



## **WELCOME REMARKS**

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Senior Minister, Minister of Commerce

**19<sup>th</sup> Sub-Steering Committee on Trade Development & Trade Related Investment  
(SSC-TD-TRI)**

**Thursday, 27 November 2014**

**Venue: Angkor Wat Conference Room, MoC, Phnom Penh**

Excellencies, Lauk Chum Teav  
Representatives of Development Partners,  
Representatives of Line Ministries,  
Representatives of Private Sector  
Distinguished Participants, Ladies and Gentlemen,  
Good Morning!

It is my pleasure to welcome you all to the Ministry of Commerce for the 19th Meeting of the Sub-Steering Committee on Trade Development and Trade-Related Investment (SSC-TD-TRI) and the Wrap-up Session for the World Bank Implementation Support Mission for the Trade Development Support Program.

Six years ago, some of you would remember that we had all gathered in Sihanoukville to formally launch the Trade SWAp as a means not only to increase the harmonization of development partner aid practices in Cambodia but also to develop a shared vision for Cambodia's trade sector development. As we have already updated the Cambodia Diagnostic Trade Integration Strategy for the years 2014 to 2018, wherein some of the targets were included into the National Strategic Development Plan IV and the Rectangular Strategy, it is time to look back and learn from our successes and shortcomings and draw lessons for the future.

As most of you here are aware, the economic growth of Cambodia has been very stable for the past 10 years, despite domestic uncertainty and instability in neighboring countries. Real growth of the economy has been estimated to reach 7.2 percent in 2014 and 7.5 percent in 2015. This year's continued healthy economic growth is underpinned by stable external sector

performance on the back of rising Foreign Direct Investment inflows that help largely finance a slightly widened current account deficit contributing to an increase in international reserves. The development of very specific reform agenda with targets linked to priority reforms and a strong monitoring framework would help enhance the effectiveness of government's operation of the economy. The Royal Government of Cambodia's (RGC) new five-year Rectangular Strategy (RS) III, clearly identifies the development challenges and priorities for the country. The development of very specific and detailed action plans linked to the priorities and the establishment of a strong monitoring system to check regularly performance, would help Cambodia address development challenges and meet its priorities more effectively.

The present favorable economic environment offers a unique opportunity for Cambodia to establish a competitive investment climate and create more and better jobs for the Cambodian people. In the recently published "2014 Cambodia Investment Climate Report (ICA), it has been stressed that "an attractive investment climate would help sustain investment flows and export competitiveness in the face of rising wages, competing investment destinations in East Asia and the gradual erosion of preferential access to the EU market." The report suggested ways to improve incentives for firms trying to invest in Cambodia or expand their business here.

One of the most important constraints to doing business in Cambodia is electricity. Not only is electricity more expensive in Cambodia than most neighboring countries, but the supply can be intermittent – especially in the special economic zones (SEZs) located near the country's borders. This means that many manufacturers are forced to rely on generators to supply their power needs. Overriding these problems is the fact that Cambodia's power distribution losses as a percentage of output are higher than other countries and have more than doubled since 2004. Registered firms operating in the SEZs still view informal payments as a major constraint to doing business, although the amount spent on informal payments may have declined since 2009. Registered firms also perceive that they do not compete on a level playing field with informal firms that face fewer regulatory obstacles. Despite one-stop shops and enhanced border clearance procedures at SEZs, investors feel they are still subject to burdensome regulation and interference.

Cambodia is beginning to address these challenges, through reforms to the investment law, automation of government processes and stronger enforcement of existing laws. The ICA provides further suggestions such as a national approach could tackle the cost of electricity by looking into tapping other energy sources and improving agreements with neighboring countries

to ensure reliable electricity provision. Incentives can be provided for informal firms to register through fast-track registration, licensing and approval processes. The formalization of informal firms would contribute to higher revenues, higher wages for currently informal workers and better knowledge transfers. By employing these insights, Cambodia can build upon its robust growth and new investment, ease the constraints on doing business and foster economic diversification to create wealth and opportunities for the Cambodian people.

With the help of the grant and the technical assistance received from the Trade Development Support Program (TDSP) and from the Enhanced Integrated Framework (EIF), the Ministry of Commerce has designed several sets of fundamental reforms in the trade sector to ensure that ease of Doing Business in Cambodia will be further enhanced and to make MOC operation more efficient, effective, and business-friendly than ever before. The principles behind these reforms reflected the regional integration discourse on trade facilitation and development that has evolved over the last decade, as we now begin the countdown for Cambodia's full integration to the ASEAN Economic Community by the last quarter of 2015.

Internally, the momentum for these reforms in the Cambodian trade sector first grew out of the various consultations held by the Ministry, headed by the Senior Minister, with the private sector, trade stakeholders, and the donor community, and they have been shaped by various ideas and feedback from several sources within and outside of the country. In several discussions, we have heard from representatives of the private sector, traders, and development partners that it is important for MOC to engage in long-term, strategic development planning for various projects on automation and innovation design, informed by cutting-edge evidence and analysis that will be useful in improving present trade and business operations. That is why, the Ministry of Commerce has strengthened its existing structure for more effective trade policy formulation and implementation, which are key elements of the trade reform agenda and develop world-class automated processes and systems to ensure that government's and TDSP's activities deliver results.

As TDSP is about to close in March 2015, we hope that our development partners will help us by further extending the Program so that the Cambodia's ranking in Ease of Doing Business and the Logistics Performance Index (LPI) will move up by at least 20 ranks. If the proposal to extend TDSP by at least 17 months will be given the upper hand of the development partners, thru the World Bank intercession, we will be able to foster a renewed spirit of innovation by adopting the latest technologies in the ASYCUDA World System, the automation

of the Certificate of Origin System processing, speeding up of the business registration process, as well as in the issuance of SPS Certification and Trademarks, and the establishment of the National Single Window, which are expected to bend the curve of development in Cambodia into something that is regionally acceptable.

We still have some ways to go and we will continue to pursue these innovative reforms at the Ministry of Commerce, thru the Trade Development Support Program, in partnership with the private sector and donor agencies. The challenge before us now is not only to sustain our progress, but also to deepen and accelerate our efforts. In order to get there, we must continue to work harder to ensure these reforms become an integral part of the way we provide services to our traders and our people every day. That means backing cutting-edge innovations to develop the next generation of breakthrough technologies in the trade sector, so as to reduce face-to-face interactions with traders and expand economic opportunity to everybody.

Finally, we want to extend our sincere appreciation to all who worked so hard to design, implement, and measure the progress of the projects funded by TDSP. Behind every results and outcomes achieved by TDSP is a team of talented and committed professionals that are pushing the boundaries of what is possible in ensuring the success of the Program.

At this stage, before I officially open this meeting, I would like to take the opportunity to thank you all, government officials, development partners, private sector representatives, advisers and consultants, for all the efforts you have produced in the past 5 years, to contribute to Cambodia's trade sector development vision.

With these words, I now declare the 19th Meeting of the Sub-Steering Committee on Trade Development and Trade-Related Investment open.

Have a fruitful meeting.

Thank you!