



KONRAD
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STIFTUNG
CAMBODIA
ANNIVERSARY

ROUNDTABLE DISCUSSION ON DIVERSIFYING OPTIONS FOR CAMBODIA'S ECONOMIC DIPLOMACY STRATEGY: GERMAN AND SOUTHEAST ASIAN PERSPECTIVES

OUTCOME REPORT



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ABOUT KONRAD-ADENAUER-STIFTUNG

Freedom, justice, and solidarity are the basic principles underlying the work of the Konrad-Adenauer-Stiftung (KAS). 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 with freedom and dignity. We make a contribution underpinned by values to help 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 social and economic development. All programs are conceived and implemented in close cooperation with the Cambodian partners on central and sub-national levels.



ABOUT THE NATIONAL INSTITUTE OF DIPLOMACY AND INTERNATIONAL RELATIONS

The National Institute of Diplomacy and International Relations (NIDIR), of the Ministry of Foreign Affairs and International Cooperation was founded on 26 December 2016, under the Royal Government of Cambodia (RGC) Sub Decree No. 274 ANK as part of the Ministry of Foreign Affairs and International Cooperation (MFAIC) structural reform. Its structure and mission have been further defined by the Sub-Decree No 105 ANK dated in 29 June 2017. As a new establishment, NIDIR's building was completed and officially inaugurated on 22 February 2018.

With aiming to build professionalism of Cambodian career diplomats through capacity development so as to enable them to cope with the increasingly challenging world of diplomatic affairs and particularly to enhance Cambodia's ownership and role in regional affairs., NIDIR is now working closely in collaboration and cooperation with its partnerships and external partners to organize various lectures, conferences, workshops, seminars, and either physical or videoconference. In this connection, NIDIR has five departments namely, 1) General Affairs, 2) Training, 3) Research and Strategic Analysis, 4) Public Relations, and 5) Foreign Languages.

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Roundtable Discussion

**Diversifying Options for Cambodia's
Economic Diplomacy Strategy:
German and Southeast Asian Perspectives**

2 July 2024

Hyatt Regency, Phnom Penh, Cambodia

INTRODUCTION

The Roundtable Discussion on **“Diversifying Options for Cambodia’s Economic Diplomacy Strategy: German and Southeast Asian Perspectives”** was co-organized by the National Institute of Diplomacy and International Relations (NIDIR) and **Konrad-Adenauer-Stiftung (KAS) Cambodia**, and supported by the **Ministry of Foreign Affairs and International Cooperation (MFAIC)**.

MFAIC has launched a comprehensive **“Economic Diplomacy Strategy – Phase I (2021-2023)”** in 2021. The strategy outlined Cambodia’s plan to achieve grand objectives such as promotion of international trade, attracting more foreign direct investment to the Kingdom, boosting tourism, and promoting Cambodia’s cultural identity on regional and global stage. The Economic Diplomacy strategy was adopted with a vision of “strengthening Cambodia’s national prestige by advancing and maximizing national economic interest”. Phase I of the Strategy has concluded in 2023 and is now pending for an unveiling of the Phase II of the strategy. As we are expecting the launch of the second phase of the strategy, gathering credible inputs from diverse perspectives is crucial.

Objectives of the Roundtable Discussion:



To assess the implementation progress and impact of the economic diplomacy strategy,



To gather perspectives and best practices from others’ economic diplomacy strategies,



To identify ideas/inputs for further development of the strategy.



The Opening Ceremony of the event was presided by **H.E. Lim Visal**, Secretary of State and Director of Cabinet of **His Excellency SOK Chenda Sophea**, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, who delivered the opening remarks.

The introductory remarks and welcome remarks were delivered by **H.E. Cheuy Vichet**, President of the NIDIR, and **Mr. Jason Chumtong**, Country Director of the Konrad-Adenauer-Stiftung Cambodia, respectively.

The event was participated by the following ministries/embassies/associations:

Council for the Development of Cambodia, Ministry of Tourism, Ministry of Culture and Fine Arts, Ministry of Commerce, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Economy and Finance.

U.S Embassy, Embassy of Japan, Embassy of People's Republic of China, British Embassy, and Australian Embassy.

Cambodia Chamber of Commerce and The American Chamber of Commerce in Cambodia



COURTESY MEETING

Mr. Florian C. Feyerabend and **Mr Jason Chumtong** had a diplomatic exchange with **H.E. Lim Visal**, Secretary of State and Director of Cabinet of **H.E Sok Chenda Sophea**, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, **H.E. Cheuy Vichet**, President of NIDIR and other Cambodian officials at the side meeting prior to the roundtable event.

PROGRAMME

- 8.30-9.00 a.m.** Registration
- 9.00-9.05 a.m.** Introduction of the Programme
- 9.05-9.10 a.m.** Introductory Remarks
H.E. Cheuy Vichet
President of The National Institute of Diplomacy and International Relations
- 9.10-9.15 a.m.** Welcoming Remarks
Mr. Jason Chumtong
Country Representative, Konrad-Adenauer-Stiftung Cambodia
- 9.15-9.25 a.m.** Opening Remarks
H.E. Lim Visal
*Secretary of State and Director of Cabinet of His Excellency
SOK Chenda Sophea, Deputy Prime Minister and Minister of
Foreign Affairs and International Cooperation (MFAIC)*
- 9.25-9.30 a.m.** Group Photo
- 9.30-9.50 a.m.** Coffee Break
- 9.50-11.40 a.m.** Roundtable Discussion on Diversifying Options for Cambodia's Economic
Diplomacy Strategy: German and Southeast Asian Perspectives
- Moderator
Dr. Ky Sereyvath
*Economics Researcher and Director-General of the Royal Academy of
Cambodia's (RAC) Institute of China Studies*
- Speakers
1. Cambodia's Investment Strategy: Perspectives of CDC
Mr. Chea Keat
Director of Department of Public Relations and Promotion of Private Investments
2. Stocktaking on Cambodia's Economic Diplomacy Strategy
Mr. Vuthy Vongmonasekar
Representative of the Secretariat for Economic Diplomacy Coordinating Group, MFAIC
3. Diversifying Options for Cambodia's Economic Diplomacy Strategy:
German and Southeast Asian Perspectives
Mr. Florian C. Feyerabend
Country Director of KAS Vietnam
- Open Discussion
- 11:40-11:50 a.m.** Wrap Up and Key Takeaways from the Discussion
- 11:50-11:55 a.m.** Closing
- 12.00 p.m.** End of Official Programme



Photo: (Left to right) H.E. Cheuy Vichet, President of NIDIR; Mr. Jason Chumtong, Country Director of KAS Cambodia; H.E. Lim Visal, Secretary of State at MoFAIC.

KEY POINTS FROM THE INTRODUCTORY REMARKS, WELCOMING REMARKS, AND OPENING REMARKS

NIDIR and KAS are committed to working closely to develop a series of platforms for an open discussion to promote the understanding of the cross-sectoral nature of the Economic Diplomacy Strategy which will provide benefits and recommendations not only for Cambodia and Germany but also for all nations to find solutions and achieve a speedy recovery in the post pandemic period, which has immensely hampered global economic growth, causing a multifaceted level of issues, including the uncertainty of food and energy security.

Economic Diplomacy plays a critical role for Cambodian officials to understand and be able to persuade external partners to see opportunities for investment in Cambodia. Attracting foreign investments has been placed at the centrepiece of the Royal Government's mandate as **Samdech Thipadei Prime Minister** has taken a personal lead by being the Chief Salesman for the country.

The success stories of Economic Diplomacy are woven into the fabric of global relations, shaping the course of regional economic and political integration. It is intertwined between two diverse dimensions where the diplomacy of the political realm crosses paths with the economic realm.

The main question to be posed today would be "How would Cambodia aim to integrate the Economic Diplomacy to draw economic benefits?"

As an investment destination, Cambodia has many advantages ranging from geographical location in the heart of the dynamic growth region, young populations, market accessibility, to competitive investment incentives.

Under the mandate of **Samdech Moha Borvor Thipadei HUN Manet**, Economic Diplomacy remains a key priority for the Royal Government of Cambodia. The Government is committed to leveraging economic diplomacy as a strategic tool to advance Cambodia's economic interests.

In line with this commitment, the MFAIC is actively working to align our diplomatic efforts with economic diplomacy objectives to boost Cambodia's competitiveness in key sectors. Opening new diplomatic missions overseas would be necessary to enhance diplomatic coverage as well as promote economic diplomacy.

H.E. SOK Chenda Sophea, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, has placed significant emphasis on the **Economic Diplomacy Strategy 2024-2028** to be launched soon. This Strategy aims to build on previous achievements, incorporating best practices and lessons learnt to ensure higher efficacy and fruitful economic diplomacy efforts. It seeks to craft multifaceted approaches to continue strengthening diplomatic capabilities in economic diplomacy, expanding international trade, attracting FDI, boosting tourism, and promoting various aspects of Cambodia's rich culture, including food, and sports.

Therefore, diversifying Options for Cambodia's ED Strategy should be diversification into rather than diversification away from. We should positively think about how to attract more investments from Germany and Europe as a whole rather than lament about large investments from certain countries at the moment.



ROUNDTABLE DISCUSSION

The roundtable discussion was moderated by **H.E. Dr. Ky Serevath**, Economics Researcher and Director-General of the Royal Academy of Cambodia's (RAC) Institute of China Studies, whereby three expert speakers have shared their insights as follows:



Mr. Chea Keat, Director of the Department of Public Relations and Promotion of Private Investments, underscored that Cambodia has placed great importance on investment strategy through the following aspects:

Economic diplomacy is a multifaceted endeavor involving a diverse array of actors from both public and private institutions, extending beyond the MFA, IC, the Council for the Development of Cambodia (CDC), and the Ministry of Commerce (MOC).

Cambodia improves soft infrastructure by providing equal incentives to all foreign investors while building more hard infrastructures for logistics efficiency and cost-reduction with new infrastructure projects of expressways (Phnom Penh-Ba Viet, Phnom Penh-Siem Reap- Poi Pet), and Sea Ports capacity expansion in Sihanouk and Kampot Province.

Factors contributing to making Cambodia a favourable environment to invest include:
Cambodia's investment law opens for investment in all sectors;

- Open for 100% ownership for foreign investors which does not require investors to have local shareholders;
- Supports MSMEs in the spirit of facilitating them to integrate into regional and global value chains;
- Allows 100% repatriation of profit after tax;
- Does not require reserved capital.

Cambodia benefits from preferential market access 1) ASEAN market access, 2) multilateral frameworks such as WTO, Greater Mekong Sub-region, Regional Comprehensive Economic Partnership (RCEP), 3) bilateral cooperation such as Free Trade Agreement, 4) trade preferential schemes (EBA, GSP, MFNs), and 5) Special Economic Zones (SEZ).

As for investment facilitation, CDC offers one-stop services for foreign investors with designated investment desks for specific region/countries (for instance, EU & China desk) to match potential investors with local partners. For existing investors, the government conducts annual Public Private Forum and targeted industry consultation meetings such as automotive consultation meetings.

Cambodia overseas missions are promoters in facilitating with foreign investors who would like to invest in Cambodia.

Cambodia continues building long-term relationships with all investors through government-private sector partnerships to discuss common ways of cooperation and collaboration, including Cambodia business forums.

Mr. Vuthy Vongmonasekar, representative of the Secretariat for Economic Diplomacy Coordinating Group, MFA.IC, briefed about the achievements and challenges of implementing the Economic Diplomacy Strategy, as follows:



Economic Diplomacy Strategy – Phase I (2021-2023) consists of four main objectives including attracting FDI, promoting International Trade, Tourism and for Cultural and Sport Exchanges. MFA.IC is now working on the next phase of the ED strategy (2024-2028), a strategy in line with the Pentagonal Strategy of the Government of Cambodia led by Prime Minister Samdech Mohabovor Thipadei Hun Manet, including contributing to Cambodia's vision of becoming an upper-middle-income country by 2030 and a high-income nation by 2050.

In the past three years of implementation of the ED strategy, we have set a focus on the direction for the new generation diplomats, to subtly divert our focus away from the political realm, to promote national products, trade, and attract investment achievement, develop communication and information sharing platforms, promote the partnership between government and private sector and promote tourism, cultural, and sports sectors activities.

The Cambodia ED Strategy isn't at the national level, but it is a working group level that was established to coordinate between Cambodian's relevant ministries and all related partners to promote and cooperate in implementing the Cambodian government's economic policy. TMFA.IC plays a critical role as a coordinator to support and contribute to the implementation of the ED Strategy because the ED Strategy is a cross-cutting issue. In cooperation with the NIDIR, the ED Strategy has been mainstreamed to all Cambodian diplomats through conducting several training courses and workshops to ensure that all Cambodian diplomats are equipped with Cambodia's economic strategy.

Besides achievements, key challenges of ED strategy include the disruption of Covid-19, the lack of Financial and Human Resources, coordinating mechanisms, and promotional Materials.

The new ED Strategy has also been taken into consideration to include the following key concepts, (1) boosting national branding, (2) utilizing digital platforms and Cambodian overseas missions as key promoters, and (3) developing a more creative and realistic Plan of Actions (PoA), into the Phase II of ED Strategy (2024-2028).



Mr. Florian C. Feyerabend, Country Director of KAS Vietnam, presented a case study on Vietnam's economic diplomacy based on German perspectives in a broader geopolitical context, both past and present, as follows:

Recalling the annual diplomatic conference which was attended by Vietnamese leaders, the Vietnamese Prime Minister emphasised that economic diplomacy was important for Vietnam to

contribute to the socio-economic development of the country. The Vietnamese government held a hybrid conference with its national and sub-national leaderships in cross-sectors to find common ways to enhance economic diplomacy, which was chaired by the Vietnamese Foreign Minister.

Vietnam's understanding of international geopolitical tension, economic order, and economic diplomacy is influenced by three factors, 1) political system, 2) geostrategic location, and 3) international system.

The great power rivalry between the United States and China over Vietnam did not embrace the rules-based international order and the international economic order. The relationship between China-Vietnam has always been characterized by ambiguity and complexity. Vietnam was struggling against foreign invaders and first and foremost against China.

Vietnam's foreign policy, economic diplomacy, and regional integration prioritize regional stability and global influence that seeks to strengthen strategic partnerships with multiple countries, including Russia, China, India, South Korea, United States, Japan, and Australia.

Vietnam finds itself in possible ways for Western countries to cooperate in trade and investment in terms of foreign policy in economic diplomacy. Vietnam identified three approaches that supported Vietnam's economic diplomacy, 1) an active supporter of the UN system, 2) building a bilateral strategic partnership with major powers, and 3) proactive integration in the international regional economic integration.

Key takeaways from Vietnam's Economic Diplomacy are 1) the importance of leadership, narrative policy and strategy, 2) country's reputation, and 3) domestic issues such as red tape, corruption and a conducive investment environment.

Vietnam is one of the main beneficiaries of the competition between the United States and China. For Cambodia, external resources are understood as major development assistance and also first and foremost as a promotion of trade and investment, including FDI.





OPEN DISCUSSION

The discussion highlighted some key points as follows:

There is a debate on how to build Cambodia's reputation, the discussion was centered around how to sell Cambodia as an attractive site, making it money-worthing with the current economic-tight phenomenon, and a safe and secure destination for both tourists and investments.

Certain policies and leadership matters by stressing that without the right leadership, there's no good starting point. The importance of diplomacy is not just words, but also actions as well, including an important role in building a good reputation. Trade, FDI, and Tourism are matters about the reputation of being safe.

Cambodia's Economic Diplomacy should set up more effective institutional arrangements to ensure a timely response and effective cooperation among Cambodian institutions.

The Embassy or Consulate plays a critical role in promoting all key approaches through various activities such as 1) cooking food, 2) business forums, and 3) organising national holidays.

Samdech Thipadei Prime Minister of Cambodia prioritises economic diplomacy as one of the government's priorities. Cambodia opens doors and welcomes all investors to invest in Cambodia through many incentive conditions.

In comparative to Singapore, the country is geographically a small country, but the country has given its strong performance as one of the world's largest hubs for data centers, quantum, AI, and Amazon Web Services. Meanwhile, Microsoft and IBM invested in Southeast Asia with the amount of \$1.7 billion in Indonesia and \$2.2 billion in Malaysia respectively for cloud and AI infrastructure, as well as opening a new data center in Thailand. According to these investments, Cambodia should focus on modernizing and expanding to the semiconductor sector.

Trade diversification between Germany-Southeast Asia relations is promising as Germany's largest trading partners with ASEAN, including Malaysia and Vietnam, with a focus on trade deficits and potential for increased relations. Thus, Cambodia's ED strategy should be developed to attract German manufacturing investment to Cambodia and ASEAN.

The discussion learned a lot of experiences from Vietnam. Vietnam is doing a great policy in implementing economic diplomacy by putting its strategic partnerships with big powers, especially China and the U.S., including supporting ASEAN centrality and unity. Though, there are 3 obstacles and challenges for investing in Vietnam, 1) work permits, 2) inertia, 3) energy supply.

KEY TAKEAWAYS AND RECOMMENDATIONS

MFAIC has done many activities to promote economic diplomacy. However, those activities are still limited in terms of strategic cooperation, so Cambodia needs to expand a wide range of partnerships and collaborations on trade and investment. Currently, the ED Strategy is at a ministerial level, and in the future should be elevated to a national level and sought collaboration by relevant ministries and stakeholders.

The Royal Government of Cambodia efforts in different sectors have also created external complementary initiatives to support the ED strategy and that policy makers and practitioners need to utilize on its strengths. For instance, the RGC is committed to further enhance infrastructure connectivity to improve logistics and shipping, specialized training for human resource development to tap into new markets/sectors, lowering overhead costs, including utilities and administrative costs, are complementary initiatives that would present an attractive and favorable environment for investments and businesses to grow.

Cambodia should build branding and reputation, and the government should allocate more budget and improve human resource development. Leveraging branding to re-image Cambodia on the international stage. Drawing from other countries experiences, cultural/heritage branding can be a component of the new Economic Diplomacy Strategies whereby the Royal Government can broaden the focus of tourism to promoting remote provinces/areas as new attracting site.

There are concerns about Cambodia not having visa exemptions for short stay travelers, while neighboring countries do, which been raised. Although it might not be considered a major barrier, it may pose the question to whether Cambodia may be a convenient and attractive destination for investors and tourism.





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