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Cambodian Prime Minister Hun Sen's Visit to China: Status of the Bilateral Relations

By YU Hong

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

Several large-scale infrastructure projects in Cambodia funded by China have been completed and put into operation, including a 190-kilometre-long expressway connecting Phnom Penh, the capital, and Sihanoukville.

Cambodia has been a strong supporter and one of the major beneficiaries of China's Belt and Road Initiative (BRI) since 2013. The Sihanoukville Special Economic Zone (SSEZ) is a high-profile bilateral cooperation project between China and Cambodia under the BRI. The SSEZ, which is led by garment and textile industries, houses 170 firms and creates nearly 30,000 jobs for the locals.

This year marks the 65th anniversary of bilateral ties between China and Cambodia. The two countries have established a "comprehensive strategic cooperation partnership". Hun Sen's visit demonstrates the "ironclad relationship" between Cambodia and China, based on a long traditional friendship. Since establishing diplomatic relations in July 1958, Cambodia's late King Norodom Sihanouk had built friendly ties with Premier Zhou Enlai and other Chinese leaders. In November 2020, the Chinese government awarded the "Medal of Friendship" of the People's Republic of China to Cambodia's Queen Mother Norodom Monineath Sihanouk. The

medal was also intended to honour the late King Sihanouk for his efforts to build close relations with the Chinese people. The past relations between the countries' late leaders have laid the foundation for the close ties between the two countries today.

To China, Cambodia is a close friend and partner in ASEAN (Association of Southeast Asian Nations). China's trade and economic ties with Cambodia are broad and deep. The China-Cambodia free trade agreement, which came into effect on 1 January 2022, was the first bilateral free trade arrangement signed by Cambodia. China is Cambodia's largest trading partner. According to statistics from the Ministry of Commerce of China, the bilateral trade volume between China and Cambodia reached US\$13.67 billion in 2021, a year-on-year increase of 43.1%.

Cambodia has been one of the fastest growing economies among ASEAN countries for the past decade. With its rapid economic growth, urbanisation and dynamic young population, Cambodia has become a hotspot for foreign investors, including Chinese companies. According to ASEAN Secretariat's statistics, Cambodia's average growth rate was 7.1% between 2010 and 2019.

China's economic and strategic influence in Cambodia has grown steadily over the past decade. It has also been Cambodia's largest source of foreign investment since 2013. According to the statistics of Cambodia Chamber of Commerce, Cambodia received US\$18 billion from Greater China between mid-1994 and end-2021, well ahead of the Republic of Korea's US\$4.9 billion and Singapore's US\$2.7 billion. Greater China accounted for 43.9% of total foreign direct investment inflows to Cambodia during this period.¹ The COVID-19 pandemic has not affected the inflow of Chinese investment to Cambodia. In June 2021, the Cambodian firm Cellcard chose ZTE, a Chinese telecommunication equipment provider, as its 5G partner.

In 2013, the two countries signed a Comprehensive Strategic Partnership agreement, the first for Cambodia with another country, demonstrating common interests on security and economy.

At the conclusion of the 45th ASEAN Foreign Ministers Meeting held in Phnom Penh in 2012, Cambodia refused to mention the South China Sea issue in the joint communiqué, which resulted, for the first time in ASEAN's history, in the grouping's failure to issue a joint communiqué. In July 2016, Cambodia also blocked an ASEAN statement that referred to the international tribunal's ruling on the South China Sea territorial disputes. Cambodia insists that the South China Sea issue should be dealt with between China and ASEAN claimant states, but not an issue for ASEAN as a grouping.

However, Cambodia is hence perceived by some external critics as being in strong alignment with China's position. Given the asymmetrical relationship between Beijing and Phnom Penh, these critics largely view Cambodia as China's "vassal state" or "a pawn" of China.²

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

¹ Hom Phanet, "Cambodia's FDI Surges 11.2% to \$41B in 2021", *The Phnom Penh Post*, 26 April 2022, available at <https://www.phnompenhpost.com/business/cambodias-fdi-surges-112-41b-2021> (accessed 18 February 2023).

² For example, see Terence Chong, "The Politics behind Cambodia's Embrace of China", Perspective No. 59, ISEAS-Yusof Ishak Institute, 2 August 2017, available at https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2017_59.pdf (accessed 17 February 2023).

host large naval warships in the future.³ This has raised suspicions in regional countries and the West over China's military presence in Cambodia and the base's regular use by People's Liberation Navy vessels in the future. If these plans come to fruition, Ream Naval Base will provide China with a secure military foothold in the Indo-Pacific region.⁴

It will allow China to have greater projection of its naval power across the region amid the China-US rivalry. Ream thus has become an arena for competition between China and the United States for strategic influence in Southeast Asia. Nevertheless, even with Cambodia granting the Chinese military access to Ream Naval Base, China is nowhere close to matching the network of military bases that the United States has established around the region, let alone the world.

Hun Sen's most recent trip to China, in February 2020, was the first visit by a foreign leader to Beijing since the outbreak of the COVID-19 pandemic in the city of Wuhan. Hun Sen hoped to show political support for China and personally sent a message of solidarity between the Cambodian and Chinese people. Meanwhile, in his appreciation of Hun Sen's visit, China's President Xi Jinping said that "a friend in need is a friend indeed". To the Chinese leader, Cambodia is indeed a friend to China.

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

China was the biggest source of inbound foreign tourists arriving in Cambodia during the pre-pandemic era. The number of Chinese tourists visiting Cambodia in 2019 reached 2.36 million, or 35.7% of the total number of foreign tourists to Cambodia, equivalent to almost the total number of tourists from the second to eighth largest source countries.

However, the COVID-19 pandemic from 2020 to 2021 had hit the Cambodian economy hard and the government has to implement several measures to mitigate the negative impact of COVID-19 on businesses and people's incomes and to support economic recovery. Hun Sen's visit to China in 2020 was to lay the foundation for attracting Chinese tourists after the epidemic and rejuvenating Cambodia's sagging tourism industry. Following China's recent reopening, over one million Chinese tourists are likely to visit the country in 2023, compared to merely 110,000 in 2022.⁵

Given its small economic and population size, foreign trade and investment are important for boosting Cambodia's economy. Chinese investment will continue to be an important source of local economic growth.

³ Asia Maritime Transparency Initiative, "Update: China continues to transform Ream Naval Base", 12 October 2021, available at <https://amti.csis.org/changes-underway-at-cambodias-ream-naval-base/> (accessed 17 February 2023).

⁴ Jack Detsch, "U.S. Looks To Check Chinese Advances at Cambodian Naval Base", *Foreign Policy*, 5 December 2022, available at <https://foreignpolicy.com/2022/12/05/us-china-cambodia-ream-naval-base/> (accessed 18 February 2023).

⁵ Kawala Xie, "Cambodia's Hun Sen to Head to China in Search of High-Speed Rail Support", *South China Morning Post*, 15 January 2023, available at <https://www.scmp.com/news/china/diplomacy/article/3206903/cambodias-hun-sen-head-china-search-high-speed-rail-support> (accessed 11 February 2023).

Although the Cambodian authorities are embracing Chinese investment, it is not so positive for the Cambodian general public. Specifically, Chinese investors' business practices in Cambodia remain an issue. For example, according to Chheang Vannarith from the Asian Vision Institute, an independent think tank based in Cambodia, none of the major Chinese state-owned enterprises that have invested and operated in Cambodia (namely the China Road and Bridge Group, China Huaneng Group, Yunnan Construction Investment Group and Bank of China) have formulated any environmental, social and governance (ESG) policies at the corporate governance level for implementation in their operations.⁶

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

To the older generation of Cambodians, China's strong support of the bloody Khmer Rouge regime still leaves lingering suspicions.

According to the latest *State of Southeast Asia 2023 Survey Report*,⁷ only 2.2% of the respondents from Cambodia had utmost confidence that China would provide leadership to maintain the rules-based order and uphold international law, down from 65.4% of the 2022 Survey Report. When asked which country they would choose if ASEAN were forced to align itself with one of the two strategic rivals, 73.1% of respondents from Cambodia chose the United States, and only 26.9% picked China according to the 2023 Survey Report. However, the same question in the 2022 survey had 81.5% of the Cambodian respondents voting for China. Beijing would do well to take note of this significant shift in attitude towards China among the Cambodian elites.

Indeed, Cambodia's overall foreign debt has been exacerbated due to the sharp increase in debt attributed to BRI projects such as the expressway and the seaport upgrading. Over 41% of Cambodia's accumulated external debt is estimated to be held by China (an approximate US\$4.05 billion or 15% of Cambodia's GDP). China is Cambodia's largest creditor, accounting for 41.7% of its total foreign debt (estimated at US\$9.47 billion), according to the statistics released by Cambodia's General Department of International Cooperation and Debt Management in November 2022.⁸ For Cambodia, a small and underdeveloped economy with a population of around 16.59 million, it is a challenging task to repay this massive foreign debt.

Nevertheless, since Cambodia is China's close ally and large-scale infrastructure construction plays a flagship role in mainland Southeast Asia under the BRI, it is not in China's interest to

⁶ Chheang Vannarith, "The ESG Practices of Chinese State-owned Enterprises in Cambodia", Perspective No. 140, ISEAS-Yusof Ishak Institute, 3 November 2021, available at https://www.iseas.edu.sg/wp-content/uploads/2021/10/ISEAS_Perspective_2021_140.pdf (accessed 10 February 2023).

⁷ ISEAS-Yusof Ishak Institute, "The State of Southeast Asia 2023 Survey Report", 9 February 2023, available at <https://www.iseas.edu.sg/wp-content/uploads/2023/07/The-State-of-SEA-2023-Final-Digital-V4-09-Feb-2023.pdf> (accessed 9 February 2023).

⁸ General Department of International Cooperation and Debt Management, Cambodia, *Cambodia Public Debt Statistical Bulletin*, Vol. 16, 23 November 2022, available at <https://gdicdm.mef.gov.kh/en/2022/11/23/10987.html> (accessed 9 February 2023).

EAI COMMENTARY

bankrupt Cambodia over its infrastructure projects. The negative image of China's BRI would hamper its push for implementation, regionally as well as globally.

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