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A Promising Future of Digital Economy in CLV

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Introduction

Cambodia, Laos and Vietnam (CLV) are geographically connected and historically bonded with socio-cultural similarities. The three neighboring countries possess a unique dynamic of relation and friendship that have been fostering for decades now. As the digital economy sector grew more essential over the years, especially during the post-pandemic world, CLV have also expanded their focus on promoting cooperative digital relations within the region, each with strategic plans to boost economic growth. The CLV nations actively collaborate, evident in cross-border payment systems and conferences, aiming to position themselves as key players in Southeast Asia's evolving digital landscape. Clearly, these efforts aim to ensure that CLV stays promising in the future of the digital economy in the region. However, there are challenges along the way that need to be dealt with. In this paper, we shall delve into the digital landscape of Cambodia, Laos and Vietnam and their efforts in promoting the sector, notable cooperative digital projects, and as well as the challenges.

Digital Transformation Efforts

These CLV countries set themselves on the path thriving for digitalization. The Cambodian government has introduced the 2021–2035 digital economy and social policy framework which lays the groundwork for fostering digital adoption and transformation across every aspect of society, states, individuals, and businesses in order to promote new economic growth and enhance

social welfare in line with the "new normal" trajectory in the post-pandemic era.¹ Cambodia's digital economy key drivers include rising internet penetration, increased mobile usage, government support, and a thriving tech startup ecosystem. Thus, this sector is expected to grow exponentially with the growing significance of online commerce in Cambodia's evolving digital landscape.²

On the other hand, Lao PDR has unveiled three strategic visions for the development of its national digital economy. These encompass plans in the next five, ten, and twenty years, charting the course from 2021 to 2040.³ Lao PDR recognizes the importance of aligning and harnessing its latent potentials to address existing challenges in the economy. This strategic approach aims to overcome current economic challenges and establish a conducive environment for the enhancement of businesses, production, commerce, and services. The goal is to unlock new and improved opportunities, fostering growth in various economic sectors.

Vietnam's commitment to expanding its digital transformation network is demonstrated by the Prime Minister's approval of the National Digital Transformation Programme project.⁴ The initiative aims to improve state administration, strengthen law enforcement in the digital transformation space, and streamline organizational structures. As part of an ambitious timeframe that stretches to 2030, the objective is to bring those modifications from the top to the local levels by 2025. This demonstrates Vietnam's commitment to strengthening its digital governance and infrastructure in order to get ready for a future in which the country will be more digitally linked.⁵

¹ Open Development Cambodia. May 2021. "Cambodia digital economy and social policy framework (2021-2035)" Available at https://data.opendevdevelopmentcambodia.net/en/library_record/digital-economy-and-social-policy-framework-of-cambodia-2021-2035/resource/b543c324-e2da-4f8c-84c1-64c636dad260

² Standard Insights. 13 July 2023. "Cambodia's Digital Economy: A New Engine of Growth" Available at <https://standard-insights.com/blog/cambodias-digital-economy/>

³ Lao News Agency. 31 May 2023. "Laos focuses on creating digital economy, society" Available at <https://kpl.gov.la/en/detail.aspx?id=73403#>

⁴ Vietnam Briefing. 16 September 2021. "Vietnam's Digital Transformation Plan Through 2025" Available at <https://www.vietnam-briefing.com/news/vietnams-digital-transformation-plan-through-2025.html/>

⁵ Vietnam Plus. 06 January 2024. "Vietnam develops digital transformation network" Available at <https://en.vietnamplus.vn/vietnam-develops-digital-transformation-network/275824.vnp>

Digital Cooperation

Notably, Cambodia has seen a high degree of success in its digital payment sector through "Bakong," a digital payment system based on blockchain. Launched in October 2020, Bakong enables users to instantly transfer money in either U.S. dollars or riel. As of 2023, the Bakong system has reached a milestone of 8.5 million users, half of the 16 million population, and over 0.5 million customers participated in transactions within the Bakong system, amounting to \$1.2 billion and both direct and indirect transactions reached a total of two million.⁶ Bakong was recognized as one of the world's first central bank digital currency (CBDC) and was among the Awards for Excellence winners of the 2021 Nikkei Superior Products and Services Awards for its innovative technology and its notable impact on the economic and social development of Cambodia.⁷ The Japanese Prime Minister, Fumio Kishida, referred to Bakong as an "example" that can pave the way for a chain of innovation extending beyond national borders.⁸ In fact, Bakong was developed by a Japanese blockchain startup Soramitsu and National Bank of Cambodia. After the success of Bakong, Soramitsu has rapidly emerged as a notable developer of digital payment systems in Southeast Asia. Presently, the company is in the process of testing another blockchain-based payment system for the central bank of Laos and is also conducting feasibility studies on digital currency programs for central banks in various developing countries, including Vietnam and the Philippines.⁹

Along with ASEAN's commitment in striving for further integration of digital economies, Cambodia, Laos, and Vietnam are also committed to enhancing the cooperation in the digital economy. In fact, CLV are no strangers to digital cooperation. Cambodia and Laos launched the Lao-Cambodia cross-border payment system (KHQR scan LAOQR) in August 2023. The cross-border payment would allow tourists to make payments for goods and services in Laos and

⁶ The Phnom Penh Post. "Bakong app tops 8.5 million user accounts" Available at

<https://www.phnompenhpost.com/business/bakong-app-tops-85-million-user-accounts>

⁷ Nikkei Asia. 04 January 2022. "Cambodia's digital currency reaches nearly half the population" Available at

<https://asia.nikkei.com/Business/Finance/Cambodia-s-digital-currency-reaches-nearly-half-the-population>

⁸ Nikkei Asia. 25 May 2023. "Japan focused on 'co-creating' future with Asian partners: Kishida" Available at

<https://asia.nikkei.com/Spotlight/The-Future-of-Asia/The-Future-of-Asia-2023/Japan-focused-on-co-creating-future-with-Asian-partners-Kishida>

⁹ Rest of the World. 19 September 2023. "The little-known blockchain firm behind Southeast Asia's digital payment systems" Available at <https://restofworld.org/2023/japanese-company-cambodia-digital-banking/>

Cambodia with their respective local currencies, the Lao kip and Khmer riel, through scanning QR codes.¹⁰ Later in December 2023, the same cross-border payment system was also launched between Cambodia and Vietnam. NBC claimed that this system ensures safe, secure, convenience, and affordable cross border payment and also to promote the usage of the local currencies.¹¹

Additionally, CLV recently hosted an international conference in September, aiming to explore ways for strengthening cooperation in the digital economy. The conference focused on fostering trade and investment in the region while encouraging collaborative efforts in the era of digital advancements.¹²

Along with digital cooperation, the CLV nations have been actively engaging in the Cambodia-Laos-Vietnam Development Triangle Area plan (CLV-DTA), a sub-regional framework for cooperation that intends to promote cross-border economic collaboration but eventually expanded to security, social and cultural development.¹³ This development scheme has been a success so far with billion dollars' worth of investment in the CLV coming from key development partners such as Japan and Asian Development Bank (ADB). Notably, Vietnam is the de facto leader as it leads with 113 projects in border regions, investing \$3.56 billion – 65 in Laos, and 48 in Cambodia. Projects cover agriculture, mining, manufacturing, banking. Vietnam aids infrastructure, giving a \$26 million concessional loan for a 70km road in Cambodia. Development assistance includes schools and human resources in triangle development areas. Vietnam's economic influence expands in Cambodia and Laos border provinces.¹⁴

Challenges and Potential Solutions

¹⁰ The Laotian Times. 21 August 2023. “Laos, Cambodia Launch Cross-Border QR Code Payment System” Available at <https://laotiantimes.com/2023/08/21/laos-cambodia-launch-cross-border-qr-code-payment-system/>

¹¹ Cambodianess. 04 December 2023. “Cambodia, Vietnam Launch Cross-border QR Code Payments” Available at <https://cambodianess.com/article/cambodia-vietnam-launch-cross-border-qr-code-payments>

¹² Angkor Times. 21 September 2023. “Vietnam, Laos, and Cambodia discuss digital economy cooperation” Available at <https://angkortimes.com/vietnam-laos-and-cambodia-discuss-digital-economy-cooperation>

¹³ The ASEAN Post. 14 November 2018. “What is the CLV Development Triangle Area?” Available at <https://theaseanpost.com/article/what-clv-development-triangle-area>

¹⁴ Vannarith, Chheang. 6 June 2018. “The Cambodia-Laos-Vietnam Development Triangle Area” ISEAS Perspective. no. 30 (2018) Available at https://www.iseas.edu.sg/wp-content/uploads/pdfs/ISEAS_Perspective_2018_30@50.pdf

However, although there is much opportunity for digital economy in CLV, there are a number of issues that need to be resolved to promote equitable and sustainable growth, capacity building such as digital literacy, infrastructure development, and cybersecurity. Despite the tech-savvy foundation of the region's youth, there is a pressing need to focus efforts on implementing comprehensive digital literacy programs. Digital literacy is a person's capacity to use digital platforms to discover, consume, assess, develop, and share digital materials. A study on digital literacy across ASEAN's youths showed that in terms of self-perceived level of digital literacy, people from less developed countries like Myanmar rated themselves lower than those from Laos and Cambodia.¹⁵ Thus, comprehensive educational initiatives would equip people with the skills they need to navigate and narrowing the digital gap. To take full advantage of the advantages of the digital economy, digital literacy is essential, especially important for marginalized groups including those with low incomes, rural area, and the disabled people. To promote inclusion and fairness, governments must guarantee that everyone has the knowledge and resources necessary to interact with digital technology in an appropriate way.¹⁶

Digital transformation measures such as infrastructures and capacity-building are also required which highlights the importance of strong frameworks and increased awareness. In 2022, over 460 million people in Southeast Asia were Internet users, representing an 80 percent penetration rate. However, approximately 20 percent of the population still lacked access to the Internet.¹⁷ That is when digital infrastructure development comes to play. CLV is already a part of digital infrastructure upgrading framework with ASEAN. The ASEAN Master Plan 2025 aims to strengthen telecommunications across Southeast Asia. It's about improving internet speeds, making sure phones work reliably, even in rural areas, and doing it all cost-effectively and efficiently.¹⁸

¹⁵ UNICEF. February 2021. "Digital Literacy in Education Systems Across ASEAN" Available at <https://www.unicef.org/eap/reports/digital-literacy-education-systems-across-asean>

¹⁶ Tech for Good Institute. n.d. "Driving Digital Literacy in Southeast Asia" Available at <https://techforgoodinstitute.org/blog/articles/driving-digital-literacy-in-southeast-asia/>

¹⁷ KEARNEY. 05 June 2023. "Building an Internet for the future of Southeast Asia" Available at <https://www.kearney.com/service/digital-analytics/digital/article/-/insights/building-an-internet-for-the-future-of-southeast-asia#>

¹⁸ ASEAN. n.d. "ASEAN Digital Master Plan 2025" p.19. Available at <https://asean.org/book/asean-digital-masterplan-2025/>

Strong cybersecurity measures are required due to the increasing danger of cyber-attacks, as ASEAN members are no strangers to cyber-attacks as it already lost \$2.87 million due to cyberattacks.¹⁹ Thus, cybersecurity governance is needed to effectively address the growing concerns of cyberspace. It is a concept where not only governments or institutions have roles, but also individuals and the private sector. It includes procedures for making decisions that are meant to increase accountability, transparency, and involvement when dealing with problems in cyberspace. The process involves aligning international agreements, strategies, policies, guidelines, and norms to ensure the effective implementation of measures.²⁰ By strengthening cybersecurity defenses, the CLV region can create a secure internet environment that fosters innovation, trust, and resilience for their quickly developing technological sectors.

Conclusion

CLV possess promising potentials and should further invest in digital transformation infrastructure and developing national digital economy to support sustainable growth and innovation. Digital economy is an open door for these Southeast Asian countries to leverage and transform itself toward economic development, innovation, and adaptation to the digital era. With the success of Bakong, collaboration and strategic partnerships may accelerate the process of digitization in Cambodia, Laos, and Vietnam and with these sorts of cooperation, they might establish themselves as prominent and active players in the developing Southeast Asian digital economy. Overall, the future trajectory of the digital economies in Cambodia, Laos, and Vietnam has the potential to bring about revolutionary transformation. Technology is going to play a major part in determining the socioeconomic environment of these emerging countries, indicating a time of sustainable development and advancement. By working together and forming partnerships, these nations can create a digital future that is not just advanced but in a way that enhances lives, fosters connections, and makes a positive impact on societies.

¹⁹ Chandra Kasih, Michelle. 15 May 2023. "Fostering ASEAN's Digital Future through Cybersecurity Policies and Human Empowerment" ERIA. 3, p. 7–34, (2022). Available at <https://www.eria.org/publications/fostering-aseans-digital-future-through-cybersecurity-policies-and-human-empowerment/>

²⁰ Savaş, S., Karataş, S. "Cyber governance studies in ensuring cybersecurity: an overview of cybersecurity governance" Int. Cybersecur. Law Rev. 3, 7–34 (2022). <https://doi.org/10.1365/s43439-021-00045-4>

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