



# Briefing Note

## Parliamentary Research Training

# THE ROLE OF THE CAMBODIAN PARLIAMENT IN IMPROVING THE DIGITAL CONNECTIVITY FOR E- COMMERCE IN ASEAN BY 2025

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## **Summary**

The ASEAN economic community has seen significant growth since the late 1970s, culminating in the ASEAN Economic Community (AEC) Blueprint 2015 and continuing with the AEC Blueprint 2025. This framework aims for deeper integration and sectoral cooperation within ASEAN, focusing on connectivity and economic cohesion. A key aspect of this growth is the rise of cross-border e-commerce, with ASEAN and East Asia emerging as the world's fastest-growing online markets.

## **Cambodia's E-Commerce Landscape**

Cambodia has maintained robust economic growth, achieving lower-middle-income status in 2015. The Ministry of Commerce operates Cambodia Trade, an e-commerce platform supporting small and medium enterprises (SMEs). The country's young, tech-savvy population has driven mobile and internet adoption, contributing to the e-commerce sector's growth. The implementation of the E-commerce Law in 2019 has set the stage for sustainable development, supported by government policies and a growing tech ecosystem.

## **Strategies for ASEAN E-Commerce Connectivity**

The Royal Government of Cambodia (RGC) has adopted several laws, policies, and strategies to promote e-commerce, including the National Strategic Development Plan and the Rectangular Strategy for Growth. Key initiatives include tax incentives for SMEs, digital literacy programs, and the implementation of the blockchain-based payment system, Project Bakong.

## **Challenges and Policy Gaps**

Cambodia faces several barriers to e-commerce growth, such as limited payment systems, logistics, digital skills, and consumer trust. Key challenges include outdated processes and inadequate infrastructure.

## **Best Practices from ASEAN Member States**

Vietnam serves as a model for e-commerce growth in ASEAN, maintaining a 20% growth rate and aiming for significant digital economy contributions by 2030. Key targets include increasing online shopping, enhancing e-commerce infrastructure, and promoting digital transformation among businesses.

## **Role of Cambodia's Parliament**

The Cambodian parliament can enhance e-commerce through legislative and oversight functions, ensuring effective cyberlaw implementation to build consumer trust. Public forums and constituency engagement can inform policy recommendations, fostering a secure e-commerce environment.

The rapid growth of ASEAN and the rise of e-commerce present significant opportunities for Cambodia. Addressing infrastructure deficiencies, digital skills gaps, and trust issues is essential. By adopting comprehensive legislative measures and learning from regional best

practices, Cambodia can enhance its e-commerce sector and contribute to a more integrated ASEAN economic community by 2025.

## **1. INTRODUCTION**

The ASEAN economic community has experienced a prolonged period of high economic growth since the process of expansion was completed in 1999, and this trend can be observed since the late 1970s for many countries [1]. They have been going through a process of rapid change, economic growth and a number of structural challenges. The implementation of the ASEAN Economic Community (AEC) Blueprint 2015 has been substantively achieved and the AEC Blueprint 2025 will continue working on the strategic roadmap aiming at creating a deeply integrated and highly cohesive ASEAN economy growth, particularly the enhancement of connectivity and sectoral cooperation within the economic bloc [2].

Cross-border e-commerce has become increasingly essential in the international economy and globalization [3]. ASEAN and East Asia become the world's fastest-growing online market, with an internet user base of over 350 million users and overall market size of \$72 billion in 2018. More than 50% of ASEAN's population is a young generation of under age 30 and they have a greater attraction for technology and internet-based transactions [4]. In the next 5-10 years, the regional e-commerce market is projected to grow on average by 25% to 35% per year. By 2025, e-commerce will represent a market exceeding US\$100 billion, a large increase from the US\$20 billion in 2017 [3] [5].

Although, ASEAN Member States still confront issues of economic diversity or inequality across ASEAN including inequality of income distribution across member countries, income inequality within individual countries, and divergence of economic opportunities for often marginalized groups of the population [6]. Compared to the other 9 ASEAN countries, Singapore has the highest GNI per capita (83,793), followed by Brunei (76,389) while Cambodia is the lowest (3,597) [7].

This paper objectively aims to provide background information on E-Commerce in ASEAN and Cambodia and the definition of the key words and the terms it uses. Then, it will identify the progress of Cambodia toward ASEAN E-commerce connectivity and also highlight some regulatory frameworks, policies and strategies in Cambodia. This research will also highlight the key challenges or barriers that Cambodia faces to enhance inclusive e-commerce and highlight best practices from ASEAN. In addition, it will also note some policy options to enhance efficient, inclusive and sustainable e-commerce with the ASEAN community.

To achieve these objectives, this paper will address the following key questions:

1. How does Cambodia make progress toward ASEAN E-commerce connectivity for all?
2. What are the challenges and policy gaps during Cambodian E-commerce transition and the ASEAN E-commerce best practices for inclusive growth?
3. What are the roles of the Cambodian parliament to enhance efficient, inclusive and sustainable E-commerce within the ASEAN community?

Desk review and analysis of information from official sources will be the main methodology for writing this briefing note.

## **2. CAMBODIA'S PROGRESS TOWARD ASEAN E-COMMERCE CONNECTIVITY**

### **2.1. Definition of Key Words**

**Digital:** is electronic technology that generates, stores, and processes data in terms of positive and non-positive states [8].

**Connectivity:** is about bringing countries, people and societies closer together. It facilitates access and is a means to foster deeper economic and people-to-people ties [9].

**Inclusive:** is the quality of including many different types of people and treating them all fairly and equally [10].

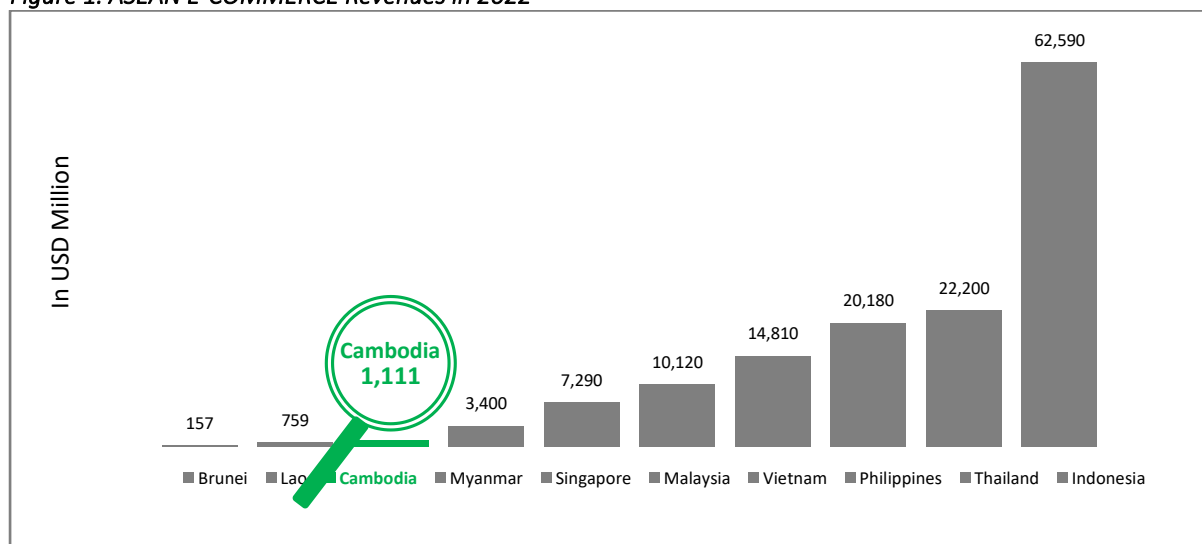
**E-commerce:** is the sale or purchase of goods or services, conducted over computer or mobile networks by methods specifically designed for the purpose of receiving or placing orders. An E-commerce transaction can be between enterprises, households, individuals, governments and other public or private organization [11].

## 2.2. Overview of Cambodia's E-Commerce

Since the civil war ended, Cambodia has rehabilitated and maintained robust economic growth of approximately 7% annually, except during the COVID pandemic [12]. This stability uplifted Cambodia to be a lower-middle-income country in 2015, and it was achieved largely by the commitment and strong social and economic policy of the government and its citizens [13].

Cambodia Trade is an E-commerce marketplace operated by the Ministry of Commerce (MoC). It serves Cambodia's small and medium enterprises to sell their Made-in-Cambodia products online to potential clients in domestic and cross-border markets [11]. The Ministry of Commerce has projected that Cambodia's e-commerce market value would keep growing, at a value of US\$1,111 million in 2022 and US\$1.7 billion by 2025 (as shown in figure.1) [14].

Figure 1. ASEAN E-COMMERCE Revenues in 2022



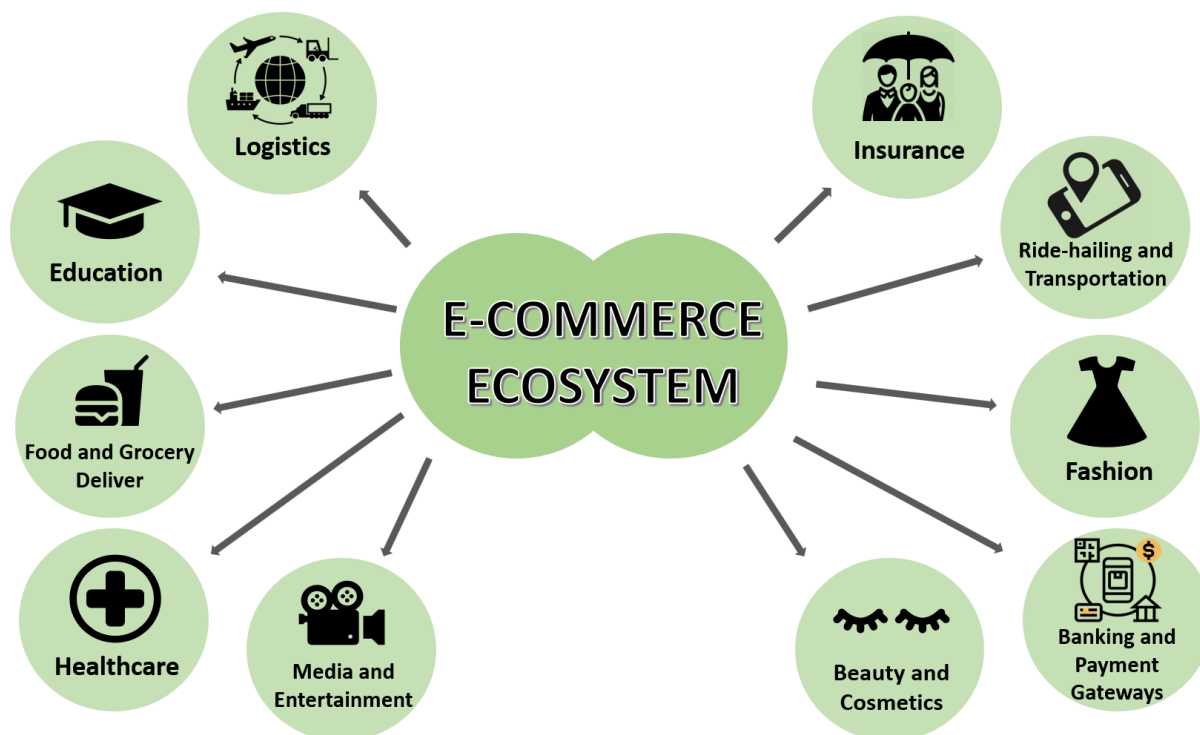
Source: Statista, Mango Tango Asia

The young and dynamic population, as half of the whole population is under 30 years old, has contributed largely to the widespread use of mobiles and the internet [15]. As shown by the Telecom Regulator Cambodia, mobile subscribers are around 21 million in the early quarter of 2021 (5M in 2004), and mobile internet users reached 18 million in 2022 (8M in 2016) [16].

Since the E-commerce Law was implemented in 2019, Cambodia's E-commerce ecosystem has been set to become one of the region's fastest growing e-commerce markets. Today, the e-commerce landscape is likely to witness sustainable growth, driven by strong government

support, a growing urban population, high internet penetration and social media adoption rates, higher consumer spending and a robust technology start-up ecosystem (Figure.2) [11].

Figure 2. Components of the e-commerce landscape

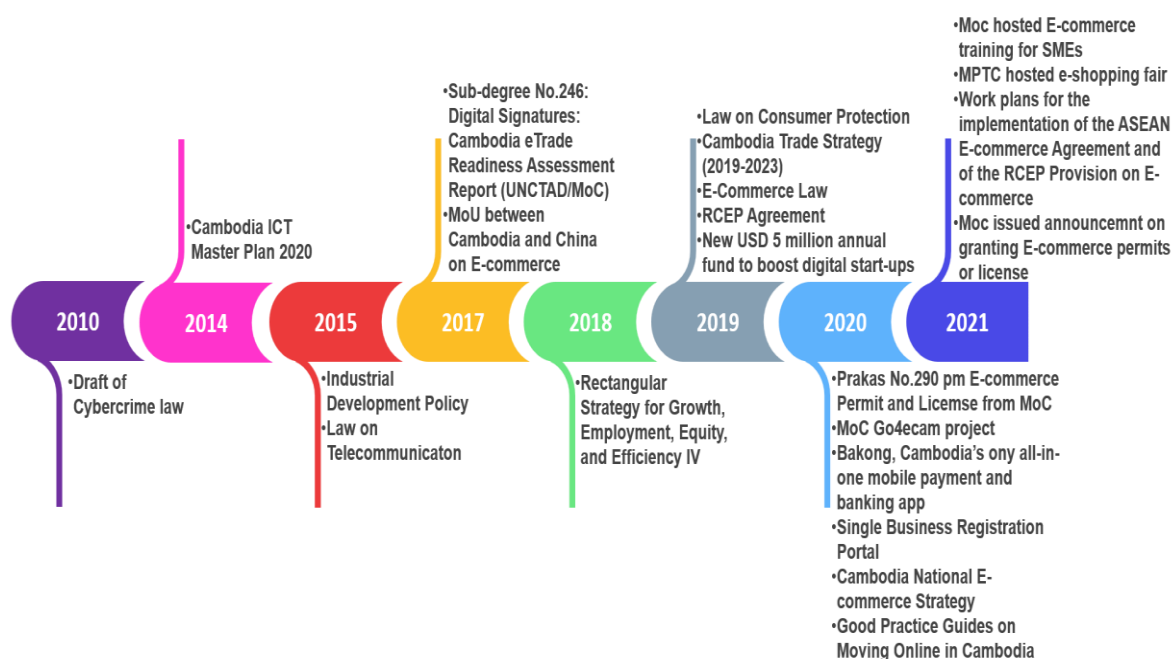


### 2.3. Cambodia’s Strategies to move forward ASEAN E-Commerce Connectivity

#### 2.3.1. Legislative Aspect

The Royal Government of Cambodia, in its National Strategic Development Plan (2019-2023), has set out the objectives to be a middle-income and high-income country by 2030 and 2050 respectively and also has planned many strategies to move forward to E-Commerce for ASEAN Digital Economy. RGC has adopted many essential laws (E-commerce, Cybercrime (drafting), Telecommunication, Consumer Protection), policies (Financial Technology Development Policy, Industrial Development Policy), strategies (Rectangular Strategy for Growth, Employment, equity, and Efficiency IV(Phase IV 2019-2023), Cambodia Trade Strategy, Cambodia National E-commerce Strategy) and action plans (Cambodia ICT Master Plan 2020, E-commerce Training for SMEs, Work Plans for the Implementation of the ASEAN E-commerce Agreement), which aim to provide important basic rules for promoting e-commerce locally and abroad with confidence through validation, power, feasibility and acceptability of electronic communications, electronic records, and electronic contracts. More importantly, these laws will enable small and medium enterprises (SMEs) in Cambodia to integrate into the production chain, and domestic and international markets [17]. To accelerate E-commerce’s growth, RGC provided SMEs tax reduction, tax exemption, and specific support programs funded by relevant ministries and international organizations [18]. Relevant government policies, legal framework and initiatives to promote the digital economy and E-commerce in Cambodia are listed below (Figure.3):

Figure 3. Policies, legal framework and initiatives toward digital economy and E-commerce in Cambodia



### 2.3.2. Institutional Aspect

The Royal Government of Cambodia has established many of national and international programmes and institutional frameworks among MoEYS, MLVT, MoEF and the National Bank of Cambodia, focusing on promoting trade facilitation through digitalization. RGC has been improving **Small Package E-Trade for SMEs (SeT4SME)** and implementing an **E-commerce ecosystem program in Cambodia (Go4eCAM)**, aiming to provide the necessary conditions for MSMEs to go digital and to gain access to much needed finance for E-commerce uptake and business formalization to support export readiness [11].

The Ministry of Education, Youth and Sports (MoEYS) has established some policies and strategies for promoting the Digital Literacy and Digital Skills such as Policies on Strengthen the Digital Capabilities of Young People (by integrating ICT tools for teaching and learning), and has integrated science, technology, engineering, and mathematics (STEM) into curricula and textbooks [19]. MoEYS has also worked in collaboration with the Ministry of Labor and Vocational Training (MLVT) in terms of modernizing Cambodia's education system, through both general education and TVET (Technical and Vocational Education and Training) [19].

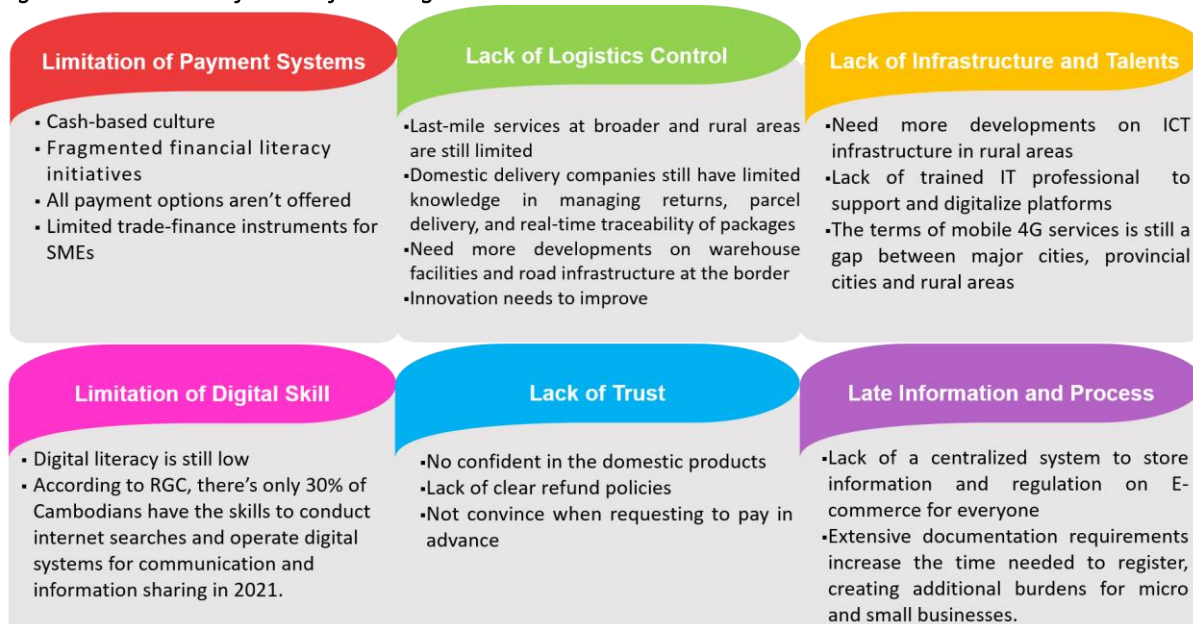
Moreover, the National Bank of Cambodia launched a block-chain based payment system called Project Bakong to promote using Banking and E-Financial (e-banking, e-wallet, and e-finance), which aims at digitally upgrading retail payment to deliver better services at a lower cost and unbanked citizens also can access it [20]. The Ministry of Economy and Finance has currently hosted a policy consultation towards "Financial Technology (FinTech) Development Policy" which is one of the essential approaches to frame the digital financial inclusion as the leverage of digital economy [20] and also pushes forward various initiatives to leverage tech startups such as the "Skills Development Fund" for upgrading the skills of SMEs and growth-stage startups [21].

### 3. The Challenges and Policy Gaps during Cambodian E-Commerce Growth

#### 3.1. The Barriers

Although e-commerce has shown its positive aspects in the Cambodian market, there are still some barriers to be faced such as limitations of payment system, lack of logistics control, infrastructure and talents, limitation of digital skills, lack of trust as well as out-dated information and processes that are common barriers to promote e-commerce in Cambodia. The following table elaborates on the six main factors of challenges to E-commerce in Cambodia [11]:

Figure 4. The six main factors of challenges to E-commerce in Cambodia



Source: TRC, NIS, NapoleonCat, NBC, MLVT, NBC2, B2B Cambodia, World Bank, PROFITENCE's Analysis

### 4. The ASEAN E-Commerce Best Practices for Inclusive Growth

#### 4.1. Best Example from Member States of ASEAN

Vietnam has exemplary practices in e-commerce that Cambodia could adopt as a model. According to the Ministry of Industry and Trade, e-commerce in Vietnam will maintain a 20% growth rate in 2022. Over the past few years, the growth rate has ranged from 16% to 30% [22]. Vietnam has also held the title of the fastest-growing digital economy in Southeast Asia for two consecutive years (2022-2023) and is projected to continue this trend through 2025, tied with the Philippines, according to a report by Google, Temasek, and Bain & Company announced on November 1, 2023. The Ministry of Industry and Trade of Vietnam aims for the digital economy to contribute 20%-25% to the GDP by 2030, with e-commerce retail sales increasing by 20%-25% and 50% of businesses accessing the digital ecosystem. Additionally, 70% of industrial enterprises are expected to implement digital transformation by this target year. [22]

Major targets to be achieved by 2025 include: (1) increasing the scale of e-commerce with 55% of the population shopping online and per capita spending rising to US\$600 from US\$202 in 2018; B2C online sales growing at an annual rate of 25% to reach US\$35 billion that would account for 10% of total retail sales of goods and services; (2) strengthening infrastructure of supporting services of e-commerce with non-cash payment in e-commerce, 70% of purchases on e-commerce website/ application with electronic invoices; and building and putting into use a shared database on e-commerce; (3) enhancing the application of e-commerce among enterprises with e-commerce websites incorporating online ordering functions; 50% of SMEs



operating on e-commerce trading platforms; and 40% of enterprises participating in e-commerce on mobile devices [23]. Overall, Vietnam's e-commerce potential is supported by its young, tech-savvy population, high internet penetration, rising income and progressive government policies which promote the digital economy [24].

## **5. The Role of Cambodia's Parliament to Enhance Efficient, Inclusive and Sustainable E-Commerce with the ASEAN Community**

### **5.1. Policy Options**

Cambodian cyberlaw is a crucial to protect e-commerce in addition to the e-commerce law. The absence of these legal mechanisms has made people uncertain about how their data on online platforms are used. They also do not what to do when problems occur, particularly hacking and data leaking. To some extent, this makes people less likely to perform online financial transactions [25]. On the other hand, lack of trust by consumers, is the most essential factor to decelerate e-commerce [11]. Given legislation role, the Cambodian parliament can ensure the refund mechanisms are included in the government's draft laws/policies regarding cyberlaw to ensure consumers trust online financial transactions. By exercising the **Legislation Function**, MPs can accelerate the adoption of the cyberlaw which is still in drafting stage since 2010.

Through the **Oversight Function**, members of parliament can oversee government performance on E-commerce related laws/policies at both the national and sub-national level. Through monitoring and evaluation, MPs can adjust the budget allocation to ensure enforcement and implementation of effective and efficient laws/policies.

As the representatives of their constituency, members of parliament from the relevant commission involved in E-commerce can organize a public forum to hear local voices and get their thoughts following public engagement and fact - finding investigations ahead of laws/policies recommendation are presented in the plenary session. By doing this, MPs can receive more information about people's thought on e-commerce issues which allows them to have information to have input into policies or laws.

## **6. Conclusion**

The rapid growth of the ASEAN economic community and the increasing importance of e-commerce present significant opportunities for Cambodia. However, to fully realize these opportunities, Cambodia must address several challenges including infrastructure deficiencies, digital skills gaps, and a lack of trust in online transactions. By adopting comprehensive legislative measures, improving digital literacy, and enhancing logistical and payment systems, Cambodia can foster a more robust e-commerce environment.

Vietnam's successful e-commerce practices offer valuable insights and strategies that Cambodia can emulate to boost its own digital economy. The collaboration between the Royal Government of Cambodia and the parliament is crucial to enact effective policies and laws that build a secure and trustworthy e-commerce framework. By focusing on inclusive growth and leveraging regional best practices, Cambodia can enhance its e-commerce sector, thus contributing to a more integrated and dynamic ASEAN economic community by 2025.

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