

TOURISM IS KEY TO CAMBODIA'S IMPROVING ECONOMY

The Kingdom of Cambodia

has a wealth of traditional and cultural festivals dated according to the Cambodian lunar calendar. All of these festivals are influenced by the concepts of Buddhism, Hinduism, and royal cultures.

The festivals, which serve as a source of great joy, merriment and Cambodia's national colours, play a major role in influencing tourists' opinions, behaviours, and options.

Most of these are a time of great rejoicing for the predominantly urban and the rural populace. Nowadays the whole nation unites in understanding its cultural values and traditions.

KHMER NEW YEAR

The Khmer New Year, or 'Bon Chol Chhnam Thmei' in the Khmer language, is commonly celebrated on 13th April each year although sometimes the holiday may fall on the 14th April in keeping with the Cambodian lunar calendar.

This marks the end of the harvest season when farmers enjoy the fruits of their labor and relax before the start of the rainy season.

ROYAL PLOUGHING CEREMONY

The Royal Ploughing Ceremony, or 'Bon Chroat Preah Nongkoal' in the Khmer language, is solemnly celebrated at the beginning of the sowing and planting season.

Every year in May, this cultural ceremony takes place at the park in front of the National Museum (next to the Royal Palace). Cambodia has deep connection with earth and farming.

There is a deep astrological belief that royal oxen known in Khmer as Usapheak Reach, have an instrumental role in determining the fate of the agricultural harvest each year. Traditionally, the King Meak, representing the king of Cambodia, ploughs the field whilst the Queen, the Preah Mehuo, sows seeds from behind. The field is ceremoniously ploughed three times around.

The royal servants then drive the royal oxen to seven golden trays containing rice, corn, sesame seeds, beans, grass, water, and wine to feed.

The royal soothsayers interpret what the oxen have eaten and predict a series of events including epidemics, floods, good harvests, and excessive rainfall.

At this festival, both men and women wear brightly colored Khmer traditional costume.

During the royal ceremony, there was an exhibition of agricultural products, agro - industrial products, forest products and by products, domestic animal products and by products, rubber output, tourism potential, and agro - tourism that will be held in three days, from 21-23 May 2012, in the Meru field, north of the Royal Palace in Phnom Penh.

PCHUM BEN DAY OR ALL SOUL DAY

Pchum Ben Day (Khmer: Ancestors' Day) is a Cambodian Buddhist and Brahmanism Festival, culminating in celebrations on the 15th day of the tenth month in the Khmer Calendar (the lunar month of Pot-bot) where Cambodian pay respect to their ancestors and spirit deceased.

Pchum Ben is considered unique to Cambodia, however, there are merit - transference ceremonies that can be closely compared to it in Sri Lanka (benefitting the ghosts of the dead), and, in its broad outlines, it even resembles the Taiwanese Ghost Festival (i.e., especially in its links to the notion of a calendric opening of the gates of hell, King Yama, and so on).

WATER FESTIVAL

Cambodian Water Festival (Khmer: Bon Om Touk) has been a most important holiday for Cambodians public holiday calendar. There has been a lot of interest by for not only beauty of Phnom Penh city, but also for boat races on the Tonle Sap and Mekong River and the carnival atmosphere ashore attract millions of people from all over the country.

A smaller Water Festival is also held in Siem Reap City, Angkor Wat and some provinces, but for the real thing you'll have to go to Phnom Penh to enjoy.

Bonn Om Teuk lasts three days so that boats from near and far provinces can join the contest. During the festival, Cambodians from across the country gather in Phnom Penh, the capital, to attend and celebrate this festival.

The Water Festival has a long history dating from the Angkor era in the 12th century, under the reign of King Preah Bat Jayvarman VII, when the Khmer Empire occupied and ruled most of the Indochinese Peninsula.

The King battled with enemies to defend the Empire as well as to expand the territory. With a very powerful naval force, the King had defeated his enemies at each battle.

Some people said that the celebration of the Festival is also a thanksgiving to the Mekong River for providing the country with fertile land.

People from all walks of life gather on the bank of the Mekong River for days and nights.

VISIONS of CAMBODIA

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CAMBODIAN ECONOMY: PROJECTIONS FOR 2012

The Cambodian economy, despite the ravages of floods, is expected to register a GDP of between 7 and 8 per cent, based on aggressive garment exports and agricultural growth which is expected to bounce back from the flood damage, construction growth, infrastructure development and increased tourism numbers.

Though it has not been declared, international agencies such as the World Bank, IMF and the ADB may be counting on the possible commencement of oil and gas extraction from the Gulf of Siam at the end of the year and though possible revenue from this may not be reflected in this year's budget, it is expected to contribute significantly towards growth forecasts for 2013 onwards.

The millions in logistics and infrastructure support for this industry should be taken into consideration for 2012 forecasts as expenses/ investments commenced in the last quarter of 2011.

Though official forecasts for 2013 onwards, are said to be in the 6.5 to 7 per cent, privately, Cambodia and the international institutions would be hoping for a constant 8 to 9 percent GDP growth, with oil and gas having a major equation in this projection, taking considerable care to maintain at least five years of GDP growth at 10% or under, given the uncertainty elsewhere in the globe.



CAMBODIA CHALLENGES FOR SEAT ON UN SECURITY COUNCIL: A DREAM COMES TRUE



Photo: Khem Sovannara

Cambodia has put itself forward with great expectations as a candidate for the United Nations Security Council.

It will seek election for a non-permanent seat allocated to the Asia regional group for a two-year period running from January 2013 to December 2014. Cambodia has received pledges of support from most countries members of the Francophone group - Non Aligned Movement - and the African Union, including from the nine other nations in the ASEAN regional group.

The election will be held during the 67th Session of the UN General Assembly this autumn in New York. Cambodia has been full member of the United Nations since 1955 but, has never had the opportunity to serve on the Security Council.

Cambodia's Prime Minister Samdech Techo Hun Sen said: "Cambodia has been transformed from a war-torn nation gratefully receiving assistance from the UN forces to one which now proudly contributes to UN peace-keeping

missions in other troubled nations in Lebanon, Central Africa, Chad, Sudan and South Sudan."

He said Cambodia would use its position on the Security Council to press for significant reforms to the way the UN operates to create a more transparent, coherent and effective organization.

"There needs to be greater democracy within the policy-making process to create a more equal balance and priority should be given to the increase of the representation of the small developing States to contribute toward the international peace and security and, Cambodia is ready to take up his role as a non-permanent member of the Security Council in 2103 to 2014."

Cambodia will be the best choice to portray itself as a new voice not only for its own interest or ASEAN group but also, for African - Francophone - G77 Groups and the Non-Aligned Movement, to ensure the UNSC and UN reforms that it reflects today's reality and an urgent need to further advance reforms of the UNSC to make the Council more representative, accountable, and effective."

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However investments in the Oil and Gas sector could have been taken into account into the projections beyond 2012 as oil giants Chevron-Texaco consortium, CNOOC, CPC and PTT/SPC have all commenced drilling activities off shore, ranging from as near as 40 kilometres off shore to 160 kilometres off shore.

In summary, the drivers for the optimistic forecast are: Buoyant garments exports, increasing tourist arrivals and a gradually-improving real estate sector and increased tax collection from non-traditional tax bases. Agriculture, though strong in the first three quarters—with rice exports through September tripling, is expected to be a star performer and contributor.

Non-agriculture GDP growth in 2011 is forecast to exceed 7½ per cent, the highest rate in four years. Inflationary pressures increased in 2011, driven by higher food and fuel prices and reinforced by strong credit growth at over 32 percent in October.

Headline inflation is expected to average 5.7 per cent in 2011 and remain at 5 per cent in 2012 despite a moderation in global commodity prices.

The IMF mission welcomed the National Bank of Cambodia's focus on safeguarding the health of the banking system and urged continued implementation of the 2010 IMF/World Bank Financial Sector Assessment Program recommendations, including continued strengthening of capacity, a more forward-looking and comprehensive bank supervision, and strict enforcement of prudential regulations. Striking an appropriate balance between competition and stable growth of the banking system will also be important.

"Cambodia is structurally poised to benefit from Asia's economic rebalancing, for example through both push and pull factors in attracting foreign investors," the IMF said.

It added that to ensure such a transition, as evidenced by growing and broad-based foreign investor interests, and to encourage inclusive and equitable growth, the mission commended the government's timely focus on agriculture and rural infrastructure, and emphasized the need for steadfast improvement in governance, delivery of priority social sector services such

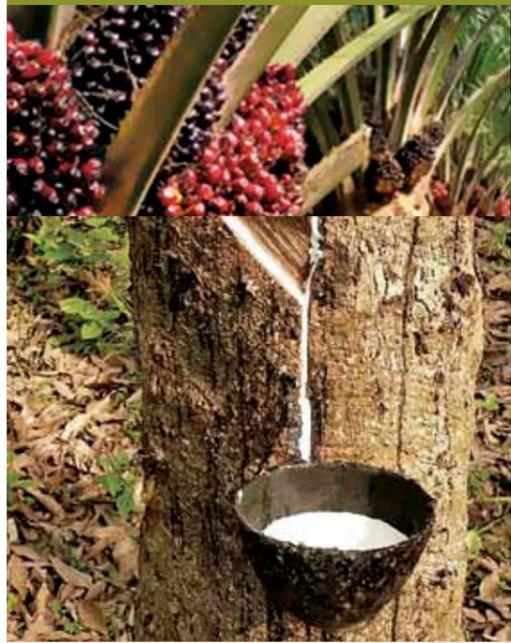
as education and health, and the business environment and infrastructure.

In this context, improving the coverage, quality, and timely dissemination of key economic statistics, a need increasingly voiced by investors, will serve not only to enhance policy credibility and investor confidence, but also to better monitor and manage macroeconomic and financial risks as experienced by many emerging market economies."

In summary, Cambodia entered 2012 with high expectations for strong economic growth, Senate and commune elections, and the chairmanship of ASEAN and possible membership of the UN Security Council.

AGRICULTURE CAMBODIA

2012



The Council for the Development of Cambodia (CDC) recently approved agricultural investment projects worth more than \$230 million, involving rubber, palm oil and sugar production and processing.

China's Yellow Field International Ltd and Great Field International are planning to invest \$74.6 million and \$66.4 million respectively to grow sugar cane and other crops; Vietnam plans two rubber plantations and processing factories; a Malaysian company is investing in a palm oil plantation, while United States - based

Horizon Agriculture Development and Singapore and Malaysia's Mondul Agri Resources plan to invest \$28.8 million and \$30 million respectively to grow rubber trees.

For investors looking to grow and process crops, Cambodia is an ideal location as it has plenty of land available for agricultural concessions. From 1993 to 2009 a total of 126 companies were granted land concessions for growing crops, according to a report from the Ministry of Agriculture, Forestry and Fisheries.

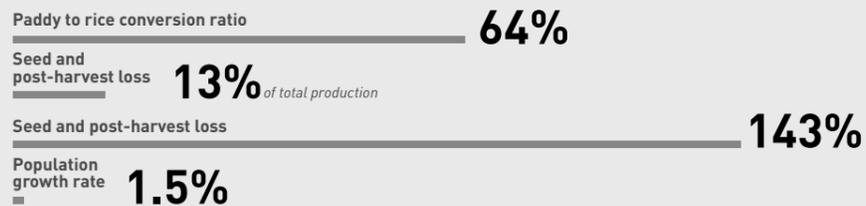
Concessions for the period totalled 1,335,724 hectares in 16 Cambodian provinces. Cambodia is rich in farmland and hopes to attract more investment to the sector.

The country wants to develop its rice exports and therefore welcomes investors, especially those willing to work with small farmers.

In return for investments such as credit and technical assistance, farmers would be contracted to sell their crops to the investor.

PROJECTION OF CAMBODIA PADDY RICE PRODUCTION TO 2015

Post - harvest assumption:



Production assumption:

- Cultivated area for wet season paddy rice:** Total arable land for wet season paddy rice was estimated to be 2.4 hectares in 2009, of which cultivated area (ploughed and planted) and double cropping (twice per year round) represents 93.5% and 14% respectively. We assume that cultivated areas could be maintained around 93% and could reach 95% in 2015. As the cultivated areas are subject to weather conditions and farmers' responses, we assume that double-cropping area could increase gradually from 4.2% to 5% in 2015 thanks to an increase in investment in irrigation system.
- Cultivated area for dry season paddy rice:** The cultivated areas for dry season paddy rice expanded to 385,000 hectares in 2009. With additional investment in irrigation systems,

the land area for dry season rice could be further expanded to 480,000 hectares by 2015. The contraction in cultivated areas in 2010 was attributed to demolition of water reservoirs within the Tonle Sap area.

- Increase in yields:** Historical data of the last ten years shows the yield of wet and dry season paddy rice grew annually at an average of 4.42% and 7.28% respectively.

However, growth rate of both yields is expected to diminish in the future with the assumption of a 3% annual increase for wet season paddy rice yield and reaching its peak at 3 tons per hectare, and a 7.28% annual increase for dry season paddy rice yield and reaching its peak at 5.5 tons per hectare.

RICE & RICE MILLER

Currently the world's 15th biggest rice producer, Cambodia is targeting annual rice exports of 1 million tonnes within five years. The country plans to raise rice production to 9 million tonnes of paddy by 2015, up from the current 7 million tonnes.

To achieve this target, Cambodia needs more foreign investment in order to construct rice mills. At present, most of the Kingdom's rice is sent to Vietnam to be milled and re-exported.

The Royal Government has introduced a number of measures aimed at boosting the country's rice - export capacity. It is urging local banks to provide money for rice related business and has pledged to guarantee 50 per cent of commercial bank lending to producers.

Capital at the Rural Development Bank has been doubled to \$36 million, and licence requirements for exporters are being scrapped.

Other government plans include strategies to build irrigation systems, provide technical services, land reform, financing, marketing, developing farming communities and improving institutions.

According to the Ministry of Commerce, 4,369 tonnes of milled rice was exported from January to June 2009. But in the first half of 2010, the ministry says 107,291 tonnes of milled rice was exported -an increase of 2,356 percent.

The Royal Government of Cambodia (RGC) has made a strong commitment to ensure further implementation of the Rectangular Strategy-Phase II, following successful efforts to lead the Cambodian economy out of the most difficult time of recent global financial crisis and economic downturn.

To this end, the RGC has embarked in earnest on promoting the development of the agriculture sector, with emphasis on a new pace and scale with the aim at further strengthening the foundation for economic growth, accelerating poverty reduction, as well as improving the living standards of the Cambodian people especially base focused on "improve productivities and agricultural decentralization" and "Agri-business" to ensure sustainable natural resource management.

Agricultural policy of Royal Government of Cambodia is to concentrate on agriculture sector improvement to become the first sector that can be additional source of economic growth and be the important part of poverty reduction.



In this vision RGC will raise more source to implement three-pronged strategy — productivity enhancement, diversification and agricultural commercialization (from subsistence to commercial agriculture) — through implementing a package of interrelated measures: infrastructure building and enhancement (roads, irrigations, energy / electricity and information and communication technologies, loan, market, improvement in the provision of extension services and agricultural inputs).

Those will ensure economic growth job opportunity and income generation at rural areas and food security for people and improve agricultural product for export. Production and agricultural product especially paddy rice and milled rice are, however, facing more challenges that should be solved immediately and follow the short term to long term strategies to achieved the vision and strategy of the Royal Government of Cambodia.