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The Digital Influence of South Korea on Cambodia's SMEs

KHEM Noltheresa *

Cambodia is leveraging digital technology to spur growth as the Fourth Industrial Revolution is taking shape. The government's Digital Economy and Society Policy Framework 2021-2035 includes the Digital Government Policy 2022-2035, aiming to enhance public services and citizens' trust. South Korea, with its extensive digital governance experience, is supporting Cambodia's digital transformation through policy advice and capacity building. This collaboration is crucial for Cambodia's efforts to improve public service delivery and overall quality of life for its citizens.

This commentary explores the potential impact of South Korea's digital influence on Cambodia's private sector. It will begin by providing an overview of Cambodia's private sector landscape and examining the digital cooperation between the two countries. Subsequently, the article will delve into the prospects of how South Korea's digital expertise and investments could shape and benefit Cambodia's private sector in the coming years. Finally, the commentary will conclude with a summary of the key findings and insights.

Overview of Cambodia's private sector

Small and Medium Enterprises (SMEs), comprising 90 per cent of registered businesses, are vital to Cambodia's economy. Their digitalisation is crucial for the country's digital transformation. However, a Cambodia Development Resource Institute report reveals varying levels of digital adoption among SMEs: only 10 per cent use advanced digitalisation, 60 per cent remain at a basic level, and 30 per cent are intermediate. Most SMEs limit their digital engagement to social media and e-payment methods for product promotion, customer interaction, and transactions. This suggests significant room for improvement in Cambodia's digital business landscape.

As such, there remains a knowledge gap in the adoption of sophisticated websites and advanced tools for back-end operations among Cambodian businesses. A survey by The Asia Foundation suggested that only 13 per cent of the surveyed micro, small, and medium enterprises (MSMEs), employ personnel with ICT (Information and Communications Technology) degrees, indicating a shortage of skilled workers in this domain. The situation is complicated by low digital literacy rates, with surveys indicating around 70 per cent of Cambodians have limited experience with digital technologies. This challenge is particularly acute among ethnic minority groups, who face additional barriers due to limited digital skills and access to reliable information, further exacerbating the digital divide in the country.

* **Ms. KHME Noltheresa** is an intern at the Mekong Centre for Strategic Studies (MCSS), Asian Vision Institute (AVI).

Understanding the Digital Cooperation between Cambodia and South Korea

According to the UN E-Government Knowledgebase, Korea ranked 3rd in the E-government development index in 2022, indicating its outstanding capacity to export to other countries. Although over 100 per cent of the Cambodian population has access to mobile internet, only 37 per cent of its youth can embrace digital advancements. With that said South Korea has a strong potential to provide funding, share knowledge, capacity-building programs, cultural exchange programs, policy and regulatory support, and research and development (R&D) collaboration, which could contribute to Cambodia's development and digital adaptation. This support is vital for enhancing digital skills in Cambodia, aligning workforce capabilities with job market demands, and driving socio-economic development.

From 2021 to 2023, Cambodia and South Korea collaborated on digital government initiatives. The Cambodia-Korean Digital Government Forum in Phnom Penh, established by Cambodia's Ministry of Post and Telecommunications and South Korea's Ministry of Interior and Safety, facilitated knowledge sharing with Cambodian stakeholders. Additionally, other South Korean ministries, including the Ministry of Science and ICT, provided support in policy formulation and knowledge transfer to aid Cambodia's digital transformation efforts. On top of government-to-government cooperations, NGOs like KOICA and Childfund Korea, as well as private entities like Woori Bank, are actively engaged in assisting Cambodian ministries and NGOs through financial support, capacity building for civil servants and educators, infrastructure development, and provision of training materials.

The Future Prospect of South Korea's Digital Influence on Cambodia's Private Sector

South Korea's commitment to bolstering ICT cooperation will not only enhance South Korea's regional reputation but also improve Cambodia's business competitiveness and foster overall socio-economic development. Looking ahead, South Korea's digital influence promises to be a catalyst for Cambodia's technological advancement, economic growth, and integration into the regional and global digital landscape.

South Korea's promotion of innovation, intercultural collaboration, and academic excellence, can be harnessed in various sectors including technology transfer, and investment in the region. The influx of South Korean investors will bring along the transfer of technological expertise to Cambodia, empowering local businesses to adopt advanced digital solutions and enhance their competitiveness. For example: South Korea's expertise in areas like e-commerce platforms and digital payment systems can fuel significant growth in online commerce for Cambodia's private sector, opening up new opportunities for business expansion and consumer engagement.

Besides contributing to regional digital status, South Korea can also strengthen its cultural exports, such as K-POP, K-Drama, and beauty products. By partnering with South Korean firms, Cambodia can distribute or manufacture products locally, leveraging South Korea's technological expertise and branding to enhance its competitiveness and remain on trend in the market. Furthermore, South Korea, being a more developed country, has a wealth of offerings that can be introduced to Cambodia's market, providing novelty and attracting consumer interest thereby creating a win-win situation for both.

Cambodia's effort to diversify its market offers a wide range of investment opportunities to the Kingdom. The introduction of Cambodia's investment law in 2021 has created a favourable environment for attracting more South Korean investors, which can strengthen bilateral trade and expand markets for both parties. Investing in Cambodia can offer significant benefits to South Korean private firms due to Cambodia's positive perception of Korean brands,

influenced by the popularity of Hallyu, and the opportunity to introduce new products and services to a developing market.

Conclusion

South Korea has significantly supported Cambodia's digital aspirations through financial aid, policy guidance, and training. This assistance has boosted Cambodian businesses and advanced the country's goal of achieving upper-middle-income status by 2030. Despite promising economic prospects, Cambodia faces challenges, particularly in digital expertise. To address this, both nations should strengthen their digital collaboration, focusing on attracting Korean investment, fostering partnerships, and enhancing digital skills. Prioritising education and youth exchange programmes can deepen understanding of development strategies and cultivate lasting friendship between the two countries.

The views expressed are the author's own and do not reflect the views of the Asian Vision Institute.