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Cambodia's Approach to Regional Integration

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Executive Summary

- ❖ Economic diplomacy is one of the key pillars of Cambodia's foreign policy, which is generally defined and driven by economic pragmatism. The alignment of foreign policy with economic interests is the main characteristic of Cambodia's foreign policy. In this respect, promoting an ASEAN-driven regional architecture is Cambodia's main objective and interest.
- ❖ As a small and open economy, Cambodia regards active regional integration as a catalyst for national development and poverty reduction. The government has taken measures to diversify sources of growth by investing in a knowledge-based economy and strengthening public-private partnerships.
- ❖ Cambodia is proactive in advancing an inclusive, open and rules-based multilateral system, with the ambition to become a bridging state in the Mekong region.
- ❖ Digital economy is a new focus of national development and regional integration. Cambodia has taken steps to harness digital economy and the benefits arising from the Fourth Industrial Revolution.

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Introduction

Economic diplomacy, cultural diplomacy, and peace diplomacy are the three pillars of Cambodia's modern foreign policy. This foreign policy is chiefly shaped and driven by "economic pragmatism", whereby foreign policy is increasingly aligned with economic interests.

There are two main approaches to deepening regional integration. Firstly, transforming the international environment into a source of national development. Secondly, diversifying strategic partnerships based on the calculation of economic interests. International economic cooperation and proactive regional integration are key principles of Cambodia's foreign policy, which emphasises shared development and win-win cooperation. Currently, Cambodia is developing holistic economic diplomacy strategies to diversify its economic partners as well as to strengthen its national resilience.

Proactive Regional Integration

As a small and open economy, Cambodia has been proactively promoting regional integration based on the principle of win-win cooperation. The government has taken measures to diversify sources of growth by investing in a knowledge-based economy and strengthening public-private partnerships, while diversifying its economic partners and export markets. Cambodia is committed to advancing rules-based, inclusive, and open multilateralism. Cambodia also has ambition to be a bridge of trust, mutual understanding, human connectivity, and innovation in the region. To realise this ambition of becoming a "bridging state" in the Mekong region and ASEAN, Cambodia has taken concrete measures, such as the creation of the Asian Cultural Council (ACC), to further connect people, knowledge, and action in the region and to assist Cambodia in riding the tide of the Asian century.

Cognisant of the fact that its development and destiny cannot be detached from that of the region, the Cambodian government has been proactive in promoting regional integration and community building. To realise its ambition of becoming a bridging state in the Mekong region and ASEAN, Cambodia is striving to build its institutional capacity and leadership and to seek support from international development partners in order to realise people-centred regional integration and community building. The Cambodian government, business corporations, and civil society organisations need to work together to incubate innovative ideas, entrepreneurship, and solutions to address emerging issues in Cambodia and the region.

As a less developed country in the region, Cambodia has a strong interest in promoting a more inclusive, fair, and just process of regional integration that will lead to the narrowing of intra-regional development gaps and the realisation of a people-centred regional community. Linking regional integration with national economic policies is critical to sustaining dynamic economic development. Key tasks include improving regulatory harmonisation and harnessing and synergising various regional integration initiatives. In this regard, it is essential to link ASEAN community

blueprints with sub-regional cooperation mechanisms such as the Greater Mekong Subregion (GMS) initiated by the Asian Development Bank, the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) proposed by Thailand, Mekong-Japan Cooperation initiated by Japan, Mekong-ROK Cooperation initiated by South Korea, Mekong-Ganga Cooperation initiated by India, Mekong-Lancang Cooperation initiated by China, and the Lower Mekong Initiative initiated by the United States.

Regional integration is a means to further advance national development interests. In the 2013 Rectangular Strategy Phase III, the Cambodian government set out a vision that, “By the end of the first half of the 21st century, Cambodia is to reclaim full ownership of its own destiny, while becoming a real partner in regional and global affairs.” It further states that Cambodia is now “actively integrating itself into the regional and global architecture, and playing a dynamic role in all regional and global affairs on equal footing and with equal rights as other nations.” The subsequent Rectangular Strategy Phase IV (2018-2023), stresses that:

“The shift of economic center of gravity to Asia, especially East Asia, continues to be the ‘golden opportunity’ for Cambodia to develop and modernize its industries, productions and services along with other regional countries as Cambodia is located at the centre of a region enjoying vibrant economic growth and might become an important part of the production chains in East Asia.”

The government is also optimistic about the continued trend of trade liberalisation and facilitation in the region. The Rectangular Strategy Phase IV states that:

“fierce competition between trade blocs in Asia-Pacific such as Regional Comprehensive Economic Partnership, Trans-Pacific Partnership as well as other cooperation initiatives will result in massive trade liberalization of goods, services, and investment in the region. This trend will give Cambodia, as an ASEAN member, the opportunities to absorb investment and expand its export markets through promotion of its industry and trade linkages, physical and institutional connectivity along with the integration into regional and inter-regional production and supply chains.”

Cambodia is supportive of all regional initiatives that contribute to furthering regional integration and connectivity, strengthening an open and inclusive multilateral system, and promoting rules-based order. Thus, it has been proactively engaged in emerging regional mechanisms such as the Belt and Road Initiative (BRI) and Regional Comprehensive Economic Partnership (RCEP). Cambodia is also exploring the opportunity to be part the Comprehensive and Progressive Trans-Pacific Partnership

(CPTPP). Among these evolving regional initiatives, Cambodia advocates for an ASEAN-driven regional architecture and order as it regards ASEAN as a cornerstone of its foreign policy. At the sub-regional level, Cambodia has been active in linking cooperation mechanisms within the Mekong region and building synergies between minilaterals in the Mekong region and ASEAN.

The Cambodian government stresses several key benefits of regional integration, including regional peace and stability, the development of both hard and soft infrastructure, energy and digital connectivity, free and effective movement of trade and investment, human capital development, the expansion of regional production bases and networks, and stronger regional cooperation and coordination in agricultural development. Strengthening regional cooperation in Mekong rice production and trade facilitation would contribute to significant improvement in farmers' standards of living. Cambodia has also encouraged regional countries to form an association of rice-exporting countries that would help strengthen the global trading position of the Mekong region.

Challenges Need to be Overcome

Although there have been remarkable achievements over the last two decades in forging regional cooperation, integration, and connectivity, there are several challenges and constraints that Cambodia needs to overcome. These challenges include socio-economic inequality within the country and the region, weak institutions and governance, and the lack of national capacity to implement regional projects. In particular, income disparity within regions and localities contributes to political instability, transboundary crimes, illegal labour migration, and human trafficking.

A major challenge is that both the central and local government in Cambodia lack sufficient institutional capacity and resources to effectively implement the country's regional agenda. This includes insufficient budget for infrastructure connectivity projects. It is therefore necessary to forge a closer partnership between the public and private sectors, especially in infrastructure development and connectivity. Decentralisation—delegating more authority to local governments—can facilitate public-private partnerships and stimulate national public administrative reform. Cambodia's Ministry of Economy and Finance drafted a policy paper on public-private partnership for public investment project management for 2016-2020, which aims to “create an enabling environment for promoting the participation of the private sector and financial institutions in public investments.”

Local government has a significant role to play in regional cooperation and integration. Recognising the role of local government in socio-economic development, in 2008 the central government adopted two Organic Laws and established a National Committee for the Democratic Development of Subnational Administrations. These measures aim to decentralise power and create a sub-national governance system. Delegating power and resources to local governments at the commune, district, and provincial levels not only contributes to national development but also connects governments with

neighbouring countries, especially in the border areas. For instance, the Cambodia-Laos-Vietnam Development Triangle was formed in 2002 to link 13 border provinces across the three countries.

Enhancing Competitiveness

To enhance Cambodia's competitiveness and thereby improve the depth and quality of its participation in regional economic integration, Prime Minister Hun Sen stated at the GMS Business Summit in Hanoi in March 2018 that it is necessary to strengthen efforts to deepen regional economic integration and connectivity through prioritised areas of finance, economics, e-commerce, and cross-border trade.

To seize the opportunities arising from the Fourth Industrial Revolution and digital integration in ASEAN, Cambodia has taken steps to further develop digital infrastructure and human capital. According to a speech by Prime Minister Hun Sen at the 2018 Cambodia Outlook Conference in Phnom Penh, these are:

- (1) Developing a skilled workforce by emphasising education in science, technology, engineering, and mathematics (STEM); technical and vocational training; supporting linkages between education and enterprises; and creating a national accreditation system.
- (2) Promoting a research and development network, high-quality physical infrastructure, and a public-private partnership mechanism to support the establishment of research and development, the facilitation of information sharing and technology transfer, and the penetration of foreign markets.
- (3) Further strengthening institutional, policy, and regulatory frameworks by bolstering the implementation of intellectual property law, related regulations, and other regulatory frameworks in order to encourage and support entrepreneurs and scientists to innovate and sell their technology products and services.
- (4) Inspiring public participation in the science and technology sector, promoting public awareness of the importance of STEM, and nurturing the talents of its population.

Speaking at the 2019 Cambodia Outlook Conference, Prime Minister Hun Sen highlighted five priorities that Cambodia is working on to harness digital economy. These are:

- (1) Developing and implementing full and comprehensive digital governance to enhance the efficiency of public service delivery in local areas with accountability and transparency, and enable a digital environment favourable for the private sector and entrepreneurs to innovate.

- (2) Promoting investment in backbone infrastructure such as fibre optics, submarine cables, last mile connections to households and businesses and data centres to make internet fast, affordable, and accessible country-wide.
- (3) Maximising the benefits from Industrial Revolution 4.0 through human resource development, improving the quality of education, promoting STEM and R&D, and skill development and transformation.
- (4) Formulating and implementing relevant policies, legal regulations, and standards. Cybersecurity is an essential element in formulating a long-term strategic framework, including the development of legal frameworks and regulations for creating a safe and trustworthy digital infrastructure.
- (5) Enhancing development of ecology such as promoting start-ups in the digital sector. An annual fund of US\$5 million is to be provided to support entrepreneurs in the digital sector.

Conclusion

Active regional integration is one of the key pillars of Cambodia's foreign policy. Cambodia aims to become a bridging state in the Mekong region and regards ASEAN as a cornerstone of its foreign policy. Cambodia advocates for an inclusive and open multilateral system and an ASEAN-driven regional architecture. The success of Cambodia's proactive regional integration largely depends on the success of internal reforms and capacity building, particularly the capacity to harness digital economy and the Fourth Industrial Revolution.

Institution building based on good governance remains a key challenge for Cambodia's effective implementation of national and regional initiatives. The national capacity of Cambodia to transform and integrate its regional development agenda into a national development action plan remains limited. Insufficient resources to realise regional development projects requires more investment and participation from the private sector. Therefore, public-private partnership development for regional integration is necessary.

The opinions expressed are the author's own and do not reflect the views of the Asian Vision Institute.