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Dollarization and Dedollarization: The Typical Dilemma of Economy in Cambodia

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Abstract

In order to integration in ASEAN region, Cambodia should be ready for all sectors and must be solving some critical issues currently encountering well and on time for forwarding to develop sustainability and inclusive development. All dilemmas such as dollarization, illegal immigration and stability of political system. In addition, I would only mention the dollarization market in Cambodia. Somewhat paradoxically, growing dollarization in Cambodia has occurred against the backdrop of greater macroeconomic and political stability. The usual motive, currency substitution, does not appear to have been a factor. As the volume of dollars increased over the years of UNTAC for first Cambodia's election, so has the volume of riel. A strong inward flow of dollars related to garments sector exports, tourism receipts, foreign direct investment, and aid, has benefitted the dollar based urban economy. The riel based rural economy has, however, lagged behind. Given international experience in de-dollarization, a carefully managed market based strategy, supported by a continued stable macroeconomic environment is essential for Cambodia's dedollarization (Masato 2011). Cambodia has been losing around \$20 million to \$100 million annually in using this international currency. Cambodia's loss of seigniorage, the value a country gains in producing its own currency equates to about 2 percent of total GDP. In this term paper will assert that, with ample deficit current account of our country in mechanism of using domestic currency in market, and allocate the resource by transparency and accountability in order to promote the financial inclusive development in Cambodia.

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