

CAMBODIA 2040



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Chapter 2 | Global Megatrends: How Cambodia Should Respond

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Introduction

In this chapter of Cambodia 2040, I aim to provide an overview of the main global megatrends confronting Cambodia – as well as the broader Mekong, Southeast Asia and Asia-Pacific regions – and to outline how it should respond. With the 2020s now underway, and with some analysts starting to cast a wary eye towards 2030, I am looking further down the track to the year 2040, with the goal of establishing a positive vision for Cambodia to aspire to for the middle part of this century.

The thematic issues and trends – and the corresponding policy recommendations I propose – are not necessarily discussed in order of priority; rather I tackle them in a loose thematic order that clusters related issues together. I examine key trends relating to demographics; migrant labor; urbanization; climate, energy and resources; economy, industry, technology and data; trade; terrorism and security; and populism and nationalism. I anticipate that all these trends and issues will affect Cambodia at least to some degree, whether imminently or at some point in the next two decades. As the title suggests, I have my eye on 2040 and the 20-year span to that point.

Demographics

By 2030, the world's population is expected to reach almost 8.5 billion people – one billion more people than in 2015, when it was 7.3 billion. Indeed, by 2040,

it is expected to reach over 9 billion people.¹ Global population predictions have tended to forecast a peak around 2080. However, there have already been a few surprises when it comes to population predictions: in a recent study, the *Lancet* challenged traditional forecasts and revised its prediction down significantly, asserting that an accelerated decline in fertility rates will mean that the global population could peak in 2064 at 9.7 billion and fall to 8.8 billion by the century's end (Gladstone, 2020). In other words, the global population is still rising, but the rate of increase is slowing down considerably more quickly than previously predicted.

How such trends will affect Cambodia remains to be seen. Changes in the total population do not paint the whole picture nor tell much of Cambodia's important story, and we cannot simply claim that all changes are equal. And yet I can identify some clear, emerging demographic trends, upon which I will expand in later sections:

- a. The world is getting significantly older.
- b. There will be a rise in the global middle class.
- c. The population in China is already showing signs of aging and will likely decline sooner than previously thought. This trend will continue until 2040 and even begin accelerating, primarily due to its one-child policy, obsession with growth and rapid urbanization.
- d. India will be the new China: India is predicted to continue to grow and still have one of the world's youngest populations. This could mean a shift of production due to cheaper labor than China; and it will also grow in terms of regional clout. Indeed, by 2040, I expect it to be a much more significant actor in the Asia-Pacific region.
- e. Japan, South Korea, Singapore and Australia are all facing similar demographic challenges. The number of people of working age is shrinking, while the number of pensioners is increasing, as people live longer and have fewer children. These countries' options would be to invest more in machines and to attract able labor. I expect Japan and

¹ PopulationPyramid.net (2020)

South Korea to offer more incentives and to compete for labor from Southeast Asia. The main targets for labor will be the Philippines, Vietnam, Thailand and Cambodia. Vietnam and Cambodia are two countries in the region with the youngest populations in 2020; this dynamic will reap benefits throughout the next 20 years. A similar thing could be said about Australia: Australia will put most of their eggs in the basket of a stronger relationship with Indonesia, including a potential opening up of their country for visa exemption and migration from Indonesia.

- f. Indonesia's population is predicted to grow even higher, with the country increasing in economic importance as a result. They will also play a key security role in the ongoing South China Sea dispute and will become the major nation in ASEAN.
- g. Industry 4.0 (see the Economy, Industry, Technology and Data section below) will also undoubtedly have an impact on demographics. There are challenges to ageing populations in much of the developed world, while middle economies will start to experience similar phenomena at an earlier stage of development. We will see an increasing "brain drain" from countries which fail to protect the quality of life – in other words, liveability, economic well-being, social harmony, a lack of racism, and a respect for freedom and human rights.

Migrant Labor

Migrant labor has long been a key trend for Southeast Asia, encouraged by the disparity between the more developed countries in the region (Thailand, Malaysia and Singapore) and the less developed (Cambodia, Myanmar and Laos). I expect that this trend is not only likely to continue, but to accelerate and evolve in the lead-up to 2040. Since there will be a new shift in the nature of work, I anticipate both international and domestic migration continuing to rise: more people will be moving around more often, albeit this trend has been put on hold during the COVID-19 pandemic. People will become more mobile and there will be a growing pool of digital nomads. This is not new in Cambodia. We have played host to "expats" in the previous 20 years. Some of us will become

expats in other countries within the region. More and more people will call themselves global citizens, looking for convenient, safe and attractive bases for their work and business. In other words, Cambodia is likely to see an increase of foreign nationals from a range of business and professional disciplines, rather than the clichés of the NGO volunteer, English language teacher and “gap year” backpacker.

In addition, we are likely to see at least a continuation of - if not an increase in - the drain of migrant workers from Cambodia into neighboring, more developed countries, in search of better-paid work. If there is no sustainable long-term industry growth inside the country, people will continue to seek jobs elsewhere for generations. The demand for unskilled Cambodian labor will come from our traditional partners: South Korea, Japan, Malaysia and Thailand. Indeed, it is estimated that there are close to - or even more than - one million Cambodian migrant workers in Thailand (Kimseng, 2015), and approximately 8,000 registered female Cambodian workers in Malaysia, of whom 3,000 or so are domestic maids (Borneo Post, 2015). In addition, over the next 20 years, Vietnam could become a manufacturing powerhouse and start to attract Cambodian labor. While migration for work could benefit Cambodia economically in the short-term, it would be the wrong policy to promote in the long-term, since Cambodia would fail to benefit from the industry learning curve, namely that countries that have experienced industrial growth benefit from technological advancement, better bureaucracy and skilled labor. Once they become skilled, they are likely to adopt another country as home, leaving Cambodia with a dearth of a much-needed productive age population and short on tax revenue as a consequence.

It is hoped that, by working through the framework of the Association of Southeast Asian Nations (“ASEAN”), countries such as Cambodia can resolve some of the more egregious issues traditionally affecting vulnerable migrant workers. The formal establishment of the ASEAN Economic Community (“AEC”) in 2015 - and the implementation of the AEC Blueprint 2025 - has not significantly affected the flow of Cambodian migrant workers to wealthier countries such as Malaysia and Thailand, but it has formalized the process, providing legal protection to those vulnerable individuals and communities

(Chandara, 2015). Where the AEC will provide even more security and protection is removing the need for visas and work permits altogether. While it may mean an increased labor and brain drain from poorer to richer countries over the short-term - which will benefit the economies of richer countries, such as Malaysia and Thailand, to the detriment of poorer ASEAN countries, such as Cambodia - the fact is that such movements of people within ASEAN are a reality anyway. Bilateral agreements and the AEC are ways of recognizing that fact and protecting migrant workers' rights. Moreover, I would expect such trends to be reversed over the long-term, as Cambodia develops further, and some skilled Cambodian migrant workers are able to return home.

However, aside from the establishment of the AEC in 2015, Cambodia seems to have made significant progress on a bilateral basis with the two main countries in question: Malaysia and Thailand. On 10 December 2015, Cambodia and Malaysia signed two Memoranda of Understanding ("MoUs") that outlined the process of recruitment, employment and repatriation of workers and maids, in which recruitment would be managed systematically and workers' rights protected (ibid). Furthermore - also in December 2015 - Cambodian Prime Minister Hun Sen signed another MoU with his Thai counterpart, intended to establish cooperation on labor issues, promote the development of skills, and prevent illegal employment and human trafficking by formalizing an agreement with respect to the employment of workers Ashayagachat and Kamjan, 2015). Such steps are important, since more than 50,000 Cambodian migrant workers were deported from Thailand during the course of 2015 (Soenthrith, 2015), while in 2014 some 225,000 Cambodian workers temporarily fled back across the border following a crackdown on illegal migrants after the 22 May 2014 Thai military coup d'état (Turton, 2015). While such bilateral agreements mean that any migrant workers who fail to register and secure appropriate visas and work permits will be further exposed to arrest or deportation, these actions by both governments indicate that there is sincere political will to ensure protection for migrant workers generally.

As the next decade progresses, I expect Cambodia to prioritize the well-being of migrant workers to a much greater extent than before. For it is important to note that they have been the backbone of Cambodia's economic "miracle" so

far, and I am sure that the political classes understand that they need to do a better job of protecting “the goose that lays the golden eggs”. What is interesting is migrant workers’ growing political clout, a result of being much more exposed to the outside world, thereby enabling them to observe and compare their adopted country with Cambodia—economically, socially and politically. They are also influential within their communities and, in time, we can expect them to organize more effectively. Over the last 20 years, they have been provided with little in the way of political returns and a say in political matters. That will likely change in the near future: the rise of the migrant workers could be a significant political development in Cambodia’s 2040 calculus.

Urbanization

Globally, the trend of urbanization is likely to continue until 2040. Yet, I suspect that we overestimate the degree of urbanization. Once Industry 4.0, including full automation, starts to have a significant impact on jobs and transport, and the economy irrevocably shifts towards a digital and services economy (see the Economy, Industry, Technology and Data section below), I am confident that some countries will experience migration away from urban centers that are low on liveability. For example, for several decades now, cities in the United States (“US”) such as Detroit have decayed into shells of their past industrial glory. Moreover, California has seen significant depopulation over the past decade, as a result of de-urbanization and climate change, and the trend is only likely to continue. Cities of the future will not just be able to rely on having good roads and more houses; art, culture and nature will become more important in an increasingly machine-driven world.

It is important that we consider how these changes will impact Cambodia and what we can do. In order to attract and compete for talents, liveability will become a more important consideration, in addition to other existing priorities such as security, political stability and jobs. Since jobs will become more “mobile”, and countries will be desperate for labor, Cambodia stands a good chance of benefitting, on the condition that (1) we manage our security right, (2) the political situation is stable, (3) we preserve our reputation as a friendly country that respects the rights of everyone, and (4) our cities are safe, green

and accessible, with good sidewalks and bike lanes. The factors that will determine where people will choose to live and pay their taxes over the next 20 years will include ease of travel, recreational activities, and ecotourism sites. In terms of regional travel connectivity, expansion of the current three international airports – namely Phnom Penh, Siem Reap and Sihanoukville should make Cambodia an attractive destination for tourism as well as residency.

While I expect Phnom Penh largely to follow the path taken by other large Southeast Asian cities such as Jakarta, Manila and Bangkok over the last 20 years, there is still time to prioritize smart, green livability over gross expansion and over-development, if the city is to be resilient from rapidly changing and unpredictable circumstances. Sihanoukville has expanded rapidly and now has already experienced significant setbacks: it is mostly empty and unlikely to recover any time soon. We are losing our chance to attract quality tourists that might value the calm waters and fine white beaches.

As a progressive, green, cultural and potentially academic hub within the country, Siem Reap would represent an attractive option as the center of Cambodia's new Industry 4.0 economy. With (as yet) an absence of heavy industry, traffic and high-rises, Siem Reap would be the perfect candidate to act as a counterpoint to the financial and commercial capital that Phnom Penh aspires to become. By promoting its natural beauty, cultural events, architectural character and the ancient heritage of the Angkor temple complex, Siem Reap should now develop high speed internet connections, creative co-working spaces and world class ecotourism and leisure facilities, to attract the academics, digital nomads, entrepreneurs and creative types who could establish Siem Reap not only as a national – but regional – creative, academic and cultural hub. It could look to blend the character and natural beauty of Ubud in Bali, the ancient heritage of Kyoto in Japan, and the high-tech eco-friendly credentials of Singapore. It should resist the bland development of Chiang Mai in Thailand and the tourist saturation of Hoi An in Vietnam. Can we save Siem Reap?

We must ask ourselves how Cambodia can benefit from this revolution and what revolutionary policies Cambodia should adopt to surf the tide of change. One important point is that Cambodia should be “open for business”. In other words, once the coronavirus pandemic has abated or been brought under control with a vaccine, Cambodia should prioritize attracting foreign investment, trade and overseas nationals to contribute to both the financial and knowledge economies. I would argue that business and digital nomad visas should be made more available – at appealing and competitive prices, yet high enough to ensure that the right kind of people are encouraged to make Cambodia their base. Cambodia could tax these foreign nationals at competitive rates to encourage people to come, while establishing an easy and effective way of significantly increasing national tax revenues and therefore social security for Cambodian nationals. I should emphasize that applicable labor laws will serve as sufficient protection for Cambodian workers, whose jobs and labor should be promoted within any such development. Yet Cambodia should look outwards too, in terms of investment, interest and ideas. Once the COVID-19 pandemic abates, Cambodia should set out its stall and declare itself open to business rather than turning its back on the world. I view Phnom Penh and Siem Reap, in their different ways, as the two leading lights.

Climate, Energy and Resources

The accelerating climate crisis is well-documented and needs no introduction on my part. What I am interested in is, first, how it is likely to affect Cambodia over the next two decades and, second, how Cambodia can respond in a way that is realistic, pragmatic, green yet economically productive.

While Cambodia has barely contributed to rising global temperatures, we are one of the world’s most vulnerable countries. One issue is the likely decimation of fish stocks in the Mekong and Tonle Sap river systems resulting from excessive dam building on the Mekong, with China, Thailand and Laos the main offenders, Cambodia and Vietnam the downstream victims. Furthermore, some areas around the coast, the Tonle Sap lake, and the Mekong river, delta and floodplain – including Phnom Penh – might be underwater or severely affected by rising sea and water levels by 2040 if worst fears and projections are realized.

Indeed, given the increased prevalence of flooding in Cambodia, and the Phnom Penh / Kandal region in particular, it seems counter-productive, to say the least, to continue filling in all lakes in the name of development. Lakes such as Boeung Kak and Boeung Trabek were essential drainage basins in times of flooding. At the same time, Phnom Penh could aspire to be a “garden city” and we shouldn’t resist developments around these lakes and natural beauties. While we can’t turn back time, we could plan better for the future, at least from here and now. We should take great efforts to preserve all natural bodies of water, including lakes and rivers. We cannot have a serious impact on the global effects of climate change, but we can certainly do our best to protect ourselves. We need to think smart.

On the other hand, provinces such as Monduliri, Ratanakiri, Koh Kong, parts of Kampong Speu and Kampot, and some northern provinces near the Thai border might become more liveable, which would naturally entail significant internal climate migration from the at-risk areas of the country mentioned above. In particular, Monduliri, with its cooler climate and high elevation, might be seen as a much safer and more pleasant place to live. It would not be beyond the realms of imagination to see Sen Monorom transform itself into a 21st century equivalent of Dalat in Vietnam, much as the European colonial powers used to establish hill stations (including Dalat) to escape the tropical heat. Indeed, Cambodia has already begun to develop Bokor Hill Station over the last decade or so, though I would recommend more liveable, progressive and green urban settlements in places like Bokor and Sen Monorom, rather than simply establishing resorts full of casinos for foreign nationals to enjoy.

So, how can Cambodia adapt to and become resilient to climate change? Is there any way we can benefit from it, perhaps by investing in and developing green schemes that simultaneously boost the economy? Certainly, Cambodia could begin by researching and investing in green, sustainable energy resources, as it needs to plan for an energy revolution including in transport. We should watch closely developments in solar and wind power, spent nuclear fuel, and hydrogen. In this space, Cambodia is a taker and not a leader. We got to keep our eye on the wide horizon ahead and our policies aim for the future, not the past. Automatic-driven buses that rely on electricity or magnetic power, could

make traditional carbon-reliant modes of transport obsolete in Cambodia. Indeed, it should be noted that the Phnom Penh authorities are currently studying the possibility of building a skytrain in the near future. We could emulate the skytrains of Bangkok, Kuala Lumpur and Singapore, while also striving to overtake them, becoming a beacon of futuristic yet green development over the next 20 years. If self-driving pods and buses could roam around cheaply, could traditional sky trains and infrastructure-heavy modes of transport become stranded assets?

In fact, new energy technology will make many of the current and newly-adopted power generators (think coal-fired power plants and hydroelectric generator dams) obsolete and redundant assets within a few short years – and well before 2040. Indeed, according to a new report by RethinkX (2020), an independent think tank that analyzes and forecasts the speed and scale of technology-driven disruption and its implications across society, the cost of solar, wind and batteries will soon become so cheap that the world will see enormous and dramatic changes in the imminent future. The report states: *“By 2030, electricity systems comprised entirely of solar, wind and batteries (SWB) can provide both the cheapest power available and two to three times more total energy than the existing grid in the continental United States, and most populated regions globally, bankrupting coal, gas and nuclear power companies and slashing consumer costs dramatically.”*

As a hedge to these renewable energy proposals, Cambodia could also benefit from carbon emissions trading, if, as I think likely, it becomes a reality over the next 20 years. If, despite investment in clean and renewable energy sources, Cambodia were still to suffer from an energy deficiency, it could purchase the right to emit more carbon emissions from countries in the reverse position. On the flipside, Cambodia could generate income for its economy by investing heavily in renewable energy and then selling its quota of carbon emissions on the international carbon emissions trading markets. In any event, it seems undeniable that Cambodia should preserve as much of its remaining forests as it can, to safeguard against climate change, wildlife and natural habitat destruction, and so on. There is no doubt in my mind that Cambodia should recognize these evident trends, seize the initiative and blaze a trail that will not

only preserve its own environmental and economic security, but also set an example for other carbon-dependent, developing nations to follow. At the very least, Cambodia will be respected as a responsible country and score soft power points.

Economy, Industry, Technology and Data

After the agricultural revolution, kingdoms became empires; land – and resources – became the essential asset, and control of that land became the number one priority. Thus kingdoms and empires fought endless wars over the centuries, as they fought to expand territorial control. Once trade was widespread, colonialism took shape, mostly through “explorers” seeking gold, silver and new land, and many wars were then fought over minerals and oil. Since the first industrial revolution, manpower has remained the most valuable resource. That has led in turn to an increase in the economic clout of the masses and of the burgeoning middle classes, and has made democracy possible. Yet, the flipside is that it also enabled the slave trade and involuntary movements of people.

However, we are now in the midst of another revolution. Technologies are changing rapidly and so are the lives of the 7.8 billion people around the world. The technological revolution that is currently happening – known as “Industry 4.0” – will shape the future of work, education, communications, living and travel. In particular, the world will learn to adapt to new concepts and realities such as artificial intelligence, augmented reality, full automation and the “internet of things”. More importantly, Industry 4.0 will lead to demand for a different commodity: data. Most keen observers already predict that data could be the new oil and the new gold. In other words, it will become the most sought- after resource around which countries will build their economies.

Rather than asking how Cambodia can cope, as we have so often done in past decades and with past revolutions, we should be asking how it can benefit from this development. There may be some pressure or inclination for Cambodia to take a lead from China, blindly following its social credit model whereby citizens are watched constantly like a modern-day version of George Orwell’s *1984*.

Instead, though, I would recommend that Cambodia adopts a different model, which can best enable it to deal with a connected world and play a key role in a global hi-tech community. I cannot envision any viable future for Cambodia – or any country, for that matter – over the next 20 years which does not incorporate a clear and coherent strategy for managing data.

I believe that the future of education will change, and Cambodia could utilize the advantages of technology – and data in particular – to help it catch up with the curve. Education could become cheaper, and Cambodia could leapfrog other countries in the competition for knowledge and learning. Classrooms may never look the same again. Moreover, citizens who can freely think will be the most creative and competitive in this new world, which is why Cambodia would be wise not to follow a “telescreens” model.

Trade

Trade is one of the most important factors that all countries around the world should be considering over the next two decades. In the context of the Asia-Pacific region, ASEAN and Cambodia in particular, I will focus on four key trade organizations or agreements as I look forward to 2040, namely (1) the World Trade Organization (“WTO”), as well as relevant bilateral arrangements that Cambodia has with the US and the European Union (“EU”), (2) the AEC, (3) the Trans-Pacific Partnership (“TPP”) and (4) the Regional Comprehensive Economic Partnership (“RCEP”).

The WTO, EBA and GSP

On a global level, I expect the WTO to retain its importance over the next 20 years, albeit likely wielding reduced political clout due to recent, regional trade agreements. As for bilateral trade agreements that Cambodia retains on a global level – I am expecting that both the “Everything But Arms” (“EBA”) deal with the EU and the “Generalized System of Preferences” (“GSP”) with the US to be removed from Cambodia before 2040, and potentially much sooner than that. Indeed, just this week, eight US lawmakers wrote to Secretary of State Mike Pompeo to call on the outgoing Trump administration to impose targeted sanctions against senior Cambodian officials and look into revoking the

country's trade privileges (Hutt, 2020). Thus far, Cambodia has trodden a relatively cautious path, remaining close to China while trying not to attract too much in the way of negative attention from the US and EU, except of course the removal of 20% of goods from the EBA preferential treatment in August of this year.² I would expect Cambodia to continue down this path, attempting to maintain good relations with all relevant countries, while fundamentally remaining within China's orbit.

The AEC and ASEAN

On a regional level, ASEAN has continued to voice commitment to regional economic integration under the AEC Blueprint 2025 (ASEAN, 2020). In terms of implementation, the AEC was intended to be in place by 31 December 2015,³ yet agreement on trade covering the most contentious goods and services has not yet been reached, and the expectation is that full implementation of the AEC will proceed slowly over a number of years, to be concluded by 2025. I think it is worth taking a brief look at what the AEC entails, as well as what the potential advantages and disadvantages might be for Cambodia over the next 20 years.

The AEC represents an attempt to launch a borderless single market for goods, services, investments, capital and labor, and has the potential to be one of the world's largest economies and markets. According to the Asian Development Bank ("ADB"), if ASEAN (or the AEC) were one economy, it would have been the seventh-largest in the world in 2013, with a combined gross domestic product ("GDP") of US\$2.4 trillion (Groff, 2014); it is projected to be the fourth-largest by 2050 if current growth trends continue (ibid). The emergence of China and India as economic superpowers suggests that economic size bestows significant advantage in accelerating growth and fostering development (ADB, 2014). With over 600 million people, ASEAN's potential market is larger than the EU or North America (Groff, 2014). After China and India, ASEAN has the world's third largest labor force, and it is one that remains relatively young (ibid). Furthermore,

²More information can be found in the EU Bulletin (2020).

³Noted by ASEAN during the Nay Pyi Daw Declaration, 24th ASEAN Summit, 2014, Nay Pyi Daw, Myanmar.

ASEAN is one of the world's most open economic regions, with total merchandise exports of over US\$1.2 trillion – nearly 54% of total ASEAN GDP and 7% of global exports (ADB, 2014).

ASEAN is, however, taking a more cautious approach to regional economic integration than Europe: there is currently no serious consideration of a single currency or exchange rate mechanism (ADB, 2015). Indeed, the AEC is founded on four basic initiatives: (1) creating a single market and production base; (2) increasing competitiveness; (3) promoting equitable economic development; and (4) further integrating ASEAN with the global economy.⁴ ASEAN's physical infrastructure is critical to the AEC's goal of establishing a single market and production base: cross-border roads, power lines, railways and maritime development will help propel the AEC forward, which will boost existing and new value chains or production networks (ADB, 2015).

However, one challenge to the AEC is bridging the perceived “development divide” between the older and economically more advanced members – Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand, known collectively as the “ASEAN-6”, and the four newer members – Cambodia, Laos, Myanmar and Vietnam, known as the “CLMV” countries (ADB, 2013). Another challenge is negotiating the complex requirements of economic integration, including changes to domestic legislation and, in some cases, constitutional amendments (ADB, 2015), which has delayed the establishment of the AEC. However, the flexibility that characterizes ASEAN cooperation – the “ASEAN way” – may hand member states a convenient pretext for non-compliance (ibid). Currently, due to ASEAN's principles of sovereignty, independence and non-interference, economic integration commitments lack sufficient mechanisms to ensure genuine compliance (ibid). Such principles may soon prove to be directly contradictory and incompatible with the establishment of a viable single market – or even fiscal – economic community.

My most optimistic forecast for the AEC would be that ASEAN nations will agree to move towards a single market, with easily-achievable indicators and targets

⁴ASEAN, Declaration on the ASEAN Economic Community Blueprint, 2007, Singapore.

established and slowly implemented in the near future, while contentious issues, such as farm subsidies and the thorny issue of non-compliance, are left to one side. In the short-term, that will mean “business as usual”, with a fully-fledged AEC comparable with the EU at least five years away, if not more. In the long-term, however, and well before 2040, I expect to see a fully-formed and thriving AEC.

As for Cambodia, it has been estimated that the AEC will increase Cambodia’s real GDP by 4.4%, its exports by 5.3%, and private investment by 24.8% (Docarmo, 2015). Furthermore, the proposed free movement of labor should offer countless employment, trade and investment opportunities. However, traditionally poor infrastructure and roads, limited electricity supplies, temperamental telecommunications lines, and low standards of education and skills are likely to pose severe practical problems for Cambodia in terms of competing with other ASEAN countries and their populations in high wage industries.

As discussed under “Migrant Workers” above, freedom of movement under the AEC could of course exacerbate the “labor drain” from Cambodia to richer countries with higher wages, such as Thailand and Malaysia; however, the impact will be limited since people are already migrating en masse to these countries (as well as to South Korea and Japan). Yet, such movements of people are not sustainable if Cambodia is to remain a strong and proud nation. I would urge it to focus on the production of growth within the country, and to prioritize investment in the infrastructure mentioned above, rather than relying on remittances sent home by Cambodian migrant workers abroad. As things stand, Cambodia is in danger of remaining a small rural town in a rapidly urbanizing country, the Pursat or Kampong Cham of ASEAN, when it should be a booming Phnom Penh or Siem Reap. In my opinion, it must aspire to be more than a country of old people caring for their grandchildren.

The TPP

Other than the AEC, the most salient and notorious agreement that may affect Cambodia is the TPP, signed on 4 October 2015 by 12 signatory countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New

Zealand, Peru, Singapore, the US and Vietnam. The TPP is the most significant trade agreement in history, and its passage represents a momentous development in the integration of economies on each side of the Pacific Ocean (Dezan Shira and Associates, 2015). The TPP's supposed advantages and disadvantages have been widely discussed and debated over recent years, however I think it is useful if I give a brief overview of its merits and flaws.

Supporters of the TPP argue that it will promote free trade, environmental standards, labor rights and intellectual property rights. Moreover, it removes tariffs on goods and services, and sets reciprocal trade quotas (Amadeo, 2020). For example, the TPP removes 18,000 tariffs placed on US exports to other signatory countries, while the US has already removed 80% of such tariffs on foreign imports, thereby leveling the playing field (ibid). It also removes non-tariff blocks to trade and harmonizes regulations and statutes in signatory states (ibid). The TPP is also anticipated to increase exports by US\$305 billion per year by 2025 (ibid). It boosts economic growth generally, creating more jobs and prosperity for the signatory countries, supposedly adding US\$223 billion a year to the income of workers in all the countries (ibid). Finally, all 12 countries agreed to restrict wildlife trafficking and environmental abuses, including unsustainable logging and fishing, with those who fail to comply facing severe trade penalties (ibid).

The TPP's detractors emphasize the fact that it undermines the sovereignty of each individual country, and promotes the interests of multinational corporations over the rights of local communities and individuals. Moreover, most of the gains in income would go to workers making more than US\$88,000 a year, with free trade agreements tending to contribute to income inequality in high-wage countries, by promoting cheaper goods from low-wage countries (ibid). That would be especially true of the TPP, since it protects intellectual property, with the higher-paid owners receiving more of the income gains (ibid).

Furthermore, rather than promoting universal free trade, I would argue that the TPP restricts it by creating a two-tier trading league in the wider Asia-Pacific region, whereby those countries not in the exclusive trading club will be deprived of all sorts of trading incentives and benefits. The TPP actually

excludes the majority of countries in the broader region, including the overwhelming majority of Pacific littoral Latin American states (Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua and Panama), many Pacific island nations, and many east Asian countries. Needless to say, thus far – and for the foreseeable future – this includes Cambodia.

However, the highest profile country to be excluded is China. The TPP is a US-driven agenda – initiated by President Obama and likely resurrected by the incoming Biden administration – intended to create a strong economic trading zone outside China's orbit, so as to counterbalance China's extraordinary and unprecedented economic and political rise. It also gives the US the perfect excuse to intervene in the ongoing South China Sea dispute, on the grounds of trade interference. Indeed, the TTP was first introduced as part of the Asia-Pacific Economic Cooperation, with a view to creating a stricter, rules-based trading bloc. It later became a means of undermining and provoking China, and of cementing alliances with wavering US allies, such as Vietnam and Malaysia. Since the US has committed its obligations to writing without really conducting a proper, transparent review, I do not expect countries such as Vietnam and Malaysia to uphold the TPP's more stringent trade and labor standards, which indicates to me that the exclusion of countries such as Cambodia clearly results from geopolitical motives on the part of the US. Given the recent election of President-Elect Joe Biden in the US – he recently proclaimed "America is back!" – I predict a re-pivot on the part of the US towards Asia and towards economic confrontation of China, much as occurred under Obama's presidency between 2008-16 (with Biden as Vice-President).

Furthermore, there are four ASEAN countries among the 12 signatories – Brunei Darussalam, Malaysia, Singapore and Vietnam. The other six have either been excluded or have chosen not to sign – in most cases because they are close allies of China. Certainly Cambodia, Laos and Thailand would fall into that category, and Myanmar currently still has a foot in either camp with its split power dynamic of western-backed National League for Democracy ("NLD") parliamentary government and China-backed military which still wields a huge amount of power despite the landslide election victory for the NLD a few days ago (PVM, 2020). It is something of a surprise, however, that neither Indonesia

nor the Philippines – both staunch US allies at the time – were signatories to the TPP.

The TPP therefore poses significant risks to ASEAN unity, solidarity and cohesion, as well as to its internal economic cooperation and integration (Hamanaka, 2014), with the AEC developing as a shadow regional trade grouping with little might to compete with the TPP trading bloc. In other words, Vietnam may well have more economic incentive to trade with Peru or Chile than with its neighbors and fellow AEC members, Cambodia and Laos. Furthermore, with the absence of six ASEAN member states, the TPP will undoubtedly influence the global value chain of some specific industries and sectors. For example, Vietnam and Malaysia are likely to benefit from new electronics supply chains under the TPP, but at a cost to other ASEAN members, such as Cambodia, Laos and Myanmar (Yi-Hung, 2014). These countries are expected to experience slower economic growth or even some losses as a result of the TPP, as US and Japanese companies move their assembly and production lines to TPP members in ASEAN and Latin America (ibid). Moreover, Cambodia, Laos and Myanmar, presently three of the fastest-growing economies in Asia, may miss opportunities to improve their manufacturing productivity and promote sustainable development through participation in global supply chains (Chen, 2015).

So we see, the TPP represents a source of potential friction between China and the US, and, by extension, between certain ASEAN countries. Thus, I consider the TPP to once again be a genuine and visible blip on Cambodia's radar, both for 2040 and even 2025: it is potentially the most disruptive trade agreement and arrangement over the next 20 years, and could have significant repercussions for Cambodia and its people.

The RCEP

However, just in the last few days – on 15 November 2020 – a China-led free trade agreement, the RCEP, was signed in Hanoi, Vietnam, between the ten ASEAN nations, as well as Australia, China, Japan, New Zealand and South Korea. Notably, the RCEP excludes the US and will account for 30% of the world's economy and population (Aljazeera, 2020). I expect the RCEP to be a game-changer, not only providing a welcome boost to ASEAN, the AEC and Asia-Pacific

economies in the aftermath of the COVID-19 pandemic, but also re-aligning the signatory nations into China's sphere of influence, while ensuring the unity of the ten ASEAN nations, which the TPP has threatened to divide. In other words, despite the increased relevance of the TPP and President-Elect Biden's likely re-pivot towards Asia, China has moved pre-emptively with the RCEP and secured a more powerful regional trade bloc. It will most likely work to Cambodia's advantage, though the trick as always will be trying to play the big powers off against each other – becoming a key member of the RCEP and AEC, while also not ruling out accession to the TPP should it be invited in the future.

Terrorism and Security

Terrorism has cast its shadow over the region over recent years, as indeed it has in other parts of the world. The Philippines has faced an Islamist insurgency in its southern island of Mindanao for decades, with periodic kidnappings, murders and bombings perpetrated in the 1990s and 2000s, as well as into the past decade. Meanwhile Indonesia has struggled with Islamist terrorism since the Al Qaeda Bali bombing on 12 October 2002, which killed 202 people. Bali was targeted again on 1 October 2005, when 26 people were killed in bomb blasts at tourist sites. Then, on 17 July 2009, the Islamist terrorist group Jemaah Islamiyah was blamed for bombings of western hotels in the capital Jakarta, which killed eight people. Jakarta had also been targeted on 5 August 2003, when a car bomb killed 12. Most recently, on 14 January 2016, Jakarta was rocked by a series of bomb and gun attacks which killed seven people, for which Daesh/ISIS claimed responsibility.

However, it was the Erawan Shrine bombing on 17 August 2015 in central Bangkok, Thailand – whether driven by local, country-specific grievances or international terrorist movements – that woke the region up to the ominous potential for terrorist attacks in mainland Southeast Asia. Almost as soon as the Erawan Shrine bomb had gone off, various different theories emerged, some more credible than others. Some suggested that it may have been the so-called Red Shirt sympathizers protesting against the authoritarian military junta; others pointed the finger at Islamist terrorists targeting tourists, an easy “soft target”; previous terrorist attacks in southern Thailand had been carried out by

Muslim separatists, so it was not out of the question that the Erawan Shrine bombing represented a significant escalation of that long-running, simmering southern conflict against the Thai state; some even whispered that it might have been initiated by rogue military factions for nebulous and nefarious political motives. Yet it seemed likely – and the official enquiry, however farcical, pointed this way – that Chinese Muslim and/or Turkish/Turkic political activists sympathizing with Thailand’s complicity in the oppression of the Uighur population of Xinjiang (namely its 8 July 2015 unilateral and forcible repatriation to China of 109 Uighur refugees who had fled political persecution in their homeland) who were responsible for the bombing. However, the Thai military junta has resolutely steered the discourse away from the Uighurs, and instead emphasized its disruption of international criminal networks involved in people trafficking.

The perpetrators, motives and strategies behind the Erawan Shrine bombing are still unclear, and may well remain so, given the credibility of the investigation conducted by the Thai authorities five years ago. And yet, it very much acted as a wake-up call to other countries in the region, particularly Thailand’s immediate neighbors, Cambodia and Myanmar. Myanmar has had its own well-documented problems with a myriad of ethnic rebel armed groups fighting for independence or increased autonomy since independence from the United Kingdom (“UK”) in 1948, as well as severe bouts of inter-communal ethnic and religious violence in 2012 and 2013, as well as the particularly egregious persecution of the Muslim Rohingya population of western Myanmar starting in August 2017. Around a million Rohingya people were forced to flee to other countries, principally Bangladesh across Myanmar’s western border, but also Thailand, Malaysia and other parts of Southeast Asia. In October 2013, Traders Hotel in Yangon was hit by a small bomb blast. Although unresolved, it highlighted Myanmar’s vulnerability.

Thankfully, Cambodia has thus far remained unscathed. However, we should take note of the bombs in Yangon and Bangkok, as well as Bali and Jakarta, and acknowledge as a matter of priority that Cambodia remains a very soft target. First, several million tourists a year have traditionally visited places like the Angkor temples in Siem Reap prior to the onset of COVID-19; second, it has a

very weak capacity to prevent or react to any terrorist attacks, in terms of political leadership, training of enforcement agencies, and public preparedness. Cambodia may never be subjected to terrorism, but it cannot afford to be complacent or blasé. In addition, if it were targeted - whether by Uighur, international Islamist or other terrorists - I fear that it would be even less competent at conducting credible investigations than the Thai authorities after the Erawan Shrine bombing.

Furthermore, Cambodia's willingness to do China's bidding in forcibly repatriating Uighurs in the face of international laws on the rights of refugees represents an additional factor in being considered a potential target, if indeed the prevailing theory behind the Erawan Shrine bombing is correct. The reason I mention this is that, in December 2009, the Cambodian government repatriated 20 Uighurs to China despite international objections and the legal status of the Uighur refugees. The threat of terrorism notwithstanding, I maintain that Cambodia must abide by its international legal obligations and human rights principles, and protect the rights of all refugees, regardless of their nationality and ethnicity. Yet, it would also be a strategic choice: by tying its hands to international instruments and universal principles, Cambodia can avoid risking the ire of powerful state and non-state actors.

I would therefore encourage the Cambodian authorities to make sure that they are prepared for such an eventuality over the next decade or two, whether the threat stems from international operators or home-grown political or criminal actors, and it must work with its fellow ASEAN member states at a regional level, in order to (1) assess the risks to the region and each individual country, (2) mitigate those risks, and (3) be responsive to any attacks should they occur. It must play its part in tackling this significant regional threat. Terrorism is an issue on which all ten ASEAN countries can work together in a spirit of solidarity and collaboration, as well as with other regional actors, including China, India, Japan, Australia and the US. Moreover, it is an issue that should unite ASEAN, as well as testing its mettle as a regional bloc. Yet, even without a concerted regional effort to combat terrorism, Cambodia can do more than hope that it will be lucky and avoid any terrorist incidents; it even represents a real opportunity for Cambodia and an issue on which it can lead its ASEAN neighbors and colleagues.

However, all it will take is one incident for everything to change and for a climate of fear to prevail. One only has to look at the attacks in the Middle East, Europe, Africa and the US over the last 20 years to see what effect such incidents can have on governments and the national mindset. Having said that, it is remarkable how Thailand adopted a “business as usual” approach following the Erawan Shrine bomb, while Japan also moved on quickly from the sarin gas attack perpetrated by the doomsday cult “Aum” in the Tokyo subway on 20 March 1995.

It is vital that Cambodia not only takes steps to anticipate and reduce the risk of terrorism in the country, but also eschews the temptation to stifle free speech or political expression – as many Western governments are now doing – in the name of terrorism prevention strategy. In particular, it should avoid enacting the draft Cybercrime Law, which would criminalize all sorts of online expression deemed a risk to the country or public. As I have highlighted above in the Economy, Industry, Technology and Data section, it is essential for Cambodia’s economic and technological progress that its citizens remain free to connect, communicate, collaborate, create and construct.

Populism and Nationalism

Populism and nationalism have been well-documented global trends this past decade. Most notably, Trump’s accession to the White House in January 2017 seemed to herald a new era of populism, which then developed or crystallized in other countries around the world, including the UK, Hungary, Poland, Brazil, Philippines, Russia, Turkey, India and China. Indeed, these last four seem to become almost more nationalistic by the day, and are also major regional and global powers. While Russia and Turkey carve up the Middle East in the wake of declining US power and influence in the region over the course of the Trump presidency, and compete in arenas ranging from Syria to Libya to the the Caucasus, India’s power is growing on the Asian scene; moreover, China goes from strength to strength as a global economic and military powerhouse. It remains to be seen whether the recent election of Biden to the US presidency heralds the decline of populism world-wide or whether it is a temporary blip in the overarching megatrend.

We must also consider whether this trend – particularly the rise of nationalism in China – is something that will have an impact on Cambodia. Certainly, as China becomes more assertive in the region, both militarily and economically, there may be a backlash within Cambodia against serving and promoting China's interests over and above those of Cambodians. We have already seen such problems in Sihanoukville, as well as in Myanmar about a decade ago. Movements or leaders could spring up to push back against Chinese commercial or territorial acquisitions and encroachments, especially if people consider China to be receiving preferential treatment, and if they feel disenfranchised economically, politically and socially.

I would therefore not rule out the rise of Cambodian populism and nationalism if current trends continue for another ten years or so, especially if there is any political instability or any terrorist attack (as highlighted in the Terrorism and Security section above). The Khmer Rouge, while an extreme communist regime that derived its ideology, at least in part, from the Maoists in China, took power by capitalizing on these currents of populism and nationalism in the wake of the devastating US war in Cambodia in the early 1970s. Needless to say, it is something that should be resisted at all costs: rather ironically, it has in fact proven – especially in the cases of the US and the UK – to be directly harmful to national interests. We should also keep a careful eye as always on similar trends in Thailand and Vietnam, though there is nothing at present which suggests to me that Cambodia need be fearful of nationalism on its borders.

Conclusion

As we look ahead to 2040, I would encourage all concerned parties in Cambodia – including government leaders, political parties, members of the National Assembly and Senate, universities and academic institutions, think tanks and research institutes, civil society, communities and individuals – to pay close attention to the global, regional and national trends that I have identified and to consider my recommendations carefully. Above all, we would do well to remember the following:

1. The world's population will now rise at a slower pace. There will be a significant demographic shift away from Europe and America towards Asia and Africa. Also, we will see changes within the Asia-Pacific region: India, Vietnam, Indonesia and Cambodia are countries on the rise; whereas Japan, South Korea and Australia are countries facing declining and aging populations. China may also follow this trend, but has more time to address it.
2. Technology innovations are extremely hard to predict. What we can expect, however, is that they will rise at an exponential rate and that we will need to anticipate increasingly more disruptive technologies.
3. The global shift in the economic, political and security centers of gravity will mean that Cambodia will need to plan better and build a more cohesive society. We will need our citizens to participate democratically in all these aspects, to support the brightest minds among us to think and join in political life without fear of negative repercussions.
4. We must think globally yet act locally. This strategy will become ever more urgent as the new challenges facing us grow in immensity. Domestically, there will be a changing of the guard within the next 20 years; and Cambodia will need to manage the transition to the next generation better than we have done in the past. In other words, the old conflicts from Cambodia's violent past will – and should – play little part in politics or prevent Cambodia from moving forward. We will need to emphasize increased inclusivity now so that the next generation is better equipped to deal with these challenges.

It is vital that we maintain a vibrant, ongoing discussion and debate these critical thematic and policy issues in a proper and healthy democratic forum as we look to the future and to 2040 in particular. I would urge all relevant parties to consider this appeal to be in the best interests of Cambodia, its future and its people and to join me in establishing a positive consensus and vision of a strong, independent and proud Cambodia in 2040.

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