



## Op-Ed Series

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# Advancing Cambodia's Economic Diplomacy and Development: Challenges and the Way Forward

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From an international political point of view, the concept of power is more concentrated on political and military rather than economic dimensions. After the fall of the Berlin Wall in 1989, which marked a major turning point as regards the focus on economic development and the reinforcement of globalization, states have expanded new attention to the economic spheres. Such attention shifts can be understood through the incremental change in observable patterned behavior of states.

From a realist perspective, the concept of power is still relevant today as survival remains a key concern for all states in the anarchic system of international relations. Throughout the entire history, it is a common knowledge that states exercise power and try to use any means to prevent external threats and harm imposed by stronger states. In the era of globalization, state's primary concerns have been expanded to economic interests generally associated with the promotion of trade and investment through diplomatic means including economic diplomacy. In fact, economic interests have increasingly become key to good relations between states.

To understand what economic diplomacy means and entails as a form of [modern diplomacy](#), it is essential to draw a clear distinction between economic and traditional diplomacy. Economic diplomacy [differs from](#) the traditional type of diplomacy in a few distinctive ways. First, traditional diplomacy focuses on bringing about security and stability, while economic diplomacy places an emphasis on economic growth. Second, traditional diplomacy often involves only the participation of [states](#), while economic diplomacy involves both [states and non-state actors](#) in the pursuit of foreign policy agendas. Third, in traditional diplomacy, the emphasis of the strategic calculation of foreign policy objectives is almost always on the political and

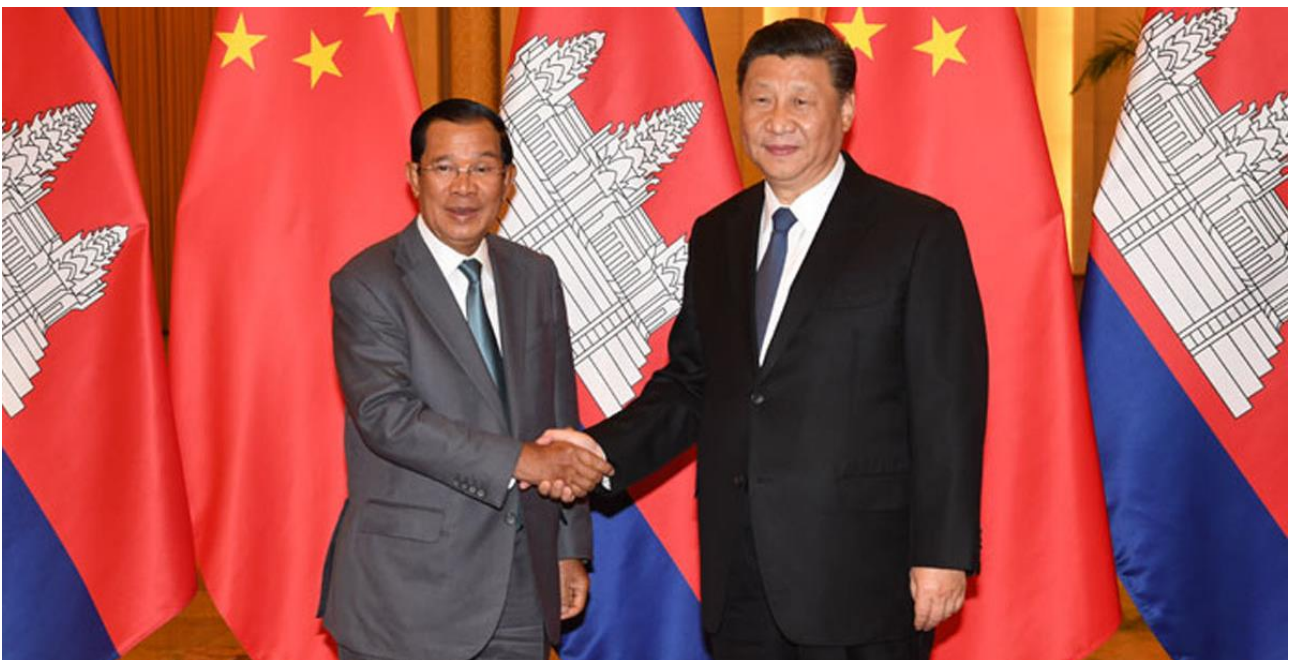
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security considerations and less on the economic gains. The reason that states put political and security concerns before economic benefits is that when the political and security ties are disrupted, states tend to have no chance to advance economic and trade relations due to erosion of trust. Economic diplomacy, by contrast, is grounded and geared towards [economic motives](#) and interests such as market expansion, investment, and trade facilitation, all of which foster the promotion of political and economic values as well as relations between states. Therefore, in economic diplomacy, the main focus is on economic growth. Put another way, economic diplomacy entails the participation of states and non-state actors in the pursuit of economic interests that are central to foreign policy goals of states.

The above discussion suggests that economic interests are the core component of economic diplomacy, although the level of such interests may vary from one state to another. One of the core [national interests](#) of Cambodia's foreign policy is economic development. To achieve its goals of becoming an upper-middle-income country by 2030 and a high-income country by 2050, Cambodia has to be smart at converting the external environment into a [source](#) of national development. At present, Cambodia has been working hard to secure free trade agreements with its key partners, and recently the country has [finalized](#) its trade deal with China, allowing it to export more than 300 of its products to China tariff-free.



Prime Minister Hun Sen and President Xi Jinping. Source: <https://www.khmertimeskh.com/50741427/xi-says-joint-covid-19-fight-shows-china-cambodia-community-with-shared-future-unbreakable/>

Some analysts have [argued](#) that Cambodia's economic diplomacy must emphasize "the promotion of Cambodia as the destination for foreign investors and tourists and the expansion of international markets for Cambodian products and services". Others have [proposed](#) that Cambodia's ideal scenario for economic diplomacy would occur at two levels. At the *subnational level*, non-state actors, such as private institutions, multinational corporations and non-governmental organizations, must play a more significant role in achieving the objectives of Cambodia's future economic diplomacy through domestic technological development and digital transformation. At the international level, the Cambodian government needs to diversify trade and investment strategies and promote transparency reforms to increase Cambodia's trade and investment activities in the next few decades.

Examining these scenarios critically, the prospects of Cambodia's economic diplomacy hinge on three key [issues](#) which need greater efforts, investment, policy attention from the Cambodian government. First, Cambodia needs to further promote and diversify trade and investment activities by transforming the country into ideal destinations for foreign investors and tourists. Second, Cambodia urgently needs to encourage a greater shared responsibility of non-state actors, particularly private businesses and NGOs, to foster and enhance domestic technological development and digital transformation. Third, Cambodia needs to continue to work on the expansion of international markets for its products and services. To take advantage of these three prospects, it is essential to address some critical challenges facing Cambodia's current economic challenges.

For the promotion and diversification of trade and investment efforts, Cambodia has to address at least three major challenges. First and foremost, Cambodia needs to focus on redressing the lack of reliable and sophisticated physical and digital infrastructures to improve the cost-effectiveness in conducting businesses. Second, as Cambodia's economy has so far relied heavily on low value-added activities, such as rice agriculture and garment and footwear manufacturing, the Kingdom must work on transforming itself from low a value-added to high value-added economy which may focus on agro-processing and food production, as well as manufacturing and assembling of electronic components. The country's share of information communication and technology (ICT) in industrial and service activities needs to be further improved to achieve the goal of becoming an upper-middle-income country by 2030. Third, as it lags behind others in terms of competitive advantage due to the lack of highly skilled and knowledge-based labors to attract multinational corporations both in the service and industrial sectors, Cambodia has to further engage in its education reform and aggressively promote research to foster innovation and knowledge production.

As to the promotion of non-state actors' participation in enhancing technological development and digital transformation, Cambodia is faced with the lack of human capital in STEM fields. For the expansion of international markets, Cambodia appears to be faced with the lack of an adequate institutional mechanism to absorb maximum benefits from bilateral and multilateral trade agreements. All these challenges have to be seriously taken into account and addressed if Cambodia wishes to stay relevant and competitive in the digital world.

To tackle the physical and digital infrastructure limitations, the Cambodian government should relocate funds to support private investment, particularly in areas of physical and digital infrastructures as well as foster effective coordination and evaluation policy frameworks to monitor and evaluate the progress of policy implementation.

Likewise, to increase its competitiveness, Cambodia needs to expand its public investment in and support for the ongoing privatization of education alongside the poverty eradication efforts to address the shortage of skilled and knowledge-based laborers. Although the privatization of education has flourished in the last two decades, more work needs to be done to ensure increased and equitable access to education, especially higher education. Moreover, the quality aspect of education needs to be prioritized, so do the quantity and quality of research and publication. The Ministry of Labor and Vocational Training has played important roles and should continue to support the Education Ministry to address the challenge of the lack of skilled labor force by continuing to focus on and increase funding support for the Technical and Vocational Education and Training (TVET) nationwide.

To enhance the role of non-state actors in strengthening technological development and digital transformation as well as promoting value-added activities, the government should increase more robust support and promote tech start-ups in the form of small and medium-sized enterprises (SMEs) and invest in research and development (R&D) to develop human capital capable of advancing technological development and digital transformation. So far, developments in these areas have been largely driven by international organizations

and foreign partners such as Japan and the US. Hence, more concerted efforts, particularly from the government, should be made to facilitate and promote the healthy development of SME businesses and new start-ups. One way the government can do is to establish an inter-ministerial center under the Ministry of Posts and Telecommunications in collaboration with the Ministry of Industry, Science, Technology and Innovation. Part of the center's central roles is to work on the promotion of start-ups and R&D. The center can design, propose, and coordinate various activities and policies that aim to promote high tech foreign investments to allow for increased technological transfers and linkages. In this dimension, the government has to consider Cambodia's competitive advantage and focus on its industrial strengths, potentially the manufacturing and assembling of electronic products.

Meanwhile, to expand the markets for the export of products and services, Cambodia needs to strengthen its capacity to tackle possible issues that may arise from multilateralism and globalization. Domestically, Cambodia has to be well-prepared to address [issues](#) such as "electronic authentication, consumer protection, intellectual property, the cross-border electronic transfer of information, data localization and cybersecurity" to expand its participation within the bilateral and multilateral frameworks and uphold a rules-based international order - a system small states like Cambodia needs to voice their concerns and exercise their agency. Internationally, Cambodia has to continue doing what it has tried to do to expand and diversify its export markets. The country should also work on enhancing its [international image](#) to attract more foreign investment. It also needs to pursue a more inclusive and omnidirectional foreign policy to ensure that all foreign partners, especially the European Union and the US - Cambodia's main export markets - are more comfortable with Cambodia and how the country engages other powers.

In short, economic diplomacy is perhaps undeniably the way forward for a developing country like Cambodia. As the Kingdom seeks to become an upper-middle-income and a high-income country in the next few decades, Cambodia needs to promote and diversify its investment activities, constructively engage non-state actors and other relevant stakeholders as well as continue to promote the diversification of its local and international markets. Thus far, a lot of [progress](#) has been made; however, Cambodia has to continue to work hard to keep the positive momentum going, engage in deep structural reforms, enhance other forms of its modern diplomacy, and continue to uphold the multilateral system and rules-based international order.

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