

**Opening Remark by H.E. Mr. Kuroki Masafumi,
Ambassador of Embassy of Japan to Cambodia
Seminar on “Toward Cambodia’s Industrial Policy Formulation”
April 26, 2012 @ Raffles Royal Hotel**

- H.E. Hang Chuon Naron, Permanent Vice-Chairman of SNEC and Secretary of State of the Ministry of Economy and Finance
- Prof. Shinij Asanuma, Professor emeritus, Hitotsubashi University
- Distinguished guests, ladies and gentlemen,

It is a great pleasure for me to participate in this seminar on “Toward Cambodia’s Industrial Policy Formulation”.

First of all, I would like to express my sincere appreciation to H.E. Hang Chuon Naron, the organizing committee of the SNEC and the JICA Study Team for organizing this seminar.

Let me explain briefly the background and purpose of this seminar.

Cambodian Government expressed its intention to formulate an industrial development policy at the occasion of the 4th Cambodian Economic Forum in February 2011, which attracted much attention from the private sector and development partners. As Japan itself has a long history of industrial policies and has also supported the industrialization of other Asian countries, I believe that these experiences and knowledge can be useful and practical for the formulation of industrial policy by Cambodia.

Cambodia has recorded significantly high economic growth in the past decade and even after the Global Economic Crisis in 2009, it quickly recovered and returned to growth track. Due to the high economic performance in Cambodia, the growth cycle, in which high economic growth attracts investments that accelerate further growth, has been currently functioning. However, Cambodian industries are limited to narrow base, such as garments, agriculture, construction

and tourism. In order to consolidate a dynamic, resilient and sustainable economy for a longer term, it is necessary to transform the industrial structure into more diversified one with priority industries manufacturing and exporting higher value-added products. Based on the Japanese and other Asian countries experiences, the formulation of industrial policy is critically important.

Let me explain my personal views on the industrial policy for Cambodia.

Firstly, the role of the government for industrialization can be variable depending on the development stage and economic structure of the country and the regional and international context. Cambodia has advanced free market mechanism and its advantages should be preserved. In the regional and international context, globalization and liberalization of the economy is rapidly taking place. On the other hand, some industrial policies may cause the failures of government intervention, such as corruption, vested interests of certain groups and difficulty to exit from protective measures. Therefore, when formulating the industrial policy which can induce the diversification of industries and higher value-added industrialization, it should be tailored by taking into consideration the Cambodian context and the pros and cons of government intervention.

Secondly, the formulation of industrial policy requires a strong government initiative and good coordination among ministries and agencies concerned. Industrial policy can include measures on financing, taxation, locating, human resource, organizations. Among these measures, I think that the human resource development such as vocational training and technical education is particularly important in order to have competitive industries. Industrial policy should be formulated also in close cooperation with private sector in order to take into full consideration the needs and perspectives of private sector.

Thirdly, Mekong region where Cambodia is situated has not only

geographical meaning but also economic meaning. Private investors are now considering their production and supply chains not only in one country but in a regional or even global perspective. The countries of the Mekong region and ASEAN are increasingly connected physically as well as by the FTAs among themselves and with other countries. Cambodia is not an exception. Industrial policy for Cambodia, therefore, should take into consideration these trends and identify its comparative advantages in the regional context. In this regard, Japan has organized fourth Japan-Mekong countries Summit Meeting on 21 April. One of the pillars of Japan-Mekong cooperation is to accelerate the economic growth of these countries by strengthening their connectivity. This is an initiative taken by considering the growing economic ties among these countries.

I would like to conclude my remarks by wishing a fruitful and successful seminar as a kick-off of series of seminars and I sincerely hope that these seminars and JICA's study will contribute to further industrialization of Cambodia.

Thank you for your attention.