

High Level Seminar: How can the Fourth Industrial Revolution and regional cooperation drive Cambodia's structural transformation?

Welcome Remarks by Ramesh Subramaniam, Director General, Southeast Asia Department, Asian Development Bank 2 November 2018

- Excellency Vongsey Vissoth, Secretary of State, Ministry of Economy and Finance;
- Excellency Heng Sour, Secretary of State, Ministry of Labour and Vocational Training;
- Excellency Mey Kalyan, Senior Advisor, Supreme National Economic Council;
- Excellencies, distinguished guests, ladies and gentlemen,

I am delighted to welcome you to this high-level seminar which examines how two forces of change namely (i) technologies embedded in the Fourth Industrial Revolution (4IR) and (ii) uncertainties in the international trade environment, could drive Cambodia's structural transformation for long-term growth.

The Fourth Industrial Revolution is often expressed as a set of highly disruptive technologies such as artificial intelligence (AI), robotics and 3D printing. These can pose challenges to policy makers as they balance reforms to make their economies more competitive, and their societies more equitable, through job creation, poverty reduction and social protection. The most profound and rapid technological transformations are happening in the digital realm. Greater use of telecommunications technology has made it easier for goods and services to be traded across borders. Increased automation is also changing the way production is structured. The use of AI and machine learning has the potential to radically transform the way people work. New innovations like cloud computing, big data and the internet of things are already improving our daily lives through their use in e-commerce, finance and healthcare.

All these innovations have great potential to generate new sources of growth, as well as improve social outcomes. They can help improve access to basic social services and mobile banking. The digitalization of civil registration systems can improve beneficiary identification for a full range of public service programs, including social protection; e-governance – particularly e-content for online public services; e-banking and mobile payment facilities for social assistance; and even software analytics to make program targeting more effective by tracking changes in beneficiary circumstances, identifying duplicate beneficiaries, and reducing cases of fraud.

In Cambodia, despite constraints for SMEs to reach the latest stages of automation due to limited capital, and weak regional business networks, in recent years there has been an emergence of tech-based businesses which are experimenting with new business models. Successful ICT start-ups in Cambodia are now targeting financial services with cloud-based services, including developing an affordable banking system for MFIs, establishing an online accounting platform, and digitalizing and improving SMEs' access to cash and financing. What ADB's research shows is that while 4IR technologies have the potential to facilitate the (digital) integration of SMEs across ASEAN and beyond, there are also challenges associated with disruptions to labor markets, and in investing in human and physical capital to take advantage of opportunities presented.

The seminar will start by a Keynote Address by H.E. Vongsey Vissoth, Secretary of State, Ministry of Economy and Finance, which will outline the perspective of the Royal Government of Cambodia on the digital economy within the Rectangular Strategy Phase IV. The Keynote Address will be followed by presentations on two ADB studies. The first study will examine how ASEAN economies, including Cambodia can benefit from deepening intraregional trade through (i) diversifying their economic and trade structure, (ii) upgrading competitiveness and innovative capacity via domestic and regulatory reforms, and (iii) supporting high quality regional trade agreements to promote regional economic integration. ASEAN economies continue to face challenges, including narrow product space, limited degree of complementarity and need to improve business competitiveness.

The second study focuses on 4IR as one particular driving force of economic diversification and value-chain development in ASEAN, including Cambodia. It provides a comprehensive discussion on the impact of 4IR on ASEAN, both positive and negative, including many benefits such as digital integration of SMEs, lowering costs and improving access to services and changing how consumers communicate and trade with each other. It also discusses, how technologies such as AI and advanced robotics can enable deep learning but can also undermine manufacturing and service sector jobs. It will conclude with some recommendations on how Cambodia should respond to the challenges and opportunities presented by 4IR.

The subsequent panel discussion which I will participate in will seek inputs from senior policy makers, private sector and development partners, on industrial policy, human resource development, infrastructure provision and trade facilitation to enable Cambodia to maximize the benefits for Cambodia from both ASEAN integration and 4IR technologies.

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I trust that today's seminar and high-caliber panel discussion will provide us with plentiful facts and opinions on how 4IR and regional cooperation can be expected to drive Cambodia's structural transformation; and produce useful recommendations to inform preparation of the Royal Government's National Strategic Development Plan 2019-2023 and ADB's new Country Partnership Strategy, 2019-2023.

Finally, I would like to wish Excellencies, Ladies and Gentlemen good health, happiness, peace and prosperity.

Thank you.