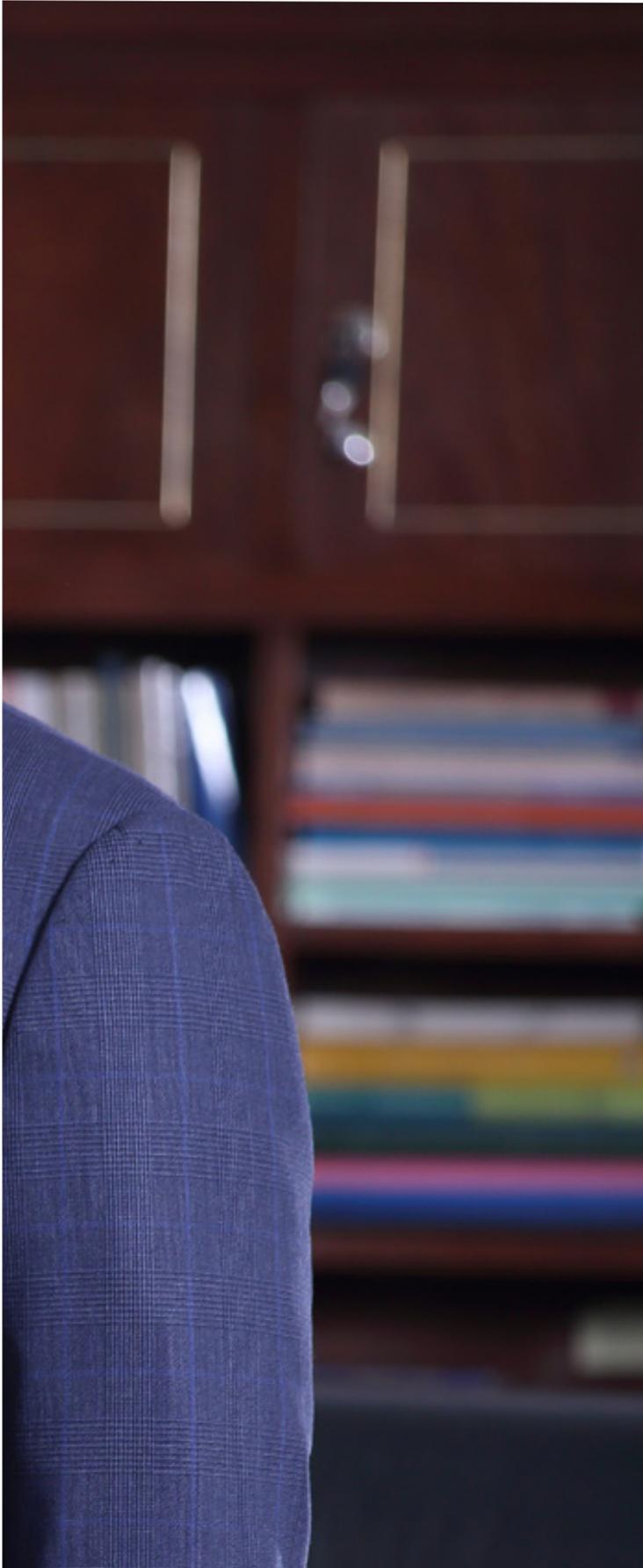




CAMBODIA: ASIA'S NEW TIGER

Photographs by Jérémie Montessuis



Cambodia is positioning itself as a key player in the production and movement of goods around ASEAN, as well as a regional hub for big business and entrepreneurs. Dr. Aun Pornmoniroth, the Senior Minister for Economy and Finance and Chair of the Supreme National Economic Council, gives Management Insider his insights on how the country has gotten to where it is and how it plans to forge ahead.

Why is the World Economic Forum (WEF) important for Cambodia?

Cambodia's priority is to diversify the economy by widening the manufacturing base and integrating our products and services into global (and regional) value chains. In this regard, WEF is a platform for Cambodia to showcase investment opportunities as well as potential growth sectors such as energy, electrical appliance and electronics assembly, food and beverage, agro and agriculture processing, drug and medical equipment production, and furniture manufacturing.

“In 2016, the Asian Development Bank described Cambodia as "Asia's New Tiger"”

The government has given the highest priority to creating a conducive business environment through maintaining macroeconomic stability and prudent financial policies, upgrading the education and technical skills of the labour force, enhancing infrastructure and connectivity, and ensuring a stable and investor-friendly regulatory framework. We want to showcase that.

What role can a small country like Cambodia play in the WEF?

Being a small country and a latecomer to development, Cambodia is less burdened or constrained and can act as an agent for change to broker new development ideas and paradigm shifts in the transformation of the ASEAN region. Cambodia has successfully integrated into the region and the world at large, and now plays an active role in the affairs of various sub-regional, regional, inter-regional and international organisations.

With a steady economic growth rate of more than 7.7% per annum over the past two decades, Cambodia is

in 2008-09. On the positive side, Cambodia's economy was one the first in the region to recover. In 2016, Cambodia's economy expanded by 7%. About \$10.18 billion was generated by exports, or 46% of GDP; Foreign Direct Investment stock totalled \$17 billion and tourism generated \$3 billion.

Moreover, Cambodia is a dollarised and export-oriented economy. Thus, changes in the monetary and fiscal policies of the US and EU would have direct and indirect impacts on our economy, particularly given that a major share of manufacturing exports are shipped to developed countries in Europe and North America.

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ranked as one of the world's eight “Olympians of Growth” and was ranked as a lower middle-income country by the World Bank in 2015. In 2016, it was described by the Asian Development Bank as “Asia's New Tiger.”

Is the future of Cambodia driven by the ASEAN community or more specifically by the Mekong Subregion?

The future of Cambodia is driven by both the ASEAN community and the Greater Mekong Subregion (GMS). The two complement each other, working in a mutually reinforcing manner, and share similar visions, though with different approaches toward achieving them. The vision of the ASEAN Economic Community has completely transformed the whole Southeast Asia region, consolidating two previously separate blocs. ASEAN has positively responded to both regional and international challenges, particularly ensuring peace, security, safety and stability for the peoples of ASEAN and the world at large. Meanwhile, the GMS, which mainly focuses on transport connectivity and economic corridor linkages, plays its own crucial role in economic development

Will the global economic slowdown impact Cambodia?

Cambodia's economic growth is tied closely to wider economic changes, as seen in the global financial crisis

On the other side, tourism and FDI inflows originate largely from Asian countries, and our economy has strong economic links to China's through official development assistance, FDI flows and tourist arrivals. A sudden and sharp slowdown in China's economy could constrict resource flows to Cambodia through these channels.

What is the long-term vision for the development of Cambodia?

Cambodia's long-term vision is to achieve upper middle-income country status by 2030 and to become a high-income country by 2050. Every Cambodian wishes to have three things in life: empowerment, wealth and social status.

What are the strategic goals that Cambodia needs to reach in order to comply with its vision?

First, Cambodia has to maintain peace and stability. Second, Cambodia has to constantly improve economic institutions that provide policy space and promote a business climate to attract Foreign Direct Investment and locally-grown SMEs. Third, Cambodia has to upgrade skills and knowledge for her labour forces, or risk being trapped within low-skill industries. Finally, Cambodia has to invest more in infrastructure to generate trade and allow the expansion of industry.



What are the strengths of Cambodia in the economy of tomorrow?

There are many. Firstly, Cambodia now has young population that is hard-working, more knowledgeable than ever, and keen to learn more. They are willing to work with and learn from foreign companies and then pass their knowledge on to peers. Secondly, Cambodia has pursued economic development through free market and openness. Regulations are in place but are simple and easily navigable. The trade market is open in Cambodia and government intervention has been minimal. Cambodia also has very few public companies, limited mostly to public utilities. We are open to entrepreneurs from around the world. We have benefited greatly from these policies and remain committed to them.

What are the weaknesses or challenges that the country will have to overcome?

One of the weakness is the expectation mismatch. Expectations of Cambodian people are generally higher than what we can deliver, to workers, the business community and to foreign investors. Because Cambodia is on an ascending path of development, people set a higher standard or expectation that is challenging to deliver. Managing these expectations and providing incentives for private investment is a difficult task, but one that we intend to master.

Institutional coordination is another challenge we face in terms of implementing policies, channelling resources and translating them into implementation. Cambodia needs to have good conductors or playmakers who can bring together all the players to achieve the overall objectives for the economy. It may take a lot of time to improve the coordination among government institutions, business community and people, so that we can mobilise resources to achieve common objectives.

Finally, improving the capacity of public administration is another area that requires our attention.

What are the most urgent changes that should be made in the short-term in order to put the Cambodian economy on a secured path?

Cambodia must continue its deeper reform agendas. The public financial management system reform programme needs to be pushed forward, the civil services reform need to be moved to the next level, and more efforts need to be spent on deconcentration and decentralisation. The interconnected nature of these

three key reforms would set a stage for strong public governance and administration in the future.

On a more practical level, as highlighted in Cambodia's Industrial Development Policy, we need to bring down the price of electricity, develop a clear roadmap for logistics networks, create harmony in the labour market, continue to develop skills training, and lay out a master plan for Preah Sihanouk Province as an industrial development hub. This plan remains relevant and we are in the process of achieving it. Cambodia is also working hard on an expressway from Phnom Penh to Preah Sihanouk Province, which would vastly open up the development of this economic corridor.

The global economic climate hits Cambodia's economy hardest in three key areas: exports, foreign direct investment, and tourism

In the shortest term, we are always working to increase coordination between relevant ministries and agencies. We are consolidating the role and strengthening the capacity of the Council for Development of Cambodia so that it can work more efficiently to facilitate private investment. At the same time, the Ministry of Labour and Vocational Training and the Ministry of Education are working to streamline curricula and skills training to match the job market.

How do you see Cambodia in 20 years?

Cambodia must closely watch several megatrends, especially the fourth industrial revolution, which is coming. This will help prepare Cambodia to take advantage and harness new opportunities through proactively engaging in these trends.

Based on Cambodia's progress to date, we could see Cambodia's economy transition away from basic agriculture, and become more about capital and technology. The service industries will continue to evolve, with deepening skill sets integrating Cambodia into regional and global value chains. The economy will move beyond the garment sector, which it has relied on for so long, into more diversified manufacturing areas of consumer goods. Moreover, within this timeframe, the early stages of technology penetration are expected to take hold, bringing the economy to the verge of being knowledge-based. Our economy is also expected to become more localised, with strong SMEs and a vibrant business community. 