

Q&A with the Vice President of CAMFEBA on Cambodia's Industrial Development Policy in the context of ASEAN.

The following views were exchanged with the CAMFEBA Vice President at the CDRI Annual Outlook Conference in early 2015 in which Cambodia's Industrial Development – Policy and Action Priorities were discussed. Speakers on the panel included **H.E. Vongsey Vissoth**, Secretary of State, Ministry of Economy and Finance, **H.E. Son Chhay**, Deputy Chair, Commission on Economics, Finance, banking and Audit, National Assembly, **H.E. Dr. Mey Kalyan**, Senior Advisor, Supreme National Economic Council (SNEC) and **Ms. Sandra D'Amico**, Vice President CAMFEBA, Managing Director HRINC Cambodia, Board member, CDRI.¹



How do you see Cambodia in the context of ASEAN?

The context in which we are developing and transitioning is essential and whatever we do, has to be Cambodia specific. Cambodia needs to find our “niche”, our advantage in the context of a very different world today. We are living in a world of global unrest, uprising, unemployment in major economies, in particular I mention the EU, which means less purchasing power for our exports, growing inequality in terms of wealth distribution more so today, than ever, regional and political changes all over, including Cambodia as well as importantly, let us not forget, a world of new technology where information is easy to access – a world of social media where people are making decisions without all the facts, a world where things happen much more quickly than we have ever imagined. And that global and regional context, is important in adjusting and managing change needed to diversify the economy.

I would like to point out two things in relation to Cambodia, which are positive:

1. First, I would like to stress the importance of **Cambodia's geographic location in ASEAN** which is such an advantage.

What is it that we can do, with such an advantage?

- a. **Access to markets and consumer markets:** If our infrastructure, logistics and connectivity is better, Cambodia can be a hub.
- b. **Cambodia CAN BE a Central Hub** of
 - i. Finance
 - ii. Trade & Logistics
 - iii. Innovation
 - iv. Education

¹ Picture courtesy of HRINC Cambodia.
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- c. However... the window of opportunity closes quickly, if we **do not react decisively** and have policies to support such a strategy
2. Second, I want to stress **the entrepreneurial spirit of Cambodian's**. There is a lot of 'unseen brilliance' and a lot that we need to promote in our new generation of leaders, their great stories and successes, some who are speaking here today. But in that context of entrepreneurialism, we need to create an enabling environment for SME's to thrive and become part of global value chains. We have an opportunity to leap frog into Global value Chains, and perhaps SME's partnering with Multinationals or regional players, and policies targeted to created such joint ventures, can give our SME's access to advanced technologies, advanced and new ways or working, and more quickly enable Cambodian enterprise to integrate into global value chains.

What are the challenges in industrial policy – in particular from a labour perspective?

From a labour and social affairs perspective, there are three points I want to stress in the context of where Cambodia finds itself today...

First, is managing perceptions: We have had a lot of industrial unrest in the last two years, a lot of political change and empowerment. In particular industrial unrest is not favorable for diversification and creating more labour intensive industry. The intangible perception, which we cannot quantify, is as **important in managing, as designing a new industrial policy**. We must manage the intangible and ensure that our industrial policies manage the perceptions of people. In this, the following points are important to consider:

- a. **Access to clear and concise information** for civil society in general, for SME's and entrepreneurs so that they can play a role, and for foreign direct investors
- b. **Better government promotion of policies and opportunities** which is linked to information access, but requires government to be more innovative in using websites to disseminate information, social media, TV, and radio.
- c. **A more service orientated government that is coordinated.** There has been a lot of discussion (ref to H.E. Son Chhay) but I stress, service orientated public services.
- d. **Better urban planning** in cities and SEZ's because urban planning impacts perceptions. Industrial policies, including the new investment law mentioned by H. E. Sok Chenda in the previous session, as well as our SEZ policies and laws MUST include:
 - a. Reasonable housing infrastructure
 - b. Health and sanitation
 - c. Education and recreation facilities
- e. **Engagement between government and all actors in the country** (Unions, employers, business chambers, civil society) and not only in our working groups which have been very effective, but up to the national assembly and parliamentary levels so that there is a better understanding of the realities everyone is faced with.

My second point is on Social Policies and Industrial Peace: Social peace is arguably our biggest challenges and threat which requires clarity and coordination of laws and importantly enforcement of laws. I stress this, as industrial and social peace is a

pre-condition to get foreign direct investment, whether or not we have the best laws and regulations, not getting our goods and services out because of strikes or an unpredictable industrial environment, does no good for diversification. I have seven points to stress under social policies and industrial peace:

- a. **We need labour and social laws that support industrial policy and diversification.**
 - i. We need wage policies that are predictable, encourage productivity, encourage employment
 - ii. We need a trade union law that promotes a more constructive industrial relations environment in which everyone understands their rights and importantly, responsibilities.
 - iii. In summary, our labour laws need to support industrial policy and need to be enforced, so that there is predictability and investors have security in how to operate in the country.
- b. **Our social security laws**, while making remarkable progress, need to consider the impact and pressure of integration. The recent example where many Cambodian's were expelled from Thailand, tested our resilience and ability to deal with what could've been, a potential disaster. Although well managed and in its infancy, we must also consider the future population structure, which is arguably going to age quickly with a young professional population having less children. Also we need to consider more broadly the protection of those working abroad which brings me to my next point on
- c. **Managing migration** – the positives and the negatives, but to ensure that our workers abroad, are safeguarded, but also when they return, have institutions and protection to re-engage in Cambodia.
- d. Fourth and SO IMPORTANT: **Our Health Care Industry**. There is a lot of talk about our Health Care, in particularly dentistry becoming extremely attractive to overseas people. I have no data to support this, but it is clear, we can be an attraction in fields we don't think or focus on. But as much as a particular health care industry can be an attraction, the health care of our Cambodian people, are critical. We have an outflow of Cambodian people and revenues to neighboring countries to get quality health care, again, I have no data but my practical experience and engagement with society. **Quality Health care and supporting health care systems for Cambodian people, is critical in our social policies.**
- e. **Fifth, primary and secondary education:** We need to keep the next generation in school. I have heard from education practitioners that schools on the borders are empty as people flock to industrial sectors to earn an income. All government resources, **finance and people**, must be focused on ensuring a literate and completion of quality secondary school. Managing wage policies and cost of living in this regard are important.
- f. **Finally, encouraging more science, technology, engineering, mathematics in Higher education**. Our higher education sector can easily achieve excellence in consolidating the sector. Reforming those institutions which are not really universities into technical institutes that are focused on short term 1 year – 2 year programs that get young people a qualification that is practical and gets them into the labour force quicker.

My final point on Challenges with Industrial Policy is managing the transition from low value added garment manufacturing to a more diversified economy.

- a. **The jobs in the garment sector are critical as is the sector given its dominance in exports.** The garment sector itself creates a host of knock on industries which we often do not talk about – whether it be food service, new

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business starting to service the sector and the importance of what those remittances mean to rural families in keeping people in school or developing the local economy in the provinces. *We cannot forget about the importance of our garment sector in job creation and it's indirect economic benefits.* We need to prepare our workforce for “new industries and new opportunities” but we need our garment sector to maintain its dominance while we develop and diversify.

- b.** In developing and diversifying I want to mention that **labour productivity is not only about skills development, but about the quality of investment that we are able to attract into Cambodia.** *Labour productivity also comes from advanced technologies and machineries, working smarter.*
- c.** We need policies that don't focus on low quality investment but **Quality Investment and Quality Jobs.** Policies that encourage joint ventures might be a good way to increase domestic investment into labour intensive industries.

Thank you.

About the speaker

Sandra D'Amico is the founder and *Managing Director* of HRINC (Cambodia) Co., Ltd (www.hrinc.com.kh), the *Vice President* of the Cambodian Federation of Employers and Business Associations (CAMFEBA) (www.camfeba.com) as well as a *Board member* of CDRI (www.cdri.org.kh) Cambodia's leading think tank and research agency. She has been working and living in Cambodia since 2001 and works extensively and speaks regularly on labour, employment, education and economic themes in Cambodia, and within ASEAN. Ms. D'Amico also represents Cambodian employers extensively in the region and to the International Labour Conference (ILC). Most recently, she led the global employers group at the Global Dialogue on Wages and Working Time (2014), and is part of the International Employers Organisation (IOE) (www.ioe-emp.org) global industrial relations committee.

Other professional services companies that were founded by Ms. D'Amico and her team at HRINC, and renowned for their superior execution of complex research and superior data quality and management, include BDLINK (Cambodia) Co., Ltd, Cambodia's leading market research and consulting firm (www.bmlink.com.kh) and The Society of Human Resource Management and Productivity (SHRM&P) which specializes in HRM and productivity training (www.shrmp.com.kh).

Ms. D'Amico can be reached on sandra.damico@hrinc.asia.