



Unofficial Translation

Remarks

by

H.E. Chea Chanto, Governor of National Bank of Cambodia,

On the occasion of celebrating the 30th Anniversary of the Re-introduction of the Riel

Chaktomuk Conference Hall, 22 March 2010



- Mr. Jean-Daniel Gardère,
- Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen,

Today, I have the great pleasure and honor that Samdech Akak Moha Sena Padei Decho HUN SEN, Prime Minister of the Kingdom of Cambodia has allowed the National Bank of Cambodia to organize a national seminar on “Money and Sovereignty” for government officials, bankers, economists, historians, professors and students. On behalf of the National Bank of Cambodia, I would like to express our profound gratitude to Samdech Prime Minister for his support in making this seminar possible. I also would like to thank Mr. Jean-Daniel Gardère for agreeing to deliver this presentation.

In the meantime, I would also like to express my profound thanks to Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen, representing the government’s body, banking and financial institutions, high education establishments, bankers, economists, historians, professors and students, for spending your precious time to attend today’s seminar. This seminar follows the 30th Anniversary of the Re-establishment of the National Bank of Cambodia “October 1979–October 2009,” presided over by Samdech Prime Minister on October 8, 2010.

In order to celebrate the 30th Anniversary of Re-introduction of the Riel (March 20, 1980 – March 20, 2010), the National Bank of Cambodia has organized this national seminar on “Money and Sovereignty” for government officials, bankers, economist, historians, professors and students to understand the importance in re-introducing the Riel, and of the roles of financial institutions in contributing to national economic development during the 30 years following the great victory of 7 January 1979 over Pol Pot’s genocidal regime.

Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen,

Taking this opportunity, I would like to say a few words about the importance of history, Cambodia's monetary history and the roles of money and financial institutions in economic development as follows:

1- Importance of history: History is very important for a nation. It tells what has happened in the past and where we are now, and which directions we should go in the future. I am personally very interested in history. I always study and research history, Cambodian history in particular, in order to follow upon the real events in each era. Lessons learned help us to set the right direction both today and in the future.

Through my research, I could say that history is a bank of all kinds of experiences, a recording of happenings in the past. History can teach us lot of aspects in all pictures, and indicate all kinds of experiences of management and leadership and tell us about strengths, weaknesses and gaps to fill up. When we don't know clearly about our own history, it is like we don't know ourselves. If we don't know very well ourselves, the same mistakes could be repeated, and thus we say in English: "History repeats itself."

2- Cambodian Monetary History: Mr. Jean Meyer said, "History is nothing but financial. The rest tags along, at least most of the time." The national currency is crucial for a nation. Apart from its economic value, it represents national sovereignty, culture, civilization, independence, and the extension of the economic power of the state. Furthermore, economists, historians, sociologists, and anthropologists as well as politicians recognize that in a present society, the national currency represents power: the power of decision-making in political economics and the power of arranging social order, and it is an engine development for the social infrastructure. So we can say that the national currency is fluid in national economic development.

Historically, the notion of money first appeared since 700-800 BC but Cambodia started using money relatively late compared to other countries in the region and the world. This is due to the fact that our economy is mainly based on agriculture and the Cambodian people have a culture of sharing or exchanging goods without using money as an intermediary, a barter system in a sense. It wasn't until the early 16th century, in the Sdech Kon "Preah Srey

Chetharaja Metiphadey” era, that Cambodia first issued and put in circulation the Cambodian currency called “Prak Sleung,” used for trading with foreign countries in particular.

In the era of the French protectorate, the General Governor of Indochina decided to issue a common currency for the Indochina countries: Cambodia, Laos and Vietnam. At that time, all decisions on the management of currency in circulation were made by the French government. Even though Cambodia had a currency, we had no sovereignty.

After achieving independence from France in 1953, Cambodia established its own central bank and issued a national currency, the Riel. Unfortunately, on 17 April 1975 the Khmer Rouge regime came to power, killing innocent people, destroying everything, including the monetary and financial system. This regime destroyed and eliminated the national currency, the Riel, which was the personal property of the Cambodian people, within one day.

After liberation on 7 January 1979, the People’s Revolutionary Council, under the leadership of Samdech Akak Moha Thoma Pothisal CHEA Sim, Samdech Akak Moha Ponhea Chakrei HENG Samrin and Samdech Akak Moha Sena Padei Decho HUN SEN, reestablished the National Bank of Cambodia and reintroduced the “Riel” on 20 March 1980 to contribute to the development of the country and to demonstrate our sovereignty in the region and the world.

I still remember that in 1980, the reintroduction of Riel into circulation was strongly acclaimed and supported by Cambodian people. At that time, the Riel played an important and active role in promoting the Cambodian economy by being means of goods exchange, salary payments to civil servants, and a small-scale credit in the restoration and development of national economy, as mentioned in the speech of Samdech Prime Minister on the occasion of the 30th Anniversary of the Re-establishment of National Bank of Cambodia at Chaktomuk conference hall on 8 October 2009.

3-The role of the monetary system and financial institutions in national economic development

The monetary system is an important cornerstone of economy before the developments can do. The monetary system provides one country with a standard of value, an accurate measurement of wealth, and it eliminates the complexity of determining the prices of goods & services, and transactions in a barter economy.

In the developed countries, where financial systems are sound and modern, the banking and financial system is considered the heart of economic development because the banking system plays the core role of financial intermediary in collecting the scarce financial resources to finance businesses and the services of firms in need. Through financial intermediation, investors can mobilize the underutilized savings to expand their investments. The expansion of investment projects will bring out job opportunities, new technology, greater specialization, and competition in the production and innovation of useful products for the people. The stability of the banking and financial system generates confidence in investors and the general public, and reflects the strength of the economy's base and the speed of economic development. The weakness of the financial system has an effect on general public confidence and causes slowdowns in economic development. The recent global financial market crisis is an example.

To contribute to macroeconomic stability and sustainable economic development in line with the Financial Sector Development Strategy 2006-2015 and Rectangular Strategy of the Royal Government of Cambodia, the National Bank of Cambodia, as the national monetary authority, plays a core role in ensuring monetary and financial stability. In this context, the National Bank of Cambodia makes an effort to maintain the stability of Riel's value and its purchasing power in the market, in order to strengthen the public's confidence in the Riel and develop functions of Riel in economy. At the same time, the National Bank of Cambodia always tries to maintain financial stability through regular oversight and supervision of the Cambodian banking system.

As a result, in the last 30 years, we all together have established a prosperous banking system in terms of both scope and scale. Deposits in the banking system and credits to the private sector have increased and non-performing loans (NPL) have decreased at the manageable levels. This shows that the banking system is sound and stable and has efficient financial intermediaries. The public confidence in the banking system has been not only restored but increased. This development took a long time, spent a lot of resources and required the patience and sacrifices of the Cambodian people. These advancements are reflected in the new financial products and modern payment means, such as the use of checks, credit cards, debit cards, payment services using point of sale (POS), mobile money transfers and other services mirroring those of a developed country. Meanwhile, the microfinance sector in Cambodia has solid infrastructure across rural areas and has been considered a key sector in contributing to the poverty reduction of Cambodian people in line with the Royal Government's Rectangle Strategy.

Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen,

According to history, we can say that the development of a nation depends on two factors: 1- wars to extend power, to enlarge the territory and the population to put in place laws and regulations to lead the country. However, this is only done within boundaries and does not extend greatly; 2- commercial wars to enlarge the market; these are very extensive, much more than the extension of territory, and it is called a “expansion of economic power.” The expansion of a country’s economy is more extensive than its borders and strongly influences society, culture and politics in both its region and the whole world.

The expansion of trade activities is more meaningful. It stimulates economic development and enhances the standard of living of the people. The extension of market power via trade makes the world more integrated. In trading, a medium of exchange is needed; it is the “*money*.”

In conclusion, let me say that money is crucial in our everyday life. The re-establishment of a central bank and reintroduction of the Riel into circulation was a part of the building up of the sovereignty and economic power of our country. Money is related to trust; building up trust takes time, but trust is easy to lose. Money is what we make. These are important historical achievements for the country and the Cambodian people following Liberation Day 7 January over the genocidal Pol Pot regime. Thus, each of us must have a common spirit to use Riel; the Riel is ours.

Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen

In order to better understand the evolution of using money in Cambodia from the Funan era up to the present, I would like to invite Excellencies, Lok Chumteav, Neak Oknha, Ladies and Gentlemen to listen to the presentation of Mr. Jean-Daniel Gardère, who is author of book entitled “Money and Sovereignty.” Please welcome, Mr. Jean-Daniel Gardère, and H.E. Sum Sannisith.

Thanks