



Kingdom of Cambodia
Nation - Religion - King

Keynote Address

By

Samdech Techo HUN SEN

Prime Minister of the Kingdom of Cambodia

16th ASEAN Finance Ministers' Meeting

Phnom Penh, Hotel Sofitel Phnom Penh, 30 March 2012

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***Your Excellencies,
Ladies and Gentlemen:***

On behalf of the Royal Government and People of Cambodia, I would like to extend my warmest welcome to the Distinguished ASEAN Finance Ministers, the troika of ASEAN Central Bank Governors of Indonesia, Cambodia and Brunei Darussalam, the ADB President, IMF Deputy Managing Director, ASEAN Secretary General, Representatives of the World Bank, ASEAN Delegates and honored guests that have come to attend this ***16th ASEAN Finance Ministers' Meeting*** and related meetings. I strongly believe that this gathering will help strengthen financial cooperation in ASEAN and contribute to the realization of the ASEAN Economic Community by 2015.

As the Chair of ASEAN in 2012, Cambodia is honored to host this ASEAN Finance Ministers' Meeting (AFMM) and other related meetings. We proudly notice that much progress in financial cooperation and integration has been made by the ASEAN Finance Ministers since Cambodia previously chaired and hosted these meetings in 2006.

Today's meeting is being held under uncertainty of economic circumstances on the one hand and on the other there is pressure to deliver on our commitments toward realization of the ASEAN Economic

Community. However, I am of the view that global crisis and depth change of global economic architecture are precisely the time for ASEAN Finance Ministers to forge stronger and sooner agreements on financial cooperation to maintain economic growth momentum, strengthen financial stability and speed up financial integration in the region. Indeed, these will contribute to the establishment of the ASEAN Economic Community.

***Your Excellencies,
Ladies and Gentlemen:***

As we gather here, persistent global imbalances and uncertain prospects of robust recovery in the advanced countries are dimming the outlook on medium-term global growth prospects. Growth expectations for 2012 are moderate and downside risks continue to be high. The global economy is expected to grow by 3.3% in 2012 against the growth of 3.8% and 5.3% achieved in 2011 and 2010 respectively. This prospect of slowing growth does not bode well for the creation of jobs or the improvement of social equity and will further undermine overall economic and financial stability.

I am very pleased that ASEAN economies grew by 4.5% last year despite the tightening economic conditions, higher oil prices, and volatile global capital flows.

Going forward, the further weakening of global growth would have negative impacts not only on developed countries but also on developing economies, including the ASEAN community. Currently, rather than few of internal constraints, ASEAN's economic growth is increasingly inhibited by adverse external developments. Spillovers and contagion from the advanced economies pose a risk to the ASEAN region, in particular, in terms of dampened demand for exports, a decline in capital inflows, and financial instability.

Moreover, there is growing concern that the global slowdown and uncertain growth prospects will hold back the progress on the ASEAN integration process, especially mobilization of adequate financial resources to implement initiatives, which is imperative to realize the ASEAN Economic Community (AEC).

I call on ASEAN Finance Ministers to take further swift policy actions in dialogue and cooperation with the ADB, WB, IMF and others especially under the framework of ASEAN Global Dialogue, to firm up market confidence, promote market dynamism and maintain regional economic stability.

***Your Excellencies,
Ladies and Gentlemen:***

The 16th AFMM today will provide an excellent opportunity for the ASEAN Finance Ministers to discuss how best to enhance stability of the financial system and mobilize financial resources for supporting investment, which will maintain a favorable climate for growth in the region. At the same time, this meeting will discuss how ASEAN strategically would play an assertive role in the international agendas, particularly in addressing global imbalances, reviving global growth momentum and contributing to strengthening financial stability. So far, ASEAN has made appropriate contribution to the resolution of global imbalances through policy dialogue on trade, debt and exchange rate issues. ASEAN, with the total population of 617 million and USD3.580 trillion in GDP in 2012, has become an important component of the global economy and its cooperation with key partners in East Asia has contributed significantly to strengthening financial stability in the region.

Taking this opportunity, I would like to commend the efforts of the ASEAN Finance Ministers and ASEAN Central Bank Governors in delivering the commitments made over the past years to deepen the integration of our financial markets under the Roadmap for Monetary and Financial Integration of ASEAN, including concrete steps to achieve the goals of the ASEAN Economic Community. With this, I look forward to the operationalization of the ASEAN Infrastructure Fund (AIF) this year, as well as the launching of initial projects on the Credit Guarantee and Investment Facility (CGIF). I also look forward to the outcome of the next ASEAN+3 Finance Ministers' Meeting in May 2012 with finalization of new measures to enhance the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM).

I have observed a significant expansion of financial cooperation both within the ASEAN and ASEAN+3 frameworks in the recent past. In implementing the Roadmap for the Monetary and Financial Integration of ASEAN, approaches and milestones have been identified in crucial

areas, namely: (1) capital market development, (2) capital account liberalization, (3) financial services liberalization and (4) establishment of ASEAN capital markets forum. Progress in these areas will allow mobilization of diversified resources for development as well as deepen and widen regional financial integration.

We must push for other important aspects of regional financial cooperation as well, including coordinated liberalization of the financial sector, close cooperation in the regulation and development of money and capital markets, tax, insurance and customs systems, infrastructure financing and enhancing the ASEAN surveillance mechanism to avert future financial crises.

Within the ASEAN+3 process our cooperation has strengthened quite significantly in the areas of surveillance process, Asian Bond Market Initiative (ABMI) and Chiang Mai Initiative Multilateralization (CMIM). Indeed, during post crisis period the region's economic performance has becoming a pole of global economic growth. This bears testimony these initiatives demonstrating not only the strong capacity to handle the issue of capital flow, but also mitigation any future possible risks from another crisis.

The doubling of the current size of the CMIM Fund from the current USD 120 billion to USD 240 billion is necessary to provide adequate liquidity to the region, particularly during times of crises. Therefore, I urge the ASEAN+3 Finance Ministers to pay serious attention to finalizing this initiative in 2012. Indeed, the commitment to expand functions and strengthen effectiveness of CMIM will further enhance market confidence in economic and financial cooperation in ASEAN+3. This initiative should go hand-in-hand with the strengthening of the role of the ASEAN+3 Macroeconomic Research Office (AMRO) in macroeconomic surveillance and analysis of the region's economies. It is therefore urgent that AMRO cooperates closely with IFIs including ADB, WB and IMF to develop its analytical capacity.

This year marks the 10th anniversary of the Bond Market Initiative (ABMI). I am very pleased to note its reasonable well progresses. The ABMI has contributed to channeling regional resources into investment in the region as well as helping ASEAN+3 countries to develop their bond markets. I am confident that the introduction of the Credit Guarantee and Investment Facility will contribute to further fostering the

development of bond markets in the ASEAN+3 countries. Moreover, I welcome the discussion on updating the ABMI roadmap in response to emerging development challenges.

***Your Excellencies,
Ladies and Gentlemen:***

In order to realize the ASEAN Economic Community by 2015, all member countries should gear themselves up to embrace a new paradigm of regional cooperation. The focus should be on reforming institutions, reformulating investment financing strategies, and empowering the private sector, especially the "people centered" community. This is consistent with the theme of Cambodia's Chairmanship this year, which is ***"ASEAN: One Community, One Destiny"***. The choice of this theme highlights the resolve of the ASEAN peoples to work in chorus to build the ASEAN Community, with a strong sense of oneness and shared vision of ASEAN as a cohesive family, a family which is socio-culturally harmonious, rules-based, peaceful and economically strong.

Undoubtedly, progress in financial cooperation is crucial for achieving economic integration in ASEAN. Economy and finance are two sides of the same coin. Thus, while we are taking stock of the progress in implementing the agreements we forged in the earlier AFMMs, I would like to invite the attention of our Finance Ministers to the following priorities:

First, while deadline of realizing ASEAN Economic Community by 2015 is approaching fast, it is important that we focus our attention on narrowing the development gaps among ASEAN members, especially in terms of connectivity such as transportation networks, ports, energy, telecommunication, etc. The role of the Finance Ministers is critical to mobilize all available financial resources from partners and international finance institutions as well as the private sector to help finance this connectivity. It is also important to ensure that the less developed ASEAN members have appropriate access to the new financing arrangements to meet their development needs and integration into the region.

Second, we have learned through experience that the key to success in regional economic integration is forging strong financial partnerships and cooperation. Thus, our Finance Ministers should play a

central role in promoting ASEAN financial cooperation and integration. While we have put considerable efforts to ensure the free flow of goods and services, I think we would not succeed in economic integration without paying greater attention on strengthening and expanding cooperation on financial sector, including financial services liberalization. In this regard, more effective implementation of measures under the **Roadmap for Monetary and Financial Integration of ASEAN** will be very important for supporting regional economic integration.

Third, for achieving equitable development of countries within the ASEAN, consistent with our Initiative for ASEAN Integration (IAI), we must continually strengthen the coordination of strategies and capacity building programs in financial cooperation aimed at accelerating the development of the newer and less developed members of the ASEAN. We should strive towards greater complementarity in our cooperation's programs and activities and effective implementation. Continuing policy dialogue among ASEAN Finance Ministers on this matter should be of high priority. Otherwise, faster regional growth would result in widening gaps among ASEAN members in the future. This will pose risks to our collective welfare including financial stability, growth resiliency and prosperity of our region.

Fourth, another high priority of the AFMM should be placed on improving the quality of the ASEAN Surveillance Process in line with development of global financial and economic situation. This would effectively forewarn us of emerging systemic risks and signs of vulnerability in the ASEAN economies. We are encouraged by the work of AMRO and should commit to provide full support to its institutionalization and capacity building so that AMRO can work effectively and efficiently in supporting the ASEAN+3 Finance Ministers' process.

Fifth, close coordination between ASEAN and ASEAN+3 frameworks at all levels must be continued. I appreciate that the ASEAN Finance and Central Bank Deputies met with their +3 counterparts in the ASEAN+3 AFDM prior to this meeting. I understand that the ASEAN+3 AFDM considered the many findings and recommendations presented by the ASEAN+3 Working Groups on how to promote and strengthen the ASEAN+3 financial cooperation in the ABMI, CMIM and work relating to future priorities. I would like to stress that given the uncertainty in the global economic environment, it is important that we strengthen the

Crisis Resolution Mechanism and finalize the details of the Crisis Prevention Function in view of swift operationalization of CMIM, as these will be the firewall of the ASEAN+3 region against future crises.

Sixth, since ASEAN's global stature has risen significantly, ASEAN needs to contribute more to the efforts toward addressing global economic issues including reform of the international economic and financial architecture in the G20 process. ASEAN Finance Ministers are best placed to contribute to building of global financial architecture after this Crisis. ASEAN has Indonesia as a member of G20 and ASEAN's chair has been invited to the G20 process as an observer. Cambodia, as the Chair of ASEAN, will make our best effort to represent the interests of ASEAN in the G20 process.

***Your Excellencies,
Ladies and Gentlemen:***

After ten year of full ASEAN membership, Cambodia has achieved prideful development. The membership has provided opportunity for Cambodia to integrate into the regional and international communities. At the same time, Cambodia has committedly fulfilled its membership obligations to build a community of peace, prosperity and harmony as well as contribute to development of ASEAN as a model of regional cooperation and global significance.

Cambodia will continue to play a proactive role in the ASEAN forums and remains a firmly committed member of the ASEAN. Our determination to help in the strengthening of ASEAN is demonstrated by our hosting of key ASEAN meetings and events and active and constructive participation in a wide range of ASEAN-led activities and initiatives. In the same spirit, I am confident that our ASEAN Finance Ministers will put forward their best skills, wisdoms and leadership qualities towards supporting the theme of Cambodia's Chairmanship **"ASEAN: One Community, One Destiny"**.

Finally, I wish all Your Excellencies, Distinguished Delegates, Ladies and Gentlemen success in your deliberation for the common interest of establishing the ASEAN community. Before I close let me also extend to you a warm welcome to Phnom Penh. I wish all of you a pleasant and comfortable stay in Cambodia and hope that you will carry back with you

lasting memories of the beauty, culture and civilization of Cambodia when you return to your countries.

I am honored to declare opening of the 16th ASEAN Ministers' Meeting from now.

Thank you for your attentions!

8th ASEAN CENTRAL BANK GOVERNORS' MEETING

Phnom Penh, Cambodia, 29th March 2012

(to be delivered by Troika Governors at the 16th AFMM on 30th March 2012)

Thank you Chair,

Honourable ASEAN Finance Ministers,

Honourable Central Bank Governors,

Distinguished Delegates, Ladies and Gentlemen,

1. We, the ASEAN Central Bank Governors' Troika (Indonesia, Cambodia and Brunei Darussalam), would like to share the results of the 8th ASEAN Central Bank Governors Meeting, which was held and concluded yesterday.
2. Four main areas were discussed in the meeting, namely, (1): Global and regional economic development and challenges for central banks after the global financial crisis; (2): Implementation of the ASEAN Financial Integration Framework (AFIF); (3): Publication of the summary report entitled "The Road to ASEAN Financial Integration"; and (4): Progress of the ASEAN+3 finance cooperation.
3. Now, on behalf of the ASEAN Central Bank Governors, let me briefly elaborate on each of these four important areas:

I. Global and Regional Economic Development and Challenges for Central Banks after the Global Financial Crisis

4. Governors noted the IMF's views that global economic prospects have improved in 2012. After a sharp slowdown at the end of 2011, there is growing evidence that global activity is set to strengthen in the second half of 2012, as financial conditions eased after policymakers averted an imminent crisis in the Euro area. Nevertheless, large downside risks can stem from any less-than-steadfast resolution of the debt crisis in the Euro area and higher energy prices from increased geopolitical risks.
5. Governors also took note that economic growth in Asia is expected to gain momentum over the course of 2012. Domestic demand has generally remained strong, supported by low unemployment, high capacity utilization, and robust credit growth, thus buffering the impact of the weakening external demand. In the first months of 2012, leading indicators of activity strengthened, while inflation expectations have also picked up. As capital inflows have rebounded, increased vigilance on their potential volatility is therefore critical.
6. Governors recognized the difficult task faced by Asian policymakers in pursuing economic rebalancing and strengthening domestic sources of growth. At the same time, policy normalization may be needed to address any potential overheating pressures. Governors acknowledged that the balance of risks and the need for switching gears differ from country to country.

II. ASEAN Monetary and Financial Integration

7. Governors appreciated the substantial progress made by the ASEAN Senior Level Committee on Financial Integration (SLC) since its

establishment in April last year. In particular, the SLC has mapped out an implementation plan for the key milestones and timelines under the ASEAN Financial Integration Framework (AFIF).

8. To further advance regional integration of the banking sector, the Governors supported the establishment of the Taskforce on ASEAN Banking Integration Framework (TF-ABIF) by the SLC. The Taskforce has already started work by taking stock of members' current state with respect to necessary preconditions for a smooth banking integration process in ASEAN.
9. Governors welcomed the progress in the implementation of the work plans of the Working Committees on Capital Market Development, Capital Account Liberalization, Financial Services Liberalization, and Payment and Settlement Systems. Highlights of these progress include: the development of a study to streamline and improve cooperation frameworks across various regional capital market initiatives such as the ASEAN Capital Market Forum; development of a capital account liberalization framework, which will guide the member countries' process of capital account liberalization including the drafting of timelines and milestones consistent with national agendas; the launch of the Sixth Round of negotiations on financial services liberalization under the ASEAN Framework Agreement on Services; and the finalization of action plans with due consideration of alignment with other working committees to ensure the smooth implementation of milestones and timelines for the harmonization of ASEAN payment and settlement system.

10. Governors acknowledged the importance of the SLC's establishment of the Steering Committee on Capacity Building Initiatives (SCCB), which is co-chaired by the Asian Development Bank and the SEACEN Research and Training Centre. Demand for and supply of capacity building have been identified by the Working Committees/Taskforce and coordinated by the SCCB to support ASEAN financial integration.

III. Publication of Summary Report: "The Road to ASEAN Financial Integration"

11. Governors endorsed the publication of the report entitled "The Road to ASEAN Financial Integration", which provides a concise assessment of the financial landscape and propose a process towards greater financial integration in ASEAN in support of the goals of the ASEAN Economic Community.

IV. ASEAN+3 Finance Cooperation

12. Governors took note of the progress under the ASEAN+3 finance cooperation process, particularly the enhancement of the Chiang Mai Initiative Multilateralization and the strengthening of the ASEAN+3 Macroeconomic Research Office's institutional and surveillance capacities.
13. Governors also look forward to participating for the first time in the ASEAN+3 Finance Ministers' Meeting in Manila in May this year.



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Welcoming Remarks

By

Deputy Prime Minister Keat Chhon, MP

Minister of Economy and Finance, Kingdom of Cambodia

Chair of the 16th ASEAN Finance Ministers' Meeting

At the

Opening Ceremony of the 16th ASEAN Finance Ministers' Meeting

Phnom Penh, 30th March, 2012

ខ្មែរស្រឡាត់ស្រឡាត់

- *Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia;*
- *Colleagues, Finance Ministers of ASEAN;*
- *Troika of ASEAN Central Bank Governors of Indonesia, Cambodia and Brunei Darussalam;*
- *ASEAN Secretary General;*
- *Representatives of ADB, WB and IMF;*
- *Delegates and Distinguished Guests;*
- *Excellencies, Ladies, and Gentlemen:*

1. On behalf of the ASEAN Finance Minister Colleagues and myself, I would like to extend our warmest welcome and profound gratitude to Samdech Akka Moha Sena Padei Techo **HUN SEN**, Prime Minister of the Kingdom of Cambodia for your presence at the opening of this 16th ASEAN Finance Ministers' Meeting held in Phnom Penh, Kingdom of Cambodia.

2. As part of Cambodia's ASEAN Chairmanship in 2012, the Ministry of Economy and Finance of the Kingdom of Cambodia, is deeply honored and pleasure to host this ASEAN Finance Ministers' Meeting (AFMM) and related meetings. We, ASEAN Finance Ministers, meet today to exchange views on global and regional economic challenges, and to review the progress in our financial cooperation in order to seek necessary actions to maintain growth momentum and secure financial stability in the region. We will also discuss

ways to mobilize additional resources to finance our financial cooperation and integration activities in order to contribute to the realization of the **ASEAN Economic Community** in 2015. Thus, the Meeting this year will cover six major topics: (i) *Regional Economic Development and Outlook*, (ii) *ASEAN Surveillance Process*, (iii) *Roadmap for Financial and Monetary Integration of ASEAN (RIA-Fin)*, (iv) *ASEAN Finance Cooperation*, and (v) *ASEAN+3 Finance Cooperation and (vi) other matters*.

- *Samdech Techo Prime Minister,*
- *Your Excellencies, Ladies, and Gentlemen,*

3. Although the global economy has been facing structural problems and high level of uncertainty, we are pleased to report to you that the economic growth of ASEAN was at 4.3% last year 2011. This positive but moderate economic growth was underpinned by resilient domestic demand, strong macroeconomic fundamentals, sound balance sheets of banks and the corporate sector, and on-going structural reforms since 1997. We are confident that our economic expansion will remain healthy this year 2012, with projected GDP growth of between 5.3% and 5.8%. Therefore, the meeting today will seek to have coordinated policy responses which are crucial to sustain economic growth and recovery, given the downside risks, such as further contraction of external demand, tighter global financing conditions, higher oil prices, and volatile global capital flows.

-Samdech Prime Minister,

4. The ASEAN Finance Ministers have made significant progress in deepening the integration of our markets under the Roadmap for Monetary and Financial Integration of ASEAN, such as in developing the bond markets and liberalizing the financial services and capital accounts. A few examples of such progress includes the ASEAN Bond Market Development Scorecard, the completion of the fifth round of negotiation and the beginning of the sixth round of negotiation for financial service liberalization, the ASEAN Stock Exchange Linkages where stock markets in Thailand, Singapore and Malaysia are linked, etc.

5. In other areas of financial cooperation, we made final preparation for the operationalization of the ASEAN Infrastructure Fund (AIF) and the launching of the initial projects for the Credit Guarantee and Investment Facility (CGIF). We have made progress in finalizing the new measures to enhance the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM). Today, we will also sign the Revised Agreement on Customs. Last but not least, we have made good progress in our anti-money-laundering and counter-terrorism financing efforts.

6. Going forward, in ASEAN, we will continue to take bold measures to deepen ASEAN's financial integration and strengthen cooperation in areas of capital market development, capital account liberalization, financial services liberalization, cooperation on taxation, customs and insurance and promotion of ASEAN Equities as an asset class in line with our **Roadmap for Monetary and Financial Integration of ASEAN**.

7. Under the ASEAN+3 Finance Ministers' framework, we will commit to strengthening our cooperation with the People's Republic of China, Japan and the Republic of Korea. We will particularly review the progress of ABMI and the proposal for a new roadmap through the evaluation of the work progress of the four established taskforces. We will also commit to finalizing the expansion of the Chiang Mai Initiative Multilateralization (CMIM) including the doubling of its funding contribution from US\$120 Billion to US\$240 Billion. Finally, we will explore future cooperation activities within the ASEAN+3 Framework, particularly in the areas of disaster risk management, infrastructure financing and the use of local currencies for trade settlement.

- *Samdech Techo Prime Minister,*
- *Your Excellencies, Ladies, and Gentlemen:*

8. Serving as the Chair of the ASEAN Finance Ministers' Meeting this year, Cambodia is exerting its utmost efforts to make further progress toward realization of the **ASEAN Economic Community** (AEC) by 2015. These efforts will also support Cambodia's development thrust. Our goal is to steer the AFMM process towards achieving the values and objectives we

all share, that is to secure peace, security, stability, prosperity and regional economic integration for the betterment of well-being and living standards of our people.

9. I wish to take this opportunity to thank my ASEAN Colleagues and the ASEAN Secretariat for the cooperation and support that they have extended to Cambodia during our chairmanship of this meeting. I am truly grateful to my colleagues from the government and government officials who have provided support to the today meeting.

10. To guide us in our work on this occasion, we are deeply honored that His Excellency Samdech Akka Moha Sena Padei Techo **HUN SEN**, Prime Minister of the Kingdom of Cambodia has graciously consented to sharing his thoughts and his vision with us at this 16th ASEAN Finance Ministers' Meeting.

11. On behalf of all ASEAN Finance Ministers, all Delegates, all ASEAN guests and myself, may I now invite respectfully Samdech Akka Moha Sena Padei Techo **HUN SEN**, Prime Minister of the Kingdom of Cambodia to deliver the Opening Address.

Thank you!