

**Speech**  
**Samdech Akka Moha Sena Padei Techo HUN SEN**  
**Prime Minister of the Kingdom of Cambodia**  
**Cambodia Investment Seminar**  
Tokyo, May 29, 2019

- **Your Excellency .....**
- **Excellencies, Oknhas, Ladies and Gentlemen, and Distinguished Guests**

Today I have great pleasure in attending the Cambodia Investment Seminar taking place in this beautiful city of Tokyo in the spring. I would like to express my deep thanks and admiration for the Council for the Development of Cambodia, the Japan External Trade Organization (JETRO) and Mizuho Bank for co-organizing this seminar in parallel with the 25th International Conference on the Future of Asia which I will attend tomorrow. I would also like to extend my warmest welcome to Japanese business people and investors who are here today to learn more about Cambodia's socio-economic progress, opportunities, investment potential and measures the Royal Government recently introduced to improve the business and investment climate.

**Excellencies, Oknhas, Ladies and Gentlemen**

Over the past two decades, Cambodia has achieved average annual growth of around 7.7 percent, graduating from low-income to lower middle-income status in 2015. Compared with a forecast of 7.1 percent at the start of last year, Cambodia achieved 7.5 percent growth in 2018 – a strong foundation for continued robust growth in 2019.

According to the annual Development Outlook released by the Asian Development Bank during Golden Week, the economy is projected to continue growing at 7 percent this year, making Cambodia the fastest growing economy in Southeast Asia for three consecutive years. This puts Cambodia on track to achieve upper middle-income status by 2030 as set out in the national policy agenda.

Cambodia past and future growth can't be dissociated from the support of our Japanese Friends. On this auspicious occasion, in the name of the Royal Government and the people of Cambodia, I would like to express our sincere gratitude and appreciation to the government and people of Japan for their significant contributions to our quest for peace, national unity as well as rehabilitating and developing the Cambodian economy through cooperation in financing, infrastructure development,

technical assistance and human resource development in addition to investment by the Japanese private sector.

The day after tomorrow, His Excellency Prime Minister Shinzo Abe and I will witness the signing of a letter of exchange for grant aid for a 339 million yen human resource development scholarship program and a 200 million yen project to build a container terminal in the special economic zone of Sihanoukville Autonomous Port.

Between 1992 and 2018, Japan provided the equivalent of more than \$2.8 billion in Official Development Assistance (ODA) to Cambodia – about 15 percent of total financing by all development partners. Japan has supported major infrastructure projects – building the Kizuna Bridge and the Tsubasa Bridge, improving National Roads No. 1 and 5, developing a new container terminal at Sihanoukville Autonomous Port, and improving flood protection and drainage in Phnom Penh. Upgrading the two highways is making these roads vital strategic routes in the southern economic corridor between Bangkok and Ho Chi Minh City – the two economic poles of the Greater Mekong Subregion. Phnom Penh is the main city along this corridor, furthering promoting Cambodia as an investment destination for both small and large Japanese companies adopting Thailand +1 or Vietnam +1 strategies.

Kizuna Bridge and Tsubasa Bridge, the longest bridge across the Mekong in Cambodia, have not only facilitated the movement of people and goods between Cambodia, Vietnam and Laos but have also made tourist destinations more accessible for the Cambodian people. The two bridges are featured on our new 500 riel banknote, a rare case for a flag of one country to appear on the banknote of another – a clear testimony to the deep ties between our two countries.

Japan's provision of 23 billion yen in ODA for the new container terminal at Sihanoukville Autonomous Port will help Cambodia become a transit hub of goods in ASEAN with an annual capacity to handle up to 900,000 TEUs – a two-fold increase from the current capacity. The new terminal will be able to accommodate the large vessels increasingly used to transport goods through international waters, helping to reduce future freight costs. The Japan International Cooperation Agency (JICA) has acquired a strategic shareholding in Sihanoukville Autonomous Port, a further confirmation of the Japanese government's faith in the future of the port – and the future of Cambodia.

In terms of foreign direct investment from Japan, the Council for the Development of Cambodia approved 137 projects worth about \$2.5 billion between 1994 and the first quarter of 2019. Investment has focused on electrical parts and electronics, auto parts, agro-industrial equipment, food processing, tourism and hotels as well as the hospital

and shopping mall sectors. In addition to these projects, Cambodia has about 1,700 small and large Japanese businesses operating in many sectors such as banking, aviation and restaurants. In the banking sector alone, there are now six banks with Japanese shareholders operating in Cambodia. Mizuho Bank was the first to open a branch, receiving its commercial banking license on February 1, 2017.

In the tourism sector, Cambodia welcomed more than 60,000 Japanese tourists in the first quarter of 2019, up two percent from the same period a year earlier. The number of Cambodian visitors to Japan is also increasing. According to the Japanese Embassy in Cambodia, the number of visas granted to Cambodians rose 34 percent last year.

### **Excellencies, Oknhas, Ladies and Gentlemen**

To realize Cambodia's long-term vision of becoming an upper middle-income country by 2030, the Royal Government has laid out the fourth phase of our Rectangular Strategy – the socio-economic development agenda for the sixth legislature of the National Assembly. The government is also implementing the Cambodia Industrial Development Strategy 2015-2025 to diversify the economy and transform Cambodia's industrial structure from being labor-intensive to skills-based by 2025. The five priority sectors are (1) new industries or manufacturing ventures that can break into new markets with high value-added products that are creative and highly competitive, (2) small and medium-sized enterprises (SMEs) in all sectors, (3) agro-industrial production for export and domestic markets, (4) industries supporting the agriculture, tourism and garment sectors and serving regional production chains linked with global markets or value chains and (5) industries serving regional production lines and of future strategic importance.

Despite its potential and having the fastest growing economy in Southeast Asia, Cambodia still faces several challenges that require action with the participation of all stakeholders. The ADB report I mentioned earlier stated that the current phase of Cambodia's development with rapid economic growth based on low-cost labor will come to an end after two decades. The Royal Government of Cambodia fully understands and recognizes the gap between existing skills and those in demand in current and future labor markets. This is clearly highlighted in the National Policy on Technical and Vocational Education and Training for 2017 to 2025. The ADB believes this policy will ensure that the skills taught at technical and vocational institutions will meet the needs of the labor market.

To transform Cambodia into an integral part of regional and global supply chains and to strengthen competitiveness and improve the business and investment climate, I chaired the 18th Government-Private Sector Forum on March 29. This is a mechanism that gives the private sector an opportunity to address issues and ask the Royal Government to conduct reviews and take appropriate actions. All decisions made in the forum have the same effect as cabinet decisions. At the 18th forum, we introduced specific reform measures that will help reduce the cost of doing business by an estimated \$400 million a year. These measures include:

### **A. Improving trade facilitation and reducing business costs**

- 1- Ending the role of the Cambodia Import-Export Inspection and Fraud Repression Directorate-General (CAMCONTROL) and keeping only customs agents to inspect goods at international border gates, special economic zones, and other import and export inspection zones.
- 2- Dissolving Kampuchea Shipping Agency & Brokers (KAMSAB).
- 3- Reducing electricity tariffs and increasing power supplies. Under the Industrial Development Policy, we have started the first phase of reducing electricity tariffs for industrial consumers by \$0.02/ kWh from 2019 and are conducting a feasibility study on further reductions. We regret recent disruptions to electricity supply which were due to unfavorable weather that resulted in hydro-power plants generating less than their normal capacity. We will increase power supplies from various sources including solar energy by around 500MW this year.
- 4- Reducing the number of public holidays from 28 to 21 days from next year.
- 5- Reducing port-handling charges and eliminating scanning requirements for regular containers for companies with good compliance as best traders.

### **B. Law on Investment and Law on Special Economic Zones**

The new Law on Investment and Law on Special Economic Zones, to be finalized by the end of June, aims to improve the modernization and production of domestic industries, strengthen links to regional and global supply chains, promote competitiveness and support economic and social policies. In particular, the Law on

Investment will provide incentives for activities for which there are currently no incentives such as import substitution and expenses for the well-being of workers as implemented by Japanese companies.

## **Excellencies, Oknhas, Ladies and Gentlemen**

In addition to these measures, the Kingdom of Cambodia and Japan have signed an agreement on liberalizing, promoting and protecting investment which has established the Cambodia-Japan Joint Committee Meeting. This has been held 17 times to date and is the only bilateral meeting between representatives of the government and foreign companies, which signifies the attention and care of the Royal Government of Cambodia towards Japanese investors. Moreover, I always receive courtesy calls from Japanese business delegations and the chairman of JETRO to review problems and take appropriate actions on issues faced by Japanese investors. The CDC has meanwhile signed a Memorandum of Understanding with Mizuho Bank to promote direct investment and foster business partnerships between Cambodian and Japanese entrepreneurs. And at the end of today's program, the CDC and JETRO will sign an MoU on investment promotion cooperation.

Cambodia and Japan are also negotiating an agreement on avoiding double taxation and preventing income tax evasion. I have high hopes for the successful negotiation of this agreement to be concluded soon. These agreements and MoUs will contribute significantly to strengthening, attracting and supporting Japanese investment in Cambodia.

## **Excellencies, Oknhas, Ladies and Gentlemen**

The Royal Government of Cambodia clearly understands the needs of investors and it is no coincidence that we see Japanese investment growing in Cambodia. Key factors such as political and macroeconomic stability, openness to all without discriminating between local and foreign investors, and good cooperation between the Cambodian and Japanese governments are indispensable for encouraging Japanese to invest in Cambodia. In an annual credit analysis, Moody's Investors Service recognized government measures to improve the investment climate, develop special economic and industrial zones, coordinate tax settlements and strengthen labor skills along with the Industrial Development Policy for 2015 to 2025 for playing an important role in attracting foreign investors, expanding value-added production and diversifying the industrial base. The report noted a growing number of electrical component assembly plants diversifying production to Cambodia from other countries in the region.

We have noticed that investments by large Japanese companies attract smaller Japanese companies in supporting industries to invest in various sectors. I am delighted to see many Japanese projects expanding their activities in Cambodia after operating for some time, notably Minebea, Mitsumi, Aeon and Sunrise Japan Hospital. These investment and expansion decisions reflect the strong confidence of Japanese investors in the Cambodian government's leadership and the country's potential.

Japanese business activities in Cambodia represent quality investments, creating value-added jobs and providing good working and living environments for workers. This is in line with the vision of the Royal Government to provide decent work opportunities, maintain economic growth and diversify the industrial base. Such investment not only generates income for investors but also contributes to the long-term stability of Cambodia and the region. In all aspects of its development, Cambodia needs continued Japanese investment in all areas – especially food processing using domestic raw materials, ecotourism, industries linked to local and regional production chains, and human resource development centers for industry.

### **Excellencies, Oknhas, Ladies and Gentlemen**

On behalf of the Royal Government of Cambodia, I wish to reiterate our warmest welcome to all foreign investors – especially those from Japan – for choosing Cambodia as a destination to start or expand their business. I urge Japanese business people and investors and those who have not yet done so to come to Cambodia to explore the potential and opportunities – and invest to take advantage of the bilateral cooperation between Cambodia and Japan.

I reaffirm, on behalf of the Royal Government, our commitment to ensuring an enabling climate for all investors with peace and security along with political and macroeconomic stability under a legal and institutional framework that is effective, transparent, accountable and predictable. The Royal Government of Cambodia stands ready to accommodate the easing of administrative procedures and accompany you on every stage of your operations in Cambodia.

Finally, I wish excellencies, oknhas, ladies and gentlemen good health and every success in your respective endeavours.

Thank You.