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Trends in
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NEW CHINESE MIGRATION AND
CAPITAL IN CAMBODIA

NYÍRI PÁL



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INSTITUTE OF SOUTHEAST ASIAN STUDIES

Trends in Southeast Asia

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FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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New Chinese Migration and Capital in Cambodia

By Nyíri Pál

EXECUTIVE SUMMARY

- While Cambodia's place in the global networks of Chinese migration and capital shares similarities with Eastern Europe and Africa, a combination of factors that form the background to these flows is unique.
- The Vietnamese withdrawal and the removal of Soviet backing for the Cambodian People's Party (CPP) government prompted rulers to seek domestic legitimacy and ways to avoid economic collapse. This sparked a resurgence of Chinese ethnicity and the beginning of a new immigration from China.
- The main types of immigrants have been petty traders and service entrepreneurs; skilled garment workers; and white collar workers in the sectors of construction, engineering, finance, accounting, law, media, journalism, and education.
- According to the Council for Development of Cambodia (CDC), between 1994 to 2012, total Chinese investment in Cambodia reached US\$9.17 billion. Until 2010, Chinese investment was mostly concentrated on hydropower and road and bridge construction.
- Manufacturing investment has been largely driven by apparel companies that have moved production from China due to lower wages and the lower duties that the EU and the US impose on imports from Cambodia. These investments appear to perform satisfactorily, although rising wages combined with relatively low productivity have made some investors consider moving production to Vietnam or Burma.
- The most immediate impact of Chinese immigration and investment has been the creation of jobs. For urban Chinese Cambodians,

providing services for PRC investors is now a major business opportunity. This has placed a premium on fluency in Chinese, which has contributed to a revival of Chinese education – the largest Chinese school in Phnom Penh now has 13,000 students – as well as media.

- Protests against Chinese investment have focused on displacement resulting from real estate and hydropower projects and on labour conditions. The Chinese government has until recently kept silent over these protests. The absence of broad popular sentiment against “the Chinese” and the apparent lack of desire from any major political party to manipulate that sentiment suggest that it is unlikely that anti-Chinese feelings will be exploited in the near future.

New Chinese Migration and Capital in Cambodia¹

By Nyíri Pál

INTRODUCTION

Cambodia has a long history of Chinese entrepreneurial and labour immigration. The earliest evidence of Chinese presence in Cambodia today are the memorials of the Yuan emissary Zhou Daguan to the Angkor court, written in the 13th century (Chou 1967). By the 15th century, as elsewhere in coastal Southeast Asia, the Chinese domination of sea trade created colonies of Chinese merchants, which transformed the Mekong Delta (Reid 1998). After the French colonisation of Indochina, the immigration of Chinese commercial farmers, which had begun in the late 18th century, accelerated and was complemented by a broader immigration of entrepreneurs and labourers that raised the number of Chinese in Cambodia doubled from 130 thousand in 1890 to 260 thousand in 1934 (Forest 1980:474, Purcell 1951:213). This swelled to 420 thousand by 1949 as more migrants left China during the Japanese occupation and the civil war. By 1921, Chinese made up three-quarters of Phnom Penh's population (Forest 1980:473).

As in much of Southeast Asia, migration was interrupted after decolonization and re-emerged only in the 1990s, when both China and Cambodia took steps away from planned economies with highly restrictive migration regimes. Since then, China has once again become a major source of both entrepreneurial and labour immigration to Cambodia, and

¹ Nyíri Pál is Professor of Global History from an Anthropological Perspective at Vrije Universiteit, Amsterdam. He can be contacted at p.d.nyiri@vu.nl. This issue of Trends in Southeast Asia is part of ISEAS's project on Chinese immigration and capital in CLMV Countries. This project is coordinated by Terence Chong and Benjamin Loh.

from the second half of the 2000s, it has also emerged as a major source of capital. This paper briefly reviews the relationship between human and capital flows from the People's Republic of China (PRC) to Cambodia since the end of the Cold War, their impact, and Cambodian responses.²

While Cambodia's place in the global networks of Chinese migration and capital shares similarities with other countries in Southeast Asia, Eastern Europe, and Africa, the combination of factors that form the background to these flows is unique. Like Eastern Europe and the former Soviet Union after 1989 (Nyiri 2007) or some post-conflict, post-structural adjustment African countries since the late 1990s, Cambodia is a "transitional" economy that abruptly joined global capitalism following a period of isolation and widespread scarcity of consumer goods. Owing to this circumstance, these countries first encountered the globalisation of China's capital via networks of petty migrant entrepreneurs rather than through the large-scale investments that began in the 2000s. At the same time, Cambodia is different from other "transitional economies" because of the longstanding presence of an ethnic Chinese-Cambodian population.

MIGRATION FROM THE PRC TO CAMBODIA SINCE THE END OF THE COLD WAR

The Chinese population of Cambodia was decimated under the Khmer Rouge, and those remaining were reluctant to identify as Chinese because of discriminatory policies adopted by the Cambodian People's Party (CPP) government installed by the Vietnamese in 1979. The Vietnamese withdrawal and the removal of Soviet backing for the Vietnamese-

² This paper is based on four periods of interviews and ethnographic fieldwork in Phnom Penh, Battambang, and Kampot between 2007 and 2011 (see Nyiri 2012 for more detail) and ten days of follow-up interviewing in Phnom Penh in the wake of the 2013 general election. The author is grateful to Cao Ke, Lina Chancel, Chu Jianfu, Gao Feng, Michael Y. Liu, Jason Tower, Wu Shujing, and Zhao Xiunian for their kind help in facilitating the research.

installed Cambodian People's Party (CPP) government prompted the rulers to scramble for domestic legitimacy and seek ways to avoid economic collapse. This simultaneously sparked the rapid resurgence of Chinese ethnicity and the beginning of a new migration from China. The infamous Circular 351, under which people of Chinese descent were discriminated against in job allocations, was rescinded; private business was permitted, as were ethnic minority associations. As shops reopened, business was re-identified with Chinese ethnicity through markers such as couplets in Chinese characters or small altars to the god of wealth. Along with masses of refugees, a few enterprising Sino-Khmer businessmen returned from Vietnam and laid the groundwork for later fortunes by engaging in largely unregulated cross-border commerce. A trickle of returning refugees began from farther afield – Thailand, Hong Kong, France, and the United States – and expanded over the years. In a few years, parts of Phnom Penh were once again visually dominated by Chinese shop signs. Penny Edwards (2002) estimates that by 1995, 300,000 to 340,000, or around 3-3.5 per cent of Cambodia's population, were Chinese.

In Cambodia, as in Thailand, extensive intermarriage between Khmer and Chinese through generations has produced ethnic identification that is fluid and to some extent situational. Most businesses display small altars to Chinese gods, and while this can be taken as a sign of continued Chinese-Cambodian domination of commerce, such displays of Chinese ethnicity have also become associated with business in general: insofar as business is associated with Chinese ethnicity, their presence authenticates the business as “proper” (cf. Verver 2012). The Sino-Khmer, as Chinese-Cambodians (often of mixed ancestry but retaining some degree of identification with Chinese ethnicity) are also called, once again have an important presence in cities, not only in business but also in the non-profit sphere, which is important thanks to Western aid, and in politics, although here ethnicity is typically underplayed.

While they are spread across income brackets and geographic areas, a handful of Chinese-Cambodian families occupy the highest echelons of wealth. In 1990, one of the CPP's leaders, Chea Sim, president of the National Assembly and of Chinese descent, invited eleven Chinese-Cambodian businessmen to his office. “Most Khmers want to be

government officials; they don't like business and are not good at it," a publication of the Association of Chinese in Cambodia quotes Chea Sim as saying. "You should unite and liaise with your relatives and friends overseas, attract foreign investment and become a bridge to developing the economy" (Yang 2003). This deal – the CPP encourages Chinese-Cambodians to pursue wealth and stay out of politics, offering successful businessmen political protection in return for expected financial support (cf. Hughes and Kheang Un 2011) – largely outlasted the pluralisation of Cambodian politics during the United Nations intervention (1992-1993) and the first period of the restored monarchy (1993-1997) and became further entrenched after 1997, when the CPP returned to power by ousting its senior partner, the royalists, from a coalition government, and Chea Sim became president of the legislature once again – a post he has retained ever since. To a large extent, it has shaped the politics of Chinese ethnicity; it has also been the foundation of the patronage networks ties that link a small group of wealthy Sino-Cambodians who control the most important business conglomerates and have close – sometimes marital – to the CPP elite and are widely seen as financing the latter's personal and political pursuits and ultimately enabling its control of the economy (Mengin 2007). This has not, however, resulted in high levels of ethnic tension or animosity towards ethnic Chinese either among the population in general or in the opposition; such sentiments are largely directed towards the Vietnamese. Rather, in the early 1990s, it was the Sino-Khmer who viewed new migrants from China with suspicion and associated them with illegal activities (Edwards 2002), although this tension appears to have abated since.

Petty traders and service entrepreneurs

The withdrawal of the Vietnamese army from Cambodia in 1990 ended a freeze on relations with China, and as early as 1991, the first individual Chinese migrants arrived in Cambodia. My interviews indicate that Chinese medical personnel, which China had continued to dispatch even after military assistance was stopped in the 1980s, was at this time still working in Khmer Rouge-controlled territories – China did not abandon its support for the Khmer Rouge until 1993 – and that

some of them decided to remain in Cambodia and take advantage of the new business opportunities arising from the opening of the war-ravaged country to trade. As early as 1991, “Chinese thermos flasks, electric rice cookers, radios, clocks, pans, toilet paper, soap, talcum powder, tea, clothing, and a host of other commodities were the most chic and ‘modern’ items on sale in Phnom Penh’s Central Market” (Edwards 2002:271). As in other “transitional economies” around the same time, it was this demand for low-priced Chinese consumer goods that propelled the initial wave of migrants from the PRC. By the mid-1990s, these migrants were “engaged in various facets of the economy, from small-scale service and retail industries such as restaurants, the sex and entertainment industry, hotels and bookselling, to dentistry and ... medicine” (Edwards 2002:273). These shops, clinics, and massage parlours usually employ two to four workers from China, often family members of the owners, under informal arrangements (but a handful, like Lucky Foot Massage in Phnom Penh, may have up to a hundred workers). Yet unlike in Laos, Eastern Europe or Africa, the bulk of domestic trade networks remained in the hands of Chinese-Cambodian entrepreneurs, who quickly recovered their central role in the Cambodian economy after private business was legalised, had access to real estate, and were familiar with official procedures and patronage networks necessary for running a business. As a result, unlike in those countries, no major wholesale hubs and only a minor share of retail shops selling Chinese consumer goods are owned by mainland Chinese migrants.

Since most of these migrants entered Cambodia on short-term visas and either extended them at local police offices or remained in the country illegally, there are no reliable figures for this population, but they must make up the bulk of the total population of PRC citizens in the country. Zhuang Guotu, a PRC authority on migration to Southeast Asia, has estimated this to be between 50,000 and 100,000 (Zhuang 2008). As elsewhere in the world, petty entrepreneurial migration appears to have peaked at some point in the 2000s and then tapered off due to rising living standards in China (which made such migration, associated with hard work and poor living conditions, less attractive), dropping profits caused by market saturation, and increasing competition from Chinese-

Cambodians who have built up their own connections to manufacturers in China. In 2013, a consular official at the Chinese embassy estimated the number of PRC citizens in the country to be 70,000 to 80,000, roughly in the middle of the range of estimates by Chinese journalists and association leaders, which extend from 30,000 to 160,000, with migrants from Zhejiang Province constituting the largest group. Only a small number of petty entrepreneurs have succeeded in moving to more profitable and specialised niches, for example the import and distribution of scooters or construction materials or the construction industry itself, particularly as subcontractors to large-scale infrastructural projects carried out by investors from China or with concessional loans or grants from the Chinese state. A business reporter for the leading Chinese-language paper, *The Commercial Daily*, estimates that there are around 3,000 registered businesses de jure or de facto owned by PRC citizens. Only 360 of these businesses – offshoots of state enterprises and large private enterprises – were registered with the Chinese embassy as of mid-2013 and are members of the Chinese Chamber of Commerce in Cambodia. Owners of small businesses, migrants of modest means and education, tend to see no reason to register and pay fees to the Chamber, as they do not see either it or the embassy as helpful in dealing with their problems; nor would they necessarily be welcome.

Skilled garment workers

The second-largest group of PRC migrants is made up of the middle management, technical personnel and foremen at garment factories. Garment manufacturing is Cambodia's preeminent industry and makes up 80 per cent of total exports. It has been steadily expanding since the late 1990s, with over 500 factories registered with the Garment Manufacturers Association of Cambodia (GMAC) in mid-2013. Most operations are owned by Hong Kong, Taiwan, Singapore, and Malaysian investors and have been transferred from China because of increasing labour costs there. Most factories employ scores, and the largest ones hundreds, of skilled transferees or new recruits from the PRC, or a total of 5,000-10,000. The largest group, around 3,000 according to the Zhuji Chamber of Commerce, comes from Zhuji in Zhejiang Province. Some former managers have started their own garment factories. GMAC

estimates that there now are around 120 factories owned by PRC citizens, and the Zhuji Chamber of Commerce believes 70 of these are owned by its members. Garment workers stay in accommodation provided by the factories and often have limited interactions with Cambodians. As of mid-2013, monthly salaries for PRC foremen, technicians and managers at garment factories ranged from US\$1,000 to \$2,000 plus housing. With salaries for such jobs rising in China, it is increasingly difficult to recruit staff for Cambodia, which potentially provides an incentive for greater localisation of technical personnel.

White-collar workers

China has become both Cambodia's largest source of investment (see below) and top trade partner, thanks in part to the establishment of the ASEAN-China Free Trade Area in 2010. This has generated employment opportunities for a range of Chinese professionals, from intra-company transferees at the Cambodian operations of PRC corporations such as Huawei, ZTE, the Bank of China, and the Industrial and Commercial Bank of China (ICBC) to graduates of the Khmer-language programmes at Guangxi Nationalities University and Yunnan Nationalities University who seek to offer their services to Chinese companies wishing to expand in Cambodia. At least one technology company, specialising in the provision of fibre optics cables, has been founded by a businessman from China.

Young professionals from the PRC, fluent in Mandarin and English and some educated abroad, also make up a growing share in the regional labour forces of international accounting and law firms such as KPMG. Chinese-language media and schools – some of them funded by PRC investors – employ a growing number of editors, journalists, and teachers from the PRC. A handful of researchers from China's growing non-profit sector also come to Cambodia to collaborate with local and international foundations. Though few, these individuals are highly educated and often have closer personal relations with Cambodian and foreign colleagues than other migrants.

Entrepreneurial migrants also maintain extensive relations with Cambodians, but these tend to be instrumental: limited to networks of employees, business partners, and service providers, as well as relations

cultivated with officials. Some migrants have established their own real estate agencies, investment consultancies, media companies, and other businesses whose main function is to locate investment opportunities, broker deals, find patronage connections, arrange official permits, and sometimes recruit labour for investors in China, and, conversely, to secure financing in China for state and private development projects in Cambodia. The most prominent among these – Jimmy Gao, president of the Chinese Chamber of Commerce in Cambodia, and Cao Yunde, chairman of Khmer Holdings – have become investors in their own right, acquired Cambodian citizenship, and have been made *oknha* (a title of nobility) by the king. Khmer Holdings has sought to collaborate with universities in China, offering internships leading to employment (Zhi Gang and Liu 2013).

Engineers, managers, technicians, and skilled workers on infrastructure construction projects run by Chinese state companies, perhaps numbering between 1000 and 2000, form a separate group, largely isolated both from Cambodian society and other Chinese migrants. Higher-level engineers and managers often have experience working on similar projects in Africa or elsewhere in Southeast Asia.

PRC INVESTMENT IN CAMBODIA

According to the figures of the Council for Development of Cambodia (CDC), between 1994 to 2012, total Chinese investment in Cambodia reached US\$9.17 billion. This makes China the top source of investment overall, although in both 2011 and 2012 it ranked second. These figures, however, are of questionable value. On the one hand, these figures indicate *committed* investment; there is no tracking of actual effected investment, which in some high-profile cases has been a fraction of the former. On the other hand, CDC data are limited to investments above US\$2 million. Finally, much capital from mainland China, particularly in agriculture and real estate (as foreign citizens are not allowed to own land), flows via locally registered joint ventures, migrants who have taken on Cambodian citizenship, or via Hong Kong-registered companies.

Until 2010, Chinese investment was mostly concentrated on hydropower and road and bridge construction. As of 2012, investment

in hydropower was estimated around US\$1.5 billion for five completed and ongoing projects, with more in the pipeline (Cao 2012). The Lower Sesan dam, whose construction is projected to begin in 2014, is expected to cost US\$780 million. In these projects, state-owned enterprises using both concessional and commercial loans from China's policy banks act as general contractors, but subcontracting among these companies, to private companies and individual entrepreneurs from both China and Cambodia is common. Competition among developers and subcontractors is fierce, and profit margins for subcontractors are very low, contributing to low wages and poor working conditions in the subcontracting chain.

China's political objective to aid the Cambodian government in its infrastructure development goals, and state enterprises' need to seek new markets to avoid having to lay off workers, play a role in these projects. (In 2013, for example, the Chinese government committed US\$500 million in concessional loans for Cambodian road construction.) Some managers of such projects have stated outright that they are carrying out a government assignment, and whether or not it makes business sense it has to be done. Indeed, rewards for senior managers do not simply depend on the profitability of a project: as members of the Communist Party's cadre system, they are evaluated and promoted based on a complex set of criteria. In addition to economic motives, the activities of state enterprises abroad are driven by the need to help implement strategic foreign policy agendas, such as the quest for energy security or the political goodwill of a foreign government; domestic political agendas such as maintaining and expanding jobs, particularly for university graduates; and the often arcane rivalries between the top managers of large state corporations and their political patrons. While the State Development and Reform Commission, China's top economic decision making body, increasingly expects state enterprises to invest profitably, and while they also face increasing pressure to implement environmental and social safeguards that would ward off criticism in their countries of operation, they retain access to ready financing and political backing. But while the motivations of state enterprises and their ability to access political approval to initiate projects may distinguish them from private companies, the distinction becomes blurrier in the implementation process.

State enterprises play a central role in channelling investment committed, but not earmarked, by the Chinese government to specific projects. The general manager of the Cambodian operation of a national-level Chinese construction company described the process thus: the company conducts a preliminary assessment of infrastructural needs and identifies a possible project, for example a road between two cities. It then proposes it to the Cambodian government, and if the response is favourable, approaches Chinese government bodies for support. Once this has been secured, the two governments negotiate financing arrangements such as bank loans. Once an agreement has been reached, the subcontracting begins, and profit becomes an important factor. Upon the completion of the project, local subsidiaries of state companies, or private companies started by managers who have split off from them, often begin seeking business opportunities locally and behaving more autonomously – while still calling upon the status of state enterprise when government connections are required. “Thus, an initially top-down ‘state-owned’ process [...] gives rise to many more adaptable ‘quasi-private’ agents, seeking to bring in further investment from China and building connections with local politicians and businesspeople” (Smith and D’Arcy 2013:229).

A typical case is of a businesswoman who left China in 1996 to import hardwood, first from Malaysia and then from Cambodia. As the hardwood business became more strictly regulated she switched to construction. She employed mostly local workers, recruiting workers in China for the more skilled jobs. She aimed to land contracts with Chinese state companies and avoids both Cambodian and private Chinese companies because she has often run into payment problems with them. Typical contracts are those for temporary office buildings and workers’ housing at construction projects. Such temporary projects are generally contracted to local companies because they are cheaper than companies from China, but obtaining them requires personal connections. Another interviewee, a Chinese-Cambodian man in his sixties who had been in the construction business for several decades, also considered contracts from Chinese state companies the most reliable. His company, which worked exclusively with local workers, was able to obtain contracts only

for projects that required unskilled labour, such as digging trenches for irrigation pipes or paving the walls of a reservoir.

Other areas of investment are less susceptible to political commitments and are driven more by commercial considerations. These include agricultural (cassava, sugar cane, rubber, banana and others) and logging concessions – according to LICADHO, an NGO, concessions traceable to investors from China covered a total area of 373,000 ha as of 2013³ – and garment manufacturing, and in the last five years, tourism, agricultural processing (rice, rubber, sugar, and bioethanol), manufacturing (shoes, fabrics, plastics, cement, construction materials, furniture, printing, and scooters), and real estate. A Chinese-run quality control station that certifies that agricultural produce meets the standards of the Chinese government has been opened in Phnom Penh, facilitating exports.

Private investors dominate these areas. Some of them have formal or informal connections to state enterprises or officials in China. These tend to be at prefectural or municipal, rather than provincial or national, levels. (An exception is COFCO, China’s largest state-owned agricultural company, which has been active in the contract farming of rice. Even so, the share of Cambodia in China’s rice exports, while growing, is as yet negligible.) Some investors are individuals who have migrated to Cambodia earlier as petty entrepreneurs or workers and have gradually accumulated capital and connections or attracted backers from China, and some also acquired Cambodian citizenship. Others come to Cambodia directly with cash to invest but no clear strategy. As an editor of a Chinese-language paper put it, “The new rich (暴发户) come to Cambodia in groups (组团) not to do business (做生意) but to get to know (打交道) chamber of commerce (商会) bosses and company bosses” and find assets to invest in. (Another editor remarked that Cambodia was a

³ This includes the tourism development concession mentioned below and is likely to be an underestimation. Although land concessions may not exceed 10 thousand ha under Cambodian law, it is relatively common for Chinese investors to acquire concessions several times larger in the name of several different companies.

relatively safe destination for money obtained through embezzlement or corruption.) Finally, some investors, usually the largest ones, invest in specific projects but usually spend little time in Cambodia.

Since conversion of network capital into financing is an important element in this process, large private investors often head organisations or own media outlets. The actual worth and ownership structure of such companies is difficult to track because of frequent informal partnerships and capital flows and lack of a proper tax system. Individuals tend to exaggerate the size of their businesses in some situations – to appear more credible to investors – but downplay it in others to avoid scrutiny. For example, Chen Mingxing, president of the association of recent migrants from Guangdong Province, claims to have a 200 thousand ha timber concession: this is unlikely, as it would amount for over half of the acreage of all known Chinese-owned concessions. He also owns a hardwood processing factory and a jewellery workshop and exports rice.

Information on very large investments, while also unreliable, is available from the CDC database. Few single manufacturing investments exceed US\$10 million. Investments in agriculture and infrastructure tend to be larger, but the largest registered investment to date is a tourism development project with reported fixed assets of US\$3.8 billion. This project, by Union Development, a Tianjin-based private company, is being constructed on 360 km² – later expanded to 450 km²– that the company has leased for 99 years with the eventual aim of creating a new city with a total floor space of 50 million square m² and its own airport and port.⁴ To date, this is the largest announced PRC investment in tourism outside China. Financing comes in part from a China Development Bank loan, but five years after the project was registered with the CDC in 2008, no more than an estimated US\$300-400 million has been invested. Olympia City, a large ongoing real estate development on Diamond Island (Koh Pich), a man-made island in the Mekong River in Phnom Penh, is being developed by a Cambodian bank, but it is understood that much of the

⁴ <http://www.sunnyunion.com/cn/show.asp?ShowID=995> (accessed 16 August 2013).

reported US\$200 million committed for the first phase comes from private investors in China.

In 2009, Erdos Hongjun, a private company based in Inner Mongolia, announced a US\$3 billion package of investments including the troubled Boeung Kak Lake real estate development, a coal-fired power plant, and a bauxite mine, but none of these projects have materialised so far. The Hongdou Special Economic Zone (SEZ) near Sihanoukville, a 1,450-ha duty-free zone privately invested by a company based in Jiangsu Province in partnership with a powerful Chinese-Cambodian businessman who is also a CPP senator, had 22 manufacturing companies – mostly Chinese-invested garment factories – operating at the time of writing, with a total investment of about US\$150 million. Its management hopes to attract 300 companies and generate 8 to 10 thousand jobs. The Hongdou SEZ, with an area of over 5 km², is the first special zone established in Southeast Asia with official support from the Chinese government.

Manufacturing investment has been largely driven by apparel companies that have moved production from China due to lower wages and the lower duties that the EU and the U.S. impose on imports from Cambodia. These investments appear to perform satisfactorily, although rising wages combined with relatively low productivity have made some investors consider moving production to Vietnam or Burma. Other investments, driven by China's demand for raw materials, have performed less well. Large-scale agricultural concessions are often inactive beyond logging, and as the remaining hardwood is less accessible and its export more difficult, they are no longer popular with Chinese investors because agriculture has proven hard to develop due to a lack in infrastructure and a shortage of labour. Instead, investors prefer to buy plots of 100-200 ha from owners of large concessions – often CPP officials who get the land on condition on developing it within a certain period, who therefore have an incentive to resell it quickly – and plant cassava or corn for sale locally, often to Chinese- or mostly Vietnamese-owned companies that then export or process it (there are an increasing number of cassava processing plants). Both Chinese-Cambodian and immigrant Chinese businesspeople play important roles in brokering such reselling arrangements.

Mining investments are often hard to trace because Chinese investors tend to buy controlling stakes of existing companies at relatively low prices (US\$2-3 million). Because of inaccurate or missing estimates of deposits, many mines have proven to be unexploitable in a profitable fashion. At the time of writing, none have started production. Similar problems exist in the power sector, which employs BOT agreements, typically with 40-50 year terms. The largest Chinese investment to have been completed is the Kamchay hydropower plant, which cost US\$280 million. It began generating electricity in 2011, but is running at one-third its planned capacity largely due to incorrect precipitation forecasts, lowering profit forecasts despite the fact that the price at which it sells electricity is higher than the price of imported electricity. Since it is seen as part of development assistance and is monopolised by large state-owned companies, however, the power sector is less sensitive to profit: while top managers of these companies are rewarded for economic performance, their investment decisions are also influenced by foreign policy agendas and the objective to preserve state sector jobs.

As of mid-2013, the local branches of Bank of China and ICBC (opened respectively in 2010 and 2011) had a total lending portfolio of about US\$250 million, mostly concentrated in infrastructure, manufacturing and trade. They have steered clear of agriculture, mining, and real estate, which they consider too risky, but large investors have been able to obtain cheaper financing in China. Both banks' lending to Cambodian clients, except banks, is limited; for ICBC, this is the result of a conscious policy to avoid competition with local financial institutions. China Development Bank, one of China's two policy banks, has signed agreements for loans totalling about US\$1.3 billion, largely for infrastructure projects.

IMPACT OF AND REACTIONS TO CHINESE IMMIGRATION AND INVESTMENT

The most immediate impact of Chinese immigration and investment has been the creation of jobs. The expansion of employment in the garment industry and in construction – the latter being mostly indirect, via subcontracting cascades – has been such that there is now a shortage of

labour in some areas of the country where paid employment has previously been scarce. The garment industry is estimated to sustain the livelihoods of some half a million Cambodians including workers, mostly young rural migrant women, and their family members. Construction workers are also typically migrants, preferred by employers as workers with local connections are deemed more prone to protest. Indeed, strikes and protests over wages and treatment have been common at Chinese-owned factories and dam construction sites. The current minimum monthly wage for an eight-hour workday in the garment industry is US\$80, while the actual wage including overtime ranges from US\$100 to over US\$200. In the 2013 election campaign, the opposition Cambodia National Rescue Party (CNRP), which is close to many unions, promised to raise the minimum wage to US\$150. Chinese investors viewed this promise as irresponsible and pointed out that real production costs were already higher because of ‘coffee money’ paid to officials.

For urban Cambodians of Chinese descent, providing services for investors from China is now a major business opportunity. These services range from online platforms and real estate agencies to labour recruitment and brokering connections to highly placed patrons within the Cambodian elite, but they also include employment as interpreters and ‘troubleshooters’ in Chinese-invested companies. This has placed a premium on fluency in Chinese, which has contributed to a revival of Chinese education – the largest Chinese school in Phnom Penh now has 13,000 students – as well as media. These, as well as Cambodian-Chinese organisations, are now geared essentially towards mediating contacts with the PRC. The CPP government, which has repeatedly referred to China’s development model as a source of learning, has encouraged this trend.

For the ruling elite of the Cambodian People’s Party (CPP) and the wealthy Chinese-Cambodian businessmen associated with it, the steady stream of personal payments for ‘helping’ investment deals has contributed to cement their political and economic dominance. Some of these deals involving Cambodian strongmen and Chinese investors, such as the now-suspended Boeung Kak Lake real estate development project in Phnom Penh, which resulted in the partly involuntary relocation of 4,000 households, have generated well-publicized protests

(e.g. Khouth 2013). Influential NGOs have been vocal about the impact of some Chinese-invested agricultural concessions and development projects, notably including Kamchay (e.g. Grimsditch 2012), the Union Development project, and planned hydropower projects on the Srepok and Sesan Rivers (RFA 2013) and Koh Kong Province, on rural livelihoods, including displacement without adequate compensation to locations that provide no access to previous means of livelihood (e.g. fishing and gathering of forest products). Yet, in Cambodian politics and public opinion, the suspicions that Chinese investment and immigration evoke in much of the world typically accrue to Vietnamese investment and immigration.

Moreover, insofar as Chinese investment has contributed to the creation of a politically active working class, which has developed its own links with labour organisations in Hong Kong, it has unintentionally contributed to the strengthening of social citizenship. While Cambodian politics in the 1990 was defined by the opposition between the CPP and the royalists, largely determined by attitudes to the Vietnamese occupation and perceptions of historical legitimacy – although frequently framed in terms of human rights – the rise of an industrial proletariat and a vigorous labour union movement with global connections was central to the reshaping of politics in the 2000s and its broadening beyond the elites. The garment workers’ unions have in turn been central to the union movement: understandably so, as the industry is the country’s largest and, because of its nature, allows for better organisation than highly mobile construction work. Around the 2013 elections, garment workers accounted for many opposition protesters. In January 2014, a group of Hong Kong-based labour rights groups organised a protest in support of Cambodian workers killed in the suppression of continuing strikes demanding a raise in minimum wages (SACOM 2014).

Although the CNRP, which narrowly lost the contested 2013 election, have mooted the revision of land concessions and have supported union demands for higher wages, they have not specifically targeted Chinese, and the party’s leader has gone out of his way to assure China that he was “more pro-China than Hun Sen,” reportedly including a declaration supporting China’s maritime claims in the South China Sea (Phoenix TV 2014). Nonetheless, the outcome of the elections may cause Chinese

investors to reconsider their unilateral reliance on CPP patronage networks in the future. These networks, which tie a rent-seeking CPP leadership to leading Chinese-Cambodian capitalists in a manner not unlike that of Soeharto's Indonesia and provide the CPP with resources to control its rivals and society at large, have been strengthened by investment from China, as cuts from investment deals have flown into their coffers (Mengin 2007). Some entrepreneurs from China – such as Cao Yunde, deputy chairman of the advisory council to Chea Sim, the second man in the CPP hierarchy – have themselves become prominent clients of senior leaders. (Cao is rumoured to have given Chea a house.) Others have used real or fictitious connections to both the CPP and PRC political elites not only to attract investors – for example, by displaying photos taken with CPP leaders and assuring those interested that the project enjoy their support – but also to intimidate business partners. Conversely, furthering investment in projects that are particularly dear to the Cambodian political elite is seen as a way of securing a favoured status that can then help with more lucrative deals. In 2011, one of my interviewees, a businesswoman who had come to Cambodia from China in 1996, was trying to secure a Chinese investor to partner in constructing a short road to a suburban house owned by Hun Sen. While some Chinese investors have privately expressed distaste and exasperation with such arrangements, it remains to be seen if a weakened CPP hold on Cambodia's politics will result in greater reluctance towards engaging in them altogether or, on the contrary, attempts to build new patronage networks with leaders of the CNRP.

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The Chinese government has until recently kept silent about the protests against Chinese investments and has also refrained from intervening publicly on their behalf when investors encountered problems (including sometimes extortionate forms of rent-seeking from local and central government officials, confrontations with trade unions and wildcat pickets by dismissed workers, as well as robberies and murders committed against Chinese traders). This has elicited criticism both from NGOs and from some of the Chinese-language

press (e.g. Shen 2013). In 2011, the Chinese embassy refused to accept petitions concerning the Boeung Kak Lake project and declared that relocation and compensation were the Cambodian government's responsibility (Cao 2012). Following repeated statements by China's leaders admonishing Chinese companies to assume greater social responsibility in their operations abroad, and due to the shock waves caused by the suspension of the Myitsone dam projects by Burma's government in 2011, this appears to be changing. In 2013, a newly appointed environmental attaché at the Chinese embassy in Phnom Penh met with petitioners protesting against the Srepok and Sesan dams and reportedly promised to take up their grievances with the companies (RFA 2013). In any case, while Cambodian politics is volatile and the grievances of organized labour may potentially take on an anti-Chinese nature, the absence of broad popular sentiment against "the Chinese" and the apparent lack of desire on the part of any major political party to manipulate that sentiment suggest that it is unlikely that anti-Chinese feelings will be exploited in the near future.

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