



ROYAL UNIVERSITY OF PHNOM PENH

SOUTHEAST ASIA AND BEYOND: ANALYSIS & POLICY PATHWAYS



IISPP
INSTITUTE FOR INTERNATIONAL
STUDIES AND PUBLIC POLICY

CENTER FOR SOUTHEAST ASIAN STUDIES

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Foreword

In an era of profound global interconnections, the significance of understanding Southeast Asia's complexities cannot be overstated. This edited volume, a collaborative effort by the CSEAS Young Scholars, presents a collection of insightful essays that delve into the multifaceted socio-economic, domestic, and foreign relations of Southeast Asian nations and their broader implications.

The contributors, emerging scholars from diverse academic backgrounds, bring fresh perspectives and rigorous analyses to the forefront. Their work not only highlights the unique challenges faced by Southeast Asian countries but also illuminates the opportunities that arise from their dynamic interactions with the global community. Each essay is a testament to the region's vibrant tapestry of cultures, economies, and political landscapes.

As we navigate the complexities of contemporary issues—ranging from economic development and environmental sustainability to geopolitical tensions and cultural exchanges—this volume stands as a vital resource for academics, policymakers, and anyone interested in Southeast Asia's intricacies. It encourages a deeper understanding of how these nations are not mere players on the world stage but active shapers of their own destinies.

We invite you to engage with these essays, reflect on their findings, and appreciate the collective effort of the CSEAS Young Scholars. Their dedication to exploring and elucidating the nuances of Southeast Asia is commendable and promises to inspire further discourse in the field.

In closing, may this volume serve not only as an academic contribution but also as a bridge connecting scholars and practitioners, fostering dialogue and collaboration across borders.

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Navigating Tensions: Vietnam and China in the South China Sea

BON Sonavin, SOEUN Sokchanvicheka and SREY Ratanakmonyneath

Introduction

The South China Sea is a maritime region located between the Indian Ocean and the Pacific Ocean. It is rich in natural resources and crucial for global trade. China's interest, assertive claims, and aggressive actions in the South China Sea are a major concern for Vietnam as a claimant state. Historically, the South China Sea was important for trade and cultural exchange. It connected the relations between China and Vietnam, including cooperation and territorial disputes. This analysis explores the strategic importance of the maritime region, China's strategies to assert its aims, and Vietnam's strategies in response to China's actions. The role of international communities such as UNCLOS, the United States, and ASEAN will be discussed in the ongoing maritime territorial disputes. Vietnam's challenges in navigating its relations with China and facing geopolitical tension in today's complex world will be studied through this exploration.

The South China Sea in History

The South China Sea has been an important maritime trade route for countries in the Asia-Pacific region, allowing states to expand economy, trade, and cultural exchanges. The historical significance of the South China Sea as a vital maritime passageway used by Southeast Asian, Chinese, and Indian civilizations has laid the groundwork for modern-day territorial disputes. Understanding these historical underpinnings is crucial to comprehending the current tensions between Vietnam and China over sovereignty claims. Indigenous Asians, Africans, and Arabs laid no claim to the features of the South China Sea but rather referred to it as a means of communication. Early traders and explorers used this route to exchange goods such as silk, spices, and ceramics. The European's presence started when the Portuguese took over Malacca in 1511. The Spanish, Dutch, British, and French came later.¹ Over 2,000 years have passed since China first began to engage in South China Sea activities. Chinese seafarers first

¹Benjamin J. Sacks, "The Political Geography of the South China Sea Disputes: A RAND Research Primer," RAND, October 19, 2022, <https://www.rand.org/pubs/perspectives/PEA2021-1.html>.

identified what they called Nanhai Zhudao (the South China Sea islands) when they sailed the South China Sea in the second century B.C. Chinese and foreign historical materials and archaeological digs documented the existence of ancient Chinese crops, houses, wells, temples, and inscriptions left by Chinese fishermen. The South China Sea islands were exclusively home to Chinese people for a significant period, as evidenced by numerous foreign documents.² One of the most significant events during World War II was Japan's occupation of the South China Sea. However, after World War II, Japan signed the 1951 Treaty of San Francisco and ended its sovereignty in the South China Sea.³ In 1947, under the rule of the nationalist Kuomintang party, China established its territorial claims in the South China Sea with eleven-dash lines. Nonetheless, in 1953, the Chinese Communist Party (CCP) government eliminated the portion of the Gulf of Tonkin, reducing the claim based only on the "nine-dash line".⁴

Illustration 1: Map of South Chian Sea



Source:

https://www.researchgate.net/publication/334331326_Status_Trends_and_the_Future_of_Fisheries_in_the_East_and_South_China_Seas/figures?lo=1&utm_source=google&utm_medium=organic

²Cong Peiwu, "The History and Reality of the South China Sea Issue_Embassy of the People's Republic of China in Canada," September 13, 2020, http://ca.china-embassy.gov.cn/eng/sgxw/202009/t20200913_4615002.htm.

³Oleksandra Mamchii, "Strategic Importance of the South China Sea," *Best Diplomats / Diplomatic Conferences / New York* (blog), March 28, 2024, <https://bestdiplomats.org/why-is-the-south-china-sea-important/>.

⁴"China's Maritime Disputes", Council on Foreign Relations, (n.d.), accessed July 30, 2024

China-Vietnam Relations

Both collaboration and confrontation characterize Vietnam and China's complex relationships. The most difficult foreign policy issue for Vietnamese policymakers has been balancing their country's political independence and sovereignty while continuing to have positive, stable, and cooperative relations with their strong neighbor, China. Over a thousand years, Vietnam and China had shared peaceful relations with a few little conflicts; however, the rise of China hindered Vietnam's security and diplomacy challenges. Vietnam pursues a policy of collaboration and struggle in its dealings with China while maintaining a friendly relationship.⁵ Vietnam and China appear to have much in common, including promoting economic cooperation and exchanging reform experiences while upholding the Communist Party's monopoly on power. On the other hand, territorial disputes in the South China Sea have become the most challenging issue for both parties, as China and Vietnam have overlapping claims to maritime areas, including the Paracel and Spratly Islands. The issue appears to be unresolvable.⁶ Moreover, Beijing and Hanoi have opposing interests in other areas, such as China's plans to build hydropower dams on the upper Mekong River and their competition for preferential ties in Laos, particularly Cambodia.

The South China Sea as a Strategic Area

Geopolitical Importance

The South China Sea is one of many Mediterranean seas. Located in the Western Pacific Ocean, the South China Sea is a semi-enclosed sea covering over 3.5 million square kilometers. Over 500 million people in China, Taiwan, and ASEAN states- the Philippines, Malaysia, Brunei, Indonesia, Singapore, Cambodia, Thailand, and Vietnam- live within 100 miles of its coastline.⁷ The South China Sea lies to the south of China, the west of the Philippines, the east of Vietnam, and the north of Malaysia, Brunei, Singapore, and Indonesia. With almost 250

⁵Tran Truong Thuy, "Chapter 8: Vietnam's Relations With China and the US and the Role of ASEAN," National Institute for Defense Studies, n.d., https://www.nids.mod.go.jp/english/publication/joint_research/series14/pdf/chapter08.pdf.

⁶ Crisis Group, "Vietnam Tacks Between Cooperation and Struggle in the South China Sea", December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>.

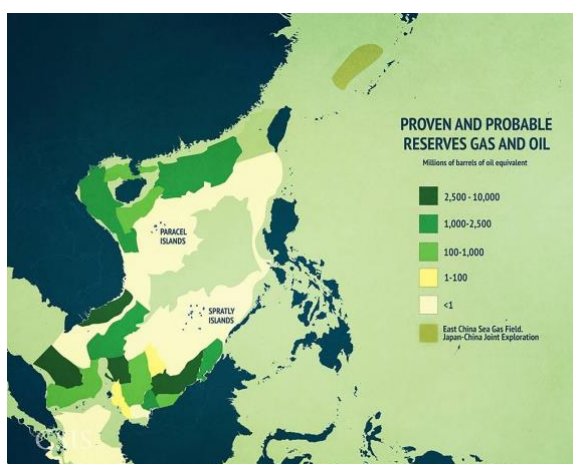
⁷"Introduction | the South China Sea," n.d., <https://www.southchinasea.org/introduction/>.

land features, it can be divided into six main groups: the Parcel Islands, the Maccles field Bank, Scarborough Shoal, the Pratas Islands, the Natuna Islands, and the Spratly Islands.⁸

Economic Importance

The South China Sea is rich in natural resources. Beneath the ocean floor are huge oil and natural gas. According to estimates, the South China Sea contains about 190 trillion cubic feet (Tcf) of natural gas reserves and 11 billion barrels (bbl) of oil reserves. This area also contains mineral resources and rare earth elements contributing to modern technology and manufacturing. About \$5.3 trillion flows in this maritime trade, thus making it one of the world's important trade routes. Millions of people who live near the South China Sea make their living by relying on fishery, which is also a source of the global seafood supply chain. It is also home to a very biodiverse coral reef ecosystem. About a third of all international marine trade—worth an estimated \$3.37 trillion in 2016—passes via the South China Sea and the Strait of Malacca.⁹

Illustration 2: Proven and Probable Reserves of Gas and Oil, CSIS (2016a)



Source:

[https://www.researchgate.net/publication/317602799 Confucianism in Chinese Foreign Policy A Strategic-Cultural Analysis of the South China Sea Dispute/figures?lo=1](https://www.researchgate.net/publication/317602799_Confucianism_in_Chinese_Foreign_Policy_A_Strategic-Cultural_Analysis_of_the_South_China_Sea_Dispute/figures?lo=1)

⁸Oleksandra Mamchii, “Strategic Importance of the South China Sea,” *Best Diplomats / Diplomatic Conferences / New York* (blog), March 28, 2024, <https://bestdiplomats.org/why-is-the-south-china-sea-important/>.

⁹Daniel Yergin, “The Ghosts Who Haunt the South China Sea,” *The Atlantic*, December 15, 2020, <https://www.theatlantic.com/international/archive/2020/12/south-china-sea-us-ghosts-strategic-tensions/617380/>.

Vietnam's Views on the Dispute

As one of the claimant countries, Vietnam has responded significantly to China's assertive claims. Vietnam and the Philippines are also at the front line of maritime disputes with China. Simultaneously, Vietnam's actions and views in this dispute may potentially impact regional stability, particularly relations with China. China's military presence and actions in the South China Sea threaten regional stability and Vietnam's security. The clashes between Chinese fishermen and commercial and naval ships from other nations describe China's actions in claiming its sovereignty in the South China Sea.¹⁰ In recent years, there are records of China's Coast Guard's attacks on Vietnamese fishing boats, ramming them or shooting water cannons at them in an attempt to uphold Beijing's territorial claims in the South China Sea's resource-rich area. For these reasons, Vietnam has developed strategic plans to protect its sovereignty while complying with the United Nations Convention on the Law of the Sea (UNCLOS). Vietnam has sought support from other nations, including the United States, Japan, Germany, and the European Union.¹¹

China's Influence in the South China Sea

Chinese Government Policies under Xi Jinping

The Chinese Ministry of Civil Affairs announced the establishment of the two districts in the Parcel and Spratly Islands on April 28, 2020. The Nansha district covers the Spratly Islands, while the Xisha district covers Paracel Island and the Macclesfield Bank. The two districts will be under the authority of Sansha City, a city on Woody Island that is part of the Chinese Hunan Province; however, it will operate separately. The Xisha district will operate under the Sansha City, and the Nansha district will operate under the Fiery Cross Reef on the Spratly Island.¹²

¹⁰Richard A. Bitzinger, "China's Militarisation of the South China Sea: Creating a Strategic Strait?," S. Rajaratnam School of International Studies, September 1, 2016, <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/RSIS%20-%20China's%20Militarisation%20of%20the%20South%20China%20Sea,%20Creating%20a%20Strategic%20Strait.pdf>.

¹¹Theresa Caroline Winter, "Vietnam: South China Sea," Friedrich Naumann Foundation, April 1, 2024, <https://www.freiheit.org/germany/vietnams-east-sea-strategy-balancing-sovereignty-and-stability>.

¹²"Competing Visions of International Order in the South China Sea | Crisis Group," June 17, 2022, <https://www.crisisgroup.org/asia/north-east-asia/china/315-competing-visions-international-order-south-china-sea>.

China's Diplomatic Strategy

China has used a diplomacy strategy in numerous ways to ensure its claim to maritime sovereignty. It constrains bilateral dialogue and avoids multilateral dialogue with overlapping claimant states, which will disadvantage China on the discussion table. Moreover, China also focuses on discouraging claimant states from involving external partners such as the US since it will escalate the issue even more. Furthermore, China's diplomatic policy has prevented commercial activities in the maritime dispute because it is seen as violating China's sovereignty and jurisdiction rights. For instance, in the mid-2000s, Vietnam increased its efforts to develop the offshore petroleum industry with foreign companies. However, in response to Vietnam's endeavors, China issued eighteen diplomatic objection statements between 2006- 2007 on foreign companies for project exploration and development. China objects to any unilateral actions other countries took on its claimed territory as illegal and invalid.¹³

China's Economic Strategy

Another effort that China uses is economic strategy. China's fast economic growth enables it to become a major power and use this to serve its national interests and complement its diplomacy efforts. The ASEAN - CHINA Free Trade Area is the largest trade area in terms of population and the third largest in nominal GDP. In the early twenty-first century, the bilateral trade between China and ASEAN increased by six hundred and forty percent. China has increased investment and trade with the ASEAN countries and can use this as suppression or punishment to put pressure on the ASEAN countries through economic interdependence.¹⁴

China's Military Strategy

China has increased its military spending, especially the spending for the PLA Navy modernization, to maintain its claimed territories in the South China Sea. It created artificial islands and installed military facilities such as coast guards and fishing fleets around the maritime disputed area. Moreover, China used its strong military capacity to defend its claimed sovereignty and demonstrate its power by deploying military patrols and training exercises in the South China Sea.¹⁵ In 2023, China created a tenth-dash line map that included the island

¹³Ministry of Defense Japan, "A Strategic Analysis of the South China Sea Territorial Issues," Ministry of Defense Japan, n.d., https://www.mod.go.jp/msdf/navcol/assets/pdf/topic049_02.pdf.

¹⁴Taylor Fravel, "China's Strategy in the South China Sea," ResearchGate, January 2011, https://www.researchgate.net/publication/236779023_China's_Strategy_in_the_South_China_Sea.

¹⁵Al Jazeera, "Why Does China Claim Almost the Entire South China Sea?," *Al Jazeera*, October 24, 2023, <https://www.aljazeera.com/news/2023/10/24/why-does-china-claim-almost-the-entire-south-china-sea>.

of Taiwan and other claims in Southeast Asia. However, various claimant countries rejected and condemned the new map.¹⁶

Vietnam's Response to China's Actions

Vietnamese Government Policies in Reaction to China

On April 19, 2020, Vietnam protested against China's two administrative districts' creation in both Paracel and Spratly Islands under the authority of the Sansha City as illegal and seriously violating Vietnam's sovereignty. Vietnam demanded that China respect Vietnam's sovereignty and cancel unlawful decisions as it would affect the relations of both countries and worsen the formerly complicated situation in the South China Sea, according to a Vietnam Ministry of Foreign Affairs spokeswoman, Le Thi Thu Hang. Moreover, The Vietnamese representative protested and filed a formal complaint to the United Nations after the Chinese Coast Guard Ship sank the Vietnamese fishing boat near the Paracel Island in early April 2020.¹⁷

Vietnam's Diplomatic Strategy

As one of the claimant states, Vietnam's diplomacy and foreign policies demonstrate its position in maintaining its claimed territories while maintaining peace and stability within the South China Sea. Vietnam opposed China's aggressive actions and assertive claims in the South China Sea. Vietnam supports actions proposed by regional and international communities, including the United Nations Convention on the Laws of the Sea (UNCLOS) as a principle for resolving maritime disputes. Vietnam supported the ASEAN mechanism in dealing with maritime disputes through negotiation and peaceful dialogue following the Declaration on the Conduct of Parties in the East Sea (DOC) and the Code of Conduct (COC).¹⁸

Vietnam's Economic Strategy

Vietnam has increased foreign investment and sought economic cooperation with countries like the EU, to counter China's assertive claims and aggressive actions. It has signed a free

¹⁶Troy Clayman, "China's New Map: The 10-Dash Line," *The BPR* (blog), December 22, 2023, <https://www.bostonpoliticalreview.org/post/china-s-new-map-the-10-dash-line>.

¹⁷Reuters, "Vietnam Protests Beijing's Expansion in Disputed South China Sea," April 19, 2020, <https://www.reuters.com/article/us-vietnam-china-southchinasea/vietnam-protests-beijings-expansion-in-disputed-south-china-sea-idUSKBN2210M7/>.

¹⁸ Vietnam Law & Legal Forum, "Vietnam's efforts for peace, stability and development in the East Sea", July 27, 2023, <https://vietnamlawmagazine.vn/vietnams-efforts-for-peace-stability-and-development-in-the-east-sea-70206.html>.

trade agreement with the EU countries called the EU-Vietnam Free Trade Agreement (EVFTA) to increase trade and job growth, eliminating 99 percent of tariffs between the EU countries and Vietnam. According to the Vietnam Ministry of Foreign Affairs, Vietnam's GDP is expected to increase by 4.6 percent, and exports to the EU will increase by 42.5 percent by 2025. In addition, to enhance trade activities and economic development within the South China Sea, Vietnam has increased projects for offshore oil, gas exploration, fishing, marine tourism, and cooperation with Germany in various areas such as digital transformation and green economy.¹⁹

Vietnam's Social Strategy

On May 1, 2024, Vietnam discovered the Haiyang Shiyou 981 oil rig, and Chinese vessels from Hainan Province came to Vietnam's claimed territories. China increased its military presence by deploying 130 vessels to Parcel Island to guard its oil drilling operation and warned Vietnam to withdraw ships from the island. Vietnam deployed 60 ships in response to China's action. Vietnam's ships clashed with China's vessels guarding rigs, which led to hundreds of anti-China protests in front of the China Embassy in Hanoi, Vietnam. The Vietnamese government approved the protest to demonstrate their opposition to China's illegal actions, and it was the largest protest against China that indicated the Vietnamese people's determination to protect their national sovereignty against foreign power. This protest caused the death of three Chinese nationals, which led the Chinese government to evacuate its people and suspend air travel. Chinese vessels departed, and the operation was withdrawn a month ahead after the visit of a Chinese high-level counselor to Hanoi.²⁰

Illustration 3: Timeline of the China-Vietnam Oil Rig Standoff

¹⁹“Vietnam EU Trade-EVFTA Comes into effect,” The Embassy of the Socialist of Vietnam, March 8, 2024, https://vnembassy-praha.mofa.gov.vn/en-us/trade/EVFTA_EVIPA/Pages/Vietnam-EU-Trade---EVFTA-Comes-Into-

²⁰Michael Green, “Counter-Coercion Series: China-Vietnam Oil Rig Standoff | Asia Maritime Transparency Initiative,” Asia Maritime Transparency Initiative, June 12, 2017, <https://amti.csis.org/counter-co-oil-rig-standoff/>.

	China	Vietnam	United States
Phase I: Chinese rig enters disputed waters			
May 1	Rig and service ships travel toward Paracels		
May 2	Settle 17 nm off Triton		
Phase II: Hanoi dispatches vessels, leading to massive standoff			
May 2	Sends 40 reinforcements	Sends 6 vessels to disrupt	
May 7	Sends more ships, aircraft	Sends up to 29 vessels and threatens legal action	
May 8	Expands perimeter	Increases ramming	Rules out any intervention
Phase III: Protests spread across Vietnam as Beijing escalates at sea			
May 10	Expands perimeter again	Small protests begin	
May 13	Begins drilling	Riots target Chinese factories	Urges restraint
May 15		Threatens arbitration	
May 18	Evacuate citizens, suspends air travel	Clamps down on riots	
May 19	Defense ministers meet but make no breakthrough		
Phase IV: Rig towed east to new drilling site			
May 27	Moves 23 nm northeast		
Jun 18	Some vessels depart, rig retracts equipment		
	Senior leaders meet in Vietnam to discuss standoff		
Phase V: Withdraws a month early			
Jul 15	Departs one month early	Claims victory for Hanoi	

Source: <https://amti.csis.org/counter-co-oil-rig-standoff/hysy3/>

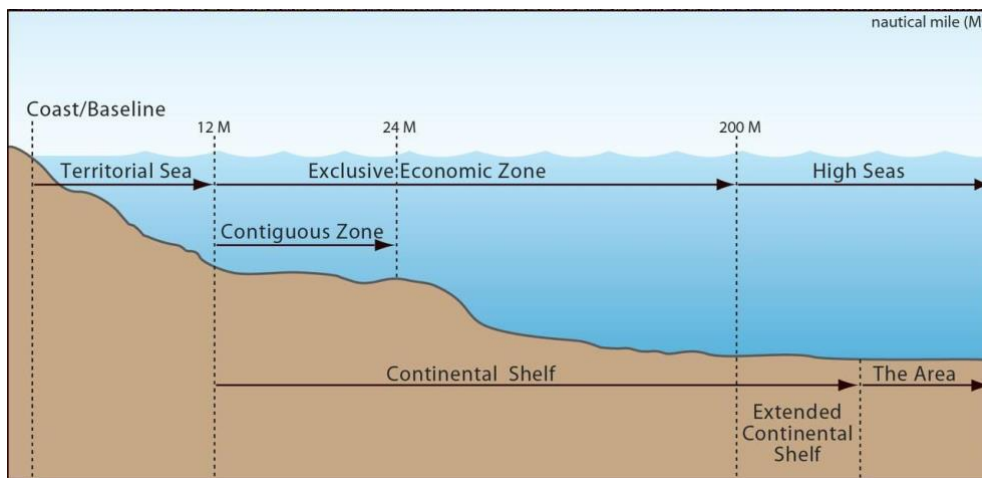
Involvement of External Actors

Role of UNCLOS

The United Nations Convention on the Law of the Sea (UNCLOS), also known as the Convention on the Law of the Sea, is one of the most authoritative treaties on the South China Sea dispute (SCS). The United Nations Convention on the Law of the Sea is also called the United Nations Convention, which was adopted in 1982 and came into force in 1994. It serves as a legal basis for delimiting marine space, including the territorial sea, exclusive economic zones (EEZ), and continental shelf, as well as several elements of international order and methods for peaceful settlement of disputes. Such a situation arises from the South China Sea dispute (SCS) of the claimant states that have violated the UNCLOS, claiming authority rights on exclusive economic zones that cover 200 nautical miles from the baseline from which the seaward extension is reckoned from the UNCLOS, which allow states holders complete

sovereignty to exploitation of maritime resources within the zone.²¹ In the framework of the Law of the Sea, UNCLOS employed the Permanent Court of Arbitration to resist China's claims against the nine-dash line on the history of China arising from the fact that it has no basis in international law and, therefore, cannot be bound by the UNCLOS. Nevertheless, the People's Republic of China has attempted to undermine the judgment of the Permanent Court of Arbitration (PCA), which creates greater challenges for Vietnam and the Philippines that seek to reply to the dispute over their resolution.

Illustration 4: Maritime Zones



Source: <https://www.state.gov/about-ecs/maritime-zones/>

Influence of the United States

The United States has friendly relationships with its allies. It has been involved in these confrontations and disputes of sovereignty, conducting the Freedom of Navigation Operations (FONOPs) to uphold the principle of freedom in international waters. The United States demonstrates its commitment to international law outlined in the UNCLOS, showing a willingness to use international law to refute all of the maritime claims from China.²² In so doing, the potential oil and gas resources that Vietnam needs to protect its economic interests over the presence of the United States benefit Vietnam, as the United States troops are deployed to such countries. To the US, who sought to redress the influence distributed among two parties, China and Vietnam, the US is pulling Vietnam into its anti-China dragnet, supporting Vietnam

²¹“UNCLOS and South China Sea Maritime Disputes: Legal Complexities and Interpretations – Denver Journal of International Law & Policy,” November 5, 2023, <https://djipl.org/unclos-and-south-china-sea-maritime-disputes-legal-complexities-and-interpretations/>.

²²Jon Marek, “US-China International Law Disputes in the South China Sea,” Air University (AU), July 9, 2021, <https://www.airuniversity.af.edu/Wild-Blue-Yonder/Article-Display/Article/2685294/us-china-international-law-disputes-in-the-south-china-sea/>.

against China's claim.²³ The United States and Vietnam have entered several defense agreements to sell hardware and share joint military operations. Vietnam's objective is to restore Vietnam's territorial integrity from the countries that have invaded and seized it.²⁴

Contributions of ASEAN

The Association of Southeast Asian Nations (ASEAN) shares concerns about the ongoing South China Sea dispute. In this regard, ASEAN has allowed its member countries, Vietnam included, to offer reasons for disagreeing with China's claims and the historical causes of conflicts. For instance, ASEAN provides a negotiation called the Code of Conduct (CoC) to increase stronger respect for international law, i.e., UNCLOS.²⁵ This negotiation has been scrambling with China to ease the risks of tensions prevailing and enhance security within the region. In addition, ASEAN would support the dialogues between members and China, thus safeguarding the regional security of its member states.

Conclusion

The relationship between China and Vietnam is complex despite advancing economic cooperation and reform exchanges under the unresolvable territorial dispute in the South China Sea. Vietnam aims to maintain stable and cooperative relations with China. Despite advancing economic cooperation and exchanging reform experiences, the most challenging issue is the unresolvable territorial dispute in the South China Sea. China has expanded its capacity in the South China Sea over the two districts in the Paracel and Spratly Islands, which were claimed territory by Vietnam. China uses diplomacy to assert its maritime sovereignty, limiting bilateral dialogue and multilateral discussions with overlapping states. In 2023, China introduced a new map of tenth-dash lines, including Taiwan and Southeast Asia; however, it was rejected by states like Vietnam, the Philippines, India, Malaysia, and Taiwan. The fight for this potential global trade route has led to strategic challenges for Vietnam to protect Vietnam's sovereignty. The dispute worsens the relations between both countries as the South China Sea situation is becoming more and more complicated. The reliance on UNCLOS would have less impact if

²³ Gregory B. Poling, "China and America Are Contending for the South China Sea," *Foreign Policy*, August 29, 2022, <https://foreignpolicy.com/2022/08/14/the-united-states-is-deeply-invested-in-the-south-china-sea/>.

²⁴ "Vietnam Tacks Between Cooperation and Struggle in the South China Sea | Crisis Group," December 7, 2021, <https://www.crisisgroup.org/asia/north-east-asia/china/318-vietnam-tacks-between-cooperation-and-struggle-south-china-sea>.

²⁵ Premesha Saha, "The ASEAN's South China Sea Conundrum," Observer Research Foundation, April 13, 2024, <https://www.orfonline.org/expert-speak/the-asean-s-south-china-sea-conundrum>.

China continues rather not to adhere to international law but only focuses on serving its national interests.

What Does the Generalized System of Preference (GSP) Mean for Cambodia's Economic Development?

BOU Nisa, THORNG Pisethvisal, and NGUON Socheata

Introduction

The Generalized System of Preference is a program designed by the United States to help the poorest countries grow their economies in the modern day of globalization. It promotes economic development by helping them increase their trade partners, mainly with the US, affording workers' rights, guiding good governance practices, and providing many other benefits that foster living standards in one nation.¹ GSP was adopted at the second United Nations Conference on Trade and Development (UNCTAD) in 1968 and granted a permanent GATT MFN waiver in 1979 (Tokyo Round of Multilateral Trade Negotiations). The ultimate goal of the GSP is to offer better access to developed markets to help developing countries progress and participate in the global trading system.²

As a developing country, Cambodia benefits greatly from having the US as a trade partner. This partnership drives numerous developments and contributes to the country's transformation into a high-income country by 2050. The US assists Cambodia in trade, technology, and human resource training to ensure sustainable development and growth in Cambodia. Thus, the GSP program provides preferential duty-free entry for up to 5,000 products into designated states and territories in the country.³ This analysis examines the in-depth impacts of the loss of GSP beneficiary status and its relevance and implications for Cambodia's economy.

Current Status and Changes in Recent Years

After the dwelling and consistently low economic growth performance, Cambodia officially lost the GSP scheme on December 31, 2020, which has not been renewed since then. Moreover,

¹ "Generalized System of Preferences (GSP)," Office of the United States Trade Representative, accessed August 16, 2024, <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>.

² Manoj Mathew, "US Envoy Hopes Cambodia Gets Back GSP Status," *Khmer Times*, March 6, 2024, <https://www.khmertimeskh.com/501451812/us-envoy-hopes-cambodia-gets-back-gsp-status/>.

³ "Trade Agreements-Generalized System of Preferences (GSP)," Jamaica Trade Board, accessed August 16, 2024, <https://www.tradeboard.gov.jm/ttbl/TAGSP.php>.

the primary reasons behind the expiration of Cambodia's GSP status are that Cambodia was slow-moving during COVID-19, concern over its political aspects, and the frequent rearrangement of Cambodian politics.⁴ In 2023, the Cambodian Minister of Foreign Affairs urged Jason Smith, chairman of the US House, to convince the US to renew the GSP for Cambodia. He also briefly talked about our nation's election process, expanding market exports, and investment opportunities because, from Cambodia's point of view, the US is the largest purchaser of garments and travel goods, with over 40.2 percent of the total market share of \$20.5 billion.⁵ However, after many efforts to get back the renewal of GSP, Cambodia can see very little hope regarding the loss of GSP status. Pen Sovicheat, the Minister of Commerce, mentioned in an article the total worth of imported products from the US, which accounts for about \$413 million.

To analyze the current situation of the GSP in Cambodia and why the GSP has yet to be renewed, we need to look back at some of the issues that were happening in the previous years. In 2021, Cambodian GDP deflation increased by 1.3%, which is a lot lower than in 2019 and 2018, and that is because of the impact of COVID-19.⁶ COVID-19 marked a significant shift in Cambodian economic growth compared to the last two decades because, during that period, economic growth is expected to drop 2.3% by 2020. As the economy was in a deadlock situation, the main cause was the COVID-19 disease, and people were losing their jobs to stay protected and quarantined.⁷ On top of that, during the crisis, schools were closed, and other entertainment industries, trade, and investment remained closed and paused. Because of that, the government spent most of its budget on assisting the people affected by the disease and striving to get a good vaccination target to help people in the country. More than 180 factories in Cambodia were suspended, and the situation impacted 200,000 garment workers indirectly and directly.⁸ To cut short, COVID-19 has a variety of consequences, including loss of

⁴ Oudom Sam, "Cambodia Chamber of Commerce Request US to Reinstate Generalized System of Preferences," *Cambodia Investment Review*, last modified June 21, 2022, cambodiainvestmentreview.com/2022/06/21/cambodia-chamber-of-commerce-request-us-to-reinstate-generalized-system-of-preferences/.

⁵ Peter J. Morgan and Long Q. Trinh, "Impacts of COVID-19 on Households in ASEAN Countries and Their Implications for Human Capital Development," Asian Development Bank, last modified March 9, 2021, www.adb.org/publications/impacts-covid-19-households-asean-countries#:~:text=These%20negative%20impacts%20come%20through.

⁶ "Cambodia GDP Deflator Growth," CEICdata, last modified 2018, www.ceicdata.com/en/indicator/cambodia/gdp-deflator-growth.

⁷ "Cambodia's Economic Growth to Slow in 2020, Rebound Expected in 2021," *Asian Development Bank*, April 3, 2020, www.adb.org/news/cambodias-economic-growth-slow-2020-rebound-expected-2021-adb.

⁸ Hagar International, "Cambodia COVID-19 Update," April 15, 2020, hagarinternational.org/covid-19-cambodia/.

employment or reduced working hours, loss of sales and income from household businesses, inability to travel to work, higher prices on daily expenses, and the lack of availability of staple items.⁹

The Importance of GSP

The United States GSP has benefited Cambodia's economy, specifically in terms of developing and expanding trade relations between the two countries.¹⁰ As a least developing country, Cambodia expanded its accessibility to the multimillion-dollar US market through the GSP program, which it qualified for in 1997.¹¹ As the two countries' bilateral trade relations have strengthened over time, new avenues for collaboration and investment have become obtainable. Cambodia's developing infrastructure, friendly investment laws, and affordable labor costs make it an appealing destination for US-based companies looking to expand their business operations.¹² Since securing beneficiary status, Cambodia has been able to export GSP-eligible products. Certain goods are subject to a low tax rate; others are fully tax-free under a US-made listed article.¹³

Considering Cambodia's developing economy, there's no doubt that the GSP's opportunity has benefited the country's export growth. One of the main markets for Cambodian goods is thought to be the United States, where a wide range of goods are exported to the country.¹⁴ The top exports are clothing, footwear, travel accessories, solar panels, bicycles, and agricultural products.¹⁵ In 1997, the beneficiary status was granted, but the garment industry and travel goods were not initially granted duty-free access. Nevertheless, in 2016, textile and apparel

⁹ Peter J. Morgan and Long Q. Trinh, "Impacts of COVID-19 on Households in ASEAN Countries and Their Implications for Human Capital Development," Asian Development Bank, last modified March 9, 2021, www.adb.org/publications/impacts-covid-19-households-asean-countries#:~:text=These%20negative%20impacts%20come%20through.

¹⁰ Sarath Sorn, "US delays reauthorization of GSP, tariffs now applicable on Cambodian travel goods," *CamboJA News*, January 9, 2021. <https://cambojanews.com/u-s-delays-reauthorization-of-gsp-tariffs-now-applicable-on-cambodian-travel-goods/>

¹¹ Sothea Som, "U.S Generalized system of preferences (GSP)," Commerce Cambodia, last modified May 17, 2024, <https://commerce-cambodia.com/2024/05/17/u-s-generalized-system-of-preferences-gsp/>.

¹² "Strengthening Cambodia's Trade Relations with the US," *The Phnom Penh Post*, February 29, 2024, <https://www.phnompenhpost.com/opinion/strengthening-cambodia-s-trade-relations-with-the-us.>

¹³ US Embassy in Cambodia, "Duty Free Access for Travel Goods Made in Cambodia - US Embassy in Cambodia," June 26, 2017, <https://kh.usembassy.gov/duty-free-access-travel-goods-made-cambodia/>.

¹⁴ Pengly Horng, "US Remains Cambodia's Biggest Export Destination," *Khmer Times*, last modified January 1, 2024, <https://www.khmertimeskh.com/501416446/us-remains-cambodias-biggest-export-destination-2/>.

¹⁵ Ibid

exports from Cambodia were tax-free in the United States.¹⁶ After the US offering duty-free access to the travel goods market in 2016, exports and investment in travel goods have grown significantly. The GSP program aided in the increase of exports, where the total amount of exports increased from just \$50 million in 2016 to approximately \$1 billion in 2021.¹⁷ According to the General Department of Customs and Excise of Cambodia (GDCE) official statistics, in 2021, the US accounted for 80% of all travel goods exports from Cambodia, up from 20% in 2012.¹⁸ Cambodia's travel goods industry has grown exponentially, from a 0.02% global market share in 2012 to a 1.6% share in 2021, largely due to the US GSP expansion in 2016.¹⁹ The objective of the GSP beneficiary status in the social sector is to increase trade volumes in Cambodia and enhance job opportunities for the country. In addition to supporting the development of human resource capabilities, the US was determined to continue offering additional assistance in vocational education and training, according to US Envoy Ambassador W. Patrick Murphy. ²⁰Taking a look at the job creation prospects of the GSP, it has helped Cambodia's garment industry before COVID-19 with the employment of approximately 800,000 workers, most of whom are female.²¹

Table 1: Cambodia's Garment, Footwear and Travel Goods exports (in million US\$), growth (in%) and main market share (in%)

¹⁶ "Duty Free Access for Travel Goods Made in Cambodia," US Embassy in Cambodia, last modified June 26, 2017, <https://kh.usembassy.gov/duty-free-access-travel-goods-made-cambodia/>.

¹⁷ Kunmakara May, "Tariffs Anew for Exports to US as GSP Lapses," *The Phnom Penh Post*, last modified January 6, 2021, <https://www.phnompenhpost.com/business/tariffs-anew-exports-us-gsp-lapses#:~:text=An%20amendment%20to%20the%20GSP,US%20under%20the%20expanded%20programme>.

¹⁸ "Cambodia Garment, Footwear and Travel Goods Sector Brief," EuroCham Cambodia, last modified November 2022, [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-(1).pdf).

¹⁹ Ibid

²⁰ Sreekanth Ravindran, "GSP Initiative Prompted Exports From Cambodia," *Khmer Times*, July 13, 2023, <https://www.khmertimeskh.com/501323211/gsp-initiative-prompted-exports-from-cambodia/>.

²¹ Dennis Arnold, "Cambodia's Garment Sector in Transformation," CNV International, last modified January 18, 2021, <https://www.cnvinternationaal.nl/Resources/Persistent/a/9/3/5/a9351254dc6dfa56573c6f0a455403a1402867ad/2021%20Cambodia%27s%20Garment%20Sector%20in%20Transformation%20Researchreport.pdf>.

Main market destinations (in %)					
	2012	2016	2019	2020	2021
To US	-	25%	32%	37%	43%
To EU	-	45%	39%	35%	24%
To ROW	-	30%	29%	28%	33%
ow Ja-pan	-	-	9%	9%	8%
ow China	-	-	3%	3%	3%
ow UK	-	-	-	-	6%
Total		100%	100%	100%	100%

Growth rate of GFT exports (Y-o-Y % Δ)					
	2012	2016	2019	2020	2021
To US	-	-6%	36%	4%	35%
To EU	-	17%	1%	-20%	-20%
To ROW	-	17%	10%	-11%	31%
ow Ja-pan	-	-	6%	-12%	3%
ow China	-	-	11%	-11%	-2%
Total	-	10%	13%	-10%	15%

(Source: Eurocham Cambodia²²)

As reported, the exports of travel goods and bags at the time were expected to increase, reaching approximately \$1 billion in 2020 while at the same time raising productivity in factories and the number of factories producing the products.²³ Unfortunately, the GSP status that was granted expired in 2021, and Cambodia is now receiving Most Favored Nation status instead from the US.²⁴ Despite the expiration, Secretary of State of the Ministry of Commerce, Penn Sovicheat, claimed that trade preferences for both GSP and MFN have continued to boost the export of Cambodian products to the US, accounting for the largest share of the country’s exports.²⁵ The US House Committee on Ways and Means chairman, Jason Smith, has requested Cambodia's minister of commerce, Pan Sorasak, to urge Congress to seriously consider reauthorizing the GSP for Cambodia. According to Pan Sorasak, the reauthorization can be observed as an effort to preserve economic cooperation, increase investments, and benefit both countries.²⁶ To reduce the trade imbalance between the two nations, the minister also urged US businesses to consider options for boosting their investments in Cambodia.²⁷

²² EuroCham Cambodia, “Cambodia Garment, Footwear and Travel Goods Sector Brief,” November 2022, [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment,-footwear-and-travel-goods-sector-brief-(1).pdf).

²³ Pengly Horng, “Travel Goods Export Expected to Reach \$1 Billion in 2020,” *Khmer Times*, October 20, 2020, <https://www.khmertimeskh.com/50775212/travel-goods-export-expected-to-reach-1-billion-in-2020/>.

²⁴ Kunmakara May, “Tariffs Anew for Exports to US as GSP Lapses,” *The Phnom Penh Post*, January 6, 2021, <https://www.phnompenhpost.com/business/tariffs-anew-exports-us-gsp-lapses#:~:text=An%20amendment%20to%20the%20GSP,US%20under%20the%20expanded%20programme.>

²⁵ Pengly Horng, “US Remains Cambodia’s Biggest Export Destination,” *Khmer Times*, January 1, 2024, <https://www.khmertimeskh.com/501416446/us-remains-cambodias-biggest-export-destination-2/>.

²⁶ Kunmakara May, “Cambodia urges US congress to return GSP status,” *The Phnom Penh Post*, August 3, 2023, <https://www.phnompenhpost.com/business/cambodia-urges-us-congress-return-gsp-status>.

²⁷ Ibid

Starting on January 1, 2021, Cambodia is no longer eligible to receive the benefits from the GSP program. The expiration of the status has also caused losses in trade and export relations with the US. As the GSP recipient, Cambodia was able to export products to the US tax-free, expanding the nation's export rate annually.²⁸ These preferential treatments could stimulate the economy in the short and medium term. Still, they can also make Cambodia's garment, footwear, and travel goods (GFT) sector prone to external fluctuations.²⁹ For instance, a minor alteration to the US GSP could potentially harm Cambodia's rapidly expanding travel goods industry since 80% of the country's travel goods are sold in the US.³⁰ There are particular barriers to Cambodia's export growth now that the GSP status has expired and the application procedure for renewal is lengthy. Without the GSP, consumers of travel goods into the US are subject to taxes ranging from 10 to 30 percent; additionally, the tax on clothing and footwear is between 13 and 19 percent. After the duty-free trade agreement expires on December 31, 2020, Cambodia has been pleading with the US Congress to extend it.³¹ Cambodia's exports, which primarily consist of clothing, textiles, footwear, and travel-related items estimated to be worth \$1 billion annually, are subject to an additional 20 percent of tariffs.³²

Table 2: Export Statistics by Top 20 Countries, December 2021 and 2022

²⁸ Pisei Hin, "Duty-free Exports to US Jump," *The Phnom Penh Post*, January 17, 2021, <https://www.phnompenhpost.com/business/duty-free-exports-us-jump>.

²⁹ Heimkhemra Suy, "Trade Holds the Key to the Renewal of US-Cambodia Ties," *The Diplomat*, May 27, 2021, <https://thediplomat.com/2021/05/trade-holds-the-key-to-the-renewal-of-us-cambodia-ties/>.

³⁰ Ibid

³¹ "Garment Sector Confronted by Rising Costs, Falling Orders," Center for Alliance of Labor and Human Rights, last modified July 8, 2022, <https://central-cambodia.org/archives/6109>.

³² Vantha Phoung and Sopheavotey Lay, "Cambodia and More Than 100 Countries Lose Low Export-Tax Rate to the US," *Cambodianess*, January 8, 2021, <https://cambodianess.com/article/cambodia-and-more-than-100-countries-lose-low-export-tax-rate-to-the-us>.

Southeast Asia and Beyond: Analysis and Policy Pathways

Export Statistics by Top 20 Countries, December 2021 (Provisional)

(Value in Thousand US \$)

No.	Partner Country	December						January to December					
		2020		2021		Change	2020		2021		Change		
		Value	Share	Value	Share		Value	Share	Value	Share			
	Total:	1,550,960	100.0%	1,985,067	100.0%	28.0%	18,342,258	100.0%	19,308,910	100.0%	5.9%		
1	United States	503,810	32.5%	809,655	40.8%	60.7%	5,321,878	29.0%	7,490,149	38.8%	40.7%		
2	Viet Nam	208,414	13.4%	177,787	8.9%	-14.7%	1,251,978	6.8%	1,985,063	10.3%	58.6%		
3	China	137,936	8.9%	139,458	7.0%	1.1%	1,086,411	5.9%	1,510,253	7.8%	38.8%		
4	Canada	86,670	5.6%	104,472	5.3%	20.5%	751,406	4.1%	954,828	4.9%	27.1%		
5	Japan	92,343	6.0%	92,461	4.7%	0.1%	1,062,263	5.8%	1,093,628	5.7%	3.0%		
6	Germany	77,333	5.0%	91,029	4.6%	17.7%	877,335	4.8%	880,782	4.6%	0.4%		
7	United Kingdom	59,389	3.8%	70,819	3.6%	19.2%	830,623	4.5%	731,842	3.8%	-11.9%		
8	Thailand	51,574	3.3%	61,607	3.1%	19.5%	896,451	4.9%	620,214	3.2%	-30.8%		
9	Belgium	50,447	3.3%	55,070	2.8%	9.2%	482,255	2.6%	508,147	2.6%	5.4%		
10	Netherlands	35,329	2.3%	51,604	2.6%	46.1%	362,933	2.0%	441,354	2.3%	21.6%		
11	Spain	29,128	1.9%	35,745	1.8%	22.7%	351,278	1.9%	341,439	1.8%	-2.8%		
12	France	28,433	1.8%	30,195	1.5%	6.2%	353,675	1.9%	330,860	1.7%	-6.5%		
13	Australia	11,921	0.8%	30,160	1.5%	153.0%	134,360	0.7%	205,300	1.1%	52.8%		
14	Italy	23,904	1.5%	28,070	1.4%	17.4%	236,609	1.3%	254,423	1.3%	7.6%		
15	Korea, Republic of	18,998	1.2%	21,857	1.1%	15.0%	185,337	1.0%	194,087	1.0%	4.7%		
16	Hong Kong	15,441	1.0%	18,832	0.9%	22.0%	416,131	2.3%	233,811	1.2%	-43.8%		
17	Poland	10,576	0.7%	15,021	0.8%	42.0%	109,859	0.6%	121,352	0.6%	10.5%		
18	Mexico	7,014	0.5%	13,435	0.7%	91.5%	63,730	0.3%	98,224	0.5%	54.1%		
19	Taiwan, Province of China	5,876	0.4%	12,722	0.6%	116.5%	70,388	0.4%	96,979	0.5%	37.8%		
20	India	4,182	0.3%	12,196	0.6%	191.6%	62,354	0.3%	126,066	0.7%	102.0%		
	Others	92,242	5.9%	112,862	5.7%	22.4%	3,430,844	18.7%	1,090,067	5.6%	-68.2%		

* Country are ranked by December 2021 figure
 * Share = Value x 100% / Total Value
 * Change = 100% x (Value of Current Year - Value of Previous Year) / Value of Previous Year

Export Statistics by Top 20 Countries, December 2022 (Provisional)

(Value in Thousand US \$)

No.	Partner Country	December						January to December					
		2021		2022		Change	2021		2022		Change		
		Value	Share	Value	Share		Value	Share	Value	Share			
	Total:	1,985,067	100.0%	2,025,196	100.0%	2.0%	19,308,910	100.0%	22,462,937	100.0%	16.4%		
1	United States	809,655	40.8%	751,112	37.1%	-7.2%	7,490,149	38.8%	8,968,726	39.9%	19.7%		
2	Viet Nam	177,787	8.9%	273,848	13.5%	54.0%	1,985,063	10.3%	2,168,619	9.6%	9.2%		
3	China	139,458	7.0%	131,177	6.5%	-5.9%	1,510,253	7.8%	1,240,630	5.5%	-17.9%		
4	Japan	92,461	4.7%	103,663	5.1%	12.1%	1,093,628	5.7%	1,173,030	5.2%	7.3%		
5	Canada	104,472	5.3%	94,974	4.7%	-9.1%	954,828	4.9%	1,120,562	5.0%	17.4%		
6	Germany	91,029	4.6%	82,733	4.1%	-9.1%	880,782	4.6%	1,093,634	4.8%	23.0%		
7	Thailand	61,607	3.1%	75,665	3.7%	22.8%	620,214	3.2%	831,772	3.7%	34.1%		
8	United Kingdom	70,819	3.6%	63,747	3.1%	-10.0%	731,842	3.8%	886,424	3.9%	21.1%		
9	Netherlands	51,604	2.6%	47,979	2.4%	-7.0%	441,354	2.3%	552,626	2.5%	25.2%		
10	Belgium	55,070	2.8%	45,727	2.3%	-17.0%	508,147	2.6%	642,014	2.9%	26.3%		
11	Spain	35,745	1.8%	44,432	2.2%	24.3%	341,439	1.8%	474,764	2.1%	39.0%		
12	France	30,195	1.5%	34,178	1.7%	13.2%	330,860	1.7%	423,131	1.9%	27.9%		
13	Australia	30,160	1.5%	33,001	1.6%	9.4%	205,300	1.1%	379,035	1.7%	84.6%		
14	Korea, Republic of	21,857	1.1%	26,921	1.3%	21.3%	194,087	1.0%	233,638	1.0%	20.4%		
15	India	12,196	0.6%	26,115	1.3%	114.1%	126,066	0.7%	196,632	0.9%	56.0%		
16	Italy	28,070	1.4%	25,844	1.3%	-7.6%	254,423	1.3%	332,434	1.5%	30.7%		
17	Hong Kong	18,832	0.9%	17,043	0.8%	-9.5%	233,811	1.2%	182,000	0.8%	-22.2%		
18	Taiwan, Province of China	12,722	0.6%	15,334	0.8%	20.5%	96,979	0.5%	116,067	0.5%	19.7%		
19	Mexico	13,435	0.7%	11,879	0.6%	-11.6%	98,224	0.5%	160,035	0.7%	62.9%		
20	Malaysia	10,522	0.5%	11,800	0.6%	12.1%	101,318	0.5%	111,853	0.5%	10.4%		
	Others	117,360	5.9%	108,328	5.3%	-7.7%	1,110,121	5.7%	1,205,291	5.4%	8.6%		

* Country are ranked by December 2022 figure
 * Share = Value x 100% / Total Value
 * Change = 100% x (Value of Current Year - Value of Previous Year) / Value of Previous Year

(Source: General Department of Customs and Excise³³)

Openings (garment, footwear, travel goods)³⁾	20	25	24	154	26	23	11	18	78	22	8	25	15	70	10
Garment factories	15	13	14	50	13	18	8	14	53	11	6	8	12	37	11
Footwear factories	0	2	2	4	2	2	2	2	8	4	2	4	1	11	1
Travel goods factories	5	10	8	100	11	3	1	2	17	7	0	13	2	22	-2
Closures (garment, footwear, travel goods)³⁾	0	4	0	10	0	190	0	1	191	45	0	0	46	91	39
Garment factories	0	0	0	0	0	171	0	1	172	31	0	0	32	63	34
Footwear factories	0	1	0	1	0	15	0	0	15	12	0	0	11	23	0
Travel goods factories	0	3	0	9	0	4	0	0	4	2	0	0	3	5	5
4. Employment in garment, footwear, travel goods sector															
Total garment, footwear, travel goods workers (period av., '000)³⁾	708	721	732	715	769	708	670	673	705	679	661	667	680	672	663
% change (year-on-year)						0.0	-7.1	-8.1	-1.4	-11.8	-6.7	-0.4	1.0	-4.7	-2.3
Workers in garment sector (period average, '000)	551	557	560	553	571	504	470	469	504	475	459	458	459	463	447
Workers in footwear sector (period average, '000)	113	117	123	116	136	133	126	128	131	124	121	126	126	124	117
Workers in travel goods sector (period average, '000)	45	47	49	46	62	71	75	75	71	79	81	84	95	85	98

³³ “International Merchandise Trade Statistics,” GDCE Website, accessed August 16, 2024, <https://stats.customs.gov.kh/en/publication>.

Apart from the export obstacle, signals of a potential recession are beginning to surface in the US and Europe, where demand and purchase orders have experienced significant drops in the latter part of 2022.³⁴ As a result, 25% of the Garment Manufacturers Association in Cambodia (GMAC) may have to reduce the hours their employees work or may look to suspend operations in September of 2022 partially. That equates to about 170 factories; however, the number of employees is unknown. According to official data for 2022, as of August 3, 2022, approximately 10,000 workers were affected by the suspension of operations in approximately 100 factories.³⁵ With more than 1,200 clothing, travel, and shoe manufacturers, the industry employs almost a million people, making it the largest employment sector in the nation.³⁶ The head of GMAC, Ken Loo, stated that an internal survey revealed that some have begun to suspend or scale back operations, raising serious concerns about export orders in the second half of 2022.³⁷ According to spokesman Pen Bona, the government has clear-cut policies to create jobs. Additionally, he pointed out that the Kingdom continues to export to the US and Europe even though it is no longer eligible for the same tariff breaks. "The date of the program's renewal is still unknown. In addition to having to pay import duties, buyers may decide to reduce prices or orders, which could have an effect on the production chain," he said.³⁸

Table 3: Factories Openings and Closings (Registered factories) and Employment in GFT sectors

4. Employment in garment, footwear, travel goods sector															
Total garment, footwear, travel goods workers (period av., '000) ^{2/}	708	721	732	715	769	708	670	673	705	679	661	667	680	672	663
% change (year-on-year)						0.0	-7.1	-8.1	-1.4	-11.8	-6.7	-0.4	1.0	-4.7	-2.3
Workers in garment sector (period average, '000)	551	557	560	553	571	504	470	469	504	475	459	458	459	463	447
Workers in footwear sector (period average, '000)	113	117	123	116	136	133	126	128	131	124	121	126	126	124	117
Workers in travel goods sector (period average, '000)	45	47	49	46	62	71	75	75	71	79	81	84	95	85	98

³⁴ Amarthalingam Sangeetha, "Garment Sector Confronted by Rising Costs, Falling Orders," *The Phnom Penh Post*, September 8, 2022, <https://www.phnompenhpost.com/special-reports/garment-sector-confronted-rising-costs-falling-orders>.

³⁵ Ibid

³⁶ Ibid

³⁷ Center for Alliance of Labor and Human Rights, "Garment Sector Confronted by Rising Costs, Falling Orders," July 8, 2022, <https://central-cambodia.org/archives/6109>.

³⁸ Kimmarita Long, "\$1.5M shared to suspended workers," *The Phnom Penh Post*, September 8, 2023, <https://www.phnompenhpost.com/national/15m-shared-suspended-workers>.

(Source: Eurocham Cambodia)³⁹

In 2020, the closure or temporary suspension of more than 170 garment factories impacted tens of thousands of workers nationwide.⁴⁰ The GSP must be renewed for Cambodia and the United States to grow their trade cooperation even further. This will open up new doors for exporters in Cambodia and support the country's economic development.⁴¹ Despite the GSP trade preference program, the US remained the primary destination for Cambodian products exported. Over \$4.2 billion worth of Cambodian exports to the US were made in the first half of this year; this represents an 8.9% decrease from over \$4.6 billion during the same period in 2022.⁴² The United States accounted for 37% of the country's \$11.5 billion in total export volume. The US's imports fell by 29% to \$119 million in the first half of 2023. With \$4.3 billion in two-way trade during the first half of 2023, the US ranked Cambodia's second-largest trading partner. Products covered by the Most Favored Nation (MFN) treatment for the US market, such as clothing, footwear, and light manufacturing products, are subject to tariffs.⁴³

Annex 1. Cambodia's Garment, Footwear and Travel Goods sector – selected indicators

	2019				2020				2021						
	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021	Q1
1. Economic output															
GDP (% real growth)	-	-	-	7.1	-	-	-	-	-3.1	-	-	-	-	3.0	-
GDP (% nominal growth)	-	-	-	15.5	-	-	-	-	-3.7	-	-	-	-	4.4	-
GDP (current prices, US\$ million)	-	-	-	27 030	-	-	-	-	25 967	-	-	-	-	27 167	-
Value added (garment and footwear, current prices, US\$ million)	-	-	-	2 899	-	-	-	-	2 542	-	-	-	-	2 924	-
Value added (garment and footwear, % of GDP)	-	-	-	10.7	-	-	-	-	9.8	-	-	-	-	10.8	-
Country's total merchandised exports (US\$ million)	-	-	-	14,986	-	-	-	-	18,522	-	-	-	-	19,703	

³⁹ “Cambodia Garment, Footwear and Travel Goods Sector Brief,” EuroCham Cambodia, last modified November 2022, [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment.-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment.-footwear-and-travel-goods-sector-brief-(1).pdf).

⁴⁰ Sarath Sorn, “US Delays Reauthorization of GSP, Tariffs Now Applicable on Cambodian Travel Goods,” *CamboJA News*, January 9, 2021, <https://cambojanews.com/u-s-delays-reauthorization-of-gsp-tariffs-now-applicable-on-cambodian-travel-goods/>.

⁴¹ “Renewal of Generalised System of Preferences (GSP) Discussed in Cambodia-US Trade Talks,” *Khmer Times*, August 6, 2023, <https://www.khmertimeskh.com/501337672/renewal-of-generalised-system-of-preferences-gsp-discussed-in-cambodia-u-s-trade-talks/>.

⁴² Sothear Kang, “Cambodia asks the US to renew the GSP scheme,” *Khmer Times*, August 4, 2023, <https://www.khmertimeskh.com/501336646/cambodia-asks-us-to-renew-gsp-scheme/#:~:text=The%20US%20continued%20to%20be,the%20same%20period%20in%202022.>

⁴³ Ibid

Table 4: Cambodia’s Garment, Footwear and Travel Goods sector economic output

	2019				2020				2021						
	Q2	Q3	Q4	2019	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2021	Q1
1. Economic output															
GDP (% real growth)	-	-	-	7.1	-	-	-	-	-3.1	-	-	-	-	3.0	-
GDP (% nominal growth)	-	-	-	15.5	-	-	-	-	-3.7	-	-	-	-	4.4	-
GDP (current prices, US\$ million)	-	-	-	27 030	-	-	-	-	25 967	-	-	-	-	27 167	-
Value added (garment and footwear, current prices, US\$ million)	-	-	-	2 899	-	-	-	-	2 542	-	-	-	-	2 924	-
Value added (garment and footwear, % of GDP)	-	-	-	10.7	-	-	-	-	9.8	-	-	-	-	10.8	-
Country’s total merchandised exports (US\$ million)	-	-	-	14,986	-	-	-	-	18,522	-	-	-	-	19,703	-

(Source: EuroCham Cambodia⁴⁴)

The Reforms

During the US House of Representatives delegation's visit to Cambodia in 2023, the topic of the GSP's failure to renew was raised, and the delegation sought steps to regain the status.⁴⁵ According to the US Embassy, the US Trade Representative (USTR) ensures that beneficiary countries meet the GSP eligibility criteria. The process involves USTR and other relevant agencies assessing each GSP beneficiary country's compliance with the mandatory eligibility requirements. Cambodia's efforts to regain the GSP concessional trade status granted by the US to select countries have failed. However, W. Patrick Murphy, the US Ambassador to the Kingdom, recently said he supports the initiative.⁴⁶ Cambodia and 26 other countries signed a petition calling on a US congressional committee to renew entry to the GSP trade program. According to Pen Sovicheat, Commerce Ministry spokesperson, 308 US companies contacted Congress, urging lawmakers to quicken GSP discussions in response to rising import costs.⁴⁷

⁴⁴ EuroCham Cambodia, “Cambodia Garment, Footwear and Travel Goods Sector Brief,” November 2022, [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment.-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment.-footwear-and-travel-goods-sector-brief-(1).pdf).

⁴⁵ Manoj Mathew, “US envoy hopes Cambodia gets back GSP status,” *Khmer Times*, March 7, 2024, <https://www.khmertimeskh.com/501451812/us-envoy-hopes-cambodia-gets-back-gsp-status/>.

⁴⁶ Ibid

⁴⁷ Sokmean Ou and Seavmey Meng, “Cambodia Calls on the US to Renew GSP Access as Competitiveness Stalls,” *Cambodianess*, October 21, 2021, <https://cambodianess.com/article/cambodia-calls-on-the-us-to-renew-gsp-access-as-competitiveness-stalls>.

The US Congress is updating the GSP eligibility criteria, expanding beyond labor rights to include new "mandatory criteria" such as human rights and environmental law enforcement. Countries that violate human rights or fail to uphold environmental regulations will be excluded from GSP benefits. These changes mean that adherence to labor standards alone is no longer sufficient.⁴⁸ Additionally, nations will be evaluated based on their commitment to the rule of law, efforts to combat corruption and reduce poverty, and progress in women's empowerment.⁴⁹ Considering these new requirements, the US Ambassador to Cambodia, Patrick Murphy, has stressed the importance of Cambodia focusing on strengthening its human rights protections and improving environmental regulations.⁵⁰ Cambodia must address several key areas to qualify under the new GSP criteria. These include making democratic reforms to reverse its "democratic backsliding," as highlighted by the US Department of State in their August 2, 2022, press release, which called for Cambodia to enhance protections for freedoms of expression, association, and peaceful assembly, and to reopen political and civic spaces.⁵¹ Furthermore, Cambodia needs to strengthen its environmental laws and labor rights.⁵² It is also important that Cambodia reinforce the rule of law by promoting an independent and fair judiciary, combating corruption, and fostering transparency in government operations.⁵³ Additionally, Cambodia should focus on initiatives to reduce poverty and promote economic growth alongside efforts to empower women and promote gender equality.⁵⁴

By making tangible progress in these areas, Cambodia can better position itself to regain and maximize GSP benefits under the updated US eligibility criteria. Despite ongoing international concerns, Cambodia's response to human rights issues has been considered insufficient, according to a US report in 2023 pointing to a lack of significant improvement toward enhancing its human rights record.⁵⁵ Cambodia has stated that it will continue to resist external demands in response to pressure from the international community, including revocation of its

⁴⁸ Turton Shaun, "Southeast Asia Manufacturers Sweat as US Mulls Tougher Tariff Rules," *Nikkei Asia*, June 29, 2022, asia.nikkei.com/Business/Business-trends/Southeast-Asia-manufacturers-sweat-as-US-mulls-tougher-tariff-rules.

⁴⁹ Ibid

⁵⁰ Yalirozy Teng, "Improve Human Rights for GSP: US Ambassador," *Cambodianess*, September 21, 2023, cambodianess.com/article/improve-human-rights-for-gsp-us-ambassador.

⁵¹ "The United States-Cambodia Relationship," United States Department of State, last modified August 2, 2022, www.state.gov/the-united-states-cambodia-relationship/.

⁵² Ibid

⁵³ Ibid

⁵⁴ Ibid

⁵⁵ "Cambodia 2023 Human Rights Report," U.S Embassy in Cambodia. Accessed August 16, 2024, https://kh.usembassy.gov/wp-content/uploads/sites/80/528267_CAMBODIA-2023-HUMAN-RIGHTS-REPORT.pdf

GSP benefits. Officials in Cambodia have reiterated their support for national sovereignty and self-determination, rejecting the idea that the nation will change its policies entirely in response to outside pressure. This stance is proof of a larger opposition to external influences, especially when it comes to labor and human rights concerns.⁵⁶ Additionally, Cambodia continues to advocate for greater trading opportunities. A spokesman for the Ministry of Commerce, Pen Sovicheat said, "We continue to request the renewal of the GSP. Cambodia encourages the opening of more markets for Cambodian products to the U.S."⁵⁷ Despite the persistent challenges and limited progress noted in the 2023 assessment, US envoy W. Patrick Murphy expressed hope that Cambodia could potentially be able to reclaim its Generalized System of Preferences (GSP) status by 2024.⁵⁸

Conclusion

The GSP established by the United States has played a significant role in Cambodia's economic development and trade expansion. The GSP program significantly boosted Cambodia's export capacities by providing duty-free access to the US market for Cambodian exports, particularly in key sectors such as garments, footwear, and travel goods. However, the expiration of Cambodia's GSP status in December 2020 poses considerable challenges. Without the GSP, Cambodian exports to the US face higher tariffs, which could dampen the country's competitiveness in the global market. The absence of duty-free access is already evident in the downturn of export figures and the pressure on Cambodia's garment and travel goods sectors. These industries, crucial to Cambodia's economic fabric, are now vulnerable to external market fluctuations and competitive pressures from other low-cost producers. Cambodia needs a multifaceted strategy to navigate these challenges and maintain good trade relations with the US. Firstly, Cambodia should prioritize strengthening its relationship with the US. By using diplomatic efforts, Cambodia could advocate for the program's reinstatement. Cambodia should underscore the mutual benefits of GSP, highlighting how it supports economic cooperation, job creation, and market stability. Secondly, Cambodia must align with the updated GSP eligibility criteria, which now encompass broader issues like human rights,

⁵⁶ Malis Tum, "Hun Sen Vows Cambodia 'Will Not Bow Down' to International Pressures," *Voice of America* July 1, 2019, <https://www.voacambodia.com/a/hun-sen-vows-cambodia-will-not-bow-down-to-international-pressures/4981834.html>.

⁵⁷ Vanyuth Chea, "US remains the biggest market for exporters," *Khmer Times*, October 15, 2021, <https://www.khmertimeskh.com/50952218/us-remains-the-biggest-market-for-exporters/>.

⁵⁸ Manoj Mathew, "US envoy hopes Cambodia gets back GSP status," *Khmer Times*, March 7, 2024, <https://www.khmertimeskh.com/501451812/us-envoy-hopes-cambodia-gets-back-gsp-status/>.

environmental protection, and governance. Strengthening democratic institutions, enhancing human rights protections, and enforcing environmental laws will be crucial for Cambodia to meet these new standards.

Renewing Cambodia's Generalized System of Preferences (GSP) status may not be necessary in the long term. While securing GSP benefits remains beneficial in the short term, as it supports the transition from least developed country (LDC) status to a middle-income country and mitigates economic uncertainties, this is a temporary solution. As Cambodia approaches graduation from LDC status and consequently loses its associated preferential economic ties, it is recommended that the country focus on long-term strategies. The country should prioritize developing more secure and sustainable sources of economic funding, such as strengthening economic institutions or promoting foreign direct investment (FDI), which is less susceptible to withdrawal or economic pressures than the US GSP. Cambodia might want to consider diversifying their trade relations beyond their traditional partners like the US or the EU to avoid economic risks in the future as the country navigates around economic challenges. Furthermore, a favorable environment to secure FDI should also be considered to enhance the business cycle within the country, contribute to economic resilience, and reduce vulnerabilities to external shocks after graduating from LDC.

Factors of High Dropout Rates by Rural Students in Cambodia

CHAY Bunhout, CHHORN Kakada, and MOM Jawin

Introduction

Cambodia's rural landscapes are a striking blend of breathtaking beauty and enduring hardship. Despite the nation's strides in development and rapid economic growth over the past decade, the disparity in educational standards between rural and urban schools remains stark.¹ Education in Cambodia's rural communities is not just a response to challenges such as poverty, lack of infrastructure, and limited resources. It is a beacon of hope, a transformative tool that can shape society and foster social development.

This analysis paper is a call to action, urging us to address the issues that rural students face in Cambodia. These issues, including the lack of access to quality education, poverty and financial constraints, and cultural and social barriers, require our attention. By understanding the reasons that contribute to school dropout among rural area students, we can take steps to mitigate these challenges.

Challenges Faced by Rural Students in Cambodia

Lack of Access to Quality Education

Some of the issues that most of the public schools in rural areas are struggling with are large class sizes, a lack of textbooks, and inadequate learning facilities.² Moreover, the low quality of teachers has weakened the standard of education in rural areas in Cambodia. The issues facing Cambodia's educational system include low-quality teacher preparation programs, a lack of a standardized system for evaluating teachers, a lack of opportunities for continued professional development, and the inability to draw highly qualified educators into the teaching

¹ Cambodian Education Forum, "Cambodia's Education System: New Developments and Persistent Challenges," Cambodian Education Forum, September 18, 2023, <https://cefcambodia.com/2023/09/18/cambodias-education-system-new-developments-and-persistent-challenges/>.

² Cambodian Education Forum. (2023, December 20). *Challenges of English language learning and teaching in Cambodia: A case study of Kith Meng Brasat High School*. Cambodian Education Forum. <https://cefcambodia.com/2022/08/31/challenges-of-english-language-learning-and-teaching-in-cambodia-a-case-study-of-kith-meng-brasat-high-school/>

profession.³ In addition, many teachers work two or even three jobs to supplement their income since they earn meager salaries from public schools. This has decreased teaching efficacy because there is less time for preparation and other related overloads. This is a significant problem that contributes to the poor quality of education in public schools, as teachers often focus more on their teaching in private settings and pay less attention to it in public ones.⁴ On top of that, in practically every public school, there is always some corruption between students and teachers. Teachers usually charge students money for their classes or exam papers. Some students may be able to purchase passing grades without having to study or take the test.⁵

Along with a lack of qualified teachers, public schools are frequently too far away from students' homes for them to safely go, especially for young and female students living in the country's most rural areas. Many parents won't let their kids go 5-10 km to school on their own due to human trafficking concerns.⁶ For example, there is one small primary school (grades 1-6) in Prast Chas village, and the nearest secondary school is in the next village, which is 6 km away. For transportation, the majority of kids have only one bicycle per household. Kids who don't own a bike are unlikely to enroll in secondary school.⁷ According to the Cambodian Independent Teachers Association (CITA), "If we look at children aged between 13 and 15, only 26 percent attend school, so 74 percent of children of this age have no access to schooling. This is a severe problem for Cambodian society; if education cannot develop, a country cannot develop."⁸

Poverty and Financial Constraints

³ Phin Chankea, "Teacher Competence and Teacher Quality in Cambodia's Educational Context Linked to In-Service Teacher Training: An Examination Based on a Questionnaire Survey," *International Journal of Educational Administration and Policy Studies* 6, no. 4 (April 30, 2014): 62–69, <https://doi.org/10.5897/IJEAPS2013.0326>.

⁴ "Academia.Edu," accessed June 28, 2024,

https://www.academia.edu/download/29677107/WP39_Hidden_Privatization_Public_Education_Cambodia.pdf

⁵ Monica Kirya, "Education Sector Corruption: How to Assess It and Ways to Address It," *U4 Issue* 2019:5 (2019), <https://www.cmi.no/publications/6878-education-sector-corruption-how-to-assess-it-and-ways-to-address-it>.

⁶ "Cambodia's Education System: History, Challenges, and LWB's Innovative Approach | Love Without Boundaries," accessed June 28, 2024, <https://www.lovewithoutboundaries.com/blog/cambodias-education-system-history-challenges-and-lwbs-innovative-approach/>.

⁷ Marschke, Melissa J., and Fikret Berkes. "Exploring Strategies That Build Livelihood Resilience: A Case From Cambodia." *Ecology and Society* 11, no. 1 (January 1, 2006). <https://doi.org/10.5751/es-01730-110142>.

⁸ Helpinghandscambodia, "Educational Challenges in Rural Cambodia," Helping Hands Cambodia, October 13, 2014, <https://helpinghandscambodia.wordpress.com/2014/10/06/educational-challenges-in-rural-cambodia/>.

Poverty and financial constraints are some of the significant challenges that restrict children from school. In Cambodia, a large number of households struggle to achieve their necessities and live below the poverty line. Even though education is free in rural areas, families must still send their kids to school. According to the World Bank, Cambodia's GDP per capita was USD 1,759, and the poverty rate was around 16.6 percent in 2022.⁹ Hence, schooling is unaffordable for many families due to the expense of purchasing children's required uniforms, textbooks, and transportation such as bicycles (frequently required to travel to schools far away). For instance, in the remote areas of Siem Reap, many households live below the poverty line, where they can earn less than USD 1 per day.¹⁰ This forces them to decide whether to provide their children's education or food. Due to financial constraints, many youngsters in Cambodia are pushed into the labor force to help support their families. Their time to attend school is, therefore, limited or non-existent. As a result, many Cambodian young people old enough to attend secondary school choose to work rather than go to school to support their families.¹¹ Since Cambodia is a developing nation, most people live in poverty. Financial support is currently the most difficult problem for children in Cambodia. Many young people face the challenge of being unable to finance their education.¹²

Cultural and Social barriers

Cultural and societal barriers are one of the other reasons leading to student dropout. Social expectations and culture toward education might influence students. Prejudice based on a person's gender, race, or socioeconomic background are the reasons that can hurt student's decisions. Moreover, parents are often concerned about their child's safety, especially for female students, due to the long distance of school from primary to secondary schools, contributing to an increase in the dropout rate and a decline in school enrolment. This gender gap is less noticeable in cities, but female students from rural areas confront these constraints.¹³

⁹ “World Development Indicators | DataBank,” n.d. <https://databank.worldbank.org/source/world-development-indicators>.

¹⁰ Anika. “Obstacles to Education in Cambodia.” Tales From the Banana Trail, March 19, 2020. <https://trail.bananabackpacks.com/education-in-cambodia/>.

¹¹ John. “Barriers to Education in Cambodia - IPGCE @ UWE.” *IPGCE @ UWE* (blog), May 27, 2024. <https://www.ipgce.com/barriers-to-education-in-cambodia/>.

¹² Voices of youth Cambodia, View All Posts By. “A Financial Barrier Among Cambodian Children.” Voices of Youth Cambodia, January 13, 2020. <https://voicesofyouthcambodia.wordpress.com/2020/01/06/a-financial-barrier-among-cambodian-children/>.

¹³ Cambodia, Unicef. 2020. “WHY ARE EARLY in CAMBODIA? BOYS LEAVING LOWER SECONDARY SCHOOL RESEARCH REPORT.”

Female students face cultural pressure to drop out of school and have children. Families may marry their young daughters because of financial constraints, ensuring that family needs are met before their daughters begin their education. Young people choose to get married because they do not know the long-term benefits of education. Young students choose to marry because they don't know the long-term benefits of education. According to the 2014 Cambodia Demographic and Health Survey (CDHS), 19% of Cambodian young people, or nearly one in five, also get married when still under 18. In the same survey, 2% of people are married before turning 15. Even though this has greatly decreased from 28% of people who were married off before the age of 18 in 1989, the present number is still very alarming because it affects many facets of society². Moreover, students in Cambodia face many challenges due to the lack of support from their community leaders and parents. According to a recent IDELA report, only 17% of parents and other caregivers encourage learning for kids between 3 and 6.5.¹⁴

The Factor Leading to the Dropout Rate

The lack of support and encouragement from family

Some factors, including financial difficulties, a lack of family support, and legal concerns, have led to a high dropout rate among rural students. Furthermore, some children are required to help their parents do some work, such as farming, tending to cattle, and harvesting fish or snails, which hinders their access to school. Pessimism related to hard work and future success is similarly influenced by family wealth. Some parents believe their children's lack of financial resources affects their academic success. While some parents pursue a paid job in a factory or city, others seek training to become car mechanics. Parents are so frustrated with their children and the lack of cognitive development and learning outcomes that they cannot wait for them to finish grade 12.¹⁵ In Cambodia, child labor is common from an early age and contributes greatly to the family financially.¹⁶

https://www.unicef.org/cambodia/media/3371/file/UNICEF_Full_Research%20Report%20Dropout%20Student_English.pdf.

¹⁴ "Education." n.d. Wwww.wvi.org. <https://www.wvi.org/cambodia/work/education>.

¹⁵ Chhaing, Songleng. 2020. "Telephone Number + 855 17686363 Accepted 12 Th." https://doi.org/10.33495/jerr_v9i1.20.191.

¹⁶ Luis Benveniste, Jeffery Marshall, and M Araujo, "Teaching in Cambodia Human Development Sector East Asia and the Pacific Region the World Bank and Ministry of Education, Youth and Sport Royal Government of Cambodia," 2008,

Children in Cambodia still drop out of school because they do not understand its importance. Since most of them are from rural areas, they lack sufficient information. Language difficulties can hinder learning and increase dropout rates. Cambodian children continue to decline in age-appropriate education. Almost 25% of third graders in elementary school cannot write a single word on a dictation exam. Just 27% of children aged 3 to 5 have reading and numeracy skills that are developmentally appropriate, and 55% of young students will have dropped out of school by the time they are 17 years old.¹⁷ Most students' lives are affected by poverty, which sometimes contributes to additional barriers to high school graduation. This reflects the serious financial difficulties young people and their families face in paying for education. The majority of young students cited poverty as their main motivation for quitting lower secondary school or considering doing so. 11 of the 18 young people who had dropped out of school early stated that their main reason for doing so was because they couldn't afford to go to school or that they had to work to support themselves. The inability to afford school was mentioned as another obstacle. Young female and male students in a remote village in Kratie claimed their families couldn't afford to send them to school because it was too far away, and they needed the money for lodging or transportation to get there.¹⁸

Poor Academic Performance and Lack of Motivation

The Cambodian government is more likely to focus on expanding access to education, especially in rural areas. Poor quality of education is the ongoing issue of secondary school dropouts, which may be low teacher quality and poor performance that cause students to drop out of school.¹⁹ Even though all children have the right to an education, regardless of their circumstances, there is still a significant gap between those who live in urban and rural areas. Children's educational barriers are caused by inadequate nutrition, teacher preparation, and early childhood education. The youngsters with disabilities are impacted by discrimination, violence, and lack of infrastructure. Especially in rural areas, parents frequently have difficulty recognizing the importance of education to their kids.²⁰ A survey in 2015 shows that 60% of children were out of school, and 21% dropped out. The shortage of classrooms

¹⁷ Unicef. 2018. "Education." Unicef.org. 2018. <https://www.unicef.org/cambodia/education>.

¹⁸ UNICEF_Full_Research%20Report%20Dropout%20Student_English.pdf.

¹⁹ "New Generation Schools: Addressing Cambodia's Chronic Inability to Deliver Quality Education," n.d., <https://cdri.org.kh/publication/new-generation-schools-addressing-cambodia-s-chronic-inability-to-deliver-quality-education>.

²⁰ UNICEF Cambodia, n.d., <https://www.unicef.org/cambodia/education>.

was around 70%, which resulted in teacher shortages and low learning outcomes, and roughly 8% of 15-year-olds could reach minimum proficiency levels.²¹ One report by the ministry indicates that Cambodia has a significant number of 15-year-olds who cannot achieve at least grade 7. In 2017, only 28% of students were able to reach seven at the age of 15, another 72% were out of school, and students' academic scores in reading, mathematics, and science were below the ASEAN average score. Students are also likely to repeat grades in primary, lower secondary, and upper secondary school, which can be the primary cause of schooling problems.²² Another reason is the increase in school dropouts caused by repeating grades, revealed by PISA-D Cambodia, which shows that boys are more likely to repeat grades than girls.²³

Apart from this, parental involvement seems to be a challenge, especially for parents in rural areas with limited formal education. It is challenging to assist with homework or understand school expectations. Cultural norms can also be identified as the main reason; parents' lack of understanding may also affect their children's ability to meet the required needs.²⁴

Furthermore, children who come from Indigenous ethnic minority communities have the highest chance of dropping out of school. Ethnic minority parents often discourage their children from attending school if their culture and language are disrespected, and early marriage is valued for cultural and economic reasons, leading to school dropouts.²⁵

Health and Safety Concerns

The healthcare system is still lacking in terms of inequality and inefficiency. In such a case, several factors can make up inequality and inefficiency, such as the distribution of power and resources, which is influenced by various factors such as race, gender, class, sexual

²¹ World Bank Group, "Reforms Improve Education Quality Benefitting Half a Million Students in Cambodia," World Bank, August 16, 2023, <https://www.worldbank.org/en/results/2023/08/16/reforms-improve-education-quality-benefitting-half-a-million-students-in-cambodia>.

²² Passing the Test: Is Cambodia's Education System Failing Its People? n.d., <https://www.phnompenhpost.com/special-reports/passing-test-cambodias-education-system-failing-its-people>.

²³ Anika, "Obstacles to Education in Cambodia," Tales From the Banana Trail, March 19, 2020, <https://trail.bananabackpacks.com/education-in-cambodia/>.

²⁴ John, "Parental Involvement in Cambodia Education - IPGCE @ UWE," *IPGCE @ UWE* (blog), May 27, 2024, <https://www.ipgce.com/parental-involvement-in-cambodia-education/>.

²⁵ UNICEF Cambodia, "Early Learning Is Making a Difference for Children From Ethnic Minority Communities," *Medium*, March 17, 2018, <https://medium.com/@UNICEFCambodia/early-learning-is-making-a-difference-for-children-from-ethnic-minority-communities-94d828f652c1>

orientation, gender expression, and other dimensions of individual and group identity.²⁶ We can see the significant gaps between the rural and urban areas; the rural areas often have limited facilities, making basic care less accessible, whereas, in the urban areas, there seem to be more hospitals, clinics, and healthcare centers available. According to the Ministry of Health, it is investing in health and moving toward universal health coverage, achieving through the Sustainable Development Goals (SDGs), and the national health budget doubled in 5 years.²⁷ For another reason, Malnutrition is a multigenerational issue, affecting children and adults, which can lead to health issues for all generations and perpetuate the cycle of malnutrition.²⁸ The World Food Programme is collaborating with Cambodia's government to provide children with sufficient and nutritious meals for better learning and concentration outcomes. One report from 2014-2022 reveals by Cambodia Demography Health Survey data shows that children with a lack of nutrition decreased from 32% to 22%, and children with underweight dropped from 24% to 16%, while emaciated children remained unchanged.²⁹

Way Forward

Cambodia's education system seems to be significantly improving. Still, due to some inequality, the gap between students who live in rural and urban areas cannot be accessed with the same quality of education. Moreover, rural Cambodian students face high dropout rates due to various challenges, including the lack of quality education, financial issues, and cultural and societal barriers. To some extent, the Cambodian government can hand out and implement some regulations to address the challenges faced by the education system, especially for rural students. Governments should invest in schools in rural areas, increase resources for infrastructure improvement and learning materials, and address rural teacher shortages by offering incentives for relocation or investing in rural education training programs. Moreover, teachers must focus on training and invest in ongoing programs to enhance their skills and qualifications, including professional development opportunities, mentoring programs, and updated teaching methodologies. Furthermore, NGOs can significantly contribute to advocating for change and providing direct student support. They

²⁶ Alina Baciú et al., "The Root Causes of Health Inequity," *Communities in Action - NCBI Bookshelf*, January 11, 2017, <https://www.ncbi.nlm.nih.gov/books/NBK425845/>.

²⁷ Yurie Kobashi et al., "Improving the Rural-Urban Balance in Cambodia's Health Services," *International Journal of Health Policy and Management*, July 26, 2020, <https://doi.org/10.34172/ijhpm.2020.136>

²⁸ Food Systems Transformation in Cambodia," *Scaling up Nutrition*, n.d. <https://scalingupnutrition.org/news/food-systems-transformation-cambodia>.

²⁹ Ayman and Ayman, "Concerns Over Child Malnutrition - Khmer Times," *Khmer Times - Insight Into Cambodia*, June 6, 2023, <https://www.khmertimeskh.com/501303622/concerns-over-child-malnutrition/>

can offer scholarships and financial aid, school supplies, and other financial aid to underprivileged students from rural families. The new royal government should implement the pentagonal strategy that it stated about equality and quality of education.

Conclusion

To conclude, we can see that from what has been mentioned above, the key factors that drive dropout among students in rural areas; in such cases, it includes inadequate infrastructure, financial constraints, a lack of parental involvement, and the influence of the in and out of society in terms of cultural barriers and gender inequality could be considered as one of the majority issues as well. Addressing these issues, especially the role of government requires a multilateral approach that must be dealt with carefully by seeking financial support from the government or NGOs. In addition, to encourage students to participate in the education sector, the government may provide scholarships, financial aid, school fees, and other financial assistance to poor students from rural families. The most important thing is to help students plan their study and travel by offering technical or on-the-job skills training. Moreover, the approval of the national budget every year should also take those funds to build schools, improve infrastructure, and provide transportation facilities for students with more conveniences. As the world is approaching the Industrial Revolution 4.0, the New Royal Government prioritizes the quality of education by making education more flexible. In terms of quality of education, students can either study online or offline from school.

US-Philippine Strategic Relations: Previously with China, Now Back with the US?

CHEA Peter, MOGN Sereysovathana, and SOK Hour

Introduction

The US and the Philippines have shared a close relationship since the establishment of official diplomatic relations in 1946. A significant milestone in this relationship is the US-Philippine Mutual Defense Treaty, ratified in 1951. This treaty has been a cornerstone of the bilateral security partnership, facilitating the annual Bilateral Strategic Dialogue (BSD) and reinforcing their alliance.¹ Since 1961, the Philippines has received nearly PHP 290 billion worth of aid and assistance through the United States Agency for International Development.² Economically, the US and the Philippines have a robust trade relationship, with trade valued at around USD 33.2 billion in 2023. The US is the Philippines' largest export market and a significant contributor to its foreign direct investments, highlighting the mutual economic benefits of their partnership.³

However, in an unprecedented move after coming to power in 2016, the Philippines under President Rodrigo Duterte abandoned and derailed decades of historic US-Philippine relations and warmed up to China.⁴ Rodrigo Duterte went for a policy of appeasement surrounding the territorial dispute in the South China Sea in exchange for economic prospects, be they loans, aid, or investments to bolster the Filipino economy.⁵ In 2016 alone, both countries signed USD

¹ United States Department of State, "U.S.-Philippines Relations - United States Department of State", March 19, 2024, <https://www.state.gov/u-s-philippines-relations/>.

² USAID, "Philippines | U.S. Agency for International Development.", July 8, 2021. <https://www.usaid.gov/philippines>.

³ United States Department of State, "U.S.-Philippines Relations - United States Department of State." July 29, 2024. <https://www.state.gov/u-s-philippines-relations-2/#:~:text=The%20United%20States%20and%20the%20Philippines%20have%20a%20strong%20trade.and%20sources%20of%20foreign%20investment>.

⁴ BBC News, "Duterte Declared Philippine President-elect by Parliament," May 30, 2016, <https://www.bbc.com/news/world-asia-36410949>.

⁵ Renato Cruz De Castro, "The Duterte Administration's Appeasement Policy on China and the Crisis in the Philippine-US Alliance," *Philippine Political Science Journal* 38, no. 3 (September 2, 2017): 159–81, <https://doi.org/10.1080/01154451.2017.1412161>.

24 billion worth of deals and 16 “government-to-government agreements.”⁶ That said, Manila seemingly changed course as the succeeding administration of Ferdinand Marcos Jr. decided to undo previously made progress and redirect the Philippines’ relation toward the US. In addition to the frequent high-level engagements between the two sides’ government officials, it is observed that there is an even stronger emphasis on security cooperation, as evidenced by the Philippine-US security pact.⁷ The Philippines’ pivot away and back to the US has presented a rather puzzling phenomenon.

Hence, this paper shall examine and analyze the internal and external factors influencing the Marcos administration's decision to reorient the Philippines away from China and back to the US with stronger ties. Implications of this bilateral relation will also be explored about ASEAN, particularly the organization’s principle of centrality and the region’s security amidst escalating tensions in the South China Sea.

Domestic Factors

In 2022, the Philippines’ National Election marked a notable change in the Philippine’s history. A left-wing party named Partido Federal ng Philippines, chaired by Ferdinand Bongbong Marcos, won a landslide in their 2022 election.⁸ Throughout a domestic change, the Philippines’ foreign policy has experienced transformation under the new presidency. Internal issues like national security, economic development, and domestic political considerations promote US and Philippine ties.

National Security

In August 2023, President Marcos’s administration released its third National Strategic Policy (NSP) 2023-2028.⁹ This document is a set of critical national Philippine strategies that opened its strategies, goals, and objectives to publicity. The NSP marked the West Philippine Sea or

⁶ Jonina A. Fernando, “China’s Belt and Road Initiative in the Philippines,” *East-West Center*, December 16, 2020, <https://www.eastwestcenter.org/publications/china%E2%80%99s-belt-and-road-initiative-in-the-philippines>.

⁷ Aries A. Arugay and Ian Storey, “A Strategic Reset?: The Philippines-United States Alliance Under President Marcos Jr | FULCRUM,” FULCRUM, July 4, 2023, <https://fulcrum.sg/a-strategic-reset-the-philippines-united-states-alliance-under-president-marcos-jr/>.

⁸ Aljazeera. Philippines election: Marcos Jr set for landslide victory. 9 May, 2022. <https://www.aljazeera.com/news/2022/5/9/dictators-son-marcos-holds-commanding-lead-in-philippines-polls>

⁹ National Security Council. National Security Policy 2023-2028.

South China Sea as the key challenge to Philippine security.¹⁰ Reflecting on history, the maritime border, especially in the case of the South China Sea, caused a serious skirmish between the government and the people of both claimant states-Philippines and China.

According to the ISEAS, the State of Southeast Asia Survey in 2024 has listed the Philippines at 64.7%, most concerned about the increase in military tension in the South China Sea, which is increasing by 14.2% compared to the 2023 survey.¹¹ This increased Filipino concern can be traced back to 2023 when the Chinese coast military encountered the Philippine resupply mission ship¹² and blocked, fired water cannons toward the supply boats, and damaged the Philippine fisheries.¹³ As to the threat posed by the Chinese, maritime issues became the priority agenda under the Marcos administration to find a proper measurement in response to Chinese behaviors.

Economic Development

Economic diversification is another critical factor in shaping the Philippines' strategy toward the US. In 2023, the National Economic and Development Authority launched the Philippine Development Plan (PDP) 2023–2028.¹⁴ This blueprint is the five-year plan to transform Manila's economy and society to Ambisyon Natin 2040 (our ambitious 2040). This term is the Philippines' vision to become a prosperous and predominantly middle-income country where there will be no poor in 2040.¹⁵ Thus, the Marcos administration seems to have reset its economic strategy to Washington to foster economic growth and diversify its economy.

The US stands as the Philippines's top five trading partners among China, Indonesia, Japan, and South Korea, with a two-way trade accounted for 36.1 billion in 2022 in trading areas

¹⁰ Ibid

¹¹ ISEAS Yusof Ishak Institute. The State of Southeast Asia: 2024 Survey Report. 2024. <https://www.iseas.edu.sg/centres/asean-studies-centre/state-of-southeast-asia-survey/the-state-of-southeast-asia-2024-survey-report/>

¹² Nei, J & Karen, L. Philippines president summons China envoy over laser incident. *Reuter*. February 14, 2023 <https://www.reuters.com/world/asia-pacific/philippines-files-protest-china-over-use-laser-aggressive-activities-by-vessels-2023-02-14/>

¹³ Reuters. Philippines accuses China of damaging its vessels in the disputed South China Sea shoal. 30 April, 2024. <https://www.reuters.com/world/asia-pacific/chinas-coast-guard-expels-philippine-vessels-scarborough-shoal-state-media-says-2024-04-30/>

¹⁴ National Economic and Development Authority. 2022. "Philippine Development Plan 2023-2028 - Philippine Development Plan." GOVPH. December 16, 2022. <https://pdp.neda.gov.ph/philippine-development-plan-2023-2028/>.

¹⁵ National Economic and Development Authority. 2016. "About AmBisyon Natin 2040 – AmBisyon Natin 2040." Ambisyon Natin 2040. 2016. <https://2040.neda.gov.ph/about-ambisyon-natin-2040/>.

comprising semiconductors, peripherals of computers, automobile parts, electronic devices, foodstuffs, garments, and technology.¹⁶ In addition to these current two-way trade agreements, both sides also seek to strengthen economic ties through the Indo-Pacific Economic Framework for Prosperity (IPEF), which focuses on several agendas, such as high-quality infrastructure, trade development agencies, financial cooperation, trade, investment, and semi-conductor cooperation.¹⁷ This can be reflected in Marcos's statement on the Indo-Pacific Business Form, which aims to attract more investment under the newly upgraded Luzon Economic Corridor.¹⁸

Shifting of Political dynasties

The last factor that made the US and the Philippines recouple was Marcos's administration. The close relationship between the US and the Marcos family significantly impacts the foreign policy of the Philippines and the United States. After the 2022 Philippine national election, President Biden became the first leader to congratulate and recognize Marcos's victory. In addition, both sides also committed to boosting democracy and strengthening the alliance treaty.¹⁹

In just 24 months of his presidency, Marcos has paid three state visits to the United States, including participating in the UNGA in 2022,²⁰ discussing bilateral ties with Biden,²¹ and, lately, attending APEC.²² The notable outcomes of these visits are linked to its policy toward the US, which strengthens economic cooperation, deepens bilateral strategy dialogue, enhances technological cooperation, and mainly focuses on the defense alliance treaty, which both sides signed to issue the Bilateral Defense Guidelines to modernize Philippine defense capability.²³

¹⁶ Department of State. Office of the Spokesperson. US-Philippines Relations. <https://www.state.gov/u-s-philippines-relations/>

¹⁷ The White House. Fact sheet: Celebrating the Strength of the U.S.-Philippines Alliance. 11 April, 2024. <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/11/fact-sheet-celebrating-the-strength-of-the-u-s-philippines-alliance/>

¹⁸ Mico, G. President Marcos's April 2024. Asia Maritime Transparency Initiative. 29 April, 2024. <https://amti.csis.org/president-marcos-april-2024-u-s-visit-key-takeaways/>

¹⁹ The Associated Press. Biden calls to congratulate presumptive Philippine president. *NBC News*. 12 March, 2022. <https://www.nbcnews.com/news/world/joe-biden-ferdinand-marcos-jr-philippines-rcna28458>

²⁰ Republic of the Philippines. Participation of President Ferdinand R. Marcos Jr. to the 77th United Nations General Assembly. 18 September, 2022. <https://rtvm.gov.ph/participation-of-president-ferdinand-r-marcos-jr-to-the-77th-united-nations-general-assembly/>

²¹ Reuters. Biden to meet Philippine President at White House on May 1. 21 April, 2023. <https://www.reuters.com/world/asia-pacific/biden-meet-philippine-president-white-house-may-1-2023-04-21/>

²² Philippines News. Highlight: Marcos at 2023 APEC Summit in San Francisco, Working Visited to LA and Hawaii. 28 November, 2024. <https://www.rappler.com/philippines/updates-marcos-jr-apec-summit-california-visit-hawaii-november-2023/>

²³ US. Department of Department. The United States and the Republic of the Philippines Bilateral Defense Guidelines.

External Factors

The foreign policy of the Philippines under President Ferdinand Marcos Jr. has undergone significant transformation, characterized by a strategic shift from China back to a renewed partnership with the United States. A variety of external factors profoundly influence this shift. These factors could be seen through geopolitical tensions, economic considerations, and broader international strategies. This section examines how the external influences have shaped the Marcos administration's foreign policy.

One of the most critical external factors influencing the Marcos administration's foreign policy is the escalating geopolitical tensions in the South China Sea. The Philippines is one of the claimant states in the South China Sea dispute, and China's increasing assertiveness in this region has raised significant concerns. On June 17, 2024, it was reported that there had been a collision between China and the Philippines' supply ships near the disputed Spratly Islands.²⁴ China and the Philippines were seen blaming each other for the collision. Meanwhile, the U.S. has come forward to release a statement reaffirming U.S. support for the Philippines in the South China Sea. The U.S. reaffirmed its support for the 1951 mutual defense treaty between the two countries and said that it "extends to armed attacks on Philippine armed forces, public vessels, or aircraft — including those of its Coast Guard — anywhere in the South China Sea," Miller noted in a statement Monday—the U.S. efforts to protect the Philippines.²⁵

The United States' efforts to protect the Philippines undeniably highlight its vital role in maintaining and strengthening the bilateral relationship between the Philippines and the U.S. These protective measures, such as military support in the South China Sea, are crucial in ensuring the Philippines' security and sovereignty. Consequently, these efforts are a significant factor that allows the Philippines to continue its strong alliance with the US, reinforcing mutual trust and cooperation in the face of regional challenges.

Economic Considerations

²⁴ "China, Philippines Spar Over Latest Sea Collision Near Second Thomas Shoal," AP News, <https://apnews.com/article/china-philippines-second-thomas-shoal-collision-navy-8c14b945066967189b01d701b17c10ae>.

²⁵ United States Department of State, "U.S. Security Cooperation with the Philippines", <https://www.state.gov/u-s-security-cooperation-with-the-philippines/>.

Economic factors also significantly influence the Marcos administration's foreign policy shift. During President Rodrigo Duterte's tenure, there was a strong push toward closer economic ties with China, including promises of substantial Chinese investments. However, many of these promised investments failed to materialize, leading to growing dissatisfaction. “China has launched just two of the pledged infrastructure projects — a bridge and an irrigation project — and both have hit major snags that could scuttle them altogether,” said Greg Poling, senior fellow for Southeast Asia and director of Asia Maritime Transparency Initiative at the Center for Strategic and International Studies.²⁶

In contrast, the United States remains a significant economic partner for the Philippines. The US is a major market for Philippine exports and a source of development aid and investment. Moreover, US-led economic initiatives, such as the Blue Dot Network, which promotes high-quality infrastructure development, offer new economic opportunities for the Philippines.²⁷ Aligning with the US opens avenues for greater economic aid and investment from other Western allies, providing a more balanced and sustainable economic relationship.

Shifting Alliances and Domestic Influence in Philippine's Foreign Policy

Domestic political considerations are also significant in shaping the Marcos administration's foreign policy. Given the long-standing historical, cultural, and military ties between the Philippines and the United States, public sentiment in the Philippines generally favors the US over China. Therefore, strengthening ties with the US resonates well with the Philippine public and military establishment.

Moreover, President Rodrigo Duterte's efforts to establish a good relationship with China to soften China's assertiveness in the South China Sea have largely failed to achieve the desired outcomes. China has not changed its behavior regarding territorial disputes in the South China Sea. For instance, Beijing refused to cease harassing Filipino fisherfolk operating within the contested waters and even expanded its militarization of the artificial islands in the South China Sea.²⁸

²⁶ Yen Nee Lee, "Philippine President Duterte Fails to Produce Results from Pro-China Stance," CNBC, September 8, 2020, <https://www.cnbc.com/2020/09/08/philippine-president-duterte-fails-to-produce-results-from-pro-china-stance.html>.

²⁷ "Blue Dot Network," U.S. Department of State, <https://www.state.gov/blue-dot-network/>.

²⁸ Frances Mangosing, "Palawan Fishers Report Continuing Chinese Harassment," Inquirer Global Nation, <https://globalnation.inquirer.net/209877/palawan-fishers-report-continuing-chinese-harassment>.

President Rodrigo Duterte's experience showed that China is an unreliable partner. This also marked the beginning of the US-Philippines realignment. Washington poured resources into Manila, the largest recipient of US military assistance in the Indo-Pacific region.²⁹ This has, therefore, marked a new chapter of realignment between the US and restoring benefits regarding military assistance from training, joint exercises, and military aid. Aligning with the US provides continuity and stability, ensuring that the Philippine military remains well-equipped and capable of addressing external threats.

Implications for ASEAN

Strengthening US-Philippine strategic relations can significantly impact ASEAN's regional security and stability. Considering that the US and the Philippines also cooperate on non-traditional security issues such as maritime security, transnational crimes, and cybersecurity, the transfer of knowledge, technologies, and best practices could be further relayed and disseminated among fellow ASEAN member states through regional security practices and capacity building initiatives, which would enhance the security capability of member states as a whole.³⁰ On the other hand, within the particular context of the South China Sea (SCS), with China's unrelenting ambition to designate the SCS as its territory and the Code of Conduct (COC) on the SCS still in limbo, this example of bilateral securitization serves as an alternative means to promote a rules-based order in the region. Without norms and binding laws, enforcement may be achieved through military deterrence and dissuasion. It also acts as a counterbalance against China's power and influence in the region by including another equally powerful state. At the same time, it is crucial to be reminded that this act of bilateral securitization is done out of mutual interests. A stable and secure SCS enables the US to strategically maneuver its military to protect its and its allies' security and prosperity in Asia.

Despite being so, the expectations from the perspective of a small state like the Philippines are being challenged. Feeling the need to legitimize its rhetoric and credibility to the Chinese population, its allies, and the international audience, China chooses to continue engaging in

²⁹ Richard Heydarian, "Reset US-Philippines Relations Tells Yet Another China Fumble," Lowy Institute: The Interpreter <https://www.lowyinstitute.org/the-interpreter/reset-us-philippines-relations-tells-yet-another-china-fumble>.

³⁰ U.S. Department of Defense, "FACT SHEET: U.S.-Philippines Bilateral Defense Guidelines.", 2024. <https://www.defense.gov/News/Releases/Release/Article/3383607/fact-sheet-us-philippines-bilateral-defense-guidelines>.

sporadic clashes, increasing tensions and hostilities.³¹ It can be argued that Beijing is exploiting the opportunity to drive a wedge between ASEAN member states and use this issue as a complaint to further delay the realization of the COC. As a result, the SCS has further destabilized, and discussions surrounding the matter have proven more sensitive and contentious among ASEAN member states with diverging views and interests.³²

The Philippines' reorientation towards establishing a strengthened relationship with the US could undermine ASEAN's principle of centrality about the territorial dispute surrounding the SCS. This is because the delays in the negotiations to establish the COC on the SCS amidst escalating Chinese aggression have prompted the Philippines to seek security reassurance via the US instead. This illustrates Manila's frustration with ASEAN's incapacity as a regional organization to address pressing regional security issues. The Philippines' shift to external assistance thereby signals the potential undermining of ASEAN's ability to chart its course as other claimant states may be inclined to seek bilateral securitization to safeguard its interests. As bilateral securitization would often involve states external to ASEAN, these states would then be given "a point of entry" through the respective ASEAN claimant states to exert their influence in shaping the settlement of the SCS issue by their and, to an extent, the claimants' interests but not necessarily ASEAN interests.

However, it is important to discuss two important matters. First, while the Philippines may be going for, by ASEAN standards, more "provocative" measures to address the currently contentious issue with China, it does not indicate a departure from ASEAN as a dialogue platform. ASEAN member states may pursue bilateral security engagements, but they will only account for each state's interests, which may overlap with those of other states, causing disagreements and potential hostilities. Hence, member states will continue to utilize ASEAN as a collective front to resolve territorial disputes between one another and China. Second, this does not translate to the Philippines looking to abandon efforts already underway to negotiate with China on the terms and conditions of the COC on the SCS. Behind Manila's decision to strengthen relations with the US is its attempt to diversify the pathways that would secure its interests regarding SCS. Should the conclusion of the COC be delayed further and tensions

³¹ Yuchen Li, "South China Sea Clash Raises Fears of Full-blown Conflict," *Dw.Com*, June 26, 2024, <https://www.dw.com/en/south-china-sea-tensions-rise-after-china-philippines-clash/a-69467882>.

³² Gregory B. Poling, "China and America Are Contending for the South China Sea," *Foreign Policy*, August 29, 2022, <https://foreignpolicy.com/2022/08/14/the-united-states-is-deeply-invested-in-the-south-china-sea/>.

continue to escalate, the Philippines will have its enhanced military capacity and the support of the US to bolster the defense of its interests and security. Assuming that the COC is eventually realized, the existing security engagement will be utilized to ensure effective enforcement. In other words, the Philippines is expected to always come out on top regardless.

Conclusion

In conclusion, the shift in Philippine foreign policy under the Marcos administration, from a pro-China stance towards a strengthened alliance with the United States, reflects a complex interplay of internal and external factors. Internally, concerns over national security, exacerbated by Chinese assertiveness in the South China Sea, and the imperative to diversify economic ties have driven Manila's recalibration towards Washington. Externally, escalating geopolitical tensions and the failure of promised Chinese investments have underscored the United States' role as a reliable security and economic partner.

This strategic reorientation holds significant implications for ASEAN's regional dynamics, particularly regarding the South China Sea dispute. While bolstered US-Philippines ties enhance regional security through military deterrence and support for international norms, they also challenge ASEAN's centrality in resolving regional conflicts. The Philippines' pursuit of bilateral security agreements underscores ASEAN's limitations in addressing intra-regional disputes effectively. The Philippines' dual-track approach—strengthening ties with the US while engaging diplomatically with ASEAN and China—aims to secure its national interests amidst evolving regional dynamics. This approach underscores Manila's commitment to navigating complex geopolitical waters while ensuring its economic prosperity and security in the face of regional uncertainties.

Achieving Inclusivity in Cambodia's Digital Economy: Challenges and Opportunities

CHUM Sothealeap and KHIM Sotheara

Introduction

Like many other developing countries, Cambodia is experiencing a major move toward a digital economy. This shift is a part of the government's broader plan to boost economic growth, improve governance, and enhance the quality of life for citizens. Nonetheless, ensuring everyone is included in this digital transition is not easy. Digital inclusion means everyone, including the most vulnerable groups, can access and use information and communication technologies (ICT). This analysis paper will dive into Cambodia's challenges in achieving digital inclusion, using reliable sources and specific data to clearly understand the situation.

Digital Economy and Inclusivity

The "digital economy" means a shift in how we produce, consume, and distribute goods and services. It's also about how our work methods are changing to include more digital products, modernize production, and boost efficiency and productivity thanks to new technology.¹ In short, it's an online marketplace where digital technologies make buying, selling, and trading goods or services easier. It uses the Internet for production and business.²

There are a few critical factors to consider for the shift to a digital economy to work well. First, there must be reliable, widespread internet because it's the backbone of digital infrastructure.³ Second, people need to know how to use digital tools, so digital skills are necessary for everyone to tap into digital services fully.⁴ The third factor is affordability, which is crucial.

¹ The Supreme National Economic Council. 2021. CAMBODIA DIGITAL ECONOMY and SOCIETY POLICY FRAMEWORK 2021 - 2035. OpenDevelopmentCambodia. https://data.opendevelopmentcambodia.net/en/library_record/digital-economy-and-social-policy-framework-of-cambodia-2021-2035/resource/b543c324-e2da-4f8c-84c1-64c636dad260.

² The Supreme National Economic Council. 2021. CAMBODIA DIGITAL ECONOMY and SOCIETY POLICY FRAMEWORK 2021 - 2035. OpenDevelopmentCambodia. https://data.opendevelopmentcambodia.net/en/library_record/digital-economy-and-social-policy-framework-of-cambodia-2021-2035/resource/b543c324-e2da-4f8c-84c1-64c636dad260.

³ "Factors for Successful Digitalization | ILO/Cinterfor." n.d. <https://www.oitcinterfor.org/en/digitalizacion/factors-successful-digitalization>.

⁴ "Factors for Successful Digitalization | ILO/Cinterfor." n.d. <https://www.oitcinterfor.org/en/digitalizacion/factors-successful-digitalization>.

Cost-effective access to the internet and devices ensures that all segments of the population can participate in the digital economy.⁵ Finally, a supportive regulatory environment is necessary, with laws and regulations that encourage digital innovation while protecting users and fostering trust and security in digital.⁶

Digital Inclusivity in Cambodia

“Digital inclusion describes the effort to ensure that every individual and community has access to Information Communication Technology (ICT), along with the skills to use it.”⁷ An inclusive digital economy aims to ensure that everyone, regardless of their background or circumstances, has the opportunity to participate in and benefit from the digital economy. This means providing access to affordable and reliable internet, digital skills training, and opportunities to use digital technologies to improve their lives and livelihoods.

In Cambodia, the push for inclusivity is still a work in progress as part of the first phase of the Digital Economy and Society Roadmap for 2021-2035, which aims to build digital foundations and encourage digital adoption.⁸ The country has made good progress in its ICT infrastructure, especially with mobile internet, boasting over 19 million mobile internet subscribers in 2023, showing a big jump in mobile connectivity and usage.^{9,10} Nonetheless, most of the digital adoption is happening in urban areas. There is still room for improvement when it comes to the overall quality of service. If we compare it to other ASEAN countries, Cambodia’s readiness for a digital economy is still low, and it is facing challenges in developing human resources, adopting new technologies, and improving infrastructure.¹¹

⁵ Pirun, Chan, Chhem Siriwat, and Nay Darlin. 2021.

[https://www.nbc.gov.kh/download_files/macro_conference/english/S6_Development_Cambodia_Digital Economy Youth Perspective.pdf](https://www.nbc.gov.kh/download_files/macro_conference/english/S6_Development_Cambodia_Digital_Economy_Youth_Perspective.pdf).

⁶ “Factors for Successful Digitalization | ILO/Cinterfor.” n.d.

<https://www.oitcinterfor.org/en/digitalizacion/factors-successful-digitalization>.

⁷ Kloza, Brad. 2023. “What Is Digital Inclusion? The Global Effort to Bring Everyone Online.” Connecting the Unconnected. January 3, 2023. <https://ctu.ieee.org/what-is-digital-inclusion-the-global-effort-to-bring-everyone-online/>.

⁸ “Digital Economy and Business Committee - DEBC.” n.d. Digital Economy and Business Committee - DEBC. <https://digitaleconomy.gov.kh/index?lang=en>.

⁹ Kemp, Simon. 2023. “Digital 2023: Cambodia — DataReportal – Global Digital Insights.” DataReportal – Global Digital Insights. February 13, 2023. <https://datareportal.com/reports/digital-2023-cambodia?rq=digital%20%202023%3A%20Cambodia>.

¹⁰ Mom, Kunthear. 2024. “Manet Lauds Digitalisation Progress.” The Phnom Penh Post. March 11, 2024. <https://phnompenhpost.com/national/manet-lauds-digitalisation-progress>.

¹¹ Freedom House. n.d. “Cambodia.” Freedom House. https://freedomhouse.org/country/cambodia/freedom-net/2021#footnote9_mxw6b74.

Challenges of Inclusivity in Cambodia's Digital Economy

Digital Divide

One main issue is the “Digital Divide.” This term refers to the gap in internet access and device ownership between wealthy and poor people and between urban and rural communities. A study done in 2023 found that about 67.5% of Cambodians are internet users, with a larger percentage in cities like Phnom Penh. More than half of the population still resides in the countryside, which is very disadvantaged in terms of Internet connection and device ownership.¹²

Access to the internet also varies in connectivity and quality. 4G is a service that can be found most particularly in urban cities, giving areas like Phnom Penh an edge, and there is an ever-vanishing scarcity of fiber-optic connections. In contrast, many rural areas still rely on slower 3G connections, with some remote areas lacking mobile internet coverage.¹³ Many rural areas experience difficulties, including slower internet speeds, which restrict their participation in the internet economy. This challenge is further compounded by the expensive price tag for devices, especially for most rural and low-income families. The combination of these factors creates a barrier to achieving digital inclusivity.

The Lack of Digital Literacy

Digital literacy and skills are crucial for meaningful participation in the digital economy. Nevertheless, in this category, Cambodia still struggles, as a large amount of the population remains unskilled when it comes to the use of digital devices. Chea Vandeth, who is the Minister of Posts and Telecommunications in Cambodia, has noted that almost only 30 percent of Cambodian people have some form of digital literacy and can access the internet and other technologies. Unfortunately, about 70% of the population still does not have these crucial skills, which sets barriers to utilizing technology and tapping into digital public services in the future.¹⁴

¹² Freedom House. n.d. “Cambodia.” Freedom House. <https://freedomhouse.org/country/cambodia/freedom-net/2023>.

¹³ “3G / 4G / 5G Coverage in Phnom Penh - nPerf.com.” n.d. <https://www.nperf.com/en/map/KH/1821306.Phnom-Penh/208642.Smart-Mobile/download?ll=11.695810636643&lg=105.83149346608221&zoom=8>.

¹⁴ Nai, Ngay. 2022. “Government, Unesco Developing Digital Literacy Plan for Cambodians.” *CamboJA News*, June 27, 2022. <https://cambojanews.com/government-unesco-developing-digital-literacy-plan-for-cambodians/>

Key challenges in developing digital skills include basic literacy in tech¹⁵, advanced digital skills¹⁶, English proficiency¹⁷, and keeping up with the rapid changes in technology.¹⁸ Many Cambodians, especially in rural areas and older age groups, cannot perform simple functions like using a smartphone, browsing the net, or sending emails. There's also a shortage of people with high-level qualifications in areas like programming, data analysis, and cybersecurity, which are important in today's digital economy. The language barrier is also a factor, as a lot of the content on the internet and some digital tools are in English, which sets a barrier for many Cambodians to use the internet.

Opportunities for Inclusivity in Cambodia's Digital Economy

Despite significant challenges in affordability and accessibility, there are many opportunities to increase digital inclusion in Cambodia. These opportunities cover policy initiatives, technological progress, and joint efforts between the public and private sectors.

The adoption of the National Economic and Social Digital Policy Framework 2021-2035 provides a comprehensive roadmap for digital transformation in Cambodia.¹⁹ This framework sets targets for digital infrastructure, government, citizenship, and businesses to promote more comprehensive digital development and create opportunities for more inclusive digital development.

Education and digital literacy programs provide another important opportunity. The Ministry of Education, Youth and Sport has integrated ICT education into the national curriculum, which provides a foundation for equipping the younger generation with essential digital

¹⁵ Ry, Sochan. 2024. "ASEAN Review Notes Digital Literacy Gap Despite High Access to Internet." The Phnom Penh Post. March 21, 2024. <https://phnompenhpost.com/national/asean-review-notes-digital-literacy-gap-despite-high-access-to-internet>.

¹⁶ Horng, Pengly, and Pengly Horng. 2024. "Cambodia Launches Digital Skills Roadmap for 2024-2035 - Khmer Times." Khmer Times - Insight Into Cambodia. April 5, 2024. <https://www.khmertimeskh.com/501468093/cambodia-launches-digital-skills-roadmap-for-2024-2035/>.

¹⁷ Roth, Vathana, Sopheak Song, Phal Chea, Sopheap Seng, and Samboeun Hean. 2021. "Demand for and Supply of Digital Skills in Cambodia." CDRI. November 30, 2021. <https://cdri.org.kh/publication/demand-for-and-supply-of-digital-skills-in-cambodia>.

¹⁸ Roth, Vathana, Sopheak Song, Phal Chea, Sopheap Seng, and Samboeun Hean. 2021. "Demand for and Supply of Digital Skills in Cambodia." CDRI. November 30, 2021. <https://cdri.org.kh/publication/demand-for-and-supply-of-digital-skills-in-cambodia>.

¹⁹ The Supreme National Economic Council. 2021. CAMBODIA DIGITAL ECONOMY and SOCIETY POLICY FRAMEWORK 2021 - 2035. OpenDevelopmentCambodia. https://data.opendatacambodia.net/en/library_record/digital-economy-and-social-policy-framework-of-cambodia-2021-2035/resource/b543c324-e2da-4f8c-84c1-64c636dad260.

skills.²⁰ Expanding efforts to promote digital literacy and implementing adult education programs will help more people use affordable internet access when it becomes available.

The National Institute of Posts, Telecoms & ICT (NIPTICT) offers various ICT training programs, including short courses and degree programs in technology-related fields, which can help address the skills gap.²¹ Moreover, private sector initiatives such as the Smart Axiata Digital Education program also provide youth training.²² This includes basic and advanced digital skills, and with clear plans for these opportunities, Cambodia can move towards a more inclusive digital economy.

Existing Efforts and Gaps

Digital Connectivity

To reach this ambitious level of digital transformation, Cambodia needs to develop a robust and inclusive digital infrastructure. The Cambodia Digital Economy and Social Policy Framework 2021-2035 has outlined a vision to expand internet access and improve connectivity nationwide.²³ The existing development, such as the Smart Axiata-CFOCN partnership and the Cambodia-Hong Kong submarine cable project demonstrate progress, but more gaps still remain.

To give some insight on this developing progress, the Smart Axiata-CFOCN partnership does align with the above framework's goal, which is to enhance internet quality, reliability, and availability.²⁴ Similarly, the submarine cable project, set for completion in 2025, will further

²⁰ Policy and Strategy for ICT in Education -Ministry of Education, Youth and Sport. n.d. OpenDevelopmentCambodia. Accessed June 29, 2024.

https://data.opendevdevelopmentcambodia.net/km/dataset/12d01331-f493-4f96-90b7-b17aea0607c6/resource/687a06db-fe5e-4608-9497-e2a2ab6a44e5/download/policy_and_strategy_on_information_and_communication_technology_in_education_en_07.05.2018.pdf.

²¹ “NIPTICT OFFICIALLY REBRANDED TO CADT.” 2021. CADT. November 8, 2021.

<https://www.cadt.edu.kh/news/announcement-niptict-national-institute-rebranded-to-cambodia-academy-of-digital-technology-cadt/>

²² “Sustainability Report 2021.” n.d. Smart Axiata. <https://www.smart.com.kh/articles/29/sustainability-report-2021>.

²³ Royal Government of Cambodia. “Cambodia Digital Economy and Society Policy Framework 2021-2035.” Prepared by the Supreme National Economic Council, May 2021.

<https://asset.cambodia.gov.kh/mptc/media/EN-Policy-Framework-of-Digital-Economy-and-Society.pdf>

²⁴ Kiripost. 2024. “Smart Axiata and CFOCN Forge Long-Term Partnership to Elevate Cambodia’s Internet Connectivity.” March 27, 2024. <https://kiripost.com/stories/smart-axiata-and-cfocn-forge-long-term-partnership-to-elevate-cambodias-internet-connectivity>

increase data needs, which can boost international connectivity.²⁵ These projects strengthen Cambodia's digital infrastructure and deepen ties with China. However, achieving the ambitious goal of providing 95% of the population with high-speed internet access, as outlined in the 2021-2035 Framework, will require further efforts.

According to the Speedtest Global Index, in May 2024, there were 9.66 million internet users in Cambodia, with an internet penetration rate of 56.7%. Moreover, the report showed that 11.65 million Cambodians are active social media users, which is 68.4% of the total population.²⁶ However, one issue remains the slow internet speed. The country's median mobile internet speed is only 26.24 Mbps, ranking 102nd globally, and the median broadband internet speed is 46.31 Mbps, ranking 109th globally.²⁷ Furthermore, with Phnom Penh's median mobile internet speed of 33.02 Mbps, other parts of the country, especially rural areas, are experiencing much lower speeds.

This suggests that there is a digital divide between urban and rural areas, reflecting a lack of decent infrastructure that limits the ability to participate in the digital economy. It also shows that, even with ongoing projects, many Cambodians do not yet see the benefits of better internet access.

Financial Technology (FinTech) Infrastructure and Digital Payment Systems

Cambodia's digital transformation is being driven by a growing FinTech sector. The government's push for modernization can be seen in projects like the Bakong system, standardized QR codes, and the Cambodian Shared Switch (CSS).²⁸ These developments have made a noticeable difference in the digital economy, helping boost e-commerce and financial inclusion.

²⁵ Ravindran, Sreekanth. "Sihanoukville-HK Submarine Optical Fibre Cable to Be Completed in 2025." Khmer Times. November 15, 2023. <https://www.khmertimeskh.com/501392260/sihanoukville-hk-submarine-optical-fibre-cable-to-be-completed-in-2025/#:~:text=The%20nearly%203%2C000%2Dkilometer%20submarine.with%20Cambodia%20on%20digital%20infrastructure>

²⁶ Kemp, Simon. 2024. "DIGITAL 2024: CAMBODIA." DataReportal. February 23, 2024. <https://datareportal.com/reports/digital-2024-cambodia>

²⁷ "Speedtest Global Index: Median Country Speeds." May 2024. Speedtest. Ookla. May 2024. <https://www.speedtest.net/global-index>

²⁸ David, Rachel. "Cash Usage in Cambodia Goes down as Bakong Payments Pick Up." Khmer Times. March 25, 2024. <https://www.khmertimeskh.com/501460210/cash-usage-in-cambodia-goes-down-as-bakong-payments-pick-up/>

This implemented system has made it easier, safer, and more affordable to make transactions between institutions. The e-commerce environment has increased, making it more efficient and secure for businesses and consumers on an online marketplace. It also witnessed a rise in financial inclusion, with 19.7 million registered e-wallet accounts, suggesting more people are accessing the formal financial system.²⁹

The policy framework of "Cambodia Digital Economy and Society Policy Framework 2021-2035" provides the basic planning for Fintech development that involves both banking and non-banking sectors. On this note, the Non-Bank Financial Services Authority (NBFSA) is pushing Fintech development with the non-banking sector in order to embrace innovation that can widen financial products and services for Cambodian needs.³⁰ As outlined in the 2023-2028 Financial Technology Development Policy, banking, and non-banking sectors will be integrated to make the FinTech environment more comprehensive.³¹

Though these are the developments, there are still challenges to achieving truly inclusive Fintech growth. Despite the data on transactions revealing overall growth, there is a need to conduct further in-depth analysis to understand the distribution of user demography and geography on e-wallet usage. The aim of this analysis is to look more closely at underserved communities, specifically those in remote or rural areas. This concern was revealed by the Phnom Penh Internet Forum in 2023, which marginalized groups, including indigenous communities, regarding accessing the internet and participating in digital training programs.³²

Digital Citizen

Cambodia's Ministry of Education, Youth, and Sport (MoEYS) launched the "Sala Digital" platform to improve digital infrastructure within the education field. This is an online learning environment that has garnered great interest, having over 89,000 users within the period of two months.³³ This platform hosts different educational materials, downloadable ebooks, and

²⁹ "NBC Annual Report 2023." National Bank of Cambodia. May 10, 2024. https://www.nbc.gov.kh/download_files/publication/annual_rep_eng/NBC%20Annual%20Report%202023%20Eng.pdf

³⁰ Socheata, Van. "NBFSA Drive Digital Society of Non-Bank Use of Fintech." Phnom Penh Post. October 24, 2023. <https://www.phnompenhpost.com/business/nbfsa-drive-digital-society-non-bank-use-fintech>

³¹ Socheata, Van. "NBFSA Drive Digital Society of Non-Bank Use of Fintech." Phnom Penh Post. October 24, 2023. <https://www.phnompenhpost.com/business/nbfsa-drive-digital-society-non-bank-use-fintech>

³² Nimol, Seoung. "Rural and Indigenous Communities Still Struggle with Internet Access." *CamboJA News*, June 6, 2023. <https://cambojanews.com/rural-and-indigenous-communities-still-struggle-with-internet-access/>

³³ Sotheary, Som. "Ministry's Digital Learning Platform Gains about 90,000 Users." *Khmer Times*. January 3, 2024. <https://www.khmertimeskh.com/501416884/ministrys-digital-learning-platform-gains-about-90000-users/>

lessons on STEM subjects (Science, Technology, Engineering, and Mathematics) that best serve students, teachers, and experts who can contribute content. Moreover, the platform operates in the local language, which is a positive step in bridging the educational gap. This is very helpful for students in remote areas, where they can access these resources for self-learning.³⁴

However, the Sala Digital platform still contains gaps, specifically in its long-term impact. One critical challenge is the low digital literacy rate among Cambodians, where only 30% of the population possess basic media and digital literacy skills, according to the ASEAN Foundation report.³⁵ The low rate is one factor that significantly hinders students' ability to effectively make great use of the platform for a broader digital landscape.

Despite demonstrating strong critical thinking abilities (62.2% according to the ASEAN Foundation report), Cambodian people cannot still effectively use those skills in a digital world as it requires them to understand how to use different tools.³⁶ Despite its smaller-scale teacher training effort, Sala Digital represents a crucial first step. The platform can foster self-directed learning and critical thinking by providing students with Khmer language resources and encouraging exploring various subjects. This means that to maximize impact and empower students to become effective digital learners, it is necessary to equip them with fundamental digital literacy skills.

One essential step taken by the MoEYS is the initiative to provide training courses for 200 high school teachers on utilizing Sala Digital and Open Educational Resources (OER). This is an important approach to addressing the digital literacy gap. However, despite this first step, the current scope is still limited, as it only targets ten high schools in the country, meaning that there is a minimal impact on the student population.³⁷ This limitation means that Cambodia has to continuously and proactively work to increase the scope to target more students. Moreover,

³⁴ Ibid

³⁵ “One Divide or Many Divides? Underprivileged ASEAN Communities’ Meaningful Digital Literacy and Response to Disinformation.” ASEAN Foundation. May 6, 2024
https://assets.nationbuilder.com/aseanfoundationorg/pages/937/attachments/original/1710921777/ASEAN_DLP_Research_Report_-_One_Divide_or_Many_Divides.pdf?1710921777

³⁶ “One Divide or Many Divides? Underprivileged ASEAN Communities’ Meaningful Digital Literacy and Response to Disinformation.” ASEAN Foundation. May 6, 2024
https://assets.nationbuilder.com/aseanfoundationorg/pages/937/attachments/original/1710921777/ASEAN_DLP_Research_Report_-_One_Divide_or_Many_Divides.pdf?1710921777

³⁷ Pich Zelin, Bor. “Ministry Conducts Digital School Training.” Phnom Penh Post. March 19, 2024.
<https://www.phnompenhpost.com/national/ministry-conducts-digital-school-training>

expanding teacher training programs to include a broader range of schools and educational levels (primary and lower secondary) is another approach to achieving equitable access to the platform.

Another gap is sustaining the platform's content development. Though the current academic content is still fundamental, there still need to be ways to update the resource pool. This means it will require a long-term strategy. One way to achieve this can be by encouraging contributions from teachers and experts by providing small incentives or program recognition.

Recommendations

For Cambodia to achieve a robust digital economy ecosystem, it demands varied strategies in solving both infrastructure and human capital development. One inspiration Cambodia can take from including South Korea and India. Their approaches such as leveraging public-private partnerships, investing in teacher training, and expanding internet connectivity to close the digital divides, are examples Cambodia can learn from.

Infrastructure Development through Public-Private Partnerships (PPPs)

A strong digital infrastructure is the foundation of effective digital education. Expanding internet connectivity, especially in rural areas, is essential. To accelerate Cambodia's digital connectivity, a Public-Private Partnership (PPP) model offers a proven path forward, as evidenced by India's successful BharatNet initiative. BharatNet is a government-led project to provide high-speed internet to rural areas by connecting over 250,000-gram panchayats through an extensive optical fiber network.³⁸ This project, supported by the central government's Viability Gap Funding (VGF) program,³⁹ has been crucial in attracting private investment, resulting in over 935 million broadband connections nationwide as of May 2024.⁴⁰

Cambodia can draw valuable lessons from BharatNet by adopting a similar PPP approach. Cambodia can rapidly expand its digital infrastructure by engaging private sector expertise and

³⁸ Aryan, Aashish. "PPP Model of BharatNet: DoT Starts Meets, Hopes to Float Bid by Sept-End." The Indian Express, August 31, 2021. <https://indianexpress.com/article/business/economy/ppp-model-of-bharatnet-dot-starts-meets-hopes-to-float-bid-by-sept-end-7479125/>

³⁹ "Viability Gap Funding for BharatNet Project." PadhaiKaro. July 1, 2021. <https://www.padhaikaro.com/ca-details/news/viability-gap-funding-for-bharatnet-project>

⁴⁰ "Highlights of Telecom Subscription Data as on 31st May, 2024." July 16th 2024. Telecom Regulatory Authority of India. https://traai.gov.in/sites/default/files/PR_No.40of2024_0.pdf

investment, particularly in underserved rural areas. The government's role in offering a conducive regulatory environment and financial incentives, similar to India's VGF, will be critical in attracting private partners. This collaborative model can greatly improve the speed and efficiency of rolling out broadband infrastructure nationwide.

The success of this partnership will rely on careful planning and execution. This requires selecting reliable private partners with clear objectives, establishing performance metrics, and implementing strong monitoring mechanisms. Additionally, it demands this partnership to play a leading role in making the Internet more accessible and affordable, which can improve digital literacy among the population. With this approach, Cambodia can journey to a more inclusive digital economy as it will not leave anyone behind, particularly those from the remote areas.

Investing in Human Capital

Cambodia's aim is to reach this digital status, but it requires a well-defined roadmap for long-term success. Acknowledging that there is a difference in socio-economic status, South Korea's EdTech is still a model that Cambodia can learn from and inspire to strengthen and modernize the educational sector.⁴¹

To provide context on EdTech, it is short for educational technology, which refers to the use of technology to improve the teaching and learning process.⁴² The government has played a leading role in integrating technology into education in South Korea. To this day, their achievement includes adopting smart classrooms, online learning platforms, and blended learning models.

One of the main challenges holding Cambodia back from achieving its digital education goals is the lack of digital infrastructure, especially in rural areas. Public-private partnerships with telecom companies play a key role in addressing this, particularly by expanding internet access and making it more affordable in places that need it most. The PPPS has been actively pursuing this mission in the digital business landscape.⁴³ However, it is also time for them to direct their

⁴¹ Seo, Jongwon. "Digital Transformation of Education: The Case of South Korea." UNESCO Digital Library. <https://unesdoc.unesco.org/ark:/48223/pf0000387833>

⁴² "South Korea Education Technology." International Trade Administration. September 14, 2023. <https://www.trade.gov/market-intelligence/south-korea-education-technology>

⁴³ Raksa, Sok. "Public-Private Partnership Drives Cambodia's Digital Business Landscape." Phnom Penh Post. August 19, 2023. <https://www.phnompenhpost.com/business/public-private-partnership-drives-cambodias-digital-business-landscape>

efforts toward the educational sector. By addressing infrastructure challenges, Cambodia can achieve an inclusive digital education system and bring its benefits to underserved citizens in remote areas.

Additionally, the Information and Communication Technology (ICT) training programs must be extensive, equipping teachers with necessary digital literacy skills. The Ministry of Education, Youth, and Sport (MoEYS) initiated reforms in late 2023 to develop teachers' skills in content, pedagogy, teaching methods, and the use of technology.⁴⁴

As Cambodia is still in its early stages, the government needs to implement more relevant approaches to reach desired outcomes in a shorter time frame. Part of this requires the training programs to go beyond basic computer operation by integrating technology into lesson plans, utilizing online resources, and fostering critical thinking skills in a digital environment. To maximize program reach, the MoEYS could consider adopting Vietnam's cascade model, where trained teachers become trainers for their colleagues.⁴⁵ This approach would require the MoEYS to monitor and facilitate these training sessions, improving the efficiency of disseminating digital knowledge.

Conclusion

Cambodia's digital transformation brings many opportunities, but the country has to tackle several challenges. Bridging the digital divide, particularly in rural areas, requires more than just access to technology; it also depends on equipping citizens with the skills to use it effectively.

Public-private partnerships are important, and the government should manage this collaboration to ensure that decent-quality internet broadband is both accessible and affordable, especially for those in rural areas. Government support for FinTech initiatives can further extend financial services to communities lacking traditional banking. In addition, improving and expanding ICT training for teachers and the general public will help boost digital literacy among the population, as the world is unstoppably heading to the digital world.

⁴⁴ Punreay, Hang. "Education Ministry Reforms Teacher Methodology, Use of Technology." Khmer Times, December 13, 2023. <https://www.khmertimeskh.com/501406035/education-ministry-reforms-teacher-methodology-use-of-technology/>

⁴⁵ "Education Projects: School Readiness and Escuela Nueva." World Bank. May 7, 2019 https://ieg.worldbankgroup.org/sites/default/files/Data/reports/ppar_vietnamschool.pdf

Achieving this vision demands a significant focus on bridging infrastructure, skills, and inclusion gaps. Cambodia is at the doorway of a new digital era, and its success will depend on the country's commitment to rising to these challenges and ensuring no one is left behind.

Alcohol and Tobacco Control Policy: Implications and the Ways Forward for Cambodia

EOENG Kanhara and SONG Sokvimean

Introduction

According to a study by the Japanese company Kirin, the beer consumed in Cambodia increased by 27.1 percent in 2021 to 124,200,000 kiloliters.¹ The Organization for Economic Cooperation and Development (OECD) also reported that the level of alcohol consumption among Cambodians aged 15 to 19 was among the highest in ASEAN. Over 42 percent of males aged 15 to 19 are current drinkers, and 27 percent for females.² Meanwhile, the prevalence of tobacco consumption in the general population has declined from 16.6 percent in 2014 to 13.04 percent in 2021, and it is expected to decrease further to under 12 percent by 2025, according to the findings of Cambodia's National Adults Tobacco Survey 2021.³ However, the prevalence of tobacco use among youth is increasing, with 2.9 percent of young males and 1.9 percent of young females currently smoking, according to the joint statement by Southeast Asia Tobacco Control Alliance, World Health Organization, and Cambodia Movement for Health.⁴ Furthermore, the World Health Organization has reported that approximately 2.4 million Cambodians aged 15 and older use some form of tobacco products.⁵ The high level of alcohol and tobacco consumption in Cambodia, particularly among teenagers, reflects the ineffectiveness of law and regulation, advertisement effect, and unfair competition of domestic and international alcoholic and tobacco products. This shows the need for further strengthening of existing laws and regulations.

¹ Meas Molika. 30 January 2024. "Cambodia spend \$2.3B annually on beer". Kiripost. Available at <https://kiripost.com/stories/cambodians-spend-23b-annually-on-beer>

² The Organization for Economic Cooperation and Development (OECD). 2011. "Key issues affecting youth in Cambodia". Available at <https://www.oecd.org/social/inclusivesocietiesanddevelopment/youth-issues-in-cambodia.htm>

³ Shukla, Shobha, and Bobby Ramakant. "Smoking Rates Decline In Cambodia But Challenges Remain To #endTobacco." Scoop Media. February 26, 2023. <https://www.scoop.co.nz/stories/WO2302/S00183/smoking-rates-decline-in-cambodia-but-challenges-remain-to-endtobacco.htm>

⁴ Khouth, Sophak Chakrya. "Health experts call for more tobacco taxes to save lives." Phnom Penh Post. April 24, 2019. <https://www.phnompenhpost.com/national/health-experts-call-more-tobacco-taxes-save-lives>

⁵ WHO Cambodia. "Cambodia continues to make strides in tobacco control." May 28, 2021. <https://www.who.int/cambodia/news/detail/28-05-2021-cambodia-continues-to-make-strides-in-tobacco-control#:~:text=Approximately%202.4%20million%20Cambodians%2C%20or,among%20the%20poorest%20i n%20Cambodia.>

Alcohol Consumption in Cambodia

In Cambodia, alcohol consumption is high and is accepted culturally. According to the Ministry of Health, there are three different consequences caused by alcohol consumption: immediate, intermediate, and long-term consequences. Intermediate consequences include traffic accidents, violence, and financial loss. Long-term consequences include non-communicable disease, disability, health care and productivity costs, and economic burden for family and society.⁶ Alcohol consumption also influences the functions of the brain, causing loss of self-control and traffic accidents. The Ministry of Interior reported that traffic accidents increased 341 times in 2023 compared to 2022. There are several causes for rising alcohol consumption in Cambodia, such as alcohol advertisements, marketing strategies, and ineffectiveness of laws and regulations.

Alcohol advertisements have been a significant factor in promoting alcohol. Alcohol advertisements account for half of all beverage advertisements, estimated to be over US\$100 million annually. In 2014, the Ministry of Information announced that alcohol advertisements would be prohibited from all traditional media, such as TV, radio, and magazines.⁷ However, the prohibition has had limited effect due to the lack of enforcement. As the WHO reports, per capita alcohol consumption in Cambodia continued to rise from 2010 to 2016.⁸ Currently, the new Prime Minister Hun Manet has directly instructed relevant authorities to review the advertising of alcoholic beverages, especially on billboards, television, and radio.⁹ In collaboration with the Ministry of Health and the Ministry of Commerce, he also asked the Ministry of Information to establish a precise new code of conduct to regulate all alcohol advertisements. The review also introduces an advertising code to help reduce the number of traffic accidents and ensure appropriate and not excessive alcoholic advertising. On July 15, 2024, the governor of Takeo province granted one week to sellers and vendors of alcoholic

⁶ The Ministry of Health Nation Religion King. April 2013. “National Policy and Strategic Plan for the Reduction of Use of Alcohol, 2013-2017”. Available at <https://adobeacrobat.app.link/Mhhs4GmNsxb>

⁷ Serey Pichenda. 4 October 2024. “Government Expands Ban on Alcohol Advertisement”. The Khmer Times. Available at <https://www.khmertimeskh.com/51725/government-expands-ban-on-alcohol-advertisements/>

⁸ Movendi International. 12 January 2024. “Cambodia: Government takes action to better protect people from alcohol advertising”. Available at <https://movendi.ngo/news/2024/01/12/cambodia-government-takes-action-to-better-protect-people-from-alcohol-advertising/>

⁹ Torn Vibal. 5 February 2024. “PM calls for code to regulate alcoholic beverage”. The Khmer Times. Available at <https://www.khmertimeskh.com/501434292/pm-calls-for-code-to-regulate-alcoholic-beverage-advertising/>

drinks to remove all billboards and signage.¹⁰ Two days afterward, the provincial administration of Kratie province instructed city and district administrations to notify business owners to remove the ads in the province within 15 days. In addition, Battambang also launched a pilot project to prohibit the sale of alcohol and cigarettes to students or individuals under 18 in Battambang town and Bavel district.¹¹ The Cambodia Movement for Health (CMH) executive director noted that removing alcohol billboards is a positive initiative due to its significant impact on society.

Marketing is also a reason why there is increasing alcohol consumption in Cambodia. There are no restrictions or regulations on alcohol merchandising, promotion, or sponsorship. To promote consumption, many alcohol industries are using market strategies such as recruiting influencers such as brand ambassadors, vivid designs of cans or bottles, prizes, sponsorships for concerts, competitions, sports events, and so on. A recent televised boxing event even featured an exaggerated advert where the young people opened beer cans, competing for prizes and drinking in the center of the ring.¹²

Addressing the issue of alcohol consumption in Cambodia also requires attention to the lack of comprehensive laws and regulations governing its sale and use. While a draft law on alcohol regulation was initially introduced in 2015, the progress towards its enactment has been slow.¹³ Specifically, the draft law on alcohol regulations includes 11 chapters with 39 articles aiming to regulate alcohol sales and use effectively. Despite efforts to establish a legal minimum drinking age of 21 and subsequent discussions aiming for 18, extensive bureaucratic processes have hampered the finalization and approval of this law. The law was drafted in 2014, with the legal drinking age of 21.¹⁴ In January 2023, there is a meeting among relevant stakeholders in Phnom Penh to hold a formal dialogue on the possibility of adopting a Legal Purchase Age (LPA) of 18 in Cambodia, one of the few countries in the

¹⁰ The Khmer Times. 15 July 2024. “Vendors given a week to remove alcohol ads in Takeo”. Available at <https://www.khmertimeskh.com/501522989/vendors-given-a-week-to-remove-alcohol-ads-in-takeo/>

¹¹ Phak Seangly. 17 July 2024. “Kratie orders removal of alcohol ads to curb consumption”. The Phnom Penh Post. Available at <https://www.phnompenhpost.com/national/kratie-orders-removal-of-alcohol-ads-to-curb-consumption>

¹² Orm Bunthoeurn. 15 February 2024. “Public concerned over alcohol marketing”. The Phnom Penh Post. Available at <https://www.phnompenhpost.com/post-in-depth/public-concerned-over-alcohol-marketing>

¹³ Chhay Channyda. 10 July 2015. “Ministry finishes its draft law on alcohol”. The Phnom Penh Post. Available at <https://www.phnompenhpost.com/national/ministry-finishes-its-draft-law-alcohol>

¹⁴ General Mackevili. 05 September 2014. “Cambodia still no legal drinking age”. Cambodia Expats Online. Available at <https://cambodiaexpatsonline.com/general-chatter/cambodia-still-has-legal-drinking-age-t1832.html>

world and the only one in ASEAN without a minimum LPA.¹⁵ A year later, the Ministry of Commerce finalized the draft sub-decree to set the minimum age to consume, buy, or sell alcohol at 18 years old.¹⁶ The delay in enacting this regulation had allowed for the widespread advertisements and growing popularity of new alcoholic products, posing challenges to public health, particularly among young people.

Unfair competition between domestic and foreign alcoholic beverages is considered a major concern in Cambodia. Concerns about the close connections between national and international breweries and government officials and the high import taxes on foreign products, such as alcoholic beverages, hinder efforts to regulate the industry. According to a 2015 market research report, the beer market was worth just over \$1 billion and is expected to reach \$2.2 billion by 2025.¹⁷ Based on available data, conservative estimates put government revenue at between US\$30 and 40 million annually from import and related taxes.¹⁸ This revenue has increased each year and is likely to continue. Any efforts to control prices are likely to encounter resistance from the alcohol industry as they seek to protect their commercial interests and push for ‘self-regulation’ of the alcohol industry. The current tax only projected six percent growth from both 2023 and 2024. In 2019, the tax on tobacco, alcohol, and sugary beverages was increased to 30 percent¹⁹ Additionally, a Specific Tax on Certain Merchandise and Services is imposed on various local and imported products and services. The inconsistency in tax policies on alcoholic products has led to unfair competition between local and international alcoholic products, resulting in an increasing number of producers offering alcoholic beverages at lower prices. It makes alcoholic beverages more affordable for young people, raising concerns about accessibility and consumption among the young population.

¹⁵ The Phnom Penh Post. 16 January 2023. “Multi-stakeholder dialogue held to discuss Legal Purchase Age in Cambodia”. Available at <https://www.phnompenhpost.com/business/multi-stakeholder-dialogue-held-discuss-legal-purchase-age-cambodia>

¹⁶ Son Minea. 6 June 2023. “Alcohol control: Ministry finishes drafting sub-decree to stop under-18s from drinking”. Khmer Times. Available at https://www.khmertimeskh.com/501302670/alcohol-control-ministry-finishes-drafting-sub-decree-to-stop-under-18s-from-drinking/#google_vignette

¹⁷ Sorn Sarath. 8 September 2022. “Cambodia’s growing alcohol industry raises concerns, as liquor law remains stalled”. The Cambodia Journalists Alliance Association. Available at <https://cambojanews.com/cambodias-growing-alcohol-industry-raises-concerns-as-liquor-law-remains-stalled/>

¹⁸ The Asia Foundation. n.d. “A study of the alcohol industry in Cambodia”. Available at <https://asiafoundation.org/wp-content/uploads/2017/06/Research-Brief-A-Study-of-the-Alcohol-Industry-in-Cambodia.pdf>

¹⁹ Meas Molika. 25 July 2024. “Calls to raise tobacco, alcohol and sugary drinks taxes to strengthen budget”. Kiripost. Available at <https://kiripost.com/stories/calls-to-raise-tobacco-alcohol-and-sugary-drinks-taxes-to-strengthen-budget>

Tobacco Consumption in Cambodia

Cambodia has been identified as a country with a high tobacco consumption rate in Southeast Asia.²⁰ About USD 663 million, or 3 percent of Cambodia's Gross Domestic Product (GDP), is lost annually, while other countries, on average, experience only a 1.8 percent loss in GDP.²¹ This showcases that the loss in Cambodia due to premature mortality and absenteeism is almost twice as much as in other countries. The consequences of tobacco consumption come in three levels.²² First, tobacco use poses significant health risk factors. It causes many non-communicable diseases such as lung cancer, chronic pneumonia, chronic respiratory diseases, increased risk of heart disease, and long-term effects on brain development.²³ Second, consuming tobacco products imposes long-term impacts on the financial situation of individuals. Around 1.8 million people smoke cigarettes, with an expense of almost USD 202 million on purchasing tobacco products and approximately USD 162.7 million costs on medical treatment per year for illnesses.²⁴ Third, tobacco consumption contributes to environmental degradation. According to a Ministry of Health official, the use of tobacco products not only harms people's health and the country's economy but also pollutes the environment due to chemical smoke and waste materials discarded.²⁵ According to Cambodia's National Adults Tobacco Survey (NATSC) 2021, exposure to tobacco smoke in public spaces increased from 33.6 percent in 2014 to 62.03 percent in 2021.²⁶ About 60 percent of the population exposed to second-hand smoke could also suffer from many health effects.²⁷ This result has demonstrated a need for improvement in tobacco control to bring down smoking number in Cambodia. In addition, the Ministry of Health has reported that there has been a recent increase in the widespread use of e-cigarettes and its impact on overall well-being in society. Several factors contribute to the surge in tobacco consumption in

²⁰ Statista Market Insights. "Tobacco Products market in Cambodia." June 2024.

<https://www.statista.com/outlook/cmo/tobacco-products/cambodia#revenue>

²¹ Long, Kimmarita. "Tobacco costs 3% of GDP, 15,000 people die each year." The Phnom Penh Post. July 5, 2019. <https://www.phnompenhpost.com/national/tobacco-costs-3-gdp-15000-people-die-each-year>

²² Nhoek, Samoun, and Kheav Moro Kort. "Student Smokers Defy Health Dangers." Cambodianess. June 22, 2022. <https://cambodianess.com/article/student-smokers-defy-health-dangers>

²³ Hong, Raksmeay. "B'bang initiative targets alcohol, tobacco sales to students." The Phnom Penh Post. June 7, 2024. <https://www.phnompenhpost.com/national/b-bang-initiative-targets-alcohol-tobacco-sales-to-students->

²⁴ Mom, Kunthea. "World No Tobacco Day' reminds public 'impact goes beyond health.'" The Phnom Penh Post. May 31, 2022. <https://www.phnompenhpost.com/national/world-no-tobacco-day-reminds-public-impact-goes-beyond-health>

²⁵ Ibid.

²⁶ Volume 006 - The Union. "Monthly Bulletin highlights the key activities, focusing on Tobacco Control and TB, carried out in Cambodia." February 2023. <https://theunion.org/sites/default/files/2023-03/UAP%20February%202023%20bulletin.pdf>

²⁷ Ibid.

Cambodia, particularly the growing number of e-cigarette use among young people: illicit trade, below-the-line marketing strategies, and tobacco tax.

Illicit trade in tobacco products refers to illegal imports resulting from corruption, weak customs laws, and weak enforcement.²⁸ These kinds of actions have been spotted in almost every low—and middle-income country where cigarettes and other forms of tobacco are offered cheaply, even in Cambodia. This creates opportunities for illicit traders to smuggle and sell untaxed or counterfeit tobacco products. Cambodia also lost about 279 billion riels in tax revenue in 2019 and 532 billion riels in 2020 due to the failure to increase the tax on cigarettes by 500 riel per pack and 1,000 riel per pack in 2019 and 2020, respectively.²⁹ On top of that, all tobacco products figure highly in the limited budget of young people as per packet of cigarette starts from only 2000 riels (USD 0.50), which is very affordable and encourages youth to become addicted to smoking.³⁰ This is a key factor leading vulnerable groups or those with low income to consume large quantities of tobacco forms yearly.

The main sources of tobacco products and other merchandise imports to Cambodia are from countries such as Myanmar, Taiwan, Indonesia, and the Philippines.³¹ In this regard, Cambodia's illicit trade rate was as high as 37 percent in the early 2000s. At the same time, the country also struggles against a low tax burden on tobacco products.³² In 2017, Oxford Economics estimated that out of the 9.4 billion cigarettes consumed in Cambodia, approximately 600 million were illicit.³³ This data suggests that Cambodia lost USD 3.3 million in excise tax revenue.³⁴ This concerning situation creates many challenges that the government acknowledges occasionally with promises to take concerted action. Regarding the extent of the problem, the Royal Government of Cambodia has demonstrated commendable efforts to strengthen its tobacco control measures to curb the illegal importation of any form of tobacco products at both the national and subnational levels.

²⁸ Southeast Asia Tobacco Control Alliance (SEATCA). “Cambodia: Raising tobacco taxes to reduce smoking and tackle illicit trade.” February 23, 2022. <https://seatca.org/raising-tobacco-taxes-to-reduce-smoking-and-tackle-illicit-trade/>

²⁹ Ibid.

³⁰ Lon, Soben. “Smoking under fire Making a choice in creating a tobacco-free generation.” Khmer Times. July 25, 2019. <https://www.khmertimeskh.com/50627110/smoking-under-fire-making-a-choice-in-creating-a-tobacco-free-generation/>

³¹ Schmid, Thomas. “Cambodia: Market Potential Despite Illicit Product Scourge.” Tobacco Asia. October 4, 2021. <https://www.tobaccoasia.com/features/cambodia-market-potential-despite-illicit-product-scourge/>

³² Ibid.

³³ Capital Cambodia. “Does higher tobacco tax really fuel the illicit trade?” 2019.

<https://capitalcambodia.com/does-higher-tobacco-tax-really-fuel-the-illicit-trade/>

³⁴ Ibid.

Moreover, in 2023, the European Union signed a new Memorandum of Understanding with the Ministry of Health to advance tobacco control efforts further in Cambodia.³⁵

The second cause is below-the-line marketing. It refers to marketing strategies that tobacco companies often use to increase brand visibility and promote their brands to minors in low or middle-income countries in Southeast Asia.³⁶ The tactics target young individuals through illegal advertisement and promotional strategies such as point-of-sale, individual sales, and online advertising. A joint study by Deakin University in Australia and the Cambodia Movement for Health reveals that illegal below-the-line marketing is still occurring in Cambodia, and tobacco companies hire young women to promote various brands in rural areas.³⁷ They also encourage young people to accept promotional offers such as free cigarettes, merchandise, and sample packets. Nonetheless, in 2015, under the Law on Tobacco Control, the government announced a ban on all forms of direct end-consumer advertising, promotion, and sponsorship to crack down on illegal tobacco advertisements and strategies.³⁸

Despite the government's long-standing ban, recently, there has been a notable increase in the use of new tobacco products, especially e-cigarettes, among underage consumers. This is an effect of aggressive online marketing on social media platforms. This e-cigarette product was created to attract youths and children through the use of technology to allure the next generation of consumers as it is advertised as a smoking cessation device. On the contrary, users are likely to end up smoking cigarettes more and more. Because the measure of prohibiting tobacco promotion is not yet fully implemented, some opportunists still sell these products, with exaggerated contents claiming that it is a tool to quit smoking and is safer than cigarettes. However, in March 2022, after the ban did not surpass what the government had anticipated, the Cambodian National Authority for Combating Drugs issued another ban that

³⁵ The Union. "Smoking Prevalence Decreases in Cambodia." February 28, 2023. <https://theunion.org/news/smoking-prevalence-decreases-in-cambodia#:~:text=Cambodia%20faces%20a%20major%20public,in%20over%2016%2C000%20deaths%20annually>.

³⁶ Stubbs, Victoria M White, Mom Kong, John W Toumbourou, Thomas. "Uncovering the advertising and promotional strategies of tobacco companies in Cambodia: recall of below-the-line marketing among young male smokers." *BMJ Journals*. n.d. <https://tobaccocontrol.bmj.com/content/32/5/614>

³⁷ Tin, Sokhavuth. "Government urged to crack down on illegal tobacco advertisements and strategies." *Khmer Times*. March 25, 2022. <https://www.khmertimeskh.com/501047200/government-urged-to-crack-down-on-illegal-tobacco-advertisements-and-strategies/>

³⁸ *Ibid.*

prohibited electronic nicotine delivery systems (ENDS), e-cigarettes, and heated tobacco products (HTP) nationwide.³⁹

Low tax on tobacco products is another factor that contributes to the increasing number of smoking and tobacco-related deaths. Regarding tobacco taxation, Cambodia still has the lowest tax rate in ASEAN after Lao PDR, with domestic cigarettes at 25 percent and imported cigarettes at 31.1 percent of retail prices, keeping cigarettes very cheap at less than USD 1 per pack.⁴⁰ Initially, cigarettes imported and distributed into the country have to pay a value-added tax (VAT), a flat rate of 10 percent on all cigarette supplies. In contrast, domestic cigarettes do not have to pay a tariff.⁴¹ This VAT paid on domestic purchases would be considered an income tax credit, deductible with output tax at the point of importation. Yet, since 2016, the government has not raised taxes on tobacco products in all forms. According to the Ministry of Economy and Finance, Cambodia's tobacco product taxes are 20 percent lower than other countries in the region.⁴² It is important to note that the tobacco tax rate in Cambodia is far below the level that the WHO Framework Convention on Tobacco Control (WHO FCTC) recommended, leaving plenty of room for an increase.⁴³ Raising taxes on tobacco products is vital as it will lead to a decrease in the demand for smoking by making tobacco less accessible and generating more revenue for the government. According to a study by the United Nations on tobacco control in 2019, Cambodia can receive an estimated \$235 million in additional tax revenue over the next five years and \$933 million over the next 15 years if the government raises taxes on tobacco products to 75 percent.⁴⁴ Therefore, the government's interventions regarding tobacco control policies need to be reinforced over time.

Policy Recommendations

There are four key points that the government should consider on alcohol control in Cambodia. Firstly, alcohol advertisements should be restricted, particularly on social media and billboards. Images of women and young adults with alcohol should be eliminated from

³⁹ 2FIRSTS. "Cambodia's Efforts to Reduce Tobacco Use Rates." March 17, 2023.

<https://www.2firsts.com/news/cambodias-efforts-to-reduce-tobacco-use-rates>

⁴⁰ Ou, Sokmean, and Phoung Vantha. "Government Urged to Consider Increase to Tobacco Tax." *Cambodianess*. May 18, 2021. <https://cambodianess.com/article/government-urged-to-consider-increase-to-tobacco-tax>

⁴¹ Van, Socheata. "New tobacco taxes predicted to generate \$53M for Kingdom." *The Phnom Penh Post*. July 30, 2023. <https://www.phnompenhpost.com/business/new-tobacco-taxes-predicted-generate-53m-kingdom>

⁴² Tobacco Reporter. "Cambodia urged to raise Tobacco Taxes." December 21, 2023. <https://tobaccoreporter.com/2023/12/21/cambodia-urged-to-raise-tobacco-taxes/>

⁴³ Ibid.

⁴⁴ Ibid.

media and billboards. The code of advertisement conduct should be put into discussion by the government and alcohol industries to set the boundary on how much advertising should be permitted in media. Secondly, setting the legal purchase age at 18 has been a point of contention, as it could significantly affect the alcohol industry and the profits of sellers. There is a need for a commitment to collective action from the government and relevant stakeholders in raising awareness about the short and long-term negative impact of alcohol consumption at all ages. Thirdly, Cambodia has some of the lowest taxes on alcohol products and the lowest advertising costs in ASEAN. To ensure fair competition in the market and further restrict accessibility and consumption of alcohol in Cambodia at a young age, the tax on alcoholic products should be further increased. Lastly, the movement to remove alcohol advertising billboards and signage is a step toward enforcing restrictions on alcohol advertisements. It is crucial to take more significant actions to minimize the negative impacts of alcohol sales.

There are three policy options that the government should review and consider for tobacco control in Cambodia. Firstly, the Cambodian government should set up a licensing control system with a tracking system for all tobacco manufacturers, importers, distributors, and retailers to facilitate tax collection and control illicit trade. Moreover, it must further restrict the law and enforcement on controlling borders, tracking trade, and improving market inspections to tackle illicit trade in tobacco products. Secondly, Cambodia should shift to a uniform specific tax system and apply a high tax on all tobacco forms by the WHO Framework Convention on Tobacco Control. This would bring in more revenue while also discouraging the smoking rate and preventing tobacco-caused diseases. Finally, the government should increase monitoring and enforcement of advertising restrictions on the Internet to decrease the high prevalence of tobacco consumption among Cambodian youth.

Why Cambodia Should Legalize Surrogacy

HOK Srunheng, KUOCH Steven, and SOEUNG Phearanon

Introduction

In recent years, the issue of legalizing surrogacy has sparked globally, including in Cambodia.¹ Surrogacy, the practice of a woman carrying and delivering a child for another person or couple, has become a contentious issue in Cambodia. Surrogacy is a way of helping reproduction that has gained global attention over the past few decades. Many people and couples are unable to give birth on their own, such as those who are single parents, same-sex couples, and those who are experiencing difficulty in giving birth naturally. On the other hand, the increase in surrogacy was quickly addressed by the Cambodian government. The practice of surrogacy became illegal in every way by a government order in 2016, which linked it to human trafficking and "selling the life of their children." Despite the ban, surrogate moms had serious difficulties because there were unclear enforcement procedures and consequences, placing them in a risky financial and legal situation.

In this regard, it is not surprising that the government, in response to the ban, quickly began drafting legislation to regulate surrogacy, aiming to prohibit commercial and selfless surrogacy.² However, concerns about exploitation led to a review of the draft, which stalled until 2022. The lack of clear regulations has left surrogate mothers vulnerable to exploitation and legal, economic, health, and social repercussions. The United Nations has criticized the ban, highlighting the financial and emotional burdens on women.

By legalizing surrogacy, Cambodia could offer a helping hand to individuals and couples pursuing alternative motherhood. We must protect the rights and health of surrogates, guaranteeing their voluntary and fully informed participation. By studying the experiences of other nations, such as Australia and the USA, and with support from the UN, Cambodia can create a strong legal system that promotes morality and safety while balancing the interests of

¹ "What Is Surrogacy, and What Does It Mean? | Parker Herring Law Group." 2018. Parker Herring Law Group, PLLC. May 4, 2018. <https://parkerherringlawgroup.com/surrogacy-lawyer-attorney-raleigh-nc/surrogacy-information/what-is-surrogacy..>

² Kirsty Horsey, "The Future of surrogacy: a review of current global trends and national landscapes," Volume 48, Issue 5, Dec 7, 2023. [https://www.rbmojournal.com/article/S1472-6483\(23\)00863-5/fulltext](https://www.rbmojournal.com/article/S1472-6483(23)00863-5/fulltext)

all parties involved. By giving women control over their bodies and reproductive options, allowing surrogacy can help advance gender equality and women's empowerment so that women can decide what they can or cannot do. There is a saying that “Their body their choices.” However, to shield surrogates from possible abuse or pressure, huge support networks and safety precautions are required. Therefore, this paper argues that Cambodia should legalize and regulate surrogacy to protect the rights and welfare of surrogate mothers, prevent exploitation, and address the significant economic, health, and social challenges associated with the current prohibition.

Policy Development of Surrogacy

Surrogacy practices in Cambodia gained popularity around 2015, following increasing restrictions in neighboring South and Southeast Asian countries. Cambodia became attractive to surrogacy agencies due to its lack of regulations. The cost of surrogacy in Cambodia was significantly lower than in wealthier Western countries, with agencies generally charging intended parents around USD 40,000, of which about USD 10,000 was paid to the surrogate.³ In contrast, during the same period, the cost of surrogacy in the United States ranged from \$80,000 to \$120,000, with surrogates typically earning between \$30,000 and \$40,000.⁴

As the industry grew rapidly in 2016, the Cambodian government issued a government edict (Prakas) prohibiting all forms of surrogacy.⁵ Her Excellency Chou Bun Eng, a Secretary of State of Ministry of Interior later explained in 2019 that the reason for the ban was that the government viewed surrogacy as a form of human trafficking.⁶ This perspective was echoed in 2022 by a Cambodian delegate to the United Nations Committee on the Rights of the Child, who equated it to “selling the life of their children.”⁷ The prakas stated a complete prohibition but lacked clarity on enforcement mechanisms, penalties, and the legal status of pre-existing

³ Krause, Melanie. 2022. “Pregnant Cambodian Surrogates Charged With Human Trafficking.” *PET*, September 28, 2022. <https://www.progress.org.uk/pregnant-cambodian-surrogates-charged-with-human-trafficking/>

⁴ RUDRAPPA, SHARMILA, and CAITLYN COLLINS. “ALTRUISTIC AGENCIES AND COMPASSIONATE CONSUMERS: Moral Framing of Transnational Surrogacy.” *Gender and Society* 29, no. 6 (2015): 937–59. <http://www.jstor.org/stable/43670030>.

⁵ Beech, Hannah. “They Were Surrogates. Now They Must Raise the Children.” *New York Times*, November 26, 2022. <https://www.nytimes.com/2022/11/26/world/asia/cambodia-surrogacy-trafficking.html>

⁶ Whewell, Elaine. 2019. “Paid to Carry a Stranger’s Baby - Then Forced to Raise It.” *BBC News*. February 2019. <https://www.bbc.co.uk/news/resources/idx-sh/surrogates>

⁷ Experts of the Committee on the Rights of the Child Praise Cambodia for Policies Protecting Children’s Rights, Ask about Unregistered Births and Laws Banning Surrogacy.” *The United Nations Office at Geneva*, 2022. <https://www.ungeneva.org/en/news-media/meeting-summary/2022/05/experts-committee-rights-child-praise-cambodia-policies>

surrogacy arrangements. The lack of clear surrogacy regulations in Cambodia has led to severe consequences for surrogate mothers. These women face significant legal, economic, health, and social harms due to the current prohibition and regulatory ambiguity. Legal uncertainties have resulted in arrests and criminal charges, while the absence of enforcement mechanisms leaves surrogate mothers without protection. Economically, many are deprived of promised compensation and are vulnerable to exploitation. Health risks are heightened by inadequate medical care and lack of psychological support. Socially, surrogate mothers endure stigma, discrimination, and isolation, undermining their autonomy and violating their human rights. These issues will be further elaborated in the following section.⁸

Following the ban, the Cambodian government initiated efforts to draft regulations to manage surrogacy activities. In 2017, the Ministry of Women's Affairs circulated draft legislation banning commercial surrogacy while permitting altruistic surrogacy, where surrogates participate out of goodwill and do not receive financial compensation beyond medical and other reasonable expenses.⁹ However, concerns about potential exploitation led to forming an Inter-Ministerial Working Group to review the draft and further study the issue. Despite these efforts, progress stalled and went relatively silent for years. Until 2022, Deputy Prime Minister Sar Kheng called on stakeholders to revisit the regulation, but there has been little public discussion or news coverage on the matter since. In the second semester of 2023, the Ministry of Justice re-examined the draft law on surrogacy but postponed it due to disagreement. The Anti-Human Trafficking Committee of the Ministry of Interior considers that the draft law's content contradicted what they wanted regarding the issue of infant trafficking.¹⁰

Issues and Challenges

As of today, the surrogacy issue is still in the gray area; the process of drafting a law to address it has been painfully slow and not receiving much attention. The number of surrogates is not recorded as the information regarding this issue is very limited; however, it is clear that the

⁸ Keeton-Olsen, Danielle, and Penkuro. 2021. "A Surrogate Family and the Law That Criminalised Them." *New Naratif*. September 24, 2021. <https://newnaratif.com/a-surrogate-family-and-the-law-that-criminalised-them/>

⁹ Hibino, Yuri. 2023. "The Advantages and Disadvantages of Altruistic and Commercial Surrogacy in India." *Philosophy, Ethics, and Humanities in Medicine* 18 (1). <https://doi.org/10.1186/s13010-023-00130-y>

¹⁰ ព្រឹត្តិប្បទានសង្គមស្តីពីការប្រើប្រាស់ស្ត្រីកម្ពុជាជំនួសឱ្យគ្រួសារចិន 'អាចប្តូរទីកន្លែងពីកម្ពុជាទៅចិន' (2024) *Radio Free Asia*. <https://www.rfa.org/khmer/news/social-economy/the-authorities-suspect-the-case-of-some-cambodian-woman-who-hired-a-pregnant-to-give-birth-for-a-chinese-family-could-be-diverted-abroad-02282024074633.html>

prohibition of surrogacy in Cambodia has had severe implications for surrogate mothers, impacting their legal, economic, health, and social standing.¹¹

Since surrogacy was outlawed in October 2016, the UN Committee on the Elimination of Discrimination Against Women said over 60 surrogate women had been arrested and were subject to criminal proceedings. These women were presented with two choices: either they raise the children they were carrying as their own or face long-term imprisonment. The United Nations expressed concern about this approach, stating that this would create an additional financial and emotional burden on women who are in precarious situations, which led them to act as surrogates in the first place and subjected them to social stigma and discrimination. They called for the abolition of the criminalization of surrogates in Cambodia in 2019.¹²

Economically, surrogates were promised around \$10,000 per pregnancy, this is according to a letter sent to the UN CEDAW by Gender and Development for Cambodia (GADC), Gender and Development Network (GADNet), and Center for Reproductive Rights dated in 2019. This is a promising amount compared to Cambodia's average annual income of about 1,759.61 USD.¹³ However, the outlawing of surrogacy has opened the door to exploitation, especially for those who continue to practice in secret. This includes instances where predefined contracts are violated, and the promised compensation may not be guaranteed. Having a regulated process would allow some people to benefit from surrogating and make a fortune out of it. For instance, in Ukraine, the surrogacy industry brings in over \$1.5 billion annually.¹⁴

Health risks are also a major concern, as the lack of regulatory oversight leads to inadequate medical care during pregnancy. A 2019 University of Chicago Law School study highlights this risk. Interviewing three Cambodian surrogates arrested following the country's 2018 surrogacy ban, the research found critical issues in the process. The surrogates reported living

¹¹ The United Nations Office at Geneva, “Experts of the Committee on the Rights of the Child Praise Cambodia for Policies Protecting Children’s Rights, Ask about Unregistered Births and Laws Banning Surrogacy.”, 2022. <https://www.ungeneva.org/en/news-media/meeting-summary/2022/05/experts-committee-rights-child-praise-cambodia-policies>.

¹² Kijewski, Leonie. 2019. “UN Reiterates Call to Abolish Criminalization of Surrogates.” *Voice of America*, November 13, 2019. <https://www.voacambodia.com/a/UN-reiterates-call-to-abolish-criminalization-of-surrogates/5164651.html>

¹³ World Bank. 2010. “GDP per Capita (Current US\$) | Data.” Worldbank.org. 2010. <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=KH>.

¹⁴ Lamberton, Emma. “Lessons From Ukraine: Shifting International Surrogacy Policy to Protect Women and Children.” *Journal of Public and International Affairs*, 2020. <https://jpia.princeton.edu/news/lessons-ukraine-shifting-international-surrogacy-policy-protect-women-and-children>

communally in a large house with other surrogates during their pregnancies. Alarming, these women entered surrogacy without full awareness of medical risks and prior psychological evaluations. They experienced various medical procedures and examinations without proper understanding and faced health risks from unknown medications and injections used to prepare their bodies for pregnancy.¹⁵

Social stigma and psychological burdens are also immense, as surrogates face discrimination and violence for challenging traditional norms about motherhood and family. A study done in India on 33 surrogate mothers found that 28 of them had to hide their surrogacy out of fear of judgment using means such as lying and temporary relocations. The need for such secrecy stemmed from the fact that their communities often equated surrogacy with extramarital affairs. By advocating for regulations that promote transparency and public understanding, these women hope to create a more supportive environment for surrogates in India, reducing the need for secrecy and the psychological burden that comes with it.¹⁶

The lack of clear regulations leaves surrogate mothers vulnerable to exploitation and legal uncertainties. The proposed legislation permitting altruistic surrogacy has faced delays and disagreements, particularly concerning concerns about infant trafficking, complicating the situation further. This situation undermines women's autonomy, a core component of rights to life, privacy, liberty, and equality, and a precondition for enjoying other rights outlined in international human rights law. The right to autonomy includes the ability to make informed decisions about reproductive and sexual lives, crucial for ensuring women's reproductive rights and preventing discriminatory impacts.

Reasons why Cambodia should legalize surrogacy

Cambodia can legalize surrogacy through the reflection of countries such as India, Greece, the United Kingdom, and Thailand. Cambodia should contemplate the legalization of surrogacy, as India has experienced significant economic growth after permitting surrogacy arrangements. Moreover, Cambodia can learn through Greece, which has demonstrated that legalizing

¹⁵ University of Chicago Law School - Global Human Rights Clinic. 2019. "Human rights implications of global surrogacy." Chicago Unbound. 2019. <https://chicagounbound.uchicago.edu/ihrcl/10>.

¹⁶ Rozée, Virginie, Sayeed Unisa, and Elise De La Rochebrochard. 2020. "The social paradoxes of commercial surrogacy in developing countries: India before the new law of 2018." BMC Women's Health 20 (1). <https://doi.org/10.1186/s12905-020-01087-2>.

surrogacy can attract surrogacy tourism, contributing to economic development. In addition, the United Kingdom has permitted surrogacy since 1985, highlighting its commitment to promoting human rights. Furthermore, Cambodia can also learn from Thailand's legalization of surrogacy, and the national assembly established the legislation.

First, India has legalized surrogacy. Reproductive technology advancements in India have been connected to cultural and nationalistic beliefs. In 2015, the Indian government decided to ban overseas surrogacy. Approved in 2016, the Surrogacy Regulation Bill was a new law that defined surrogacy in a whole new way and set regulations for it.¹⁷ On August 5, 2019, the Lok Sabha passed the Surrogacy (Regulation) Bill, 2019. The Indian parliament's upper chamber, the Rajya Sabha, approved a motion on November 21, 2019, to refer the bill to a select committee.¹⁸ However, Commercial surrogacy is prohibited under the Surrogacy (Regulation) Act 2021. Only selfless contracts prohibiting women acting as surrogates from receiving any payment or benefit are accepted. Moreover, it only permits gestational surrogacy, which entails inducing the surrogate's pregnancy through the use of assisted reproductive technologies (ARTs) such as in vitro fertilization (IVF).¹⁹ India's commercial surrogacy market, believed to be valued at over two billion dollars, draws both foreign and Indian couples looking to expand or begin a family. These limitations could prevent economically disadvantaged women from being taken advantage of. Still, they also jeopardize a possibility that some have seen as crucial for women to earn much-needed income or to attain some degree of financial stability or independence for their families.²⁰ They believed that a woman "should be an ever-married woman having a child of her own and between the age of 25 and 35 years," and she should be a close relative of the intended couple for her to be eligible to serve as a surrogate mother just once.²¹ Ensuring that everyone involved in the provision of reproductive services in India receives high standards of care, consent, and compensation is the role that legislation must

¹⁷ The Times of India. n.d. "Surrogacy in India-A Long Journey for the Nation." <https://timesofindia.indiatimes.com/readersblog/maternitybenefitactboonandbaneforthenation/surrogacy-in-india-a-long-journey-for-the-nation-51172/>

¹⁸ Hibino, Yuri. 2023. "The Advantages and Disadvantages of Altruistic and Commercial Surrogacy in India." *Philosophy, Ethics, and Humanities in Medicine* 18 (1). <https://doi.org/10.1186/s13010-023-00130-y>.

¹⁹ On Surrogacy, Indian Law Goes a Step Further — but Not Far Enough." 2024. The Indian Express. February 29, 2024. <https://indianexpress.com/article/opinion/columns/on-surrogacy-indian-law-goes-a-step-further-but-not-far-enough-9187014/>.

²⁰ developer. 2019. "Two Sides to Every Coin: India's New Ban on Commercial Surrogacy." O'Neill. August 15, 2019. <https://oneill.law.georgetown.edu/two-sides-to-every-coin-indias-new-ban-on-commercial-surrogacy/>

²¹ The Economic Times. 2019. "Govt Introduces Bill to Ban Commercial Surrogacy," July 15, 2019. <https://economictimes.indiatimes.com/news/politics-and-nation/govt-introduces-bill-to-ban-commercial-surrogacy/articleshow/70227304.cms>

play. This includes potential surrogates and commissioning couples who are facing the shame of untreatable reproductive disease-related infertility. Medical examinations reveal certain issues right away, such as uterine abnormalities or absence, for which surrogacy is the only treatment option. Therefore, the Bill's suggested minimum 5-year waiting period before being eligible for surrogacy is discriminatory and arbitrary, with no scientific basis.²² Therefore, surrogacy boosts India's economy as long as there are clear regulations. So, for economic purposes, Cambodia should legalize surrogacy. As can be expected, like, benefits of \$500 million as it can contribute to the economy.²³ Moreover, India was known as the Surrogacy Hub of the world. According to many researchers, India's business of surrogacy tourism is a whopping \$2.3 billion per annum.²⁴

Second, Greece has legalized surrogacy because Greece is governed under Article 1458 of the Greek Civil Code and Article 8 of Law 3089/2002. Law 3305/2005 further regulates assisted reproduction and surrogacy. It is only permitted for heterosexual couples (married or unmarried) and single women, not homosexual male couples or single males.²⁵ Altruistic surrogacy and egg donor agreements are lawful in Greece for international heterosexual couples and single parents who are struggling with fertility. Since July 2014, applicants are not required to be Greek nationals or residents. While surrogacy must be altruistic, intended parents can pay for needed expenses like IVF, pregnancy, and delivery, as well as lost wages. A genetic link between the intended parents and the child is not required, but it may impact the parents' citizenship and legal parentage in their native country.²⁶ Moreover, Greek law allows foreign intended parents to engage in surrogacy. A court decision must confirm that the baby belongs to the intended parents, not the surrogate. Upon birth, the clinic registers the newborn in the name of the intended parents, issuing a birth certificate. The court judgment states that the surrogate has no legal rights to the child, which alleviates the intended parents' fears about their relationship with the surrogate. As a result, the kid is legally acknowledged as belonging

²² Parry, Bronwyn, and Rakhi Ghoshal. 2018. "Regulation of Surrogacy in India: Whenceforth Now?" *BMJ Global Health* 3 (5). <https://doi.org/10.1136/bmjgh-2018-000986>.

²³ Kashyap, Soumya, and Priyanka Tripathi. 2022. "The Surrogacy (Regulation) Act, 2021: A Critique." *Asian Bioethics Review*, September. <https://doi.org/10.1007/s41649-022-00222-5>.

²⁴ Varsha. n.d. "Benefits and Exploitation of Surrogacy: Surrogacy Laws in India." B&B Associates LLP. <https://bnblegal.com/article/benefits-and-exploitation-of-surrogacy-surrogacy-laws-in-india/>.

²⁵ "Surrogacy in Greece | Gestlife." n.d. [www.gestlife.com](https://www.gestlife.com/surrogacy-in-greece.php). Accessed July 22, 2024.

²⁶ "Surrogacy in Greece · Growing Families." 2024. Growing Families. July 12, 2024. <https://www.growingfamilies.org/surrogacy-in-greece/#:~:text=Altruistic%20surrogacy%20and%20egg%20donor>

wholly to its intended parents.²⁷ All of this has created “surrogacy tourism” that is more likely to occur in nations where surrogacy is illegal compared to those where it is permissible. Another compelling motivation for surrogacy tourism is the economy. Since the intended parents prefer to travel to places with lower prices, Cambodia should legalize surrogacy for economic purposes forward and the tourism financial aspects.

Third, in the United Kingdom, the Surrogacy Arrangements Act 1985 was hastily passed in response to media coverage of the 'Baby Cotton' case, in which surrogate Kim Cotton was accused of being paid to bear a child for a Swedish couple. The goal was to limit surrogacy arrangements before they spread.²⁸ However, in 2008, there were just 67 parental order applications, and only one involved overseas surrogacy. NGA Law supported about one-third of these, cementing its position as a prominent specialist in surrogacy-related family law.²⁹ The Law Commission of England and Wales and the Scottish Law Commission will publish a report on surrogacy law reform later this year, this aims to modernize outdated laws, reduce legal uncertainties, and improve surrogacy practices in the UK.³⁰

Last, although surrogacy in Thailand is forbidden for international intended parents due to a 2015 federal law prohibiting commercial surrogacy, surrogacy is legal for married heterosexual Thai couples. They can seek surrogacy as long as at least one spouse is a Thai national and the marriage has lasted at least three years. Surrogacy is forbidden for single individuals and same-sex couples, including Thai citizens. Surrogates must also be one spouse's siblings, married with their husband's consent, and already have children. Selling ovum, sperm, and embryos is likewise illegal.³¹ Moreover, the bill outlines the Protection of Children Born from Assisted Reproductive Technologies Act (ART), passed by Thailand's National Legislative Assembly in 2015. This law seeks to protect infants born through ART and establishes legal procedures for couples considering surrogacy. It also allows parents of children born through surrogacy

²⁷ “Surrogacy in Greece. Legislation, Costs and Availability.» MyIVFanswers.com.” n.d.

<https://www.myivfanswers.com/video/surrogacy-greece-legislation-availability/>

²⁸ “UK Surrogacy Law: History and Reform.” n.d. NGA Law. <https://www.ngalaw.co.uk/knowledge-centre/uk-surrogacy-law-history-reform/>.

²⁹ “New Data from English Family Court Shows 350% Growth in UK and International Surrogacy over the Last 12 Years - Brilliant Beginnings.” 2021. Brilliant Beginnings. July 9, 2021.

<https://brilliantbeginnings.co.uk/new-data-family-court-350-percent-growth-surrogacy/>.

³⁰ Louisa. 2022. “Trends in Surrogacy Law and Family Building in 2022 in England and Wales.” Louisa Ghevaert Associates. March 31, 2022. <https://louisaghevaertassociates.co.uk/trends-in-surrogacy-law-and-family-building-in-2022-in-england-and-wales/>.

³¹ “Surrogacy in Thailand: What You Need to Know | Surrogate.com.” 2017. Surrogate.com. 2017. <https://surrogate.com/intended-parents/international-surrogacy/surrogacy-in-thailand/>.

before the Act to seek retroactive judicial permission. Importantly, the legislation acknowledges infertile couples as legal parents of children conceived through ART, thereby eliminating the necessity for adoption.³² Thailand is revising legislation to allow foreign couples to seek surrogacy services in the nation, a top health official announced on March 1st.³³ Through this, Cambodia can legalize the surrogacy if the surrogacy, provided they adhere to the legislation established by the national assembly.

Conclusion

To sum up, everything that has been stated so far in terms of legalizing surrogacy. The kingdom of Cambodia can look through the reflection of India, Greece, the United Kingdom, and Thailand. First, Cambodia can consider legalizing surrogacy because, based on its experience, India has seen an economic boom due to allowing couples to conduct surrogacy. Second, Greece has proved to us that by legalizing surrogacy, it has experienced surrogacy tourism as a way to develop its economy. Third, the United Kingdom has been allowing surrogacy since 1985, which is a way to promote human rights. Last, Thailand and Cambodia can legalize surrogacy as long as it follow the legislation adopted by the national assembly.

³² “Thailand Surrogacy Law - Pregnancy by ‘ART.’” n.d. Magna Carta Law Firm. Accessed July 22, 2024. <https://magnacarta.co.th/home/faq-section-2/thailand-surrogacy-law/>.

³³ The Straits Times. 2024. “Thailand Plans to Legalise Surrogacy for Foreign Couples,” March 2, 2024. <https://www.straitstimes.com/asia/se-asia/thailand-plans-to-legalise-surrogacy-for-foreign-couples>.

The Lower Mekong Region: Geopolitics, Economy, and Society

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Introduction

The Mekong River has been the lifeline of several Southeast Asian nations with its abundant water and resources. The river starts in the mountainous region of China and pours into the South China Sea at the Mekong Delta in Vietnam. Controlling this river has been a contentious topic with an ever-competing world seeking more resources to sustain development. Laos, Cambodia, and Vietnam are nations that are beneficiaries of the Mekong River and use the waterway for many reasons. The idea of the Mekong River diplomacy has been floating around recently as a potential solution to ensure effective cooperation among the member states. Mekong River Diplomacy seeks to create a framework for cooperation and management of the Mekong River among the riparian states that benefit from it. The legal framework for using the river has been explored since 1995 with the ratification of the Mekong Agreement. Still, several loopholes were exploited by nations such as China for personal gains.

The Mekong River flows through six countries, the 12th longest in the world, starting from China and draining into the South China Sea in Vietnam.¹ It starts in the highlands of Qinghai province of China and flows through Myanmar, Laos, Thailand, Cambodia, and Vietnam. The river flows through two capital cities, namely Phnom Penh and Vientiane. Moreover, this river is a natural border between Myanmar, Laos, and Thailand. The Mekong provides freshwater, fertile silt, transportation, recreation, and a way of life for the people along the river. Hence, the river is crucial for agricultural production, with its mean water flow in Kracheh at approximately 500,000 cubic feet per second.² The river provides numerous opportunities for the people along it as it is rich in resources. Furthermore, the Mekong River provides at least 2 million metric tons of fish annually, making it one of the largest inland fisheries.³ All member states have created hydroelectric dams or are currently in the developing stage of construction,

¹ White, Gilbert F, and Lewis Owen, "Mekong River | Facts, Definition, Map, History, & Location," In Encyclopædia Britannica, 2017, <https://www.britannica.com/place/Mekong-River>.

² Ibid.

³ "Mekong River: All about Southeast Asia's Longest River," Vinpearl, n.d., <https://vinpearl.com/en/mekong-river-all-about-southeast-asias-longest-river>.

with over 130 new dams proposed by 2030, to take advantage of the river flow and use it as a source of electricity.

Figure 1: A map depicting the path of the Mekong River



Source: Geopolitics Intelligence Services.⁴

The following paper will explore in detail the future of Mekong River diplomacy in the Mekong Basin through different perspectives and study the Mekong River Basin through the scope of geopolitics, economics, and society. We believe that the Mekong River is a crucial part of development for the Lower Mekong region (CLV) nations as it contains the resources to fuel their development in this era of strong growth.

A Geopolitical Perspective

The Mekong River Basin consists of nations striving for further development, with nations like Cambodia and Laos still on the UN Development Programme for least developed countries.⁵ The use of the Mekong River is of the utmost importance to these nations as it can propel them toward faster economic growth. This section will analyze the geopolitics in the region, addressing regional governance, transboundary disputes, and the competitive future when considering foreign actors.

⁴ World, Seni. 2023. "Interesting Facts about Mekong River You Might Not Know." Topmekongcruises.com. August 23, 2023. <https://topmekongcruises.com/interesting-facts-about-mekong-river>.

⁵ Soutullo, Jorge. 2019. "STUDY Policy Department for External Relations." [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/639313/EXPO_STU\(2019\)639313_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/639313/EXPO_STU(2019)639313_EN.pdf).

Ineffectiveness of the Mekong River Commission

To effectively control a shared resource, an effective organ should have the power to ensure fair usage for everyone. The lack of regional governance of the Mekong basin has been raised several times as a concern for the claimant states. The first attempt at governance of the Mekong River in recent history was through the creation of the Mekong River Commission in 1995, with Cambodia, Laos, Vietnam, and Thailand as member states. The commission aimed to address issues relating to the Mekong River and offer an institutional framework and general proceedings.⁶ The member states considered the MRC framework weak and toothless as it is only used to attract foreign funds and identify development plans. Development control is still under each state's control.⁷ The MRC is ineffective in limiting or controlling what states are allowed to do. This ambiguity creates a lack of transparency and communication among the members. Each state can control the development to the size it fits without disclosing it fully to other riparian states. For instance, Laos had plans to construct the Xayaburi and Don Sahong dams in their section of the river, despite harsh objection from other member states due to its ecological damages, such as affecting wild fisheries; yet this did not stop Laos from starting construction and only informing others in the final third of the construction.⁸ Instances like this hinder cooperation as no one is willing to listen to each other. This will cause each member state to cater more toward their nationalistic interest as opposed to the shared benefit of the region, with the Techo Funan Canal an example of personal investment without any shared benefit for anyone else.

However, most scholars can agree that the main reason for its ineffectiveness is the absence of China in the committee. China has never accepted the invitation to sign the commission, so their actions in the upper Mekong region were always unchecked.⁹ Additionally, China's main concern toward the MRC was that they would have to offer too much, and the framework of the MRC was "too strict".¹⁰ If China were to commit to the demand of one Mekong riparian state, other states that have water disputes with China would make the same demands, setting

⁶ Mekong River Commission. 2021. "The Integrated Water Resources Management–Based Basin Development Strategy for the Lower Mekong Basin 2021–2030 and the MRC Strategic Plan 2021–2025". Vientiane: MRC Secretariat, 2021.

⁷ Bruzelius, Backer. 2007. "The Mekong River Commission: Does It Work, and How Does the Mekong Basin's Geography Influence Its Effectiveness? Zur Verfügung Gestellt in Kooperation Mit / Provided in Cooperation With: GIGA German Institute of Global and Area Studies." <https://d-nb.info/119098377X/34>.

⁸ Wright, Stephen. 2016. "Laos Moves Ahead with Plan for Third Contentious Mekong Dam." AP News. November 8, 2016. <https://apnews.com/general-news-88acad3d07584bfcaec77b526274249b>.

⁹ Osborne, Milton. 2022. "How the Mekong River Commission Ignores Reality." www.lowyinstitute.org. April 12, 2022. <https://www.lowyinstitute.org/the-interpreter/how-mekong-river-commission-ignores-reality>.

¹⁰ Ibid.8

an unfavorable precedent. With China controlling most of the river upstream, their development plans will instrumentally impact everyone else. With the MRC's ineffectiveness, relying on ASEAN to help ensure fairness will not be the right path forward, as the issue will not affect all ASEAN members. The matter is a regional issue, so the member states must force themselves to upgrade the MRC or create a more coherent organization system.

Transboundary Concerns

The borders of the riparian states mentioned above tend to be dictated by the Mekong River, making it confusing in some river sections, as there are no clear distinctions. Without proper safeguarding mechanisms, transboundary issues occur on several large scales. The most frequent issues involve border disputes among the states. In 2017, hundreds of Laotian troops entered Cambodia in a disputed section of the borderline, which prompted an immediate military response from Cambodia equipped with rocket launchers.¹¹ If Laos had not withdrawn their troops quickly, an all-out war could have occurred, as Cambodia felt their territorial sovereignty was at stake. The issue is one of the numerous conflicts that arise among the borders of these three nations. Despite these conflicts, the three nations still enjoy close diplomatic ties, allowing for fast resolution. If we switched the scope from international tension to high-level crimes, the Mekong region would be notorious for its high crime rates. The river smuggles drugs, timber, wildlife, and humans. For instance, Laos is situated in the infamous Golden Triangle, which sees the highest rate of heroin and methamphetamine smuggling in the world. According to the United Nations Office on Drugs and Crime, Laos is the third largest illicit opium poppy producer in the world.¹² The opium that is sold here can be seen trafficked to nations around the Asia-Pacific region, with Thailand being at the forefront. The Golden Triangle offers a place for organized crime to function at free will, which has a compound impact on neighboring countries regarding social issues and national security. The main concern with the Golden Triangle is poor governance and corruption from the Laos and Myanmar sides, causing drug trafficking to run rampant in the region.¹³ ASEAN and the UN

¹¹ Sokhean, Ben. 2022. "Cambodia, Laos Agree to Resolve Border Demarcation Quickly - Khmer Times." Khmer Times. July 11, 2022. <https://www.khmertimeskh.com/501109915/cambodia-laos-agree-to-resolve-border-demarcation-quickly/>.

¹² "Laos." n.d. United Nations : Office on Drugs and Crime. <https://www.unodc.org/unodc/en/alternative-development/laos.html>.

¹³ Lintner, Bertil. 2022. "Guide to Investigating Organized Crime in the Golden Triangle — Introduction." Gijn.org. November 28, 2022. <https://gijn.org/resource/guide-to-investigating-organized-crime-in-the-golden-triangle-introduction/>.

have addressed the matter. The collaborative effort of the two organizations has helped the government do more to crack down on these issues.

CLV caught in between the US and PRC

Before considering the Mekong River's geopolitical condition, we must examine why geopolitics must be studied in this region. Geopolitics refers to the study of international relations through the perspective of geographical features. Indochina is now at the forefront of soft power tension. China and the US are willing to offer benefits and development plans in the CLV nations in return for favors or closer political ties.¹⁴ The region faced the true impact of the Cold War, as the Vietnam War had spillover impacts on all three members. Everyone is keen on playing their cards right to avoid history from repeating itself.¹⁵ Laos and Cambodia are moving progressively closer to China, whereas Vietnam fancies closer ties with the United States.¹⁶ On the internal stage, we believe the Indochina region needs to foster better connections and understanding to avoid internal conflicts that might strongly impact external parties. Moreover, international powerhouses compete for soft power influences in the region, so external pressure is mounting. As it stands, Laos and Cambodia are working much closer to China under the Belt and Road Initiative (BRI), with Vietnam on closer terms with the United States for economic prosperity. The US and China have a regional forum where they can work with the following nations:

On the one hand, the Lancang-Mekong Leaders' Meeting is a partnership with China that focuses on establishing an information-sharing platform to help with water and natural disaster management. On the other hand, the Mekong-US Partnership focuses on strengthening economic independence and sustainable practices with a transparent and rule-based approach.¹⁷ This shows that the politics inside the Mekong Basin is of utmost importance for the US and China, with both sides competing for more soft power and influence in the region. This geopolitical tension caused a proxy struggle among the member states that might hinder the members' cooperation. A more specific case study can be done on the newly proposed Funan Techo Canal, which will start construction in August. Cambodia will dig a canal connecting

¹⁴ Kitchen, Nicholas. 2012. "The New Geopolitics of Southeast Asia SPECIALREPORT."

<https://www.lse.ac.uk/ideas/Assets/Documents/reports/LSE-IDEAS-New-Geopolitics-of-Southeast-Asia.pdf>.

¹⁵ Ibid. 7

¹⁶ Ibid. 7

¹⁷ Haefner, Andrea. 2020. "The Mekong River Is Becoming a Geopolitical Hotspot." BRINK – Conversations and Insights on Global Business. November 9, 2020. <https://www.brinknews.com/the-mekong-river-is-becoming-a-geopolitical-hotspot/>.

the Mekong River to the Gulf of Thailand, removing the need to travel through Vietnam and the Mekong Delta.¹⁸ China funds the operation through the China Bridge and Road Corporation.¹⁹ Vietnam, along with the US, has raised several concerns about the usage and impact of the canal, showing its disapproval of this infrastructure proposal. Strategic analysts from Washington have raised the concern that this proposal might be a way to reinforce China's military presence in Southeast Asia.²⁰ Cambodian Senate Leader Hun Sen quickly refutes this conspiracy theory after stating that this would go against the Cambodian constitution. The general message to the region is that the nations are moving away from one another. Vietnam and Cambodia might be weakening this cooperation. The competition for power in the Mekong River state among the superpowers can potentially break the region's cooperation.

Before ending the discussion regarding the geopolitics situation of the Mekong River Basin, we need to look forward and assess the region's future. The nations are forced to play strategically when deciding on closer partnerships among the superpowers on the global stage. All three nations seek to extract resources from the Mekong River, but this will be a concern because there is no proper mechanism to share plans and proposals. Two possible scenarios might happen depending on how well the nations can cooperate. If they can work out a proper mechanism for transparency and communication, proper diplomacy can be done to ensure sustainability and closer ties among the riparian states. Conversely, if animosity remains, tension will increase over resource sharing, leading to a more fragmented region. We can only be sure if we wait to see new policies coming from each state regarding their actions on the Mekong River.

In conclusion, the lower Mekong Region member states are at a point where competing personal interests can be seen as a challenge hindering closer ties. Concerns regarding the lack of regional governance are prominent as the Mekong River Commission fails to control the activities in each state. Transboundary concerns run rampant as border clashes and international organized crime syndicates operate with ease along the border of the nations. Lastly, the Indochina peninsula is caught in the proxy war between China and the United States, as both parties seek to foster more investment and closer ties with the member states. The importance

¹⁸ Yunkang, Liu. 2024. "Funan Techo Canal Project Underscores Cambodia's Struggle for Strategic Autonomy." East Asia Forum. June 4, 2024. <https://eastasiaforum.org/2024/06/04/funan-techo-canal-project-underscores-cambodias-struggle-for-strategic-autonomy/>.

¹⁹ Ibid. 18

²⁰ Ibid. 19

of the Lower Mekong Region is shown clearly in this competitive world, and geopolitical tensions will continue if actions are not taken quickly enough to address it.

An Economic Perspective

The Mekong River, a lifeline for millions in Southeast Asia, holds profound economic significance for the lower Mekong region. This mighty watercourse not only shapes the agricultural and fisheries sectors but also fuels regional trade and energy production. Serving as the backbone for extensive rice cultivation and rich inland fisheries, the Mekong supports the livelihoods of millions. It enhances food security through its seasonal floods that fertilize the land. Its role extends beyond agriculture and fishing; the river is crucial for large-scale irrigation projects sustaining staple crops and large-scale hydropower developments contributing significantly to the regional economy. Additionally, the Mekong functions as a vital trade route, connecting remote areas with major markets and facilitating regional commerce.

Economic Opportunities of the Mekong River

The Mekong River is crucial to the economic landscape of the lower Mekong region, impacting agriculture, fisheries, trade, and energy production. Its role in supporting rice cultivation, enriching inland fisheries, facilitating regional trade, and providing hydropower underscores its multifaceted importance and influence on the region's economic growth, creating opportunities for those in the region.

Agriculture and Fisheries: The Mekong River is integral to the agriculture and fisheries sectors of the lower Mekong region. Its basin supports extensive rice paddies and diverse fish populations, providing livelihoods for millions of people. The river's seasonal floods enrich the soil, enhancing agricultural productivity. Additionally, the Mekong is one of the world's largest inland fisheries, with fish and other aquatic resources forming a crucial part of the local diet and economy. For instance, the Tonle Sap Lake in Cambodia, connected to the Mekong River, is one of the world's most productive inland fisheries, providing around 75% of Cambodia's annual fish catch, which is crucial for local consumption and export.²¹ Moreover, according to the Mekong River Commission (MRC), the Mekong Basin yields approximately 2.6 million

²¹ J. Booth, Andrew . n.d. "Tonle Sap Cambodia." Wwww.aboutasiatravel.com.
<https://www.aboutasiatravel.com/cambodia/guide/siem-reap/attractions/tonle-sap.htm>.

tons of fish annually, valued at over \$3 billion. This supports the livelihoods of nearly 60 million people in the region.²²

However, the river's waters are vital for irrigation. Large-scale irrigation projects harness the Mekong to irrigate vast tracts of farmland, ensuring the region's food security. This water is essential for growing staple crops like rice, a primary food source and export commodity. Vietnam's Mekong Delta, known as the "Rice Bowl," produces more than half of the country's rice.²³ The extensive canal systems fed by the Mekong River irrigate the delta's rice paddies, ensuring high yields and food security. Furthermore, communities along the Mekong rely heavily on fisheries for their economic well-being. Fish provide direct nutrition and support secondary industries like fish processing and trade. The Food and Agriculture Organization (FAO) reports that Vietnam exported over 6 million tons of rice in 2020, much of which was cultivated in the Mekong Delta.²⁴ This makes Vietnam one of the top rice exporters globally.

Hydropower Development: The Mekong's strong flow and elevation changes make it ideal for hydropower. Numerous hydroelectric projects have been developed along the river, contributing significantly to regional economies. These projects enhance energy security, reduce dependence on fossil fuels, and propel economic growth by providing a reliable power supply for industries and homes. The Xayaburi Dam in Laos, one of the largest hydropower projects on the Mekong, generates 1,285 megawatts of electricity sold to Thailand.²⁵ This project significantly boosts Laos' economy through energy exports. Hydropower projects in the Mekong are critical in meeting the energy demands of the lower Mekong countries. By generating clean and renewable energy, these projects help stabilize electricity prices and promote economic growth. The reliable energy supply boosts industrial activities, supports economic diversification, and attracts further investments. According to the International

²² Baran, Eric, Emmanuelle Guerin, and Sinead Saray. 2012. "Features of High Fish Productivity in the Mekong Basin: Case of 32 Biodiversity Hotspots". Report for the project "A Climate Resilient Mekong: Maintaining the Flows That Nourish Life," led by the Natural Heritage Institute, WorldFish Center, 2012. Phnom Penh, Cambodia: Natural Heritage Institute, 2012. 27 pp.

²³ Stephen. 2019. "Ultimate Guide to Mekong Delta – the 'Rice Bowl' of Vietnam - Indochina Tours." Indochina Tours. May 10, 2019. <https://www.indochina.tours/ultimate-guide-mekong-delta-the-rice-bowl-vietnam/>.

²⁴ Thi Thu Hong, Doin, Pham Quang Dieu, and Dao The Anh. 2022. "Market Structure of Rice Export in Vietnam from 2010 to 2020." FFTC Agricultural Policy Platform (FFTC-AP). January 27, 2022. <https://ap.fftc.org.tw/article/2985>.

²⁵ "We Will Never Stop Raising Our Voices: Facing the Pak Beng Dam | EarthRights International." 2018. *EarthRights International*, October. <https://doi.org/1009713249/WgWpCICQm9oBEOGAvoED>.

Hydropower Association, hydropower accounts for over 30% of Laos' GDP, with the country aiming to become the "Battery of Southeast Asia."²⁶

Trade and Transportation: The Mekong River is a vital trade route, facilitating the movement of goods and people. Its navigable waters connect remote areas to major markets, enhancing regional commerce. Its role in trade is augmented by the development of ports, roads, and bridges, which improve connectivity and stimulate economic interactions among the countries in the basin. The Mekong River enhances trade between China, Myanmar, Laos, Thailand, Cambodia, and Vietnam. Vessels transport goods like rice, timber, and manufactured products along the river, assisting regional commerce. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) highlights that regional trade facilitated by the Mekong River is valued at several billion dollars annually.²⁷ Moreover, investments in infrastructure, such as roads, bridges, and ports, have transformed the Mekong into a crucial artery for trade and transportation. Enhanced connectivity fosters economic integration, reduces transportation costs, and opens new markets for regional products, thus driving economic growth. The construction of the Mekong Friendship Bridge between Laos and Thailand has significantly improved connectivity, boosting trade and tourism between the two countries. The Japan International Cooperation Agency (JICA) reports that since the bridge's opening, bilateral trade between Laos and Thailand has increased by over 30%, and cross-border tourism has surged, contributing to local economies.²⁸

The Economic Impact of the Mekong River: The Mekong River's role in creating economic opportunities, enriching inland fisheries, facilitating regional trade, and providing hydropower underscores its multifaceted importance and influence on the region's economic development. However, these activities also lead to significant environmental challenges, including pollution. The intensive agricultural practices, unregulated fisheries, large-scale hydropower projects, and increased trade and transportation contribute to the degradation of water quality

²⁶ Abellon, Andrea. 2023. "Lao PDR's Electricity Sector: Risk or Opportunity?" ASEAN+3 Macroeconomic Research Office - AMRO ASIA. December 13, 2023. <https://amro-asia.org/lao-pdrs-electricity-sector-risk-or-opportunity>.

²⁷ Abe, Masato. 2013. "Expansion of Global Value Chains in Asian Developing Countries: A U T O M O T I V E Case Study in the Mekong Subregion." <https://repository.unescap.org/bitstream/handle/20.500.12870/393/0%20-%20Full%20report.pdf?sequence=1&isAllowed=y>.

²⁸ Akane, Kurusawa. 2023. "JICA and Connectivity in the Mekong Region | November 2023 | Highlighting Japan." Gov-Online.go.jp. 2023. https://www.gov-online.go.jp/eng/publicity/book/hlj/html/202311/202311_05_en.html.

and ecosystem health, posing risks to the environment and the communities that depend on the river.

Foreign direct investment (FDI) in infrastructure and hydropower projects is crucial for the region's development. However, balancing economic benefits with social and environmental costs is essential. While FDI brings capital and technology, it can also lead to community displacement, environmental degradation, and biodiversity loss.²⁹ Development projects often promise significant economic returns but can also have adverse social and environmental impacts. Displacement of communities, loss of livelihoods, and ecological damage are some costs that must be carefully managed. Policymakers must ensure that development is inclusive and sustainable, benefiting all stakeholders.

External investments are pivotal in developing the lower Mekong countries (LCVs). By funding large-scale infrastructure and energy projects, these investments drive regional economic integration. Enhanced economic cooperation among the LCVs can lead to shared prosperity, but it requires robust governance and equitable distribution of benefits. The Greater Mekong Subregion (GMS) Economic Cooperation Program, supported by ADB, aims to enhance economic integration and cooperation among Mekong countries through infrastructure and trade facilitation projects. Since its inception, the GMS program has mobilized over \$21 billion in investments, improving regional connectivity and economic growth.³⁰

Economic disparities within and between the countries in the lower Mekong region pose a significant challenge. Addressing these disparities requires targeted policies that promote equitable growth, improve access to education and healthcare, and support marginalized communities. Bridging the development gaps is essential for regional stability and prosperity. There is significant potential for sustainable economic growth in the lower Mekong region through the adoption of green technologies. Investments in renewable energy, sustainable agriculture, and eco-friendly infrastructure can drive economic development while minimizing environmental impacts. Embracing green technologies can also make the region more resilient to climate change and ensure long-term economic sustainability.

²⁹ Ali, Najabat, Khampho Phoungthong, Anwar Khan, Shah Abbas, Azer Dilanchiev, Shahbaz Tariq, and Muhammad Nauman Sadiq. 2023. "Does FDI Foster Technological Innovations? Empirical Evidence from BRICS Economies." Edited by Jabbar Ul-Haq. *PLOS ONE* 18 (3): e0282498.

<https://doi.org/10.1371/journal.pone.0282498>.

³⁰ "Projects." n.d. Greater Mekong Subregion (GMS). <https://www.greatermekong.org/g/gms-latest-projects>.

In conclusion, the Mekong River is undeniably a cornerstone of economic activity in the lower Mekong region, supporting vital sectors such as agriculture, fisheries, trade, and energy production. Its role in enhancing agricultural productivity, sustaining fisheries, facilitating trade, and generating hydropower highlights its crucial influence on millions' regional economy and livelihoods. However, this economic vitality comes with significant environmental challenges. The river's extensive use for agriculture, fisheries, hydropower, and transportation has led to pollution and ecosystem degradation, which threaten both environmental health and the well-being of local communities. While foreign direct investment and infrastructure development drive regional integration and economic growth, they must be managed carefully to mitigate their social and environmental impacts.

A Socio-Cultural Perspective

From Yunnan province of China through Myanmar, Laos, Thailand, and Cambodia to Vietnam, the Mekong River provision of water and other resources is crucial to over sixty million people's survival. However, the river is threatened with numerous environmental issues that threaten the future of the water body and the people depending on it. Climate change, pollution, and the construction of dams are adversely affecting Mekong's water system. These challenges affect not only the natural flow of the river and water flow but also the biological quality and the various species of fish and other organisms that inhabit its waters and the surrounding land.

Environmental Challenges Facing in the Mekong Region

Dam construction, one of the biggest environmental challenges in the Mekong region, is a significant obstacle to sustainable development. Hydropower and irrigation are two major uses of river water, and several dams have been constructed on the river and its feeder rivers over the last two decades. For the twenty-first century's first decade, there are 11 mainstream dams on the upper Mekong, with more in the pipeline or under construction.³¹ These dams alter the river regime within the river channels in terms of sedimentation, fish passage, and water depth. The Xayaburi Dam in Laos is an example of one that started generating electricity in 2019. It has affected water flow downstream and sectors such as agriculture and fisheries. The dam then captures sediment vital to the delta's productivity, preventing the shoreline from eroding. The

³¹ International Rivers. n.d. "Mekong." International Rivers. <https://www.internationalrivers.org/where-we-work/asia/mekong/>.

effects of multiple dams are even worse since the negative effects amplify these issues and have lasting effects on the economy and the environment.

Another concerning threat is climate change, which affects the Mekong Basin. Climate change impacts include temperature increases and alteration of rainfall patterns, thus influencing the availability of water, frequency of floods, and crop yields. The Intergovernmental Panel on Climate Change estimates that a one-meter rise in the sea level could flood 40% of the delta area, displacing millions of people and shrinking cultivable land.³² When the weather gets hotter, water evaporation increases, decreasing water flow in the river. Changes in rainfall patterns lead to more frequent and heavier floods and long-term periods of drought. Also, adverse effects from climate change that severely affect the Mekong Delta include the rising sea level, which affects water sources through saltwater intrusions and erosion of the fertile land. Furthermore, rainfall distribution variations can result in delayed or frequent heavy rainfall unfavorable to farming and fishing. For instance, Thailand and Vietnam in 2019-2020 experienced the worst drought in the last forty years, significantly impacting rice production in the region; this shows that the region is sensitive to climate change.³³

Pollution also rises in the river, and hitches deactivate its water through industrial waste discharge, agricultural drainage, and plastics. According to the Mekong River Commission MRC, a study conducted in 2018 showed that 200,000 tons of plastic waste end up in the Mekong River yearly, polluting the river water and affecting the lives of aquatic animals. Furthermore, the use of pesticides and fertilizer in agriculture leads to water pollution, which may lead to the formation of algal forms or any other disturbance in the ecology.³⁴

Impact on Food Security, Biodiversity, and Livelihoods

The natural challenges confronting the Mekong Stream have significant suggestions for nourishment security, biodiversity, and jobs within the Lower Mekong Nations (LMCs) such as Cambodia, Laos, and Vietnam. Hydropower affects the water flow in the river setting besides damaging fish migration as well as breeding habits. The Mekong River is even known

³² Moore, Rob. 2019. "IPCC Report: Sea Level Rise Is a Present and Future Danger." Wwww.nrdc.org. September 25, 2019. <https://www.nrdc.org/bio/rob-moore/ipcc-report-sea-level-rise-present-and-future-danger..>

³³ Patel, Kasha. 2020. "Drought Hits Thailand." Earthobservatory.nasa.gov. February 15, 2020. <https://earthobservatory.nasa.gov/images/146293/drought-hits-thailand>.

³⁴ "Plastic Pollution Threatens the Mekong, a Wildlife Wonderland." 2021. UNEP. March 25, 2021. <https://www.unep.org/news-and-stories/story/plastic-pollution-threatens-mekong-wildlife-wonderland>.

as one of the most productive inland fisheries in the world. Thus, it is crucial for millions of people. For Cambodia's population, fish and other waterborne creatures contribute to over 75% of all animal calorie consumption.³⁵ Fishing has been affected by the decrease in the river's fish stocks due to projects such as the construction of dams, water pollution, and eutrophication. For instance, fish migration corridors are critical for the life cycle of aesthetic fish, while dams hinder such habitats as estuaries, affecting the fish population and ecosystem balance.

Biodiversity, which refers to the number and distribution of different species within the Mekong River Basin, plays an important role in supporting the well-being of this region. This place boasts thousands of species of fish, plants, and animals, of which many inhabitants are unique to the region and the world. But this rich tapestry of a life lead is under a very real threat, or rather, the threat is looming large over this kind of a life. The Mekong Waterway Bowl is home to various fishes, plants, and creatures, many of which are endemic. The development of dams and the modification of characteristic environments debilitate these species. The Mekong mammoth catfish, once plenteous, is fundamentally imperiled, with its populace decreased due to environmental fracture and overfishing.³⁶ Also, the misfortune of wetlands and floodplains, which serve as basic living spaces for numerous species, exacerbates the decay of biodiversity. Vocations within the LMCs are closely tied to the well-being of the Mekong Waterway. In Vietnam's Mekong Delta, rice cultivation is a primary financial action, with the locale creating over 50% of the country's rice. In any case, the impacts of climate alteration, such as saltwater interruption and changes in water accessibility, debilitate rural efficiency. In 2019, extreme dry spells and saltwater interruption caused noteworthy edit misfortunes within the Mekong Delta, influencing over 160,000 hectares of rice areas and driving around \$35 million financial misfortunes.³⁷

Therefore, focusing only on the immediate financial gains detracts from the sustainability of the Mekong River, further emphasizing the idea of reckless exploitation of natural resources. While ratifying hydropower projects and establishing a vision of Laos as the 'Battery of

³⁵ Manohar, Swetha , Shauna Downs, Sabina Shaikh, Sithirith Mak, Serey Sok, Elizabeth Graham, Lais Miachon, and Jessica Fanzo. 2023. "Policy & Practice." *Bull World Health Organ* 101. <https://doi.org/10.2471/BLT.22.288830>.

³⁶ WWF. 2012. "Mekong River | Greater Mekong | Places | WWF." World Wildlife Fund. 2012. <https://www.worldwildlife.org/places/greater-mekong>.

³⁷ Vietnam Ministry of Agriculture and Rural Development. 2019. "Impact of Drought and Saltwater Intrusion in the Mekong Delta." <https://www.mard.gov.vn/en/Pages/impact-of-drought-and-saltwater-intrusion-in-the-mekong-delta.aspx>.

Southeast Asia' can ignite the country's economy, many negative consequences may harm the river's discharge, sediment carrying capacity, and biological habitat. Another vice is we continue to degrade the environmentally sensitive river basin through poor agricultural practices such as chemical fertilizers and pesticides. The future of the Mekong is being shaped today, and this could only mean that sustainable development would require the efforts of all stakeholders. Fostering regional cooperation and celebrating the ecosystems of the Mekong through sustainable water consumption and appropriate infrastructure development will help safeguard the future of this important water source and the millions of people who depend on it. On the same note, only if the Mekong region countries collaborate with stakeholders such as the MRC can the environmental and economic development of the region be sustained for the benefit of future generations.³⁸

In conclusion, the Mekong River, on which millions of people still depend for water, food, and other necessities, is in a very bad state. Dams, climate change, and pollution are thus contributing to the decline of its ecosystem and putting food security, source of livelihoods, and biological diversity at risk. The building of dams affects the rivers' flow, disturbing fishing industries and farming. Climate change with increased temperatures, changes in rain patterns, and frequency and intensity of floods and tsunamis only exacerbate these problems. This comes from industrial waste, agriculture, and plastics that pollute the river even more. This highlights the need for immediate intervention to redress these interconnected issues and check on the future of the Mekong River.

Moving Forward

The final question must be: What is the best path forward? Despite the issues in the region, there are bright lights at the end of the tunnel for the three nations, as cooperation will overcome competition. The CLV nations have open trilateral relations to foster more dialogue. The three national parliaments have regularly met and exchanged delegations at various levels in the bilateral framework.³⁹ The challenges faced by the nations are shared, and it will require a cooperative effort to solve these issues and ensure more benefits for everyone. The competition for control and resources will be much higher shortly as each nation needs to garner resources for its development.

³⁸ Ibid. 38

³⁹ "Cambodia-Laos-Vietnam Enhance Cooperation in Foreign Affairs in the Development Triangle." 2023. Kpl.gov.la. December 5, 2023. <https://kpl.gov.la/En/detail.aspx?id=78734>.

However, reforms must be done to ensure proper usage of resources among the three nations. Our team suggests reforming the MRC with better leadership is the best step forward. With the unbalanced economic growth, we suggest that Vietnam be the new leader and take on a larger role. It is not a secret that Vietnam is the largest economically and has the most potential among the three nations. With a high political commitment, Vietnam has played an active and constructive role in participating in MRC activities at all levels, forums, and all areas of cooperation by putting forward initiatives and contributing to finance, information, data, and experts.⁴⁰ This can be seen as a stronger commitment from Vietnam to ensure a stronger role for the MRC. The major flaw of the MRC is a lack of low-level organization to ensure everyone is in check. If Vietnam takes on this role, there can be more accountability and fairness in information sharing among all members.

Conclusion

The Mekong River plays a crucial role in the development and livelihood of its riparian states. The paper examines the factors and issues concerning the future of resource management in the region. Geopolitics, economics, and sustainability are discussed as this matter concerns the nations. The growing competition in the region will have a compounding impact, but it will open up the discussion of transboundary crimes. Secondly, the economic opportunities with the Mekong River are huge as it is a trading line from internal ports. Finally, the question of sustainability must be studied to ensure the impact of investment and development. Our team proposed that the future will be more competitive, but the nation's trilateral relations will be much closer. We also suggest that Vietnam should be the new leader of the MRC to ensure proper control and accountability.

⁴⁰ Nhan Dan Online, "Contributing to the Sustainable Development of the Mekong River Basin." 2023. April 4, 2023. <https://en.nhandan.vn/contributing-to-the-sustainable-development-of-the-mekong-river-basin-post123890.html>.

China's Navy Modernization under Xi Jinping: Implications for the South China Sea Dispute

LENG Molina, VAN Vannrithy, and SUM Pichkanika

Introduction

Under President Xi Jinping's leadership, China aims to transform and become the most respected country in the world. To achieve this ambition, China has tried to transform its navy by modernizing the People's Liberation Army Navy (PLAN) into a maritime force capable of asserting China's influence in international waters, especially the South China Sea, now a key strategic location.¹

Tension between China and several Southeast Asian countries has been rising significantly for decades regarding the overlapping claims in the South China Sea water, and the heart of the tension is the nine-dash line. The tension has risen among countries in the region toward geopolitics and strategic competition that could lead to confrontation and threaten regional stability. While the tension keeps rising, China's assertiveness in the disputed waters is mainly seen in its navy's modernization, characterized by advances in naval construction, shipbuilding, and missile technology to achieve its military ambitions and secure its claims to the disputed waters.

This article seeks to analyze the multifaceted impact of China's naval modernization under Xi Jinping, assessing the case of the South China Sea. Demonstrating the implementation of China's military expansion strategy, this document aims to provide an in-depth analysis of the progress made by China, China's claim to the nine-dash line, and other major aspects of the disputed waters. Finally, the document will also assess the impacts of China's naval modernization on regional security, especially the security of other claimant states in the South China Sea.

¹ CGTN, "What does the Chinese Dream of national rejuvenation mean for China?", 16 November 2022, <https://news.cgtn.com/news/2022-11-26/What-does-the-Chinese-Dream-of-national-rejuvenation-mean-for-China--1fh97eRy1tS/index.html>

China's Navy Modernization under Xi Jinping

China's People's Liberation Army is the largest in the world.² According to the International Institute for Strategic Studies Military Balance, 965,000 personnel were in the army, 252,000 in the navy, and 403,000 in the air force as of 2024.³ The People's Liberation Army Navy, or the PLAN, comprises five branches: the surface fleet, naval aviation, coastal defense force, marine corps, and submarine fleet.⁴

Due to China's changing maritime interests, its navy needs to be more modernized, particularly to become a blue-water navy. Since the administration of Xi Jinping, the PLAN has carried out an ambitious modernized effort that focuses mainly on technological development and flexible force. The modernization effort was taken to prepare itself for the confrontation with Taiwan, the South China Sea conflict, and the confrontation with the US navy in the region, as well as to protect economic interests and counter-piracy.

First and foremost, the advancement of the PLAN focuses on improving equipment and weapons. Beijing has characterized its military modernization effort as a "three-step development strategy" that entails laying a "solid foundation" by 2010, making "major progress" by 2020, and being able to win "information wars by the mid-21st century." Currently, the PLAN possesses 77 principal surface combatants, over 60 submarines, 55 medium and large amphibious ships, and 85 missile-equipped small combatants.⁵ Moreover, the PLAN is currently updating its navy battle capability. This means improving its old navy's readiness, capability, and tactics in conducting operations on the surface, underwater, and in the air. For instance, the modernization has been made to multi-mission ships equipped with advanced anti-ship, anti-air, and anti-submarine weapons and sensors.⁶ Major qualitative improvements are also occurring within naval aviation, and the submarine force can strike

² Scobell, Andrew, and Alex Stephenson. 2023, "Five Things to Know about China's Armed Forces." *United States Institute of Peace*, August 2, 2023. <https://www.usip.org/publications/2023/08/five-things-know-about-chinas-armed-forces>.

³ *The Economic Times*. 2023, "World's Largest Army, Navy: How China Has Ramped up Its Defense Capabilities," March 5, 2023. <https://economictimes.indiatimes.com/news/how-to/worlds-largest-army-navy-how-china-has-ramped-up-its-defense-capabilities/articleshow/98426138.cms?from=mdr>.

⁴ "The PLA Navy Coastal Defense Missile Force." 2024, *Air University (AU)*. April 8, 2024, <https://www.airuniversity.af.edu/CASI/Display/Article/3727771/the-pla-navy-coastal-defense-missile-force/>.

⁵ LaGrone, Sam. 2014, "Document: China's Naval Modernization - USNI News." USNI News. February 3, 2014, <https://news.usni.org/2014/02/03/document-chinas-naval-modernization>.

⁶ Karotkin, Jesse. n.d, "TRENDS in CHINA'S NAVAL MODERNIZATION US CHINA ECONOMIC and SECURITY REVIEW COMMISSION TESTIMONY", https://www.uscc.gov/sites/default/files/Karotkin_Testimony1.30.14.pdf.

targets hundreds of miles from the Chinese mainland.⁷ For example, a long-range anti-ship cruise ballistic missile, DF-21D, will strengthen China's counter-intervention capability in the next decades. It was noted that many capabilities are designed specifically to deter or prevent U.S. military intervention in the region.⁸ However, although the PLAN faces a capability gap in some key areas, such as deep-water anti-submarine warfare and joint operations, they have achieved their “strong foundation” and emerged as a well-equipped, competent, and more professional force.

Secondly, the PLAN has advanced to larger, multi-mission platforms.⁹ When China began its naval modernization in the late 1990s, virtually all of its ships and submarines were essentially single-mission platforms. This means that they were collectively assigned a single mission and were poorly equipped to operate beyond the support of land-based defenses. However, after Xi Jinping came to administration, he made the PLAN's equipment capable of long-distance deployments and offshore operations to develop blue-water capabilities. Furthermore, the type-095 guided-missile attack submarine is thought to have a land attack capability. The deployment of land attack cruise missiles (LACMs) and surface combatants could enhance China's ability to strike U.S. bases.¹⁰ Meanwhile, China's naval aviation is also expanding its mission with the capability of maritime strikes, maritime patrols, anti-submarine warfare, airborne early warning, and logistics. In short, the PLAN is trying to shift to a naval aviation force that is well-equipped to execute a wide variety of missions near and far from home.

Another advancement was the submarine force. China regarded its submarine force as a critical element of regional deterrence, particularly when conducting “counter-intervention” against modern adversaries. In the 1980s, the Chinese submarine's capability was poorly equipped, which gave way to a more modern submarine force. Currently, the submarine force consists of five nuclear attack submarines, four nuclear ballistic-missile submarines, and 53 diesel attack

⁷ “China Naval Modernization: Implications for U.S. Navy Capabilities-Background and Issues for Congress Ronald O’Rourke Specialist in Naval Affairs”, 2016. <https://news.usni.org/wp-content/uploads/2016/06/RL33153.pdf>.

⁸ “The China Anti-Ship Ballistic Missile (ASBM) Bookshelf | Andrew S. Erickson.” n.d, <https://www.andrewerickson.com/2020/11/the-china-anti-ship-ballistic-missile-asbm-bookshelf-3/>.

⁹ Congressional Research Service. 2022, “China Naval Modernization: Implications for U.S. Navy Capabilities-Background and Issues for Congress.” <https://sgp.fas.org/crs/row/RL33153.pdf>.

¹⁰ Cordesman, Anthony H., and Joseph Kendall. 2016, “THE PLA NAVY.” JSTOR. 2016. <https://www.jstor.org/stable/resrep23376.12>.

submarines.¹¹ China's increase in nuclear-powered submarines is aimed at boosting long-distance naval combat and deterrence in case of a sea confrontation with others.¹² For example, the PLAN put three improved Shang-class (Type 093B) nuclear-powered attack submarines into service in April 2015. The upgraded Shang class has a new vertical launch system and increased speed. Hence, China is expected to begin construction on the Type 093B guided-missile nuclear assault submarine (SSGN). This new Shang-class submarine will enhance China's covert land-attacks and anti-surface warfare capabilities.¹³

Lastly, a crucial part of China's navy modernization is the professionalization and training of the PLAN personnel. Over the past ten years, operational proficiency has increased, and training patterns have been shaped by a persistent leadership emphasis on "realistic" and "complex" training. After assuming the positions of Chairman of the Central Military Commission (CMC) and General Secretary of the Communist Party of China in late 2012, Xi Jinping emphasized the ongoing significance of fostering "real combat" knowledge within the armed forces. To meet the challenge of modern warfare. The PLAN has gradually raised the complexity of its training and exercises. For instance, PLAN training and exercises mainly focus on strengthening command authority and relationships through realistic opposing-force training, deepening tactical innovation, increasing actual use of weapons, avoiding formalism and scripting in exercises, and improving joint campaign-level training.¹⁴

China's Activities in the South China Sea

China's assertiveness in the South China Sea has been reflected in several ways, including military and naval exercises in the disputed water, which are the major driving forces behind its claim. Since the 2000s, the South China Sea resolution strategy has changed dramatically due to the expansion of Chinese naval exercises involving the deployment of modern

¹¹ "China 'Could Match' US in Military Conflict Thanks to Shipbuilding Strength." 2024, *South China Morning Post*. June 17, 2024, https://www.scmp.com/news/china/military/article/3266860/china-could-match-us-military-conflict-thanks-shipbuilding-strength-analysts-say?campaign=3266860_391fc670-36d0-11ef-a602-960343c8bbc2&module=perpetual_scroll_1_RM&pgtype=article.

¹² "China 'Could Match' US in Military Conflict Thanks to Shipbuilding Strength." 2024, *South China Morning Post*. June 17, 2024, https://www.scmp.com/news/china/military/article/3266860/china-could-match-us-military-conflict-thanks-shipbuilding-strength-analysts-say?campaign=3266860_391fc670-36d0-11ef-a602-960343c8bbc2&module=perpetual_scroll_1_RM&pgtype=article.

¹³ "China Submarine Capabilities | NTI." n.d. www.nti.org/analysis/articles/china-submarine-capabilities/.

¹⁴ Office of Naval Intelligence. "The PLA Navy: New Capabilities and Missions for the 21st Century." February 2015. Accessed July 27, 2024, https://www.oni.navy.mil/portals/12/intel%20agencies/china_media/2015_pla_navy_pub_interactive.pdf.

submarines and vessels in the disputed waters. In this regard, some scholars claim that since 2009 and 2010, China has significantly expanded its military and military involvement in the South China Sea.¹⁵ The newly built naval warships marked the beginning of Beijing's modern navy, comparable to the United States. They were deployed in the late 2000s as a deterrent to Taiwan against U.S. intervention and to defend its claim in the South China Sea.¹⁶ Several naval infrastructures and forces have been deployed in the disputed water to expand its assertiveness and position. These include artificial islands, coastguards, and civilian vessels to maintain a presence in the disputed area and carry out coercive threats such as using water cannons, cross lines, and exercises near foreign ships.¹⁷ For instance, China has used civilian vessels as fishing vessels in the disputed waters to expand control over fishing activities and take control over the disputed archipelago. China has also used civilian fishing boats for many years for military purposes. The PLAN can now maintain a good position to confront any possible external threat in its regional waterways, in both the Taiwan Strait and the South China Sea. The diversity of possibilities available for coercive actions is also enhanced by the combination of military, law enforcement, and civilian ships, which provide greater flexibility over the shadows of escalation or rejection of gray areas.¹⁸ Chinese government ships are being replaced by militant fishing boats during peacetime. All these paramilitary fishing vessels are equipped with innovative communication devices to enhance communication with Chinese warships. In addition, the government also provides the fishing militia with intensive defense training to enhance their capabilities. Some received reconnaissance training and used light weapons against other boats in the disputed waters.

Furthermore, they are also funded by the government to build their work commitment. For example, militant fishermen are compensated for expenses and losses incurred during their operations, and the provincial government is responsible for the costs of 'special tasks' assigned to them. More importantly, local governments adequately train and encourage

¹⁵ Derek. Military Build-Up in the South China Sea, *RAND*, Last modified: Jan 22, 2020, https://www.rand.org/pubs/external_publications/EP68058.html.

¹⁶ Jaebeom. The Turn of the Tide: Explaining China's Growing Assertiveness in the South China Sea, *David Publishing*. 1-17. 7(2). Last modified: February 2019. [5caab7170ebd6.pdf](https://www.davidpublishing.com/Upload/5caab7170ebd6.pdf).

¹⁷ James. China's PLAN: Maritime dominion beyond the South China Sea, *Council on Geostrategi*., Last modified: n.d. <https://www.geostrategy.org.uk/research/chinas-plan-maritime-dominion-beyond-the-south-china-sea/>

¹⁸ Associated Press, China using civilian ships to enhance navy capabilities, *Reach. VOA*, Last modified: September 24, 2022. <https://www.voanews.com/a/china-using-civilian-ships-to-enhance-navy-capability-reach/6761625.html>

maritime militias to lead missions to competitive areas such as the South China Sea, which promises to pay them high wages and financial incentives. Fishing boats with advanced communications systems, military aid, skilled fishermen, and even small arms are real threats and will increase tensions in the South China Sea.¹⁹

The Effects on Other Claimant States' Security

China's upgrading of its military capabilities threatens the international security order in the Indo-Pacific and the South China Sea.²⁰ Due to rising nationalist rhetoric and upgraded military capability, China will likely shift its maritime behavior in the South China Sea. China's strategies could be coercive tactics like swarming, obstructing, ramming, and buzzing to gain an advantage before the conflict begins. Simultaneously, diplomatic pressure could convince the other claimants to recognize Chinese sovereignty in the sea.²¹

Brunei

Brunei Darussalam is the smallest claimant state with the smallest claim. The country's geography makes the conflict and its consequences of great significance to the Sultanate as its total coastline of 161km links to the Sea. Despite the important wealth from the hydrocarbon exports, Brunei has relatively consistently small naval and air forces with limited capabilities for long-term patrols and dynamic military operations. Four blue-water-capable offshore patrol vessels, along with other transport planes used for maritime surveillance, have recently served as its inventory.²² Unlike other claimant states, Brunei does not have combat-capable navy and air assets for deployment in the sea. It is also the only claimant state with no military camps away from the main army for monitoring the enemy's movement. Given the historical constraint, the state adopts a low-profile approach, raising questions about the bilateral relationship with China in the future.²³

¹⁹ James. China's PLAN: Maritime dominion beyond the South China Sea. *Council on Geostrategic*, Last modified: n.d. <https://www.geostrategic.org.uk/research/chinas-plan-maritime-dominion-beyond-the-south-china-sea/>

²⁰ "Implications of PLA modernization: assessing how CCP military upgrades affect the regional balance of power," *IP Defense Forum*, August 17, 2023, <https://ipdefenseforum.com/2023/08/implications-of-pla-modernization/>

²¹ "Military Confrontation in the South China Sea," *cfr*, May 21, 2020, <https://www.cfr.org/report/military-confrontation-south-china-sea>

²² "KDB Darulaman (OPV-08): offshore patrol vessel Brunei 2011," *Military factor*, January 26 2018, https://www.militaryfactor.com/ships/detail.php?ship_id=kdb-darulaman-opv08-offshore-patrol-vessel-brunei

²³ Daniel Thomas, "Key Issues and Dilemmas for Brunei and Malaysia in the South China Sea Dispute," *ISIS*, December 06, 2016, <https://www.isis.org.my/2016/12/06/key-issues-and-dilemmas-for-brunei-and-malaysia-in-the-south-china-sea-dispute/>

Indonesia

The Ministry of Natural Resources of China unveiled a new so-called “standard map,” upgrading from 9 dash lines to 10 dash lines in 2023.²⁴ It drew attention because its claim violated Indonesia's exclusive economic zone (EEZ) and the other four claimant nations. China’s capability in navy development led to the publication of a new map of unilateral claim, prompting Indonesia’s assertiveness and reaffirming its security and sovereignty like other Asian claimant states. Spotting the threat arising underwater, Indonesia develops underwater detection capabilities through the advocacy of the Navy (TNI-AL) and the Ministry of Defense.²⁵

Malaysia

The national defense policy of Malaysia underscores the critical situation of safeguarding sea routes and airspace around particular areas like peninsula Malaysia, Sabah, and Sarawak. Nevertheless, the PLAN, Chinese Coast Guard (CCG), and Chinese fishing vessels have often passed Malaysia's Exclusive Economic Zone (EEZ).²⁶ The 334,671 sq-km EEZ claimed by Malaysia near Sabah and Sarawak in the southern part of the South China Sea was made under the UN Convention on the Law of the Sea (UNCLOS). Malaysia remains a key active player presenting in the southern Spratly Islands. The government audit report 2020 emphasized that the trespass showed belligerent behavior in the standoff situation. Considering the repeated actions of Chinese incursions into the waters and airspace of Malaysia, Malaysian policymakers tend to classify China as a non-threat to reduce bilateral relations friction and tension as well as avoid the risk of a regional arms race.²⁷

The Philippines

The Philippines plays the most active and assertive role in the South China Sea dispute among all claimant states. China has pressured the Philippines in the contested waters by mobilizing

²⁴ “China’s New ‘Standard Map’ Does Not Mean What You Think It Means,” *The diplomat*, September 05, 2023, <https://thediplomat.com/2023/09/chinas-new-standard-map-does-not-mean-what-you-think-it-means/>

²⁵ “Challenges to Underwater Sovereignty and Indonesia’s Naval Modernization,” *The diplomat*, October 03, 2023, <https://thediplomat.com/2023/10/challenges-to-underwater-sovereignty-and-indonesias-naval-modernization/>

²⁶ “Malaysia protests presence of Chinese vessels in its waters,” *Reuters*, October 5, 2021, <https://www.reuters.com/world/asia-pacific/malaysia-protests-presence-chinese-vessels-its-waters-2021-10-05/>

²⁷ Ryan Seow E Kin Zane, “Malaysia: Securing sovereignty in the South China Sea through ASEAN centrality,” *Yale Journal*, May 15, 2023, <https://www.yalejournal.org/publications/malaysia-securing-sovereignty-in-the-south-china-sea-through-asean-centrality>

CCG ships and fishing vessels to obstruct Philippine ships from delivering supplies and imposing a siege on a small Philippine outpost. This is clearly described in the recent incidents when water cannons were used on Philippine resupply vessels, resulting in a collision between the two nations' ships.²⁸ Amid the escalation of tension, the Philippines has fostered its alliances in the Indo-Pacific region and extended its partnership to Washington to enhance base access, joint exercises, and weapons transfers.²⁹ In navigating its security alliances, the Philippines has deterred China's severe attacks on its military and government assets to some extent. However, tensions caused this active state to form and introduce the Comprehensive Archipelagic Defense Concept in March 2024, aiming to shift away from the traditional army model and occupation style and focus on upgrading the navy and guarding the coast to counter China's capabilities at sea.³⁰

Vietnam

Vietnam is another assertive claimant in the dispute. No borders are shared between Vietnam and the U.S., its great power ally, reflecting the geographical isolation. In response to China's weapon development, Hanoi aims to modernize and upgrade its domestic defense industry and its limited foreign alliance.³¹ Although Vietnam's capabilities are highly improved with US support, there is a setback on the Vietnamese ideal that "Distant water cannot put out a nearby fire." Compared to China, Vietnam is a small state that cannot compete with China in terms of resources. Vietnam can either modernize its navy and air force or increase the size of its army to slow down weapons' outmodedness. However, it still encounters a difficult choice regarding internal balancing. In short, Vietnam's military is incomparable to China's, and it lacks an external security guarantor because of the hostile geography. With limited local resources, Vietnam has to decide whether to modernize the army, navy, or air force.³² Under Xi's administration, China is getting more assertive in the maritime domain through its activities to sharpen its coercive strategies. This hinders the foreign policy of Vietnam. Because of this,

²⁸ Cheng Dean, "Rising Tensions between China and the Philippines in the South China Sea." *USIP*, December 14, 2023, <https://www.usip.org/publications/2023/12/rising-tensions-between-china-and-philippines-south-china-sea>

²⁹ "Territorial Disputes in the South China Sea," *cfr*, June 24, 2024, <https://www.cfr.org/global-conflict-tracker/conflict/territorial-disputes-south-china-sea>

³⁰ Grossman Derek, "How to Respond to China's Tactics in the South China Sea," *RAND*, Jun 3, 2024, <https://www.rand.org/pubs/commentary/2024/06/how-to-respond-to-chinas-tactics-in-the-south-china.html>

³¹ Tran Bich T, "Understanding Vietnam's Military Modernization Efforts," *The Diplomat*, November 25, 2020, <https://thediplomat.com/2020/11/understanding-vietnams-military-modernization-efforts/>

³² Vu Khang, "How Vietnam Can Balance Against China, on Land and at Sea," *The Diplomat*, December 16, 2022, <https://thediplomat.com/2022/12/how-vietnam-can-balance-against-china-on-land-and-at-sea/>

Vietnam's position is viewed as an actor to counter China's expansionism. However, despite the relative power imbalance and bilateral distrust, Vietnam is a small state compared to China. It has to seek engagement with China to the point of "cooperating while struggling".³³

Conclusion

In conclusion, China has made significant efforts to transform the Chinese navy, the PLAN, into a powerhouse to expand its position in the South China Sea. Several specific types of naval advances have been established since the late 2000s, including operational skills, advances in multi-mission platforms, submarine and professional forces, and training. All of these innovative advancements are the driving forces behind China's assertiveness in the disputed water and in response to third-party intervention. The growing presence of the Chinese navy in the South China Sea is considered a threat to the other claimant states due to their limited military and naval capabilities and some existing internal factors that contribute to the vulnerability of their response to China's assertion of military status.

The modernization of China's navy under Xi Jinping represents a significant shift in the South China Sea dispute's dynamic, strategic, and geopolitical dimensions. Due to China's ambitious plan to achieve comparable naval status and power vis-à-vis that of the United States, the impacts on regional security, international maritime law, and the global energy structure are also deepening. In this sense, a lot of effort from the involved states is needed to strengthen their ability to resist China's assertiveness. State action demands that the international community and arbitration proceedings by international law be essential to ensuring freedom of navigation, regional peace, and stability in the South China Sea.

³³ Thu Huong Le, "Rough Waters Ahead for Vietnam-China Relations," *Carnegie empowerment*, Sep 30, 2020, <https://carnegieendowment.org/research/2020/09/rough-waters-ahead-for-vietnam-china-relations?lang=en>

The Roles of the Regional Comprehensive Economic Partnership (RCEP) in Promoting Economic Diversification in Cambodia

LOENG Chetha and SEAM Somontha

Introduction

Cambodia's current economic trajectory has been plummeting. It heavily relied on the garment industry, which accounted for 62 percent of the country's total exports in 2022.¹ Undoubtedly, this sector alone has been a significant economic driver for Cambodia for the past two decades, providing employment and export earnings. However, this heavy dependence on the garment industry makes Cambodia's economy vulnerable. For instance, the industry is highly sensitive to changes in job demand, especially in the context of Industrial 4.0. Given that the garment sector is labor-intensive, the introduction of automated machinery, like automated sewing machines, could result in the loss of thousands of jobs which are mostly low-skilled.² Acknowledging this potential challenge, the new Royal Government of Cambodia, headed by Prime Minister Hun Manet, considered diversifying Cambodia's economy, as seen in the Pentagon Strategy—Phase I.³

The Regional Comprehensive Economic Partnership (RCEP), a comprehensive trade agreement among ASEAN and its five FTA partners, China, South Korea, Japan, Australia, and New Zealand, aims to broaden and deepen regional economic cooperation. Cambodia signed the RCEP on 15 November 2020, and the RCEP itself came into force on 1 January 2022. The regional trading bloc has an accumulated population of 2.2 billion, accounting for 30% of the world's population.⁴ Given this diverse market access, Cambodia has an important

¹ Vanyuth, Chea. 2023. "Cambodia's diversification from garment to non-garment rolling." *Khmer Times*, November 24, 2023. <https://www.khmertimeskh.com/501397128/cambodias-diversification-from-garment-to-non-garment-rolling/>.

² Schmücking, Daniel. (2020). "The Risks of Industry 4.0 on Cambodia's Garment Sector: Analysis and Ways Forward." <https://www.kas.de/documents/264850/7993338/Chapter+6.pdf/56a3a1bb-c505-0d39-1f85-cecf00f5061a?version=1.0&t=1579758010559>

³ Bunthoern, Orm. 2023. "Manet unveils first phase of 'Pentagonal Strategy', goals." *Phnom Penh Post*, August 24, 2023. <https://www.phnompenhpost.com/national-politics/manet-unveils-first-phase-pentagonal-strategy-goals>.

⁴ Kunmakara, May. 2024. "RCEP drives major economic boost". *Phnom Penh Post*, January 14, 2024. <https://www.phnompenhpost.com/business/rcep-drives-major-economic-boost#:~:text=RCEP%20nations%20collectively%20represent%20about,as%20per%20the%20ministry's%20dat>a.

ground to stand on in order to liberalize trade, diversify its economy, facilitate Foreign Direct Investment (FDI), and many more opportunities necessary for Cambodia's overall economic growth.⁵

Therefore, this paper will elaborate on RCEP's role in diversifying Cambodia's economy. Firstly, we will examine how RCEP opens new markets for Cambodian exports, enabling the country to expand its export base beyond garments. Secondly, we will explore how RCEP can attract FDI, facilitate the development of new industries, integrate itself into the supply chain, and eventually reduce the economy's heavy dependence on the garment sector. Last but not least, we will also explore Cambodia's potential challenges and what Cambodia can do to tackle these challenges.

Cambodia's Economic Structure

Cambodia's economy has gradually recovered amidst various challenges and opportunities in recent years, growing at 3.0 percent and 5.2 percent in 2021 and 2022, respectively.⁶ Cambodia's economic growth was estimated to have reached 5.5 percent in 2023 and is projected to rise to 6.4 percent in 2024.⁷ The country has witnessed substantial economic growth primarily driven by the garment sector. According to a report by the Ministry of Commerce, garment exports skyrocketed by over 13 percent to surpass \$9 billion. Footwear exports also climbed significantly, reaching \$1.737 billion. These two sectors and travel accessories constituted more than half of the country's total export earnings for 2022.⁸ The agriculture sector also steadily recovered, from 0.3 percent in 2022 to 1.1 percent in 2023.

⁵ Shandre Mugan Thangavelu & Vutha Hing & Ea Hai Khov & Bunroth Khong & Seychanly Tith, 2022. "Potential Impact of RCEP and Structural Transformation on Cambodia," Chapters, in *Regional Comprehensive Economic Partnership: Implications, Challenges, and Future Growth of East Asia and ASEAN* edited by Fukunari Kimura & Shandre Mugan Thangavelu & Dionisius Narjoko, 195-245. Economic Research Institute for ASEAN and East Asia (ERIA). <https://www.eria.org/uploads/media/discussion-papers/FY22/Potential-Impact-of-RCEP-and-Structural-Transformation-on-Cambodia.pdf>

⁶ World Bank in Cambodia. April 2024. "Over the two decades before COVID-19 struck in 2020, Cambodia blossomed economically. Having reached lower middle-income status in 2015, it set its signs on attaining upper middle-income status by 2030." <https://www.worldbank.org/en/country/cambodia/overview>

⁷ National Bank of Cambodia. "Annual Report 2023." https://www.nbc.gov.kh/download_files/publication/annual_rep_eng/NBC%20Annual%20Report%202023%20Eng.pdf

⁸ Khmer Times. 3 February 2024. "More than half of Cambodia's 2022 exports are garment, footwear and travel accessories". <https://www.khmertimeskh.com/501232313/more-than-half-of-cambodias-2022-exports-are-garment-footwear-and-travel-accessories/>

Another characteristic of Cambodia's economic structure lies within its banking system. The policies set by the National Bank of Cambodia (NBC) play a vital role in facilitating economic activities, maintaining macroeconomic stability, and establishing a conducive environment for the development of the financial sector through its monetary policy. For instance, Cambodia's monetary policy has been instrumental in dealing with inflation and maintaining the stability of Cambodian Riels against the U.S. Dollar.⁹

For Trade and Investment, Cambodia attracted a fixed-asset investment of \$4.68 billion in 2022.¹⁰ The report said that last year, major foreign investors in the kingdom were from China, Japan, the Cayman Islands, Thailand, and Singapore. Investment projects have been focused on agriculture and agro-industry sectors, manufacturing, tourism, and infrastructure, among others. Cambodia's international trade in 2022 totalled more than \$52 billion.¹¹ Cambodia's main exports are garments, machinery and electrical equipment, footwear, leather goods, grain, furniture, rubber, fruits, vegetables, pearls, toys, and textiles.

RCEP Provision

The RCEP aims to build a comprehensive and mutually beneficial economic partnership based on existing bilateral ASEAN agreements with its FTA Partners. It contributes to both regional and global economic growth. The RCEP agreement covers 20 chapters, including market access for trade of goods and services and a large coverage of trade-related aspects.¹² Its wide market access is considered a traditional form of trade liberalization. Central to RCEP is establishing clear and harmonized Rules of Origin (ROO). These guidelines determine whether a product qualifies for preferential tariff treatment within the bloc. Traditionally, determining whether a product originated from a specific country for preferential tariff purposes was complex due to varying criteria among different FTAs. However, RCEP introduces a more conducive approach by allowing for the cumulation of origin. This means that components sourced from multiple RCEP member states can be considered as originating in the final

⁹ Ibid

¹⁰ Khmer Times . 7 January 2023. "FDI inflow to Cambodia increases by 7.7 percent in 2022 despite global uncertainty". <https://www.khmertimeskh.com/501215425/fdi-inflow-to-cambodia-increases-by-7-7-percent-in-2022-despite-global-uncertainty/>

¹¹ Chea Vanyuth. 11 January 2023. "Cambodia's total trade up 9% to \$52 billion in 2022". Khmer Times. <https://www.khmertimeskh.com/501217283/cambodias-total-trade-up-9-to-52-billion-in-2022/>

¹² Ibid

assembly country, facilitating regional production networks and boosting intra-regional trade.¹³ Moreover, the agreement also illustrates and promotes a comprehensive framework that enhances investments. Key provisions include national treatment, fair and equitable treatment, and protection from expropriation. For instance, RCEP prevents arbitrary actions against foreign investors by including protections against expropriation and discriminatory treatment to safeguard investments. It also outlines specific conditions for expropriation, such as for public purpose and fair compensation. Additionally, RCEP addresses investor aftercare by providing mechanisms for resolving disputes and facilitating investment processes. While the agreement does not mandate specific environmental or labor standards, it creates a framework supporting sustainable investment practices.¹⁴

Market Access and Diversification

The RCEP agreement reduces or eliminates member tariff rates and is expected to boost intra-regional trade. However, the speed and depth of tariff removal are not uniform across all member states; some are abolished immediately after coming into force, while others can take as much as 20 years.¹⁵ RCEP allows manufacturers in sectors like textiles, garments, electronics, and plastics to diversify their operations beyond China. This is thanks to RCEP's rules of origin (ROO) – regulations used to determine the origin of goods and their eligibility for preferential tariff treatment – which is important for facilitating trade within the trade agreement. Crucially, ROOs based on Regional Value Content (RVC) – a minimum percentage of value added within a specific region using materials from the agreement countries – allow manufacturers to source materials and components from any RCEP member country without losing preferential benefits. For example, businesses or companies can strategically locate regional production stages based on cost, expertise, or resource availability.

¹³ Asian Development Bank. 2022. “The Regional Comprehensive Economic Partnership Agreement A New Paradigm In Asian Regional Cooperation?” <https://www.adb.org/sites/default/files/publication/792516/rcep-agreement-new-paradigm-asian-cooperation.pdf>

¹⁴ ASEAN Cambodia 2022. 2022. “Cambodia and the RCEP Investment Provisions.” *Ministry of Foreign Affairs and International Cooperation of Cambodia*, February 06, 2022. <https://asean2022.mfaic.gov.kh/posts/2022-02-06-News-Cambodia-and-the-RCEP-Investment-Provisions-00-28-33>

¹⁵ ASEAN Cambodia 2022. 2022. “Cambodia trade preferences under the RCEP Trade in Goods.” *Ministry of Foreign Affairs and International Cooperation of Cambodia*, February 06, 2022. <https://asean2022.mfaic.gov.kh/posts/2022-02-06-News-Cambodia-trade-preferences-under-the-RCEP-Trade-in-Goods-00-37-45>

This flexibility removes the limitation of sourcing solely from the final assembly country. In this regard, the secretary of state of the Cambodian Ministry of Commerce, H.E. SIM Sokheng, also stated that ROOs will help Cambodian businesses leverage their exports.¹⁶ The ROOs will allow for greater intra-industry trade and investment and promote a Global Value Chain (GVC) – the interconnected firms and activities producing goods – through its standardized rules across all member states. This, therefore, simplifies compliance for businesses operating within the region. Furthermore, tariff reduction translates to lower import costs. In this context, raw materials and components allow Cambodian manufacturers to sell their products at more attractive prices in RCEP markets, creating opportunities for Cambodian businesses to explore new markets, expand their product range, and diversify their exports beyond garments.

Export Diversification

RCEP offers Cambodia diverse trading partners encompassing 15 countries, especially the big economies of Asia (China, Japan, and South Korea). This implies that Cambodia will be exposed to a diversified export market. Traditionally, Cambodia relied heavily on a limited number of trading partners. The dominant ones are the United States and China in exports, accounting for 43.06% and 6.0%, respectively, in 2022; as for its imports, there is China and neighboring countries such as Vietnam and Thailand.¹⁷ This limitation exposes the economy to fluctuations and potential disruptions in specific markets. For instance, if one market declines, businesses can still have alternative options by pivoting to other markets in RCEP where demand is still stable, enabling Cambodian businesses to thrive in such an economic situation. RCEP mitigates this risk by providing access to a wider customer base of over 2.2 billion people across the region.¹⁸ This also opens doors for Small and Medium-sized Enterprises (SMEs) to expose themselves to new consumers and expand their reach. In essence, a broader market also mitigates the risk of potential disruptions in any specific market, and businesses can strategically shift their focus towards markets with sustained demand, fostering a resilient export environment conducive to long-term economic stability.

¹⁶ Economic Research Institute for ASEAN and East Asia, 2022. “RCEP Rules of Origin and What They Mean for Cambodia”. Webinar from ERIA, Jakarta, February 10. <https://www.eria.org/multimedia/webinar/RCEP-Rules-of-Origin-and-What-They-Mean-for-Cambodia#>

¹⁷ Lloyds bank. May 2024. “Cambodia: Trade Profile”. <https://www.lloydsbanktrade.com/en/market-potential/cambodia/trade-profile>

¹⁸ Ibid

Foreign Investment Diversification

RCEP offers Cambodia an opportunity to become a more attractive destination for foreign direct investment (FDI). By providing a strong platform to expand investment, the RCEP creates an enabling investment environment with greater predictability for regional investors, including various objectives about free market and fair competition.¹⁹ RCEP improves market access by eliminating tariffs on goods traded between member countries.²⁰ It could provide lower production costs and higher profitability for foreign companies investing in Cambodia. Lower production costs and free trade access to a vast regional market within the RCEP members, including China and ASEAN countries, could significantly increase potential profits for foreign investors. Imagine a foreign manufacturer setting up a factory in Cambodia. Previously, foreign investors faced obstacles in setting up their projects in Cambodia because they had to pay high tariffs when exporting their products to the RCEP market. However, within the RCEP, the tariffs are reduced or eliminated; the streamlined investment procedure makes Cambodia a more competitive environment for investment than countries with higher barriers. It makes foreign investors prefer to invest in Cambodia.

The RCEP agreement also facilitated investment regulation and strengthened the intellectual property (IP) protection standard.²¹ It increases the trust of foreign companies that their intellectual property, such as design, patent, and trademark, will be respected in Cambodia. Previously, foreign companies that developed new technology in Cambodia might have been concerned that local companies would copy their design. With stronger IP protection, under RCEP, Cambodia could promote trust and secure an environment for innovation. These conditions within the RCEP agreement incentivize foreign investors to invest in Cambodia. According to the Council for the Development of Cambodia (CDC), Cambodia attracted a fixed-asset investment of 3.25 billion U.S. dollars in the first half (H1) of 2024.²² The top five investors are RCEP members from China, Singapore, Vietnam, and South Korea. Cambodian Ministry of Commerce's Secretary of State and Spokesperson Penn Sovicheat acknowledged that the RCEP agreement is one factor in attracting foreign direct investment (FDI) inflows to

¹⁹ Dr. Sok Siphana. 24 January 2022. "Cambodia and the RCEP Investment Provision". *Khmer Times*. <https://www.khmertimeskh.com/501011967/cambodia-and-the-rcep-investment-provisions/>

²⁰ Ministry of Foreign Affairs of Japan. n.d. "Summary of the Regional Comprehensive Economic Partnership Agreement". <https://www.mofa.go.jp/mofaj/files/100114908.pdf>

²¹ Ibid.

²² Xinhua. 5 July 2024. "Cambodia approves investment projects worth 3.25 bln USD in H1". Available at <https://english.news.cn/20240705/ed384d9b7d444845bfe21578cec6b2fe/c.html>

Cambodia.²³ Those investments create jobs and contribute to economic diversification by creating opportunities to develop new potential sectors beyond garment and raw commodities.

FDI Promotes Industrial Upgrading and Sectoral Diversification

The RCEP agreement allows Cambodia to induce structural transformation in the Cambodian economy and diversify from a more concentrated garment industry. FDI, facilitated by RCEP, could play a crucial role in Cambodia's industrial upgrading by adding value to the existing industries. Through FDI, Cambodia can integrate itself into the regional supply chain, which contributes to developing new sectors, value-addition on raw materials, and sectoral diversification.

Cambodia intends to transform itself from a country that exports raw materials to one that can produce semi-finished and finished products to supply domestic and export markets.²⁴ In this transformation, FDI plays a pivotal role in upgrading the structure of Cambodia's industry towards higher-value-added domestic production through investment in raw material processing. Cambodia boasts abundant raw materials resources such as rice, rubber, timber, cashew nuts, and agricultural products. The country exported nearly \$5 billion – or some 8.6 million tonnes – of agricultural products to 74 countries in 2022, a 7.8 percent rise from the 7.9 million tonnes exported in 2021.²⁵ Investment in raw materials processing can be directed toward value-added industries, contributing significantly to trade diversification by shifting from reliance on commodity exports to final or semi-final products. For instance, two cashew shell processing companies produce diesel or biofuels, which were invested by Japanese Company MIRATH holding, and a joint venture between Cambodian and Singaporean investors CSNC, which needs thousands of cashew husks.²⁶

Furthermore, FDI allows Cambodia to develop a new industry through regional supply chain integration. Cambodia benefits from membership in the increasingly integrated ASEAN and

²³ Ibid

²⁴ Khmer Times. 3 May 2024. "Cambodia aims to shift from raw material exporter to producer of semi-finished and finished goods, says PM". <https://www.khmertimeskh.com/501482543/cambodia-aims-to-shift-from-raw-material-exporter-to-producer-of-semi-finished-and-finished-goods-says-pm/>

²⁵ Van Socheata. 3 August 2023. "Should domestic processing be focus over raw material exports?" *Phnom Penh Post*. <https://www.phnompenhpost.com/business/should-domestic-processing-be-focus-over-raw-material-exports>

²⁶ Van Socheata. 11 December 2023. "Cashew processing plants set to expand exports". *Phnom Penh Post*. <https://www.phnompenhpost.com/national/cashew-processing-plants-set-to-expand-exports>

Mekong sub-region through geographical location, greater and more secure overseas market access, and a relatively liberalized trade and investment regime.²⁷ More than that, Cambodia benefits from the inexpensive workforce that incentivizes investment in manufacturing components. Reducing the tariffs by RCEP further incentivizes investment in logistic facilities and manufacturing components for finished goods. This makes the Cambodian economy more diversified toward new sectors and higher value-added exports. A Japanese car company, Toyota, recently set up automotive component factories.²⁸ Cambodia has a vision to become the hub for producing auto parts and electronic components for export to regional and global markets. The investment contributes to both the diversification and advancement of the manufacturing industry in Cambodia and the development of high-quality human resources.

Additionally, FDI on light manufacturers and supply chain production creates the demand for skilled labor in Cambodia. The demand for skilled labor incentivizes human capital development in Cambodia. Moreover, the investment often involves transferring new technology by bringing machinery, equipment, and expertise. Investment in some sectors, including automation, electronic components, and advanced processing techniques, could bring their expertise and knowledge transfer. Technology transfer is very important to support the development of a more technologically advanced economy in Cambodia. Capacity-building initiatives, such as training programs and knowledge sharing, accompany these investments, equipping the local workforce with the skills necessary to operate and maintain modern production facilities. FDI would also enhance capacity building and modernization. This would create more skilled labor for Cambodia in new industries beyond the traditional sector. Toyota auto component investment, for example, is highly expected that all Cambodian workers trained by Toyota Tsusho will contribute to helping Cambodia become a manufacturing hub in the future.²⁹

²⁷ Sok Kha. 03 August 2019 "The key to integrating Cambodia into global value chains". *East Asia Forum*. <https://eastasiaforum.org/2019/08/03/the-key-to-integrating-cambodia-into-global-value-chains/>

²⁸ Chea Vanyuth. 3 May 2024. "Toyota vrooms in: Cambodia aspires to become a production hub of auto parts and electronic components to global markets". *Khmer Times*. <https://www.khmertimeskh.com/501482277/toyota-vrooms-in-cambodia-aspires-to-become-a-production-hub-of-auto-parts-and-electronic-components-to-global-markets/>

²⁹ Chea Vanyuth. 3 May 2024. "Toyota vrooms in: Cambodia aspires to become a production hub of auto parts and electronic components to global markets". *Khmer Times*. <https://www.khmertimeskh.com/501482277/toyota-vrooms-in-cambodia-aspires-to-become-a-production-hub-of-auto-parts-and-electronic-components-to-global-markets/>.

Key Challenges for Cambodia's Economic Diversification

Despite RCEP presenting a crucial opportunity for Cambodia's economic transformation through trade and investment facilitation, the country still needs to overcome some key challenges to streamline its efforts to promote economic diversification and industrial upgrading while continuing to leverage its comparative advantage. The first challenge is the skill gap and limited human capital development. Cambodian workforce may lack the necessary skills to meet the demands of higher value-added industries and global supply chains. Attracting and retaining skilled talents is essential for economic diversification. Additionally, Cambodia's labor market is still characterized by a substantial skills gap. Fundamentally, there is still some mismatch in education regarding the skills profile of the available workforce and the competencies demanded by industries.³⁰ This also means that the workforce with a low skill base hinders its ability to adapt to technological advancement and other complex production processes. Therefore, this lack of human capital has far-reaching implications for Cambodia's integration into regional and GVC. Reliance on such low-skilled labor makes Cambodia susceptible to competition from other countries with even lower labor costs or those experiencing rapid skill development faster than Cambodia. This also makes Cambodia more vulnerable to declining competitiveness and job losses.

Second, Cambodia's infrastructure, particularly transportation and logistics, has significantly hindered the nation's competitiveness. Though there are many developments, challenges persist. Poor road networks, including congestion and limited connectivity, have impeded the efficient movement of goods. Compared to other countries, there is no doubt that Cambodia is behind on the railway system, which therefore limits transportation options and increases reliance on roads and highways. Beyond transportation options, the logistics operations also face inefficiency. Lengthy customs clearance procedures, inadequate warehouse facilities, and a lack of cold chain infrastructure – the supply chain that is temperature-controlled, aimed to preserve the quality and safety of goods – contribute to an increase in transaction cost, delayed delivery, and other obstacles potentially faced in the process of logistics.

The deficiencies above and challenges in the Cambodian labor market have hindered implications for the country to participate in the regional and global value chain fully. To

³⁰ Asian Development Bank. November 2015. "Cambodia: Addressing the Skills Gap - Employment Diagnostic Study" <https://www.adb.org/sites/default/files/publication/176283/cambodia-addressing-skills-gap.pdf>

acquire the full potential of RCEP, one needs to overcome those significant challenges. First and foremost, investment in human capital development is necessary. A highly skilled and adaptable workforce is pivotal in enhancing productivity and innovation in the global market. In the contemporary era, there is the Technical and Vocational Education and Training (TVET), which is already a big stepping stone. Hence, strengthening TVET programs that align with the current demands of modern industries and their standards can also contribute positively. They can be strengthened by collaborating with the government, public-private partnerships, and relevant technical institutions to ensure that the programs are current with the current demand. Not only that, Cambodia can also enhance its capacity to attract foreign investment, climb the value chain, and compete effectively in the global marketplace. Developing necessary infrastructure, including transportation, logistics, and digital connectivity, is crucial to support increased trade flows.

Conclusion

RCEP plays a key role in Cambodia's economic diversification due to the advantages of trade and investment facilitation and access to a vast regional market. Cambodia can shift from reliance on the garment sector and commodity export to exporting new products with higher value-addition to diverse markets through industrial upgrading and regional supply chain integration. At the same time, Cambodia must address key challenges to ensure effectiveness and efficiency in transforming a more diversified economy. Cambodia lacks skilled labor, human capital, and infrastructure to achieve investment in heavy industry. To address the issue, Cambodia should invest more in the education sector for human capital development in the long term. In the short term, Cambodia needs to attract investment to acquire labor training opportunities for the host country. Investment in infrastructure development can reduce the cost of production in the logistics sector. This method is called investment to create investment because it will improve the business climate in Cambodia for foreign investors.

ASEAN-Australia Ties Turns 50: What the Next Half Century Means for Southeast Asia

MEY Monita and PHENG Thean

Australia became ASEAN's first Dialogue Partner in 1974, and since then, their relationship has expanded to include a wide range of cooperation across the three ASEAN Community pillars. The early commitment to ASEAN coincided with significant shifts in its policies, including the abandonment of the White Australia Policy in 1966 and the conclusion of its involvement in the Vietnam War in 1973.¹ At that time, Southeast Asia was at a crossroads, caught between the Cold War's geopolitical competition and political influences; thereby, Australia was living in a world of its own. In 1980, Australia's economy was significantly larger than the combined economies of the ASEAN countries. Specifically, Australia's economy alone was around 85% of all the ASEAN economies combined at that time.² However, the economic landscape has changed dramatically ever since. ASEAN's GDP has expanded rapidly, from 600 billion USD in 1994 to over 3 trillion USD in 2024.³ Six of Australia's top fifteen trading partners are now ASEAN members, and ASEAN is Australia's second-largest trading partner, ahead of both the United States and Japan. The rapid economic development across ASEAN has been remarkable. While Australia's economy was much larger than ASEAN's in 1980, these combined economies are now around twice as large as Australia's.⁴

Australia is eager to pursue its strategic interests while recognizing the growing importance of fostering strong relationships with its regional neighbors, particularly through its pioneering partnership with ASEAN. Hence, this paper explores the transformative dynamics of ASEAN-Australia relations over the period, examining their enduring strength, evolving commitments, and emerging patterns.

¹ Australian War Memorial. October 30, 2023. "Vietnam War 1962–75". Available at <https://www.awm.gov.au/articles/event/vietnam>

² Nicholas, F. et.al, June 14, 2024. "Comprehensive Strategic Partners: ASEAN and Australia After the First 50 Years". Available at: https://asialink.unimelb.edu.au/_data/assets/pdf_file/0010/4871008/Comprehensive-Strategic-Partners-ASEAN-Australia-1.pdf

³ Rajiv, B. January 12, 2024. "ASEAN economic outlook in 2024". Available at <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/asean-economic-outlook-in-2024-jan24.html>

⁴ Sharon, S. March 13, 2024. "ASEAN-Australia Relations: Working Out Hard Issues for Regional Stability". Available at <https://fulcrum.sg/asean-australia-relations-working-out-hard-issues-for-regional-stability/>

The Transformation of ASEAN-Australia Relations

Fifty years on, this partnership is a model of cooperation that has proven remarkably resilient and comprehensive. Australia, perhaps more than any other country, has prepared to watch, learn, and engage in a way that builds trust and transparency in the region. The partnership strongly honors this diplomatic model between ASEAN and Australia. It provides a strong grounding for the further enhancement of socio-cultural and political security architecture that is more expansive than ever. This year, leaders convened again to deliberate on ongoing cooperations and ways forward as the ASEAN-Australia Special Summit concluded in Melbourne. Throughout the conference, leaders of ASEAN and Australia reviewed cooperation and development across different areas, particularly following the establishment of the Comprehensive Strategic Partnership (CSP) in 2021.⁵

Against this backdrop, the CSP further indicated the growing vibrant interaction between ASEAN and Australia. This includes the Aus4ASEAN Futures Initiative, funding joint projects on health security, combating transnational crime, workforce skills development, energy security, ocean protection, and building circular economies.⁶ Indeed, one may say that the two parties are trying to make ASEAN a community of people and not a community of leaders. As the two sides continue advancing the relations, Australia will be with ASEAN every step of the way. With the ASEAN Outlook on the Indo-Pacific⁷ (AOIP) coined into the discussion, it is considered an ASEAN-led mechanism that aligns Australia's regional interests, further enhancing the CSP itself. Australia sees ASEAN as the center of strategic growth, and ASEAN Centrality is more acute than ever. The two parties must move beyond the normative level and gather regional order principles.

Therefore, the summit in Melbourne articulated as ASEAN and Australian leaders outlined future directions for the region and expressed anticipation for early completion of the new Plan

⁵ In October 2021, ASEAN and Australia made the historic decision to establish a Comprehensive Strategic Partnership (CSP). Under the CSP, Australia have ramped up the cooperation with ASEAN through three new Australia for ASEAN (Aus4ASEAN) initiatives.

⁶ Australian Mission to ASEAN. October 27, 2021. "The ASEAN-Australia Comprehensive Strategic Partnership – a year of progress". Available at https://asean.mission.gov.au/aesn/CSP_02.html

⁷ AOIP envisages ASEAN Centrality as the underlying principle for promoting cooperation in the Indo-Pacific region, with ASEAN-led mechanisms, such as the East Asia Summit (EAS), as platforms for dialogue and implementation of the Indo-Pacific cooperation, while preserving their formats.

of Action (2025-2029).⁸ This led to the adoption of two special documents: the ASEAN-Australia Leaders' Vision Statement—Partners for Peace and Prosperity and the Melbourne Declaration—A Partnership for the Future.

The New Commitments and A Further Call for Destiny

ASEAN regards Australia as a steadfast and trustworthy friend known for its honesty and relationship reliability.⁹ Australia ranks seventh out of 11 major powers regarding strategic relevance to ASEAN, with a mean score of 5.51. Still, a sizable portion of Southeast Asians view it as a dependable partner, according to the ISEAS-Yusof Ishak Institute's "State of Southeast Asia: 2024" survey. Likewise, when ASEAN respondents were asked to choose a third party as a strategic partner to hedge against US-China rivalry, Australia's support slightly increased from 9.3% in 2023 to 9.5% in 2024.¹⁰ This represents a huge pool for Australia to explore and insert its regional influence. As such, Australian Prime Minister Anthony Albanese said, "Southeast Asia is where Australia's future lies," which signifies the importance of this aspiring friendship.¹¹ For years, the rhetoric of leaders on both sides of Australia's relationship with Southeast Asia has been marked by a significant difference, and the practical reality of the two regions varies with very different cultures, historical backgrounds, and political systems. Yet, the summit has succeeded in closing this gap to a degree.

At the heart of the ASEAN-Australia partnership, the Leaders' Vision Statement emphasizes the importance of strong people-to-people ties and economic cooperation, which have been the foundation of their partnership over the last 50 years. According to the Australian Department of Prime Minister and Cabinet, over one million Australians share Southeast Asian heritage, a connection that extends beyond geographical boundaries and encompasses aspects such as people, business, education, and tourism;¹² thus, the Melbourne Summit offers Australia the

⁸ ASEAN Main Portal. May 13, 2024. "ASEAN, Australia reaffirm commitment to advance Comprehensive Strategic Partnership". Available at <https://asean.org/asean-australia-reaffirm-commitment-to-advance-comprehensive-strategic-partnership/>

⁹ Nankervis, W. September 20, 2021. "Australia Steadfast commitment to ASEAN's Centrality". Available at <https://www.dfat.gov.au/news/news/australias-steadfast-commitment-asean-centrality>

¹⁰ Sharon Seah, et. al. April 02, 2024. "The State of Southeast Asia: 2024 Survey Report (Singapore: ISEAS - Yusof Ishak Institute)". Available at <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>

¹¹ Collins, C. March 17, 2024. "ASEAN's Future lies in Australia". Available at <https://policywatcher.com/2024/03/aseans-future-lies-in-australia/>

¹² Melissa, C. March 01, 2024. "Albanese underscores mutual respect and cooperation as Australia marks 50 years of partnership with ASEAN". Available at <https://www.themandarin.com.au/240751-albanese->

opportunity to embrace ASEAN's inclusive regionalism and the organization's centrality in mediating the Indo-Pacific struggle between the great powers. Leaders will work together to advance the regional architecture, prioritizing openness, inclusivity, and transparency, with ASEAN at its core and regional mechanisms upheld.

Meanwhile, the announcement of the Melbourne Declaration was meant to reaffirm leaders' commitment to securing peace, stability, prosperity, and a sustainable future. Amidst the shifting geopolitical landscape, Australia's infrastructure push raises eyebrows and sparks speculations among many leaders. The new 1.3 billion USD package under the Southeast Asia Investment Financing Facility (SEAIFF), which is responsible for building infrastructure in the Pacific, the defense industry, critical minerals capacity, and aspects of development aid, gave Australia a big-ticket initiative to grab the attention of ASEAN leaders.¹³ Moreover, the emergence of Southeast Asia Economic Strategy 2040 demonstrated that Australia is ambitious, prompting an intriguing question of whether Australia is launching its version of a "Baby BRI" in the region.¹⁴

Australia has a population of 670 million in the region, and it understands precisely what it can bring. While Canberra has not kept pace with Southeast Asia's remarkable economic expansion over the past two decades, in which two-way trade accounted for 101.1 billion USD in 2022, representing just 3.4% of the grouping's total trade, presenting itself into the grouping is to demonstrate its commitment to collaborate.¹⁵ One might say that if you cannot be at the table, you will be on the menu, and Australia ensures it is always at the table. Australia always aims to strengthen its institutional framework and mechanisms across various sectors, especially the ASEAN Economic Community (AEC). Through the Partnership for Infrastructure program, Australia will provide a 93 million USD package to support infrastructure development, putting Southeast Asia in a tight spot over whether or not to embrace Australia fully. Australia is not

[underscores-mutual-respect-and-cooperation-as-australia-marks-50-years-of-partnership-with-asean/#:~:text=More%20than%201%20million%20Australians,and%20security%2C%E2%80%9D%20Albanese%20said.](#)

¹³ The Hon Anthony Albanese MP. April 19, 2024. "\$2 billion Investment Facility to Support Business Engagement with Southeast Asia." Available at <https://www.pm.gov.au/media/2-billion-investment-facility-support-business-engagement-southeast-asia>.

¹⁴ Ayman Falak. September 21, 2023. "Australia Unveils Southeast Asia Economic Strategy to 2040" Available at <https://www.aseanbriefing.com/news/australia-unveils-southeast-asia-economic-strategy-to-2040/>

¹⁵ Sebastian, S. March 06, 2024. "Australia Announces \$1.3 Billion Fund to Boost Investment in Southeast Asia". Available at <https://thediplomat.com/2024/03/australia-announces-1-3-billion-fund-to-boost-investment-in-southeast-asia/>

the sole country to have been supporting SEA, and indeed, SEA has various choices to engage; yet, Australia will still also provide a mere 4.5 million USD funding package to support the ASEAN Centre for Energy and an additional 147 million USD package in funding to tackle shared development challenges in the Mekong subregion.¹⁶ Additionally, education and people-to-people exchange is a major area of ASEAN-Australian cooperation. For instance, at the First Annual ASEAN-Australia Summit in 2021, Australia announced 100 Aus4ASEAN Scholarships to commemorate the establishment of the CSP. Migration, on the other hand, is another significant aspect, even if it starts relatively small. Over a million Australians have family connections to ASEAN countries and proudly call Australia home.¹⁷

The determination rests solely with Australia and with ASEAN as a collective entity. Once ASEAN wishes to take in its partnership with Australia, the regional architecture will subsequently align. While the exact division of funds among individual states has not been detailed, the initiative emphasizes regional cooperation and collective resilience. This engages Australia in a competition with regional powers to gain attention and soft power from infrastructure and capacity development in the region.

As it stands, Anthony Albanese's foreign policy approach towards ASEAN has been marked by a renewed focus on deepening trade and investment ties with the region. While AOIP is at the forefront of the ASEAN policy line, the Albanese government emphasizes ASEAN centrality in its regional engagement, recognizing the importance of the organization in promoting regional stability and cooperation. One may argue that Australia lacks an independent foreign policy tool and is closely hitched to the United States instead. Yet, Australia wants to carve its path, mediating the Indo-Pacific power struggle. Although Australia's influence in the region may not seem remarkable at first glance, its success lies in capacity-building.¹⁸ The Albanese government believes that “When our region prospers, Australia prospers,” as Australia will make new commitments to Southeast Asia. The region

¹⁶ The Hon Anthony Albanese MP. April 19, 2024. "\$2 billion Investment Facility to Support Business Engagement with Southeast Asia." Available at <https://www.pm.gov.au/media/2-billion-investment-facility-support-business-engagement-southeast-asia>.

¹⁷ Nicholas, F. et.al, June 14, 2024. “Comprehensive Strategic Partners: ASEAN and Australia After the First 50 Years”. Available at: https://asialink.unimelb.edu.au/_data/assets/pdf_file/0010/4871008/Comprehensive-Strategic-Partners-ASEAN-Australia-1.pdf

¹⁸ Melinda Martinus. March 06, 2024. “Forging Economic Synergy: Australia’s Path to ASEAN Prosperity”. Available at <https://fulcrum.sg/aseanfocus/forging-economic-synergy-australias-path-to-asean-prosperity/>

will continue to play a pivotal role in Australia's economic landscape and cultural diversity.¹⁹ However, the play will continue in Southeast Asia, not Australia. The reality is that there is only so much any government can and should do with trade, but the important question is where to invest the money. Unsurprisingly, the most significant ASEAN investment destination is Singapore, but it attracts only 2% of Australian overseas investments. ASEAN leaders are politicizing investments with China, and businesses in Australia would rather make it with the likes of the UK or the US.²⁰

Regarding investment and strategic favorability, the ASEAN government should understand what Australians want to get from the association and vice versa. Adhering to the two adoptions above would be something the Australian government is looking for. The Australian government would do what it takes to grab the attention of ASEAN leaders while we can ensure our participation, contribution, and strong standing under ASEAN Centrality.

Strengthening ASEAN-Australia Relation for the Long Haul

The progress made over the years resulted in excellent outcomes for both parties. For this reason, most of the States and International communities are always interested in how ASEAN-Australia relations can be further developed to bring long-term benefits for all. Thus, the principle of transparency existed to strengthen the relations between these two parties to be better and prosperous. Transparency and inclusive ruled-based structures play partial roles in developing countries' relations to promote sustainable growth in relations.

By standing on transparency and inclusiveness, both sides uphold and adhere to the International Laws whenever agreements are made.²¹ International Laws play a vital role in binding these two countries' activities to ensure the proportionality of activity, and the acts of the two sides are by the International Laws that both parties agree upon. Thus, ASEAN and Australia need to adhere to international law to show transparency and inclusivity in their

¹⁹ Collins, C. March 17, 2024. "ASEAN's Future lies in Australia". Available at <https://policywatcher.com/2024/03/aseans-future-lies-in-australia/>

²⁰ Alexandar, D. March 10, 2024. "Australia's under-investment in ASEAN is about them, not us". Available at <https://www.afr.com/policy/foreign-affairs/australia-s-under-investment-in-asean-is-about-them-not-us-20240310-p5fb5u>

²¹ ASEAN Main Portal. July 6, 2024. "ASEAN-Australia Leaders' Vision Statement -Partners for Peace and Prosperity." Available at https://asean.org/wp-content/uploads/2024/03/ASEAN-AU-agreed-Vision-Statement_FINAL.pdf.

relations. Besides those international laws, these two countries have also signed international instruments, including the international trade law governed by the World Trade Organization (WTO) Agreement, which went into force for all ASEAN countries in 2010.²² Therefore, the agreement's contents have authority over the signatory parties, which the countries must respect. As a result, it is obliged to the Transparency and Inclusive Ruled-Based Structure between ASEAN and Australia. The Trilateral Agreement boosted regional investment, diversifying goods, electronic commerce, services and investments, micro-small and medium enterprises, etc.²³ These excellent outcomes show that transparency and inclusiveness have driven the collaborative efforts of ASEAN and Australia. These principles will further strengthen and develop the long-term relationship built between them.

Aside from Transparency and Inclusivity, how does diplomatic behavior impact ASEAN-Australia Relations in the long run? In that connection, Top-Down Synergy's role and diplomatic behavior's effectiveness showed its significance in having good and tied relations. By having common goals, Australia and ASEAN are compromised in their commitment to promoting peace and stability in the region. This would be a top-down approach where ASEAN and Australia would develop training programs or funding programs designed to make the ASEAN Member States strong in capacity, specifically maritime security. These states will then take these very initiatives into their countries to ensure peace and stability for their nations in conformity with the ASEAN-Australia objectives. As a result, Australia will invest 64 million USD to enhance Australian and Southeast Asia maritime security, which will benefit the ASEAN member states (AMS) of all countries, and those funds will help improve maritime security.²⁴

During the 50th anniversary of ASEAN-Australia relations, the leaders of ASEAN countries visited Australia. Cambodia's Prime Minister, Hun Manet, met with the Australian government, and the meeting yielded promising outcomes that could benefit Cambodia's living

²² Australia Government, Department of Foreign Affairs and Trade March 14, 2024 Background to the ASEAN-Australia-New Zealand Free Trade Agreement." Available at <https://www.dfat.gov.au/trade/agreements/in-force/aanzfta/background-to-the-asean-australia-new-zealand-free-trade-area>

²³ Aph.gov.au. February 28, 2024 "The 2024 ASEAN-Australia Special Summit." Available at https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/rp2324/The_2024_ASEAN-Australia_Special_Summit.

²⁴ Australian Government Department of Foreign Affairs and Trade. March 3, 2024. "New Funding for Maritime Partnerships in Southeast Asia." Available at <https://www.foreignminister.gov.au/minister/penny-wong/media-release/new-funding-maritime-partnerships-southeast-asia#:~:text=The%20new%20commitment%2C%20announced%20at>.

standards, education system, and security. Hence, the top-down synergy between ASEAN and Australia benefits all parties and underpins a strong and sincere diplomatic relationship cultivated between ASEAN countries and Australia.

On top of that, the top-down synergy showed more effective results in cooperation, law enforcement marine protections, and marine resources for the parties. As a result, the diplomatic relations within the top-down approach have shown effectiveness along with Transparency and Inclusivity, which can promote the relations between these two dialogue partners. Moreover, besides discussing diplomatic relations covering the security part, the relationship between the diplomatic ties of ASEAN-Australia provides a great opportunity for developing socio-cultural cooperation. Australia is also a country among other funded countries that help Southeast Asia strengthen its Health and Education System. In 2020, Australia helped the latter by supporting the ASEAN Centre for Public Health Emergencies and Emerging Diseases (ACPHEED) to create a better system to cure diseases for people in the region. Also, Australia, as the flagship area of people-to-people relations with ASEAN, continuously provides scholarships to all AMS that open gaps for Southeast Asia youth to have a better quality of education.²⁵ As a result, in the first six months of 2023, many students are continuing their studies in Australia. This gives the vision of the top-down synergy of diplomatic relations, wherein the ASEAN-Australia cooperation and economic ties provide a platform through which ASEAN's socio-cultural development can be further enhanced.

Lastly, the US-China Rivalry also plays an essential role in ASEAN-Australia relations. Both actors should acknowledge their stand toward the US-China Rivalry in the region. The stances that these two partners that these two countries have toward this hot potato issue are significantly impacting the fruit they will receive later. This region intertwines relations with the US and China for ASEAN to promote regional peace and economic stability. ASEAN believes the US and China have provided the region with extensive partnership networks and financial opportunities.²⁶ Under the complex situation, ASEAN still upholds its Centrality: staying neutral by not taking sides with the US or China. This principle shows ASEAN's

²⁵ ASEAN Secretariat Information Letter. January 2024. "OVERVIEW of ASEAN-AUSTRALIA COMPREHENSIVE STRATEGIC PARTNERSHIP.". Available at https://asean.org/wp-content/uploads/2024/01/Overview-of-ASEAN-Australia-DR_as-of-January-2024.pdf.

²⁶ Parameswaran, P. December 21, 2023. "Southeast Asia and US-China Competition: Contours, Realities, and Implications for the Indo-Pacific. Available at <https://www.wilsoncenter.org/article/southeast-asia-and-us-china-competition-contours-realities-and-implications-indo-pacific>.

commitment to independence in decision-making and still shows it as a friendly nation to both the US and China.²⁷ Laying under the complexity of geopolitical tension, ASEAN's centrality and neutrality would be the best concepts to discuss regarding ASEAN's role in the US-China Rivalry. Australia shows its bias toward the US but has an economic openness with China.²⁸ However, Australia still plays an active role in shaping the future of SEA by ensuring a stable force that will not put this region under the critique of choosing a side to the rivalry. The assurance that Australia gave to ASEAN is put on the table; within the framework of the 50th ASEAN-Australia Summit, Australia showed good and excellent cooperation toward ASEAN and reiterated its confirmed aspirations to be a partner for the future.²⁹ Therefore, regardless of the US-China rivalry and their different standing in this rivalry, ASEAN and Australia will maintain their good relations and set aside the conflict that could affect the fifty-year diplomatic relations between the two parties. While AUKUS emerged as a trilateral security alliance, the Australian stance on AOIP and ASEAN Centrality has not yet been tested.

Moving Forward or Backward?

On that note, ASEAN and Australia demonstrated a goal-directed relationship toward cooperation in security interests, economic perspective, and socio-cultural cooperation, which could eventually mean a great deal of partnership between the two countries. However, although Australia and ASEAN have good relations, embracing one another is a choice, for even though Australia still has its national interest and allies in NATO and AUKUS, it can potentially impact negatively and set limitations toward the relations of ASEAN and Australia. ASEAN, this regional organization, is very exclusive because the membership has ten different member states with other interests in the particular problem, which resulted in difficulty in reaching a consensus to decide on such things. Still, the limitation exists between ASEAN and Australia; however, the strategic choices and commitment these two parties could provide for each other would complement filling in the loopholes. The world conditions made it hard for ASEAN and Australia to make some decisions. With the limit and different interests, there is

²⁷ Sam, Seun. October 4, 2023 "ASEAN's Balancing Act Between the US and China in the Indo-Pacific." Available at. <https://www.linkedin.com/pulse/aseans-balancing-act-between-us-china-indo-pacific-sam-seun/>

²⁸ Sotomayor, M. et, al. May 2024 "STRATEGIC ANALYSIS REPORT: AUSTRALIA. Available at <https://www.unav.edu/documents/16800098/17755721/australia-guardian-of-the-indo-pacific-report.pdf>.

²⁹ The ASEAN Secretariat. March 6, 2024. "The ASEAN-Australia Special Summit to Commemorate the 50th Anniversary of ASEAN-Australia Dialogue Relations kicks off in Melbourne, Australia." Available at <https://asean.org/the-asean-australia-special-summit-to-commemorate-the-50th-anniversary-of-asean-australia-dialogue-relations-kicks-off-in-melbourne-australia/>.

still a way forward for these two to continuously uphold the collaboration from their 50th-anniversary relations. The purposeful partnership for the past five decades has provided similar results for both ASEAN and Australia, resulting in significant development and lessons they can learn from each other.

Additionally, ASEAN and Australia will build upon capacity building in human resources, explicitly upscaling citizens' skills in the digital era. Based on the ASEAN-Australia Comprehensive Strategic partnership, this will be another way for ASEAN and Australia to collaborate to improve digitalization, leveraging citizens' living standards, economic conditions, cultural exchanges, and security collaborations.

A Situational Analysis of China's Aid to Cambodia's Physical Infrastructure

MORN Liza and SOVANN Vimean

Introduction

Reliable physical infrastructure, including roads, bridges, railways, ports, airports, electricity, irrigation, and telecommunications, is a backbone for sustainable development. With careful consideration, these infrastructures can bring abundance to the country that houses them and improve people's livelihoods, including education, health, tourism, trade, and a nation's global integration.

Modern infrastructure development in Cambodia began under French rule and continued after independence. The development was on par with that of its neighbors during the Administration of Sihanouk. However, decades of civil war and political instability delayed recovery because many infrastructures were damaged or destroyed. During the civil war in Cambodia, technological advancements in transport and communications led to significant economic development in Asian countries. Despite being out of this process, after peace, Cambodia initiated a rehabilitation and reconstruction initiative, but the country faced many barriers, including the lack of human resources which is required for the development and management of this infrastructure; many perished during the Pol Pot era. As a result, the Cambodian government has made it a priority to attract foreign investment.

In 2013, China launched the Belt and Road Initiative (BRI), which aims to enhance China's global connectivity by combining new and old projects, enhancing hard and soft infrastructure, and fostering people-to-people ties. The country's involvement is driven by financial and economic benefits, enhancing its overall state, with China's aid and bilateral agreements playing a significant role. Through this project, the relationship between China and Cambodia has been strengthened in numerous ways, particularly through China's aid and investment in developing Cambodia's infrastructure as part of the BRI.

While the kingdom's economy is rapidly expanding owing to foreign investments and continuous reforms, Cambodia's infrastructure still needs improvement; this was reflected in

the 2019 global rankings, where Cambodia was placed 106th out of 140 countries, a result attributed to poor-quality construction and unsustainable urbanization practices.¹ The paper aims to understand and analyze China's aid's positive and negative impacts on Cambodia's physical infrastructure development.

Social Impacts

China's Belt and Road Initiative (BRI) investments in infrastructure have significantly improved the lives of the local Cambodians. The heavy damages caused by two decades of civil war left Cambodia with poor connectivity and inadequate facilities to support the people's quality of life. As such, these multibillion-dollar expenditures from China have allowed for the development of essential infrastructure, including a massive network of roadways and bridges that enables easier travel within the country and reduce business costs for local people. In particular, the Mekong Bridge, a 143 km road, connects local transport and neighboring provinces. For example, the bridge and road improve living conditions and market access for farmers in Steung Treng province, allowing for more convenient and economically efficient travel and trade. Further supported by Phai Sophea, a local agricultural product broker, the bridge has allowed her to save time and money by allowing her to travel back and forth at any time without paying for ferry crossings. Before, she spent around \$300 per month for ferry crossings, which were costly and difficult to travel at night. The bridge has made her travel and trade easier without paying for unnecessary expenses.²

Furthermore, China has also invested in supporting Cambodia's energy infrastructure by constructing hydropower plants, solar panel farms, and power transmission networks. As the economy expands, the people's daily consumption and living standards increase, and Cambodia faces an increasing demand for energy to fuel its continuing growth. Compared to Thailand and Vietnam, the energy cost in Cambodia is relatively more expensive, and the expenditure increases as more is consumed. Consequently, one player that may help to facilitate these issues is Chinese investment.³ China's investment in Cambodia's energy

¹ Canada, Global Affairs. "Infrastructure Market in Cambodia." GAC, October 18, 2023. <https://www.tradecommissioner.gc.ca/cambodia-cambodge/market-reports-etudes-de-marches/0007309.aspx?lang=eng>.

² Hou, Chamreoun. "China's Aid and Investment in Cambodia's Infrastructure Development." Victoria University of Wellington, 2018. https://www.researchgate.net/publication/366004398_China's_Aid_and_Investment_in_Cambodia's_Infrastructure_Development.

³ Yatt, Malai. "Chinese Company to Invest \$600m in Renewable Energy Projects." Kiripost, October 17, 2023. <https://kiripost.com/stories/cambodia-chinese-company-to-invest-600m-in-renewable-energy-projects>.

infrastructure has alleviated power shortages and promoted sustainable development, increasing energy production capacity, reducing dependence on imported energy, improving power supply, and spurring industrial growth. Cambodia expects full electricity stability from hydropower dams and coal-fired plants, reducing electricity imports from neighboring countries. These events mark a critical turning point in Cambodia's economic stability and energy independence transition.

China's assistance in developing Cambodia's physical infrastructure has significantly contributed to the country's overall progress. However, it is important to acknowledge that there may also be potential social implications that warrant careful consideration. China's support of Cambodia has enhanced the country's physical infrastructure and improved people's lives, yet there are complaints about the construction standard. Many local citizens have pointed out that China-funded infrastructure has been problematic in terms of quality, sustainability, cost, and timeliness. For example, back in 2012, former Prime Minister Hun Sen pointed out the crumbling roads; many China-funded roads are built with a thin layer of crushed stone and rubberized asphalt; these materials have an insufficient thickness, which may not provide adequate support for the weight of traffic which cause the roads to crumble easily within months.² Compared to Japan-funded roads, which are of higher quality and last much longer despite a more complex construction process. Critics hope that China will carefully analyze and weigh the cost and benefits of investment projects to achieve a meaningful impact in Cambodia and to become more mindful of the long-term social and environmental impact.⁴

In the early stages, when China became Cambodia's biggest contributor to foreign direct investment, there were numerous reports of criminal activities. One potential side effect of foreign direct investment is that it may sometimes facilitate criminal activities due to the complexity and volume of financial transactions. Although not part of the Belt and Road Initiative (BRI) projects, Chinese firms invested heavily in casinos, particularly in Sihanoukville province. The casino added nothing to society but shifted money from losers to winners. The owners of the casinos did not create any goods or services, but they did keep a small profit. The only labor used in casinos is low-skilled, low-paying labor while also contributing to indirect costs to society, like violence and crime. Even though the Cambodian

⁴ Narin, Sun. "After 10 Years of China's BRI Projects in Cambodia, Benefits up for Debate." *Voice of America*, October 18, 2023. <https://www.voanews.com/a/after-10-years-of-china-s-bri-projects-in-cambodia-benefits-up-for-debate/7316544.html>.

government outlawed gambling to curb the proliferation of casino infrastructure throughout the country, there's no denying that crime reports increased that made headlines on some world news, which sparked concerns among Cambodians, even indirectly causing a rise of prejudice towards Chinese emigrating to the country.

The greatest case happened within Sihanoukville province, which was greatly targeted for being a Special Economic Zone, with most businesses and sectors invested in by China. With many buildings in place, some might as well be areas for illegal actions, such as human trafficking. Sihanoukville, which is one of the Golden Triangle countries, complained about the province's insecurity in terms of gun circulation in the market, drug trafficking, and labor exploitation.⁵ The US has placed Cambodia on Tier 3 in its Human Trafficking Report. According to the Ministry of Interior's report, 23 cases of human trafficking and 114 cases of sexual exploitation were filed between January and October 2023, and authorities detained 160 suspects, including ten foreigners, and released 424 victims. In 2022, the government prosecuted 292 suspected traffickers in 88 cases under anti-trafficking legislation; 16 of these cases involved sex trafficking, 24 involved forced labor, and 47 involved unspecified kinds of trafficking.⁶ Therefore, while China's investment has significantly advanced Cambodia's infrastructure, it also underscores the urgent need to address criminal activities, creating more social challenges, including forcing many residents and business owners to move outside the city, which arises from such rapid development.

Economic Impacts

The Royal Government of Cambodia has an ambitious vision to become a middle-income economy by 2030 and a high-income economy by 2050. By funding many physical infrastructures throughout the country, such as the Morodok Techo National Stadium, the recently opened Siem Reap–Angkor International Airport, and the upcoming Funan Techo Canal waterway project, China's investment has made many contributions that allow Cambodia to realize its goal. Owing to this, between 1995 and 2019, Cambodia became a fast-

⁵ Koemsoneun Soth, “*Preah Sihanouk gives stern notice that businesses with forced labor will be shut down and offenders arrested*”, Khmer Times, August 26, 2022, <https://www.khmertimeskh.com/501138951/preah-sihanouk-gives-stern-notice-that-businesses-with-forced-labour-will-be-shut-down-and-offenders-arrested/>

⁶ U.S. Embassy in Cambodia, “2024 Trafficking in Person Report: Cambodia”, July 11, 2024, [https://kh.usembassy.gov/2024-trafficking-in-persons-report-cambodia/#:~:text=CAMBODIA%20\(Tier%203\),Cambodia%20remained%20on%20Tier%203.](https://kh.usembassy.gov/2024-trafficking-in-persons-report-cambodia/#:~:text=CAMBODIA%20(Tier%203),Cambodia%20remained%20on%20Tier%203.)

growing economy with an annual GDP growth rate of 7.63 percent.⁷ By 2015, Cambodia was marked as a lower middle-income country, and the GDP rate will increase significantly to 31.77 billion dollars by 2023. Per capita income increased from \$540 in 2006 to \$1,875 in 2023, alongside a drop-in poverty rate from 53.2 percent in 2004 to 11.5 percent in 2015.⁸ The construction of robust physical infrastructures will allow domestic goods and services to move more efficiently and create job opportunities for locals, significantly boosting Cambodia's economic growth.

Due to its favorable location near the international port, Sihanoukville province transformed the Special Economic Zone (SEZ), which attracted investment projects, particularly from China's BRI. This influx of investment in physical infrastructure has created nearly one million jobs for local Cambodians. Namely, the garment industry contributes 40% to Cambodia's GDP. Owing to the many investments and reforms in this sector, it has significantly boosted socio-economic development by providing nearly one million jobs for the locals. Cambodia's strategic position in the global supply chain is influenced by China's trade relationship with the country; as a result, Cambodia will become the 8th largest exporter of clothing globally by 2022.⁹ Aside from this, Sihanoukville province is home to 175 operating factories, which have created over 30,000 jobs in various industries such as garment manufacturing, travel equipment, electrical components, furniture production, solar equipment production, and car tire manufacturing.¹⁰

The upcoming Funan Techo Canal project is set to cost \$1.7 billion, which should be covered by a public-private partnership with the China Road and Bridge Corporation under a Build-Operate-Transfer scheme to decrease reliance on Vietnam's trade routes, boost economic growth and improve water resource management. Construction of the canal waterway is set for August 2024, employing 10,000 Cambodian workers for its construction, which is said to be completed in the next four years. The project will reduce transportation costs by \$181 for every container shipped from Phnom Penh Autonomous Port (PPAP) to Kampot Port, compared to the existing route through Vietnam's Cai Mep Port. An estimated \$155 will be saved for

⁷ World Bank. "Overview," April 2024. <https://www.worldbank.org/en/country/cambodia/overview>.

⁸ World Bank Open Data. "World Bank Open Data," n.d. <https://data.worldbank.org/country/KH>.

⁹ Mit, Mom. "China's Continuing Influence Over Cambodia's Economy," May 1, 2024. <https://eastasiaforum.org/2024/05/01/chinas-continuing-influence-over-cambodias-economy/>.

¹⁰ Khmer Times. "175 Factories Operate at Sihanoukville Special Economic Zone," May 16, 2023. <https://www.khmertimeskh.com/501291486/175-factories-operate-at-sihanoukville-special-economic-zone/>.

transporting a container to Sihanouk Autonomous Port, compared to the current Vietnamese route.¹¹ Its effect on Cambodia's economy takes many years to materialize. The growth rate may be obscured by its small aggregate size, but this does not prevent this physical infrastructure from taking place.

While Cambodia experienced rapid economic growth, there are ongoing debates regarding the potential debt trap. The current national debt levels are relatively manageable, remaining below 40% of GDP, but increasing reliance on one country raises risks. Cambodia is one of the many countries involved in China's Belt and Road Initiative (BRI); others include Ethiopia, Zambia, Pakistan, Sri Lanka, Laos, etc. Some of these countries experience what is now labeled a "debt trap" — a scenario in which Beijing would seize valuable infrastructure assets from host countries if they default or cannot pay on time.¹² Some instances included Sri Lanka, which experienced one of the biggest economic recessions in early 2021. Sri Lanka invested in substantial infrastructure projects, some of which have failed to serve their intended purpose. One notable example is the Colombo Lotus Tower, a telecommunications and broadcasting infrastructure project funded by China. Although the tower opened in 2022, it has yet to be utilized and has only added to Sri Lanka's debt and financial burden.¹³ Many suggested that the Cambodian government should be transparent about its debts and properly conduct a quantitative cost-benefit analysis of the Belt and Road Initiative (BRI) to ensure the loans "truly serve Cambodian people's needs."

Similarly, Cambodia faces concern due to 500 abandoned buildings left incomplete in Sihanoukville province, now called "ghost buildings." When the COVID-19 global pandemic hit, many Chinese businesses and investors struggled to maintain their capital outflow amidst the crisis. As a result, they went bankrupt and abandoned numerous infrastructure projects. The construction of these tall buildings is now challenging to continue or dismantle. This situation significantly burdens Cambodia's economy because unfinished buildings do not contribute to capital flow, thereby stalling economic progress and capital inflow. They also become

¹¹ Meng, Seavmey. "Funan Techo Canal Benefits' Overcome Impacts, Sun Chanthol Says." *Cambodianess*, May 8, 2024. <https://cambodianess.com/article/funan-techo-canal-benefits-overcome-impacts-sun-chanthol-says>.

¹² Narin, Sun. "Cambodia Seeks New Financing From Beijing Amid Fears of 'Debt Trap.'" *Voice of America*, February 7, 2023. <https://www.voanews.com/a/cambodia-seeks-more-loans-from-beijing-amid-fears-of-debt-trap-6943062.html>.

¹³ Al Jazeera English. "What's Happening in Sri Lanka? | Start Here," May 16, 2022. <https://www.youtube.com/watch?v=mLLeZNN0a9s>.

eyesores, making the area unappealing to tourists and potentially discouraging foreign direct investment from other countries besides China. Moreover, these unfinished projects have occupied large tracts of land, leaving little room for local firms to conduct their business and leaving the citizens concerned that the country will ever fall into a debt trap. These abandoned buildings subvert the urban landscape of the coastal area, undermining the region's prospects for future expansion and investment and thus impeding economic development. These abandoned buildings distort the coastal area's urban landscape, threatening the region's future prospects for growth and investment and hindering economic progress.

Political Impacts

China's direct investment in Cambodia's physical infrastructure is closely intertwined with the domestic and global political landscape. The investing and host nations' political environment and strategic objectives are strongly linked. China has provided financial support to build Cambodia's infrastructure, showcasing the close ties between China and Cambodia. The aid is provided regarding mutual interest through political alignment in Southeast Asia.¹⁴ Since the late 1990s, military cooperation between China and Cambodia has also significantly increased. China granted Cambodia military support in many different ways. To some extent, in May 2012, Cambodia and China signed a military cooperation agreement in which China agreed to provide 120 million CNY (20 million USD) to Cambodia to build military hospitals and military training schools for the Royal Cambodian Armed Forces and promised to continue training Cambodian military personnel in China. Cambodia and China have signed agreements for political security relations called "Action Plan 2019-2023 on Building a China-Cambodia Community of Shared Future".¹⁵ In return, Cambodia is the strategic country for China in the Belt and Road Initiative (BBRI). China's Belt and Road Initiative (BRI), which consists of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road Initiative, is an international cooperation platform that significantly shapes domestic development as well as the foreign policies of President Xi Jinping.¹⁶ Cambodia is the key option to reach China's goals through building its physical infrastructure.

¹⁴ Kosal Long, "Sino-Cambodia Relation", Cambodian Institute for Cooperation and Peace, July 2009, [CICP-Working-Paper-No-28_-Sino-Cambodia-Relations-by-Long-Kosal.pdf](#)

¹⁵ Konrad-Adenauer-Stiftung, "Cambodia-China Relations in the New Decade", May 26, 2020, <https://www.kas.de/en/web/kambodscha/single-title/-/content/cambodia-china-relations-in-the-new-decade-2>

¹⁶ James McBride, Noah Berman, and Andrew Chatzky, "China's Massive Belt and Road Initiative", Council on Foreign Relations, February 2, 2023, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>

China's extensive aid and assistance in various infrastructure projects could potentially undermine Cambodia's independence and sovereignty, as the kingdom becomes heavily reliant and indebted to China in terms of political support. Cambodia's preference to remain neutral is motivated by a desire to create and diversify its foreign relations with many states worldwide and to secure its strategic interests. However, the closet tie, the so-called clad-iron relationship between China and Cambodia, reduces the US-Cambodia ties. This goes against Cambodia's foreign policy of remaining neutral between the West and the East.¹⁷ The South China Sea dispute involved many parties, including Cambodia and the West. While ASEAN member-states do not support China's claim, Cambodia remains silent. Cambodia's silence creates the West's allegation to keep an eye on each step of Cambodia's move. Furthermore, the political implications of China's aid to Cambodia's physical infrastructure are particularly concerning, given the current political situation in Cambodia. There have been accusations against the ruling Cambodian People's Party (CPP), headed by Prime Minister Hun Sen, of suppressing dissent and political opposition. China's assistance has given the CPP more confidence, enabling it to bolster its authority and suppress opposition without worrying about facing consequences from the global community. In 2017, Cambodia passed a controversial law that effectively banned the main opposition party, the Cambodia National Rescue Party (CNRP), from participating in politics. Critiques see this case as the too much dependency of Cambodia on China. Therefore, the aggressive move of the Cambodian ruling party tends to be influenced by China's political system. This led to Cambodians' lack of human rights, political rights, and civil rights. This principle is about going against the West's means to lead the country to become a democratic country. In 2020, EBA withdrew 20% from Cambodia due to systematic concerns about human rights ascertained in the country.

Conclusion

In conclusion, China's aid to Cambodia's physical infrastructure presents opportunities and challenges. It is evident that China's funding plays a crucial role in developing Cambodia's physical infrastructure, as seen in the Sihanoukville province. Building numerous infrastructures creates job opportunities for employees and can reduce poverty. Cambodia must take any opportunity to grow as fast as possible as a developing country. Physical infrastructure

¹⁷ Ministry of Foreign Affairs and International Cooperation, "Cambodia's Foreign Policy Direction", <https://www.mfaic.gov.kh/Page/2021-02-08-Cambodia-s-Foreign-Policy-Direction>

like bridges, roads, railways, and highways benefits citizens, the government, and foreigners. It is convenient for citizens to do business or reduce their travel distance. Besides that, the Sino-Cambodian relationship will become closer as a benefit. China assists in various ways in supporting Cambodia.

However, China's assistance to Cambodia's physical infrastructure has costs. To ensure the loans "truly serve Cambodian people's needs," many recommended that the Cambodian government properly do a quantitative cost-benefit analysis of the Belt and Road Initiative (BRI) and be open and honest about its obligations. The national debt of Cambodia is now manageable at less than 40% of GDP, but it raised concerns when reliance on one nation grows. Gaining insight into other nations that previously faced debt crises and mismanagement, it is important to take preventative measures in case of unforeseen circumstances and avoid falling into a "debt trap." While Cambodia's economy and standard of living are improving, overdependence on Chinese investments and aid could conflict with its foreign policy of maintaining neutrality between the West and the East.

East Timor as the Eleventh Member: The Future of ASEAN

PICH Channkanika and SORN Solita

Introduction

East Timor is a new state in Southeast Asia in the early 21st century that has started its journey to foreign and international relations, one of which is to join ASEAN. However, Timor-Leste's application to join ASEAN fulfills ASEAN standards and the ASEAN charter.¹ In addition, ASEAN must also consider what East Timor can offer ASEAN. Therefore, this paper will include the advantages and disadvantages of ASEAN in terms of political, economic, and social dynamics when Timor-Leste joins ASEAN.

Before independence, the newborn state of Timor-Leste was a Portuguese colony until 1975. From 1976 to 1999, Indonesian authority ruled over it; then, on May 20, 2002, it became an independent state.² After gaining independence in 2002, Timor-Leste became an observer state in ASEAN and joined the ASEAN Regional Forum in 2005. It applied for full ASEAN membership in 2011, and in 2019, its foreign minister advocated for the region's ten members.³ This shows that Timor-Leste has sought to become an ASEAN member since its independence.

Society and Culture

Timor-Leste has a population of about 1.3 million, with many Indigenous groups, including Tetun, which accounts for approximately 25% of the population; Mambae, which makes up 10%; and other groups, such as the Kemak, Bunak, and Fataluku, which make up 5% or less each. Timor-Leste (East Timor) has many spoken languages due to past migration, colonialism, and occupation; however, Tetun and Portuguese are the official languages, while Indonesian and English are considered working languages. For the religion of Timorese people, 90%

¹ ASEAN, "The ASEAN Charter", January, 2008, <https://asean.org/wp-content/uploads/images/archive/publications/ASEAN-Charter.pdf>.

² Office of the Historian, "A Guide to the United States' History of Recognition, Diplomatic, and Consular Relations, by Country, since 1776: Timor-Leste," Accessed on July 7, 2024, <https://history.state.gov/countries/timor-leste>.

³ Purba Kornelius, "Timor Leste's Asean membership is too strategic to delay: Jakarta Post contributor," The Straite Time, accessed on July 7, 2024, <https://www.straitstimes.com/asia/se-asia/timor-lestes-asean-membership-is-too-strategic-to-delay-jakarta-post-contributor>.

identify as Roman Catholics; the remaining percentages are primarily Protestant, Muslim, and Hindu.⁴

Economy

Timor-Lest is in the nation-building process because it just stepped out of colonization and gained independence in 2002. Tourism Timor-Leste says 80% of Timor-Leste's GDP comes from oil, a major component of the country's economy. This has made large investments in energy, transportation, and infrastructure possible. However, as oil sources run out, diversification becomes more and more necessary to sustain early development. Before oil reserves run out, diversification becomes urgently necessary. Besides oil, the non-oil economy of Timor-Leste accounts for 21% of GDP. Agriculture plays a very important role in Timor's economy, employing more than half of the population, while tourism is seen as a critical sector for future economic development.⁵ Agriculture contributes about 16% of the country's gross domestic product (GDP), with 66% of households engaged in subsistence agriculture. Coffee is the main cash crop.⁶ However, without good agricultural practices, Timor-Leste's agricultural productivity is low. As a result, Timor-Leste has to import food. For example, according to the World Food Programme, Timor-Leste imports 60 percent of its food.⁷ During the National Parliament on December 20, 2023, Timor-Leste's government outlined two fundamental pillars for the 2024 fiscal year: investing in the productive sector and social capital, with priority given to investment in public infrastructure, production capacity, employment, education, health, social inclusion, and environmental protection.⁸

Politics

Timor-Leste's political system is semi-presidential. The president and parliament are elected for five-year terms through universal suffrage, and parliamentarians are chosen through

⁴ Tourism Timor-Leste, "Timor-Leste people & Culture", last modified 2024, <https://www.timorleste.tl/east-timor/about/people-culture/#:~:text=Timorese%20are%20incredibly%20hospitable%2C%20gregarious,family%2C%20the%20community%20and%20religion.>

⁵ Ibid.

⁶ ASEAN Development Bank, "Addressing Timor-Leste's Food Security and Nutrition", February 29, 2024, <https://development.asia/insight/addressing-timor-lestes-food-security-and-nutrition#:~:text=Timor%2DLeste%20is%20predominantly%20an,of%20its%20non%2Doil%20exports.>

⁷ Ibid.

⁸ Government of Timor-Lest, "National Parliament approves the 2024 GSB to "Build a bridge to tomorrow: investing in the productive sector and in social capital", December 20, 2023, <https://timor-leste.gov.tl/?p=35580&lang=en&n=1.>

proportional representation as long as a 4% minimum hurdle is surpassed.⁹ The constitution ensures checks and balances, separating powers including executive, legislative, and judiciary, and a semi-presidential separation between presidential and cabinet powers in the executive. The Constitution guarantees freedom of expression and information access with no systematic restrictions. Public and private media are uncensored. However, investigative reporting is limited, and prominent views are often parroted without question.

Timor-Leste-Indonesian relations

Timor-Leste and Indonesia maintain good diplomatic relations. For example, according to the U.S. Department of State, Indonesian President Susilo Bambang Yudhoyono paid a successful visit to Timor-Leste in 2005, including a stop at the Santa Cruz cemetery in Dili, where Indonesian troops slaughtered hundreds of Timorese in 1991.¹⁰ Moreover, President Yudhoyono prayed and laid a heart-shaped wreath at the grave, symbolizing the two countries' strengthening relations. Additionally, after the 2004 Indian Ocean tsunami destroyed parts of Indonesia, the government of Timor-Leste provided humanitarian aid to those affected. Similarly, the Indonesian government gave humanitarian aid to those affected by the conflict in Dili in 2006.¹¹ On top of that, in 2005, both countries established a bilateral Truth and Friendship Commission (TFC) to "establish the conclusive truth regarding the events preceding and immediately following the popular consultation in 1999, to promote reconciliation and friendship and ensure the non-recurrence of similar events."¹² Moreover, in a press conference in August 2024, President Jokowi reaffirmed Indonesia's commitment to help boost infrastructure development in Timor-Leste, signing two memoranda of understanding on agricultural and technical cooperation in the forestry sector.¹³

⁹ The BTI Transformation Index "Timor-Leste Country Report 2024", July 7, 2024, <https://bti-project.org/en/reports/country-report/TLS>.

¹⁰ The U.S. Department of State, "Timor-Leste (formerly East Timor) (08/07)", January 20, 2017, [https://2009-2017.state.gov/outofdate/bgn/timorleste/90432.htm#:~:text=Branches%3A%20Executive%2D%2Dpresident%20\(head,Supreme%20Court%20and%20supporting%20hierarchy](https://2009-2017.state.gov/outofdate/bgn/timorleste/90432.htm#:~:text=Branches%3A%20Executive%2D%2Dpresident%20(head,Supreme%20Court%20and%20supporting%20hierarchy).

¹¹ Ibid.

¹² The U.S. Department of State, "Timor-Leste (formerly East Timor) (08/07)", January 20, 2017, [https://2009-2017.state.gov/outofdate/bgn/timorleste/90432.htm#:~:text=Branches%3A%20Executive%2D%2Dpresident%20\(head,Supreme%20Court%20and%20supporting%20hierarchy](https://2009-2017.state.gov/outofdate/bgn/timorleste/90432.htm#:~:text=Branches%3A%20Executive%2D%2Dpresident%20(head,Supreme%20Court%20and%20supporting%20hierarchy).

¹³ Humanitarian Aid Relief Trust, "Indonesia and Timor-Leste: from Occupation to Cooperation", December November 24, 2015, <https://www.hart-uk.org/blog/indonesia-and-timor-leste-from-occupation-to-cooperation/>.

Timor-Leste-United States relations

United States relations with Timor-Leste are mainly related to humanitarian aid from the United States rather than economic relations. The United States has a bilateral development assistance program and is a major donor to several multilateral agencies active in Timor-Leste, such as the United Nations, Asian Development Bank, and World Bank. U.S. development assistance is delivered primarily through the U.S. Agency for International Development (USAID), the Peace Corps, and the Millennium Challenge Corporation.¹⁴ For example, the United States maintains a considerable bilateral development assistance program (\$23.3 million in fiscal year 2005). It contributes funding as a key member of several multilateral agencies, including the Asian Development Bank and the World Bank. Timor-Leste and the United States are also members of various international organizations, including the United Nations, ASEAN Regional Forum, Asia/Pacific Group on Money Laundering, International Monetary Fund, and World Bank.¹⁵

Timor-Leste-China Relations

On September 23, 2023, the meeting between Chinese President Xi Jinping and Prime Minister Xanana Gusmao of Timor-Leste resulted in a joint announcement of the elevation of bilateral relations to a comprehensive strategic partnership.¹⁶ This shows they are willing to work and support each other for mutual benefit. Moreover, according to Timor-Leste President Jose Ramos-Horta, Timor-Leste and China's strong bilateral relationship is called “exemplary” and “exceptional.” by highlighting China’s technical support and financial aid.¹⁷ He also emphasized ongoing agricultural and water resource projects benefiting Timor-Leste and noted China's recognition of Timor-Leste's independence in the 21st century, paving the way for a cooperative partnership.¹⁸

¹⁴ United States Department of State, “U.S. Relations With Timor-Leste.”, April 25, 2022, <https://www.state.gov/u-s-relations-with-timor-leste/>.

¹⁵ Ibid.

¹⁶ The State Council of the Republic of China, “China, Timor-Leste elevate ties to comprehensive strategic partnership”, September 23, 2023, Accessed on July 7, 2024. https://english.www.gov.cn/news/202309/23/content_WS650eb3a8c6d0868f4e8dfb24.html.

¹⁷ CGTN, “Timor-Leste president praises China relations as 'exemplary' and 'exceptional'”, August 03 2024, <https://news.cgtn.com/news/2024-08-03/Timor-Leste-president-praises-China-relations-1vLQoNnCUWQ/p.html>.

¹⁸ Ibid.

Why Does East Timor Want to Join ASEAN?

Regarding joining ASEAN, East Timor will have more economic, political, and socio-cultural opportunities to develop the country.¹⁹ Firstly, ASEAN has the ASEAN Economic Community (AEC), which aims to create a single integrated market with a market size of \$2.3 trillion and 600 million people, including Free Trade Agreements (FTA) and Closer Economic Partnerships.²⁰ With interdependent markets and globalized industries, Timor-Leste can interact economically with ASEAN members and attract foreign investments as it has a cheap labor force. Secondly, for political security opportunities, ASEAN has built the ASEAN Political-Security Community, which seeks to ensure that nations in the area live peacefully in a just, democratic, and peaceful environment with one another and the rest of the world.²¹ Therefore, by joining ASEAN, East Timor can get full recognition from the world since it is a new state that is little known to the world.

The last one is socio-cultural opportunities. The ASEAN Socio-Cultural Community aims to be committed, participative, and socially responsible, promoting a high quality of life, equitable access to opportunities, human rights, sustainability, resilience, and a dynamic, harmonious community.²² With the ASEAN Socio-Cultural Community, Timor-Leste can attract tourism and exchange knowledge with ASEAN members in social welfare and development, education, sports, youth, information and media, civil service, health, environment, rural development, poverty eradication, etc. For example, in the case of Cambodia, after joining ASEAN, according to Reporting ASEAN, ASEAN has become a security shield, an economic factor, and a socio-cultural hub because, through ASEAN, Cambodia has a safeguard protecting its sovereignty and independence against foreign invasion and interference, can expand its economic relations with countries in the region and beyond and has promoted its soft power within ASEAN through cultural diplomacy.²³ Overall, if Timor-Leste becomes a member of ASEAN, the country can benefit from enhanced market access, political and security cooperation, trade and investment opportunities, and socio-cultural collaboration.

¹⁹ ASEAN, “Our communities”, July 7, 2024, <https://asean.org/our-communities/>.

²⁰ ASEAN, “Economic Community”, July 7, 2024, <https://asean.org/our-communities/economic-community/>.

²¹ ASEAN, “ASEAN Political Security Community”, July 7, 2024,

<https://asean.org/our-communities/asean-political-security-community/>.

²² ASEAN, “ASEAN Socio-Cultural Community”, July 7, 2024, <https://asean.org/our-communities/asean-socio-cultural-community/>.

²³ Reporting ASEAN, “After 20 Years, Cambodia Has Reaped Benefits from ASEAN”, July 7, 2024, <https://www.reportingasean.net/20-years-cambodia-reaped-benefits-asean/>.

Timor-Leste's road to ASEAN

Timor-Leste (East Timor) has made significant efforts over the years to join the Association of Southeast Asian Nations (ASEAN). These efforts reflect the country's desire to integrate more closely with its regional neighbors and benefit from the economic and political cooperation that ASEAN membership offers. Key milestones in Timor-Leste's efforts include 2002, 2005, and 2011 initiatives.

In 2002, Timor-Leste gained independence from Indonesia and immediately expressed interest in joining ASEAN. The country's leaders recognized that ASEAN membership could support its nascent statehood and facilitate its integration into the regional community. However, ASEAN's response was cautious, as Timor-Leste needed to establish the necessary infrastructure and governance frameworks to meet the organization's membership criteria.²⁴

By 2005, Timor-Leste had made significant progress in stabilizing its political environment and rebuilding its economy. Timor-Leste formally submitted its application to become an ASEAN observer during this period. This status would allow it to participate in ASEAN meetings and activities without full membership rights. The application was positively received, and Timor-Leste was granted observer status in 2002. This step was crucial for the country to demonstrate its commitment to ASEAN principles and begin aligning its policies with regional standards.²⁵

In 2011, Timor-Leste took another significant step by officially applying for full ASEAN membership.²⁶ This application was submitted during the 19th ASEAN Summit in Bali, Indonesia. The move was part of a broader strategy to deepen Timor-Leste's integration with Southeast Asia and secure ASEAN membership's economic and political benefits. The application highlighted Timor-Leste's continued progress in political stability, economic development, and adherence to ASEAN's principles and objectives.²⁷ Despite these efforts,

²⁴ Arndt, H.W, "East Timor: Development Challenges for the World's Newest Nation." *Asian-Pacific Economic Literature* 16, no. 1 (2002): 49–50, <https://doi.org/10.1111/1467-8411.t01-1-00042>.

²⁵ The Indonesian Quarterly, "East Timor and ASEAN: Towards full membership?", 2005, Retrieved from <https://www.escap.org/uploads/docs/ISEAS-EQ/EQ2005/EQ2005-EastTimorASEAN.pdf>.

²⁶ Arisanto, P. T., "Timor Leste's Accession to ASEAN 2011: An Analysis of International Factors", *Jurnal Dinamika Global* 5, no. 02 (2020): 150–170, <https://doi.org/10.36859/jdg.v5i02.208>.

²⁷ The Jakarta Post, "Time for Timor Leste to Join ASEAN: SBY.", March 23, 2011, <https://www.thejakartapost.com/news/2011/03/23/time-timor-leste-join-asean-sby.html>.

some ASEAN member states expressed concerns about Timor-Leste's readiness for full membership, citing infrastructure, administrative capacity, and economic development.²⁸

The first reference to East Timor's membership came at the 18th ASEAN Summit in July 2011, in which the heads of state and government noted Timor-Leste's application and decided that "further consideration is needed more". Then, at the 19th ASEAN Summit held in November 2011, the heads of state and government could not agree.²⁹ They have tasked the ASEAN Coordinating Council (ACC) to discuss all relevant aspects regarding Timor-Leste's application and its possible impact on the future.³⁰ Since then, a working group has been set up to make recommendations to the ACC on Timor-Leste's ability to meet the requirements of Article 6 of the ASEAN Charter.³¹ The ASEAN Charter establishes four conditions for future members: (i) location in Southeast Asia. (ii) recognition by all ASEAN Member States; (iii) Agreements to be bound and following the ASEAN Charter. And (iv) the ability and willingness to fulfill the obligations of membership. Timor-Leste has already met the first three conditions, but meeting the fourth is difficult. ASEAN's move towards deeper cooperation and integration meant that membership now has more technical requirements than the latest members, Cambodia, Myanmar, Laos, and Vietnam joined. ASEAN's expansion to include Cambodia, Laos, Myanmar, and Vietnam (CLMV) in the 1990s marked a significant milestone in its regional integration efforts.³² However, this expansion raised concerns about a development divide between older and newer members.³³ The admission of CLMV countries without clear criteria led to questions about their preparedness and strained relations with dialogue partners.³⁴

²⁸ Putra, N. R. M., Ramadhany, C. C., & Salsabila, N. S., "Membership Status OF Timor Leste in ASEAN Based on ASEAN Charter 2007: Problem and Prospect" *Padjadjaran Journal of International Law*, 5, no. 2 (2022): 244–264. <https://doi.org/10.23920/pjil.v5i2.796>.

²⁹ The Jakarta Post, "I Have My Own View, SBY Tells PM Lee Hsien Loong.", November 19, 2011, <https://www.thejakartapost.com/news/2011/11/19/i-have-my-own-view-sby-tells-pm-lee-hsien-loong.html>.

³⁰ ASEAN, "ASEAN Community in a global community of nations. Chair's statement of the 19th ASEAN Summit held in Bali, Indonesia, on November 17", July 07, 2024, <https://www.asean.org/wp-content/uploads/archive/documents/19th%20summit/CS.pdf>.

³¹ ASEAN, "The ASEAN Charter", February 06, 2016, <https://asean.org/storage/2016/06/2.-February-2015-The-ASEAN-Charter-18th-Reprint.pdf>.

³² Herman Joseph S. Kraft, "SEAN and intra-ASEAN relations: weathering the storm?" *The Pacific Review*, 13, no. 3 (2000): 453–472, <https://doi.org/10.1080/09512740050147951>.

³³ Richard Pomfret, "ASEAN's New Frontiers: Integrating the Newest Members into the ASEAN Economic Community", *Asian Economic Policy Review*, 8, no. 1 (2013): 25–41, <https://doi.org/10.1111/aep.12000>.

³⁴ Kraft, "ASEAN and intra-ASEAN relations".

To address these challenges, ASEAN launched several initiatives to address development challenges and promote regional integration. The Initiative for ASEAN Integration (IAI), established in 2000, aimed to bridge the gap between older and newer members. The ASEAN Economic Community (AEC), set to be established by 2020, was envisioned as a single market and production base with a free flow of goods, services, investments, capital, and skilled labor. ASEAN introduced measures such as fast-track integration of priority sectors, faster customs clearance, and elimination of trade barriers to expedite the integration process.³⁵ Finally, new prospective members must commit to ASEAN non-partisan policy objectives and develop the capacity to participate meaningfully in ASEAN technical working meetings.³⁶

Meanwhile, the East Timor government has continued its diplomatic and political efforts with ASEAN members to persuade support for its membership by increasing the number of diplomatic missions to ASEAN members. The last Timor-Leste embassies to be inaugurated in ASEAN member countries were Cambodia, Myanmar, and Laos in 2016. East Timor now has diplomatic representation in all 10 ASEAN member states at the request of the ASEAN Charter.³⁷ Timor-Leste also hosted its first ASEAN Regional Forum 2011, 2017, and 2019 seminars, which nearly 150 participants attended.³⁸

In the end, the current 10 ASEAN members unanimously supported Timor-Leste's ASEAN membership. Indonesia first supported membership, followed by Malaysia, Myanmar, the Philippines, Thailand, Cambodia, Laos, and Vietnam.³⁹ However, only Singapore has expressed concern over East Timor's presence in ASEAN due to economic factors. In particular, Singapore's initial concerns were related to the main reason: it would increase economic disparities because Timor-Leste is an underdeveloped economy. The economic rationale to move forward with the integration would decrease because economic integration

³⁵ Hew, D., & Soesastro, H., "Realizing the ASEAN Economic Community by 2020: ISEAS and ASEAN-ISIS Approaches" ASEAN Economic Bulletin, 20, no. 3 (2003): 292–296, <https://doi.org/10.1355/ae20-3h>.

³⁶ See ASEAN Charter.

³⁷ Khmer Times, "Timor-Leste, Asia's Youngest Country, Opens Embassy in Cambodia", June 05, 2016, <https://www.khmertimeskh.com/24516/timor-leste-asias-youngest-country-opens-embassy-in-cambodia>.

³⁸ Government of Timor-Leste, "Timor-Leste Hosts the ASEAN Regional Forum Workshop on Dispute Resolution and Law of the Sea Government of Timor-Leste.", February 25, 2020, <https://timor-leste.gov.tl/?p=23619&lang=en>.

³⁹ Jose Ramos-Horta, "Why Timor-Leste should join ASEAN now. East Asia Forum", May 16, 2011, <https://www.eastasiaforum.org/2011/05/16/why-timor-leste-should-join-asean-now/>.

is already problematic with Laos and Cambodia and would be even more problematic with Timor-Leste.⁴⁰

On the 40th and 41st ASEAN Summits, gathering in Phnom Penh, the Kingdom of Cambodia considered the outcomes of the Fact-Finding Missions to Timor-Leste and agreed in the principle to admit Timor-Leste to be the 11th member of ASEAN. Timor-Leste has been granted observer status and allowed to participate in all ASEAN meetings, including the Summit. ASEAN will formalize an objective criteria-based roadmap for Timor-Leste's full membership based on the milestones. Furthermore, all ASEAN member states and external partners will fully support Timor-Leste in achieving these milestones through capacity-building assistance and any other for its full membership in ASEAN.⁴¹

In 2023, Indonesia, as the chair of ASEAN, prepared a roadmap to support the Democratic Republic of Timor-Leste's full membership in the regional association. Indonesia was pleased with Timor-Leste's acceptance as a member of ASEAN, according to the ASEAN Summit 2022 in Cambodia.⁴² Indonesia supports Timor-Leste in its efforts to embrace the path of ASEAN Community building. Indonesia also reaffirmed support for Timor-Leste in achieving the milestones through capacity-building assistance and relevant support for Timor-Leste's full membership in ASEAN.⁴³ Furthermore, Indonesia's roadmap to support Timor-Leste's ASEAN membership involves several key initiatives. Firstly, Indonesia has been actively aiding Timor-Leste in developing essential infrastructure, which is crucial for meeting ASEAN's membership criteria and enhancing Timor-Leste's readiness for integration into the regional organization. Bilateral meetings have led to signing five memorandums of understanding covering various sectors such as infrastructure, trade, transportation, and fisheries. These agreements strengthen cooperation and align Timor-Leste's policies with ASEAN standards. Secondly, Indonesia is keen on investing in Timor-Leste's oil and gas sector and is conducting assessments to identify viable investment opportunities. This investment is

⁴⁰ Lee Hsien Loong, 'Timor-Leste's role and future in a rising Asia-Pacific.', S. Rajaratnam School of International Studies, November 27, 2015, https://www.youtube.com/watch?v=63JB_3aQrlE.

⁴¹ ASEAN, "ASEAN Leaders' Statement on The Application of Timor-Leste for ASEAN Membership", 2022, <https://asean.org/wp-content/uploads/2022/11/05-ASEAN-Leaders-Statement-on-the-Application-of-Timor-Leste-for-ASEAN-Membership.pdf>.

⁴² Uyu Liman Mentari Gayati, "Indonesia readies road map for Timor Leste's full ASEAN membership." Antara News, February 13, 2023, <https://en.antaranews.com/news/272613/indonesia-readies-road-map-for-timor-lestes-full-asean-membership>.

⁴³ ASEAN, "Chairman's Statement of the 42nd ASEAN Summit", 2023, <https://asean.org/wp-content/uploads/2023/05/FINAL-Chairmans-Statement-42nd-ASEAN-Summit-1.pdf>.

expected to boost Timor-Leste's economy and make it a more attractive candidate for ASEAN membership. Indonesia has also proposed providing export credits to help Timor-Leste acquire military equipment, which is intended to enhance Timor-Leste's defense capabilities and align with ASEAN's regional security framework.⁴⁴

What does it mean to ASEAN if Timor-Leste joins?

Throughout the timeline of Timor-Leste's admission process, ASEAN's criteria for inclusion and exclusion have been heavily debated. Timor-Leste has been fulfilling all official ASEAN obligations since 2014. The country is geographically located in Southeast Asia, shares a cultural heritage with the region, has established embassies in all ASEAN nations, and has developed the infrastructure necessary to host ASEAN summits. Additionally, Timor-Leste maintains a diplomatic presence at general ASEAN meetings and continually adapts to the grouping's requirements. Delegates and leaders from Timor-Leste regularly participate in internships and training courses with the ASEAN Secretariat. The country also excels in human rights, citizen freedom, and adherence to democratic principles, which, in some respects, exceed the average standards of ASEAN members. In this section, we will take a look at the facts about the admission procedure for Timor-Leste to gain admittance to ASEAN and Offer a detailed analysis of the admission procedure:

Has Timor Leste Met the Requirements to Join ASEAN?

The delay in East Timor's admission to ASEAN is often attributed to its failure to meet certain criteria outlined in the ASEAN Charter. Critics, such as those from Singapore and Laos, argue that East Timor does not yet satisfy these requirements. Firstly, East Timor must be located in a recognized geographical area of Southeast Asia, ensuring all ASEAN member states are part of the same regional community. Secondly, for a new member to be admitted, it must be recognized by all existing ASEAN member states, requiring unanimous recognition to maintain the unity and cohesion of the organization. Thirdly, the admission must align with the principles and provisions of the ASEAN Charter, which outlines the fundamental principles, objectives, and institutional framework of ASEAN, ensuring that all members adhere to a common set of rules and standards. Finally, prospective members must demonstrate their ability and willingness to fulfill the obligations of ASEAN membership, including commitments to

⁴⁴ The Jakarta Post, "Time for Timor Leste to Join ASEAN: SBY", March 23, 2011, <https://www.thejakartapost.com/news/2011/03/23/time-timor-leste-join-asean-sby.html>.

political, economic, and social cooperation and adherence to ASEAN's goals and initiatives. Combining these criteria ensures that any new member admitted to ASEAN is geographically appropriate, politically recognized by all current members, compliant with the ASEAN Charter, and capable of contributing positively to the organization's objectives and responsibilities.

The ASEAN Charter covers the obligations of membership, such as participation in ASEAN meetings and summits, participation as observers in ASEAN meetings, ratification of all ASEAN treaties and agreements, organization, and improvement. To meet the needs of the ASEAN Free Trade Area and the ASEAN Joint Free Trade Agreement with Dialogue Partners, the country must establish embassies within all ASEAN member states and contribute USD 1 million to the ASEAN Development Fund. Additionally, it must commit to participating in all ASEAN meetings, including the role of hosting and chairing the ASEAN Summit. The country should also participate in regional projects across various areas of cooperation and contribute a portion equal to the annual operating budget of the ASEAN Secretariat.⁴⁵ Although East Timor seems to have addressed all of these needs, questions remain as to whether the process represents 'effective action' or is intended as a formal response only.

Human Rights Status in Timor-Leste

East Timor has successfully implemented policies to promote and protect human rights as an element of democracy, especially about gender equality and women's participation in civil society.⁴⁶ It has ratified several conventions on human rights, including the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Convention on the Rights of the Child (CRC). In January 2023, East Timor became a member of the Convention on the Rights of Persons with Disabilities. This shows that Timor-Leste can comply with the 2012 ASEAN Human Rights Declaration and play an active role in the ASEAN Intergovernmental Commission on Human Rights (AICHR) and the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children.⁴⁷

⁴⁵ Jacqueline Aquino Siapno, "Timor Leste's Preparation for Accession into ASEAN: Public Participation, Production of Knowledge, Comparative Histories, and Perspectives from Below.", *Asian Studies* 50, no. 2 (2014): 108–118.

⁴⁶ Chin, C. S., "Timor-Leste on the road to democracy. Next stop, Asean?" *The Nation*, 2018, <http://www.nationmultimedia.com/detail/opinion/30349168>.

⁴⁷ United Nations Human Rights Treaty Bodies, "UN Treaty Body Database", July 07, 2024, https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx.

High Freedom Ranking

In the 2018 World Freedom Rankings, East Timor is in the leading position compared to all ASEAN member countries. In 2018, fair elections and peaceful power transfer allowed new parties and candidates to enter the political system.⁴⁸ The 'World Class Freedom' table shows the current status of freedom in all ASEAN member states, including East Timor.

Freedom in the World Report 2018	Political Rights	Civil Liberties	Freedom Ranking	Aggregate Score	Freedom Status
Cambodia free	6	5	5.5	28	Not
Laos free	7	6	6.5	12	Not
Vietnam free	7	5	6.0	20	Not
Thailand free	6	5	5.5	31	Not
Brunei free	6	5	5.5	28	Not
Myanmar free	5	5	5.0	31	Partly
Singapore free	4	4	4.0	52	Partly
Malaysia free	4	4	4.0	45	Partly
Indonesia free	2	4	3.0	64	Partly
Philippines free	3	3	3.0	62	Partly
Timor-Leste	2	3	2.5	69	Free

⁴⁸ Freedom House, “Freedom in the World 2019”, 2019, <https://freedomhouse.org/report/countries-world-freedom-2019>.

Political Rights, Civil Liberties:

1= most free

7= least free

Aggregate Score:

0= Least free

100= Most free

This table, taken from Freedom House scores, shows that East Timor is the only country in the region with a "free" state.⁴⁹

Timor-Leste's accession benefits for ASEAN

Timor-Leste's accession to ASEAN highlights several potential benefits for the organization. First, ASEAN would gain a larger geographical presence and enhanced access to the region. Including Timor-Leste would contribute to expanding peace and stability throughout Southeast Asia. Timor-Leste's expertise in managing regional public goods, such as cross-border security threats, humanitarian assistance, debt relief, environmental management, and climate change, would further bolster ASEAN's collective capabilities. Timor-Leste's presence would also foster regional growth and social progress and cultural development. The country's special historical ties, particularly with the Portuguese-speaking countries (CPLP), which span Africa, Asia, Europe, and Latin America, would provide ASEAN with privileged access and connections to a broader global network. Timor-Leste's growing market, bolstered by its oil and mining resources and Southeast Asia's highest population growth rate, represents an attractive opportunity for inward investment. Moreover, integrating Timor-Leste into ASEAN could serve as a firewall against the undue influence of certain regional or global powers.

Potential Changes in ASEAN-China Relations

Many international opinions suggest that the adoption of East Timor will strengthen ASEAN, making it a greater opposition to Chinese dominance in Southeast Asia and the international context.⁵⁰ Therefore, if ASEAN does not strengthen its political and economic ties with East Timor, China will grow economically to its potential.⁵¹ This is feared by some members of ASEAN, which is why some countries (such as Indonesia and Thailand) support membership in Timor-Leste to strengthen implementation.⁵² Indonesia's support for East Timor is seen as a self-interest in terms of investment opportunities and security for Timor-Leste's oil and gas

⁵⁰ China-US Focus, "China, U.S. & ASEAN Should Welcome Timor-Leste", July 08, 2024, <https://www.chinausfocus.com/foreign-policy/china-us--asean-should-welcome-timor-leste>.

⁵¹ Maria Ortuoste, "Timor-Leste's ASEAN membership limbo." East Asia Forum, September 28, 2019, <https://www.eastasiaforum.org/2019/09/28/timor-lestes-asean-membership-limbo>

⁵² Ahmad Faiz Ibnu Sani, "Indonesia Called on to Support Timor-Leste to Become ASEAN Member", June 28, 2018, <https://en.tempo.co/read/919567/indonesia-called-on-to-support-timor-leste-to-become-asean-member>.

profits.⁵³ Another common argument is that China strongly supports East Timor's development so that it can join ASEAN because China wants to boost its influence in the region through Timor Leste. Helping Timor-Leste become a member means China can have an influential voice in ASEAN and be more involved in its decisions. It also allows China to access Timor-Leste's resources, like oil and gas, and build stronger economic ties. Plus, having Timor-Leste in ASEAN helps China balance other major countries' power and ensure its interests are well-represented.

The delay in Timor Leste's admission could be seen as a way for ASEAN to limit China's presence in ASEAN as well. This should be compared to the case of Myanmar. It should be noted that Myanmar and other CLMV countries gained membership in the 1990s; the country was accepted within a week of its initial application without additional preparation/meeting time.⁵⁴ After the international fear of the rise of communism, it can be concluded that the main reason for recognizing Myanmar was to maintain pressure on China and to control and suppress Chinese influence in Southeast Asia. At the time, China increased its investment in East Timor.⁵⁵

As is well known, ASEAN has the participation and cooperation of many great powers, of which China and the United States are the most prominent. Some ASEAN members, leaning towards China, have close ties, and others have strong ties with the United States. As mentioned above, Timor-Leste is a closer partner and closer to China than the United States. Inject stress does not come out continuously. Nowadays, The ASEAN problem is the South China Sea dispute due to the close alliance between China and Cambodia. Despite being a member of ASEAN, Cambodia is always on the side of China in this issue, making it difficult for other ASEAN members to solve this ongoing conflict. For China, Cambodia is a central ally in the SEA. For Cambodia, China is the main source of foreign assistance and capital. In addition, the Chinese have become managers and investors in Cambodian state-owned enterprises, and bilateral economic interactions have increased, which may explain Cambodia's support for China in matters related to the disputes in the SCS, including in the ASEAN

⁵³ Bec Strating, "Timor Sea dispute: progress and prospects as a deal emerges,"

The Interpreter, November 22, 2017, <https://www.lowyinstitute.org/the-interpreter/timor-sea-dispute-progress-and-prospects-deal-emerges>.

⁵⁴ Khoo Ying Hooi, "Unlocking Timor-Leste's road to ASEAN," New Mandala, March 09, 2017, <https://www.newmandala.org/unlocking-timor-lestes-road-asean/>.

⁵⁵ David Hutt, "Will Timor-Leste become China's next trap? Asia Times," last modified on November 02, 2018, <https://www.laohamutuk.org/Oil/Sunrise/2018/ATimesTLChinaDebt2Nov2018.pdf>.

decision-making process. If Timor-Leste becomes an official member of ASEAN and aligns closely with China, the dynamics of the South China Sea disputes could become even more complex. Timor-Leste's potential alignment with China could increase regional tensions and influence ASEAN's stance on the SCS disputes, intensifying the contentious situation.

Conclusion

Timor-Leste, a new-born state in Southeast Asia, is considering joining the Association of Southeast Asian Nations (ASEAN) to benefit from economic, political, and socio-cultural opportunities. The ASEAN Economic Community (AEC) aims to create a single integrated market, while the ASEAN Political-Security Community ensures peaceful coexistence. Timor-Leste can also benefit from enhanced market access, political and security cooperation, trade and investment opportunities, and socio-cultural collaboration. However, the country faces economic difficulties, low intra-regional trade, and financial constraints due to membership costs. Timor-Leste's economy depends on natural resources, and its infrastructure is limited for trade and participation in the ASEAN Free Trade Area. Although Timor-Leste's path to becoming a member of ASEAN is challenging, East Timor has never given up. To this day, East Timor has provided the support and welcome of most ASEAN members, and East Timor has also become an observer in ASEAN.

Cambodia's Economic Progress: The Harvest of Rectangular Strategy

THAI Sreyvin and PECH Posocheata

Introduction

Did you know that according to the Asian Development Bank, by 2024, Cambodia will be the third fastest-growing economy in the Association of Southeast Asian Nations (ASEAN) at a rate of 5.8? The dramatic arc of Cambodia's economy over the past 40 years is a thrilling story of recovery and reinvention. In the 21st century, in relative peace and stability, Cambodia has adopted a market-oriented strategy, opening its doors to international investment and commerce and promoting the growth of vital industries such as tourism and garment manufacturing. This period, often called the "golden age," witnessed an unprecedented surge in economic development, averaging a staggering 7.6% annually between 1995 and 2019.¹ Behind this successful story has been Cambodia's economic transformation, driven by evolving development models and policies.

The Rectangular Strategy, succeeding the Triangle Strategy, has been a pivotal framework in Cambodia's economic transformation. It played a crucial role in the country's transition from a low-income to a lower-middle-income status by 2015.² The Rectangular Strategy has evolved through several distinct phases—Phase I (2004), Phase II (2008), Phase III (2013), and Phase IV (2018). Each phase has built upon its predecessor, demonstrating a responsive approach to governance and economic development. The strategy, designed to guide Cambodia's economic growth and governance, effectively tackles key challenges and seizes opportunities for national advancement.

This analysis is a comprehensive exploration of the Rectangular Strategy, a pivotal framework that has shaped Cambodia's economic development over the past two decades. It delves into

¹ "The World Bank In Cambodia." World Bank. Last modified April 2024. <https://www.worldbank.org/en/country/cambodia/overview>.

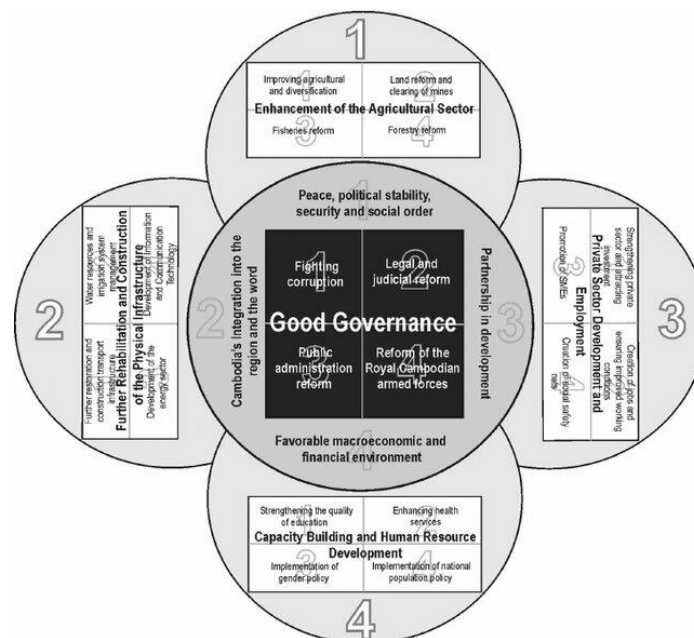
² Ministry of Foreign Affairs & International Cooperation, "Rectangular Strategies." Phnom Penh, 2008. Accessed August 2, 2024. <https://www.mfaic.gov.kh/Home/RectangularStrategies>.

four distinct phases, each mirroring the evolving economic landscape as Cambodia transitioned from a low-income to a lower-middle-income nation. In this journey, we aim to unravel the strategy's adaptability and its impact on governance, investment attraction, and poverty reduction. By doing so, we hope to provide a deeper understanding of Cambodia's economic trajectory and the strategic decisions that have fueled its growth, while also offering insights into its future development.

What is Rectangular Strategy?

Rectangular Strategy is an important economic policy agenda that started in 2004 to guide the implementation of the Royal Government's political platform in the National Assembly's third legislature. This strategy aims to promote the four pillars- growth, employment, equity, and efficiency- to attain poverty reduction, development, progress, prosperity, national harmony, and happiness for the Cambodian people. The Rectangular Strategy integrates key elements from the Millennium Development Goals, Cambodia's Socio-Economic Development Program (SEDP2), the National Poverty Reduction Strategy (NPRS), and other important reform programs. These elements were developed through extensive consultations with national and international stakeholders, including government bodies, civil society representatives, and donors.

Figure 1: The Rectangular Strategy for Growth, Employment, Equity, and Efficiency in Cambodia



Source: [https://www.researchgate.net/profile/Simon-Springer-](https://www.researchgate.net/profile/Simon-Springer-2?_tp=eyJib250ZXh0Ijp7ImZpcnNOUGFnZSI6Il9kaXJlY3QiLCJwYWdlIjoicHVibGljYXRpb24ifX0)

[2?_tp=eyJib250ZXh0Ijp7ImZpcnNOUGFnZSI6Il9kaXJlY3QiLCJwYWdlIjoicHVibGljYXRpb24ifX0](https://www.researchgate.net/profile/Simon-Springer-2?_tp=eyJib250ZXh0Ijp7ImZpcnNOUGFnZSI6Il9kaXJlY3QiLCJwYWdlIjoicHVibGljYXRpb24ifX0)

The first core focus within this strategy is good governance, addressing key areas such as anti-corruption, legal and judicial reforms, public administration improvements (including decentralization), and military reform, particularly demobilization. Second, the strategy operates within an environment that prioritizes peace, political stability, stakeholder partnerships, a favorable macroeconomic climate, and integration into regional and global markets. Third, it identifies four primary growth rectangles: enhancing the agricultural sector through improved productivity, land reform, and addressing issues in fisheries and forestry; developing physical infrastructure, including transport networks, water management, energy grids, and Information and Communication Technology (ICT); fostering private sector growth and job creation, full employment, while promoting Small and Midsize Enterprises (SMEs) and establishing social safety nets; and advancing capacity building and human resource development by improving education, health services, gender equity, and population policies.³ The strategy aims to diversify and strengthen Cambodia's economic base beyond traditional sectors like garments and tourism by focusing on these areas.⁴

Rectangular Strategy- Phase I (2004)

During the initial step of the Rectangular model, Cambodia seems to be described as a “Newborn Economy.” Thus, the Cambodian government introduced several key policies to boost economic growth and attract investment. First, through Sub-Decree No.111 on the law on the Amendment of the Investment Law of the Kingdom of Cambodia in 2005, tax incentives were a major component, including tax holidays and reduced corporate tax rates to encourage both foreign and domestic investments⁵. Second, Special Economic Zones (SEZs) were established in December 2005 to attract export-oriented manufacturing investments. These zones provided favorable legal, logistical, and tax conditions that significantly increased investor confidence. In 2007, Cambodia had 24 operating SEZs, covering 561 investment projects and creating over 160,000 jobs.⁶

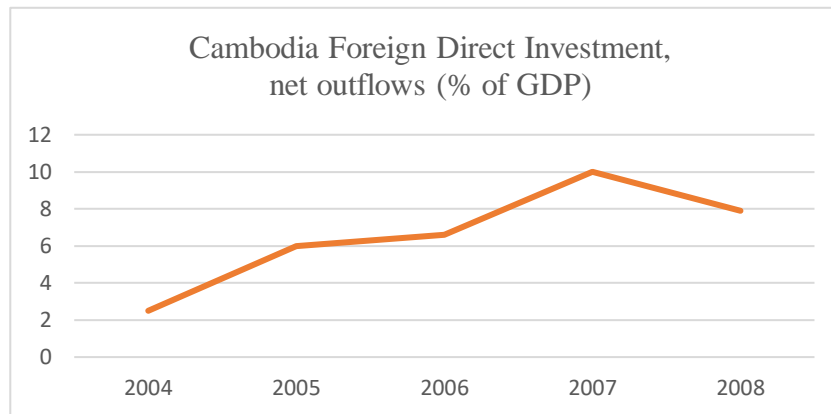
Figure 2: Cambodia Foreign Direct Investment Net Outflows (% of GDP) from 2004 - 2008

³ Ibid.

⁴ Ibid.

⁵ “SUB-DECREE ON THE IMPLEMENTATION OF THE LAW ON THE AMENDEMENT TO THE LAW ON INVESTMENT OF THE KINGDOM OF CAMBODIA.” The Royal Government of Cambodia. 2005. Accessed August 2, 2024. https://data.opendevelopmentcambodia.net/en/dataset/6fcd20b5-e852-46bb-8af2-27d72b29d503/resource/bab07649-29b2-4860-b2f0-357c4e8787f9/download/sub-decree-111-on-implementation-loi_050927.pdf.

⁶ “Rectangular Strategies.” Phnom Penh: Ministry of Foreign Affairs & International Cooperation. 2008. Accessed August 2, 2024. <https://www.mfaic.gov.kh/Home/RectangularStrategies>.



Source of Data:

<https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2008&locations=KH&start=2004>

By 2007, Foreign Direct Investment (FDI) accounted for 10% of Cambodia's Gross Domestic Product (GDP), crucial during Phase I. Tax incentives and SEZs played significant roles in attracting domestic and international investors to establish a role in the economy. The industry sector, in particular, saw substantial investment, which was from US\$848.62 million in 2005 to US\$1073 million in 2006, reflecting its highlighting of the sector's importance.⁷ Third, Cambodia integrated into the world by actively participating on equal footing and with equal rights in the ASEAN, member of World Trade Organization (WTO) in 2004 as well as in other sub-regional, regional, inter-regional, and global cooperation initiatives such as the Greater Mekong Sub-region (GMS), Ayeyawady-Chao Phraya Mekong Economic Cooperation Strategy (ACMECS), Asia-Europe Meeting (ASEM) and others.⁸ Cambodia's integration into the region and the world and linking trade to labor standards have created a favorable environment for developing agriculture, tourism, and industry, especially the garment industry. This has facilitated Cambodian farmers' exporting their products to the regional and world markets. Agriculture, textiles, and tourism predominantly shaped the labor market during this period.

According to the World Bank, agriculture was the main source of employment, with over 60% of the population engaged in this sector. The sector's gross production increased by 8.7%, driven by higher paddy rice yields and other crops. The value-added of agriculture increased

⁷ Hem, Sochet. "Impact of the Global Financial Crisis on Cambodian Economy at Macro and Sectoral Levels." the Global Financial Crisis and Vulnerability in Cambodia project supported by IDRC. Last modified April 2013. <https://www.ccc-cambodia.org/backend/web/uploads/event-archives/media/wp72e-58bd184534d24.pdf>.

⁸ Ministry of Foreign Affairs & International Cooperation, "Rectangular Strategies." Phnom Penh. 2008. Accessed August 2, 2024. <https://www.mfaic.gov.kh/Home/RectangularStrategies>.

on average by 7.2% per annum between 2003 - 2007, compared to 1.6% during 1998 - 2002 and 4.9% during 1993 - 1997. Cambodia has achieved 2.5 tons per hectare of rice yield during the period 2005 - 2007, the highest yield in Cambodian history, due to increased investments in irrigation network, improvement in water management, increase in credit made available by commercial banks and microfinance institutions, and increasing use of better cultivation practices. This agricultural growth contributed to a substantial reduction in poverty, with the poverty rate dropping 32% in 2007, lifting four million people out of poverty. Over 60% of this poverty reduction was due to improvements in the agriculture sector.⁹

The achievements of Phase I were notable. The Cambodian economy experienced unprecedented growth, with double-digit increases in GDP and low inflation rates. The agricultural sector saw substantial productivity gains, contributing significantly to poverty reduction. The Public Financial Management Reform Program (PFMRP) improved budget credibility and increased government revenues, allowing for better resource allocation. The Royal Government has maintained macroeconomic stability, with economic growth averaging 11.1% from 2004 to 2007, higher than the original target of 6 to 7% per annum. This has resulted in an increase in the GDP per capita from US\$394 in 2004 to US\$594 in 2007. Inflation has been kept under check, below 6% per annum, and the exchange rate has been broadly stable.

Rectangular Strategy - Phase II (2008)

During this phase, the Global Financial Crisis (GFC) 2008 profoundly affected economies worldwide, and Cambodia was no exception. During this period, rural households, heavily reliant on income from the garment industry, were among the most affected. As factories retrenched workers, many returned to their hometowns or sought employment in other sectors like agriculture, tourism, and services. According to a study by the Cambodian Institute for Development Studies in 2009, the crisis was estimated to impact 93,000 households (470,000 people) in 2008 and 217,000 households (over 1 million people) by the end of 2009.¹⁰

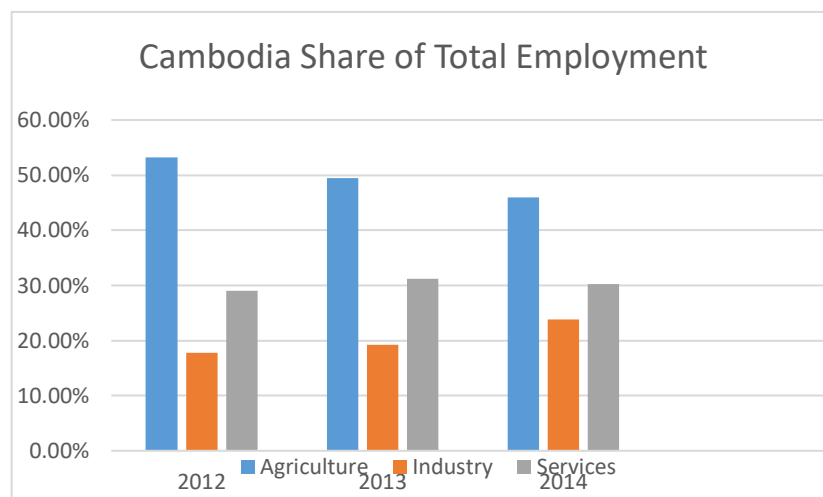
⁹ “Cambodian Agriculture in Transition: Opportunities and Risks.” World Bank. Accessed August 2, 2024. <https://www.worldbank.org/en/country/cambodia/publication/cambodian-agriculture-in-transition-opportunities-and-risks>.

¹⁰ Hem, Socheth. “Impact of the Global Financial Crisis on the Cambodian Economy at Macro and Sectoral Levels.” Cambodia Development Resource Institute. Last modified November 2, 2012. https://cdri.org.kh/storage/pdf/PB-12-02e_1617206878.pdf.

The United Nations Development Programme (UNDP) highlighted concerns about the pressure on agricultural resources due to the return of retrenched workers from various industries, including garments and construction. Approximately 200,000 migrant workers, primarily employed in Thailand and Malaysia, were expected to return to Cambodia. The challenge was for the government to create job opportunities and provide a social safety net to prevent increased poverty and social inequality.¹¹

The Cambodian government implemented several policies to stabilize the economy and stimulate growth in response to the economic downturn. First, the government further provided incentives to attract foreign investors, which helped boost FDI inflows from approximately US\$500 million in 2009 to over US\$1.5 billion by 2013. Major sectors attracting investment included garments, real estate, agriculture, and tourism, with Chinese investments contributing over US\$435 million in 2013 alone. Second, macroeconomic stabilization is crucial to combat inflation and stabilize the economy. The government introduced fiscal measures, such as tariff exemptions on agricultural and construction products, subsidized import taxes on petroleum, and strict control of public spending. Additionally, the government intervened in the rice market by releasing 300 tons of rice to local markets at prices below the current market rate to curb price speculation.¹²

Figure 3: Cambodia's Share of Total Employment



Source of Data: <https://www.statista.com/statistics/438733/employment-by-economic-sector-in-cambodia/#:~:text=The%20statistic%20shows%20the%20distribution,percent%20in%20the%20service%20sector>

¹¹ Ibid.

¹² Ibid.

During this phase, Cambodia's economy relied heavily on a few key sectors. First, the garment sector significantly drove employment and export revenues. By 2013, the industry employed over 300,000 workers, reflecting its critical economic role. However, as the garment sector faced challenges, many workers sought employment in agriculture, tourism, and services, which became vital for job creation. Figure 3 shows that in 2013, 49.52% of the employees in Cambodia were active in the agricultural sector. This revealed that the agricultural sector remained Cambodia's main employment source. Nevertheless, with workers' return to rural areas, agriculture faced increased pressure as time passed, necessitating efforts to modernize the sector and attract private investment in production and processing.¹³

The Rectangular Strategy Phase 2, which guided Cambodia's response to the GFC and followed the Millennium Development Goals, has transformed the Cambodian economy. GDP expanded at an average rate of approximately 7% annually. Growth rates for 2011 and 2012 were 6.5% and 6.8%, respectively.¹⁴

Rectangular Strategy- Phase III (2013)

The five years from 2013 to 2018 seem like a stable period for Cambodia's economy, particularly GDP. According to the World Bank, the country's GDP continuously increased from US\$15.23 billion to US\$24.57 billion from 2013 to 2018.

One sector that should be noticed in this phase is agriculture. Many regions outside Phnom Penh rely on this sector to improve their livelihoods. Rice farms played a significant role in reducing poverty from 2004 to 2011.¹⁵ According to the World Bank Report (2015), Cambodia's agricultural GDP declined to 1% in 2013 - 2014, down from over 4% in 2012.¹⁶ This number was considered a great loss at the time as, as seen in Figure 4, the country's poverty reduction was influenced by the huge amount of this sector.

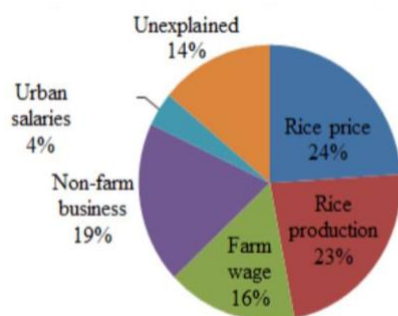
¹³ Ibid.

¹⁴ "Rectangular Strategies." Phnom Penh: Ministry of Foreign Affairs & International Cooperation. 2013. Accessed August 2, 2024. <https://www.mfaic.gov.kh/Home/RectangularStrategies>.

¹⁵ "Cambodia Agriculture in Transition: Opportunities and Risks." World Bank Group. May 19, 2015. Accessed August 1, 2024. <https://documents.worldbank.org/curated/en/805091467993504209/pdf/96308-ESW-KH-White-cover-P145838-PUBLIC-Cambodian-Agriculture-in-Transition.pdf>.

¹⁶ Ibid.

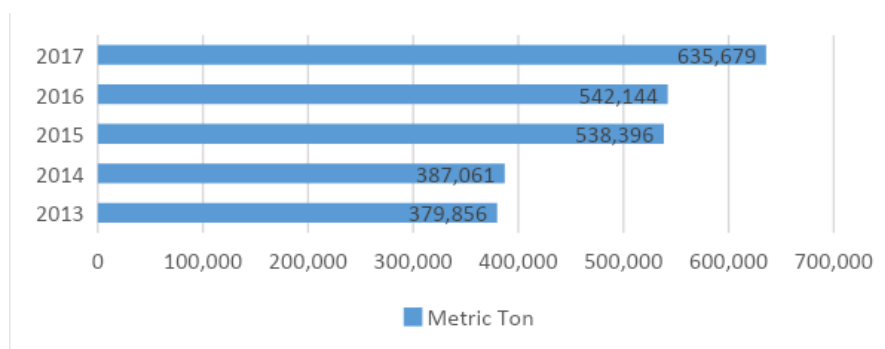
Figure 4: Key Drivers of Poverty Reduction 2004 - 2011



<https://www.worldbank.org/en/country/cambodia/publication/cambodian-agriculture-in-transition-opportunities-and-risks>

Underlining the importance of maintaining growth in this sector, the Royal Government of Cambodia launched the Agricultural Sector Strategic Development Plan 2014 - 2018 as part of Phase III of the Rectangular Strategy. The policy aimed to enhance 5% annual growth by increasing productivity, diversifying agriculture, and maintaining the production value chain.¹⁷ This was done by mobilizing the budget to invest in this sector, building a strong infrastructure, and strengthening the capacity of the farmers.¹⁸ Through the effort and cooperation of the government and farmers, Cambodia achieved substantial growth in rice exports in 2015, with an increase of over 150,000 metric tons of rice.

Figure 5: Cambodian Milled Rice Exported from 2013 - 2017



Source of Data:

http://crf.org.kh/?page=api_location_detail&menu1=581&menu2=706&menu3=&menu4=&menu5=&id=1189&lg=en

¹⁷ “FAOLEX Database.” FAO, org. January 1, 2015. Accessed August 1, 2024.

<https://www.fao.org/faolex/results/details/en/c/LEX-FAOC155661/#:~:text=The%20overall%20Goal%20of%20the,forestry%20and%20fisheries%20resource%20management%3B>.

¹⁸ Ibid.

A decrease in agricultural productivity drove people to shift away to find jobs in the non-agricultural sector. The garment industry prospers economic activity the most among the industries that attract investment. Noticeably, this industry became interesting for young Cambodian women due to the relatively high incomes paid regularly.¹⁹ Nevertheless, the comparatively high cost of operating expenses and set-up barrier to foreign investors, even with cheap labor.²⁰

In 2014, internal issues within the garment industry led to a protest that created chaos in the city. Due to the low minimum wage and excessive overtime, a Coalition of Labour Unions demanded US\$160 for the 2014 minimum wage.²¹ As a result, the government increased the minimum wage to US\$100 in 2014 from US\$80 in 2013. Yet, this sector's number of workers and industries seems to have dropped in the following years. According to the International Labour Organization, compared to 2015, the number of official exporting factoring decreased by 10.4%, with a 2.9% decline in the number of workers in 2016.²²

With a commitment to achieve economic development in the past period, Cambodia graduated from its low-income status in 2015, becoming a lower middle-income country by surpassing the US\$1,136 Gross National Income (GNI) per capita criteria of the World Bank.

Rectangular Strategy- Phase IV (2018)

Cambodia's economic performance was good, with a stable increase in economic activities so far in 2018, which is a result of satisfactory economic progress in 2017. Statistically, the country's economic progress flow from 2018 to 2022 is viewed as a wave.

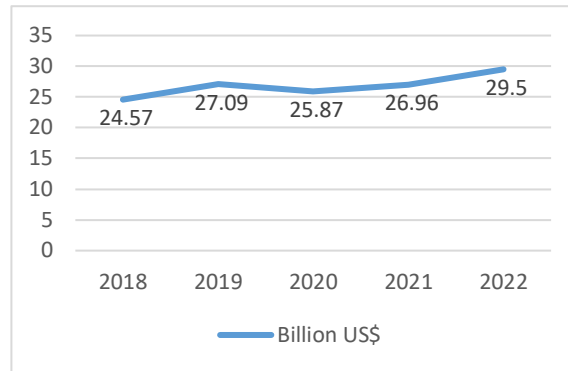
Figure 6: Cambodia's GDP from 2018 - 2022

¹⁹ "Cambodia Agriculture in Transition: Opportunities and Risks." World Bank Group. May 19, 2015. Accessed August 1, 2024. <https://documents.worldbank.org/curated/en/805091467993504209/pdf/96308-ESW-KH-White-cover-P145838-PUBLIC-Cambodian-Agriculture-in-Transition.pdf>.

²⁰ "The Role of Foreign Direct Investment in Cambodia's Industrial Development." Cambodia Development Resource Institute. June, 2013. Accessed July 1, 2024. https://www.cdri.org.kh/storage/pdf/cdr13-2e-2_1617683447.pdf.

²¹ Teehan, Sean. "Cambodia Garment Worker Strike Unravels." Al Jazeera. January 8, 2014. Accessed July 1, 2024. <https://www.aljazeera.com/features/2014/1/8/cambodia-garment-worker-strike-unravels>.

²² "Garment Sector in Cambodia: Declining Employment Despite Rising Exports." International Labour Organization. Last modified April 19, 2024. <https://www.ilo.org/resource/news/garment-sector-cambodia-declining-employment-despite-rising-exports>.



Source of Data: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=KH>

The Global Pandemic: The global pandemic, or the COVID-19 pandemic, was one of the most terrible events of the century in terms of its social aspects, political atmosphere, and economic activities. The pandemic caused a lockdown within the country, resulting in a rise in the unemployment rate, a decrease in productivity, an increase in poverty, and a downfall in trading. During the pandemic, Cambodia experienced a significant decline in almost every part of the economic sector.

The tourism sector is one of the country's main sources of income, with approximately 6.6 million tourists contributing about 12% of the 2019 GDP.²³ However, due to the spread of COVID-19, many countries, including Cambodia, were forced to lock down to secure their healthcare systems. As a result, tourists declined by 25.1% year-on-year in just the first two months of 2020.²⁴ This forced many tourist-related businesses to pause their activities, leading to the shutdown. The famous tourist night market Pub Street in Seim Reap also faced this issue.²⁵

At the end of 2019, 2020 marked the second time the garment, footwear, and travel goods industry faced a significant fall due to COVID-19. One hundred twenty-one factories decided to suspend operations due to low production and raw materials, accounting for US\$9,768

²³ “Cambodia - Travel and Tourism.” International Trade Administration | Trade.gov. Accessed July 1, 2024. <https://www.trade.gov/country-commercial-guides/cambodia-travel-and-tourism>.

²⁴ “Cambodia Economic Update.” World Bank Group. May, 2020. Accessed July 1, 2024. <https://pubdocs.worldbank.org/en/357291590674539831/pdf/ceu-report-may2020-final.pdf>.

²⁵ Harrison, White. “Lights out at Pub Street: Business owners face darkest hour.” Khmer Times - Insight into Cambodia. Last modified July 7, 2020. <https://www.khmertimeskh.com/741967/lights-out-at-pub-street-business-owners-face-darkest-hour/>.

million, a decrease of 10% compared to 2019. FDI, on the other hand, is also experiencing difficulties. The construction projects by FDI decreased by 40.2% in early 2020.²⁶

Financial Infrastructure: Everything But Arms (EBA) preference by the European Union (EU) was part of the huge contribution to Cambodia's economic progress as it provided zero tariff export, except for arms weapons. Cambodia was granted this in 2001, along with 48 Least Developing countries (LDCs). However, in 2020, the EU decided to withdraw Cambodia's EBA scheme from the EU market, which was followed by worsening the democratic system concerning human rights in the country, which was concerned about 20% of exports. However, this country can still enjoy the preferential through 80% of the remaining exports.²⁷

This decision had a huge implication for the rice industry. Under the EBA agreement, Cambodia easily expanded its rice product to the EU market, with a 30% - 40% tariff reduction compared to its neighboring countries.²⁸ Hence, by leaving this status, Cambodia loses not only its tariff gain and production demand from the EU market but also the capacity to prove its production standard strategically and the confidence of the investors gaining from this program. A decrease in demand leads to a decrease in supply; thus, this could affect rice producers' income and living conditions, forcing them to shift the job market.

In addition, the withdrawal of EBA in 2019 also reduced the number of garments, footwear, and travel goods exported by 40% in 2021 (counting from 2019).²⁹ The number of investors may likely decrease alongside that as this number showcases the drop of almost half of the profit two years after the withdrawal. Moreover, the workforce could easily lose their jobs within the industry if the decline remained a matter.

Nonetheless, the country was able to pull back its economy with an increasing number of economic activities during the period of pandemic recovery. The economy eventually grew by

²⁶ World Bank Group, "Cambodia Economic Update." May, 2020. Accessed July 1, 2024. <https://pubdocs.worldbank.org/en/357291590674539831/pdf/ceu-report-may2020-final.pdf>.

²⁷ European Commission, "Press Corner.", Accessed July 1, 2024. https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1469.

²⁸ World Bank Group, "Case Study: Modernizing the Rice Sector in Cambodia.", 2018. Accessed August 1, 2024. <https://documents1.worldbank.org/curated/zh/252361525415105840/pdf/125940-WP-P156637-PUBLIC-Cambodia.pdf>.

²⁹ Huot, Chea. "Cambodia Garment, Footwear and Travel Goods Sector Brief." EuroCham Cambodia. November, 2022. Accessed July 1, 2024. [https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment-footwear-and-travel-goods-sector-brief-\(1\).pdf](https://www.eurocham-cambodia.org/uploads/abe7a-en-cambodia-garment-footwear-and-travel-goods-sector-brief-(1).pdf).

5.2% in 2022, in which electronic exports became the spotlight to resilience, along with the comeback of tourism.³⁰ Garments, footwear, and travel goods also grew 12.69% yearly in 2022, accounting for over US\$9 billion.³¹

The Cambodia-China Free Trade Agreement (CCFTA), signed in 2020, greatly benefits Cambodia's trading area. Under the implementation in early 2022, 98% of exports from Cambodia to China were unrestricted from tariff barriers.³² The General Department of Customs and Excise reported that the trade volume between the two countries reached about US\$7 billion in the first half of 2023.³³ This creates more jobs for the population in response to the positive outcome of the trading.

Public Infrastructure: In commitment to social development, the National Social Security Fund (NSSF) plays a crucial role in maintaining effective public service to serve the citizens' needs. Undertaking the improvement, the NSSF provided the registers with coverage of social security benefits by providing a lower price of healthcare service and treatment, along with the daily allowance for sick leave and accidents.³⁴ This way, people have a high chance of getting treatment with less financial burden. Yet, the program may still have room for improvement. The quality of the healthcare treatment remains doubtful, as discrimination and unequal service toward the NSSF members are still problematic.³⁵

The advancement of technology introduced the digital that converted people's livelihood from tradition to modernization. Digitalization presents digital transactions to assist and improve everyday lives to become much easier. With the introduction of Bakong and KHQR by the National Bank of Cambodia, digital usage become even more well-introduced. This new

³⁰ "IMF Executive Board Concludes 2023 Article IV Consultation with Cambodia." International Monetary Fund. January 31, 2024. Accessed July 1, 2024. <https://www.imf.org/en/News/Articles/2024/01/30/pr2431-cambodia-imf-executive-board-concludes-2023-article-iv-consultation>.

³¹ Sreekanth, Ravindran. "90% of garment units are Chinese-owned." Khmer Times - Insight into Cambodia. Last modified January 31, 2024. <https://www.khmertimeskh.com/501431737/90-of-garment-units-are-chinese-owned/>.

³² "Cambodia-China FTA Brings Growth." Phnom Penh Post | The Phnom Penh Post is the Oldest and Most Comprehensive Independent Newspaper Covering Cambodia. Cambodia News, Phnom Penh News. Accessed July 1, 2024. <https://www.phnompenhpost.com/business/cambodia-china-fta-brings-growth>.

³³ Ibid.

³⁴ Mengheng, Seng. "Explainer: NSSF – How Cambodian Workers are Protected Under a Social Security Safety Net." Kiripost. Last Modified November 30, 2023. <https://kiripost.com/stories/cambodia-nssf-national-social-security-fund-explained>.

³⁵ Ibid.

payment form provides users with the security of transactions faster and simpler. This benefit also provides an incentive to increase the registration of the new bank account; likewise, even teens can have their bank account parent-controlled. At the same, an increase in transactions also contributes to more investment within the field; the linkage of the bank and other businesses to create incentives that attract more customers for their business.

Comprehensively, the Rectangular Strategy was successfully implemented by achieving significant development for the country while fulfilling the line-up objectives. The growth GDP is on track with an ongoing expansion of economic activities, prospering the social well-being of the people. Cambodia has experienced a significant shift in its economic standing over time due to major events, including the financial crisis, Covid 19 pandemic, and the unstable socio-economic. However, the country can pull back and develop at a high rate; as seen, it is one of the countries that quickly moved away from the pandemic period, making its trade flow timely. Nevertheless, the future will be even more challenging as more advanced technology awaits; therefore, Cambodia should be prepared for this and have its resources ready for this upcoming development.

What will the future hold?

The Pentagonal Strategy projected the country to become an upper-middle-income country by 2030 and a high-income country by 2050.³⁶ The new government strategy, the Pentagonal Strategy, includes the digital as the fifth pillar of the goal. Digital technology covers almost every aspect of social life, such as education, finances, entertainment, etc. Transforming digitalization may be a catalyst that provides opportunities and challenges for Cambodia's development progress.

Strong human resources drive the country's capacity toward faster development. In the education sector, the government is continuously working with the Ministry of Education, Youth and Sport (MoEYS) to achieve the Policy on Higher Education Vision 2030 to strengthen the human capital for future development. The policy underlines two important improvements of the education system: first, expansion of the higher education program, and

³⁶ "Pentagonal Strategy-Phase I." Ministry of Foreign Affairs and International Cooperation. Accessed July 1, 2024. <https://www.mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf>.

second, reform of the governance system.³⁷ For instance, in the first quarter of 2024, MoEYS set up 48 ICT labs for 4 provinces, including Kampong Cham, Kandal, Prey Veng, and Takeo.³⁸ This way, students are encouraged to explore more knowledge and majors to enlarge their interests and adjust to the job market. In addition, the new policy, known as Teacher Policy Action Plan 2024 - 2030,³⁹ also works alongside that to improve the quality of teaching to young generations.

In the related fields of finance, e-commerce has become popular over time. The pattern of shopping behavior shifts from the traditional to the online market. According to the Ministry of Commerce's iTrade Bulletin, the market value in 2021 will be US\$970 million, increasing from US\$813 million in 2020.⁴⁰ With this huge increase, Statista estimates that e-commerce will reach US\$2.1 billion in 2027.⁴¹ This huge achievement showcases that a large portion of the population is now interested in investing in e-commerce and understanding how it works.

Potential Challenges

The digital transformation in this financing sector raises questions about whether or not people can adapt to it. E-commerce seems good as it gives people opportunities to earn income digitally. However, this alarms the loss of a group of sellers in the traditional market and raises the concern of whether they may adjust themselves to fit the new type of market. Therefore, it is important to find a solution to resolve this promptly.

The contemporary economic landscape is heavily skewed towards urban centers, notably Phnom Penh. Institutions of higher learning, major corporations, and significant projects are concentrated within the city's boundaries. This concentration of resources and opportunities has rendered it increasingly challenging for individuals residing in provincial areas to access them. Consequently, this asymmetry in development, stemming from the inequitable

³⁷ Ministry of Education, Youth and Sport, "Policy on Higher Education Vision 2030.", April 2014. Accessed August 2, 2024. <https://data.opendevelopmentmekong.net/dataset/69deb0ea-425c-40b0-ad58-216e0e676b77/resource/58a61004-a095-4eef-ba12-ebc864a2125b/download/1002-policy-on-higher-education-2030.pdf>.

³⁸ Khmer Times, "MoEYS opens 48 ICT Labs for 29,000 lower secondary students and 300 pre-teachers.", February 15, 2024. <https://www.khmertimeskh.com/501440126/moeys-opens-48-ict-labs-for-29000-lower-secondary-students-and-300-pre-teachers/>.

³⁹ Ministry of Education, Youth and Sport, "Teacher Policy Action Plan 2024-2030.", October, 2023. Accessed August 2, 2024. <https://moeys.gov.kh/storage/uploads/documents//6699e393cbbd6.pdf>.

⁴⁰ Khmer Times, "Cambodia's E-commerce Market Eyes \$1.78B by 2025.", January 5, 2023. <https://www.khmertimeskh.com/501214272/cambodias-e-commerce-market-eyes-1-78b-by-2025/>.

⁴¹ Ibid.

distribution of resources, has led to a pronounced economic disparity between these regions. This disparity further exacerbates the divide in income inequality, hindering people from enjoying equitable access to essential resources and a comparable standard of living.

All in all, numerous challenges will prevent Cambodia from achieving upper-middle-income status in 2030 and high income in 2050. However, as seen in the progress above, Cambodia is working on building a strong capacity for these challenges and fully preparing itself to face them.

Conclusion

Cambodia's economic journey, guided by the Rectangular Strategy, is a testament to the country's resilience and strategic planning. Over the years, the Rectangular Strategy has successfully addressed Cambodia's evolving challenges, laying a strong foundation for sustained economic growth. The strategy's focus on good governance, infrastructure, private sector development, and human capital has been instrumental in transforming Cambodia's economic landscape.

As Cambodia moves forward, the lessons learned from the Rectangular Strategy's implementation will continue to guide the country's development. However, the future will require even more adaptive and innovative approaches to ensure that Cambodia sustains its growth and achieves greater equity and inclusivity in its development. With continued commitment to these principles, Cambodia is well-positioned to advance further on its path toward becoming an upper-middle-income country.

Addressing Cambodia Traffic Accidents: Strengthening Road Safety Regulations and Enforcement

LY Rachana and MENG Lyhor

Introduction

Road safety is one of the critical issues in Cambodia. Traffic accidents have been increasing alarmingly in the past years, leading to significant loss of life and substantial economic impact. Road accidents caused 3317 deaths in 2023, an increase of 11 percent from 2022.¹ This issue contributes to a large amount of loss in Cambodia's human capital and causes immense suffering for the family victims. Furthermore, in 2021, the UNDP Cambodia report estimated that the total cost of road traffic accidents in Cambodia reached \$466.8 million in 2019, amounting to 1.7% of the country's GDP. Of this, 88.8% was attributable to the loss of life from road traffic accidents and the associated lifetime earnings that those individuals would have generated. This represents the first time in 10 years that the comprehensive cost of road accidents has been quantified in the country.² Thus, Cambodia needs to take immediate action to develop effective policies, road safety regulations, and enforcement to reduce the number of traffic accidents and promote Cambodia's development. This paper will examine the current situation of traffic accidents and the need to strengthen regulations and enforcement in Cambodia.

Current Situation of Traffic Accidents in Cambodia

In comparing traffic accidents in the Southeast Asia region, Cambodia, considered one of the lower middle-income countries in SEA that experienced rapid growth in the 2000s, suffered a high road death rate, resulting in a major social issue today.³

¹ The Phnom Penh Post, “Killer Roads: Time to Solve the Problem.”, February 29, 2024.

<https://www.phnompenhpost.com/opinion/killer-roads-time-to-solve-the-problem>

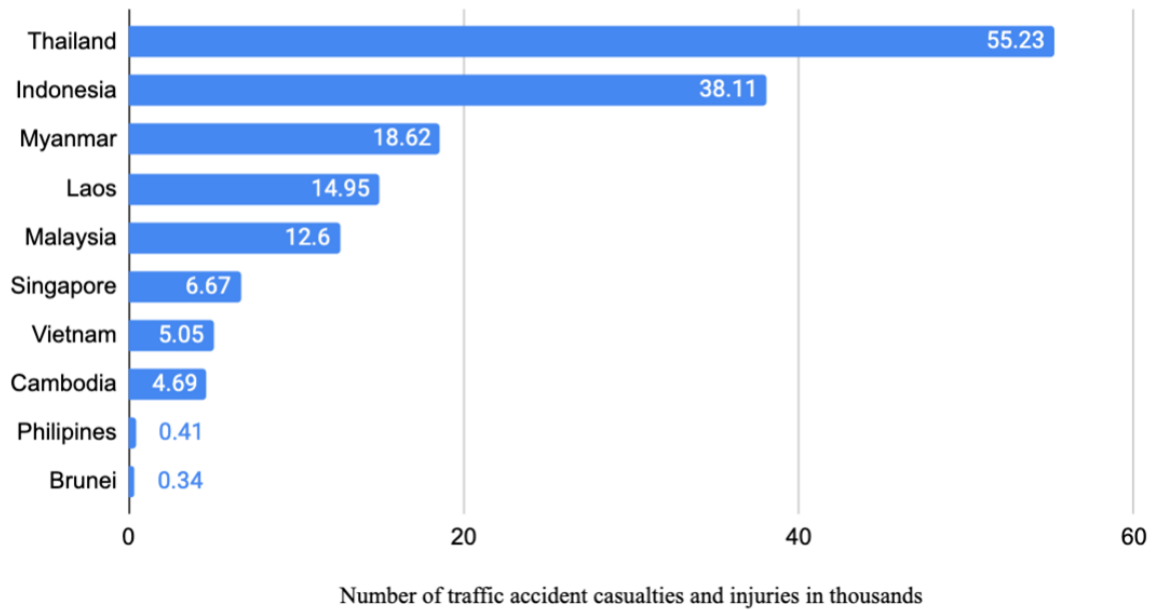
² UNDP Cambodia, “Road Traffic Accidents in Cambodia.”, June 21, 2021.

<https://www.undp.org/cambodia/publications/road-traffic-accidents-cambodia>

³ Kitamura, Yuto, Makiko Hayashi, and Eriko Yagi. 2018. “Traffic Problems in Southeast Asia Featuring the Case of Cambodia’s Traffic Accidents Involving Motorcycles.” *IATSS Research* 42 (4): 163–70.

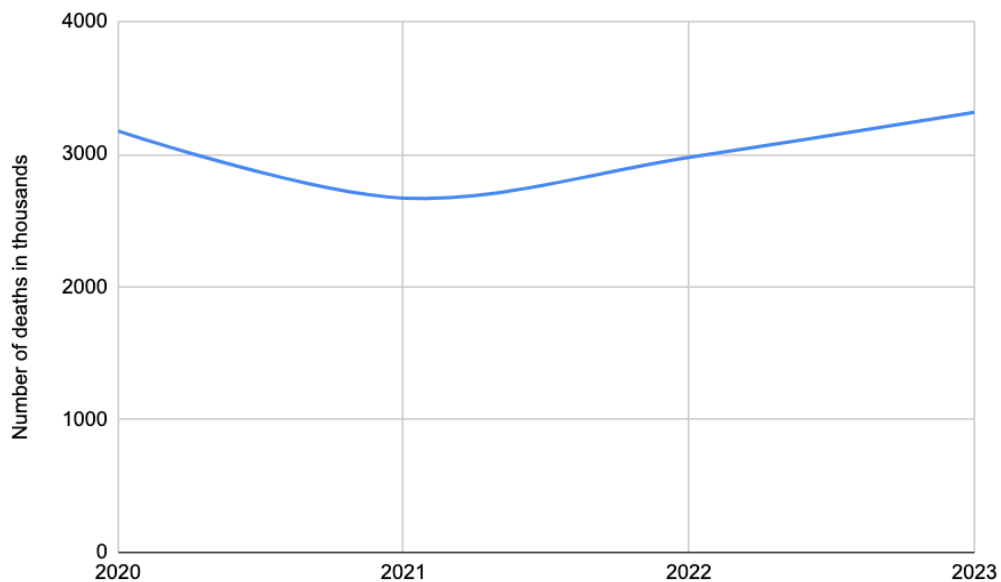
<https://doi.org/10.1016/j.iatssr.2018.11.001>

Figure 1: Estimated number of traffic accident casualties in Southeast Asia in 2020, by country



Source: ASEAN: traffic accident casualties by country. (n.d.). Statista.

Figure 2: Number of traffic accidents in Cambodia



Source: Compiled by authors from various sources

Moreover, an average of 4 people are killed and 12 injured every day due to traffic accidents, making it one of the leading causes of death in Cambodia. According to the national police report, the rate of road accidents continuously increases; in 2022, the number of accidents was

1709, which rose dramatically by 11 percent from 2023 to 3317.

Furthermore, in the first five months of 2024, 670 people were killed and 1800 were injured, an increase of 7 percent compared to the same period last year.⁴ Several key factors contribute to the social issue, including reckless driving behavior, such as speeding, overtaking, breaking traffic laws, and using a phone while driving.⁵ Moreover, there is also a lack of proper road safety education in Cambodia as most drivers, especially two-wheel drivers, can drive in the city without a driving license and are properly educated on road safety and traffic law regulations. There are also limitations to Cambodia's infrastructure design, which are also contributing factors to the issue due to many roads in Cambodia lacking proper signage, lighting, and safety features and a lack of pedestrians and vehicle-designated lanes. Following that, Cambodia also lacks strict law enforcement on traffic regulations. For instance, there is a lack of enforcement of alcohol consumption, penalties, and punishment. The penalties and punishments for alcohol-related offenses are sometimes perceived as not severe enough to serve as an effective deterrent, such as weak sentencing guidelines and lenient plea bargaining.⁶ There are laws addressing these issues, but there is still limited strict enforcement to put the law into action. However, the inconsistent application of the law can undermine the consequences of these infractions. Thus, these factors combined can cause a dangerous environment for drivers and pedestrians, leading to an alarming number of traffic accidents and their devastating consequences. Traffic accident impacts extend far beyond tragic loss and long-term injuries of the victim and the family. It also burdens the country's economic development by losing human capital, property damage, and infrastructure.

Road Safety Regulations in Cambodia

According to the Cambodia national law on traffic law that went into force 30th of December

⁴ Lay, Sopheavotey, ed. 2024. Review of *Society Hundreds Die as Traffic Accidents Rise*. Cambodianess. June 26, 2024. <https://cambodianess.com/article/hundreds-die-as-traffic-accidents-rise#:~:text=PHNOM%20PENH%20%E2%80%93%20Six%20hundred%20and,the%20same%20period%20last%20year>

⁵ Atombo, Charles, Chaozhong Wu, Ming Zhong, and Hui Zhang. 2016. "Investigating the Motivational Factors Influencing Drivers Intentions to Unsafe Driving Behaviours: Speeding and Overtaking Violations." *Transportation Research Part F: Traffic Psychology and Behaviour* 43 (November): 104–21. <https://doi.org/10.1016/j.trf.2016.09.029>.

⁶ Rithy, Odom, and Sopheakpanha Sok. 2019. Review of *Lack of Alcohol Law and Drinking Age Leaves Cambodian Youths Vulnerable*. VOA. September 30, 2019. <https://www.voacambodia.com/a/lack-of-alcohol-law-and-drinking-age-leaves-Cambodian-youths-vulnerable/5104040.html>.

2014, Cambodia has a basic framework for road safety regulation which covers the importance of maintaining order and safety in road traffic, protecting human and animal lives, and the environment as well as covering various key definition including road, railway, traffic lane and established law for the hierarchy of traffic control such as signs, signal and instructions for parking, driver, motor vehicle and vehicle.⁵ Following that, it also has some restrictions and fines to regulate drunk driving, such as drivers who are influenced by the alcoholic rate of 0.40mg or above per liter of air, or 0.80g or above per liter of blood, shall be subject to being imprisoned from one to six months and being fined from Riel 800,000 to Riel 4,000,000.⁷ It can be seen that this law enforcement has strong key aspects that require attention. As for the strength, the law provides clear and detailed comprehensive definitions for key road-related terms like "road," "traffic lane," "junction," "driver," and "vehicle"; thus, this can help citizens establish a common understanding of the terminology used, which is crucial for consistent interpretation and application of the regulations. Following that, the law addresses that it is mandated right-hand side driving in Cambodia. This fundamental traffic rule promotes consistency and predictability in traffic flow, enhancing overall road safety.

Moreover, Cambodia's traffic control system is characterized by a well-structured hierarchy and a developed traffic signage framework. The hierarchy prioritizes different traffic control measures, such as traffic signs taking precedence, followed by traffic signals and police directions.⁸ This systematic approach helps road drivers understand the compliance order, ensuring predictable and efficient navigation when driving. The law also outlines detailed regulations for permanent and temporary traffic signs, including their types, placement, and usage requirements, and a signage system essential for guiding drivers and pedestrians. The combination of a structured control hierarchy and a comprehensive signage framework reflects Cambodia's commitment to maintaining order and safety on its roads, providing a framework for road users to understand and comply with traffic regulations. In contrast, Cambodia's land traffic law also has weaknesses, such as the law's absence of provisions for driver's licensing and registration requirements for all types of vehicles. Licensing requirements such as a motorcycle license help ensure drivers possess the necessary knowledge, skills, and competence to operate vehicles safely on public roads. Without these key components, the traffic management framework lacks critical elements for promoting responsible and safe road

⁷ "LAW on ROAD TRAFFIC." 2017. Ministry of Public Works and Transport . January 26, 2017. <https://mpwt.gov.kh/en/documents/laws/85>

use.

Following this, the law also falls short in covering emerging transportation trends, such as autonomous/semi-autonomous vehicles and electric mobility. As these technologies and modes of transport become more prevalent, the law may not provide the necessary regulations to ensure their safe integration into the transportation system. Furthermore, the law does not outline a clear process for monitoring, evaluating, and periodically updating the traffic law over time. Without a robust update and revision mechanism, the law may become outdated and less effective in addressing changing transportation needs and technologies. To compare Cambodia's traffic law with international standards, Cambodia falls short in these aspects due to several factors, such as a lack of a comprehensive driver licensing system and road safety education, stricter enforcement of traffic regulations, penalties and punishment for perpetrators, and stronger institutions with strict legal framework to ensure the implementation of the traffic law.⁸ Therefore, Cambodia's land traffic law provides a general framework of traffic law but still lacks comprehensive coverage operation and in-depth details of the enforcement mechanism.

Enforcement of Road Safety Regulations

To ensure road traffic safety, Cambodia has made significant efforts to improve road safety through various enforcement mechanisms. The new Land Traffic Law has advanced significantly in recent developments to enhance road safety in Cambodia. After the National Assembly approved the final chapters, the law received Senate approval on December 30, 2014, and was endorsed by the Royal King on January 9, 2015.⁸ This new traffic law, comprising 12 chapters and 92 articles, addresses critical issues such as drunk driving, speeding, and helmet use while tightening regulations on licensing, vehicle registration, and driver regulations for trucks and buses, also extends police powers and increases fines for violations.

Despite the government's implementation of the Traffic Law Act, traffic accidents continue to rise daily. Innocent lives are lost due to the reckless behavior of drivers, and according to a report by the National Police, road fatalities in Cambodia decreased to 1,590 in 2023, a seven

⁸ Phak, Seangly , and Joe Freeman. 2015. Review of *King Signs off on New Traffic Law, Says Gov't*. The Phnom Penh Post . The Phnom Penh Post . January 15, 2015. <https://www.phnompenhpost.com/national/king-signs-new-traffic-law-says-govt>.

percent drop from 1,709 in 2022. However, the same report indicates that road accidents increased by 11 percent, from 2,976 in 2022 to 3,317 in 2023. On average, at least four people are killed and 12 are injured in traffic accidents in Cambodia every day.⁹ The emerging challenges, such as ineffective law enforcement, corruption, lack of drinking regulation, no legal drinking age, lack of road safety education, and inadequate infrastructure, are the tools that a part of abstracting the effective of law enforcement, which leads to the increase of traffic accident day by day in Cambodia causing many deaths and injure.

According to the United Nations Development Programme (UNDP), a study on the factors related to road traffic accidents in Cambodia, the summary statistics from 2014 to 2019 pooled data analysis showed that the number of accidents rose progressively from Tuesday through Friday. From Friday to Sunday, it increases sharply, as stated, because the majority of social gatherings are planned mostly during weekends, in which people often drink alcohol-containing beverages, leading to the increasing risk of drunk driving and the ensuing increase in traffic accidents.¹⁰ Comparing the data, it is clear that both traffic violations and drunk drinking are causes of traffic accidents in Cambodia regardless of their varied impact levels, which need an urgent solution to deal with these silent killers that fit the Cambodian context. Two of the tragic accidents that caught public attention were the one in 2022, in which a drunk man driving a Lexus hit a family and killed a two-month-old infant. Until now, the case has seen no progress, and the public still questions why the driver has not been imprisoned.¹¹ Similarly, another case involved a drunk official from the Ministry of Economy and Finance, who hit and killed four people and several others while waiting at the traffic lights under Russey Keo Bridge on January 20, 2024.¹² Regarding this, drunk driving is a pressing issue that needs to be addressed and found effective.

Strategies to Strengthen Road Safety Regulations and Enforcement

⁹ “Killer Roads: Time to Solve the Problem.” 2024. The Phnom Penh Post. February 29, 2024. <https://www.phnompenhpost.com/opinion/killer-roads-time-to-solve-the-problem>

¹⁰ United Nations Development Programme (UNDP), *Road Traffic Accidents in Cambodia* (Phnom Penh: UNDP, 2021).

¹¹ Yalirozy, Thavry. "Alcohol Control Law Inaction Is Shameful: Observers." *Cambodianess*, January 24, 2024. <https://cambodianess.com/article/alcohol-control-law-inaction-is-shameful-observers>.

¹² Kim Yutharo, "Official Caught in Drunk Driving Case to Face Court," *Phnom Penh Post*, January 22, 2024, <https://www.phnompenhpost.com/national/official-caught-in-drunk-driving-case-to-face-court>.

Addressing the emergency issues resulting from the challenges in achieving the safety traffic law, it is time to address and save the lives of the citizens in the country. The loopholes in the existing policy are also part of expanding the issues and increasing the number of victims in everyday accidents. Hence, the comprehensive approach is through strengthening alcohol measure control as there is no legal age for drinking in Cambodia, which is why teens under 18 can purchase alcohol, and this is also a part of causing traffic accidents due to drunk driving.

In May 2015, Cambodia's Health Ministry initiated a drafted law to control alcohol use, including an 11-chapter, 39-article document aiming to effectively regulate alcohol sales and use, with stricter penalties to enforce this. It includes a drinking age of 21 and fines for retailers violating the provision. The law, if adopted, would prohibit alcohol sales from midnight to 6 a.m. and limit advertising, though details about potential advertising rules changes are absent. Any new advertising guidelines should consider public health concerns and the rights of businesses to pursue profits, advocates for citizens have said.¹³ After nine years, the law is still in draft, where beer and liquor are widely advertised on big billboards along the streets, on social media, and on television. People of all ages have easy access to alcohol and some drink, chasing the rewards in the cans.¹⁴ In this case, the government should review these emerging issues. It should prioritize adopting the draft law on alcohol without delay to reduce the rising number of traffic accidents caused by drunk driving and to protect public health.

Furthermore, all beer advertisements should be banned and replaced with educational purposes. Even if the Ministry of Information has introduced new restrictions on alcohol advertising, while the Ministry of Health warned people to limit their intake of alcohol, noting that excess drinking takes a serious toll on public health and the economy, as well as society as a whole,¹⁵ it is important to strictly enforce this alternative, especially in the city and tourist spot and more importantly to replace with the banner of educational purpose graphic art in an interesting pattern, for example, the called for action to stop consuming alcohol. There is also stricter law enforcement on traffic violations since in Cambodia, among the death toll, motorcyclists made

¹³ Rithy, Odom, and Sopheakpanha Sok. 2019. Review of *Lack of Alcohol Law and Drinking Age Leaves Cambodian Youths Vulnerable*. VOA. September 30, 2019. <https://www.voacambodia.com/a/lack-of-alcohol-law-and-drinking-age-leaves-Cambodian-youths-vulnerable/5104040.html>.

¹⁴ Yalirozy, Thavry. "Alcohol Control Law Inaction Is Shameful: Observers." *Cambodianess*, January 24, 2024. <https://cambodianess.com/article/alcohol-control-law-inaction-is-shameful-observers>.

¹⁵ "New Restrictions on Alcohol Ads to Help Curb Health, Societal Damage," *Phnom Penh Post*, n.d., <https://www.phnompenhpost.com/national/new-restrictions-on-alcohol-ads-to-help-curb-health-societal-damage>.

up 80%, and 73% of them didn't wear helmets.¹⁶ So strengthening the enforcement of traffic laws, specifically the Land Traffic Law is also one of the tools that can help lower the accident rate.

Another key focus is on the infrastructure transformation, as roads in Cambodia are mostly used for transportation, constituting 65% of goods movement and 87% of passenger traffic. Hence, the infrastructure transformation here is to introduce a better safety infrastructure for the citizens, which, in this case, is also another main key to reducing traffic accidents. Moreover, public awareness and education campaigns through an initiative will be another way to ensure everyone is heard and knows well about road safety, especially through digital platforms, and be included in the study curricula as it can help foster mutual understanding and responsibilities for all.

Case Studies and Best Practices from Other Countries

To add to the policy recommendation about the traffic law in Cambodia, we might look at the context of Singapore; Singapore keeps its traffic accident rates the lowest in Southeast Asia through a mix of strict laws, smart technology, and public awareness. The strict enforcement of Singapore Road Traffic Law 1961, along with other strict policies, is how the citizens can ensure that there are no traffic accidents or increases from any previous year.¹⁷ Another way that Singapore can ensure a low rate of traffic accidents is through the strict drinking law, which is the Liquor Control (Supply and Consumption) Act that came into operation in Singapore on April 1st, 2015.¹⁸ This includes the legal drinking age, as only individuals aged 18 and above are permitted to purchase and consume alcoholic beverages in Singapore. Moreover, under the law, drinking is banned in all public places from 10:30 pm to 7 am, while retail shops are also not allowed to sell takeaway alcohol from 10:30 pm to 7 am with the stricter rules in Geylang and Little India; they designated as Liquor Control Zones because these places are a higher risk of public disorder associated with excessive drinking. Public drinking in these two areas is banned from 7 am on Saturdays to 7 am on Mondays.¹⁹ The ban also applies from 7 pm on the eve of a public holiday to 7 am after the holiday. Shops within the zones are also prohibited

¹⁶ Khmer Times, "Road Accidents Kill 1,590 People in Cambodia in 2023, Down 7 Pct.," January 19, 2024, <https://www.khmertimeskh.com/501425795/road-accidents-kill-1590-people-in-cambodia-in-2023-down-7-pct/>.

¹⁷ "Road Traffic Act 1961 - Singapore Statutes Online," June 1, 2024, <https://sso.agc.gov.sg/Act/RTA1961>.

¹⁸ "Liquor Control (Supply and Consumption) Act 2015 - Singapore Statutes Online," December 31, 2021, <https://sso.agc.gov.sg/Act/LCSCA2015>.

¹⁹ "Liquor Control (Supply and Consumption) Act to Take Effect from 1 April 2015," Ministry of Home Affairs,

from selling takeaway alcohol from 7 pm on weekends, the eve of a public holiday, and the holiday itself. Only bars and restaurants with the appropriate licenses are allowed to sell alcoholic beverages till midnight and according to their licenses.²⁰ Meanwhile, if you are convicted of drink-driving, you will be slapped with a penalty of at least \$2,000, not exceeding \$10,000. Additionally, you may also face jail time of up to 12 months. Meanwhile, repeat offenders will be fined between \$5,000 to \$20,000 with term imprisonment not exceeding two years. Aside from fines and jail terms, there are other punishments against drunk drivers in Singapore, including suspension of license, forfeiture of the vehicle, disqualification from driving, and inability to make insurance claims after a drunk driving accident (if you are the perpetrator).²¹

Moreover, in Singapore, you will not see any beer advertisements on the street but an interesting graphic banner displayed along the street, at bus stations, near schools, local residences, and many more. You can also see the road safety banners put up here and there, especially near the school, as part of a road safety campaign to raise awareness. More than that, in Singapore, there are some initiatives by the Singapore Road Safety Council (SRSC) and the Traffic Police during the Singapore Road Safety Month campaign, which happens every year. So, through this example and recommendation, the lesson learned from this case is to understand more deeply about the context of that problem rather than blame someone, but collaborate between the government and another sector to work on combating the issues.

Conclusion

In Conclusion, traffic accidents continue to be one of the critical social issues in Cambodia; this is caused by many contributing factors such as reckless driving behavior, drunk driving, lack of road safety education, underdeveloped infrastructure, and ineffective law enforcement. While Cambodia has a basic traffic law, it lacks comprehensive regulations and enforcement mechanisms compared to international standards, so traffic accidents are still increasing daily.

n.d., <https://www.mha.gov.sg/mediaroom/press-releases/liquor-control-supply-and-consumption-act-to-take-effect-from-1-april-2015/#:~:text=Under%20the%20Act%2C%20the%20consumption,pm%20to%207am%20every%20day.&text=6.,hours%20stipulated%20in%20the%20licences>

²⁰ "Liquor Control (Supply and Consumption) Act 2015 - Singapore Statutes Online," December 31, 2021, <https://sso.agc.gov.sg/Act/LCSCA2015>.

²¹ Jonathan Wong, "Drink-Driving in Singapore: 5 Things to Note," *The Singapore Lawyer*, October 15, 2023, <https://www.thesingaporelawyer.com/blog/drink-driving-in-singapore/#:~:text=People%20can%20be%20charged%20with.not%20exceed%20the%20stated%20limit.>

Effectively solving the traffic issues in Cambodia requires a holistic approach, including infrastructure development, law regulation, public awareness, and an education system. Effectively solving the traffic accident problem in Cambodia requires a holistic approach, including amending the traffic law and strengthening the implementation of existing laws, adopting the alcohol law in Cambodia, developing infrastructure, raising public awareness, promoting education, and engaging in active joint efforts. Most importantly, a call for all relevant key actors, such as the government, private sector, and NGOs, to take immediate action toward these issues to ensure the safety of all citizens. As a result, the Kingdom will be able to create more secure and safer road conditions for its subjects.



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