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## **The Organizations**

### **Future Forum**

Founded by Ou Virak in late 2015, Future Forum is an independent think tank that focuses on research, analysis, and public policy, representing a dynamic response to an identified “policy gap” in Cambodia.

While there are various civil society actors in Cambodia engaged with a wide variety of issues, Future Forum takes a broader view and adopts a more measured, analytical and considered approach that identifies underlying trends and employs rigorous research, and creative and principled policy recommendations to help shape Cambodia’s policy discourse.

Rather than simply identifying problems, Future Forum adopts a solution-oriented approach, and uses its research to equip key decision-makers with detailed, specific, constructive policy solutions to Cambodia’s issues. Future Forum remains closely connected to youth and grassroots civil society networks such that it can provide local communities with the benefit of policy, analysis and technical assistance.

### **Konrad Adenauer Stiftung**

Freedom, justice and solidarity are the basic principles underlying the work of the Konrad Adenauer Stiftung (KAS). The KAS is a political foundation, closely associated with the Christian Democratic Union of Germany (CDU). As co-founder of the CDU and the first Chancellor of the Federal Republic of Germany, Konrad Adenauer (1876-1967) united Christian-social, conservative and liberal traditions. His name is synonymous with the democratic reconstruction of Germany, the firm alignment of foreign policy with the trans-Atlantic community of values, the vision of a unified Europe and an orientation towards the social market economy. His intellectual heritage continues to serve both as our aim as well as our obligation today. In our European and international cooperation efforts we work for people to be able to live self-determined lives in freedom and dignity. We make a contribution underpinned by values to helping Germany meet its growing responsibilities throughout the world.

KAS has been working in Cambodia since 1994, striving to support the Cambodian people in fostering dialogue, building networks and enhancing scientific projects. Thereby, the foundation works towards creating an environment conducive to economic and social development. All programs are conceived and implemented in close cooperation with the Cambodian partners on central and sub-national levels.

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## **Introduction**

Deth Sok Udom, Bradley J. Murg, Ou Virak, Michael Renfrew

Cambodia has experienced drastic changes since the signing of the Paris Peace Accords in 1991. Twenty-five years later, Cambodia is a lower middle-income country with consistently high GDP growth rates and concomitant improvements in human security as measured by the Human Development Index (HDI). The question that Cambodia confronts today is a seemingly simple one, but which is in fact remarkably complex: Whither Cambodia? From energy to industrialization to agriculture, how are the diverse sectors of Cambodian society and the Cambodian economy likely to develop over the next two decades?

As a relatively small country in a region of growing geopolitical and economic importance, how is the kingdom to respond to an assortment of global trends? From the continued rise of China to the effects of climate change to the transition towards a digitalized global economy, Cambodia is set to develop within a rapidly changing global landscape that offers both new challenges and new opportunities.

Set at the intersection of domestic development and global change, will Cambodia in 2040 be a middle-income state with growing prosperity or will it have stagnated at its current, lower middle-income level, or indeed have dropped back to the status of a low-income state? Will the kingdom have adapted to climate change or will it be a victim of its topography? Will a social welfare system be developed to ensure the dignity and security of all of within the kingdom? Where will public administration, rule of law, and governance stand? Where will Cambodia be within ASEAN and in the broader context of geopolitics?

In order to address these and other important questions - Future Forum has partnered with the Konrad Adenauer Stiftung to produce a series of edited volumes examining a number of different areas of socio-economic development, ranging from fiscal policy to the fourth industrial revolution to healthcare. There are three thematic scopes that the series covers: (i) economic development; (ii) culture and society; and (iii) international relations and governance.

This is the first series of books that brings together a collection of experts, utilizing a single methodological framework, in order to set out the potential scenarios that Cambodia is likely to confront two decades from now. Broadly employing a shared foresighting approach each author examines their particular area of expertise in order to illustrate the potential paths that Cambodia could follow. Additionally, as befits a book about the future of Cambodia, each of the substantive chapters has been developed and written by a Cambodian analyst or through collaboration between Cambodian scholars and foreign partners.



## Methodology and Structure

Foresighting is grounded in the view that society is neither predictable nor evolutive. According to this perspective, future developments cannot simply be calculated, totting up sums to yield precise predictions as to outcomes in the long term. However, at the same time, foresighting recognizes that the world is not a chaotic place wherein the analysis of potential future trajectories is ultimately impossible. Rather, in this methodology, the future is best understood as “malleable.” Agency exists but diverse macrosocial variables, institutions, and trends ultimately structure the decisions taken by actors. In this middle ground between perfect prediction and pure chaos, it is possible to capture and analyze processes of change.

Based on a focused and systematic analysis of contemporary trends, across a diverse set of societal and technological sectors, these trends can be extrapolated into the future. Hence, by following their respective trajectories it is possible to develop probabilistic scenarios as to the paths that societal change can take. A “scenario” is understood in this context as a description of a possible future situation inclusive of the path that leads to that situation. At the same time, scenarios are not developed in a way that presents a full and precise picture of the future; rather these are hypothetical constructs built to highlight certain key factors that will drive future developments. These scenarios can then be used to drive discussions concerning contemporary politics and policies such that actors are able to “clear away the brush” and grapple with the key factors that will most significantly impact the development of a particular topic.

Owing to constraints of space, rather than projecting a series of potential scenarios – each author sets out an ideal and a baseline scenario. Defining a particular set of key factors and then utilizing a funneling method, each chapter analyses its area’s salient factors in order to generate the respective ideal and baseline scenarios.

As a methodology, foresighting has historically had diverse applicability across different fields of research – with some being more amenable to such an approach than others. Rather than “boxing in” analysts, this volume recognizes that diversity and approaches foresighting as a methodological toolbox from which analysts can draw in order to best explore the future development of their particular areas of research. Following the foresighting analysis presented, outputs are specified in the form of a set of policy recommendations. Each chapter follows a broadly shared narrative-based structure:

- 1) ***The Ideal Scenario***, describing the plausible ‘best-case’ outcome for the topic at hand, given that the prescribed policy recommendations are undertaken.
- 2) ***Scenario Space and Key Factors***, containing an analysis of the topic space as defined by the author.

- 3) ***Policy Initiatives to Achieve the Ideal Scenario.*** Having defined the topic space and considered the interplay of global trends and local development needs, the author outlines their policy roadmap.
- 4) ***Baseline Scenario: Business as Usual in 2040.*** The final section presents the hypothetical outcome for the topic if current practice is to remain in motion.

In addition to these four sections, in order to bring these analyses “to life,” each chapter begins with a brief narrative setting out what one day in 2040 for a random Cambodian citizen might look like under the ideal scenario developed.

Beyond its contribution in the policy arena, we visualize this book as having a second and equally important benefit: supporting the training and development of Cambodian scholars. To this end we utilize foresighting as a guide and structure for a diverse set of local, Cambodian experts to examine key policy questions over the long term. It is not intended to be read as a definitive construction of the Cambodian development pathway. Rather, Cambodia 2040 represents a promotion of analytical hypotheses and outcomes, intended to encourage discourse and debate amongst stakeholders from government to aid partners to citizens.

This third volume is unique in comparison to the prior two volumes in the series - questions of both governance and international relations are explored. Thus, in addition to a set of chapters utilizing the foresighting methodology set out previously, it also includes two framing chapters by Ou Virak and Ambassador Pou Sothirak, respectively, setting out the megatrends and geopolitical realities under which Cambodian foreign policy and its future international relations will function. The first two volumes of *Cambodia 2040*, exploring economic and social issues, recognized the enormous amount of agency that actors in the kingdom possess to determine the future of questions ranging from public health to fiscal policy - yet also taking into account, with lesser weight than in the international relations chapters this volume, the broader structural and global factors in the development of ideal and baseline scenarios.

As a policy-oriented rather than theory-oriented text designed for an audience ranging from technical experts to government officials to general readers, this volume avoids wading into existing debates in International Relations theory and the explicit adoption of a Realist, Liberal, Constructivist, or Marxist theoretical framework. The unique collection of contributing authors are representatives of a diversity of theoretical and epistemological approaches, yet are brought together in this volume by a shared utilization of the foresighting approach discussed above.

We recognize that for a relatively small country such as Cambodia, geopolitical factors have historically played a major causal role in the determination of the kingdom’s place in its bilateral, regional, and global position. The Cold War and the war in Vietnam essentially destroyed efforts at Cambodia’s maintenance of neutrality, ultimately leading to the Khmer Rouge takeover in 1975 and the subsequent genocide. Until the signing of the Paris Peace Accords in 1991,

Cambodia remained a key issue for the United States, the Soviet Union, and China in the final decade of the Cold War.

Thus, this volume takes an approach that recognizes (as discussed below) the more significant role played by structural factors such as Sino-American competition; the development of the Association of Southeast Asian Nations (ASEAN); and the place of the U.S. dollar in the global economy. However, recognizing these realities does not entail an elimination of agency on the part of Cambodia - far from it. Rather, this volume seeks to highlight precisely those areas where the kingdom has agency and how that agency can be utilized in order to achieve optimal outcomes to achieve Cambodia's national interests and long-term sustainable development.

### **The Kingdom in Retrospect: Cambodia in 2000**

The new millennium ushered in a period of relative stability in war-torn Cambodia. Less than a year earlier, in March 1999, the last Khmer Rouge commander, Ta Mok, was arrested, thereby effectively ending the guerrilla movement that had posed security threats to Cambodia throughout the 1990s. In April 1999, Cambodia was also admitted as the tenth member of ASEAN after a decades-long delay caused by Cambodia's civil wars, bloody regime changes, and domestic instability.

Thanks to the fragile peace achieved by 2000, the country began to witness signs of modest socio-economic growth. This was evident, for instance, in the rise of official tourist arrival to the kingdom. While 118,183 tourists officially visited Cambodia in 1993, the number rose to 466,365 by the end of 2000. In 2000, there were already 240 hotels and 292 guest houses operating in Cambodia catering to the rising tourist demands (Sharpley & McGrath, 2017, pp. 90–91). Likewise, urbanization and the expansion of Phnom Penh as the capital city began to accelerate: "The real estate market took off significantly after 1998 and grew at a rapid rate between 2004 and 2008. The price of land in central Phnom Penh increased great between 2004 and 2007, from around US\$250 to over US\$2000 per square meter in some key locations" (Percival, 2017, p. 182). At the time, however, traffic congestion and waste management were presumably not the pressing issues as they are today.

While provision of public general education began almost immediately following the collapse of the Khmer Rouge regime, the establishment of private secondary and higher education institutions only began to mushroom during the early 2000s (the first private university was officially established in 1997), though at the time, quality control and accreditation regulations were scant.

In 2000, only 80,000 persons were estimated to own a mobile phone (CIA World Factbook 2001: Cambodia, 2001); by 2019, mobile subscription has jumped to more than 18.5 million users (when the total population is only approximately 16.5 million). Cambodia also began its e-

government initiatives by establishing the National Information Communications Technology Development Authority (NiDA) in 2000, but poor technology infrastructure, low literacy rates, and a high turnover of government IT staff members were the main challenges of such efforts (Richardson, 2017).

According to official statistics, Cambodia's GDP per capita had increased from \$288 in 2000 to over \$1500 in 2018, making Cambodia one of the best performers in poverty reduction (Ministry of Economy and Finance, 2016) – even if, as Young Sokphea pointed out, “[...] the poverty measurement and calculation remain contested” (Young, 2017).

As the Khmer Rouge threat diminished by the late 1990s, “land disputes became the most high profile source of potential threat to peace and stability. Regular disputes occurred, typically between groups of villagers and well-connected companies or individuals whose identity was difficult to pin down” (Biddulph & Williams, 2017). Similarly, thanks to weak governance, the country's natural resources have also become collateral damage of Cambodia's embrace of a market economy. Since the early 2000s, the country has continued to witness rapid deforestation, high profile cases of land evictions, mineral extraction, and environmental degradation. Political tension has also continued to simmer throughout the 2000s, culminating in the dissolution of the main opposition party – the Cambodian National Rescue Party (CNRP) in 2017.

Noting these vast changes – both positive and negative, anticipated and unanticipated – experienced in the kingdom over the course of the last twenty years, the future development of Cambodia will be anything but dull.

### **The Kingdom at Present: Cambodia in 2020**

The utility of this project is derived from the observation that a great deal of growth and development has been achieved in the previous twenty years of Cambodian history. The recommendations made within this series are set against the circumstances of Cambodia in 2020; with a view to the exceptional development it may undertake by 2040. Accordingly, it is necessary to provide an overview of Cambodia at this moment in time.

As noted above, the last twenty years of change in the kingdom have seen Cambodia undergo a considerable economic transition towards the lower middle-income status reached in 2015 (WorldBank, 2019). This growth has been primarily driven by large demands in the garments and tourism industries (ODC, 2019). With an average growth rate of 8% between 1998 and 2018, Cambodia is one of the fastest-growing economies in the world (WorldBank, 2019). The latest figures at the time of writing show that Cambodia's international trade reached \$24.9 billion (MEF, 2019). The kingdom's three biggest export markets are the United States, the United Kingdom, and Germany; while its largest import partners are China, Thailand, and Vietnam (WITS,

2019). With ambitions to break into the upper middle-income bracket by 2030, the policy recommendations made in this book seek to support the continued achievement of this goal.

In the international arena, Cambodia has also come a long way. Since becoming a member state in 1999, the kingdom has held ASEAN Chairmanship twice. In 2020, Cambodia is poised to serve as Chair of the 13th ASEAN-EUROPE MEETING (ASEM) Summit in November 2020. More importantly, the country has transformed from being a war-stricken country to an active contributor of international keeping force, having dispatched more than 6000 UN peacekeepers since 2006. At the same time, trans-boundary problems and diplomatic challenges remain. Since the publication of the previous two volumes, Cambodia has encountered a twin set of challenges: i) the partial removal of the EU's *Everything But Arms* (EBA) trade scheme over issues of human rights and democratic backsliding; and ii) the lingering impacts of the Covid-19 pandemic on Cambodia's economy, especially on the garment and tourism sectors. Additionally, there are other distressing signs: people living along the Mekong River have recently experienced natural disasters such as flood and drought as well as the effects of hydro-dams and climate change (Mekong Connect, 2020), while the kingdom's corruption perception index and ease of doing business scores are still among the lowest in the world.

Beyond Cambodia's internal status at this time, several prevalent mega-trends will determine the future of growth and development within the kingdom. Whereas a trend captures a general direction of change over time, a megatrend captures the major forces in societal development that are predicted to affect all areas over a ten-year timeframe (EFP, 2019). At this time, five megatrends have been identified that will shape the development of global society and economy (PWC, 2019): rapid urbanization; climate change and resource scarcity; a multipolar structure of global power; population growth and demographic change; and technological breakthroughs. Each of these megatrends will have a direct impact on the form and function of Cambodian growth and development. At present, the increasing tension on multiple fronts in U.S.-China relations has become a pressing concern for all countries in the region and will certainly shape future geopolitics, global supply chains, multilateral institutional arrangements, and alliance building within the region. The recent sanctions on Chinese companies in Cambodia by the U.S. is a testament to such spillover effects. If not managed properly, Cambodia could once again become a victim of global power rivalry as it had been during the Cold War.

## **The Kingdom in Future: Cambodia in 2040**

Where will Cambodia position itself in a world experiencing a shift in power supremacy? This most important of questions has implications for economic development, representation of the citizenry, and how an uncertain environmental climate will be tackled. For these reasons, and many more, Ambassador POU Sothirak uses his chapter, Great Power Politics, to examine the ongoing power struggle between the United States of America and China, setting out four scenarios as to the potential future structure of geopolitics and polarity. At the same time, structural factors are not limited to geopolitics. Recognizing the rapid changes occurring across a range of fields, Ou Virak sets out the macro-level “megatrends” that will impact Cambodia in the coming two decades and which need to be incorporated into current policy analysis and future policy making.

Originating in China, the Mekong River snakes its way down through Myanmar, Laos, and Thailand, before entering Cambodia through Stung Treng province. It represents one of Cambodia’s most valuable national resources and is of vital importance to the kingdom’s delicate ecosystem and agricultural sector. It is of equal importance to the aforementioned nations through which the river flows (in addition to downstream Vietnam) and is therefore a source of both geopolitical cooperation and friction. It is at this intersection, and among the Mekong subregion’s alphabet soup of cooperation institutions, that author Pich Charadine, explores potential outcomes for Cambodia in her chapter, The Mekong River and Mekong Subregion Cooperation.

In the area of foreign policy opportunities at Cambodia’s disposal, an often under considered avenue of soft power development is that of environmental diplomacy. Noting the kingdom’s uncertain future in the face of climate change, author Chan Sam Art examines the opportunities for progressive environmental policy around reforestation and carbon trading. He asserts that Cambodia is well placed to lead by example and generate a pathway of environmental consciousness for others to follow.

Moving into the topic that has dominated Cambodian headlines since 1991, authors Brevin Anderson and Him Raksmeay discuss the future of foreign aid and development assistance in the kingdom. Their chapter explores a future where Cambodia is able to downgrade its dependence on foreign aid and move towards a domestically determined allocation of funding towards development priorities. This has ushered in an era of increased private capital investments, stabilized international relationships, and sustainable economic development.

Cambodia has the distinction of being one of the most dollarized economies in the world, despite the fact that the nation has never officially adopted dollarization. Resulting from a series of shocks to confidence, the kingdom moved away from the national currency, Riel, beginning in the 1970s. The acceptance of the dollar was ultimately enshrined following the establishment of UNTAC to oversee the elections following the Paris Peace Agreement in 1991, where \$1.7bn flooded the economy. In their chapter, Monetary Policy and Rielization, authors Rasheed Griffith and Lor Samnang present a pathway towards de-dollarization and the return to the Riel as Cambodia's standard currency.

Implicitly underpinning the feasibility of the potential futures outlined in the above chapters is the rule of law. Authors Thomas Pearson and Chanty Pisal use their chapter to explore this mechanism explicitly. Their writing explores the requirements to inspire confidence in investors and citizens alike. In particular, theories of good governance and accountability are examined in countenance to potential pitfalls of corruption and rule by law in contrast to rule of law.

From a public administration perspective, the chapter by author Yann Aoudourm, offers a discussion of public sector requirements of the Cambodian citizenry as Cambodia continues to be shaped by enhanced economic performance, globalization, and domestic advancements in digital information and technology systems. He explores the importance of digital transformation in the sector and mechanisms for the training, monitoring, and retention of key personnel.

The final chapter of this volume is written by author Min Seiha and examines the future development of the Cambodian civil service. Noting the projected demographic changes resulting from economic development, he sets out options for delivering service that is responsive to the demands of the people, while supporting sustainable economic growth.

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