

PERSPECTIVE

RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE ANALYSE CURRENT EVENTS

Singapore | 6 July 2017

Cambodia Embraces China’s Belt and Road Initiative

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EXECUTIVE SUMMARY

- The Belt and Road Initiative (BRI) is a new force shaping the global economic order, serving as China’s grand strategy to project its global influence and leadership role through economic and cultural diplomacy.
- Cambodia enthusiastically supports the initiative, mainly for economic reasons, especially its infrastructure development and production-capacity cooperation elements.
- BRI is complementary to Cambodia’s national development strategy as it can strengthen the country’s economic competitiveness by diversifying the sources of growth and expanding its economic horizon.
- However, Cambodia needs to strengthen its governance to maximize opportunities, and the participation of the private sector in infrastructure projects remains limited. Another challenge is the lack of transparency and local community participation.

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INTRODUCTION

Cambodian Prime Minister Hun Sen led a large delegation to attend the first Belt and Road Forum in Beijing on May 14 and 15 this year, and followed it up with a state visit from May 16 to 17.

During the visit, China pledged US\$240 million in grant to Cambodia, and both countries signed 13 agreements focusing on a wide range of areas including infrastructure development, production capacity, trade, finance, maritime cooperation, and tourism under the Belt and Road framework. Cambodia regards BRI as a new catalyst for its economic development strategy and for regional integration and connectivity.

As an “old friend” and “most reliable friend” of China, Cambodia stands to benefit greatly from BRI.

WHAT IS BRI?

Belt and Road Initiative (BRI) was launched in 2013 with an ambition to further connect and integrate Asia, Europe and Africa. It is China’s grand strategy to project its global influence and forge for itself a global leadership role. BRI has three main stated objectives, namely promoting global economic growth, realizing global rebalancing, and creating a new model of regional cooperation in the 21st century.

BRI focuses on five cooperation areas, namely policy coordination; facilities connectivity; unimpeded trade; financial integration; and people-to-people bond. It also seeks to build five communities, namely: a civilized community; a community with common interests; a community with shared responsibility; a security community; and a community with a common destiny. At the first Belt and Road Forum (BRF) in Beijing held on 14 May 2017, President Xi Jinping highlighted five guiding principles of BRI, namely for it be a road for peace; a road of prosperity; a road of opening up; a road of innovation; and a road connecting civilizations.¹

BRI also has significant impact on international geopolitics as China tries to expand its strategic space for global power projection through harnessing economic power and international institutions.² Greater economic interdependence is considered by Beijing to be the foundation of long-term peace and stability. BRI also aims to rejuvenate the Chinese dream and a global order in which China provides economic opportunities and performance legitimacy, maintains peace and stability, and connects civilizations. Through economic and

¹ Xi Jinping (2017) Speech at the Opening Ceremony of the Belt and Road Forum for International Cooperation, 14 May 2017.

² Padriag Murphy, One Belt One Road: The Silk Road, XXI Century, 24 March 2016, The Institute of International and European Studies, http://www.iea.com/ftp/Publications/2016/IEA_Silk%20Road%20XXI%20Century_PMurphy.pdf, accessed May 17, 2017.

cultural means, China can effectively exercise its soft power, which is the key component for the realization of a “Sino-centric order”³.

BRI has received support from more than 60 countries and it has become an attractive global initiative, particularly amid rising economic protectionism and uncertainties in different parts of the world. There are no conditions attached to the countries that are interested in joining BRI, which is projected to cover 65 percent of the world’s population, three-quarters of global energy resources and 40 percent of the global GDP.

The countries located along BRI are expected to benefit either bilaterally or multilaterally through policy coordination, institutional alignment, infrastructure development and connectivity, deepened trade and investment ties, production capacity cooperation, cultural and social cooperation, and information and media cooperation. This will happen alongside knowledge sharing and mutual learning on development experiences, innovation, governance and leadership.

Southeast Asian countries have expressed their interest and pledged their support for BRI to varying degrees. Some have fully embraced the initiative, while others are more cautious about their participation.

Cambodia is one of the most supportive countries of BRI. It is also one of the co-founders of the Asian Infrastructure Investment Bank (AIIB). Political trust and economic interests explain Cambodia’s perception of and position towards BRI.

POLITICAL TRUST

China is Cambodia’s most important strategic and economic partner. Political trust and a good personal relationship between the two top leaders, continuing from generation to generation, are the foundations of these bilateral ties. Cambodia perceives the rise of China as a great opportunity for it to develop its economy and strengthen its autonomy against pressures from the West demanding political and governance reforms.

Explicably, this deep relationship has shaped Cambodian perceptions, particularly among the governing elites, towards China’s newer foreign policy initiatives including BRI. At the dinner reception organized by the Chinese-Cambodian Association on 4 February 2017, Prime Minister Hun Sen said, “The rise of China does not pose a threat to others. Through its policy of good neighborliness and the Belt and Road Initiative, it brings benefits to developing countries in Asia and other regions, including Cambodia”.⁴

Speaking at the press conference at the World Economic Forum on ASEAN in May 2017, Hun Sen again praised and appreciated “the wisdom of Chinese President Xi Jinping for

³ The Straits Times, “China pledges \$174 billion for Belt and Road Initiative, Says open to everyone, 14 May 2017, <http://www.straitstimes.com/asia/east-asia/free-trade-important-engine-for-development-says-xi-jinping-at-opening-of-one-belt> , accessed May 17, 2017.

⁴ Fresh News, Prime Minister Hun Sen’s Excerpts at Dinner with Cambodian-Chinese Association, February 4, 2017, <http://en.freshnewsasia.com/index.php/3406-prime-minister-hun-sen-s-excerpts-at-dinner-with-cambodian-chinese-association.html>, accessed March 13, 2017.

launching the initiative”. He said all countries along the Belt and Road would benefit, since although ASEAN has many initiatives for infrastructure development, it does not have financial resources to implement them. He added, “For China, once they introduced the (Belt and Road) Initiative, they put in the money along with it. That gives hope for countries that need capital”⁵.

China-Cambodia relations date back more than two thousand years. The Ming Dynasty navigator Zheng He (or Cheng Ho) stopped at Chenla (present-day Cambodia) several times during his voyages. Historical records show that “the Angkor Wat Dynasty in Cambodia had a flourishing civilization during the 9th century. Zheng He visited the Angkor Wat ruins and studied the architectural style and layout of the ancient temples, which he used as reference when he built Dabaoen Temple and Galazed Pagoda years later”.⁶ In the 13th century, Chinese envoy Zhou Daguan visited and stayed at Angkor for eleven months. He then wrote a memoir entitled “Costumes of Tchen La” which shed light on the local culture and daily life of the Khmer people.

In modern times, the good bilateral relationship was reenacted after the meeting between Premier Zhou Enlai and Prince Norodom Sihanouk at the Bandung Conference in 1955. The following year, Prince Sihanouk paid a state visit to Beijing at the invitation of Premier Zhou. The friendship between the two was “compelling and unusual”.⁷ Prime Minister Hun Sen continues strengthening traditional friendship. He paid his first official visit to Beijing in 1999 to consolidate political trust and economic cooperation. During his trip, China offered an interest-free loan of US\$200 million and a pledge of US\$118.3 million in grant (the largest package that China had ever provided theretofore).

In December 2010, bilateral relations were advanced to “Comprehensive Strategic Partnership of Cooperation”. Since then, frequent reciprocal high-level visits have taken place, while the inflow of Chinese aid, investment capital, and tourists have rapidly increased. The friendship between President Xi Jinping and Prime Minister Hun Sen was described as “ironclad” at the bilateral summit in October 2016 in Phnom Penh. Then, President Xi said that “China-Cambodia friendship serves as a model of friendly treatment and sincere cooperation”. Prime Minister Hun Sen said, “China has treated Cambodia with equality, understanding and respect. China always walks the walk instead of talking the talk.”⁸

At the book launch of the Khmer language version of President Xi Jinping’s book on the governance of China in April 2017, Prime Minister Hun Sen praised his guest’s thoughts on leadership, and encouraged government officials, academicians, and students to read the book and select some thoughts for practical implementation. He also said, “One point which

⁵ Xinhua News (2017) Belt and Road Initiative Gives Hope to Developing Countries in Infrastructure Development: Cambodian PM. 11 May 2017, http://news.xinhuanet.com/english/2017-05/11/c_136274730.htm, accessed on June 10, 2017.

⁶ Fu Chungjiang (2005) The Great Explorer Cheng Ho. Singapore: AsiaPac Books, p.65.

⁷ Julio A. Jeldres (2012) Cross-Currents: East Asian History and Culture Review, E-Journal No. 4, pp.52-63.

⁸ Ministry of Foreign Affairs of China, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1407054.shtml, accessed April 10, 2017.

I am interested in is international cooperation in terms of being good neighbours and true friends with other countries around the world... the relationship between Cambodia and China is a good example for other countries.”⁹

ECONOMIC INTERESTS

Cambodia’s perceptions and approaches toward BRI are determined by its national interests, which are defined mainly in terms of economic development and poverty reduction. BRI does hold the potential to strengthen the economic performance and the legitimacy of the governing elites in Cambodia, who have greatly benefited from the influx of Chinese investment capital and development assistance. Although Chinese investments do not have high economic impact on both backward and forward linkages with local industries, they do generate high employment for the local workforce.¹⁰

Cambodia has enjoyed growth of about 7.5 percent over the last two decades, and the poverty rate dropped from 53.2 percent in 2004 to 11.5 percent in 2015. The per capita income increased from US\$417 in 2004 to US\$1,215 in 2015. However, the sources of economic growth are limited, relying mainly on agriculture, tourism and textile industry. To stay competitive and sustain high economic performance, Cambodia developed an industrialization policy in 2015 to promote a skill-driven economy, increase production capacity, and move up the value chain to further attract foreign direct investments, and stimulate private sector development and job creation.¹¹

Constraints on economic development include deficits in infrastructure like access to electricity, rural road transport, and water sanitation, which all raise the cost of production. Cambodia’s production capacity is low compared to other ASEAN member countries due to lack of skilled labour and technology. With limited fiscal space, the government does not have sufficient funds to invest in the main growth-supporting factors and in social services.¹² The logistical situation in Cambodia is less developed compared to other ASEAN member countries due to a lack of a reliable network of transportation, telecommunications, warehousing, and other related infrastructure. Based on the assessment by the World Bank in its annual Logistics Performance Index (LPI), Cambodia ranked 73rd with a score of 2.8 (5 being the perfect score). Infrastructure, logistics competence, and customs were the

⁹ Ven Rathavong (2017) Hun Sen Launches Xi’s Book. The Khmer Times, 12 April 2017, <http://www.khmertimeskh.com/news/37467/hun-sen-launches-xi---s-book/>, accessed May 15, 2017.

¹⁰ Chan, Sophal (2016) Inclusive Development and Chinese Direct Investments in Cambodia. Research Paper, November 2016. Phnom Penh: Center for Policy Study.

¹¹ Hun Sen, Speech at 2017 Cambodia Outlook Conference, March 2, 2017, <http://cnv.org.kh/2017-cambodia-outlook-conference/>, accessed March 10, 2017.

¹² Asian Development Bank (ADB) (2014) Cambodia: Diversifying beyond Garments and Tourism. Manila: Asian Development Bank, p.xv, <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>, accessed March 10, 2017.

lowest performing.¹³ Moreover, electricity cost in Cambodia is high compared to neighbouring countries (Thailand and Vietnam), making production less cost-effective.

Cambodia needs about US\$700 million per year to develop infrastructure such as roads, bridges, power grid, and irrigation systems. It needs to quickly and effectively grasp emerging opportunities coming from regional development initiative such as BRI. Thus, Cambodia is capitalizing on BRI to concretize its development priorities. It is expected that BRI will reinforce connectivity within the country and connect Cambodia with other countries. Hun Sen has made his belief clear that BRI provides huge opportunity for the country to develop and is giving it a way to catch up with other ASEAN member countries. BRI fits well into the Cambodia's Industrial Development Policy (IDP) and there is a need to further link BRI with IDP to diversify industrialization through greater investment in agro-industry, light manufacturing, information technology, and innovation-driven service industry. BRI should help reduce transport and logistics cost while connecting the multimodal transport system through a vibrant national logistics system and thus increase Cambodia's economic efficiency and competitiveness.

BRI is also compatible with Cambodia's Rectangular Strategy¹⁴, which focuses on four strategic objectives, namely ensuring an average annual economic growth rate of 7 percent, creating jobs, reducing poverty, and strengthening institutional capacity and governance. The strategy focuses on building infrastructure such as roads, water, electricity, and human capital. BRI has also been incorporated into Cambodia's national logistics master plan that is to be issued by the end of this year.

Cambodia-China cooperation under BRI focuses on seven areas, namely infrastructure, agriculture, capacity building, special economic zone development, culture and tourism, finance, and eco-environmental protection. China has proposed a plan to encourage the country to develop 2,230 kilometres of national expressways by 2040, at a cost of approximately \$26 billion. The first expressway linking the capital Phnom Penh to Sihanoukville, a coastal city in the southwest, is already under construction as part of BRI. China is also involved in the new Siem Reap International Airport, located 30 km outside the city, and it has funded the rehabilitation of the container and rail terminal at Sihanoukville. In addition, Cambodia has proposed several rail renovation and development projects under BRI such as the rail link between Phnom Penh and Preah Sihanouk province, between Phnom Penh and Poipet and Thailand, between Phnom Penh and Snoul and Vietnam, and between Phnom Penh and Phnom Penh Autonomous Port. Other proposed infrastructure projects include the dry port construction in special economic zones, tourism and cargo port development in the coastal provinces.

However, there are some concerns over Chinese development projects, particularly regarding its quality, standards and transparency. Some projects have also adversely impacted on local livelihood and the ecosystem. Cambodia needs to be cautious in implementing large scale infrastructure projects as some of them have become "the source

¹³ Chheang, V. (2017) FDI, Services Liberalisation, and Logistics Development in Cambodia. ERIA Discussion Paper Series March 2017. Jakarta: Economic Research Institute for ASEAN and East Asia.

¹⁴ It is a five-year development strategy of the government.

of local disgruntlement and resentment”.¹⁵ The local people have not benefited much from Chinese development projects.¹⁶ Prince Norodom Sirivudh, stated that “without good governance-which includes transparency and accountability-the BRI projects will fail”¹⁷.

CONCLUSION

Cambodia is enthusiastically supportive of BRI due to a strong perception that BRI would benefit the country in terms of infrastructure development, socio-economic development, and diversification of the sources of growth. BRI is also expected to contribute to regional integration and connectivity, complementing ASEAN’s own connectivity projects. Political trust and economic interests explain Cambodia’s behaviour towards BRI. However, Cambodia needs to strengthen its governance to maximize opportunities.¹⁸ The participation of the private sector in infrastructure projects remains limited, and going forward, this needs to be strengthened. Another challenge is the lack of transparency and local community participation.

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¹⁵ Pou Sothirak, Executive Director of the Cambodian Institute for Cooperation and Peace, in his remarks at the workshop on “Overview and Outlook of Cooperation between China and Cambodia under Belt and Road Initiative”, Phnom Penh, 22 June 2017.

¹⁶ Veasna Var, “China’s influence in Cambodia”, The Khmer Times, 26 June 2016, <http://www.khmertimeskh.com/news/26618/china---s-influence-in-cambodia/>, accessed June 15, 2017.

¹⁷ Norodom Sirivudh, Founder and Chairman of the Cambodian Institute for Cooperation and Peace, in his opening remarks at the workshop on “Overview and Outlook of Cooperation between China and Cambodia under Belt and Road Initiative”, Phnom Penh, 22 June 2017.

¹⁸ The Khmer Times, Cambodia’s role with China, September 28, 2016, <http://www.khmertimeskh.com/news/30246/cambodia---s-role-with-china/>, accessed March 15, 2017.