

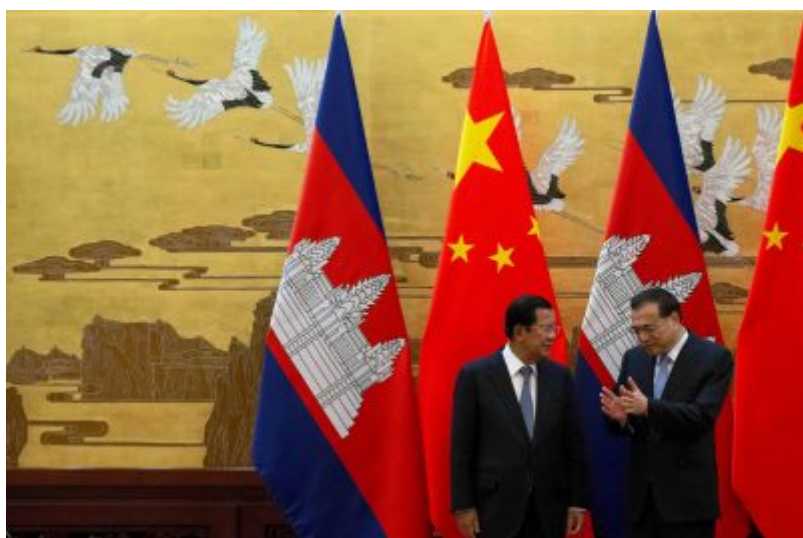


## No simple solution to China's dominance in Cambodia

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The origin of Cambodia–China ties can be traced back to the 13th century when a Chinese diplomat visited Angkor Wat, yet it is only in the last decade that the relationship has strengthened dramatically.



This [China–Cambodia](#) marriage of convenience presents both opportunities and challenges for Cambodia.

The country attracted [US\\$3.6 billion in foreign direct investment](#) in 2019, of which 43 per cent came from China. That year, bilateral trade between the two countries reached [US\\$9 billion](#). China has financed around [70 per cent](#) of Cambodia's much-needed roads and bridges — by 2017, Cambodia had received [US\\$4.2 billion](#) in Chinese grants and loans. China also promised to deliver [4 billion RMB](#) (US\$588 million) in aid between 2019–2021. And Chinese investors support Cambodia's garment industry, which represents [15 per cent](#) of its 2019 GDP through export earnings, and generates [750,000](#) jobs. Also, as part of its coronavirus diplomacy, China has supported Cambodia by sending medical supplies to Cambodia, with Chinese President Xi Jinping describing Sino-Khmer relations '[unbreakable](#)'.

Cambodia's options for foreign engagement are constrained by its weak soft and hard power, as well as the CPP's pressing need for international political support. Cambodia seeks political support from

China, partly to [counterbalance](#) Thailand and Vietnam. Support from China is increasingly important for the ruling Cambodian People's Party (CPP) in light of [growing criticism](#) of the Party from the West.

Reliance on China alone is presenting diplomatic challenges. In 2009 for instance, at China's request, Cambodia [deported](#) 20 Uyghur asylum seekers to China despite international outcry. In 2012, Cambodia [blocked](#) ASEAN from issuing a joint communique on China's aggression in the South China Sea. These moves have pressured Cambodia's relationship with fellow ASEAN member states and damaged its diplomatic credibility. Recently an ex-diplomat from Singapore even called for ASEAN to [revoke](#) Cambodian membership.

Overdependence on China could drive Cambodia into Beijing's sphere of influence, changing the dynamic of Cambodia's national security. *The Wall Street Journal* [reported](#) an alleged secret deal allowing China to station forces at Cambodia's Ream Naval Base, potentially placing Cambodia in an uncomfortable position vis-a-vis its neighbours, especially Vietnam.

Meanwhile, [overreliance on Chinese credit](#) means Cambodia is exposed to concentration risks as well as the risk of getting caught in a debt trap. By 2018, Cambodia's external public debt had reached [US\\$7 billion](#), half owed to China. The debt could allow Beijing to pressure Cambodia into leasing out strategic facilities, such as the deep-water port at Sihanoukville. The location is a precious 'pearl' among China's 'string of pearls', situated in the centre of mainland Southeast Asia. It provides a base for China to project maritime power into the Gulf of Thailand and the Straits of Malacca in a counterbalance to the United States and others.

Cambodia does supply China with food, crude oil and other mineral resources. And while Chinese firms in Cambodia generate some jobs, limited interaction with domestic companies means there are few opportunities for skill development among Cambodian workers. This makes China-dominated industries in Cambodia such as garment manufacturing fragile and unsustainable. Considerable Chinese investments have gone into casinos and real estate, where the benefits are largely exclusive to some privileged sections of Cambodian society.

Chinese aid and investment in Cambodia unfortunately [lacks transparency and accountability](#), which can contribute to widespread corruption, malpractice and environmental degradation. China's Union Development Group reportedly cleared [36,000 hectares](#) of forest in Cambodia's largest national park, Botum Sakor, for

development. And half of the [4.6 million](#) hectares of Cambodia's land concessions were granted to Chinese firms.

Chinese investment should be welcome. Economic support from China is fast, stable and plentiful, allowing Cambodia to rapidly embark on much-needed structural reforms to reduce energy costs and enhance infrastructure. High electricity costs diminish Cambodia's competitiveness and imposes a heavy financial burden on low-income families — only [19 per cent](#) of households in rural areas have electricity access. Now supplying [47 per cent](#) of Cambodia's domestic energy, China-financed hydropower plants not only help tackle Cambodia's chronic electricity problem, but also foster socioeconomic development.

But to better leverage the opportunities China provides, Cambodia should work harder to steer those investments into skills development in electronics manufacturing, the automotive sector and food processing. Instead, [85 per cent of the US\\$10 billion](#) China spent in Cambodia up to 2018 is concentrated in natural resource extraction, real estate and energy.

Cambodia should rejuvenate its relationship with ASEAN and work to improve its diversification of strategic partners, particularly with others that have presence in the region like the United States, Japan and even South Korea. If China's support is hard to resist in practice, Cambodia should better embrace rules-based borrowing consistent with international practices in line with international expectations.

There is no simple solution to China's dominance in Cambodia. Cambodia needs to strive to mitigate the challenges by diversifying political and economic ties. Promoting good governance, including corporate governance, as well as social and environmental responsibility, would go a long way in Cambodia's long-term development.

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