities”. The current global financial crisis presents the opportunity for Cambodia to strengthen and expand cooperation and regional integration in order to maximise benefits from expanding regional markets as well as trade and investment in the region. This is important to minimise the country's over-dependence on external markets and enhance its competitiveness in attracting investments from outside the region.

Cambodia must work closely with its neighbours in the Greater Mekong Sub-region, with the other member countries of ASEAN and its regional partners, such as China, South Korea and Japan, to seek regional solutions and strategies that will help it deal with the impact of the crisis and make the region stronger and more resistant to future crises. It must work together with its fellow ASEAN members to promote intra-regional free trade, production networks and consumption; to develop concrete strategies to deliver on the commitment of the ASEAN Charter; to bridge the development gap in ASEAN; and to move forward with the implementation of the Chiang Mai Initiative to strengthen the role of regional financial mechanisms and institutions in supporting growth and development and protecting the countries of east Asia from future external shocks.

In the broader global arena, Cambodia must support the involvement of China, India and Indonesia, as major developing countries that can also speak for others in the developing world to ensure the development of effective global and regional strategies in response to the crisis; secure a deeper commitment in bridging the development gap; ensure that development assistance commitments of the developed world are met with the timely disbursement and implementation of development programmes; and sustain progress on the urgent reform of major international financial institutions in order to make them more effective and responsive to the needs of developing countries.

Other important issues arising from the country's experience with the crisis warrant careful consideration. These include how the country and the region can carefully monitor the impact of the crisis in order to develop responsive strategies, especially for the poor and vulnerable; how the

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