

Chapter 6

Riding on the BRI Train: Issues Relating to China's Strengthening Ties with Cambodia



6.1 Bilateral Political Relations Between China and Cambodia

The effects of China's rising economic ascendancy and geopolitical clout are being felt throughout the Southeast Asian countries but most prominently in Cambodia. Cambodia is one of the smallest and least developed nations in Southeast Asia. It has a strategic location between Thailand and Vietnam, two powerful rivals in the region, and borders Laos to the north and the Gulf of Thailand to the southwest.

China's ties with Cambodia have deep historical roots. Since establishing diplomatic relations in July 1958, Cambodia's late King Norodom Sihanouk had built friendly ties with China's late Premier Zhou Enlai and other Chinese leaders. Sihanouk sought Chinese support to avoid his country being sucked into the Sino-Vietnam tensions. With the assistance and support of the United States, the then Cambodian Prime Minister Lon Nol launched a military coup against Sihanouk in 1970, while he was travelling abroad, and he was sentenced to death. With the Chinese leaders' agreement, Sihanouk remained in exile in China from March 1970 until December 1975. The Chinese leadership still recognised and respected Sihanouk as the king and head of the state, treating him with extreme courtesy (Jeldres 2012).

Historically, Cambodia used China as a heavy counterweight against its two bigger and more powerful neighbours, namely Vietnam and Thailand. Cambodia's relations with Vietnam and Thailand are not without contention. Following the fall of the Khmer Empire in the fifteenth century, Cambodia felt constantly threatened by both Vietnam and Thailand (Heng 2022). In particular, although Cambodia has had a long history of engagement with Vietnam, there had been many wars between Cambodia and Vietnam in the past.

Most recently, Vietnam launched a full-scale invasion in Cambodia in 1979. The Vietnamese army overthrew the Khmer Rouge and occupied Cambodia. Cambodia has widespread anti-Vietnamese sentiment, largely due to the border disputes,

Cambodians' perceptions on Vietnam's expansionist intentions and illegal immigrants from Vietnam. Unlike the Vietnamese, the Cambodians have never regarded the Chinese as invaders or aggressors. Indeed, China was deemed to be useful to preserve Cambodian sovereignty from its immediate bigger neighbours.

In 2013, the two countries signed a "Comprehensive Strategic Partnership agreement", the first for Cambodia with another country, demonstrating common interests on security and economy. The year 2023 marks the 65th anniversary of bilateral ties between China and Cambodia. Hun Sen's visit to China in February 2023 demonstrated the "ironclad relationship" between Cambodia and China, based on a long traditional friendship.

In November 2020, the Chinese government awarded the "Medal of Friendship" of the People's Republic of China to Cambodia's Queen Mother Norodom Monineath Sihanouk. The medal was also intended to honour the late King Sihanouk for his efforts to build close relations with the Chinese people. The past relations between the countries' late leaders have laid the foundation for the close ties between the two countries today (Yu 2023). Sihanouk's son is now the King of Cambodia.

The Chinese and Cambodian governments have established regular high-level exchanges between the two countries. China's President Xi Jinping visited Cambodia in October 2016 and Cambodia's Prime Minister Hun Sen visited China in February 2020. The latter was the first visit by a foreign leader to Beijing since the outbreak of the COVID-19 pandemic in the city of Wuhan. Hun Sen wanted to show political support for China and personally sent a message of solidarity from Cambodia to the Chinese people. Meanwhile, in his appreciation of Hun Sen's visit and affirmation of the friendship between the two countries, Xi Jinping commented that "a friend in need is a friend indeed".

Given its pro-China foreign policy stance, the Cambodian government has consistently supported China's approach of bilateral negotiation towards dealing with the South China Sea issues. In June 2016, Prime Minister Hun Sen clearly stated that the territorial disputes surrounding the South China Sea are matters between China and the claimant states in Southeast Asia, and not matters of dispute between China and ASEAN (Youtube June 2016).

On its part, China has made clear its preference for bilateral negotiation on the territorial and maritime disputes surrounding the South China Sea with specific claimant states involved rather than multilateral arraignments such as the China-ASEAN leader summits. By proceeding in this way, China can fully exploit its asymmetrical advantages of economic power and military might over the smaller Southeast Asian countries to gain the dominant position in negotiation.

Meanwhile, Cambodia has been criticised by some ASEAN countries, such as the Philippines, for "doing Beijing's bidding". They see Cambodia as taking a policy stance that favours China's interests. For example, at the conclusion of the 45th ASEAN Foreign Ministers Meeting held in Phnom Penh in 2012, although the Philippines and Vietnam urged Cambodia, as the Chair, to highlight the South China Sea issue in the joint communiqué, Cambodia refused to do so, which resulted, for the first time in ASEAN's history, in the grouping's failure to issue a joint communiqué (Charadine 2021). In July 2016, Cambodia also blocked an ASEAN statement

that referred to the international tribunal's ruling on the South China Sea territorial disputes (Thul 2016). Cambodia, like China, insists that the South China Sea issue should be dealt with by China and the relevant ASEAN claimant states, and is not an issue for the ASEAN as a grouping. However, Cambodia is still perceived by some external critics as being in strong alignment with China's position. Given the asymmetrical relationship between Beijing and Phnom Penh, these critics largely view Cambodia as China's "vassal state" or "a pawn" of China. (Chong 2017).

Cambodia's strongman Prime Minister Hun Sen is one of the longest-serving Prime Ministers in Southeast Asia. His Cambodian People's Party (CPP) has dominated Cambodian domestic politics for a long time. Hun Sen's government has effectively shaped Cambodia's foreign policy to support China's interests. When speaking to Nikkei's Future of Asia Conference in May 2021, Hun Sen defended his close ties with Beijing, and he bluntly stated this, "If I don't rely on China, who will I rely on?" (Nikkei May 2021). After the CPP won an overwhelming victory in Cambodia's general election in July 2023, which was criticised by the West as not "a fair and free election", Hun Sen announced his will step down as Cambodia's Prime Minister and hand over power to his son Hun Manet (The Straits Times July 2023). At the time of writing, Hun Manet already became Cambodia's prime minister and led a new government in August 2023. Nevertheless, Mr Hun Sen will not disappear into retirement, and he is still head of the CPP and a member of the National Assembly. He is likely to remain an influential figure of Cambodia's government and to control politics.

Cambodia's pro-China policy is expected to continue under the Hun Manet's government. In his separate thank-you letters to China's President Xi Jinping, and China's Premier Li Qiang, which dated on 26 July 2023, Mr Hun Sen reassured to Chinese leader that the new Cambodian government under Prime Minister Hun Manet will maintain the current pro-China policy and to further strengthen comprehensive strategic cooperative partnership with China. (Khmer Times July 2023).

Hun Sen's pro-China stance has facilitated investment in Cambodia by Chinese firms. His pro-China stance has facilitated investment in Cambodia by Chinese firms. Chinese investors and construction firms had made an accumulated investment of US\$12.02 billion to Cambodia from 2013 to 2022. The transport and energy sectors accounted for the lion share of the Chinese investments to Cambodia during the same period, with US\$7.31 billion and US\$4 billion, respectively (Table 6.1). These two sectors of energy and transport combined accounted for 94.1% of the stock of Chinese investments and constructions in Cambodia between 2013 and 2022.

Prime Minister Hun Sen made a three-day visit to China from 9 to 11 February 2023, during which the "Joint Statement on Building a China-Cambodia Community with a Shared Future in the New Era" was signed, which reflects the strong and robust bilateral ties on political, economic and defence cooperation. China and Cambodia also signed a series of bilateral cooperation agreements in several areas, notably infrastructure financing and construction, and agriculture.

The Cambodian authority has granted China access to its Ream Naval Base, a site of strategic significance. Chinese companies have started to build new infrastructure there, including new roads, port upgrading and ship repair facilities, which will

Table 6.1 Chinese BRI-affiliated investments and construction in Cambodia, 2013–2022

Year	Chinese investor/Builder	Sector	Amount (US\$ million)
March 2013	Shanghai Construction	Transport	250
December 2013	Huaneng Power	Energy	410
May 2015	China Communications Construction	Transport	130
June 2015	Shanghai Construction	Transport	120
March 2016	China National Machinery Industry	Energy	100
April 2016	Guangdong Heng Fu	Agriculture	360
October 2016	China National Machinery Industry	Energy	120
April 2017	Sino Great Wall	Energy	560
December 2017	Hengtong Group	Energy	200
March 2018	Kunming Iron	Transport	500
April 2018	Sino Great Wall	Transport	300
May 2018	China Communications Construction	Transport	220
December 2018	China Communications Construction	Transport	2080
January 2019	Shanghai Construction	Transport	260
March 2019	China Communications Construction	Transport	1950
June 2019	State Construction Engineering	Tourism	200
June 2019	China International Trust and Investment	Agriculture	320
October 2019	China Energy Engineering; China National Machinery Industry	Energy	190
November 2019	China Railway Construction	Tourism	190
March 2020	China Communications Construction	Transport	190
June 2020	China Huadian Corporation	Energy	1190
August 2020	State Construction Engineering	Transport	600
November 2020	Minmetals	Transport	410
November 2020	Sinosteel	Energy	670
August 2021	China National Machinery Industry	Energy	170
January 2022	Hodo Group	Transport	300
July 2022	China National Machinery Industry	Energy	390

Note Chinese investments and construction cover energy, transport, agriculture and tourism sectors only

Source Extracted from “China Global Investment Tracker”, American Enterprise Institute

enable the Ream to host large naval warships in future (Asia Maritime Transparency Initiative 2021). This has raised suspicions in regional countries and the West over China's military presence in Cambodia and future use of the base by the People's Liberation Navy vessels. If these plans come to fruition, Ream Naval Base will provide China with a secure military foothold in the Indo-Pacific region (Detsch 2022).

This will allow China to project its naval power further across the region amid the China-US rivalry. Ream thus has become an arena for competition between China and the United States for strategic influence in Southeast Asia. Nevertheless, despite China gaining military access to Ream Naval Base, it cannot match the United States' network of military bases around the region, or throughout the world.

6.2 China's Strengthening Economic Ties with Cambodia Under the BRI

Cambodia is a close friend and partner of China in the ASEAN (Association of South-east Asian Nations). China has strong trade and economic ties with the Kingdom and is Cambodia's largest trading partner. According to statistics from the Ministry of Commerce of China, the bilateral trade volume between China and Cambodia had increased from US\$3.77 billion in 2013 to US\$13.67 billion in 2021. The trade balance is in China's favour, and China enjoyed a growing trade surplus with Cambodia from 2013 to 2021 (Fig. 6.1). Meanwhile, China is Cambodia's second-largest export market, accounting for 8.3% of its total export value in 2021, and Cambodia's largest source of imports, accounting for 33.9% of its total import value.

The China-Cambodia Free Trade Agreement (CCFTA), which came into effect on 1 January 2022, was the first bilateral free trade arrangement signed by Cambodia. The CCFTA has given Cambodia impetus to further strengthen its trade and economic ties with China and gain wider market access to the Chinese domestic market through applying the Kingdom's "Four Corners Development Strategy (2018–2023)".

Under the CCFTA implementation, Cambodia will reap economic benefits from exporting agricultural products to China. China has set zero tariffs for Cambodia on 97.53% of tariff lines for trade in goods, and Cambodia has set China zero tariffs on 90% of tariff lines. China's tariff reduction rate under the Cambodia-China Free Trade Agreement exceeds that under the CAFTA by 3.16%. China's zero tariffs cover almost all Cambodia's main exports to China, including polished rice, bananas, mangoes, cassava, fishery products and clothing.

The CCFTA also provides more scope for Cambodia to stabilise its foreign trade amid the severe economic sanctions imposed by both the United States and the European Union. In August 2020, due to concern over human rights violations and lack of democracy in Cambodia, the European Union cut 20% of the tariff concessions on Cambodia's exports (Everything but Arms). In addition, the United

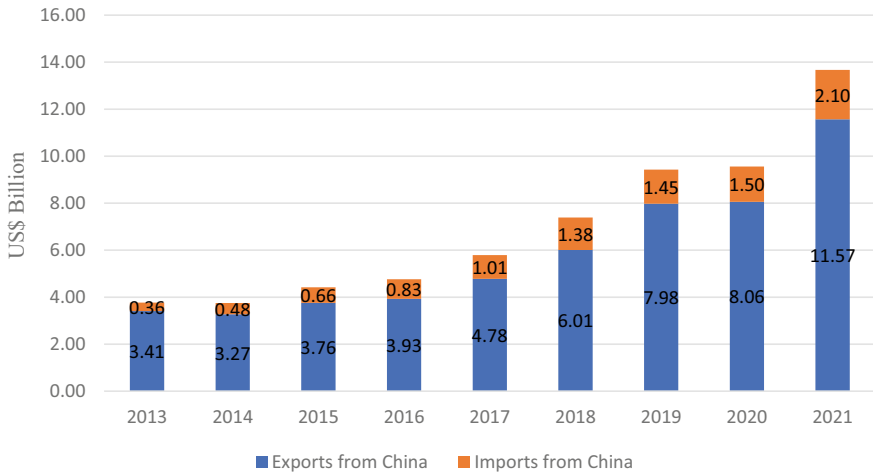


Fig. 6.1 Bilateral trade in goods between China and Cambodia. *Source* Ministry of Commerce of the People's Republic of China (2022, 2018)

States has suspended its GSP preferences and imposed several economic sanctions on Cambodia.

From a geopolitical perspective, Cambodia could use the CCFTA as a leveraging tool to mitigate the impacts of the Western economic sanctions by increasing its exports to China (Vannarith 2023). The CCFTA will also help the Chinese firms to export machinery, vehicles, electronic and telecommunication products to Cambodia.

Based on its trade and economic ties with China, ASEAN, Japan and Republic of Korea, Cambodia has been one of the fastest-growing economies among ASEAN countries for the past decade. According to ASEAN Secretariat's statistics (2022), Cambodia's average annual growth rate was 5.7% between 2012 and 2021, due to the boom in garment and textile industries, tourism and infrastructure construction funded by the increasing foreign direct investment. With its rapid economic growth, urbanisation and dynamic young population, Cambodia has become a hotspot for foreign investors, including Chinese companies.

Cambodia has been seen as one of the countries in Southeast Asia most supportive of the BRI, and it has been one of its major beneficiaries since 2013. Besides being the largest foreign investor in Cambodia, China is the Kingdom's biggest financier of transportation, hydropower plants and other infrastructure development. The Cambodian government views BRI implementation as important for boosting national economic and social development. It is therefore keen to ride on the BRI train to accelerate domestic infrastructure improvement and industrial take-off.

BRI implementation during the Xi Jinping era has led to Cambodia becoming the closest partner and ally of China in Southeast Asia on geopolitical and geoeconomic collaboration. Several large Chinese-funded infrastructure projects in Cambodia have been completed and are in operation, including a 190-km-long expressway connecting Cambodia's capital, Phnom Penh, with the port city of Sihanoukville.

Due to the underdevelopment of its roads and port and maritime infrastructure, Cambodia has in the past been unable to bring down its high logistics costs or tap the potential of the coastal areas. Road transport accounts for over 90% of Cambodia's passenger and freight movement. Meanwhile, the World Economic Forum's 2019 report on infrastructure competitiveness described road infrastructure in Cambodia as being of poor quality due to such as inadequate roads and expressways, insufficient road maintenance, poor traffic safety and underdeveloped urban and rural transport infrastructure.

Cambodia desperately needs foreign investment in its domestic infrastructure sector in order to realise its economic growth potential. According to the estimation by PWC in October 2022, to achieve sustained growth and improve social and economic standards among its population, Cambodia will need infrastructure investment of around US\$28 billion in the period up to 2040. The poor quality of Cambodia's infrastructure is reflected in its ranking in the 2019 Global Competitiveness Report as 106th out of 141 economies.

The Royal Government of Cambodia has over the past several years earmarked infrastructure development and connectivity improvement as priorities for enhancing Cambodia's integration into the ASEAN and global economy. Specifically, transport connectivity improvement (building roads, bridges, seaports, expressways, railways and airways), the expansion of energy coverage (power supply) and digital connectivity (fibre-optic infrastructure and modernising the mobile telephone network) are three areas at the top of the government's infrastructure development agenda. Cambodia welcomes foreign investment in its domestic infrastructure construction and other industrial sectors, including investment from China, due to its need to address the weaknesses in its economy. Cambodia attracted US\$4.35 billion of fixed asset investment in 2021, while China accounted for over 50% of the inflow of fixed asset investment to Cambodia.

Under China's push for BRI implementation, there has been a massive inflow of Chinese investment to Cambodia for the past several years. In the years from 2013 to 2021, accumulated Chinese investments in Cambodia totalled US\$6.96 billion. In the year 2021 alone, Chinese investments to the Kingdom amounted to US\$0.46 billion (Fig. 6.2), accounting for about 67% of total inflow of foreign investment to Cambodia. China's economic presence is visible everywhere in the Kingdom, from the capital city of Phnom Penh to the coastal province of Sihanoukville. The Chinese are investing in sectors ranging from mining, energy, transport, digital communication, agriculture and hotels to real estate and casinos. Chinese firms now have a 50% market share in Cambodia's domestic construction sector via the BRI platform. According to Vasim Sorya (2023), Under Secretary of State at Cambodia's Ministry of Public Works and Transportation, the total value of BRI-affiliated projects, either completed or under construction, which have been financed with concessioned loans and grants from Chinese banks, is around US\$3.2 billion.

China's economic and strategic influence in Cambodia has grown steadily over the past decade and China has been Cambodia's largest source of foreign investment since 2013. According to statistics from Cambodia's Chamber of Commerce, Cambodia received US\$18 billion from Greater China between mid-1994 and end-2021, far

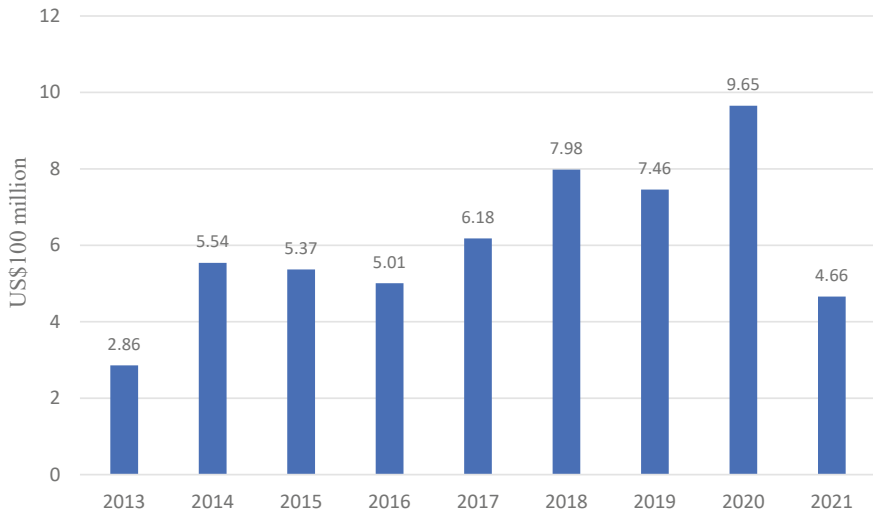


Fig. 6.2 Inflow of Chinese investments to Cambodia. *Source* The ASEAN Secretariat database

exceeding the Republic of Korea's US\$4.9 billion and Singapore's US\$2.7 billion. Greater China accounted for 43.9% of total foreign direct investment inflows to Cambodia during this period (Phanet 2022). Apparently, the COVID-19 pandemic has not affected the inflow of Chinese investment to Cambodia. Furthermore, in June 2021, the Cambodian firm Cellcard chose ZTE, a Chinese telecommunication equipment provider, as its 5G partner.

Nevertheless, Cambodia has also developed close trade and economic ties with Japan and the Republic of Korea to mitigate the impacts of sanctions imposed by the United States and European Union. In particular, Japan's long-standing active diplomacy in Southeast Asia has helped to develop cordial relations with Cambodia under Hun Sen. Nevertheless, Japan lags far behind China regarding economic and trade ties with Cambodia. China's overall trade and economic influence in the Kingdom is unparalleled by any other major power, including the United States and Japan.

Compared to China, which is the top foreign investor in Cambodia and accounted for nearly half of the total inflow of FDI to the country in 2021, Japan only accounted for 5.9% of total inflow of foreign direct investment to Cambodia during the same year (National Bank of Cambodia 2022). In terms of bilateral trade, in 2020, China's trade volume with Cambodia (US\$8.12 billion) was almost five times larger than Japan's trade with Cambodia (US\$ 1.69 billion). In addition, China was the top origin country for foreign tourist arrivals in Cambodia, accounting for 28.2% of total inbound tourist arrivals, compared to merely 0.9% of Cambodia's inbound tourists arriving from Japan (Ministry of Foreign Affairs and International Cooperation 2021).

6.3 Positive Effects of Chinese Investments in Cambodia

There are positive spillover effects of Chinese investments in terms of rapid cross-provincial infrastructure improvement and urban development in cities, and industrial development. As an example, the US\$2 billion Phnom Penh-Sihanoukville Expressway, which was financed and built by China, has been operational since late 2022. This 190 km-long expressway is the first expressway to be built in Cambodia. Since 2022, it has enhanced transport links between the capital of Cambodia and the coastal city of Sihanoukville by cutting in half the transportation time and logistics costs.

The Chinese investment has led to an urban infrastructure boom in Cambodia's major cities such as Sihanoukville. This port city, which is located 226 km from Phnom Penh and has a population of around 200,000, once was a sleepy coastal town, but it is now being transformed into a modern metropolis with many high-rise buildings.

Moreover, these Chinese investments enable the Cambodian governments to extract more tax revenue which can be used to improve the living standards of ordinary Cambodians through creating jobs and constructing transport facilities, schools and hospitals, in particular for the remote rural areas.

The Sihanoukville Special Economic Zone (SSEZ) is a high-profile bilateral cooperation project between China and Cambodia under the BRI. The SSEZ, which is focused on the garment and textile industries, houses 174 firms, over 85% of which are Chinese-run enterprises. Moreover, since the SSEZ became operational in March 2020, nearly 30,000 jobs for locals have been created. Besides contributing to Cambodia's industrial and social development, the SSEZ is also becoming the nation's largest export base.

Tourism is one of the pillar industries of Cambodia's economy. In 2019, Cambodia's tourism revenue was US\$4.92 billion, contributing 17.8% to Cambodia's gross domestic product (GDP) and directly creating 630,000 jobs for locals. Cambodia is a country with ancient civilisations; in particular, the "Khmer" civilisation is an attraction for tourists the world over.

China was the biggest source of inbound foreign tourists for Cambodia during the pre-pandemic era. In 2019, Chinese tourists visiting Cambodia numbered 2.36 million, accounting for 35.7% of the total number of foreign tourists visiting Cambodia, and almost equivalent to the total number of tourists from the second to eighth-largest source countries. However, the COVID-19 pandemic from 2020 to 2021 hit the Cambodian economy hard and the government has had to implement various measures to mitigate its negative impact on businesses and people's incomes and to support economic recovery. Cambodian Prime Minister Hun Sen's visit to China in 2020 was intended to lay the foundation for attracting Chinese tourists after the epidemic and rejuvenating Cambodia's struggling tourism industry. Following China's recent reopening, it is likely that over one million Chinese tourists will visit the country in 2023, compared to merely 110,000 in 2022 (Xie 2023).

6.4 Issues and Challenges Under BRI Implementation

Through becoming the largest investor and financier for Cambodia, China's influence in Cambodia has rapidly increased. Nevertheless, the massive inflow of Chinese investments and the influx of many Chinese to Cambodia have come at a price for the local community, since rental and property prices in the Kingdom have shot up over the past decade.

In the case of Sihanoukville, Chinese investments are highly concentrated in the sectors of gambling, real estate, and resorts. Chinese-run casinos have mushroomed in the city in the past several years. The exact number of casinos is hard to know, but the estimation is between 30 and 80 (Fifield 2018; Faulder and Kawase 2018; Po and Heng 2019). According to the local authorities in Sihanoukville province, a rise in crimes such as kidnapping and gun violence has reportedly been associated with the increasing number of casinos in Sihanoukville city.

China's economic presence in Cambodia in general, and Sihanoukville in particular, has led to serious concerns among locals, who have voiced their anger on the Internet via social media and other platforms. Many feel strongly that the sense of "Cambodian-ness" has been lost in Sihanoukville. The locals even joke that Sihanoukville city should be renamed as "giant China Town" or "mini-Macau".

In February 2018, as reported by the local Cambodian media, the then-Chinese Ambassador to Cambodia, Xiong Bo, stated that China would stand in solidarity with the Cambodian law and enforcement authorities to catch Chinese nationals who committed crimes in Cambodia. He further commented that "The Chinese government appeals to all Chinese people who live abroad to abide by the Cambodian laws, respect the country's customs and co-live peacefully with locals" (Suy 2018). This unusual diplomatic gesture reflects the seriousness of a situation which required the Chinese government's top official representative to apologise for the crimes committed by Chinese nationals and attempt to pacify the anger expressed by local residents.

A more worrying trend is that Chinese "black societies" might have infiltrated into the local Cambodian economy and society. Chinese criminal scam gangs are actively operating in Cambodia and are trafficking many poor or debt-saddled youngsters from the regional countries to trap them in scam call centres in Cambodia.

The locals regard many Chinese as ignoring or disrespecting the Khmer language, culture and customs when doing business in Cambodia. The Chinese-invested industrial zones, restaurants and hotels often misspell Khmer words on their business signs and advertising boards.

The Cambodian authorities always assert that the Chinese investment and Chinese-funded infrastructure projects are conducted in a transparent manner, and are beneficial to Cambodia's development. By bringing in tax revenue and creating job opportunities, the Chinese investments and infrastructure projects are seen as shoring up the legitimacy of the Cambodian government and the ruling Cambodian People's Party under Hun Sen. Although the Cambodian authorities are embracing Chinese investment, the effects are not always positive for the Cambodian general

public. Specifically, Chinese investors' business practices in Cambodia remain an issue (Phea 2020), with many local Cambodians believing that Chinese investments solely benefit the few ruling elites at the expense of financial, environmental and social impact on the local people in Cambodia.

Evidently, Chinese tourists and merchants tend to buy from Chinese businesses and spend money in Chinese hotels and restaurants. Any trickle-down economic effect to local community is therefore limited. As shown in the case of Sihanoukville, the casinos, resorts and restaurants are often built by the Chinese and run by the Chinese. Most of their customers are Chinese. Essentially, Sihanoukville is becoming a playground for rich Chinese and a place for them to let their hair down.

Lack of assessment of the environmental and social impacts of the Chinese-funded projects in Cambodia is an outstanding unresolved issue. For example, the Chinese-built beach resorts in Sihanoukville, such as the Golden Silver Golf resort, located at the Ream National Park and about 28 km from downtown Sihanoukville, were accused of having hazardous effects on forests containing valuable Siamese rosewood trees, and thus threatening local biodiversity (Po and Heng 2019).

According to Vannarith (2021) from the Asian Vision Institute, an independent think tank based in Cambodia, none of the major Chinese state-owned enterprises that have invested and operated in Cambodia (namely the China Road and Bridge Group, China Huaneng Group, Yunnan Construction Investment Group and Bank of China) have formulated any environmental, social and governance (ESG) policies at the corporate governance level for implementation in their operations. As is common practice among Chinese firms and business persons under BRI implementation in Southeast Asia, they tend to solely pursue their financial interests and profit maximisation from their investments in Cambodia, at the expense of local environmental and social considerations.

"The love-hate" or "rewards-risk" relationship with Chinese investment is most evident in the coastal city of Sihanoukville. While the massive Chinese investment in real estate and other service industries has brought about a construction boom in Sihanoukville, fast-rising housing prices, corruption and the surge in crime associated with the Chinese-invested casinos are generating bad press and anger among the local community in Cambodia, which, if left unchecked, could damage China's ties with Cambodia and Cambodians' perception and image of China.

The adverse social and environmental impacts on the local people that have accompanied the massive inflow of Chinese investment, business persons and migrants have led to rising anti-Chinese sentiment among many Cambodians. They are concerned that their country is being taken over by the Chinese. In interviews conducted with Cambodian officials and business elites, they urged their government to diversify the sources of foreign direct investment and to reduce Cambodia's over dependence on Chinese investments. More importantly, they view Cambodia's one-sided pro-China stance as risky and potentially harmful to its national interests, and, in the long term,

would prefer Cambodia to take a “balance of power” diplomatic stance by strengthening its engagement with other powers, such as the United States, Japan and the European Union.¹

To the older generation of Cambodians, Mao's support of the Khmer Rouge regime, which shared a similar ideological stance to the Chinese Communist Party in that era, still leaves lingering suspicions. The Khmer Rouge, led by the dictator Pol Pot, was a brutal regime that ruled Cambodia between 1975 and 1979, following the Cambodian civil war. It was estimated that about 2 million Cambodian people were killed at the hands of the Khmer Rouge in its campaign of mass violence and genocide, representing a quarter of Cambodia's population (Dunst 2020).

According to the latest *State of Southeast Asia 2023 Survey Report (ISEAS-Yusof Ishak Institute, 2023)*, only 2.2% of the respondents from Cambodia had utmost confidence that China would seek to maintain the rules-based order and uphold international law, down from 65.4% in the 2022 Survey Report. When asked which they would choose if ASEAN were forced to align itself with one of the two strategic rivals, 73.1% of respondents from Cambodia chose the United States, and only 26.9% picked China in the 2023 Survey Report. However, when asked the same question in the 2022 survey, 81.5% of the Cambodian respondents had voted for China. Beijing would do well to take note of this significant shift in attitude towards China among the Cambodian elites.

Indeed, Cambodia's overall foreign debt has been exacerbated due to the sharp increase attributed to BRI projects such as the expressway and seaport upgrading. Over 41% of Cambodia's accumulated external debt is estimated to be held by China (an approximate US\$4.05 billion or 15% of Cambodia's GDP). China is Cambodia's largest creditor, accounting for 41.7% of its total foreign debt (estimated at US\$9.47 billion), according to the statistics released by Cambodia's General Department of International Cooperation and Debt Management (2022). Cambodia, a small and underdeveloped economy with a population of around 16.59 million, will find it a challenging task to repay this massive foreign debt.

Nevertheless, given its small economic and population size, foreign trade and investment will be always important for boosting Cambodia's economy. Chinese investment will therefore continue to be an important source of local economic growth. Meanwhile, since Cambodia is China's close ally and large-scale infrastructure construction plays a flagship role in mainland Southeast Asia under the BRI, it is not in China's interest to bankrupt Cambodia over its infrastructure projects. This would generate a negative image of China's BRI that would hamper its future implementation, regionally as well as globally.

Both countries will have to promote the BRI in a more transparent, accountable, and inclusive manner to ensure the projects are truly beneficial to the local communities, economically, socially and environmentally. This will entail conducting due environmental and social impact assessments and strictly abiding by their findings during the construction and operation of future projects.

¹ Interviews with senior officials, scholars and businessmen in both Phnom Penh and Sihanoukville, Cambodia, were conducted on 15–16 June 2023.

Moreover, Chinese merchants, tourists and migrants need to understand the Khmer history, language, culture and customs. This is important not only for helping the Chinese to integrate into the local community in Cambodia but also for improving China's image and easing the local dissatisfaction about Chinese investments and the influx of Chinese people. Addressing these issues would help to convince Cambodians of the equal benefits and win-win potential of BRI participation.

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