

PERSPECTIVE

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The Politics behind Cambodia's Embrace of China¹

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EXECUTIVE SUMMARY

- Cambodia's fear that Vietnam and Thailand's growing economic superiority will threaten its sovereignty has been a key reason for its embrace of China.
- Chinese investments and development assistance, in contrast to the perceived inability of international banks and organisations to meet the country's immediate development needs, tighten Cambodia's embrace
- Cambodia has kept anti-Chinese sentiments manageable by touting Vietnam as the country's biggest external threat, publicizing Chinese investments, and allowing local media to occasionally report misdeeds of Chinese businessmen.
- ASEAN solidarity is not high on Cambodia's agenda. Phnom Penh sees no practical use for the regional grouping. This was highlighted in the country's dispute with Thailand over the Preah Vihear temple.

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POLITICAL CALCULATION TO EMBRACE CHINA

Much has been made about Cambodia's embrace of China.² This is especially true after the Belt Road Initiative began. Cambodia is viewed as one of China's closest allies in Southeast Asia with strong government-to-government relations and is perceived by many as China's "vassal state"³ or "ever-loyal satrap".⁴

Cambodian subservience to China, to most analysts, is not in doubt. Nevertheless, there are self-interests at play here. Cambodia is flanked by Thailand and Vietnam, and makes its political calculations accordingly. The size and economic development of these two neighbours, not to mention memories of historical conflict, are more influential to Cambodia's decision to embrace China than anything else.

The figures underline the stark contrast. Vietnam to the east, with a population of 95 million, has seen its Gross Domestic Product (GDP) expand 5.1 per cent year-on-year in the first quarter of 2017. The country's GDP per capita is US\$2,200. To the west, Thailand, with a 68 million population, has a GDP per capita of US\$5,900. Stuck in the middle is Cambodia with a comparatively paltry 16 million population and a GDP per capita of US\$1,300.

To ensure that the gulf between Cambodia and her neighbours does not continue to widen, making the country more vulnerable to threats to its sovereignty, Prime Minister Hun Sen and the Cambodia People's Party (CPP) have made the political calculation to develop as quickly as possible. Their solution is to embrace China. Unlike Myanmar, Lao or Vietnam, Cambodia does not share borders with China, thus affording it a sense of geographical and psychological distance. Whether this distance is illusionary remains to be seen.

This political calculation coincides with the BRI rhetoric that began in late 2013. China's broad and ambiguous vision of cooperation and development has enabled Hun Sen and the ruling party to enjoy Chinese patronage while keeping pace with her immediate neighbours.

CHINA BY DEFAULT?

China and Cambodia are not natural bedfellows. After all, China's support of the bloody Khmer Rouge regime left lingering suspicions among the older generation today. However, China's attraction has grown in response to the inflexibility of organisations such as the Asian Development Bank (ADB) and the hesitancy of traditional investor countries like Japan and Korea.

² https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2017_48.pdf

³ <http://www.phnompenhpost.com/national/new-chinese-envoy-comes-bearing-gifts>

⁴ <http://www.manilatimes.net/cambodia-receives-600m-from-china-fouls-up-asean-consensus/275551/>

ADB is inflexible in two ways. For one, it is too dependent on its funding partner-countries who tend to impose various restrictions. These restrictions arise from individual national investment strategies. As and when these partner-countries change their national investment strategies, ADB loses its focus. Meanwhile, Chinese banks are able to deliver targeted loans to specific industry projects.

Secondly, ADB loans often come with onerous targets and goals. For example, projects have to meet different social development targets and goals such as job creation, urban development, skills training, and gender equality and so on, in order to qualify for loans. Local business and developers are often unable to meet them.

And though Japanese and Korean investments are not falling significantly, they are more focused on real estate and retail development, and thus fail to address the key developmental concerns of Cambodia. Furthermore the high cost of energy and poorly trained workers are putting a damper on investments. Many foreign investors are also adopting a wait-and-see approach in light of the upcoming 2018 elections.

In the meantime, Chinese banks and developers have been able to meet Cambodia's foremost developmental concerns. The country's high energy costs have reached prohibitive levels for businesses. Unless cheaper energy is found, the country will lose its attractiveness despite its relatively cheap labour and land. To remedy this, China has invested heavily in the construction of hydropower dams in Cambodia. There are six such dams, and a seventh is under construction. According to Cambodian ministry officials, "with the exception of the US\$781 million 400-MW Lower Sesan 2 project on the Se San River in northeastern Cambodia, Chinese companies have provided 100% of the financing for all hydropower projects in Cambodia".⁵ These hydropower dams are crucial because "electricity demand in Cambodia has been increasing each year and the 928 MW annually generated from the six operational hydroelectric plants currently represents about 47% of available electricity in Cambodia".⁶

Cambodia also suffers from poor connectivity. Physical networks like roads, bridges and highways need to spread quickly across the country in order to shave off travel time and transport cost. It has been estimated that Cambodia needs at least US\$9 billion for 850 km of roads and highways by 2020.⁷ And by 2040, the country would require 2,230 km of roads and highways costing up to US\$26 billion, including a ring road around Phnom Penh and six expressways connecting provinces.⁸ China has responded to this need by agreeing to almost US\$2 billion in concessional loans.⁹ In addition there are six bridges in Cambodia

⁵ <http://www.hydroworld.com/articles/2016/10/china-completely-finances-nearly-all-of-cambodia-s-hydropower-projects.html>

⁶ Ibid.

⁷ <http://www.phnompenhpost.com/business/2020-9-billion-needed-road-funding-report>

⁸ Ibid

⁹ <http://www.khmertimeskh.com/news/30849/china-gives--2-billion-for-roads--bridge/>

financed by China to the tune of US\$200 million. “A seventh bridge, across the Tonle Bassac river is due for completion later this year, at a cost of \$20 million”.¹⁰

Another such arrangement is the MOU between Beibu Gulf Economic Zone and Sihanoukville Port in 2013.¹¹ Although slow to take off, the Chinese-operated Sihanoukville Special Economic Zone (SSEZ) hopes to offer 300 factories and up to 100,000 jobs by 2020.¹² The plan is for Sihanoukville Port to enhance Cambodian connectivity to Chinese markets.

Finally, Washington’s engagement with Phnom Penh has been marked with inconsistency, and Beijing has been quick to take advantage. For example, when the 10-year US ban on development assistance to Cambodia ended in February 2007, the US was Cambodia’s largest trading partner. However, this assistance decreased when tensions flared at the Cambodian-Thailand border over the Preah Vihear temple. When this happened, Chinese aid increased proportionately. “In short, as before, Beijing was ready to seize an opportunity to differentiate its support from that of the West”.¹³ Human rights, democracy and freedom of speech, similarly, have been ideological obstacles for stronger bilateral relations. The Cambodians are not optimistic that the present Trump administration will usher in warmer ties.

MANAGING PUBLIC PERCEPTIONS OF CHINESE PRESENCE

The asymmetrical relationship that Cambodia has with China does call for some careful management domestically. With Chinese presence increasing in almost all sectors of Cambodian life, it has been imperative for the government to ensure anti-Chinese sentiments from the ground do not rise beyond acceptable levels. It does this in several different ways.

Manipulating anti-Vietnamese sentiments has been a traditional and effective ploy. This will continue. No doubt anti-Vietnamese sentiments stem from complex historical factors. The French decision to employ Vietnamese as administrators and favoured labourers in colonised Cambodia and the decision to hand over swathes of Cambodia to Vietnamese rule nurtured ill-will towards Vietnam.¹⁴ Today, however, anti-Vietnam sentiments are directed towards Vietnamese immigrants, many of whom are believed to be illegal even though a significant number may just be stateless and entitled to Khmer citizenship. Nevertheless, “the growing presence of Vietnamese immigrants are associated with uncontrolled

¹⁰ Ibid.

¹¹ <http://www.khmertimeskh.com/news/17010/chinese-investors-focusing-on-sihanoukville-port/>

¹² http://news.xinhuanet.com/english/2016-11/18/c_135839598.htm

¹³ <http://www.rwradvisory.com/strategic-analysis-chinese-business-activity-in-cambodia-abstract/>

¹⁴ <http://thediplomat.com/2016/10/the-truth-about-anti-vietnam-sentiment-in-cambodia/>

immigration, shrinking resources and Vietnam's expansion of power, seen by some as a silent invasion".¹⁵

"Between 2010 and 2014, the Cambodian Immigration Department recorded more than 160,000 Vietnamese migrants living in the country. Last year, the government's campaign against illegal migrants resulted in more than 2,400 people being deported back to Vietnam. In 2015, more than 6,000 were sent back. Despite the anti-Vietnamese sentiment, the government under Prime Minister Hun Sen is seen by many as having close ties to Hanoi, which influenced his rise to power in the 1980s. His ruling Cambodian People's Party (CPP) is regarded by some as Vietnam's puppet and their policies as pro-Vietnamese. But with elections around the corner, politicians from all parties are expected to ramp up the anti-Vietnamese sentiment."¹⁶

There is no political incentive for the opposition Cambodia National Rescue Party to quell or play down anti-Vietnamese sentiments, although the CPP tries to keep such sentiments in check. Cambodians in general are pro-China, and it is Vietnam that is consistently decried as the country's biggest threat. As such, China and her BRI projects emerge as a much-needed bulwark against Cambodia's encroaching neighbour.

Secondly, the Cambodian government rightly asserts that China gives Cambodia what it needs. Unlike the army of international organisations that harp on human rights and democracy, or international banks that worry about credit ratings, Chinese capital flows directly into areas that need it most, as mentioned above. This clear matching of Chinese capital with local developmental needs is acknowledged across the country, whether enthusiastically or reluctantly.

Thirdly, the government has made the shrewd decision to allow the mainstream press to occasionally report on the exploitation of Cambodian workers by Chinese factories or the flouting of local regulations by Chinese businessmen. In this way it is able to publicly demonstrate its 'neutrality' toward China.

News reports of Chinese factory managers absconding to China leaving Cambodian workers without pay are not uncommon.¹⁷ This is, of course, an awkward balancing act that may backfire. Stories of Chinese textile managers living in fear of angry factory workers and the recent killing of a Chinese manager may only serve to stoke local sentiments. Loud and rowdy Chinese tourists also do themselves no favours in the eyes of the public.

Conversely, Chinese businessmen point the finger at corrupt Cambodian authorities for being too willing to bend the rules for kickbacks. According to our respondents, Chinese businessmen tell Cambodian activists that they are merely following Cambodian norms

¹⁵ <http://www.channelnewsasia.com/news/asiapacific/anti-vietnamese-sentiment-likely-to-run-high-ahead-of-cambodian--7618896>

¹⁶ Ibid.

¹⁷ <http://www.scmp.com/news/asia/article/1291466/cambodias-textile-workers-hang-thread-under-chinese-bosses>

when they bribe officials or break the rules. The authorities can indeed clamp down on such activities if they so wish but it does not appear to be in their interest to do so.

“ASEAN HAS FAILED CAMBODIA”

In 2012, at the conclusion of the 45th ASEAN Foreign Ministers Meeting in Phnom Penh, Cambodia refused to include any mention of the South China Sea in the joint communiqué. This resulted in the failure of ASEAN to issue a joint communiqué for the first time in its history. Not surprisingly, Cambodia again blocked any ASEAN mention of the international court’s ruling on the South China Sea in July 2016.¹⁸ The same year, Cambodia, along with Laos and Brunei, reportedly came to an agreement with China over the issue.¹⁹

It appears that championing Beijing’s interests in ASEAN is one of the conditions for Chinese loans and investments put on Cambodia. The country was for example quickly rewarded with US\$600 million in Chinese aid for its compliance over the South China Sea.²⁰ Neither side bothers with the charade anymore. According to a Chinese scholar, “Today, when debating the South China Sea issue in ASEAN meetings, Cambodian officials and scholars are widely considered as representatives of the national interests of China, though they mostly reiterate previous ASEAN statements on the South China Sea.”²¹

Cambodian disenchantment with ASEAN also plays a part in all this. Cambodian scholars believe that the South China Sea issue is neither an ASEAN issue nor does the regional body possess the mechanisms to resolve disputes. This stance is, in part, shaped by their disappointment with ASEAN’s limitations during the dispute with Thailand over the Preah Vihear temple, a 900 year-old Hindu temple along the Cambodian-Thai border.

ASEAN’s failure to prevent violent clashes during the dispute and the eventual submission of the decision to the international courts acted as a reminder of the reality that ASEAN does not possess a mechanism for conflict resolution. According to the rationale of Cambodian respondents, if ASEAN cannot address a dispute between two member states, it is certainly not the platform to deal with China over the South China Sea where there are multiple parties involved. As one respondent put it, “ASEAN has failed Cambodia”.²²

¹⁸ <http://www.reuters.com/article/us-southchinasea-ruling-asean-idUSKCN1050F6>

¹⁹ <http://www.channelnewsasia.com/news/asiapacific/china-s-pact-with-cambodia-laos-an-interference-in-asean-s-domes-8095812>

²⁰ http://www.business-standard.com/article/international/china-gives-600-million-aid-to-ally-cambodia-116071500303_1.html

²¹ Zhou Shixin, Head of Department of Major-Power Diplomacy, Institute for Foreign Policy Studies, Shanghai Institute for International Studies, China. Quoted in *Indo-Pacific Strategic Review*, Volume 10, Issue 1 (June 2016):17.

²² Personal interview.

CONCLUSION

Although Cambodians prefer Japanese or Korean presence, most, particularly the ruling elites, welcome Chinese investments. They are, however, wary of the ramifications. In addition to exploitation and corruption, poor quality products and shoddy workmanship add to the litany of complaints from locals. One respondent opined, “There is almost no difference between Chinese and Cambodian workmanship. We take the bad and the good from China”.²³ Another respondent told us, “I went to China and saw fantastic roads and trains. I told them why don’t you bring this quality to Cambodia instead of lousy stuff?”²⁴ We were also told bluntly, “Chinese infrastructure. Today they complete, next year need repair”.²⁵

Another consequence of Chinese presence is the strengthening of the military. Because the Cambodian military has access to the political elite and decision-makers, Chinese businessmen and entrepreneurs have found it expedient to head straight to the military to bypass bureaucratic process.

Conversely, local authorities and culture are benefitting from Chinese presence. Governors and representatives are making it a point to be seen with Chinese businessmen, officials and ambassadors. Many locals are also highlighting their Chinese ancestry. Mandarin is one of the most popular foreign languages for students. Chinese schools are also growing, sparking fears that Cambodia’s own weaker national education system may be overwhelmed or neglected in the longer term.

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²³ Personal interview.

²⁴ Personal interview.

²⁵ Personal interview.