

China's Belt and Road Initiative (BRI) and Cambodia – Issues and Challenges

Srinivasa Madhur¹

**Discussion Draft Paper presented at
the International Seminar on “China’s
Rising Influence and Belt and Road
Initiative: Its Significance, Progress
and Challenges for ASEAN”**

**ASEAN Studies Center, Chulalongkorn
University, Bangkok (in Cooperation
with China Development, Beijing)
(Bangkok, 27-28 June, 2019)**

¹ The views expressed in this paper are those of the author and not necessarily of the institutions he works for or associated with.

1.Introduction

In recent years, an interlocking relationship has emerged between China and Cambodia. China has become a key bilateral development partner of Cambodia and Cambodia as one of China's closest allies in Southeast Asia. For Cambodia, China is now the largest trading partner, bilateral donor, foreign investor, buyer of rice, and source of international tourists (Sok Kha 2019). In tandem, Cambodia has generally taken China's side on major geopolitical issues between China and the Association of Southeast Asian Nations (ASEAN).

As one analyst aptly highlighted recently: "China needs Cambodia in order to wield influence within ASEAN and affect the bloc's stance on contentious issues such as disputes on the South China Sea. Beijing's rising influence in the country is conveyed through a massive amount of funding" (Franceschini, 2019).

The launching of the China-led Belt and Road Initiative (BRI) in 2013 has further reinforced the interlocking relationship between the two countries. It is thus not surprising that Cambodia has enthusiastically embraced the BRI. Politics aside, Cambodia's objective is to use BRI as a key source of its socioeconomic development and economic diversification agenda. The BRI in Cambodia now covers wide-ranging sectors and activities spread across Cambodia's several cities and provinces. Current indications are that BRI operations in Cambodia are likely to grow in both size and coverage over the medium term. Thus, China's assistance to Cambodia under the BRI should be seen as only one component, although a significant one, of a much larger development and political partnership between the two countries.

This paper documents and assesses: the size and coverage of BRI in Cambodia (Section 2), BRI's key benefits of to Cambodia (Section 3), major risks to Cambodia arising out of its active participation in the BRI (Section 4), and policy challenges and strategic options for Cambodia (Section 5). Section 6 summarizes the major conclusions.

2.Size and Coverage of BRI in Cambodia

Although the exact size of the entire BRI operations in Cambodia is not easily available, it is possible to get project-wise information. Available information, drawn mostly from secondary sources, also indicate the sectoral coverage of the BRI and the location of these projects within the country.

By sector, BRI projects in Cambodia range from building simple bridges to developing more complex special economic zones (SEZs) through building roads, highways, ports, airports, railway lines, and power projects, not to mention tourism and culture sharing and cooperation projects and programs.

2.1. Bridges

Within the framework of the BRI, seven major bridges have been built. And, another bridge linking Steng Trang district to Krouch Chmar district is being constructed (Kimkong Heng and Sovinda Po, 2017). One of these bridges has been named — Cambodia-China Friendship Bridge --- crossing the Mekong River. To maximize the benefits of reducing traffic congestion in Phnom Penh, the bridge has been built right adjacent to the existing Cambodia-Japan Friendship bridge.

2.2. Roads and Highways

The flagship road project under the BRI is the 190-kilometer long Phnom Penh-Sihanoukville Expressway that connects the country's capital -- Phnom Penh Sihanoukville Port, Cambodia's only international deep-sea port, which handled more than 90 percent of Cambodia's total container traffic in 2017 (Sok Kha 2019). With a price tag of \$1.9 billion, work on the expressway has already begun and is scheduled to be completed in 2023 (HKTDC, 2019). When completed, the expressway will run alongside the existing, typically highly congested National Road 4, which may still remain in use after the new highway's completion.

Built under a build-operate-transfer (BOT) framework, the cost of the project is almost entirely borne by the China Road and Bridge Corporation, a subsidiary of the state-owned Chinese Communication and Construction Company, who build the expressway and once completed will collect toll from users to recover the cost. The Cambodian government has to bear only the cost of resettlement amounting to about \$200 million (HKTDC, 2019).

2.3. Seaports

China has assisted Cambodia to upgrade the Sihanoukville seaport. With that, it is envisioned that Cambodia's only deep-water seaport will become an integral part of BRI's 'string of pearls' of seaports that extends across the Indian Ocean (covering Sri Lanka, Maldives) and Pakistan's Gwadar seaport, and the islands within the Arabian Sea and into the Persian Gulf (Kimkong Heng and Sovinda Po, 2017). Within the BRI framework, Sihanoukville is known as the first port of call on China's massive infrastructure program (ASEAN Post, 2019).

2.4. Airports

The Cambodian government has signed an agreement with Yunnan Investment Holdings, China's state-run enterprise, to build a new airport 30 km outside of the Siem Reap town at a cost of \$880 million. The Cambodian government has also signed an agreement with Yunnan Investment Holdings, China's state-run enterprise, to build a new airport 30 km outside of the Siem Reap town at a cost of \$880 million (Kimkong Heng and Sovinda Po, 2017). Under the BRI, China is also funding the \$3.8 billion Dara Sakor project in Koh Kong province that borders neighboring Thailand. This

project includes an airport, seaport, and a high-end resort (Realestate.com.kh/news, 2019)

2.5. Railways

Four prominent railway projects are now at the proposal stage. These are (i) the 405-km-long railway stretching from Preah Vihear province through the southern provinces of Kampong Thom, Kampong Chhang, and Kampong Speu to Koh Kong province, (ii) the rail link between Phnom Penh and Preah Sihanouk province, (iii) between Phnom Penh and Poipet and Thailand, (iv) between Phnom Penh and Snoul and Vietnam, and (v) between Phnom Penh and Phnom Penh Autonomous Port (Kimkong Heng and Sovinda Po, 2017).

2.6. Power Plants

The BRI in Cambodia also involves efforts to augment the country's power supply, mainly through Hydropower projects. Some of these projects – involving constructing dams across the Mekong and Tonle Sap Rivers are already in operation. Kemchay Dam, for example, was constructed in 2016 with Chinese assistance, and possesses an electricity capacity of 194 megawatts, covering a vast area of the country such as Kompot and Takeo province.

The biggest hydropower dam, called Lower Sesan II Hydropower Plant, is located in Cambodia's northern Stung Treng province. After a five-year construction program, the – one of the biggest BRI projects in Cambodia – officially came online in the closing weeks of 2018. With a 400MW generating capacity, it is the seventh China-built hydropower dam in the country and serves Phnom Penh, and throughout the northeastern Stung Treng province.

Built along one of the principal tributaries of the Mekong River and standing 56.5 meters high, the project covers an area in excess of 36,000 hectares. A truly massive feat of civil engineering, the completed dam is 6.5 kilometers long, the longest in Asia. Its eight bulb tubular units, each with a 50MW generational capacity and all of which were manufactured in China, are now said to be fully operational. The facility has been built under the (BOT) structure that has come to characterize BRI initiatives throughout the Asia-Pacific region and beyond (HKTDC 2019a). In line with the initial agreement, the developers – led by Huaneng Hydrolancang International Energy – have a 45-year operating concession, although five years of that elapsed during the construction period.

This plant is a joint venture between China's Hydrolancang International Energy, Cambodia's Royal Group and Vietnamese EVN International Joint Stock Company, each of which own 51 percent, 39 percent and 10 percent, respectively. The total project cost has been estimated at US\$781 million, with the dam expected to bring in almost \$30 million a year in revenue at the fixed price of 6.95 cents per kilowatt-hour (HKTDC 2019a).

2.7. Special Economic Zones

The signature China-backed projects in Cambodia in size, coverage, and complexity is perhaps the Sihanoukville Special Economic Zone (SSEZ), although the project started in 2008, even before the launching of the BRI. Over 100 factories, mostly Chinese, producing/assembling garments, bags, leather products, hardware, machinery, wooden products and other light manufacturing export products, are currently in operation within the zone, hiring about 20,000 Cambodian workers (Sok Kha , 2019). The SSEZ comprises mostly Chinese-owned factories, with an almost entirely Cambodian front-line workforce managed by Chinese managers (Franceschini, 2019).

As a special incentive to potential investors, companies in the SSEZ are exempted from the threat of labor activism (Franceschini, 2019). With the second phase of development underway, the zone is expected be able to host up to 300 enterprises employing up to 100,000 Cambodian workers by 2020. This is a significant addition to employment opportunities for Cambodian low-to-middle-skilled labor force, considering that Cambodia's entire garment, textile and footwear sector currently employs around one million workers (Franceschini, 2019). The SSEZ also hosts a government-backed vocational training center, providing training in specific technical skills to workers and students in and around the coastal town of Sihanoukville, free of charge (Sok Kha 2019).

2.8. Industrial Cooperation

A Memorandum of Understanding (MOU) was also signed in 2017 between Cambodia's Council for the Development of Cambodia (CDC) and China's National Development and Reform Commission (NDRC) on "Enhancing Industrial Investment Cooperation" to allow both countries to realize maximum mutual benefits and promote investment cooperation on industrial development between both sides (Kimkong Heng and Sovinda Po, 2017).

2.9. Cultural Cooperation

In addition to these primarily economic development projects under the BRI, projects and programs aimed at social and cultural cooperation between Cambodia and China are also in the pipeline. For example, in his remarks at the 2017 Cambodia-China Trade and Tourism Promotion Forum, Cambodia's Prime Minister, Hun Sen reiterated that Cambodia and China have agreed on establishing a Cambodia-China Cultural Village in Beijing and opening Cambodia's Trade Center in certain provinces of China to promote mutual exchanges of culture, trade, and information for the benefit of Chinese people, traders and investors. The key purpose of these Cultural Villages and Trade Centers is to exhibit samples of Cambodian products, books and other documents related to trade, tourism, culture and investments in Cambodia (Kimkong Heng and Sovinda Po, 2017).

3. Cambodia's Benefits from BRI

There are very few quantitative estimates of the effects of BRI on the countries that participate in the program. At highly aggregate level, one study estimated that Asia in general should gain by the BRI – trade gains to Asia from the improvements in transport infrastructure under the BRI should be about 3% (Garcia-Herrero and J. Xu, 2016). In a more recent study, the same authors, using big data from media sources, estimated that most regions in the world, including Asia, have positive perceptions about BRI – Africa having the most positive perception and South Asia having the most negative perception. Within this regional-level results, the study finds that Botswana has the most positive perception of BRI while Maldives has the most negative perception (Garcia-Herrero and J. Xu, 2019).

3.1. Broader Development Gains

A 2019 report by Moody's Investor Services (that focused on the potential long-term economic gains and near- to medium-term macro-stability risks for 12 emerging and frontier countries in South Asia, Southeast Asia and Central Asia) found that since BRI focuses mainly on investing in large transportation and energy projects that close critical infrastructure gaps, the project helps expand production capacity and contributes to both near-term growth and long-term growth potential in recipient countries. Among the countries the report sees the greatest potential for economic gains in Pakistan, Mongolia, Kazakhstan and Cambodia (Sorn Sarath and Hor Kimsay (2019).

3.2. Deeper Regional and Global Integration

As the BRI operations consist of both land and sea routes that span 65 countries, Cambodia is very likely to improve its regional and international economic integration by acting as a connecting point along the route between China and the rest of world. The upgrading of the Sihanoukville seaport itself should improve Cambodia's maritime connectivity across the world. The port of Sihanoukville is already booming on the back of substantial Chinese investment.

Most BRI projects in Cambodia are aimed at upgrading and rebuilding the country's once destroyed infrastructure. In addition to the direct benefits of these projects, the overall employment and income generation potentials for Cambodia are substantial, considering the extent of indirect employment and income generation from these projects (Sok Kha, 2019). Infrastructure projects are always known to crowd in substantial other employment and income generation activities.

3.3. Improved Transportation

Once completed, new Phnom Penh – Sihanoukville toll road should drastically cut congestion and slash transit times (HKTDC, 2019). Given that the existing National Road 4 is the busiest thoroughfare in the country and that the new highway will be 40km shorter and have four lanes in places, the project's finance is said to be very much based on hardnosed commercial projections. Travel time between the two cities on the existing road is currently between six and eight hours over a distance of just 232 kilometers. The new highway, with its proposed speed limit of 100 kilometers per hour, should reduce that substantially. Enhanced supply and more stable electricity – an area that China has been assisting Cambodia even before the launching of the BRI – should cut business costs to investors.

Highlighting these, Sin Chanthy, President of the Cambodia Freight Forwarders Association, said: *"Even if drivers have to pay [tolls] to take the expressway, considering the state of current small, crowded road they have to take now and the nearly 40km it will save, it's easy to see that not spending so much on petrol will make it cheaper, while transit times will also be slashed."* (Quoted in HKTDC, 2019). In a similar vein, Ratanak Keo, the president of Cambodia's Electricity Authority, stated that due to the increasing number of plants to generate electricity, Cambodia would have more stable supplies of power, contributing to creating more job opportunities and improving people's daily lives (Quoted in HKTDC, 2019).

Going forward, the Ministry of Public Works and Transportation issued the Transport Master Plan, estimating that Cambodia will need USD 9 billion by 2020 to build 850-kilometre expressways and USD 26 billion to build 2230-kilometre expressways by 2040. Proposed transport projects under the BRI should help finance a significant portion of those investment requirements in expressways (Kimkong Heng and Sovinda Po, 2017). In China has [proposed](#) development of these national expressways by 2040, as well as railway infrastructure developments and renovation projects, connecting its provinces with each other and with neighboring countries (Qi Lin, 2018).

3.4. Better Logistics

With the merchandise trade becoming the key driver of growth and development of the highly open Cambodia's economy, the logistics sector has become even more critical for the country. At present, Cambodia faces inadequate infrastructure capacity and significantly lower performance in logistics than others in the region, resulting in higher costs that subsequently affect the country's international economic competitiveness.

The Phnom-Sihanoukville expressway project has substantial potential at improving the country's logistical efficiency and reducing trade costs (Sok Kha, 2019).

3.5. More and Stable Electricity

In total, the seven now-completed China-backed dams have a generating capacity of 1,328MWs in Cambodia. This represents half the country's overall electricity production, with Lower Sesan II alone accounting for about 20% of Cambodia's total installed capacity.

4. Risks to Cambodia from BRI

Like most bilateral aid and investment programs, The BRI comes to Cambodia as a package-deal – a mix of good and the not-so-good. Thus, it is not surprising that while the BRI has great benefits – realized as well as potential – for Cambodia, it also poses certain risks for one of the relatively small Southeast Asian country. Recent experience from BRI projects in Cambodia and other similar countries point to six sets of risks that Cambodia faces from its active participation in BRI: (i) falling into an external debt trap; (ii) lack of transparency about BRI projects and the financial covenants; (iii) lack of integration of local/domestic human resources. (iv) inadequate social and humanitarian safe-guards for BRI projects and programs; (v) insufficient enforcement of environmental norms and standards of BRI projects and programs, and (vi) geopolitical fall-outs from overreliance/overdependence on a single country – China.

4.1. Debt Trap

Recent experience from Pakistan and Sri Lanka highlights the debt-trap risks from BRI projects for recipient countries. It is estimated that countries tow ASEAN countries - Cambodia and Laos - each with an external debt owed to China accounting for about 30.0% of their respective gross domestic products, are among the top 50 countries in the world.... (Horn et.al, 2019). That said, at present the risk of Cambodia falling into a debt trap – or experiencing debt service and repayment difficulties due to its participation in BRI -- appears to be somewhat low. For one thing, Cambodia, perhaps unlike Pakistan or Sri Lanka in South Asia, has till now shown prudence and discipline in its macroeconomic policies. The widespread use of U.S dollar in the economy and a monetary policy anchored on maintaining a stable nominal exchange rate of the local currency, riel, against the U.S dollar has also enabled the country to avoid mismanagement of fiscal and monetary policies. Concomitantly, even as the economy continued to post impressive economic growth over the last two and a half decades, it has also been able to maintain one of the lowest average inflation rates. Somewhat reflecting these, IMF's recent external debt sustainability analysis indicate that Cambodia's risk of debt-distress is low, although it has been cautioned about the dangers of implicit and explicit government guarantees for power sector BOT operations (IMF, 2018)

In more recent BRI projects, Cambodia has also been negotiated more effectively and avoided significant financial commitments on the Cambodian side. For example, under the BOT arrangement for the Phnom Penh- Sihanoukville expressway project, the Chinese counterparty will be responsible for nearly all the financing for the project and will then receive income from tolls charged for the period that it operates the route. The only financing that the Cambodian government will need to contribute is the \$150-200 million compensation paid to those affected by construction, a cost that will be shared between the Cambodian and Chinese governments (HKTDC, 2019).

4.2. Opaque Loan Covenants

China does not report its official lending fully to the IMF or the BRI. Many have, therefore, pointed out that the China's loan model, often characterized by opaque loan covenants, contractual arrangements, exorbitant interest rates, predatory loan practices, and corrupt deals, making it difficult to properly evaluate implicit and explicit financial obligations by the recipient countries.

That leaves smaller BRI project recipient countries in danger of financial obligations that could suddenly erupt into a financial crisis for them. There are thus unfavorable views among the locals toward Chinese investments in terms of quality and transparency, especially compared to investment projects funded by other donors and development partners (Sok Kha, 2019).

A recent study which developed a new dataset covering a total of 1,974 Chinese loans and 2,947 Chinese grants to 152 countries from 1949 to 2017 finds that about one half of China's overseas. Loans to the developing world are "hidden" (Horn et.al, 2019). The same study finds that China tailors its capital outflows according to the income levels of the recipient countries. While advanced and higher income countries receive portfolio debt flows from China through sovereign bond purchases by the People's Bank of China, lower income countries like Cambodia receive mostly direct loans from China's state-owned banks, often at market interest rates and backed by collateral such as oil or natural resources.

4.3. Insufficient domestic integration

A third risk from Cambodia's participation in BRI is that of insufficient integration of domestic labor and human resources both during the BRI project implementation and post-completion stage. The Chinese financial influx is also often 'closed looped', with few meaningful opportunities for local players (ASEAN Post, 2019). Chinese companies often do business with other Chinese companies, which then bring in Chinese workers. Chinese tourists, often travelling in groups handled by Chinese tourist agencies, want to stay at Chinese-run hotels and eat at Chinese restaurants, and local businesses and people are often forced out of any potential economic gain.

Such "Chinafication" or "Sinicisation" of Sihanoukville has also stirred local resentment as more landless Cambodians are pushed out of Sihanoukville development deals while Chinese workers are brought in to cater to the growing demand (ASEAN Post, 2019; Franceschini, 2019).

4.4. Inadequate Social Safeguards

Some non-government organizations (NGOs) and Civil Society Groups (CSGs) have frequently raised concerns about resettlement, compensation, and other humanitarian issues regarding the BRI projects in Cambodia (Sok Kha, 2019). This continues to be a risk for social-instability both in Sihanoukville and elsewhere in the country. For example, the dam construction in Cambodia with by the China's assistance has been said to be often accompanied by forced eviction of local communities (ASEAN Post, 2019). The South China Morning Post also reported that nearly 5000 people were liable to be evicted from their local villages when the dam's reservoir fills, and almost 14000 living along the banks of the Sesan and Srepok stand to lose most of the fish they rely on for food (Jing, 2015).

Many BRI projects in Cambodia have also met with criticisms over major land concessions, the disregard of human rights, and the extent of control over Cambodian development given to Chinese contractors (Qin Lin, 2018). What until a couple of years ago was a sleepy town, Sihanoukville is now a bustling city full of construction sites, casinos, massage parlors, hotels, and restaurants; and up to 20% of the city's population is now estimated to be Chinese (Franceschini, 2019). Meanwhile, similar concerns related to Chinese investment and tourism are growing in other parts of Cambodia, in particular in the tourist towns of Siem Reap and Kampot (Franceschini, 2019).

Along with the steady influx of Chinese workers and visitors to Cambodia, especially to Sihanoukville, it is believed that there has been a sudden rise in criminal activities. More than two-thirds of those arrested in Cambodia in the first six months of 2018 were Chinese citizens, far outnumbering other nationals (ASEAN Post, 2019).

4.5. Environmental Concerns

In a similar vein, another concern is insufficient attention to environmental impacts and sustainability in some of the China-assisted projects, especially the hydropower projects. Radio Free Asia reported that the first major hydropower Kamchay Dam built by China's Sinohydro Corporation had flooded 2000 hectares of Bokor National Park in southern Cambodia's Kampot province, home to several endangered species and an important resource for local communities (ASEAN Post 2019).

4.6. Geopolitical Risk

A final, and perhaps the most-spoken-about risk of BRI in Cambodia relates to the entire gamut of complex issues arising from the country's overdependence on China. Some argue that this poses significant constraints on a globally balanced foreign policy options for the country. Cambodia has seen this dependency increase over the last year as the government's relationships with the United States and Europe have become strained due to the conflicting perceptions of political development in the country after the 2018 election.

Some view China as an opportunist acting to exploit this situation rather than a benevolent development partner for Cambodia (Sok Kha, 2019). Other fear that Cambodia's enthusiastic participation in the BRI is likely to lock this small Southeast Asian country securely under China's growing geopolitically strategic [sphere of influence](#). Cambodian foreign policy has thus been criticized in recent years for prioritizing short-term benefits in a way that privileges Chinese political and diplomatic interests at the expense of ASEAN counterparts and other regional powers (Qin Lin, 2018).

On the South China Sea issue, Cambodia has repeatedly blocked ASEAN from taking statements that criticize China's expansive territorial claims, even though they conflict with those of several other ASEAN members. A week after Cambodia supported

China's commitment to resolve maritime claims bilaterally, China gave Cambodia an aid package worth approximately \$600 million. These compromises have sparked concerns that China's growing political and economic leverage over Cambodia will bring a future of Cambodian foreign policy as no more than an extension of Chinese regional influence (Quin Lin, 2018).

That said, it is worth mentioning that after having a somewhat adversarial stance against China at the 2012 ASEAN Ministers Meeting in Phnom, the Philippines itself has embraced China and BRI in more recent years. Therefore, in retrospect, it appears unfair to look at Cambodia alone as the deal-breaker within the ASEAN, just based on its accommodative stance vis-a-vis China.

5. Policy Challenges and Strategic Options for Cambodia

Maximizing the benefits and minimizing risks from the BRI program in Cambodia is the greatest policy challenge for the country. As development experience across the world amply demonstrates, striking such a trade-off between benefits and risks from development aid and foreign investment is an extremely difficult balancing act. It is not a simple technocrat/ policy makers or the country's diplomats' job, nor can it be left entirely to the politicians, or to NGOs or CSGs, for that matter.

5.1. A More Participatory Approach

While the political leadership of the country will have to take the lead in such an effort at striking a balance, there is huge merit in the political leadership coopts the technocrats, diplomats, NGOs and CSGs and the society more generally on decision-making and implementation of such development agenda. Such a politically-led and at the same time people-oriented approach is critically needed in Cambodia in the years to come on its on-going and future BRI program and projects. On its part, China too needs to be mindful in giving the needed elbow room for Cambodia and quell the perceptions/concerns that it is arm-twisting small countries such as Cambodia in its BRI.

Encouragingly, there are many signs from both sides of this development equation – Cambodia and China – are working towards such a people-centered approach to BRI operations in Cambodia, slowly but steadily.

In recent years, recognizing the need to move towards a people-oriented approach to BRI operations in the country, the Cambodian government has promulgated new laws and regulations on social and environmental safeguard policies and development partners' procedures when carrying out infrastructure investment projects (Sok Kha, 2019).

For example, the government finalized the Standard Operating Procedures (SOP) for externally financed projects in Cambodia in February 2018 to increase awareness, serve as a reference and guideline for the planning and implementation of land acquisition and resettlement (LAR) activities, and ensure that all safeguard matters

relating to LAR are addressed in a consistent, transparent, and fair manner. In a similar vein, faced with repeated complaints of money laundering, illegal gambling, and human trafficking associated with the flood of Chinese money and workers, the Cambodian government has launched a task force in February 2018 to address such problems (Franceschini, 2019). Beginning 2018, to redress the complaints of reckless driving by foreigners (at times without a valid driving license, The Cambodian Ministry of Transportation, tightened the requirements for obtaining a Cambodian driving license.

China, for its part, has established the Guidelines on Environmental Protection and Cooperation for Chinese overseas investments. It sets out basic principles for Chinese enterprises to adhere to regarding the integration of environmental protection into their corporate governance strategies and requirements to address the concerns of host countries' governments and communities. Cambodian NGOs and experts have reported that they were consulted regarding the development of this guideline. It is a good sign and one that represents the Chinese government's commitment to social and environmental safeguards (Sok Kha, 2019).

Going forward, effective implementation of SOP is as critical as its formulation (Sok Kha, 2019). This would require, among other things, strengthening Cambodia's overall capacity for project and program formulation, negotiation, and implementation. "In the future, Cambodia will benefit more from improving individual and institutional capacity to ensure fair deals and the sound implementation of projects financed by China, as well as other sources" (Chan Sophal, Executive Director of Cambodia's Institute for Policy Studies, quoted in ASEAN Post, 2019).

5.2. More Accommodative Approach by Other Development Partners

While Cambodia and China will have to work more towards enhancing transparency and peoples' participation in BRI operations in the country, it is equally crucial that other development partners of Cambodia – both bilateral and multilateral – need to be much more considerate and accommodating for a country like Cambodia that is one of the fastest growing and modernizing but still a relatively poor developing country in Southeast Asia.

Instead of quibbling over every aspect of development policies, decision-making and domestic political issues in the country in the name of promoting democracy, governance, environmental and social safeguards, and voice and accountability etc., other development partners of Cambodia should give more breathing space and enough political leeway for the country to foster sustained high economic growth that is so critical for inclusive development for developing country such as Cambodia.

Often, in the name of governance, transparency, and participatory process, other development partners including NGOs and CSGs, tend to block too many development projects mostly to serve their own 'agenda'. Far too many times, these development partners try to implant their own home-grown models of governance and democratization without sufficiently incorporating Cambodia's economic, cultural, social, and political traditions and practices (CDRI, 2013).

It is time to rethink global governance norms as a whole, as Asia now occupies an increasingly important place in the world economy and the global order (Madhur, 2012). The current norms and the rules of the game were set in the immediate postwar years – when Asia was a minor player in the world economy and given that context, Asia played a minor role in global affairs. Asia should incorporate what is applicable from the western model of governance that is in vogue now, without necessarily replicating them and develop its own home-grown norms for global governance resetting the and international order. Just as it is inappropriate to replicate U.S model for Europe and vice versa, it is inappropriate for Asia to simply transplant the western norms of governance, without regard for the huge cultural and political differences across these major regions within the world.

5.3. If Not China, Who Else?

As Sim Vireak, First Secretary at the Cambodian embassy in Japan asked a couple of years ago: “If China does not invest in hydropower in Cambodia, who will?” (Quoted in Kimkong Heng and Sovinda Po, 2017).

Cambodian government faced a stand-off with the World Bank several years ago on certain disagreement on resettlement issues relating to a development project, and it took years for the World Bank to resume its stalled lending program for the country recently.

In the meantime, the Western countries, especially the U.S, grown more and more inwards and isolationist – abandoning its ‘American exceptionalism’ and openness to the rest of the world. Europe has been more and more mired in its own regional integration (or perhaps more appropriately regional disintegration) problems to continue to be a major aid-provider or foreign investor in a small country like Cambodia.

Against this background, it is but pragmatic for Cambodia to look up to Asian development partners – both bilateral and multilaterals – and China’s aid and foreign investment, especially through the BRI provided the country a good opportunity to source development funding. Given that the country, despite its impressive annual average economic growth rate of around 7.5%, still faces major infrastructure gaps.

As Cambodia’s Prime Minister, Hun Sen reiterated, at this stage of its development process, Cambodia needs “...more bridges on the Mekong River, we also need many more roads, trains, sky train” (quoted in QI Lin , 2018). And BRI fits that pragmatic domestic development agenda for the country.

6. Summary and Conclusions

- (i) In recent years, an interlocking relationship has emerged between China and Cambodia. The launching of the China-led Belt and Road Initiative (BRI) in 2013 has further reinforced the interlocking relationship between the two countries
- (ii) By sector, BRI projects in Cambodia range from building simple bridges to developing more complex special economic zones (SEZs) through building roads, highways, ports, airports, railway lines, and power projects, not to mention tourism and culture sharing and cooperation projects and programs.
- (iii) Most BRI projects in Cambodia are aimed at upgrading and rebuilding the country's once destroyed infrastructure. In addition to the direct benefits of these projects, the overall employment and income generation potentials for Cambodia are substantial, considering the extent of indirect employment and income generation from these projects.
- (iv) Like most bilateral aid and investment programs, The BRI comes to Cambodia as a package-deal – a mix of good and the not-so-good. Thus, it is not surprising that while the BRI has great benefits – realized as well as potential – for Cambodia, it also poses certain risks for one of the relatively small Southeast Asian country.
- (v) Six sets of risks that Cambodia faces from its active participation in BRI: (i) falling into an external debt trap; (ii) lack of transparency about BRI projects and the financial covenants; (iii) lack of integration of local/domestic human resources. (iv) inadequate social and humanitarian safeguards for BRI projects and programs; (v) insufficient enforcement of environmental norms and standards of BRI projects and programs, and (vi) geopolitical fall-outs from overreliance/overdependence on a single country – China.
- (vi) Maximizing the benefits and minimizing risks from the BRI program in Cambodia is the greatest policy challenge for the country. As development experience across the world amply demonstrates, striking such a trade-off of benefits and risks from development aid and of foreign investment is an extremely difficult balancing act.
- (vii) Encouragingly, there are many signs from both sides of this development equation – Cambodia and China – are working

- towards such a people-centered approach to BRI operations in Cambodia, slowly but steadily.
- (viii) Going forward, effective implementation of SOP is as critical as its formulation (Sok Kha, 2019). This would require, among other things, strengthening Cambodia's overall capacity for project and program formulation, negotiation, and implementation.
 - (ix) While Cambodia and China will have to work more towards enhancing transparency and peoples' participation in BRI operations in the country, it is equally crucial that other development partners of Cambodia – both bilateral and multilateral – need to be much more considerate and accommodating for a country like Cambodia that is one of the fastest growing and modernizing but still a relatively poor developing country in Southeast Asia.
 - (x) Instead of quibbling over every aspect of development policies and decision-making in the country in the name of promoting democracy, governance, environmental and social safeguards, and voice and accountability and what not, other development partners of Cambodia should give more breathing space for the country to foster sustained high economic growth that is so critical for inclusive development for developing country such as Cambodia.

References

ASEAN Post (2019) "How China changed Sihanoukville", The ASEAN Post Team, 13 April.

Franceschini, Flvan (2019) in (ed.) Jane Golley, Linda Jaivin, Paul J. Farrelly and Sharon Strange, China Story Yearbook 2018: Power, Australian National University Press, Canberra, Australia.

Garcia Herrero, Alicia and Jianwei Xu (2016) "China's Belt and Road Initiative: Can Europe Expect Trade Gains?", Bruegel Working Paper 5.

Garcia Herrero, Alicia and Jianwei Xu (2019) "Countries' Perceptions of China's Belt and Road Initiative: A Big Data Analysis, Bruegel Working Paper 1, 6 February.

Jing, X. (2015) "China-built dam in Cambodia set to destroy livelihoods of 45,000", South China Morning Post, 18 September. Retrieved from <http://www.scmp.com/magazines/postmagazine/article/1858974/china-built-dam-Cambodia-set-destroylivelihoods->

45000

HKTDC (2019 a) BRI-backed Power Plant to Reduce Cambodia's Energy Shortfall, 1 February.

HKTDC (2019 b) "BRI-Backed Cambodian Road Link Set to Boost Local Logistics Sector" 28 May.

Horn, Sabastian, Carmen Reinhart and Christoph Trebesch (2019) "China's Overseas Lending, Kiel Institute for the World Economy Working Paper 2132, June.

Kimkong Heng and Sovinda Po (2017), "Cambodia and China's Belt and Road Initiative: Opportunities, Challenges and Future Directions", University of Cambodia Occasional Paper Series, Volume 1, Issue 2, September, pp.1-18.

Madhur, Srinivasa (2012) "Asia's Role in Twenty-first Century Global Economic Governance", International Affairs, Blackwell Publishing Ltd., 88:4, pp.817-833.

McCormack-George, Dáire (2019) "Trade is War, and War is Peace: Reflections on International Economic Law in Challenging Times", paper was presented at the 8th PEPA/SIEL Conference, King's College London, 30-31 May.

Qi Lin (2018) "Money Talks: China's Belt and Road Initiative in Cambodia", Global Risk Insight, Asia-Pacific News, 7 January.

Realestate.com.kh/news. (2019) "Kingdom-success-story-of-BRI", <https://www.realestate.com.kh/news/>, 13 May.

Sok Kha (2019) "The Belt and Road in Cambodia: Successes and Challenges", The Diplomat, 30 April.

Sorn Sarath and Hor Kimsay (2019) "BRI to Greatly Benefit Cambodia", The Phnom Penh Post, 6 May.

Wright, George (2018) "Anti-Chinese Sentiment on the Rise in Cambodia", The Diplomat, 15 November.