



HAL
open science

The Economic and Political Implications of China's Foreign Aid in Cambodia

Anaïg Williamson

► **To cite this version:**

Anaïg Williamson. The Economic and Political Implications of China's Foreign Aid in Cambodia. *Moussons: recherches en sciences humaines sur l'Asie du Sud-Est*, 2023, Aide et investissements chinois en Asie du Sud-Est (2000-2022), 41, pp.133-150. 10.4000/moussons.10476 . hal-04145578

HAL Id: hal-04145578

<https://hal.science/hal-04145578v1>

Submitted on 11 Jul 2023

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

Copyright

The Economic and Political Implications of China's Foreign Aid in Cambodia

Anaïg Williamson*
Independent researcher

Since military action against Taiwan was impossible from 1949 because of the United States' protection, foreign aid became a cornerstone of the People's Republic of China (PRC)'s plan to reduce Taipei's formal diplomatic ties with developing countries and acquire a global political recognition. So, the Chinese Communist Party (CCP), ever since it was led by Mao Zedong, considers economic assistance to play a crucial role in China's foreign relations strategy. The ascendancy of China over Cambodia—one as an aid donor and the other as a recipient country—has characterized and nurtured the historic relationship between the two countries (Copper 2016) and has shaped the evolution to current Cambodian political and economic context.

The RPC's economic assistance to Cambodia sprung from the friendship developed between Norodom Sihanouk and Zhou Enlai at the 1955 Bandung Conference. By 1956, the first financial aid agreements were made, and by 1958, Cambodia officially recognized the People's Republic of China (Li Yunyi 2018). Beyond friendship, the granting of aid is also a pillar of the CCP's foreign relations

* Member of the IRN Asean China Norms (CNRS), Anaïg Williamson is a graduate of the Master in Euro-Asian Economic Relations of the University of Rennes 2, where she defended in June 2021 her Master's thesis on "The economic and political stakes of the Kingdom of Cambodia's relations with the People's Republic of China". She now works for the private sector.

strategy. Although Cambodia's incumbent prime minister, Hun Sen, arrived in power with Vietnamese military help (1979), China saw an ally in him by the mid-1990s. In 1996, when Hun Sen served as second prime minister, China invited him to Beijing.¹ There, the CCP and Hun Sen signed pacts on trade, investment, as well as an accord for exchanges between the CCP and Hun Sen's Cambodian People's Party. This cooperation was intended to counter the strengthening of relations with Taipei by royalist party FUNCINPEC at the helm of the Royal Government of Cambodia (Richer 2009) and to prevent Cambodia's potential rapprochement with South Korea (Lizee 1997). It also constituted a tacit endorsement by China of Hun Sen's ambition to regain power in Cambodia. The following year, in 1997, Hun Sen ousted the first prime minister, Norodom Ranariddh of FUNCINPEC, in a *de facto* coup. The United States and other Western donors suspended their aid. In response, China increased its financial support. Despite their large financial contributions, Hun Sen closed Taiwan's trade offices in Cambodia. Shortly afterwards, China sent nearly 200 military vehicles to Cambodia, making it easier for the country to withstand the Western military aid freeze (Strangio 2014).

Since their first agreements, bilateral relationships have only grown stronger. Between 2000 and 2016, Cambodia was the second largest recipient of Chinese official finance with diplomatic intent in Southeast Asia, receiving USD 9.1 billion (Custer et al. 2018). In 2006, the two countries signed a comprehensive partnership of cooperation treaty, which was upgraded to a comprehensive strategic partnership in 2010. Now, China is Cambodia's largest investor, trading partner and donor, with USD \$588 million pledged in aid between 2018 and 2021.

The growing economic influence of China has progressively shaped Cambodian political, economic, and judicial norms, to facilitate and encourage this bilateral relationship, which has proven profitable for both parties in power. After this brief review of the particular role played by Chinese aid in Cambodia's politics and international relations in recent history, this article will investigate the role of China's foreign aid in the evolution of political regime and economic development in Cambodia since 1997 and show how seizing the opportunity given by Beijing has enabled Prime Minister Hun Sen to strengthen his grip on the economy, and on power.

AID AS A TOOL TO SECURE THE DIFFERENT TYPES OF INVESTMENTS FROM CHINA

Foreign aid from China to Cambodia has played a crucial role to secure the Chinese investments and economic presence in Cambodia and has had a significant influence on Cambodia's domestic economic and political norms, as well as the country's stance on the international scene. In the economic theory, a weak rule of law and high political risk tend to deter FDIs, so Cambodia's high level of corruption and shortcomings in term of governance certainly qualify the country as a risky investment environment (O'Neil 2014). Yet, although China's

global outward FDI flows have been decreasing since 2016, Chinese FDI flows to Cambodia have on the contrary been steadily increasing since 2015 as if foreign aid had supported and secured these investments, which are focused on three areas: resource extraction, logistics and special economic zones.

Resource Extraction

China has managed to secure the resources that it needs to develop its infrastructure projects throughout the country. Chinese companies occupy more than 24% of Cambodian economic land concessions (ELC) which refer to a government mechanism, created in the '90s, through which land is granted under a specific contract to a concession holder for agricultural and industrial-agricultural use.² ELCs allow the Cambodian government to allocate significant areas of farmland to foreign companies for large-scale agricultural or business projects. Nearly one million hectares of Cambodian agricultural land is being leased by foreign entities, many of them being Chinese.³ These lands are used to produce resources or for significant projects linked to tourism.

Among the commodities most exploited by China: rubber, wood, sugar, paper pulp and cement. These investments enable China, not only to answer domestic demand, but also to ensure they have the needed resources to complete the various ongoing industrial projects in Cambodia. For example, China's investments in the cement industry (Cambodia Cement Chakrey Ting Factory Co; Chip Mong Insee Cement; Battambang Conch Cement Factory)⁴ are intended to fully meet the cement needs of Chinese companies operating in Cambodia.

Chinese companies also develop most of the country's energy projects. In the 1990s, the country's energy production was mainly based on fuel oil and diesel generators, and in March 2011, still 90% of the energy depended on these sources. Today, hydroelectricity and coal have become the country's primary energy sources (hydropower accounted for 44% of the country's consumption in 2021, and coal 41%). This rapid transition to new sources of energy has been driven by investments from China. Since 2010, China started financing and developing coal-fired power plants, hydroelectric dams and—to a lesser extent—solar power facilities, and they have also financed thousands of kilometers of high-voltage power lines. In 2018, Cambodian minister of Mines and Energy Suy Sem said that 73% of the total energy generated domestically were the result of Chinese-invested projects such as hydropower plants and coal-fire powerplants.

For China, these investments are a way to secure the necessary energy supply for its own development projects, especially those related to the Belt and Road Initiative.

Logistics

Over the past decade, China has become one of the major investors in Cambodia's transport infrastructure, particularly roads and bridges. By the end of 2020,

Sun Chanthol, Transport Minister, declared that Chinese companies had built more than 3,000 kilometres of road, eight major bridges and a new container terminal in the autonomous port of Phnom Penh with more than USD \$3 billion in concessional loans from the Chinese government. All of which were financed by China Eximbank and executed by Chinese state-owned enterprises. Furthermore, in November 2022, the USD \$2 billion expressway from Phnom Penh to Sihanoukville was opened, and that same month was announced the project of a USD \$1.6 billion expressway from the capital to Bavet.

These investments are strategic to create better and more efficient logistics networks, that enable Chinese companies to secure the transportation of the needed resources. They are also key to develop other projects in the tourist industry as well as potential military projects.⁵

Special Economic Zones

Special economic zones (SEZs) are perhaps the prime example of China's major investments in Cambodia. Like many other countries, Cambodia has transferred the concept of SEZ created in China in the '80s to its own territory in 2005. They are designed to attract foreign investment, improve competitiveness, and promote economic development. With a Qualified Investment Project (QIP) license, SEZ operators enjoy tax exemptions on production materials and equipment, depending on whether they are in an export or domestic industry. The concession can be renewed for up to 50 additional years for foreign investors, allowing them to develop over the long term, or to subdivide and sublet the property. They were introduced in 2005 in Cambodia and are largely inspired by the Chinese model. As of today, of the 46 listed SEZs, about 15 are operational, with at least 10 being developed by Chinese investors. Just the SEZs in Sihanouk and Koh Kong represent an investment capital of USD \$1.5 billion and a large majority are either developed by Chinese investors or are linked to Chinese investments in some way (loans or companies).

One of the best known special economic zones is the Sihanoukville Special Economic Zone (SSEZ), it has been at the heart of debates and research due to the drastic changes visible in the region over the past few years. It is a joint venture between two companies: Jiangsu Taihu Cambodia International Economic Cooperation Zone Investment Co. and Cambodia International Investment Development Group Co., Ltd. (CIIDG). In 2020, it was estimated that 80-90% of companies in Sihanoukville were detained by Chinese individuals (Alffram 2022).

The SSEZ is a strategic economical and geopolitical project for China. The Autonomous Port of Sihanoukville is the country's only deep-water port and the main hub for incoming and outgoing deep-sea cargo (it handles more than 70% of the country's total freight). It is in the Gulf of Thailand and therefore not far from the Strait of Malacca, a key geographical spot. China is concerned about the control the United States could exert over this strait, so a foothold in Sihanoukville

could play a major role if China succeeds in building a canal through Thailand (at the Kra Isthmus), offering a faster alternative passage.

Protection through Foreign Aid

The growing number of Chinese-led projects contradicts the general trends that we usually see in countries with a high-risk business environment, such as Cambodia. Political risk and corruption tend to deter such investments (O'Neil 2014). But investments from China are strategic, and not the result of a free market led by demand. As seen above, Chinese investments are characterised by their wide variety and strong complementarity, creating a network of Chinese entities working autonomously that Beijing wishes to protect. And that is where foreign aid comes into play: acting as an incentive for the Cambodian government to protect and favour Chinese investments.

Most companies operating in Cambodia were approved and promoted by the Chinese Communist Party. Therefore, the way the Cambodian government deals with these companies is directly linked to its relationship with Beijing. In other words, investments coming from China are protected by their very origin: they embody the country that grants them. And throughout the historical relationship the CCP has had with Hun Sen, foreign aid has been an unhidden leitmotiv.

As early as 1999, during an official visit to China, Hun Sen obtained USD \$18.3 million in aid and an interest-free loan of USD \$200 million to finance infrastructure projects (Mengin 2007). More recently, in 2021, Hun Sen underlined the strength of Chinese-Khmer relations by announcing that Beijing was pledging USD \$272 million in aid, during a visit by Chinese Foreign Minister Wang Yi for the inauguration of the new national stadium, funded by the Chinese government. And among the many loans that have been granted by the Chinese government since the beginning of economic relations between the two countries, some have been "forgiven" thus becoming aid (in 2010, for example, China forgave a USD \$4 million loan [O'Neil 2014]).

All this financial support acts as an "insurance" for investments or deals made within Cambodia. It is used to secure preferential access and control over key projects in the energy, logistics, industrial or military sectors. And because the Cambodian government needs this aid, they make sure it continues flowing in.

To understand why Cambodia indulges in this dependency on China's foreign aid, it is important to know that Hun Sen has managed to organize Cambodia's economical system in a way that gives him considerable freedom in the use of the country's budget. Most public resources, among which foreign aid, are centralized at the prime minister's level. Therefore, by pledging aid to Cambodia, China secures Hun Sen and the Cambodian People's Party (CPP)'s approval and favour. And, to make sure foreign aid in all its forms keeps on flowing in, the Cambodian government does not hesitate to endorse projects led by the Chinese Communist Party (CCP).

Since Hun Sen's rise to power, China and Cambodia have grown closer than ever. And the Chinese economic diplomacy—using foreign aid to secure massive investments and key projects—has set a new standard in negotiations. China has positioned itself as a vital ally for the CPP, one no other country could rival with, and it has shifted Cambodia's economy and geopolitical stance.

FOREIGN AID: A LEVER TO SECURE CAMBODIA'S STRATEGIC SUPPORT TO CHINA

The escalating contentions between China and other countries—Western as well as neighbouring—have influenced and shaped Cambodia's foreign policy in the last 10 years or so. Cambodia has regularly sided with China on various matters, as their relationship deepened, and China has used foreign aid to sway Cambodia's decisions.

In many ways, the support shown to China on the international scene by Hun Sen is largely due to his ambition to strengthen his grip on power domestically thanks to China's foreign aid and investments. However, it should be noted that Cambodia's diplomacy is not entirely modelled on China's. Hun Sen also works on deepening the country's relationship with countries China is not close to such as Vietnam, Thailand and the United States; but, when China requests support, Hun Sen gladly offers it and enjoys the financial and material benefits that often come with it as a reward.

China's Influence on Cambodian Foreign Policy

Before the 1997 *de facto* coup, the Kingdom of Cambodia navigated the complex and fast-changing geopolitical landscape while maintaining a form of neutrality and balance. In fact, it was particularly the FUNCINPEC's tendency to look for support from other powers such as the United States and Taiwan that led Beijing to endorse the CPP.

After thwarting the democratic impulse Western powers had tried to instil, Hun Sen's regime paid the price. Major donors froze the financial aid Cambodia deeply depended on, and organizations like the World Bank, International Monetary Fund and Asian Development Bank put an end to their programs in the country. In addition to that, Cambodia was isolated from the international community: it was not allowed to assume its seat in the United Nations (UN) until December 1998, and its admittance in the Association of Southeast Asian Nations (ASEAN) was delayed until 1999. China was the only country to increase its foreign aid, recognize the new regime and give it legitimacy.

For Hun Sen, China was the only power able and willing to help his regime survive the sanctions and protect it from its remaining opponents: the Khmer Rouge-FUNCINPEC alliance and its fast-developing neighbouring countries. Since then, bilateral relations have flourished, and China keeps on using its foreign aid

and its ability to protect Cambodia from external pressure as an incentive to get their support in regional and global matters.

According to Sedara Kim of the Cambodia Development Resource Institute, China's foreign aid and investments are all the more attractive because they come without "political conditions" (O'Neil 2014). We can rather argue that the actual political conditions are simply different from the traditional conditions attached to Western foreign aid. The constraints are not linked to standard of governance or monitored use of the money but are rather the base of an implied contract where foreign aid is given in exchange for political support and economic preference.

Cambodia's stance on the international scene has indeed changed to side with China on matters that are key to Beijing. And in return, Hun Sen is rewarded with additional foreign aid or fundings for his projects. For example, in 2016, on the key matter of the South China sea, Cambodia blocked a joint statement during the ASEAN's foreign minister summit condemning China's position in its dispute with the Philippine. Just a few days earlier, China had pledged USD \$600 million in aid, and later in October that same year, Beijing promised a USD \$90 million debt forgiveness package, loaned Hun Sen's government another USD \$60 million, provided an incremental USD \$237 million in direct aid, and announced it would build a USD \$16 million National Assembly Hall in Phnom Penh.

Phnom Penh's support on key matters such as the South China Sea is not expected to change during its time as ASEAN chair in 2022. In fact, as soon as he became chairman, Hun Sen has also sided with China on the delicate matter of the relationship with the Myanmar junta. Months after the ASEAN disinvited the junta leaders from the regional meetings, Hun Sen was the first head of state to visit—and therefore legitimize—the junta in January 2022 (Javad Heydarian 2022). This decision was in line with Beijing's, who had soon supported the Myanmar junta in its eagerness not to lose its investments in the country, and to quickly restore the peace necessary to continue developing its economic projects there.

Cambodia's rapprochement with China has also led Hun Sen, the United States and European Union to tread lightly diplomatically: following the democratic free-fall, the European Commission decided to partially withdraw Cambodia's duty-free quota-free access to the European Union market ("Everything but arms") in August 2020. And the United States have imposed an arms embargo and restrictions on imports to protest against China's military influence in Cambodia. However, Hun Sen has decided not to bend to the sanctions imposed by western countries in response to his relations with China. Although he still aims at improving relations with both the United States, the European Union and neighbouring countries like Thailand and Vietnam, China's foreign aid has given him the opportunity to overlook the United States and the European Union's sanctions. And Western countries have chosen the same path: to neither entirely turn their back on Phnom Penh, nor fully embrace Hun Sen's regime. Meanwhile, loyal to his first ally, Hun Sen has further strengthened his political and economic reliance on China. This was particularly clear when, on September 9, 2021, he ratified the bilateral free

trade agreement with China (FTA), which came into effect on January 1st 2022. Also, in June 2022, the renovation of Ream Naval Base, funded by China, started.

China's Influence on Cambodian Military

China has also largely invested in Cambodia's military facilities, material, and educational centres. It has provided financial and material aid to increase its influence in the country and reduce that of the United States.

In 1996, General Zang Wan, Chief of Staff of the Chinese Army, visited Cambodia and granted one million dollars in military aid to train and equip the Cambodian army (Lizée 1997). Although no certainties can be made regarding the influence China has had on the coup perpetrated by Hun Sen in 1997, it should be noted that the crisis that has led to his seizing of power pitted the military supporting the CPP against the troops supporting the FUNCINPEC.

After Hun Sen's victory, Beijing delivered 116 military cargo trucks and 70 jeeps valued at USD \$2.8 million, ensuring it was part of a deal predating the events. Defence Co-Ministers Tea Banh and Prince Sisovath Sireirath and their Chinese counterpart, General Chi Hao Tian, had also reached an agreement to provide Cambodia with an additional USD \$1.5 million in military modernization assistance (Cheunboran 2018). In return, Phnom Penh agreed to cut all political relations with Taiwan. In 1997, Hun Sen closed the Taipei representative office, and in 1999, he pledged not to establish any political relations with them (Richer 2009). He then reiterated this position by supporting the anti-secession law adopted by China in 2005, which provided for the use of "non-peaceful means" in the event of a declaration of independence by Taiwan (Chheang & Pheakdey 2019).

Today, China is the largest provider of military aid to Cambodia, providing tanks, armoured vehicles and currently building an air defence force training centre in southern Cambodia. In 2018, Chinese Defence Minister Wei Fenghe, visited Phnom Penh and pledged more than USD \$100 million in military aid, with no specific usage constraints.

What's more, as early as 1999, China has contributed to the construction of the Army Institute and since 2009, 200 cadets are admitted every year to follow the four-year course designed by the Chinese Ministry of Defence. The faculty is staffed and led by Chinese advisors and students are required to spend six months in Chinese schools. Graduates go on to hold important decision-making positions in the Cambodian military. According to Carl Thayer, a Southeast Asian security expert: "For China, it's the beginning of a long-term strategy of winning influence in the Cambodian military by cultivating these people. And China keeps very, very deep intelligence files on everybody." (Belford & Chan Thul 2015.)

These strong military ties between China and Cambodia made headlines in 2019 when United States military officials revealed the existence of a secret and, at the time, unconfirmed agreement on the use of the Cambodian Ream naval base in the Gulf of Thailand which would allow China to use the base for 30 years and then renew it every 10 years (Page, Luborl & Taylor 2019). China would be

allowed to place military personnel, store weapons, dock military ships, and build two piers for Chinese and Cambodian use. These allegations were then denied by both the Chinese and Cambodian government. However, in June 2022, when the project officially broke ground, Phnom Penh declared that the development of the base had been “no secret”, and the project was described as a renovation “solely to strengthen the country’s naval capacities to protect its maritime integrity and combat crimes” (Goillandeau & Ritchie 2022).

The Ream base is in Sihanoukville province, close to the SSEZ, and not far from the new Dara Sakor airport financed and built by China in Koh Kong province which, according to satellite images obtained, has a runway wide enough for military use. This base, if the United States military’s allegations prove to be true, would reinforce China’s “pearl necklace” strategy and military presence in the South China sea. In addition, this facility would be close to the Strait of Malacca, and the potential Kra Channel. This base could stir new tensions with the other countries bordering the South China Sea, (Indonesia, Vietnam, the Philippines, and Malaysia), with whom there has already been many conflicts (Blandin 2023).

The development of this military relationship came with a decline in United States military influence in the region. Cambodia stopped the traditional joint military exercises with the United States in 2017, a year after starting military exercises with China. And that same year, the Seabees, a US Navy military engineering unit, was asked to leave Cambodia, leading to the cancellation of some 20 planned projects (Chan Thul 2017a, 2017b).

China’s foreign aid is leveraged to meet Beijing’s military ambitions and strategic projects in the region. It enables them to take advantage of Cambodia’s geographical situation and reduce Western influence and military presence. This has led Cambodia to drastically change its foreign policy approach regarding the military, which used to be characterized by much closer ties with the United States.

THE IMPACT OF CHINESE FINANCIAL AID ON CAMBODIAN GOVERNANCE

Since the 1997 coup, Cambodia under Hun Sen has been a façade democracy. Not only a facade democracy concealing an authoritarian regime, but the facade of a “formal” state concealing the large preponderance of informality in the economic, political and social sectors.

On November the 16th 2017, the Cambodian Supreme Court dissolved the CPP’s main opposition party, the Cambodia National Rescue Party (CNRP), accusing them of staging a coup with the help of the United States. This put an end to what has been labelled by most scholars “competitive authoritarianism,” where the “formal democratic institutions exist and are widely viewed as the primary means of gaining power, but ... incumbents’ abuse of the state places them at a significant advantage vis-à-vis their opponents” (Levistky & Way 2010). The regime has turn towards hegemonic authoritarianism: non-competitive politics,

where elections are merely kept to maintain the pretence of democracy (Loughlin & Norén-Nilsson 2021).

When the opposition started coming together, forming a more united and increasingly supported front, the CNRP's popularity gained dangerous momentum: they finished second in the 2013 elections, and performed incredibly well in the 2017 commune elections. This threat convinced Hun Sen not to give them a second chance, neither at winning an election nor at having the people rise against his rule. He dissolved the opposition, increased the political repression and reduced the people's freedom of speech.

Hun Sen, as leader of the CPP and prime minister of Cambodia, has become the face and hand leading this authoritarian turn by personalizing the political power, and by openly planning on creating his own new dynasty (Norén-Nilsson 2021).⁶ In time, Hun Sen has managed to control the country's economy on all levels (public expenditures and private investments).

This article argues that the 2017 crackdown, and the establishment of a hegemonic authoritarianism centred around Hun Sen, was made possible by the Chinese backing, and that China has played a decisive role in Cambodia's current political and economic framework (*ibid.*).

The Making of an Authoritarian Regime

After reopening the country post Khmer Rouge regime, Hun Sen was at the forefront in controlling the liberalization of the post-communist economy and the allocation of resources. And especially after seizing power in 1997, he has made sure that, as prime minister, he would be able to have full control over the country's economy and expenditures.

By increasing its foreign aid when other countries had frozen theirs, China has encouraged this trend and has enabled Hun Sen to continue building a regime where he depicts himself as a kinglike saviour (*ibid.*).

In interviews conducted by Daniel O'Neill in Cambodia, interviewees were unanimous that Hun Sen's approval is paramount for any major investment or project, whether it has been approved by the relevant ministry or not. The prime minister's approval overrides everything: without a permit from the ministry, or if it goes against certain laws, a project can go ahead if it has Hun Sen's support, and even with a permit, investments are not secure until the prime minister gives the go-ahead (O'Neil 2014). Therefore, in addition to centralizing all revenues and foreign aid at the prime minister's level, Hun Sen has the power to prioritize and invest in the projects of his liking. Preferably for him, projects that enable him to secure his power; and preferably for China, projects that fit into their strategy.

Keeping Hun Sen in power and dependant on China's foreign aid enables Beijing to secure a constant support from Cambodia. They are more than willing to keep in power a regime that enables them to conduct their economic strategy—and even facilitate it—with a little incentive.

Under the democratic façade, Hun Sen's regime is built on the key realities that, in Cambodia, relationships take precedence over the law, and that corruption and patron-clientelism are the apparatus of Cambodian institutions. Therefore, the Chinese government's good relationship with the prime minister—which is based on the never-failing financial support that enables Hun Sen to strengthen his grip on power—gives them significant leeway in their projects and investments.

For China, securing a relationship with Hun Sen means gaining access to the whole country, since the prime minister has control over the whole political, judicial, and economic bodies thanks to the clientelism and nepotism his regime is built on. The composition of the government itself is a clear reflection of this system that characterize the country's inner workings. Many members of the government are connected to Hun Sen through arranged marriages. Building family ties, the prime minister ensures the loyalty and support of key figures that he keeps by his side constantly. In this way, he has created a very extensive family network with tentacles that stretch into all political and economic sectors of the country (see fig. 1).

Each one of Hun Sen's children can be linked to other prominent figures in Cambodia. And they all have positions in the government, the military or shares in key companies of the country.

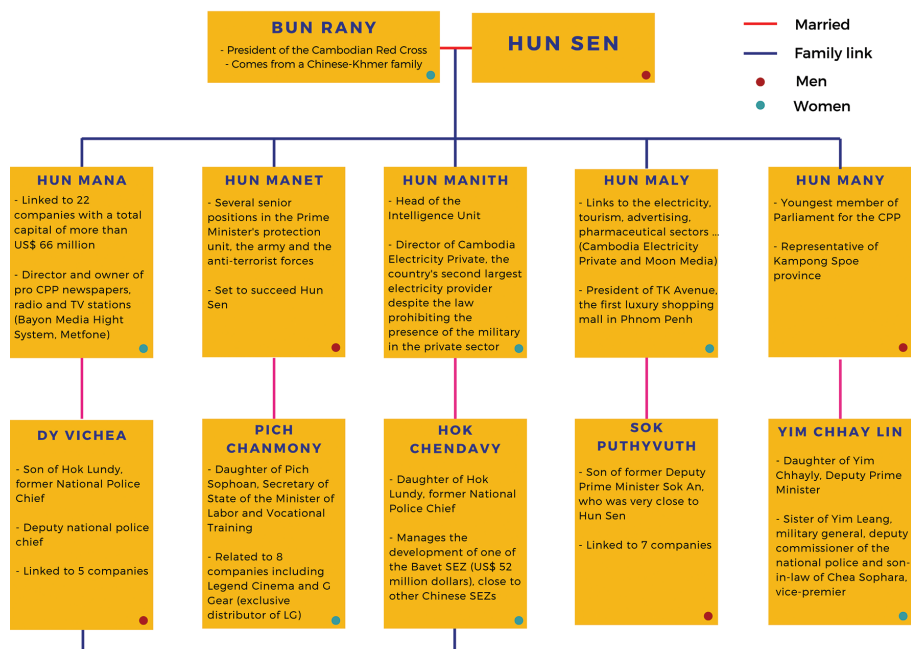


Fig. 1. Hun Sen family network

Source: Author's graph, based on Global Witness (2016).

The involvement of the prime minister's extended family to at least 114 local businesses, covering most of the kingdom's key sectors (including major energy, telecommunications, mining, and trading companies) allows them to work directly with Chinese investors. Meaning that China gains fast and easy access to the Cambodian market and projects, while Hun Sen's family and close-knit network enriches itself.

For example, in late 2016, Cambodian conglomerate LYP Group, owned by Ly Yong Phat—who is also a CPP senator—signed a USD \$1.5 billion deal with Chinese property developer SRE Group in December 2016. The project plans to build a satellite city outside Phnom Penh which will be named “Cambodia-Chinese Friendship City.” LYP Group has signed a memorandum of understanding with 14 Chinese banks to finance investments by Cambodian industries in the BRI project. Ly Yong Phat is known as Hun Sen's “favourite” senator, a man he is very close to and who advises him.

He is also known as the “King of Koh Kong” because of his large investments and land holdings, and he is very involved in Chinese investment projects in the region.

In other words, China's foreign aid and, more broadly, economic support, have strengthened the ruling power and the elite around it, and has contributed to the development of an informal economy.

Money Stands for Hegemony

By contributing unconditionally to the enrichment of the country's elite, China is willingly strengthening Hun Sen's grip on power. Chinese funding allows his government to legitimize its power and consolidate its domination, and more specifically, it consolidates Hun Sen's personal rule.

In order to further justify his economic choices and his rapprochement with China, Hun Sen does not hesitate to constantly promote the positive outcomes of Chinese investments and aid through his speeches and through public events. The media, which is almost entirely controlled by the government, also constantly emphasize China's unflinching support. On the front page of the *Khmer Times* and the *Phnom Penh Post*, two English-language newspapers owned by Malaysian figures who support the CPP, the daily headlines are full of praises, such as “China's journey from poverty to prosperity,” “China believes that Cambodia can successfully overcome all obstacles against Covid-19,” or “Close bilateral ties prompt ‘Chinese fever’ among Cambodians.” All of which are written to present China as a great friend, a “big brother” guiding Cambodia, with a promise of great success if the country follows Chinese advice and walks in their footsteps.

This enhances Hun Sen's and the CPP's ability to make the necessary decisions to turn Cambodia into a developed country. China is an ideal tool to strengthen the “output legitimacy,” meaning the legitimacy of the government based on economic performance, job opportunities, peace and stability. And this is crucial, as their “input” legitimacy—which refers to democratic participation in free and fair

elections—is largely questioned by civil society and opposition groups (Chheang & Pheakdey 2019).

With China's support, Hun Sen was able to ignore Western protests over the 2017 crackdown and proceed with the 2018 elections, securing victory. China donated vehicles and equipment worth USD \$11 million, as well as computers, ballot boxes and voting booths after the United States and the European Union withdrew their support.

China has also openly supported the dissolution of the opposition party (CNRP). On the website of the Chinese Ministry of Foreign Affairs, an article points out:

China will as always support the Cambodian people in following a development path suitable to its own national conditions, support Cambodia in safeguarding its national sovereignty as well as legitimate rights and interests and support the country in smoothly holding its general election.

China considers that Cambodia is entitled to preserve its political stability and reciprocally, Phnom Penh praises China for its neutrality, and condemns Western interference.

By helping Hun Sen secure his hegemonic authoritarian regime, China has also enabled him to harden the political repression and overall freedom of speech. In February 2018, three months after the CNRP was dissolved, Parliament passed a new *lèse-majesté* law allowing the government to sentence anyone whose words insult the king to up to five years in prison. The first arrest occurred in May 2018, after a teacher shared a Facebook post that accused the king and other members of the royal family of collaborating with the government to ban the CNRP.

Earlier, in 2016, Cambodia had already announced that Beijing had agreed to help the country “reform” its judicial system. Under the agreement, China agreed to provide training as well as financial, judicial, and legal assistance. China has helped establish a research centre that provides recommendations to the government on reforms.

In 2017, China also stated that it would establish a think tank with the aim of preventing any “colour revolution” that might be financed by foreign governments in order to overthrow the incumbent government in elections. The *Global Times*, a newspaper affiliated with the Chinese Communist Party, justifies the Cambodian government's concern by underlining that under the guise of “democracy and human rights,” the colour revolutions disrupt development, accelerate societal fractures, and pose an enormous threat to Cambodia's security, stability, and economic development. Also adding that “The Hun Sen government's vigilance on this issue is justified.”

CONCLUSION

Like many countries, Cambodia has witnessed a significant increase in foreign aid from China. And since its inception, China's foreign aid in Cambodia has been closely intertwined with China's foreign policy goals and investment strategy, and

has recently played a crucial role in the Chinese Communist Party's relationship with Prime Minister Hun Sen. In recent years, Chinese financial support in Cambodia has been skillfully used to secure a strategic and comprehensive production network in the country. By safeguarding major investments and leveraging key relationships with Cambodian high-ranking officials, the Chinese government has created an autonomous and profitable ecosystem for Chinese companies, all the while enriching the close-knit group in power in Cambodia.

In addition to being a weapon to conquer Cambodia's high-risk business environment, Chinese financial and material aid also have significant political implications, first on the Cambodian government's political stance, and second on the Cambodian People's Party governance. China's overflowing foreign aid has changed the Cambodian political and economic landscape. Hun Sen, in his desire to secure hegemonic power, has welcomed and protected Chinese investments. China, by interfering openly in Cambodian domestic politics to help Hun Sen keep its favourable regime in power, sets up new norms in the country. Beijing's authoritarian model has successfully seduced Hun Sen, and many of the tools used by China seem to have been exported to Cambodia: internet regulation, media control and censorship, opacity in trade and business. And to influence the opinion and narrative in the country, China resorts to propaganda, the opening of cultural centres promoting Chinese language and culture, university partnerships, funding of research centres and think-tanks (Dearing Scott & George 2020) ... Tactics which are meant to promote authoritarian solutions and strengthen the current regime's legitimacy in order to keep the country politically stable and safe for the development of strategic projects.

In June 2022, Cambodians went to the poll again to vote for local elections, this time, the CPP was facing the Candlelight Party (formerly known as the Sam Rainsy Party⁷) which resumed its political activity in October 2021. Unsurprisingly, the CPP lost only four of the 1,652 races for commune chief, and won 80 percent of council seats. The general elections will be held on July 23rd 2023, and the already tightened repression leaves little misgivings as to what the CPP's plans are. There is no doubt about it: in Hun Sen's projects, the hegemonic authoritarian rule is set to be the new norm. Finally, Cambodia's foreign policy follows Beijing's instructions, all the while developing independent bilateral and regional relationships in order to further legitimize the regime globally, and perhaps, also prepare the world for the establishment of his own dynasty with the very probable arrival to power of Hun Sen's son, Hun Manet, after his retirement.

Notes

1. Even though Hun Sen's Cambodian People's Party formally lost the election in 1993 to FUNCINPEC, he refused the outcome and was eventually given the position of second prime-minister.
2. Sub-decree No. 146 on Economic Land Concessions (2005).

3. The ELC policy has raised, and continues to raise, numerous conflicts related to the ownership of allocated land (Bafoil 2014). In 2012, the Cambodian government announced that it recognized the negative impacts of excessive ELC leasing and reportedly returned one-third of the land to local farmers, as well as promising to protect parts of the country according to the Cambodian League for the Promotion and Defense of Human Rights.
4. In 2014, Huaxin Cement Co. purchased a 40 percent stake in Cambodia Cement Chakrey Ting Factory Co, a cement manufacturing plant that was then under construction in Kampot province. Bank of China supported the investment and provided a loan to accelerate the construction of the plant. Later, in December 2015, Chip Mong Insee Cement (a joint venture between two Cambodian and Thai companies) said it had signed an agreement with China's CITIC Heavy Industries Co. Ltd. (owned by the state-owned CITIC Group) to build a \$262 million cement plant in Kampot province. And in 2018, a joint venture of China's Conch International Holding (HK) Limited and Battambang KT Cement Co., Ltd opened. Eventually, China will produce enough cement in Cambodia to support its locally based companies.
5. The construction of the Dara Sakor International Airport and renovation of the Dang Tong port, in Koh Kong, are financed by the Tianjin Union Development Group and have been sanctioned by the United States after reports claimed they were built to accommodate military ships and aircraft.
6. ⁶Astrid Norén-Nilsson (2021) details how Hun Sen has used and invoked royal symbols to legitimize his claim of power, justify the repression and prepare the country to welcome his son Hun Manet as future legitimate leader.
7. ⁷Sam Rainsy was CNRP leader in 2015, and went into exile to France after an arrest warrant was issued for an old defamation case. Since then, he has been sentenced to 25 years of prison.

References

- ALFFRAM, Matthias, 2022, "Sihanoukville Pays the Price for Heavy Reliance on Chinese", *Bangkok Post*, 9, May.
- BAFOIL, François, 2014, "État prébendier et politiques industrielles au Cambodge", *Critique internationale*, 4 (65): 105-125.
- BELFORD, Aubrey & CHAN THUL, Prak, 2015, "Chinese Influence in Cambodia Grows with Army School, Aid", *Reuters*, 2, April, URL: <https://www.reuters.com/article/uk-cambodia-china-military-idUKKBN0MT0T220150402>, accessed June 29th 2022.
- BLANDIN, Benjamin, 2023, "Au Cambodge, une base militaire comme outil d'influence pour Pékin", *The Conversation*, 4, January, URL: <https://theconversation.com/au-cambodge-une-base-militaire-comme-outil-dinfluence-pour-pekinn-196165>, accessed January 10th 2023.
- CHAN THUL, Prak, 2017a, "Cambodia Suspends Annual Military Drill with United States", *Reuters*, 16, January, URL: <https://www.reuters.com/article/uk-cambodia-usa-idUKKBN1501YO>, accessed June 29th 2022.

- CHAN THUL, Prak, 2017b, “U.S. Navy Aid Unit Told to Leave Cambodia”, *Reuters*, 4, April, URL: <https://www.reuters.com/article/uk-cambodia-usa-navy-idUK-KBN1760VK>, accessed June 29th 2022.
- CHEUNBORAN, Chanborey, 2018, “Cambodia-China Relations: What Do Cambodia’s Past Strategic Directions Tell Us?”, in *Cambodia’s Foreign Relations in Regional and Global Contexts*, Deth Sok Udom, Sun Suon & Serkan Bulut, ed., Berlin: Konrad-Adenauer-Stiftung, pp. 229-248.
- CHHEANG, Vannarith & PHEAKDEY, Heng, 2019, “Cambodian Perspective on the Belt and Road Initiative”, in *NIDS Joint Research Series*, no. 17, Tokyo, The National Institute for Defense Studies, pp. 8-11.
- CHUA XUE TING, Joey, 2016, “Red Carpet for Chinese Investors”, *The Phnom Penh Post*, 2, December.
- COPPER, J. F., 2016, *Using Aid and Investment Diplomacy to Isolate Taiwan*. In: *China’s Foreign Aid and Investment Diplomacy*, vol. 2, New York: Palgrave Macmillan.
- CUSTER, Samantha, RUSSEL, Brooke, DILORENZO, Matthew, CHENG, Mengfan, GHOSE, Siddhartha, DESAI, Harsh, SIMS, Jacob & TURNER, Jennifer, 2018, *Ties that Bind: Quantifying China’s Public Diplomacy and its “Good Neighbor” Effect*, Williamsburg, VA: AidData at William & Mary, URL: https://docs.aiddata.org/ad4/pdfs/Ties_That_Bind--Full_Report.pdf, accessed January 17th 2022.
- DEARING SCOTT, Caitlin & GEORGE, Adam, 2020, “As China Promotes Authoritarian Model, the Resilience of Its Democratic Targets is Key”, *Just Security*, 18, December, URL: <https://www.justsecurity.org/73925/as-china-promotes-authoritarian-model-the-resilience-of-its-democratic-targets-is-key/>, accessed June 28th 2021.
- Global Witness*, 2016, “Hostile Takeover”, July 7, URL: <https://www.globalwitness.org/en/reports/hostile-takeover/>.
- GOILLANDEAU, Martin & RITCHIE Hannah, 2022, “China and Cambodia Break Ground at Naval Base in Show of ‘Iron-Clad’ Relations”, *CNN*, 9, June, URL: <https://edition.cnn.com/2022/06/09/asia/china-cambodia-naval-base-military-intl-hnk/index.html#:~:text=Officials%20from%20China%20and%20Cambodia,%E2%80%9Ciron%20clad%20partnership.%E2%80%9D>, accessed June 18th 2022.
- JAVAD HEYDARIAN, Richard, 2022, “South China Sea: Countering Hun Sen’s Cowboy Diplomacy”, *Asia Maritime Transparency Initiative*, 3, February, URL: <https://amti.csis.org/south-china-sea-countering-hun-sens-cowboy-diplomacy/>, accessed June 18th 2022.
- LEVITSKY, Steven & WAY, Lucan A., 2010, *Competitive Authoritarianism: Hybrid Regimes after the Cold War*, Cambridge: Cambridge University Press.
- LI, Yunyi, 2018, *Une Relation indécise. Les ambitions internationales franco-chinoises à l’épreuve du Viêtnam 1949-1979*, PhD, université Paris I Panthéon-Sorbonne, Paris.
- LIU, Lulu, 2017, “Cambodia Justified in Alertness to Color Revolution”, *Global Times*, 17, September.

- LIZÉE, Pierre P., 1997, "Cambodia in 1996: Of Tigers, Crocodiles, and Doves", *Asian Survey*, 37 (1): 65-71.
- LOUGHLIN, Neil & NORÉN-NILSSON, Astrid, 2021, "Introduction to Special Issue: The Cambodian People's Party's Turn to Hegemonic Authoritarianism: Strategies and Envisaged Futures", *Contemporary Southeast Asia*, 43 (2): 225-240.
- MENGIN, Françoise, 2007, "La présence chinoise au Cambodge. Contribution à une économie politique violente, rentière et inégalitaire", *Les Études du CERI*, 133: 1-43, URL: <https://hal-sciencespo.archives-ouvertes.fr/hal-01021500>.
- MUYHONG, Chan, 2014, "Chinese Firm Acquires Large Stake in Kampot \$100m Cement Factory", *The Phnom Penh Post*, 20, June.
- NORÉN-NILSSON, Astrid, 2021, "A Regal Authoritarian Turn in Cambodia", *Journal of Contemporary Asia*, 52: 715-736.
- O'NEILL, Daniel, 2014, "Playing Risk: Chinese Foreign Direct Investment in Cambodia", *Contemporary Southeast Asia*, 36 (2): 173-205.
- PAGE, Jeremy, LUBOLD, Gordon, & TAYLOR, Rob, 2019, "Deal for Naval Outpost in Cambodia Furthers China's Quest for Military Network", *Wall Street Journal*, 22, July, <https://www.wsj.com/articles/secret-deal-for-chinese-naval-outpost-in-cambodia-raises-u-s-fears-of-beijings-ambitions-11563732482>, accessed June 18th 2022.
- RICHER, Philippe, 2009, *Le Cambodge de 1945 à nos jours*, Paris: Presses de Sciences Po, chapter 8, « Le Cambodge dans le monde », p. 151-167.
- STRANGIO, Sebastian, 2014, *Hun Sen's Cambodia*, New Haven: Yale University Press.
- WORLD BANK, 2014, *Cambodia Trade Corridor Performance Assessment* [Online], URL: <https://openknowledge.worldbank.org/handle/10986/20763?locale-attribute=fr>.

Abstract: China's foreign aid in Cambodia has been closely intertwined with its foreign policy goals and investment strategy, it is a key tool in the economic diplomacy devised by Beijing and has played a crucial role in the Chinese Communist Party's relationship with Prime Minister Hun Sen. Since the beginning of the 2000s, China's financial support in Cambodia tended to be skillfully used to secure a strategic and comprehensive production network in the country. By safeguarding major investments and leveraging key relationships with Cambodian high-ranking officials, the Chinese government has created an autonomous and profitable ecosystem for Chinese companies, all the while enriching the close-knit group in power in Cambodia. In addition to being a weapon to conquer Cambodia's high-risk business environment, Chinese financial and material aid also have significant political implications, first on the Cambodian government's political stance, and second on the Cambodian People's Party governance. This article aims to specify the role of China's foreign aid in the evolution of the Cambodian economic (resource extraction; logistics; special economic zones) as well as political and military context in the 2000s and 2010s. It deciphers the way Beijing's aid deals locally with patronage and dependency in order to consolidate the close bilateral relationship at the benefit of its own regional strategy. At the same time,

China's aid strengthens Prime Minister Hun Sen's grip on the Cambodian economy as well as on its domestic governance.

Implications politiques et économiques de l'aide étrangère chinoise au Cambodge

Résumé: *L'aide internationale fournie par la Chine au Cambodge est étroitement liée à ses objectifs en matière de politique étrangère et à sa stratégie d'investissement. Elle constitue un instrument essentiel de la diplomatie économique élaborée par Pékin et a joué un rôle crucial dans les relations liant le Parti communiste chinois et le Premier ministre cambodgien Hun Sen. Depuis le début des années 2000, le soutien économique apporté par la Chine au Cambodge a habilement été mis à profit pour consolider un réseau de production complet et stratégique. En protégeant les investissements majeurs et en misant sur les relations clés établies avec les hauts fonctionnaires cambodgiens, le gouvernement chinois a créé un environnement économique indépendant et rentable pour les entreprises chinoises, tout en enrichissant le noyau dur du pouvoir cambodgien. Au-delà d'être un instrument permettant de conquérir le milieu – non sans risque – des affaires au Cambodge, l'aide économique et matérielle chinoise a également des enjeux politiques importants, d'abord sur la prise de position diplomatique du gouvernement khmer, et ensuite sur la gouvernance du Parti du peuple cambodgien. Cet article a pour objectif de détailler la manière dont l'aide internationale fournie par la Chine a contribué à l'évolution du contexte économique (extraction de ressources, développements logistiques, zones économiques spéciales), politique et militaire du Cambodge dans les années 2000 et 2010. Il déchiffre la manière dont l'aide apportée par Pékin joue à l'échelle locale sur le patronage et la dépendance afin de consolider une relation bilatérale étroite au profit de sa propre stratégie régionale. Parallèlement, l'aide de la Chine renforce la mainmise du Premier ministre Hun Sen sur l'économie cambodgienne et son emprise sur la sphère politique intérieure.*

Keywords: Hun Sen, China's foreign aid, China's investments, competitive authoritarianism, special economic zones, land concessions.

Mots-clés: Hun Sen, aide chinoise, investissements chinois, autoritarisme compétitif, zones économiques spéciales, concessions foncières.