CAMBODIA AND SINGAPORE
FORGING CLOSER BILATERAL RELATIONS BETWEEN CAMBODIA AND SINGAPORE

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HISTORICAL TIES BETWEEN CAMBODIA AND SINGAPORE

Historically, Singapore has been a time-tested friend of Cambodia. Diplomatic relations between our two countries were established on 10 August 1965 — a day after Singapore became independent, thus making the Kingdom of Cambodia one of the very first countries to recognize the independent Republic of Singapore.

The diplomatic ties were cut in 1975, but were resumed on 18 January 1992. However, during this interregnum, Singapore maintained trade relations with Cambodia. In the 1980s, Cambodia had to endure an economic embargo following the demise of the Khmer Rouge regime. The trade and economic relations with Singapore provided crucial support to Cambodia during this difficult period. The timely humanitarian assistance that was provided to Cambodia and channelled through Singapore during the 1980s allowed Cambodia to embark on rehabilitation and reconstruction activities in key economic sectors.
Singapore and Cambodia have enjoyed excellent bilateral relations, strengthened over the years through exchanges of state visits between Heads of State and government leaders of the two countries. The foundation of our close relationship was shaped by His Majesty King-Father Norodom Sihanouk and His Excellency Minister Mentor Lee Kuan Yew. The then Prime Minister Lee was a frequent visitor to Cambodia and was conferred a doctorate *honoris causa* by the Royal University of Cambodia in December 1967 for his contributions to strengthening Cambodia-Singapore relations. Cambodian Prime Minister Hun Sen officially visited Singapore in 2000, while Singaporean Prime Minister Goh Chok Tong paid an official visit to Cambodia in May 2001. Mr Goh’s visit resulted in: i) The promotion of Singapore foreign direct investment to Cambodia, ii) The enhancing of human resource development in Cambodia and iii) The Provision of a Tourism Development Master Plan for the Cambodian government. His Excellency Singapore President S. R. Nathan paid a state visit to Cambodia in February 2003 at the invitation of His Majesty King-Father Norodom Sihanouk. His Majesty King Norodom Sihamoni paid a state visit to Singapore in March 2006. In March 2005, Singapore Prime Minister Lee Hsien Loong paid a visit to Cambodia. Frequent exchanges of visits by the leaders of Cambodia and Singapore have helped further solidify the already excellent bilateral relations between the two countries and their people.

Singapore’s contributions to Cambodia’s human resource development in the last decade are particularly noteworthy. Singapore has provided training to Cambodian officials in diverse fields including civil aviation, economic analysis, English language, finance, information technology and trade promotion. The Civil Service College of Singapore has signed an agreement with the Royal School of Administration in Cambodia to help strengthen Cambodia’s capacity in public administration. More recently in March 2010 Singapore’s Ministry of Finance signed a Memorandum of Understanding with the Cambodian Ministry of Economy and Finance to share Singapore’s experience in public finance management by conducting study tours, training courses, seminars and workshops.

The Government of Singapore has also provided scholarships to bright Cambodian students at the secondary school, undergraduate and post-graduate levels in Singapore’s prestigious schools and higher educational institutions. Cambodia is among the top 10 recipient countries under the Singapore Cooperation Programme. Singapore’s schools and universities could further assist Cambodia by increasing the admission of Cambodian students and providing them with the necessary support to carry out their studies and
research in the disciplines of their choice. Singapore has indeed made a significant contribution to the long-term development of Cambodia by enhancing its human resources.

CAMBODIA'S RECENT DEVELOPMENT AND PROSPECTS

Cambodia has made rapid strides since the early 1990s in establishing a firm foundation for sustained development. Since 1993, the Cambodian economy has undergone a dramatic structural transformation. The rudiments of a market economy and a financial sector have been established, and the private sector is now a key player in many aspects of the economy. Economic growth traditionally based on agriculture is now driven increasingly by the industrial and the services sectors.

One of the outstanding achievements of Samdach Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia, is the implementation of the win-win policy that has resulted in the return of full peace in Cambodia after more than three decades of internal strife. Under this policy, the political and military organization of the Khmer Rouge was dismantled and Khmer Rouge forces were successfully integrated into the mainstream of our society. A sense of confidence and pride pervades the country which bodes well for the future of the economy.

The return of full peace, political stability and complete national unity after more than five centuries since the fall of the Khmer Empire has created an unprecedented opportunity for economic reform and social progress. Cambodia regained international recognition and was formally admitted to ASEAN in April 1999. Since then, Cambodia has embarked on wide-ranging reforms in areas such as public administration, public finance, and the legal and judicial systems. It has also reformed the Royal Cambodian Armed Forces, reformed public finances and macro-economic management, carried out decentralization and de-concentration, reformed the management of natural resources (water, forestry, fisheries, land and environment), and stepped up the fight against corruption. The reforms in public administration are particularly aimed at serving people better through institutions that are transparent, responsive and efficient and enhancing the values of motivation, loyalty, professionalism and a culture of service among civil servants. Moreover, in addition to other fundamental laws, such as the civil code, the criminal code, the code of civil procedure and the code of criminal procedure, an Anti-Corruption Law has recently been adopted. The improvement in the legal and
physical infrastructure will win the confidence of private investors, improve domestic investment and attract international investors to do their businesses in Cambodia.

The Royal Government attaches great importance to private investment for laying the foundation for economic takeoff. The government aims to make Cambodia a focal point for foreign investment by dismantling the disincentives to the export of goods and services. Cambodia will shape its economic destiny by relying on market forces, macroeconomic reforms, an outward-looking growth strategy, and high quality of institutions. The focus will be on improving labour productivity and infrastructural development, enlarging foreign investment and more closely integrating Cambodia into the regional and global economy. With the restoration of peace, economic results have improved dramatically. During the last decade GDP has grown at an average annual rate of 9.3 per cent, thanks to prudent fiscal policy, conservative monetary management, and bold structural reforms. Though Cambodia has made much progress, the reform effort must be reinforced in key areas to sustain development.

Following the implementation of market reforms, Cambodia’s GDP increased fivefold from US$1.27 billion in 1989 to US$10.3 billion in 2009. During this period per capita income also grew fourfold from US$152 to US$739. Mainly due to the sustained high growth, poverty incidence dropped from 50 per cent in 1994 to 30 per cent in 2007.

The recent global economic crisis has sharply curtailed Cambodia’s economic performance. Growth slowed to 6.7 per cent in 2008 and is estimated at 0.1 per cent for 2009. Three of the four main growth-driving sectors — garments, tourism and construction — contracted during 2008–09. Private investment was also hit. More than 40,000 jobs in garment factories have been lost. Growth is projected to have picked up to 4.5 per cent in 2010. However, export performance continues to be vulnerable in view of the narrow commodity base and the high concentration of garment exports to the US market.

Cambodia’s per capita GDP is expected to reach US$1,000 by 2015. However, the resumption of high growth will require more concerted action to strengthen competitiveness, improve the business climate and diversify the production base. Achieving full compliance with WTO requirements and lowering the cost of doing business will be crucial for enhancing competitiveness.

The high growth rates in the two decades preceding the global economic crisis were attributable to favourable internal and external factors. Internal factors include political stability, the existence of peace, stability of the
Forging Closer Bilateral Relations between Cambodia and Singapore

macroeconomic environment, well-performing governmental institutions, and the adoption of a liberal policy towards foreign direct investment and international trade. The major favorable external factors in this period were the general robustness of the regional and global economy and the strong progress in globalization and regional cooperation. Such remarkable socio-economic achievements have provided excellent opportunities for Singapore-Cambodia economic relations.

SINGAPORE-CAMBODIA TRADE AND INVESTMENT RELATIONS

Singapore-Cambodia economic cooperation has been a significant factor in the economic success of Cambodia over the last two decades. Bilateral trade and investment between our two countries increased more than fourfold during the last decade. Our total bilateral trade is expected to exceed US$2 billion within the next few years, making Singapore one of the main trading partners of Cambodia. However, Cambodia has a large bilateral trade deficit with Singapore which needs to be addressed.

Bilateral business contacts have also expanded between the two countries. Singapore is one of major investors in Cambodia. According to the Council for the Development of Cambodia, Singapore invested in 106 projects in Cambodia during 1994–2009. The investment capital comprised of US$658 million and the investment covered several sectors including services and manufacturing, in particular garments.

The expansion of Singaporean direct investment in Cambodia is mainly attributed to the excellent relations between our political and business leaders, and also to the Royal Government’s continued efforts to make Cambodia an increasingly attractive investment destination for international investors including Singaporean companies.

Several incentives have been provided to encourage foreign direct investment in Cambodia. The Investment Law of 1994 was amended in 2003 to greatly simplify the license application procedures. The amended law mandated the approval of an investment project within 31 working days after the receipt of the investment application by the Council for the Development of Cambodia. A Sub-Committee on Investment in Provinces-Municipalities of the Kingdom of Cambodia was also established by a sub-decree in 2005 to approve investment projects costing less than US$2 million dollars in the host province or municipality.

These important initiatives need to be followed up by other measures for boosting foreign investment. Special economic zones are high on the
Government’s policy agenda for attracting foreign investment to Cambodia. The Royal Government of Cambodia has approved 21 Special Economic Zones (SEZs) to attract foreign direct investment and to diversify the Cambodian economy. These zones are managed by the private sector. Cambodia can learn from Singapore’s vast experience in the management of Special Economic Zones.

Trade and investment activities are mutually beneficial and enhance welfare in the partner countries. All steps taken to promote trade and investment are therefore welcome and ought to be encouraged. Singaporean business leaders should explore opportunities for trade and investment in sectors in which Cambodia has comparative advantage. Cooperation with Singaporean partners is particularly welcomed in the more advanced technological sectors and technical education.

The open skies policy of Cambodia has been helpful in promoting tourism, trade and investment. With direct flights to Siem Reap from a number of regional destinations, particularly Singapore which is a prime international gateway, the number of tourist arrivals in Siam Reap has increased sharply, creating a new growth pole in Cambodia, in addition to Phnom Penh and Sihanoukville. Tourism has generated substantial employment and sparked trade and investment in a host of auxiliary activities. The liberalization of international travel has also facilitated business and commercial exchanges in addition to cultural exchanges. The number of Cambodian businessmen visiting Singapore and Singaporean entrepreneurs visiting Cambodia to explore business opportunities is steadily increasing. Strengthening business relations between our two countries has also helped foster a deeper appreciation of each other’s culture.

REGIONAL AND INTERNATIONAL COOPERATION

Cambodia-Singapore relations are not limited to the bilateral level. The two countries are partners in global, regional and sub-regional cooperation initiatives and share several transnational concerns and aspirations. Cambodia and Singapore are both members of ASEAN. Cambodia’s entry into ASEAN in 1999 was an important milestone in Cambodia’s foreign policy evolution, as it marked the end of Cambodia’s isolation in the region. Moreover, the admission of Cambodia into ASEAN helped unify all the ten countries of Southeast Asia under the ASEAN umbrella which was the vision of the ASEAN founding fathers.

The main goal of ASEAN is the establishment of the ASEAN Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural
Community. The Goals and Strategies for Narrowing the Development Gaps within ASEAN and the accompanying implementation mechanisms, is a key ASEAN initiative which will help bring forward the establishment of the ASEAN Community by 2015.

Cambodia values highly Singapore’s role as an important partner in ASEAN. During the last decade of Cambodia’s full-fledged membership in ASEAN, we have been able to balance our bilateral relationship with Singapore alongside our strong commitment to promoting regional cooperation under the ASEAN framework. In 2002, under the Initiative for ASEAN Integration (IAI), the Cambodia-Singapore Training Centre was established in Phnom Penh. The Institute has trained 4,534 Cambodian officials during 2002-2009. This has been a significant contribution to the improvement of the quality of public administration in Cambodia.

Cambodia and Singapore have closely cooperated on international issues of common concern. For instance, in 2005 Cambodia supported the establishment of the Information Sharing Centre in Singapore to fight piracy and sea-based terrorism. Singapore has supported Cambodia’s early inclusion in the Asia-Pacific Economic Cooperation (APEC) initiative and its candidature for a non-permanent seat on the United Nations Security Council for the 2013–2014 session. This mutual support clearly reflects the ever deepening cooperation, friendship and understanding between our two countries.

Given Cambodia’s small market size and per-capita income, the integration of the Kingdom’s economy into the region and the world is necessary for market expansion. Therefore, Cambodia is committed to strengthening economic cooperation, both bilateral and multilateral, through regional and global initiatives. In particular strengthening economic cooperation with Singapore and other ASEAN members is high on the government’s policy agenda. It has also signed a number of trade and investment agreements with various countries, including those in the ASEAN grouping.

Cambodia has also actively participated in other sub-regional, regional and global cooperation initiatives, including the Greater Mekong Sub-region (GMS) initiative, with important implications for Cambodia-Singapore relations. The proposed Singapore-Kunming rail-link, a major GMS undertaking, and the economic corridor projects of the GMS will improve connectivity and competitiveness of the Southeast Asian region, while accelerating the pace of economic growth and improving the welfare of the entire sub-region.

The Royal Government of Cambodia is committed to a proactive foreign policy, which is based on the following principles: neutrality, peaceful
coexistence with all our neighboring countries, non-alignment, friendship and cooperation with all countries based on the principles of equality, mutual respect for independence, sovereignty and territorial integrity, and non-interference in each other’s internal affairs.

CONCLUSION

Cambodia-Singapore relationships have blossomed rapidly in the last two decades both bilaterally and in the ASEAN framework. To forge closer bilateral relations in the coming years, cooperation between our two countries should be focused in the following key areas:

• Economic cooperation through accelerating bilateral trade between the two countries and enhancing Singapore’s investments in Cambodia, mainly trade facilitation, port management, the financial and banking sectors, SMEs, industrial parks, and city and urban planning where Singapore has overseas success particularly in China and Vietnam;
• Education cooperation in order to promote human resource development and strengthen capacity and institutional building, and particularly strengthening bilateral cooperation in public administration through the Singapore Cooperation Programme;
• Good governance which is core to bilateral cooperation between Cambodia and Singapore, and an area where Cambodia can gain from the experiences of Singapore’s success story;
• Enhancing cooperation in tourism sectors, particularly in promotion and marketing; and
• Close cooperation in multilateral diplomacy.

The well-informed government officials, scholars, researchers, and other participants gathered at the Cambodia Forum in Singapore in April 2010 had discussed the way forward in further improving mutual understanding between our two countries.