

Economic Pragmatism and Regional Economic Integration: The Case of Cambodia

By Chheang Vannarith

Cambodia's foreign policy strategy has been chiefly shaped and driven by "economic pragmatism," meaning the alignment of foreign policy with economic development interests. The Cambodian government's two main approaches to regional economic integration are (1) transforming the international environment into a source of national development and (2) diversifying strategic partnerships based on the calculation of economic interests. International economic cooperation and regional integration are key principles of Cambodia's foreign policy, which emphasizes shared development and win-win cooperation.

Chheang Vannarith, Visiting Fellow, ISEAS-Yusof Ishak Institute, explains that "International economic cooperation and regional integration are key principles of Cambodia's foreign policy."

As a less developed country in the region, Cambodia has a strong interest in promoting and realizing a more inclusive, fair, and just process of regional community-building that narrows the development gap and implements people-centered regional cooperation. Linking regional integration with national economic policies is critical to sustaining dynamic economic development. Key tasks include improving regulatory harmonization and harnessing and synergizing various regional integration initiatives. It is particularly important to link ASEAN community blueprints with sub-regional cooperation mechanisms such as the Greater Mekong Subregion (GMS) program and Mekong-Lancang Mekong Cooperation (MLC).

The Cambodian government perceives regional integration as a means to further advance its national development interests. ASEAN, GMS and MLC are the main gateways for Cambodia to reach out to the region and beyond. The ASEAN Economic Community Blueprint 2025 aims to achieve five goals: (1) an integrated and cohesive economy; (2) a competitive, innovative and dynamic ASEAN; (3) enhanced connectivity and sectoral cooperation; (4) a resilient, people-oriented, and people-centered ASEAN; and (5) a global ASEAN. GMS operates under the principles of non-interference, consultation and consensus, mutual interest and equality, win-win cooperation, shared development, and common destiny. GMS gives emphasis to practical or functional cooperation, aiming at achieving concrete results in poverty reduction. MLC promotes regional connectivity, production capacity, cross-border economic cooperation, trade and investment facilitation, customs and quality inspection, financial cooperation, water resource management, agriculture, forestry, environmental protection, and poverty reduction.

In the Rectangular Strategy Phase III, issued in 2013, a five-year strategic development plan, the Cambodian government set out a vision that states, "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 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 -- especially in the Mekong region in rice production and trade facilitation -- would contribute to improving farmers' standard of living. Creating an association of rice-exporting countries will strengthen the global position of the Mekong countries.

Although there have been remarkable achievements over the last two decades in forging regional cooperation, integration, and connectivity, there are several challenges that Cambodia needs to overcome. Those challenges include socio-economic inequality within the country and the region, weak institutions and governance, and the lack of national capacity in implementing regional projects. Income disparity within the regions and localities contributes to political instability, trans-boundary crimes, illegal labor migration, and human trafficking.

Institution-building based on good governance remains a key challenge to the effective implementation of regional policies. The national capacity of each member country of the GMS in transforming and integrating its regional development agenda into a national development action plan is limited. The lack of resources in realizing regional development projects requires more investment and participation from the private sector.

Local government plays a significant role in regional cooperation and integration. Recognizing the role of local government in socio-economic development, in 2008 the government adopted two Organic Laws and established a National Committee for the Democratic Development of Subnational Administrations. These measures are aimed at decentralizing power and creating 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 neighboring countries, especially in the border areas. For instance, the Cambodia-Laos-Vietnam Development Triangle was formed in 2002 to link 13 border provinces of the three countries.

A major challenge is that both the central government and local governments in Cambodia lack sufficient institutional capacity and resources to effectively implement the country's regional cooperation and integration agenda which includes the budget infrastructure connectivity projects. It is therefore necessary to forge a closer partnership between the public and private sectors, especially in infrastructure development and connectivity.

Decentralization, delegating more authority to local governments, can facilitate public-private partnerships and stimulate national public administrative reform. Cambodia's Ministry of Economy and Finance crafted a policy paper on public-private partnership for public investment project management, 2016-2020, which aims to "create an enabling environment for promoting the participation of the private sector and financial institutions in public investments."

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

To seize the opportunities arising from fourth industrial revolution and digital integration in ASEAN the Cambodian government is focusing on four pillars. 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 emphasizing education in science, technology, engineering, and mathematics (STEM) and technical and vocational training, supporting linkages between education and enterprises, and creating a national accreditation system.

(2) Promoting a research and development network, a 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

As a small and open economy, Cambodia has taken a proactive approach in promoting regional integration based on the principle of win-win cooperation. The government has taken measures to diversify the sources of growth by investing in knowledge-based economy and strengthen public-private partnerships. However, the lack of institutional capacity at both national and local levels remains a key constraint.

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