

# SHAPING THE FUTURE OF GERMAN-CAMBODIAN RELATIONS

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## About the Authors

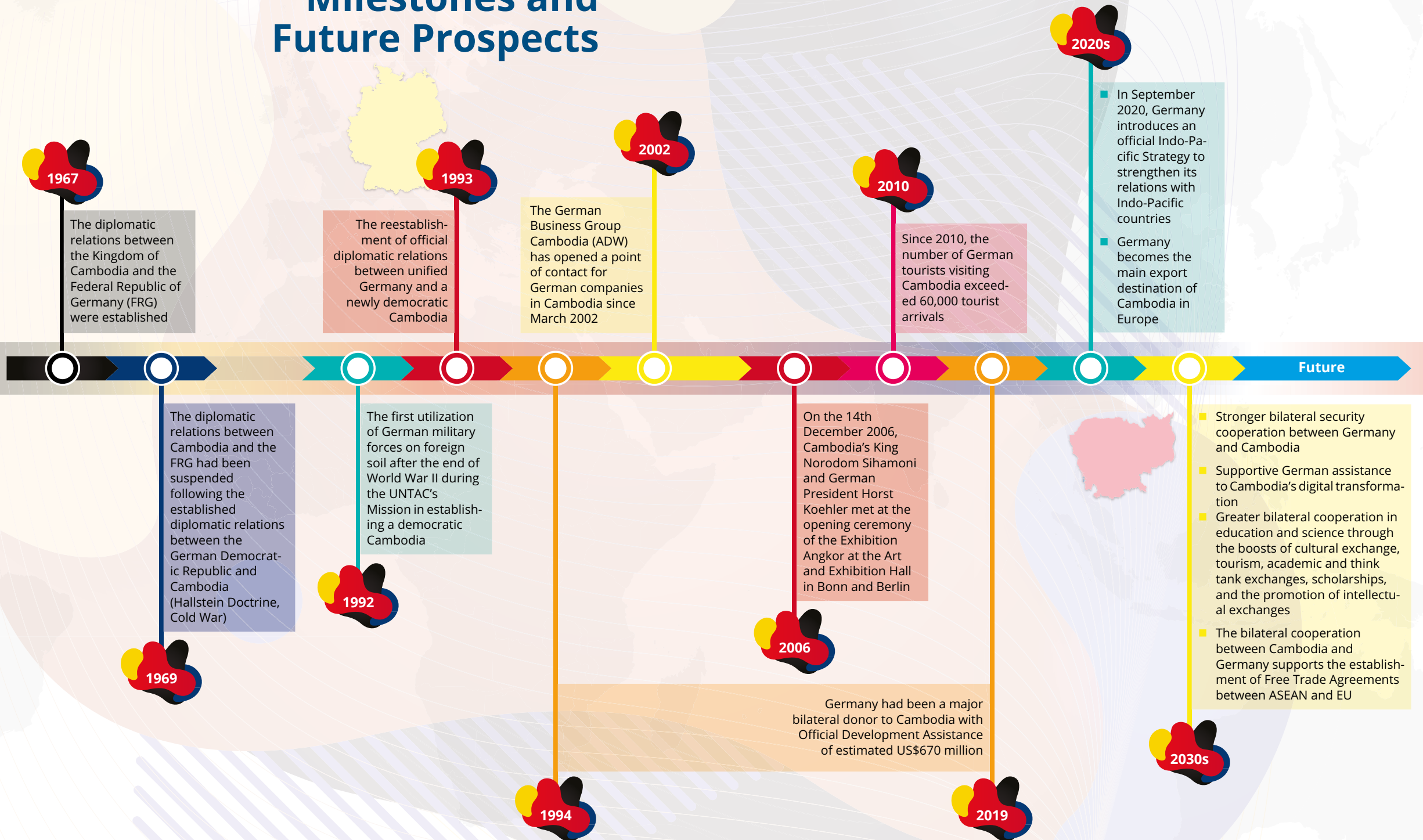


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# Milestones and Future Prospects



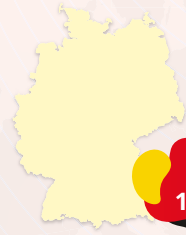
1967

The diplomatic relations between the Kingdom of Cambodia and the Federal Republic of Germany (FRG) were established

The diplomatic relations between Cambodia and the FRG had been suspended following the established diplomatic relations between the German Democratic Republic and Cambodia (Hallstein Doctrine, Cold War)

1969

## Milestones and Future Prospects



1993

The reestablishment of official diplomatic relations between unified Germany and a newly democratic Cambodia

The first utilization of German military forces on foreign soil after the end of World War II during the UNTAC's Mission in establishing a democratic Cambodia

1992

The German Business Group Cambodia (ADW) has opened a point of contact for German companies in Cambodia since March 2002

2002

1994

2010

Since 2010, the number of German tourists visiting Cambodia exceeded 60,000 tourist arrivals

2006

On the 14th December 2006, Cambodia's King Norodom Sihamoni and German President Horst Koehler met at the opening ceremony of the Exhibition Angkor at the Art and Exhibition Hall in Bonn and Berlin

Germany had been a major bilateral donor to Cambodia with Official Development Assistance of estimated US\$670 million

2019

2020s

- In September 2020, Germany introduces an official Indo-Pacific Strategy to strengthen its relations with Indo-Pacific countries
- Germany becomes the main export destination of Cambodia in Europe

Future

- Stronger bilateral security cooperation between Germany and Cambodia
- Supportive German assistance to Cambodia's digital transformation
- Greater bilateral cooperation in education and science through the boosts of cultural exchange, tourism, academic and think tank exchanges, scholarships, and the promotion of intellectual exchanges
- The bilateral cooperation between Cambodia and Germany supports the establishment of Free Trade Agreements between ASEAN and EU

2030s

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## **Executive Summary**

Cambodian and German stakeholders overall rated German-Cambodian relations to be balanced, perceived them as generally positive, and to have development potential on the political, economic and cultural levels, even though the political level is perceived as the most challenging. The cooperative development partnership continues to be a solid foundation to further enhance relations.

German and Cambodian stakeholders share interests and values to deepen economic and socio-cultural relations; but some differ in their perceptions as to the development potential of political relations, particularly when it comes to Cambodia's democratization process.

Germany and Cambodia share common values and a political vision for international politics: Both are committed to a rules-based international order, multilateralism, and ASEAN integration. That common interest and vision could be a means to improve political relations.

German and Cambodian stakeholders perceive a strong developmental potential in economic relations but there is some scepticism on the German side whether this can be achieved because of three main limiting factors: The Cambodian market size, available human resources and a lack of infrastructure. Hence, economic relations still lack investments and are mainly focused on trade relations. However, this could change in the future as more German initiatives are made to enhance economic relations. Cambodians appear to like German products and there exists a strong demand for German technology and knowledge transfer.

On the level of socio-cultural relations, German and Cambodian stakeholders widely share the perception that education is the most promising area for future development. Cambodian stakeholders especially demand greater German support for technical and vocational education (TVE).

There exists future cooperation potential with universities, research institutions, and development agencies to extend educational exchange programs bringing more Cambodians to Germany and vice versa. The same is true for cultural projects that build and promote intercultural relations.



## Introduction

Where are German-Cambodian relations heading? Do Germany and Cambodia share interests and values? Do they have a shared vision of the future that will deepen the relationship? What are the past achievements and future opportunities for German-Cambodian relations? Are there differences that could strain German-Cambodian relations? Germany and Cambodia have made significant progress in building a cooperative development partnership. Between 1994 and 2019, Germany had been a major bilateral donor to Cambodia with official development assistance (ODA) of approximately \$670 million.<sup>1</sup> Diplomatic relations did intensify with state visits by King Norodom Sihamoni, ministers, and state secretaries; although high-level meetings between the heads of governments of the two countries have not yet taken place. Germany has also overtaken the United Kingdom (UK) as the leading European trading partner of Cambodia. As concluded in our first study on German-Cambodian relations published by KAS in 2019: “the new relations built by a reunified Germany and pacified Cambodia over the past decades have...enhanced trust and mutual understanding between Germans and Cambodians and provide a solid foundation for the future.”<sup>2</sup>

This article answers the above-raised questions, intends to find out how solid the foundation for the common future is and provides policy recommendations on how to shape the future of German-Cambodian relations. The results of the second study on German-Cambodian relations are based on a contextual analysis of primary and secondary research data on German-Cambodian relations. Primary research was conducted between March and June 2020 in Phnom Penh. The authors conducted nine exploratory interviews with Cambodian and German stakeholders, including the Konrad Adenauer Stiftung (KAS), the German Embassy to Cambodia, the Global Business Network (GBN) Programme run by the German Development Agency GIZ, the European Chamber of Commerce (EUROCHAM), the German Business Group in Cambodia (ADW), the German-Cambodian Cultural Center Metahouse Goethe-Center, the Cambodian Ministry of Foreign Affairs and International Cooperations (MFAIC), the Ministry of Economy and Finance and Commerce (MEF), the Asian Vision Institute (AVI), and the Cambodian Institute for Cooperation and Peace (CICP). Primary data also include official publications and documents of the German and Cambodian governments, the European Union (EU), and ASEAN. Secondary research data were collected from reports and journal articles of the above-mentioned organizations and other research institutions. As the previous study dived deep into the history of the relations between the German Democratic Republic, Federal Republic of Germany and Cambodia, this study tries to avoid duplication by building on the interview findings and setting a focus on the future.

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1 Chheng, Niem: Germany \$14.6M aid agreement endorsed, Phnom Penh Post, June 10, 2020.

2 Weiß, Raimund and Hör, Robert: German-Cambodian Relations - From the Cold War Legacy to a Cooperative Development Partnership, Phnom Penh: Konrad Adenauer Stiftung (KAS) Cambodia 2019.

Regarding the exploratory interviews, it is important to mention that the names of interview partners from German and Cambodian stakeholders have been kept confidential because the interview results cannot be considered as official positions of those institutions and are therefore referenced as anonymous in the relevant citations. The aim of the exploratory interviews for this study has been solely to share ideas, criticism, views, recommendations, and perspectives on German-Cambodian relations in a learning process that is transparent, objective, and open for revision. Before publication, draft versions of the study were sent to all institutions to provide further feedback and to obtain consent for quotations. Once more, the interview partners were invited to provide their recommendations to build ideas for the future.

This study is structured in five parts: the first section provides an executive summary of the main findings. In the following two chapters, German-Cambodian relations are examined on the political level and analysed as to how these relations play out on the level of EU-ASEAN relations. In the next two chapters, relations are examined on the economic and socio-cultural levels. On all levels, the study aims to identify the general objectives and achievements of German-Cambodian relations, the differences that might put a strain on the development of the relationship, and the future development potential of the relationship. The study concludes with policy recommendations on how to shape the future of German-Cambodian relations.

## German-Cambodian political relations: foreign policy dilemmas and potentials

Differences over recent political developments in Cambodia and the partial withdrawal of trade privileges for Cambodia under the Everything but Arms (EBA) scheme by the European Union (EU) have put a strain on the development of German-Cambodian political relations. Some interview partners stated that there is now a “trust gap”<sup>3</sup> in German-Cambodian relations and that the “German government seems to not understand the Cambodian situation.”<sup>4</sup> One interview partner explained that “if Germany would weigh more on political than economic and socio-cultural relations, the relations would not improve beyond the current level.”<sup>5</sup> Several interviewed German stakeholders shared the opinion that the partial withdrawal of EBA trade privileges is counterproductive for both the German-Cambodian and the EU-ASEAN relations.<sup>6</sup> A German interviewee explained that because of political differences and the related EBA issue, the current challenge for Germany is not to improve but to maintain the political relations.<sup>7</sup> When stakeholders were asked to rate the political relations, three found them to be weak or rather weak, five found them to be balanced and only one found them to be rather good.

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3 Interview

4 Interview

5 Interview

6 Interview

7 Interview

German stakeholders perceive that Cambodia has halted democratization after the largest opposition party, the Cambodian National Rescue Party (CNRP) was dissolved just before the 2018 national elections, thus securing an electoral victory for the ruling Cambodian People’s Party. Cambodian stakeholders do not understand the German perception and consider any objections to recent political developments as interference in internal political affairs. Some Cambodians perceive that Germany might have played a central role in the European Commission’s (EC) decision to partially withdraw trade preferences.<sup>8</sup> After all, the current EC President Ursula von der Leyen who signed the EC decision was the longest-serving cabinet minister in various positions under German’s Chancellor Angela Merkel from 2005 to 2019.<sup>9</sup>

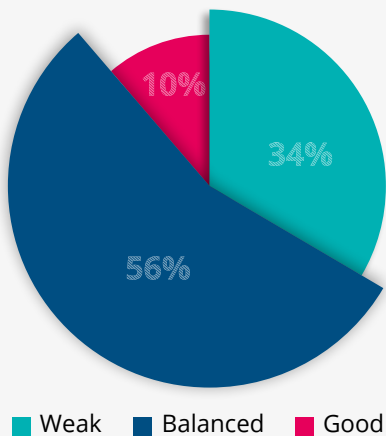
The EC has taken a hard position on the issue alleging “serious and systematic violations by Cambodia of the principles laid down in Articles 19, 21, 22, and 25 of the ICCPR.”<sup>10</sup> ICCPR

is the International Covenant for Civic and Political Rights from 1966. Article 19 refers to the right to freedom of expression. Article 21 and 22 refer to the rights to freedom of assembly and associations. Article 25 refers to the right to political participation.<sup>11</sup> The EC further stated in its decision “...that some improvements have been made on labour rights issues. However, serious shortcomings and violations remain on two issues, namely the conclusion of the civil and criminal cases against trade union leaders and the investigations of the murders of trade union leaders...”<sup>12</sup> Moreover, the EC objected to shortcomings “in the area of land registration, titling provisions...as well as issues regarding the right of indigenous communities.”<sup>13</sup>

The partial withdrawal of trade preferences under the EBA scheme has been

effective since August 12. The European Parliament and the Council of the European Union did not object to the EC decision. An estimated twenty percent of Cambodian exports to the

How would you rate the political relations between Germany and Cambodia?



**Figure 1:** Stakeholders responded to the question: How would you rate the German-Cambodian political relations? Source: Interview

8 Interview  
 9 BBC: “Ursula von der Leyen: First Woman to lead the EU”, January 7, 2020.  
 10 EC: Commission Delegated Regulation (EU) of 12.02.2020, C (2020) 673 final. Brussels, 12.02.2020.  
 11 UN: [https://treaties.un.org/Pages/ViewDetails.aspx?chapter=4&clang=en&mtdsg\\_no=IV-4&src=IND](https://treaties.un.org/Pages/ViewDetails.aspx?chapter=4&clang=en&mtdsg_no=IV-4&src=IND) (last accessed on July 23, 2020).  
 12 Ibid.  
 13 Ibid.

EU worth \$1 billion will be affected.<sup>14</sup> The Cambodian government perceives the partial EBA withdrawal to be a policy akin to the implementation of sanctions. The Ministry of Foreign Affairs and International Cooperation (MFAIC) declared that Cambodia "...regrets the unjust decision of the EC ... The application of the concept of 'serious and systematic violation' ... triggered by many misperceptions and misunderstandings about the actual realities in Cambodia, and ...has been applied arbitrarily...The government remains firm in its principled position in rejecting any attempt by external parties in their use of trade and development assistance as pretexts to justify their interference in Cambodia's internal affairs."<sup>15</sup>

Despite these political differences cooperation continued, the EU announced its decision to mobilise about \$504 million in grants and loans for the Cambodian government, partner institutions, and civil society organizations to fight the Covid-19 pandemic and to mitigate its negative socio-economic impacts.<sup>16</sup> Likewise, the German government did not cancel ODA or sever diplomatic relations with Cambodia. Germany appears to follow a foreign policy of "principled pragmatism"<sup>17</sup> along with other EU member states and the EC. The formula was developed by the EU in its global strategy paper in 2016. It means that EU member states foreign policies should comply with European values but with a pragmatic approach in staying engaged with states that are perceived to contradict these values. Member state foreign policies are guided and legally bound to the EU Common Foreign and Security Policy (CFSP). According to Article 24 of the 2007 EU Treaty, member states can pursue their foreign policy but are "obliged to support the CFSP and refrain from any action which is contrary to its interests."<sup>18</sup> The EU sees itself as a normative power that promotes European values. They include the values of "democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, the respect for human dignity, the principles of equality and solidarity, and the respect for the principles of the United Nations Charter and international law."<sup>19</sup> Also, the EU wants "to promote a rules-based global order with multilateralism as its key principle and the United Nations as its core."<sup>20</sup>

However, there are differences in the way the formula is adopted by EU member states. Sweden for example has ceased its ODA to the Cambodian government owing to political differences even though diplomatic relations were not severed. Sweden now only provides support and aid to civil society organizations that improve human rights, democracy, and the rule of law in the country.<sup>21</sup> Germany along with France and other EU member states

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14 Lindsay Skylar: "The partial withdrawal of EBA marks the failure of EU's engagement with Cambodia", ASEAN Today, February 25, 2020.

15 MFAIC: Statement of the Ministry of Foreign Affairs and International Cooperation on the Decision of the European Commission on Tariffs Preferences under the EBA regime. Phnom Penh, February 12, 2020.

16 Nharim, Khun: "EU providing over \$500 million for C-19 response", Khmer Times, June 12, 2020.

17 EU: "Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy, Brussels July 2016: 8.

18 Quoted from the German Federal Foreign Office: "Aims and Characteristics of CFSP", <https://www.auswaertiges-amt.de/en/aussenpolitik/europa/aussenpolitik/gasp/-/228304> (last accessed on May 26, 2020).

19 German Federal Foreign Office: "Aims and Characteristics of CFSP", <https://www.auswaertiges-amt.de/en/aussenpolitik/europa/aussenpolitik/gasp/-/228304> (accessed on May 26, 2020).

20 European Union: "Shared Vision, Common Action: A Stronger Europe. A Global Strategy for the European Union's Foreign and Security Policy", Brussels June 2016: 8.

21 Khmer Times: "Sweden cancels aid to Cambodia, shifting focus to civil society", June 13, 2020.

were more pragmatic than principled in their foreign policies with Cambodia. Germany only temporarily suspended partially finished projects and considered the withdrawal of preferential visas for private travel to Germany, including Prime Minister Hun Sen and his family, high ranking military officials, and the president of the highest court. As France rejected the suspension of preferential visas for any Cambodian citizens and due to the shared European single market, Germany decided not to suspend the preferential visas.<sup>22</sup> After the 2018 national elections, Chancellor Angela Merkel did congratulate Prime Minister Hun Sen for his re-election, using the occasion to point out that German-Cambodian “cooperation is rooted in the Paris Peace Agreement 1991 which also provides for the respect of human rights, principles based on the rule of law and democracy as well as free and fair elections...”<sup>23</sup> Also, the German government along with other EU member states and the EC did repeat requests to the Cambodian government that the treason charges against former opposition leader Kem Sokha be dropped, and that the political ban for former opposition members and activists be lifted.<sup>24</sup> The Cambodian government rejected the requests by insisting that the EU should not interfere into internal political affairs and the judicial process.

The interplay between pragmatism and principle is subject to a permanent balancing process dependent upon changing conditions on the ground. In current affairs, increased pragmatism and less focus on principle appear to have paid off as the complications in German-Cambodian political relations were overcome despite the two sides conflicting valuing of liberal democracy. In September 2019, a high-ranking Cambodian government delegation, including Deputy Prime Minister Sar Keng, the health minister, environment minister, and education minister visited Germany to strengthen cooperation and learn about Germany's system of decentralised public administration. Nevertheless, the high-ranking delegation did not have the opportunity to meet equally high ranked German officials, which might in the Cambodian context be perceived as disrespectful, even disparaging.<sup>25</sup>

In the same month, the incoming new German Ambassador to Cambodia, Christian Berger signalled to the Cambodian government that Germany wants to improve the relations: “Germany and Cambodia are friends. I hope I can contribute to strengthening this friendship.”<sup>26</sup> The German ambassador also highlighted that it is paramount for the Cambodian government to work closely with the EU commission and reassured Prime Minister Hun Sen regarding the EBA issue and economic relations: “Let us work hard to boost our economic ties, including building trust and finding a solution to EBA in all its facets ... Germany will not overlook issues that affect Cambodia and will try its best to help resolve the issue... however, Germany is only one of the EU members and could not unilaterally resolve the issue.”<sup>27</sup>

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22 Interview

23 Official translation as received from the German Federal Foreign Office on 01.02.2019. The German version can be found at Presse- und Informationsamt der Bundesregierung. “Telegramm von Bundeskanzlerin Merkel an den Ministerpräsidenten des Königreichs Kambodscha, Herrn Samdech Akka Moha Sena Padei Tech Hun Sen, anlässlich seiner Wiederwahl, 06.09.2018.

24 Narim, Khuon: “Calls for Kem Sokha's charges to be dropped after bail restrictions eased”, Khmer Times, November 13, 2020.

25 Sovuthy, Khy: “Sar Kheng in Germany to boost cooperation”, Khmer Times, September 25, 2019.

26 Quoted in Vida, Taing: “New German Ambassador to Cambodia arrives”, Khmer Times, September 3, 2020.

27 Sokhean, Ben: “Germany envoy advises government to work closely with EU on EBA status”, Khmer Times, November 1, 2019.

Germany also remains committed to the cooperative development partnership. In 2019, Germany provided \$34 million in concessional loans and another \$32 million in grants to develop rural infrastructure projects and to reduce poverty.<sup>28</sup> In 2020, the German Development Bank (KfW) disbursed an additional \$33 million in concessional loans and \$2 million in grants for projects to electrify rural areas that are implemented by the state-owned Electricity Authority of Cambodia.<sup>29</sup> German stakeholders might still want to enhance political relations in the hope that the development of Cambodia's economy, administration and education system functions as "a transmission belt to democratize Cambodia"<sup>30</sup>.

The pragmatic approach leaves the question open as to how the values conflict over liberal democracy can be overcome in future. While the formula of principled pragmatism has the advantage of a flexible approach to value challenges, it necessitates a permanent search for the right balance between principles and pragmatism in specific situations on site. The formula is criticized as interference in internal political affairs, and in the Cambodian case, for leading to double-standards. Cambodian stakeholders criticized the partial EBA withdrawal stemming from alleged human rights violations, contending that such an approach would also need to be equally applied to other states that have records of human rights violations, specifically Vietnam and Laos. Both are one-party states with a poor human rights record. The EU signed at the time of the partial EBA withdrawal, a free trade agreement with Vietnam, and maintained Laos' EBA status.<sup>31</sup> It



© German Embassy Phnom Penh

*The photo shows the Cambodian Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation Prak Sokhonn, together with the German Ambassador to Cambodia Christian Berger in front of the newly painted German embassy gate. The art symbolizes the path into a common future.*

28 Vicheika, Kann: "Germany to provide Cambodia \$66M in loans, grants for infrastructure, poverty reduction", VOA Khmer, May 17, 2019.

29 Vannak, Chea: "Germany disburses \$35 million in aid to electrify the Kingdom", Khmer Times, December 9, 2019.

30 Interview

31 Rathavong, Ven: "Cambodia versus the EU's double standards", Khmer Times, October 15, 2018.

is clear that a free trade agreement and the EBA scheme are different, but the perception in Cambodia seems less differentiated on this topic than the more technocratic EC. It is perceived by many Cambodians as clearly unfair, a double standard, and devaluing the overall developmental picture in Cambodia.

A different venue for the improvement of German-Cambodian political relations other than democratization could be international politics. Germany and Cambodia share a commitment to a rules-based international order and multilateralism. This commitment has been outlined by the German government in recently adopted policy guidelines on the Indo-Pacific region titled 'Germany-Europe-Asia: shaping the 21st century together'.<sup>32</sup> The Cambodian government reconfirmed its commitment to a rules-based international order and multilateralism during the annual MFAIC conference in February 2020 where the main principles of Cambodia's foreign policy were outlined.<sup>33</sup> One of our Cambodian interview partners explained that Germany could look for ways to upgrade the relationship to a strategic partnership by "supporting Cambodia to have a credible voice and influence in regional and global affairs."<sup>34</sup> The 13th Asia-Europe Meeting (ASEM) under the theme "Strengthening Multilateralism for Shared Growth"<sup>35</sup> that will for the first time be hosted and chaired by Cambodia provides such an opportunity. ASEM is an annual forum for dialogue between Europe and Asia that brings the heads of states and governments from 51 states together. The 13th ASEM should have been held in Cambodia in November 2020 but has been rescheduled to a yet unknown date in 2021 because of the Covid-19 pandemic. ASEM is expected to help promote Cambodia's international image and to demonstrate the Cambodian governments' commitment to a multilateral international order.<sup>36</sup>

## Implications for the future of EU-ASEAN relations

Interview partners share the opinion that German-Cambodian relations need to be seen in the context of EU-ASEAN relations. A German stakeholder stated: "it is important from a German perspective to understand ASEAN better and the role which each ASEAN member state plays in the organization. I believe it is too less understood in Germany that one ASEAN member state can paralyze important ASEAN functions. Germany looks more at ASEAN as a construct than the important role that individual member states play in it."<sup>37</sup> A Cambodian interview partner pointed out that Germany could consider in future "to see a unique opportunity in having Cambodia play a pivoting role to bring the EU closer to ASEAN and vice versa."<sup>38</sup>

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32 German Federal Foreign Office: "Germany-Europe-Asia: shaping the 21st century together: The German Government adopts policy guidelines on the Indo-Pacific region", Berlin September 1, 2020, website: <https://www.auswaertiges-amt.de/en/aussenpolitik/re-gionaleschwerpunkte/asien/german-government-policy-guidelines-indo-pacific/2380510>

33 Editorial: "Cambodia's Foreign Policy 2020", Khmer Times February 4, 2020.

34 Interview

35 MFAIC: "Towards the 13th ASEM Summit 2020 in Cambodia, Phnom Penh January 31, 2020.

36 Hör, Robert: "ASEM Summit 2020 – Shining on the Global Stage", Southeast Asia Globe, March 16, 2020.

37 Interview

38 Interview



*The photo shows the German Chancellor Angela Merkel and the President of the EC commission Ursula von der Leyen. Both represent the core values of the European Union: Human dignity, freedom, democracy, equality and the rule of law.*

Fundamental geopolitical changes in Southeast Asia challenge EU and German foreign policy. In the 1990s, Southeast Asia was dominated by the USA with the support of the EU and Japan in a unipolar system replacing the bipolar system of the Cold War. Today, ASEAN member states no longer need to rely solely on the USA and its allies. China as a new global power seems an attractive alternative. In the past, major economic and political transitions in the region were shaped by the unipolar system but this seems to have changed. From a Western perspective, Cambodia, as a post-conflict state, should have become a role model for peacebuilding and development through privatization, marketization, and democratization. But today this formula only partially applies and there is still a long way to go.<sup>39</sup> Even though the EU, including Germany, and other leading EU member states did support peacebuilding and development in Cambodia, the transformation into a liberal market economy and democracy had so far only had partial success. Cambodia appears to have developed a “unique democracy”<sup>40</sup> as titled by the Cambodian daily newspaper Khmer Times, and is, as claimed by a quoted Cambodian official “...a democracy based on its circumstances and reality...”<sup>41</sup>

Cambodia also no longer mainly depends economically on the EU, the USA, and Japan. Between 1994 and 2014, China contributed 43% of all foreign direct investment (FDI) in Cambodia before South Korea (11%), Vietnam (7%), Japan (6%), Singapore (6%), and other countries (27%).<sup>42</sup> Chinese FDI further increased until 2018, when it totalled \$4 billion – ahead of the

39 Peou, Sorpong: “The Limits and Potential of Liberal Peacebuilding for Human Security”, Asian Journal of Peacebuilding, Vol. 2, No. 1 (2014): 37-60.

40 Prum Sokha, Secretary of State at the Ministry of Public works quoted in Sovuthy, Khy: “Cambodian democracy is unique: official”, Khmer Times April 4, 2020.

41 Ibid.

42 Piset, Hin: “China still No. 1 source of FDI”, Phnom Penh Post, September 23, 2019.



EU (\$1.092 billion), Japan (\$650 million), and the USA (\$308.1 million).<sup>43</sup> China is also Cambodia's largest aid donor. From 2017 to 2019, China provided bilateral aid worth \$1.265 billion, ranking ahead of Japan (\$514 million), the USA (\$248 million), and the EU (\$206 million).<sup>44</sup>

It seems the EU cannot increase its influence in the region because China has countered the EU's principled pragmatism with a foreign policy of "no strings attached." The result is a successful expansion of China-ASEAN relations. With the ASEAN-China Free Trade Area and the ASEAN-Strategic Partnership, China has become the largest trading partner of ASEAN (23.6%) ahead of the EU (11.9%) and the USA (11.7%).<sup>45</sup> In 2018, China has also overtaken the USA as the third-largest foreign investor in the ASEAN region and is now just behind the EU and Japan.<sup>46</sup>

The EU has gone a long way of financial and technical support to strengthen the relations with ASEAN. Among others, the EU adopted in 2007 a declaration on an "Enhanced EU-ASEAN Partnership", in 2013 a "Plan of Action for an Enhanced Partnership" and a "Plan of Action for an Enhanced Partnership 2014-2020."<sup>47</sup> Furthermore, in 2012, the EU acceded to the ASEAN Treaty of Amity and Cooperation and is now a dialogue partner in the ASEAN Regional Forum, in ASEAN-EU Ministerial Meetings and ASEAN-EU Senior Officials Meetings and is also the biggest donor of the ASEAN Secretariat.<sup>48</sup> Yet, the EU has not been able since 2007, to upgrade EU-ASEAN relations to a strategic partnership and an inter-regional free trade area.

Against this background, the EBA issue with Cambodia is even more concerning. When the EU prioritizes principles over pragmatism, it could have negative implications for upgrading the EU-ASEAN relations. While the Cambodian government has stated that "Cambodia remains committed to further enhancing its relations with the EU based on the spirit of mutual respect and interest,"<sup>49</sup> Cambodia could still respond to the partial loss of the EBA with attempts to delay or to block EU-ASEAN negotiations that aim to upgrade the relations into a strategic partnership and an inter-regional free trade area. Cambodia could do so because in ASEAN a consensus rule applies to decision-making. Cambodia would, in such a scenario, not be the first ASEAN member state which would have done so. Malaysia and Indonesia have delayed negotiations to upgrade EU-ASEAN relations since 2019 in response to their loss of EU trade preferences for palm oil exports because of EU human rights and environmental concerns.<sup>50</sup> The recognition of economic and diplomatic mid- to long-term self-interest by respective leaders appears as a crucial factor to avoid delays and blocks.

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43 ASEAN Secretariat: ASEAN Statistical Yearbook 2019, Jakarta 2019.

44 Cambodian Rehabilitation and Development Board, Council for the Development of Cambodia (CDC): The Cambodia ODA Database 2019, <http://odacambodia.com> (accessed on May 25, 2020).

45 European Commission: European Union, Trade in Goods with Cambodia 2019, Brussels May 8, 2020.

46 ASEAN Secretariat: ASEAN Statistical Yearbook 2019, Jakarta 2019.

47 ASEAN Secretariat: "EU-ASEAN Plan of Action (2018-2022)", <https://asean.org/storage/2017/08/ASEAN-EU-POA-2018-2022-Final.pdf> (accessed on May 26, 2020).

48 EEAS: "The EU-ASEAN relationship in twenty facts and figures", [http://eeas.europa.eu/archives/docs/factsheets/docs/20150513\\_key-facts-and-figures\\_eu-asean\\_en.pdf](http://eeas.europa.eu/archives/docs/factsheets/docs/20150513_key-facts-and-figures_eu-asean_en.pdf) (accessed on May 26, 2020).

49 MFAIC: Press Release "On the decision of the European Commission on Tariffs Preferences under the EBA regime", Phnom Penh February 12, 2020, <https://www.mfaic.gov.kh/site/detail/41099> (accessed on June 7, 2020).

50 Knapp-Maier, Naila: "The Palm Oil Conundrum in EU-ASEAN Relations", *The Diplomat* March 2, 2020.

The relevance of ASEAN for the EU and Germany is also reflected in the new Indo-Pacific Guidelines of Germany, which point out the interest ASEAN centrality and seeks to deepen relations through a deeper involvement in ASEAN fora, summits, and institutions. This also includes cooperation for sustainable development of the Mekong. ASEAN is seen as the main partner to achieve a rules-based international order and sustainable economic connectivity in the analogue and digital world. Cambodia would be an important partner to achieve these aims.<sup>51</sup>

## Current state and future potentials of German-Cambodian economic relations

Cambodian and German stakeholders perceive that there is strong potential to expand economic relations while others remain sceptical, emphasizing that significant challenges persist. When asked to rate economic relations, four found them to be rather weak, three found them to be balanced, and only one found them to be very good. German stakeholders who rated them balanced to very good stated that “Cambodia has an interest in German technology. There is sensibility and knowledge that German products are of high quality. Cambodia could establish itself as a part of regional and global value chains and by that mitigating the limiting factor of market size, as the garment sector has proven. Cambodia has the interest to develop this potential with German investors”<sup>52</sup>, and “Cambodians eminently respect the German economy and expertise.”<sup>53</sup> Cambodian stakeholders stated that “Germany is one of the developed countries in Europe possessing a lot of resources and expertise in various sectors. It is crucial to transfer these resources and expertise to developing countries like Cambodia”<sup>54</sup>, and “Cambodians love German products because of their quality.”<sup>55</sup> German stakeholders who rated them as rather weak explained that “German companies see Cambodia as a very small market and that it will need long-term preparatory work to establish production in Cambodia. They see that it requires an enormous effort and that Cambodia is too far from Germany. Another main reason cited is that Cambodia is situated between Thailand and Vietnam where the German economy and industry are already strongly engaged. To develop now something in Cambodia that would need a strong will, but not because it makes economic sense but because you want to help the country.”<sup>56</sup>

The reasons for these differing perceptions about the development potential of German-Cambodian economic relations are diverse. Cambodia as a post-conflict state that is perceived to be politically fragile and needs large investments to build economic capacity, including human resources, infrastructure, and an effective legal system to attract German companies. Besides, the Cambodian market has long been perceived by German companies to lack demand for high-end German products because of the relatively small size of the

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51 German Federal Foreign Office - Policy guidelines for the Indo-Pacific region 2020

52 Interview

53 Interview

54 Asian Vision Institute (AVI), Unofficial Written Interview, Phnom Penh, May 2020.

55 Interview

56 Interview



*Environmental technologies and German know-how in the field of green economies provide a solid base for future cooperation and a shared vision of a sustainable future.*

Cambodian middle- and upper classes. German companies have for these reasons initially not invested in the country even though an investment promotion and protection agreement has been already signed in 2002.<sup>57</sup>

On the other hand, the interviews also revealed that perceptions among German stakeholders about Cambodia's investment potential are changing. Cambodia's economy has improved in the past decade significantly in terms of human resources, infrastructure, and production capacities. FDI has significantly increased. Alone in 2019, Cambodia recorded its highest ever FDI of \$3.8 billion, coming mostly from China, intra-ASEAN sources, and Japan. FDIs are driven by the manufacturing sector and services in finance and insurance.<sup>58</sup> Also, there is an increased demand for German technology and high-end products as Cambodia's middle class is growing.<sup>59</sup> German companies might be attracted by this new market dynamics in Cambodia considering they are among the top ten foreign direct investors in the ASEAN free trade area, a region that via free trade agreements is also well-connected to the markets of South Korea, China, India, Japan, Hong Kong, Australia, and New Zealand.<sup>60</sup>

In the meantime, Cambodia has already become a reliable long-term trading partner for German companies. Cambodia exports mainly garments, textiles, footwear, and bicycles to Germany. Between 2012 and 2019, German-Cambodian trade volume increased from \$880 million to \$2 billion. Major German companies that produce and trade with Cambodia are

57 That is the German company ECO PARTS CO Ltd. See Weiß, Raimund and Hör, Robert (2019), 23.

58 UN Conference on Trade and Development (UNCTAD): World Investment Report 2020, United Nations 2020.

59 Interview

60 ASEAN Secretariat: Free Trade Agreements with Dialogue Partners, <https://asean.org/asean-economic-community/free-trade-agreements-with-dialogue-partners/> (last accessed on June 26, 2020).



Adidas, Puma, Deichmann, C&A, Aldi, Lidl, and Tchibo. They provide Cambodia a trade surplus of \$1.76 billion, the second-largest trade surplus after the USA with \$5 billion.<sup>61</sup> Noteworthy here is the fact that German trading companies along with other European companies in Cambodia have spoken out against the partial EBA withdrawal. In an open letter to the EC, they argued that withdrawal “will be tantamount to sanctions that will jeopardize European investments, the European business community, European development initiatives, and the livelihoods of Cambodian citizens.”<sup>62</sup> In recent years, agricultural goods have also gained access to the German market. According to the Global Business Network (GBN) Program run by the German development agency GIZ, “the country’s crops are recognized as some of the best in the world, as evidenced by the award-winning rice and geographic indicator (GI) status for varieties of pepper, durian, pomelo, and sugar.”<sup>63</sup> German imports of Cambodian agricultural goods have increased since 2017, and include among others, rice (2016: 16,616 tonnes), pepper (2017: worth \$997.000), bananas (2017: worth \$348.000), fresh berries (2017: worth \$23.000) and rice noodles (2017: worth \$135.000).<sup>64</sup>

It is also noteworthy that several German companies expanded their business operations in Cambodia which appears to confirm perceptions of changing Cambodian market potential. In 2018, leading German health care company Fresenius established a strategic partnership with Hong Kong-based health care company Zuellig Pharma to serve the Cambodian mar-

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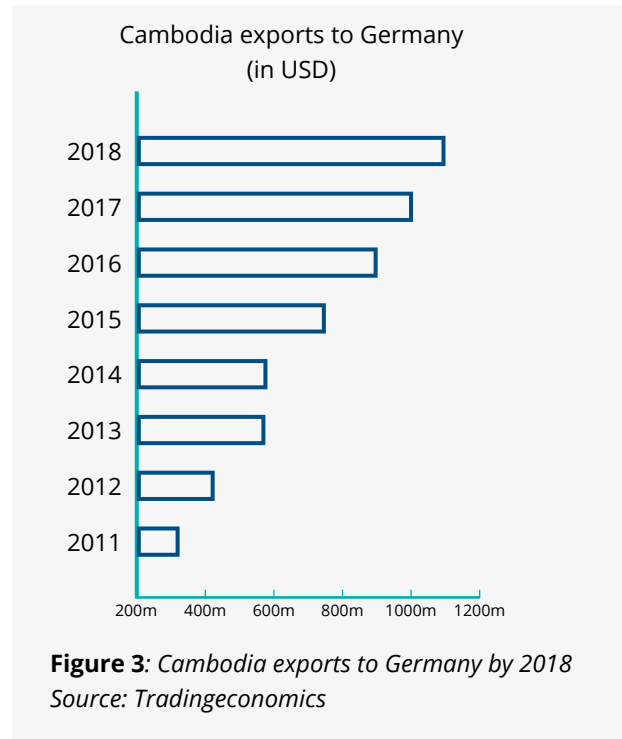
61 UN Comtrade Database, <https://comtrade.un.org/data/> (last accessed on June 22, 2020).

62 EuroCham Cambodia Press Release: “EuroCham calls the European Commission for sober second thought on ‘Everything but Arms’ trade partnership withdrawal”, Phnom Penh September 24, 2020.

63 GBN: “Partnership Ready Cambodia: Agriculture and Food Processing”, Eschborn January 2020: 1.

64 Ibid.

ket.<sup>65</sup> Bosch, a world-leading German-owned multinational engineering and electronics company, and the German-owned BASF, the worldwide largest producer of chemicals have recently expanded business operations. Bosch opened in 2013 a Cambodian subsidiary that provides safety technology for the automotive industry, and in 2018 opened a business hub in Phnom Penh.<sup>66</sup> BASF, which has been active in Cambodia since 2014 through distribution partners opened a Cambodian subsidiary in 2019. BASF offers chemicals, performance materials, nutrition, and health and agricultural solutions.<sup>67</sup> DEG, a German Investment Cooperation provided in March 2020 a long-term loan of \$15 million in addition to a long-term loan of \$20 million provided in 2019, to the Cambodian-owned ACLEDA Bank in support of the bank's lending operations for small- and medium-sized Cambodian enterprises.<sup>68</sup>



A further indicator for improved German-Cambodian economic relations is that well-known German companies maintain their activities in sales and services in Cambodia although they have not yet built production facilities. They include the automobile manufacturers Audi, BMW, Mercedes, and Porsche, the logistic companies DB Schenker, DHL, Kuehne+Nagel, Rhenus Logistics, the technology companies Siemens, Würth, Rieckermann, and the trading companies Melchers and Trading House. Also, several other German companies are members of ADW that offer various consulting services in sectors such as telecommunication, green technologies, insurance, banking, trade, transport, manufacturing, agroindustry, engineering, and logistics.<sup>69</sup>

The new market dynamics in Cambodia appear to have led to a gradual priority shift in the German-Cambodian cooperative development partnership from development aid and technical cooperation to the promotion and support of economic relations.<sup>70</sup> Among others, the BMZ supports the German Business Group ADW and EuroCham Cambodia. ADW represents German companies operating in Cambodia.<sup>71</sup> EuroCham Cambodia was founded by

65 UNCTAD: World Investment Report 2020.

66 Sokhoring, Cheng: "Bosch leads Kingdom in road safety", Phnom Penh Post December 17, 2018; ASEAN Secretariat/UNCTAD: ASEAN Investment Report 2019, Jakarta 2019.

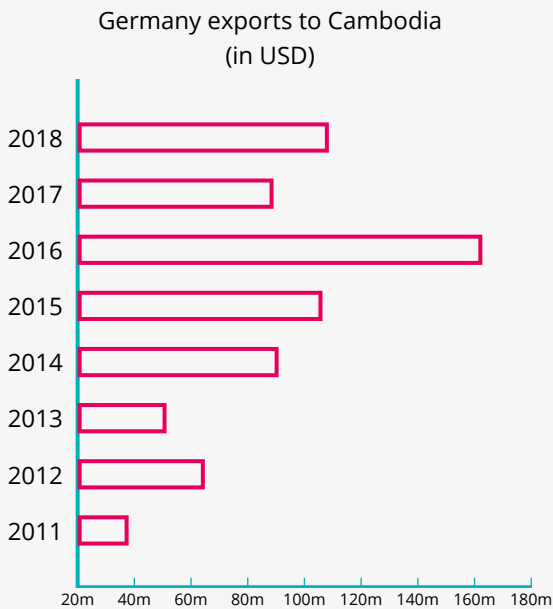
67 BASF News Release: "BASF expands market coverage with a new company in Cambodia", January 16, 2019.

68 DEG Press Release: "Loan of USD 15 million for long standing partner ACLEDA", May 8, 2020.

69 EuroCham Cambodia: Members Directory, <https://www.eurocham-cambodia.org/members-directory> (last accessed on June 26, 2020).

70 Interview

71 German Business Group Cambodia (Arbeitskreis Deutsche Wirtschaft – ADW), <http://www.adw-cambodia.org/about-us.html> (last accessed on June 24, 2020).



**Figure 4:** Germany exports to Cambodia by 2018

Source: *Tradingeconomics*

ADW, and French and British business associations in 2011 and currently has over 350 members.<sup>72</sup> The German business network also includes the German Chamber of Commerce Abroad (AHK) and German Trade & Invest (GTAI). In 2018, the BMZ and the German Business Group/EuroCham Cambodia have formalised cooperation by implementing the GIZ Global Business Network (GBN) Program. In the framework of the GBN, a business and cooperation desk was set up at EuroCham Cambodia and the German Business Group. The business and cooperation desk has so far advised 157 business companies and enhanced contacts between Cambodian, German and European companies.<sup>73</sup> Among others, GBN, GIZ, and ADW have organized together with the Delegation of German Industry and Commerce in Myanmar (AHK) a Conference on Industrial and Commercial Solar in Cambodia that has brought together 100 German and Cambodian companies to initiate cooperation and seek investment opportunities.<sup>74</sup>

In 2020, GBN published several studies on potential business opportunities for German companies and identified agriculture, infrastructure and environment as the sectors with the strongest development potential. The focus on environment and agriculture also reflects the general German government position that climate change and environmental protection are one main pillar of cooperation. In the agricultural sector, German companies could supply high-quality crop seeds, machinery for the agriculture production process, and solar-powered pumps for irrigation. German companies could get involved in agro-processing of dairy products, cashew nuts, sugar, fruits, fish products, meat and cassava, and support services including post-harvest sorting, conditioning, packing, and certification. Import opportunities for German companies also include niche-products such as exotic fruits (durians, rambutans), new varieties of exotic fruits (yellow passion fruit, green bananas), and high-quality organic products.<sup>75</sup>

Germany is also perceived by interviewed stakeholders as a leading country in environmental

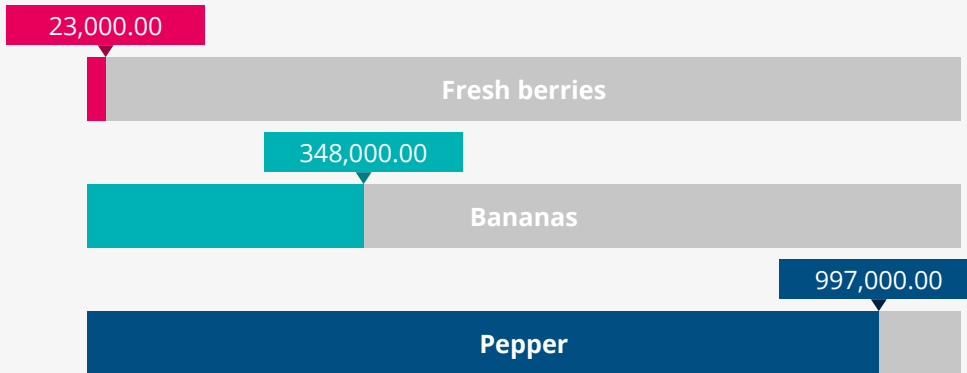
72 EuroCham Cambodia, <https://www.eurocham-cambodia.org/about/overview> (last accessed on June 24, 2020).

73 ADW News: "Business & Cooperation Desk within the German chapter of EuroCham established", August 29, 2018, <http://www.adw-cambodia.org/about-us.html> (last accessed on June 24, 2020).

74 Kunmakar, May: "German companies poised to storm the Kingdom's solar frontier", Phnom Penh Post, November 4, 2019.

75 GBN: "Partnership Ready Cambodia: Agriculture and Food Processing", Eschborn, January 2020.

Cambodian Non-rice Agricultural Goods Export to Germany in 2017  
(Worth in USD)



**Figure 5:** Cambodian Non-rice Agricultural Goods export to Germany in 2017

technology.<sup>76</sup> Germany could provide smart and efficient cooling and ventilation systems, and insulation material to build green buildings. In the waste management sector, Germany's world-leading recycling companies could provide logistics for industrial waste collection and transportation services, technologies for the processing of specific waste types and the production of electricity from waste and organic waste composting as well as technologies and expertise for the recycling of plastic, hazardous, medical, and e-waste.<sup>77</sup> However, business contacts often remain at the conceptual and delegation-level without concrete, visible projects.<sup>78</sup>

However, that could change when German-Cambodian economic relations are intensified via the framework of the EU-Asia Connectivity Strategy 2018 and the Masterplan on ASEAN Connectivity 2025. The EU and ASEAN plan major investments in sustainable connectivity over the next decade. Germany actively supports these projects as outlined in the foreign policy guidelines on the Indo-Pacific region. The German government wants to connect spaces and markets in and between regions through a rules-based digital transformation. German companies are also leading providers of Industrial Revolution 4.0 technologies for machine and production processes from which Cambodian companies could benefit.<sup>79</sup>

It is also important to recognize the rapidly growing Cambodian tourism sector that is perceived to offer further business opportunities. Interviewed German and Cambodian stakeholders stated that Germany would have the potential "to become a stronger partner in

<sup>76</sup> Interview

<sup>77</sup> GBN: "Partnership Ready Cambodia: Waste Management", Eschborn, November 2019.

<sup>78</sup> Interview

<sup>79</sup> German Federal Foreign Office 2020

Cambodia's tourism" <sup>80</sup> and that "German-Cambodian cooperation in the tourism sector could be further improved."<sup>81</sup> Cambodia counted 6 million tourist arrivals in 2018, a three-fold increase compared to 2009 when 2 million tourists visited the country. A total of 845.000 visitor arrivals from Germany were counted in the same period, ranking the country third behind France and the UK on tourist arrivals from Europe.<sup>82</sup> Expansion of relations in the tourism sector could also rely on German tourism companies already operating in the country. Cambodia is a tourist destination that has increased in popularity among German travel agencies. For example, one German online travel agency named the city of Siem Reap, near Angkor, as the 2019 top travel destination in Southeast Asia.<sup>83</sup>

## German-Cambodian socio-cultural relations: future educational, science and cultural potentials

Cambodian and German stakeholders share the opinion that socio-cultural relations have a strong development potential. Historically, relations began with a cultural fascination due to the visit of Adolf Bastian in the 19th century and his travel book as well as his Angkor exhibitions. This cultural fascination was revived after the Cold War. When interviewed stakeholders were asked to rate the socio-cultural relations, three found them to be rather good and an equal number that they are balanced. Only two found them weak or rather weak. In education and science in particular, German and Cambodian stakeholders perceive that more could be done. They recommended that "Germany should engage Cambodia more robustly in cultural exchange, tourism, academic, and think-tank exchanges, offer more scholarships, and promote intellectual exchanges"<sup>84</sup> and "Germany should help Cambodia to improve its human resources. Germany has a good experience to upgrade and improve the skills of workers."<sup>85</sup>

Cambodian and German stakeholders often mentioned that the best way to build sustainable German-Cambodian relations is through educational exchanges. One interviewee stated that "with educating Cambodian students, we gain partners. Germany has much to offer as an educational site. Few Cambodians are aware of this opportunity."<sup>86</sup> It is widely remembered among German and Cambodian stakeholders that in the 1980s, educational exchanges were more intensive between the former German Democratic Republic (GDR) and the People's Republic of Kampuchea than they are today. It is estimated that up to 4,000 Cambodians had participated in training and education programs in technical and vocational training and education centres and universities in the GDR.<sup>87</sup> These exchanges have helped to build German-Cambodian relations. Today several Cambodians from this

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80 Interview

81 Interview

82 ASEAN Secretariat: ASEAN Statistical Yearbook 2019, Jakarta 2019.

83 Bunthoeun, Chhut: "Siem Reap named top tourist destination in Southeast Asia", Khmer Times, May 1, 2019.

84 Interview

85 Interview

86 Interview

87 See previous KAS report on German-Cambodian relations 2019



era work in the government, speak German, and have maintained good relations with their German colleagues.<sup>88</sup>

Since the 1990s, education exchange programs have been mainly promoted at the level of Cambodian and German tertiary education and research institutions; but they have remained limited in scope. As outlined in the previous KAS report on German-Cambodian relations, on average only about sixty students annually visited Germany mostly for short-term educational exchange programs. These programs also appear to lack visibility among the Cambodian and German public.<sup>89</sup> The same can be said for capacity building programs for Cambodian government officials that had been held in Germany. For example, it has been reported that annually only one or two Cambodian officials from the MFAIC are trained at the German Federal Foreign Office, though that number increased to 13 officials in 2018.<sup>90</sup> Also, technical and vocational education and training programs (TVET) to build skills of Cambodian workers have so far been very limited.<sup>91</sup> The focus of the German development cooperation in education appears to have been mainly to educate and train Cambodians in their country with funding of visiting German guest professors and experts sent by German universities, research institutions, and development organizations.<sup>92</sup>

88 See previous KAS report on German-Cambodian relations 2019

89 See previous KAS report on German-Cambodian relations 2019

90 Interview

91 ADW Press Release: "Leading German Companies Support Polytechnic Institute of Banteay Meanchey Province", Phnom Penh February 26, 2019.

92 Interview



*The German concept of industry 4.0 provides diverse opportunities for Cambodia and Germany to cooperate in the field of science and industrial development.*

According to one interviewee, the reason is that Germany, unlike the USA, Australia, and France does not have a large exile community of Cambodians through which strong networks for educational exchanges could have been built.<sup>93</sup> Also, Germany lacks a marketing and branding strategy that is comparable to the USA, France, Australia, and the UK with scholarship programs at prestigious universities. Furthermore, there is a lack of knowledge of the German language, even though Germany has increased its educational exchange programs in the English language, they are still not well-known among Cambodians. Several interviewees have also emphasized that German language programs should be more promoted to attract Cambodians for educational exchange programs in Germany.<sup>94</sup>

Other interviewees mentioned Germany's dual TVET education system that is perceived as best practice and could be exported to Cambodia as an innovative project to upgrade Cambodian worker skills.<sup>95</sup> Indeed – as noted above - Cambodian demand for TVET programs is growing. For example, the Cambodian Ministry of Education has signalled support for such programs with changes in its national educational strategy that only allows higher education institutions to receive licenses when they offer scientific-, technical-, engineering-, and mathematical programs.<sup>96</sup> As recommended by German and Cambodian stakeholders, German public institutions and the private sector could provide expertise and technology to develop such programs. It would allow Cambodia and Germany not only to improve socio-cultural relations but also to expand their investment and business opportunities. Cambodian and German stakeholders suggested that “Germany could train and educate skilled workers to progress in potential investment sectors”<sup>97</sup>, and “a technical college with German support could be opened in Cambodia.”<sup>98</sup>

Besides education, interview partners found that Germany and Cambodia have enhanced their socio-cultural relations because of long-term cooperative efforts to conserve Angkor. According to one interviewee, “this cooperation project might be the most advanced because of its permanence.”<sup>99</sup> For twenty years, the German government-funded German Apsara Conservation Project (GACP) has worked in close cooperation with the Cambodian governmental conservation authority APSARA, and UNESCO for the conservation of Angkor. Cambodia's

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93 Interview

94 Interview

95 Interview

96 Vannak, Chea: “Education Ministry to Restrict Issuance of Educational Licenses in the Private Sector”, *Khmer Times*, Phnom Penh June 27, 2015.

97 Ibid.

98 Interview

99 Interview

cultural heritage was exhibited by Germany for the first time at the World Expo Hannover 2000 which attracted 40 million visitors.<sup>100</sup> About 60 conservation projects were implemented by GCAP in close cooperation with APSARA and UNESCO. In 2006, King Norodom Sihamoni honoured this cultural cooperation with a state visit to Germany as outlined in the previous report.<sup>101</sup> Also, GACP provides - together with the Royal University of Fine Arts - training and workshops for Cambodian restaurateurs. In 2018, 18 Cambodian students graduated a two-year vocational training program in stone conservation and were directly employed by APSARA.<sup>102</sup>

German and Cambodian stakeholders have also pointed to the development potential of intercultural art projects. Among others, large projects in schools and universities for 40,000 students up until 2020 continue to be conducted by the German-Cambodian Cultural Centre Meta House Goethe-Centre and its umbrella organization, the Cambodian-German Cultural Association (KDKG) in cooperation with the Ministry of Education, Youth & Sport. For example, the three-year theatre and peace dialogue project "Turtle Club" has engaged with 1,000 civil parties to the Extraordinary Chamber in the Courts of Cambodia to prosecute Khmer Rouge crimes (ECCC). It brought victims of the Khmer Rouge together with the younger generation of Cambodians to share their memories and to cope with the kingdom's difficult past. This project was partly based on Meta House's 'Art of Survival' exhibition project in 2007, which for the first time brought young and old Cambodian artists together to enter into intergenerational dialogues about the Cambodian genocide. Other theatre interventions in schools and universities deal with topics such as women's empowerment or alcohol abuse. Also of note is a project by the Germany Embassy that brought German and Cambodian artists together to produce a painting at the embassy's gate to memorize the Cambodian Independence Day on November 9, 1953, and the 30th anniversary of the fall of the Berlin Wall on the same day.<sup>103</sup> Stakeholders also mentioned the potential to develop, with German support, art markets and cultural industries in Cambodia.<sup>104</sup>

## Policy recommendations

### Foreign policy recommendations:

Main finding: Cambodia and Germany should deepen their political relations. Mutual perceptions and differences have to be permanently questioned and the vision of where to go together commonly developed. This can be achieved by:

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100 Pheap, Aun: "Cambodia shows its style in Germany", Phnom Penh Post August 4, 2000.

101 See previous KAS report on German-Cambodian relations 2019

102 GIZ: "Special Programs", <http://giz-cambodia.com/about-us/> (last accessed on June 29, 2020).

103 German Embassy to Cambodia Press Release: "30 years fall of the Berlin Wall - The Embassy gate is painted", Phnom Penh November 9, 2019.

104 Metahouse, Unofficial Interview, Phnom Penh April 17, 2020.

*Promoting rules-based multilateralism:*

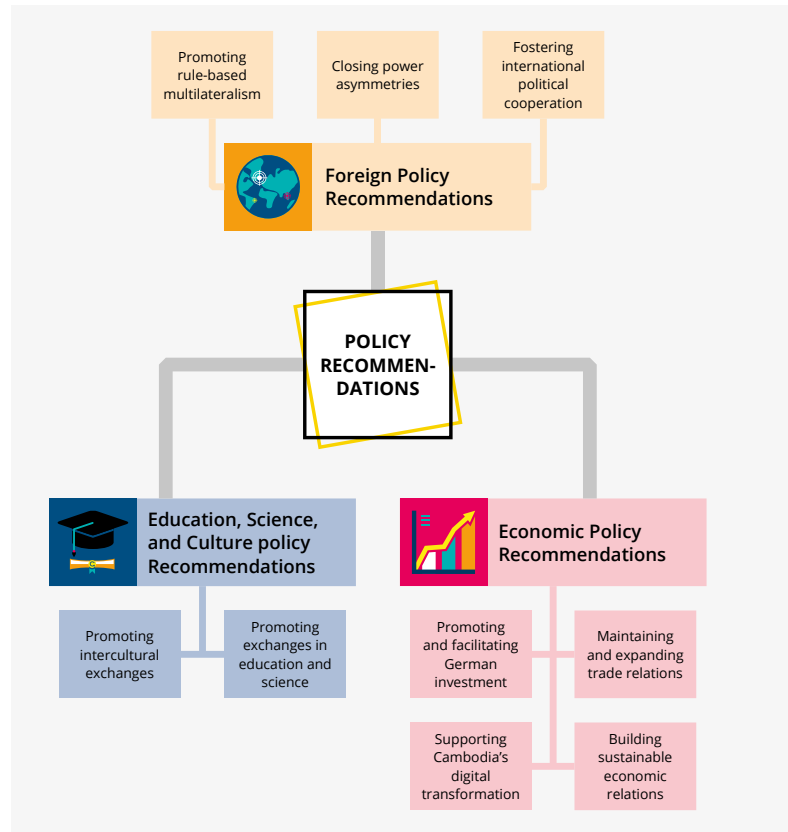
German and Cambodian representatives need to be more understanding when it comes to value differences. In particular, when it comes to the question of democracy in Cambodia, German actors have to thoroughly weigh the consequences in the context of other high priorities such as regional security in the Mekong region or the South China Sea, climate change, and ASEAN. On the other hand, Cambodian representatives have to understand and respect the technocratic and value-based European-German approach in its international policies. Both mutual understanding as well as a focus on common interests are key to future multilateral cooperation, as opposed to creating win-lose situations. In order to avoid negative perceptions and a single-topic orientation at the ASEM summit 2021 – as took place at the ASEAN summit 2018 in Myanmar, where the government of Myanmar was exposed to sharp criticism related to the Rohingya question - the Cambodian government has the chance to resolve potential conflict beforehand.

*Closing power asymmetries:*

Diplomatic meetings and exchanges on the level of heads of states and governments, the ministerial level as well as with other relevant representatives need to be increased. It is paramount to organize such dialogues on eye-level without power or status asymmetries. ASEM 2021 provides a good opportunity to raise the level of diplomatic meetings.

*Fostering international political cooperation:*

ASEAN provides a multilateral forum to facilitate the deepening of political relations between Cambodia and Germany. The EU Asia Connectivity Strategy 2018 and the Masterplan for ASEAN connectivity provide an innovative roadmap to deepen German-



Cambodian political relations via connectivity projects that promote knowledge and expertise transfer in digital technologies and related policy frameworks.

### **Economic policy recommendations:**

Main finding: Germany and Cambodia should expand their economic relations. There is significant development potential that can be realized through the following policies:

#### *Promoting and facilitating German investment:*

The German and Cambodian governments should support the private sector in Cambodia and Germany with incentives to promote investment in sectors in which Germany has outstanding expertise and Cambodia promising development potential. These are the agriculture, infrastructure and food-processing, and environmental sector as identified by GBN. Particularly, these include:

- Projects supporting Cambodia's energy transition to renewable energy as Cambodia is highly affected by climate change and natural disasters.
- Projects supporting Cambodia's waste management, especially projects that promote a circular economy by applying worldwide leading recycling technologies from Germany

#### *Maintaining and expanding trade relations:*

Germany and Cambodia need to further expand their trade relations with the support of their respective governments and private companies in sectors that have strong development potential in Cambodia. Particularly this includes:

- In the short term, the Cambodian government should consider actions to recover its prior EBA status. Trade preferences are crucial for the recovery of the garment sector in a Post-Covid-19 era. The consideration of a free trade agreement at the current state seems unrealistic due to economic limitations and generally strained relations.
- Government and private sector support for market analysis to assess the trade potential of agriculture products and projects to facilitate trade between Germany and Cambodia.
- Promotion and advertising of German high-end products in the Cambodian market facilitated by governments and the private sector.
- Promotion and advertising of Cambodia and Germany as tourist destinations to increase tourism between both countries, recognizing Cambodia's growing upper and middle classes which are keen on international travel.

#### *Building sustainable economic relations:*

Germany and Cambodia with the support of their governments and the private sector should through TVET programs facilitate technology and knowledge transfer to develop Cambodia to a leading production location of German and Cambodian companies for the ASEAN market and beyond. Such efforts should include:

- The funding and development of TVET training facilities and programs in Cambodia with the support of both governments as well as the private sector. As the resources of German development partners in Cambodia are limited and currently exhausted, regional economic development programs could contribute to the development of TVET programs.
- Funding for exchange programs to train Cambodians in TVET facilities in Germany.

#### *Supporting Cambodia's digital transformation:*

Germany and Cambodia should exchange expertise and technology that support digital transformation projects in Cambodia. Germany as a leading innovator of Industrial Revolution 4.0 and of other digital technologies, could initiate study tours, workshops, and seminars with Cambodians that promote potential cooperation and digital projects such as the development of a general data protection law, digital education, and the application of Industrial Revolution 4.0 technologies for machine and production processes.

#### **Education, science, and culture policy recommendations:**

Main finding: Germany and Cambodia have a long history of socio-cultural relations that should be expanded to deepen intercultural understanding between Cambodians and Germans. Socio-cultural relations also support the deepening of political relations and the expansion of economic relations. This can be achieved with the following policies:

#### *Promoting exchanges in education and science:*

Germany and Cambodia should continue and extend their engagement at all levels from school cooperation (PASCH schools), university exchange programs, university cooperation in research and development, and capacity training for professionals, e.g. diplomats and engineers, that support Cambodian government agencies, universities, and research institutions. This includes:

- Assessment of potential PASCH school projects in Cambodia.
- An increase of student exchange programs by better coordinating marketing concepts among German key actors and the promotion of English language programs in Germany.
- Additional funds and projects to advertise and prepare Cambodian and German students for educational exchange programs.
- The German embassy could play a leading role in coordinating such activities in Cambodia.
- The promotion and funding of German-Cambodian joint research and development programs, especially in development-related topics like environment protection, sustainable economic development, and digitalization.



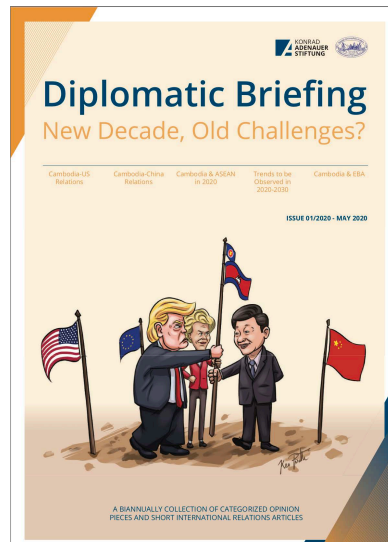
*Angkor Wat provides a potential starting point for a cross-generational German-Cambodian cultural cooperation*

*Promoting intercultural exchanges:*

Germany and Cambodia should extend cultural exchange programs that emphasize education in both languages and cultures; support Angkor restoration projects; and contribute to deepen intercultural relations on all levels. Key aspects here include the following:

- The continuation and upgrade of the Angkor restoration project contains a high potential to far-sightedly deepen cultural relations between Cambodia and Germany. Current German federal budget regulations, such as restricted one or two-year funding periods, reduce the full potential of the expansion of the project due to uncertainties for staff and project partners. Considering the Angkor restoration project as a challenge for humanity without a definite end date, where German restoration skills and know-how are highly needed, the project could become a publicly visible, prestigious German-Cambodian flagship project and form a lifetime connection between the two nations.
- The promotion and funding of informal education and cultural exchange programs organised by Cambodian and German NGOs
- The promotion and funding of intercultural art projects leading to joint film productions, theatre- and music performances, and other artwork productions.

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The background features a faint world map in shades of pink and red. Overlaid on this are several large, overlapping organic shapes in yellow, blue, and red. A white diagonal striped pattern is visible in the bottom left corner.

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