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Cambodia as ASEAN Chair: Strengthening Economic Diplomacy in the Region

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For the third time in 2022, Cambodia is the ASEAN chair. In terms of current world events, it also denotes a crucial year for Cambodia, as it has to deal with numerous global and regional problems, including the COVID-19 pandemic, the political problem in Myanmar, the Russia-Ukraine conflict, and the escalating tension in the Taiwan Strait following Pelosi's visit and China's response with a massive military drill. The international supply chain, trade, foreign direct investment, commodities market, manufacturing industry, tourism, and other sectors have all been affected by these problems, causing a significant detrimental effect on the prosperity of global and regional economies.

In this regard, Cambodia's main priority during its ASEAN chairmanship is economic diplomacy as a way to boost regional and local prosperity in the face of the looming global economic crisis and uncertainty of the international political system. As stated by Cambodian Prime Minister Hun Sen at the Annual Conference of the Cambodian Ministry of Foreign Affairs and International Cooperation (MFAIC) on 7th March 2019, the priority of Cambodia's foreign policy is to ensure the national economic development, diversify sources of economic growth, and increase trading partners. Therefore, this essay aims to offer fresh perspectives on what Cambodia has done and will be doing to enhance its economic diplomacy during its 2022 ASEAN chairmanship.

According to the MFAIC's [Economic Diplomacy Strategy](#) (EDS) 2021–2023, economic diplomacy is the use of diplomatic skills and the integration of economic considerations into foreign policy to advance and maximise the national economic interest through collaboration with domestic and foreign actors as well as other nations.

Economic diplomacy is considered a method to help Cambodia turn a [new page and](#) develop its business and economic sectors. The nation's priorities are improving Cambodia's standing and expanding wider commercial agreements and collaborations with other countries. Cambodia completed negotiations and signed the Cambodia-Republic of Korea Free Trade Agreement (CKFTA). It signed the Regional Comprehensive Economic Partnership (RCEP) on 15th November 2020 and the Cambodia-China Free Trade Agreement (CCFTA) on 12th October 2020. The RCEP and CCFTA went into effect on 1st January 2022. As a result, 90% of Cambodia's exports to China are zero tariffs, and 95.6% of Cambodia's exports to South Korea will receive the same treatment under the CKFTA. According to [a report from the Cambodian Ministry of Commerce](#), in the first half of 2022, Cambodia's overall export to other RCEP members increased by 10%, from US\$2.99 billion in the previous year to US\$3.28 billion. The free trade agreements have helped increase Cambodia's ability to export goods,

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particularly those related to agriculture, such as rice, bananas, mangoes, cassava, cashew nuts, rubber and corn.

As indicated by Deputy Prime Minister and Minister of [Foreign Affairs and International Cooperation Prak Sokhonn](#), Cambodia also prioritised national economic development to ensure that diplomacy is in line with the targets and requirements of national development. This is done in addition to the policy of enacting internal reforms and fostering external friendship to strengthen national independence and sovereignty. By 2030 and 2050, Cambodia aims to achieve higher middle-income and high-income status. Rapid changes taking place locally and internationally require Cambodia to embrace a new kind of diplomacy to replace traditional diplomacy to promote foreign direct investment (FDI), increase exports and trade, promote tourism, elevate the value of culture, and seize opportunities presented by the Industrial Revolution 4.0.

The Economic Diplomacy Strategy (EDS) 2021–2023, the Rectangular Strategy Phase IV, the National Strategic Development Plan 2019–2023, the Industrial Development Policy 2015–2025, Cambodia’s Trade Integration Strategy 2019–2023, and other related tourism development plans are a few recently adopted national policies to enhance Cambodia’s economic development and accommodate the growing integration of digitalisation into the economic sector in ASEAN.

To spur post-pandemic recovery and resilience, Cambodia has also unveiled [the Cambodia Digital Economy and Society Policy Framework 2021–2035](#), which aims to reduce poverty and social inequality while simultaneously fostering economic productivity, domestic and international investment, and competitiveness. With the goal of “creating a dynamic digital economy and society to accelerate new economic growth and promote social well-being based on the route of new normal”, this framework was developed to achieve the goal by 2035.

As the ASEAN chair, Cambodia can drive the agenda that ties together ASEAN and dialogue partners to wrap up ongoing negotiations, evaluate current mechanisms, and start new mechanisms. Examples include the RCEP, the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) upgrade talks, and the ASEAN-UK initiatives.

The RCEP as a [mega-regional free trade agreement](#) will benefit Cambodia with zero tariffs in trade in goods exceeding 92 per cent and in the service sector to at least 65 per cent. The 20 chapters of this agreement give Cambodia greater options for trade, business exports, international investment, technical cooperation with highly industrialised nations, labour demand, and improved manufacturing productivity, capacity, and quality. In this regard, the implementation of the RCEP agreement has been accelerated, denoting the action of advancing Cambodia’s 2022 Priority Economic Deliverables ([PEDs](#)), which will help advance Cambodia’s economic development and diplomacy.

Additionally, Cambodia can facilitate the progress of the AANZFTA Upgrade negotiation’s continuing assessment. Due to the evolving trade environment brought about [by the COVID-19](#) pandemic, the AANZFTA discussion has been revised to address the drawbacks of developing a regionally resilient economy amid the pandemic. As the ASEAN Chair, Cambodia can support these processes by convening meetings to fulfil the goal. To attain Cambodia’s 2022 PEDs, it is the country’s responsibility to find solutions to the intersecting concerns of trade, sustainable development, and MSMEs. In this regard, Cambodia may need to strengthen its economic diplomacy to enhance trade regulations, foreign direct investment, market access, trade volumes, customs procedures, competition, and sustainable development.

Cambodia can also have an impact by proposing new ways to make the ASEAN-UK more useful. For instance, during the first ASEAN-UK Post Ministerial Conference (PMC) on 4th August 2022 in Phnom Penh, Cambodia supported the adoption of the [ASEAN-UK Plan of Action \(POA\) 2022–2026](#). It supported boosting the implementation of the ASEAN-UK Joint Ministerial Declaration on Future Economic Cooperation. The plan of action directs future ASEAN-UK collaboration on priority areas such as politics, economy, security, and other challenges for five years.

Besides, Cambodia can bring up issues related to the ASEAN-UK Joint Ministerial Declaration on Future Economic Cooperation, such as sustainability, infrastructure, digital transformation, and long-term structural reforms, in line with the priorities of the UK and ASEAN. Cambodia can collaborate closely with the UK and ASEAN through this platform to advance its economic diplomacy and engagement and strengthen the relationships.

Furthermore, Cambodia can strengthen its economic diplomacy by adding more specific and efficient measures to the ASEAN Comprehensive Recovery Framework (ACRF). On 12th November 2020, the 37th ASEAN Summit accepted the ACRF as a pandemic escape strategy. By focusing on the most vulnerable individuals and identifying comprehensive solutions that align with regional priorities, the ACRF aims to respond during various stages of recovery and acts as a reference supporting regional recovery efforts. Therefore, Cambodia should push for a greater implementation, since it will enhance the country's access to economic activities and broaden its economic diplomacy with regional partners.

All of the aforementioned arguments demonstrated how Cambodia's ASEAN chairmanship provides an additional opportunity for the country to improve its effectiveness, capacities, and development of its economic diplomacy for both domestic and international development. In conclusion, Cambodia's role as ASEAN chair should not be taken for granted. Rather, it helps accelerate Cambodia's efforts in advancing its economic diplomacy.

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