

Cambodia

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Introduction

Cambodia, once a failed state with civil war, genocide, and political turmoil, has achieved national reconciliation and political stability. After overcoming hardship, including a protracted civil war, political genocide, and international isolation, the country has been transformed from a centrally planned economy into a free market economy whose main tasks are to implement macroeconomic and structural reforms and to alleviate poverty. As a result, Cambodia has achieved significant success in stabilising its macroeconomic foundation with rapid economic growth and low inflation. In line with peace, political stability, and social order, the country has been transformed from a battlefield on the verge of destruction into one of emerging development, and now increasingly it is becoming integrated into the regional and global community.

After the new coalition government was established following the first democratic general election in 1993, the Royal Government of Cambodia started implementing macroeconomic and structural reforms to reconstruct and develop the country. To ensure success for such reforms, the government strongly committed to be part of regional and global economic integration.

It is recognised worldwide that free trade significantly helps reduce poverty and improve people's living standards. Thus, the Royal Government continued to liberalise trade and ensure the free flow of goods and services both within the country and between Cambodia and key regional and global partners. Such would provide Cambodia with the economies of scale and opportunities that attract investment, create employment,

increase incomes, and accelerate economic growth, thus reducing poverty. Indeed, Cambodia's participation in ASEAN in 1999 and in the World Trade Organization (WTO) in 2004 constitutes strategic and historical steps towards its miracles of national rehabilitation and development.

The Royal Government recognises that Cambodia's membership in ASEAN requires great efforts in the formulation, adoption, and implementation of laws, regulations, and procedures, and increases the country's capability in production and competitiveness to reap maximum benefit from ASEAN membership.

As ASEAN celebrates its 50th anniversary in 2017, Cambodia also celebrates its 18th anniversary as an ASEAN Member State. It is an appropriate time to assess achievements, opportunities, and challenges for ASEAN.

This paper describes and analyses the impact of ASEAN membership on Cambodia's political–security, economic, and socio–cultural aspects. It also highlights Cambodia's role in contributing to building the ASEAN Community, and the challenges ahead for the country.

Political and Security Impacts

Cambodia undoubtedly has been able to get the most benefit out of its membership in ASEAN since its admission into this regional grouping in April 1999, after several years of intensive preparation and negotiation. The public has always questioned the benefits and costs of the country's membership in ASEAN; and it is very difficult to answer. In other words, people want to know if the country is benefiting from ASEAN at all; and if so, what the actual, tangible gains are. This is very hard or almost impossible to explain. Clearly, there are both tangible and intangible benefits. Cambodia has certainly benefited from its membership in ASEAN in many ways and in many aspects.

First, ASEAN contributed to political change and helped bring peace and stability to Cambodia. The country adopted democracy and national reconciliation under the Paris Peace Accords, in which ASEAN, especially Indonesia, played an important role. One could argue that the United Nations peacekeeping operations in Cambodia, through the UN Transitional Authority in Cambodia, could have contributed towards ending the country's international isolation. Yet, Cambodia's admission into ASEAN could have also played a crucial role in accomplishing its integration in the region. In this context, ending Cambodia's isolation positively contributed to the political reconciliation and development in the region. In other words, the region was no longer

divided, as it had been. With strong interest and commitment, the country was given ASEAN observer status in 1995 and was to be admitted to ASEAN in 1997, along with the Lao PDR and Myanmar. However, due to internal problems, the membership was delayed. The country's legitimacy and political situation encountered problems. The ASEAN Troika was established to help solve the crisis in Cambodia.¹ Some conditions were also proposed, such as requiring Cambodia to restore democracy, create a peaceful environment for the elections, and establish a Senate. Cambodia followed the recommendations and successfully fulfilled all conditions. It was finally admitted to ASEAN in 1999.

Secondly, its ASEAN membership contributed to promoting Cambodia's image and prestige in the regional and international arena. As the youngest member of ASEAN, Cambodia has been undoubtedly given an equal footing in this regional grouping, with its rights and obligations. Therefore, the country has been active in all areas of cooperation—from international politics to security, and from economic to functional cooperation. Cambodia has been strongly committed in participating in regional and global platforms to shape common values and serve common interests. For instance, it has contributed more than 1,000 peacekeepers to different parts of the world with ASEAN identity under the United Nations. This action has promoted Cambodia's image in international relations and diplomacy.

ASEAN membership has helped strengthen Cambodia's role in regional and international affairs over the past years on bilateral and multilateral diplomacy. Through ASEAN multilateral diplomacy, the country has been able to engage and participate actively in other important forums, such as the WTO, Asia Cooperation Dialogue, the Asia-Europe Meeting, and the Forum for East Asia–Latin America Cooperation. While ASEAN covers a wide range of areas of cooperation, it is important that each Member cooperate more closely with one another, both collectively and individually, to ensure that regional cooperation equally benefits all Member States. ASEAN, as a dynamic and open regional organisation, plays an essential role in both regional and global affairs at present and in the future. Without ASEAN, small and medium-sized states in Southeast Asia would have little influence or role in international affairs, given the growth of regionalism in other parts of the world and the full swing of globalisation. In addition, the small states in Southeast Asia are vulnerable to the external influences of the major powers. Therefore, to maintain the central role of ASEAN, these small states in the region should fully participate in realising an ASEAN Community.

¹ The ASEAN Troika, formed to deal with the Cambodian crisis, comprised the former chair (Indonesia), the current chair (Philippines), and the incoming chair (Thailand) of the ASEAN Standing Committee. The Troika was designed to allow ASEAN some flexibility in dealing with potential crises; however, it could not make decisions on its own. It was only an arm of ASEAN's foreign ministers to represent them in a particular crisis

Thirdly, ASEAN helps provide security and peace to Cambodia. From its inception, ASEAN has always emphasised the spirit of equality and partnership towards peace and non-interference. This effectively means that membership in ASEAN bolsters overall security, especially along the borders of individual countries. In further fostering security and safety for the peoples of ASEAN, law enforcement agencies of Member States have played a key role in engaging in dialogue – either through conferences, workshops, trainings, and meetings – which allows each agency to exchange experiences and establish channels of communication to assist their daily operations. A good example of this cooperation includes the combat against terrorism. All agencies in the region have coordinated with one another in sharing information and intelligence, leading to the arrest of some members of, and disruption to, terrorist organisations. Another is on humanitarian assistance and disaster relief; ASEAN Member States have effectively cooperated and supported each other in coping with natural disasters.

Fourthly, ASEAN promotes the defence and security capacity of Cambodia. The ASEAN Defence Ministers' Meeting (ADMM), established in 2005, and ADMM Plus, created in 2010, have significantly promoted practical security cooperation among Member States and the Plus Eight countries – namely Australia, China, India, the Republic of Korea (henceforth Korea), Japan, New Zealand, the Russian Federation, and the United States. The current five areas of security cooperation within the framework of ADMM Plus are (i) maritime security, (ii) humanitarian assistance and disaster relief, (iii) counter-terrorism, (iv) peacekeeping operations, and (v) military relief. In such a cooperation framework, Cambodia has sent its security officers to participate in training workshops, capacity-building programmes, and joint exercises. Skills and expertise among the Cambodian officers and armed forces have been gradually strengthened to meet the new challenges, especially coming from the nontraditional security threats. The ASEAN Chiefs of Police (ASEANAPOL) Conference is an additional platform of which Cambodia's national police has been a part. The forum has provided law enforcement agencies of ASEAN Member States the opportunity to review their cooperation, address crime situations that impact the region and beyond, and come up with better and more effective joint strategies to combat them. The forum has discussed the whole range of transnational crime issues such as terrorism, drugs, arms smuggling, trafficking in persons, piracy, cybercrime, money laundering, and economic crimes. These exercises not only make law enforcement a well-informed body but also expand the operating network, which is the critical qualification to fight transnational crimes in this modern age. The emergence of transnational crimes, including terrorism, has not escaped the attention of law enforcement agencies of ASEAN Member States. The Senior Officials Meeting on Transnational Crime (SOMTC) was established to annually discuss and share intelligence information on these crimes. Through this meeting, Cambodian law

enforcement has learned a great deal about the nature and situation of transnational crimes, enabling them to prepare better to combat such crimes.

Economic Impacts

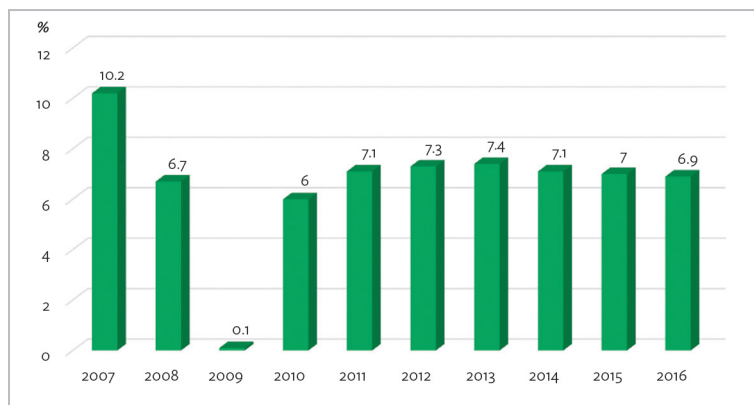
Economic development

Along with Cambodia's effort to develop its economy, membership in ASEAN can be one of the stimuli contributing to economic development. The country has seen considerable economic and social achievements, with robust and steady growth of about 7% over the past 2 decades. At present, Cambodia has one of the fastest economic growth rates in the world. With a low inflation rate of less than 5% and a stable local currency (riel), the country presents a stable macroeconomic prospect in the medium and long term (Figure 1).

Gross domestic product (GDP) increased from US\$7.27 billion in 2006 to US\$18.05 billion in 2015 and US\$20.23 billion in 2016 (Figure 2). GDP per capita also increased from US\$666.5 to reach US\$1,020.9 in 2015 and US\$1,325 in 2016, promoting Cambodia from the status of least-developed country to a lower middle-income country.²

The leading sectors for growth are the garment and apparel industries, construction, tourism, and agriculture.

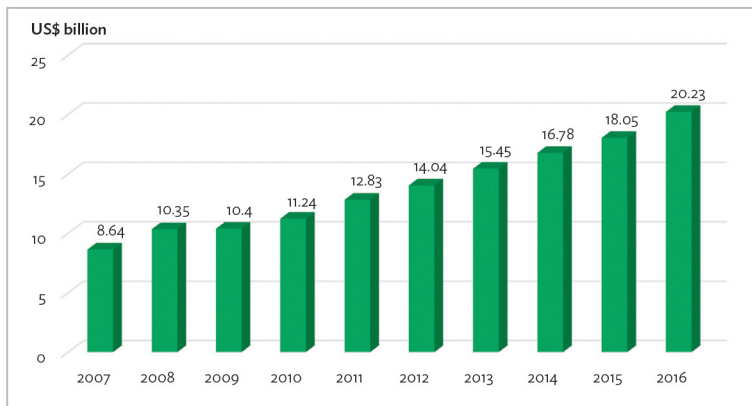
Figure 1. Cambodia's GDP Annual Growth Rate, 2007–2015



Source: Trading Economics at <https://tradingeconomics.com/cambodia/gdp> (accessed 16 July 2017).

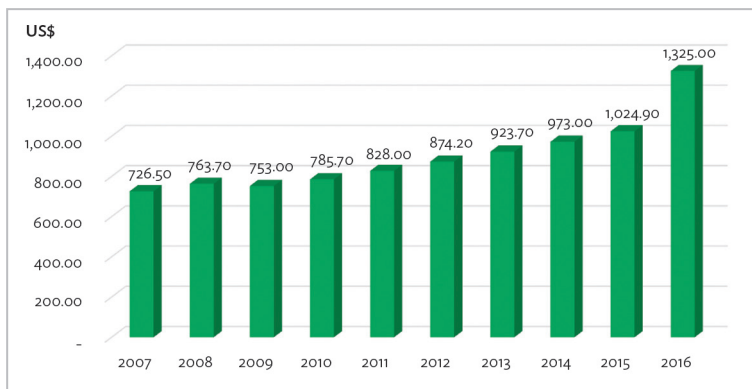
² Data collected from different sources: from 1999 to 2015 from Trading Economics and in 2016 from Ministry of Economy and Finance (2016).

Figure 2. Cambodia's GDP, 2007–2015



Source: Trading Economics at <https://tradingeconomics.com/cambodia/gdp-growth-annual> (accessed 16 July 2017).

Figure 3. Cambodia's Per Capita Income, 2007–2015



Source: Trading Economics at <https://tradingeconomics.com/cambodia/gdp-per-capita> (accessed 16 July 2017).

Trade promotion

ASEAN is one of the main factors to promote trade. In addition to its own bilateral approach, Cambodia has been working through the regional framework to promote trade in goods and services. Within the framework of the ASEAN Free Trade Agreement, Cambodia can access a market of about 600 million people in the whole of Southeast Asia. This is the reason cooperation with ASEAN has become even more important in recent years, given the current process of ASEAN integration and the deepening and growing cooperation that Cambodia has with all dialogue partners of ASEAN, particularly with the Plus Three countries (China, Japan, and Korea) and India.

As result, Cambodia's trade volume remarkably increased from US\$7.2 billion in 2005 to US\$26.36 billion in 2015; exports increased from US\$3.09 billion to US\$11.96 billion and import increased from US\$ 3.93 billion to US\$14.4 billion (Table 1). In 2015, Cambodia exported clothing, timber, rubber, rice, fish, tobacco, and footwear to its main export partners. These are the United States (23.1%), United Kingdom (8.8%), Germany (8.2%), Japan (7.3%), Canada (6.7%), China (5.1%), Viet Nam (5%), and Thailand (4.9%). Cambodia imported petroleum products, cigarettes, gold, construction materials, machinery, motor vehicles, and pharmaceutical products from its main import partners. These are Thailand (28.5%), China (22%), Viet Nam (16.3%), Hong Kong (6%), and Singapore (5.6%).³ Cambodia has transformed from an import-oriented into an export-oriented country. From 2003 to 2016, its exports covered an average rate of 63.62% of GDP, indicating that the country is export oriented.⁴

Table 1. Cambodia's Trade Data, 2005–2015 (US\$ billion)

| Year | Export | Import | Total Trade | Balance |
|------|--------|--------|-------------|---------|
| 2005 | 3.09 | 3.93 | 7.02 | -0.84 |
| 2006 | 3.69 | 4.77 | 8.46 | -1.08 |
| 2007 | 4.09 | 5.44 | 9.53 | -1.35 |
| 2008 | 4.71 | 6.51 | 11.22 | -1.80 |
| 2009 | 4.20 | 5.83 | 10.03 | -1.63 |
| 2010 | 5.14 | 6.79 | 11.93 | -1.65 |
| 2011 | 6.70 | 9.30 | 16.00 | -2.60 |
| 2012 | 7.84 | 11.35 | 19.19 | -3.51 |
| 2013 | 9.25 | 12.80 | 22.05 | -3.55 |
| 2014 | 10.86 | 13.50 | 24.36 | -2.64 |
| 2015 | 11.96 | 14.40 | 26.36 | -2.44 |

Source: Statista.com at

<http://www.statista.com/statistics/438746/export-of-goods-to-cambodia/> and

<http://www.statista.com/statistics/438741/import-of-goods-to-cambodia/>

³ Statista.com at <http://www.statista.com/statistics> (accessed 23 November 2016)

⁴ According to the World Bank, a country whose exports are greater than 60% of GDP indicates an export-oriented economy. In contrast, values lower than 15% of GDP indicate a relatively closed economy.

To be in harmony with ASEAN and the WTO, Cambodia reformed its tariff structure by reducing the number of tariff bands from 12 to only 4, and abolishing the high tariff rates of 40%, 50%, 90%, and 120%. Tariff comprises four tiers: 0%, 7%, 15%, and 35%. The tariff rate of 35% protects several semi-processed goods and consumer goods, such as processed meat and dairy products, processed vegetables and fruits, beverages and tobacco, footwear, and motor vehicles. Over 53.4% of tariff lines are duty free or subject to the minimum 7% tariff rate, compared with 44% in 2001. A standard deviation of 9.2% in 2011 indicates that there is still some dispersion of tariff rates. The average MFN (most favoured nation) applied rate on agricultural products (WTO definition), at 14.5%, remains higher than that for industrial goods (11.3%). Cambodia has an escalating tariff structure with rates increasing with each stage of processing. Overall tariff lines were reduced from 10,700 to 8,314 from 2007 to 2011, based on the Harmonization System of 2007 nomenclature (International Trade Centre, 2011). At present, Cambodia has an 8-digit HS with a total of 9,574 tariff lines (see Table 2) (General Department of Customs and Excises, 2016).

Table 2. Cambodia's Customs Tariff and Development of HS Classification

| Year | Harmonization System | No. Digit | No. of Tariff Lines |
|-------------|--|-----------|---------------------|
| Before 1993 | Not yet Implemented Harmonization System | | |
| 1993 | HS 1993 | 6 | 2,200 |
| 2000 | HS 1997 & AHTN 2000 | 8 | 6,822 |
| 2004 | HS 2002 & AHTN 2004 | 8 | 10,689 |
| 2007 | HS 2007 & AHTN 2007 | 8 | 8,314 |
| 2008 | HS 2007 & AHTN 2007 | 8 | 8,314 |
| 2010 | HS 2007 & AHTN 2007 | 8 | 8,314 |
| 2012 | HS 2012 & AHTN 2012 | 8 | 9,574 |

Source: Ministry of Economy and Finance (2016).

Foreign direct investment

To compete with ASEAN Member States that have better infrastructure, bigger population, and more attractive conditions, Cambodia has implemented many reforms in the policy and legal framework to attract foreign direct investment (FDI). Presently, the country has an open and liberal foreign investment regime with a pro-investor and pro-business legal and policy framework. Investment incentives available to foreign investors include 100% foreign ownership of companies, corporate tax holidays of up to

8 years, a 20% corporate tax rate after the incentive period, duty-free import of capital goods, and no restrictions on capital repatriation.

According to Index Mundi, net FDI inflow to Cambodia increased from US\$54.12 million in 1993 to US\$1.9 billion in 2015. The main projects focused on textile production in the special economic zone, construction, mining, manufacturing mainly concentrated on spare parts and food products, and tourism. FDI inflow as a percentage of GDP varied from year to year. FDI was the highest in 2014, with FDI covering 10.31% of GDP, considered high compared with regional and global rates (Index Mundi, 2016). From 2006 to 2015, FDI inflow per GDP averaged 8.1% of GDP indicating that Cambodia is an FDI-attracting country (see Table 3).⁵

Table 3. FDI Data in Cambodia, 1993–2015

| | FDI Net Inflow | FDI as % of GDP |
|------|-----------------|-----------------|
| 1993 | \$54,124,000 | 2.14 |
| 1994 | \$68,900,000 | 2.47 |
| 1995 | \$150,800,000 | 4.38 |
| 1996 | \$293,600,000 | 8.37 |
| 1997 | \$203,700,000 | 5.92 |
| 1998 | \$242,823,000 | 7.78 |
| 1999 | \$232,238,700 | 6.60 |
| 2000 | \$148,503,600 | 3.24 |
| 2001 | \$149,397,500 | 3.68 |
| 2002 | \$145,106,400 | 3.06 |
| 2003 | \$83,980,650 | 1.75 |
| 2004 | \$131,416,200 | 2.46 |
| 2005 | \$377,180,200 | 5.99 |
| 2006 | \$483,209,400 | 6.64 |
| 2007 | \$867,288,500 | 10.04 |
| 2008 | \$815,180,200 | 7.87 |
| 2009 | \$511,114,500 | 4.91 |
| 2010 | \$735,199,200 | 6.54 |
| 2011 | \$795,460,500 | 6.20 |
| 2012 | \$1,440,978,000 | 10.26 |
| 2013 | \$1,345,044,000 | 8.71 |
| 2014 | \$1,730,356,000 | 10.31 |
| 2015 | \$1,915,525,841 | 9.42 |

Sources: Index Mundi: <http://www.indexmundi.com/facts/cambodia/foreign-direct-investment>;

World Bank data: <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=KH>.

⁵ According to the World Bank, values of FDI above 4%–5% of GDP suggest that the country is an attractive foreign investment destination.

Tourism promotion

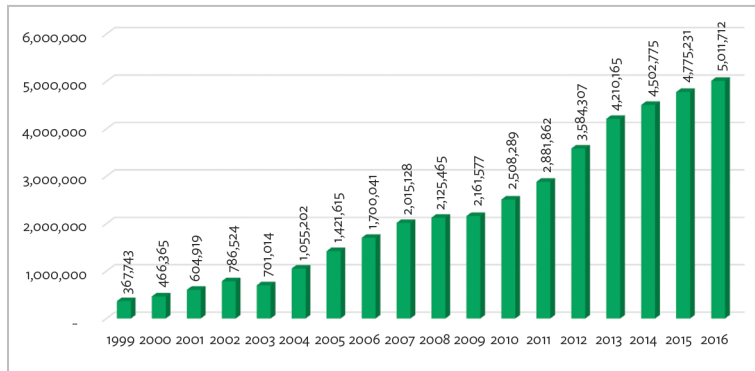
ASEAN membership is a main factor to promote tourism. The Open Skies Policy, also known as the ASEAN Single Aviation Market, aims to increase regional and domestic connectivity, integrate production networks, and enhance regional trade by allowing airlines from ASEAN Member States to fly freely throughout the region via the liberalisation of air services under a single, unified air transport market. As a member of ASEAN, Cambodia's tourist market is integrated with other ASEAN tourist destinations. With strong commitment to implement the framework of the ASEAN Open Skies Policy and related protocols, Cambodia has increased connectivity, tourist marketing, and air transport remarkably.

Tourism is a key area where Cambodia has been able to work with ASEAN over the years. The regional cooperation and integration process has contributed to the growth of the tourism industry because the ASEAN connectivity plan creates a favourable condition for air, maritime, and land transport connections and for the movement of tourists across the region. ASEAN tourism products have also been marketed better. Cambodia, like other ASEAN Member States, has teamed up and worked closely with ASEAN dialogue partners to promote tourism to benefit all countries. Cambodia has benefited much in pro-poor tourism, which is a key to reducing the development gap in the country and in the region.

Tourist arrivals in Cambodia increased from only 367,743 in 1999 (the year Cambodia was admitted to ASEAN) to 5.01 million in 2016 (Figure 4).

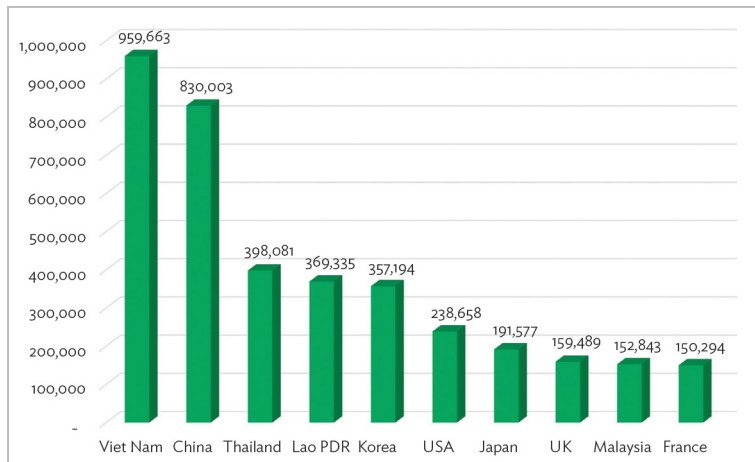
In 2016, the top 10 tourist markets for Cambodia were Viet Nam, China, Thailand, the Lao PDR, Korea, United States, Japan, United Kingdom, Malaysia, and France (Figure 5). During the year, 2,121,220 tourists (or 42.3% of total) were from ASEAN. At the same time, 1,434,030 Cambodian tourists travelled abroad (Ministry of Tourism, 2016).

Figure 4. Tourist Arrivals in Cambodia, 1993–2015



Source: Ministry of Tourism (2016) at http://www.tourismcambodia.org/images/mot/statistic-reports/tourism_statistics_year_new_2016.pdf

Figure 5. Top 10 Tourist Arrivals, 2016



Source: Ministry of Tourism (2016).

Social and Cultural Impacts of ASEAN on Cambodia

At the heart of the ASEAN Socio-Cultural Community (ASCC) is the commitment to lift the quality of life of its peoples through cooperative activities that are people oriented, people centred, environment friendly, and geared towards the promotion of sustainable development (ASEAN Secretariat, 2016).

The ASCC Blueprint was substantially implemented from 2009 to 2015 and was found effective in developing and strengthening the coherence of policy frameworks and institutions to advance human development, social justice and rights, social

protection and welfare, environmental sustainability, ASEAN awareness, and narrowing development gaps. More concretely, the ASCC has helped heighten commitment in the form of policy and legal frameworks, such as the Declaration on Non-communicable Diseases in ASEAN and the Declaration on the Elimination of Violence Against Women and Elimination of Violence Against Children in ASEAN. The region has also shown collective will, for example, in offering quick and tangible action in humanitarian assistance through the ASEAN Coordinating Centre for Humanitarian Assistance.

Cambodia's benefit from the ASCC is huge but difficult to calculate. The country has received positive impact from ASCC participation. Underlying ASCC's initiatives are important development outcomes pushing social changes in the country: the rate of poverty (people living on less than US\$1.25 per day) fell about 1% per year from 53% in 2004 to 20% in 2011; life expectancy rose from 54.9 years in 1999 to 71.6 years in 2012; the net enrolment rate for children of primary school age rose from 78% in 1999 to 85% in 2012; the proportion of seats held by women in parliament increased from 10.6% in 1998 to 19.5% in 2013; and maternal mortality per 100,000 live births fell from 830 in 1990 to 206 in 2010.⁶

Other Impacts

Acceleration of reforms

In preparing to be admitted and to work within ASEAN, Cambodia had to introduce many reform programmes to improve institutional and legal frameworks affecting economic management, public administration, and the judicial system, among others, to be consistent with ASEAN. Membership in ASEAN has been the pushing factor for Cambodia to have a trajectory for sustainable and inclusive economic development, together with regional economic integration. To benefit from such a dynamic regional integration process, Cambodia has no choice but to improve its capacity both in the public and the private sectors to narrow the gap, and compete at the regional level to maximise the benefit from regional integration. Providing better and favourable conditions for production, trade, investment, and promotion of competitiveness in all fields are the most important tasks for the country's economic survival.

⁶ Data obtained from many sources such as the Cambodia National Assembly, United Nations Children's Fund (UNICEF), and the World Bank.

Human resource development

In the Initiative for ASEAN Integration framework, Cambodia has benefited from assistance in human resource development. Every year, Cambodia sends many of its officials and students to various training programmes and workshops in Member States or in dialogue partner countries of ASEAN. Training and human resource development are important for Cambodia since the country has been struggling to train and develop its human resources in many fields.

Assistance through the ASEAN framework

This means that Cambodia could directly benefit from bilateral or multilateral projects, funded by ASEAN dialogue partners, such the Plus Three countries. For example, the projects under the Initiative for ASEAN Integration have been important to support the new Member States of ASEAN, thus strengthening ASEAN integration, especially in providing training and study tours in many fields to Cambodian government officials. The recent creation of the ASEAN Infrastructure Fund is another important milestone in linking ASEAN infrastructure, especially in the least developed countries of ASEAN.

Promotion of other regional and subregional cooperation

As a Member State of ASEAN, Cambodia has opportunities to participate in other related regional and subregional cooperation such as in the Greater Mekong Subregion (GMS), ASEAN Mekong Basin Development Cooperation, CLMV (Cambodia, Lao PDR, Myanmar, Viet Nam) cooperation, the development triangles, and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy, and Lower Mekong Initiative.

Cambodia's Contribution to ASEAN

Since accession to ASEAN, Cambodia has actively participated in summits, ministerial meetings, conferences, working groups, and other forums. It has successfully hosted various summits and meetings that provided opportunities to expose the country to the world and to change the negative mindset towards Cambodia into a positive one.

Cambodia hosted two ASEAN summits and related ones in 2002 and 2012. In both years, it also hosted the ASEAN+3 Summit, the ASEAN+1 Summits with China, Japan,

and Korea, the first ASEAN–India Summit, the ASEAN Ministerial Meeting, ASEAN Regional Forum, the post-ministerial conferences, East Asia Summit, ASEAN Defence Ministers’ Meeting, and other related sectoral meetings. It also chaired the ASEAN Standing Committee. In addition, Cambodia successfully hosted the ASEAN Inter-Parliamentary Organization in 2004 and the ASEAN Inter-Parliamentary Assembly in 2011 aimed at strengthening the role of the legislature in promoting a people-centred and rules-based ASEAN.

Cambodia successfully chaired the Eighth ASEAN Summit in Phnom Penh on 4 November 2002 and achieved remarkable results. It was a historic and proud moment for Cambodians. At the opening of the ASEAN Summit, the Chair outlined the Phnom Penh Agenda Towards a Community of Southeast Asian Nations. The initiative has four themes:

- collaboration with the Greater Mekong Subregion programme to accelerate ASEAN integration;
- ASEAN as a single tourist destination;
- ASEAN solidarity for peace and security, especially in the fight against terrorism; and
- bold steps in sustainable natural resources management, including ratification of the Kyoto Protocol by all ASEAN Member States. Leaders considered the idea of an ASEAN Economic Community as an end goal for the Roadmap for the Integration of ASEAN and Vision 2020 (ASEAN Secretariat, 2012).

At the summit, the leaders also witnessed the signing of the Declaration on the Conduct of Parties in the South China Sea that provided for confidence-building activities between ASEAN and China. In addition, the two sides adopted the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-traditional Security Issues and tasked the ministers to expeditiously specify mechanisms for such cooperation. China expressed its interest to accede to the Treaty of Amity and Cooperation in Southeast Asia and stated its willingness to work with ASEAN to push for the early accession to the Southeast Asia Nuclear Weapon-Free Zone.

On 18 November 2012, Cambodia proudly hosted the 21st ASEAN Summit in Phnom Penh. The ASEAN heads of state/government discussed the Progress of the Implementation of the ASEAN Charter and Roadmap for an ASEAN Community as a follow-up to the 20th ASEAN Summit’s Progress Report on the Implementation of the Master Plan on ASEAN Connectivity. They then signed the Phnom Penh Statement on the Adoption of the ASEAN Human Rights Declaration, Exchange of View on Regional and International Issues, and issued the Leaders’ Statement on the Establishment of an ASEAN Regional Mine Action Centre.

ASEAN Leaders agreed to sign, adopt, and note the following outcome documents:

- Phnom Penh Statement on the Adoption of the ASEAN Human Rights Declaration,
- ASEAN Human Rights Declaration,
- ASEAN Leaders' Joint Statement on the Establishment of an ASEAN Regional Mine Action Centre, and
- Concept Paper on the Establishment of an ASEAN Regional Mine Action Centre.

Challenges

Development gaps

As a country of lower income compared to other members, Cambodia needs to implement further reform in many fields, especially in the economic sector, to catch up with the older members. The development gap between Cambodia and the rest of ASEAN must be narrowed down gradually and consistently. This, however, is difficult to achieve.

More efforts are needed to continue to focus on ASEAN integration, particularly through the projects of the Initiative for ASEAN Integration, the Vientiane Action Programme, and the subregional development projects, to ensure that the least developed members of ASEAN can fully integrate their economies into the regional and the global economic system. In this regard, the dialogue partner countries, as well as other interested third parties and institutions, can assist ASEAN to further advance its integration, especially in reducing the development gaps within the region.

For Cambodia, the internal development gap between its capital city, Phnom Penh, provincial capitals, and rural areas are huge, presenting big disparity in public utilities, wealth, and infrastructure. Most economic development projects are concentrated in Phnom Penh, causing urbanisation, migration, traffic, and pollution problems.

Non-tariff barriers and non-tariff measures

Non-tariff barriers and non-tariff measures (NTMs) still impede trade in ASEAN. Though the country has implemented many reforms, the problem still exists due to many reasons, such as poor law enforcement and corruption. A study conducted by the Economic Research Institute for ASEAN and East Asia found that from 52 regulations, 243 NTMs affected 9,558 Cambodian products (HS codes). This is 100% of the total

products traded in Cambodia (Chap, Tobing, and Widiana, 2015). Not only Cambodia but also other ASEAN Member States have NTM problems. So far, some Cambodian products are difficult to export due to NTMs, especially sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) imposed by importing countries.

Competition

ASEAN membership also brings negative impacts to Cambodia. Its weak position in regional competition is one of the country's biggest challenges. With its low production base, poor skilled labour, and weak infrastructure, Cambodia's productivity is still low and its products of poor quality and costly compared with regional norms. The poor marketing mechanism and high cost of electricity, logistics, and transport make it difficult for Cambodian products to compete with imported products sold locally and with local products of exporting markets. The regional free trade in goods and services seriously affect Cambodia's local small and medium-sized enterprises (SMEs).

Lack of resources

To benefit from regional integration and the reduced regional development gap, Cambodia must build its capacity in all sectors, especially in those related to the free market environment. So far, the public sector still needs to build expertise in strategic planning, legal regulations, and leadership. The private sector still lacks professionals, skilled labour, and entrepreneurs who can conduct research and development (R&D), create innovation, and drive their business to the higher level. Cambodia also lacks other resources such as technology and investment capital.

Diversification of economic sectors

Cambodia's economy is driven by a few sectors, and its concentrated garment and apparel manufacturing makes the economy vulnerable.

Poor logistics and transport system

Trade, especially cross-border trade, cannot be promoted without a long-term plan and a proper logistics system. Logistics connectivity can be measured both in terms of cost and time. Cambodia's transport modes, including railways and waterways, are outmoded due to the lack of long-term planning and regional logistics and transport system. Most bulk cargo and containers use the road transport system, resulting in quick deterioration of road networks, which is costly for the government to repair and maintain.

Railways usually offer an efficient interface between maritime and land transport systems, especially since container shipping became prevalent. Rail logistics is, however, complex as it requires management of capacity, schedule, shipment, characteristics, origin, and destinations. Cambodia's rail transport is considered the weakest link in the regional logistics infrastructure. The railway system was built in the 1960s. Due to war and lack of maintenance, the railways have deteriorated and their rehabilitation has been very slow. The only two railways lines are in single tracks. At present, the operation of Cambodia Railways is privatised but it is inefficient. So far, transport of passengers and cargo by train is limited due to many reasons such as poor condition of railways, lack of logistics hubs, lack of train stations, high cost, slow speed, and lack of reliability.

On the other hand, despite the country's good waterway system in the Mekong River, waterway transport is also limited. There is no link in logistics between ports, airports, railways, and waterway and maritime transport.

The other bottleneck in trade facilitation is the weak system in handling and clearing cargo and containers at main international border checkpoints. Though the Automated System for Customs Data (ASYCUDA) has been installed and fully implemented at all border checkpoints, the problems of long waiting time and disorder and traffic jams at the clearing areas still remain.

Poor awareness of ASEAN

According to surveys, both the public and the private sectors in Cambodia still have limited awareness of ASEAN. It is important to bring all sectors to join regional integration. Without awareness, they would not participate and prepare, especially to meet changes in the business environment.

Conclusion

Starting as an observer in 1995 to become a full member of ASEAN in 1999, Cambodia worked hard and achieved remarkable results. It was very hard at the beginning for a country that recently emerged from destruction from war, political strife, and isolation to change from a centrally planned economy to a market economy to prepare for membership in ASEAN. However, after many years of membership, Cambodia could overcome all hardship and has been successful in reforming both its institutional and legal systems to be consistent with ASEAN.

Since 1999, ASEAN has impacted Cambodia's political, security, economic, and socio-cultural aspects and has driven reforms. From being deeply engaged in war, isolation, and destruction, Cambodia has transformed into a peaceful, stable, and developed country. It has also advanced from a low-income or least-developed country to a lower middle-income economy.

Despite the huge benefits Cambodia has gained from being an ASEAN member, it still faces many challenges for regional integration. Such challenges are (i) the development gaps still existing among old and new members (Cambodia, the Lao PDR, Myanmar, and Viet Nam); (ii) non-tariff barriers and NTMs still existing among ASEAN Member States; (iii) weak position in competition; (iv) lack of resources; (v) poor logistics and transport system; and (vi) low awareness of ASEAN. To maximise the benefits of regional integration, Cambodia should address all these challenges, exert more effort to further its reforms, and engage more in implementing all ASEAN agreements and protocols.

ASEAN integration needs to be fully realised to effectively address the imbalance of development in the region on the one hand, and to enhance and deepen East Asia cooperation on the other. The disparity in ASEAN today constitutes the major challenge that must be overcome at any cost. A fully integrated ASEAN will sustain its relevance, boost its competitiveness in the face of increasing challenges of regional integration and globalisation as well as be a catalyst for strengthening East Asia. Moreover, an economically strong ASEAN will benefit not only its Member States but also its partners as well. Therefore, its integration remains a critical factor to the progress of East Asia and to its other partners.

While ASEAN positively impacts and greatly benefits Cambodia, in return, Cambodia also tirelessly works to help build the ASEAN Community in all aspects. Cambodia has been an active member and has provided important inputs for ASEAN strategic and development policies. Its participation in ASEAN can change the image of Southeast Asia into a united region of peace and development.

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