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## CAMBODIA: GENERAL ECONOMIC AND INTERNATIONAL VISION IN THE POST-COVID 19 ERA

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**SUMMARY:** I. Introduction II. Economic Impacts of Covid-19 III. Government Interventions IV. Economic Strategies in the Post-Covid 19 Era V. Implications for Cambodia's Political and National Security VI. Conclusion VII. Bibliography

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## I. INTRODUCTION

Under the paramount leadership of Cambodia's strongman, Prime Minister Hun Sen, Cambodia's medium-term goal is to become an upper middle-income country by 2030. A long-term strategic plan to shift Cambodia's economy from labour-intensive to technology-based industry to avoid the middle-income trap was spelled out in the government's 2015 Industrial Development Policy (Council of Ministers, Industrial Development Policy, 2015). Hun Sen's grand economic vision is to turn Cambodia into a high-income country by 2050. To attain this goal, Cambodia needs to overcome key hurdles to its development especially infrastructure issues (such as electricity, rural transportation, and water sanitation), the limitations of human resources (the lack of knowledge based and skilled workforce) and weak industrial foundation. On July 11, 2019, Hun Sen unveiled his government's National Strategic Development Plan 2019-2023 for the implementation of the Rectangular Strategy Phase IV to "gain high benefits from ASEAN Economic Integration and to move from Lower-Middle-Income Country to an Upper-Middle-Income Country in 2030, and to contribute to achieving the Cambodian Sustainable Development Goals 2016-2030" (National Strategic Development Plan 2019-2023). However, the two crises in 2020—that is the Covid-19 pandemic and great flooding during the rainy season in 2020, suddenly

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created a series of socio-economic crises that required the Cambodian government to make a number of major adjustments to its economic strategies in the short and medium terms. This chapter begins with the economic impacts of the pandemic, documented the Cambodian government's major interventions, outline Cambodia's post-Covid 19 economic strategies, and concluded with my analysis of the implications of Cambodia's 2021 economic crisis and recovery plan on Cambodia's political and security relationships with China and Vietnam.

### II. ECONOMIC IMPACTS OF COVID-19

The Covid-19 global pandemic has inflicted a significant toll on Cambodia's economy with a net negative growth of -3.1 percent in 2020 after having projected a net positive growth of 7 percent a year earlier (Ministry of Economy and Finances' 2021 report). By the government's own assessment, Cambodia's economic crisis borne of the pandemic will delay Cambodia's goal of achieving a higher income country status in 2030 by at least five years (Vongsey's speech, January 27, 2021). It has precipitated economic stagnation, caused a sharp drop in foreign direct investment, and lowered the living standard of a large portion of the nation's over 16 million population. Its total economic devastation remains too early to calculate in early 2021 because like most countries in the world, Cambodia is still in the midst of the pandemic. Three major sectors namely tourism, garment, and construction and real estate were heavily hit by the pandemic. Tourism is the most affected sector with a net negative growth of -36 percent in 2020; six million tourists visited Cambodia in 2019, but Cambodia received only 1.3 million visitors in 2020, dropping by 80 percent. Garment industry dropped from 6.6 per cent in 2019 to -6.4 in 2020 mainly because the demand for clothes in the European Union and the United States decreased significantly, and the Cambodian government's Covid-19 related restrictions also decreased significant production. The growth of Cambodia's construction sector also dropped from 20 percent in 2019 to - 2.4 percent in 2020 due to a sharp drop in FDI and consumers' demand; the growth in Cambodia's real estate sector dropped from a net positive 7 percent to - 4.5 percent in 2020. The growth of Cambodia's agricultural sector dropped from the projected 19 percent in 2019 to 0.5 percent in 2020. Cambodia also saw a precipitous drop in FDI from a net positive 14 percent to -12.3 percent in 2020. FDI was a major driver of Cambodia's economic growth for the past decade, accounting for 12-13 percent of the country's GDP (Chheang, 2021), and will continue to be a vital factor for Cambodia's economic recovery in the post-pandemic years. This economic crisis has posed a number of major socio-economic challenges for the Cambodian government to overcome in the intervention

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and recovery phase in 2021-2025. I will discuss those challenges in further detail below. But from Phnom Penh's perspective, why did Cambodia's economic performance fare worse than its fellow ASEAN members in a similar economic ranking?

By comparison to Vietnam, Laos, and Myanmar in the same lower-income group of the ASEAN community, Cambodia's economic growth dropped to  $-3.1$  while the net growth of other three fellow ASEAN members' GDP remain positive. In 2020, Vietnam was one of the few countries to record net positive growth at 2.9 percent after Taiwan but beating China despite the pandemic (Samuel, February 5, 2021). In Phnom Penh's view, Cambodia's economy was hit harder because of the greater exposure of Cambodia's economy to external shocks. Prior to Covid-19, Cambodia's exports, tourism, and foreign direct investment (FDI) accounted for 45 percent, 18 percent, and 13 percent of its GDP respectively, but Cambodia's negative net growth of  $-3.1$  more or less matches the average negative net growth of the entire ASEAN countries estimated at  $-3.3$  percent. Vietnam and Laos were able to successfully contain Covid-19. While Laos's economy is less exposed to global trade, its tourism industry does not make up a significant portion of its GDP. Laos was able to export its electricity surplus and gold to offset some of its export decline in 2020. In 2019-2020, Vietnam was able to attract huge FDI, and its domestic investment was much stronger than that in Cambodia (Vongsey's speech, January 27, 2021).

### III. GOVERNMENT INTERVENTIONS

The government has adopted a set of three-stage economic strategies in response to the devastating impacts of Covid-19 global pandemic: (1) survival, (2) reforms, (3) resilience (January 27, 2021). At the survival stage, the government will first focus on crushing the Covid-19 virus in Cambodia so that it can fully open up its economy. First, the government is set to begin rolling out its nationwide vaccination plan on February 10, 2021 with the first batch of 600,000 doses of China-donated Sinopharm vaccines (The Straitstimes, February 2, 2021). This all-out campaign to vaccinate 80 percent of the population (10 to 13 million people) is going to be the most important priority for all concerned authorities from the central government to the district level. The success of this campaign is going to key to economic recovery especially for the country's most severely affected tourism industry. Second, on May 24, 2020, Prime Minister Hun Sen issued a directive to roll out a plan to give cash to poor people and those groups of citizens most vulnerable to Covid-19. For instance, from May to November of that year, the government distributed three rounds of cash relief totalling 135.49 million US dollars to 674,146 households with a total of 2,676, 740 people including 236,899

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children (aged 0-5), 316,286 senior citizens above 60 years old, and 59,647 disabled people (Ministry of Social Affairs, Veterans and Youth Rehabilitation, November 24, 2020). The Ministry of Labour and Vocational Training provided 49 rounds of cash relief to employees in the garment industry in the amount of 40 US dollars per month for those who temporarily lost their jobs due to Covid-19 (Ministry of Labour and Vocational Training, February 4, 2021). By the end of January 2021, the government has completed seven rounds of such cash reliefs. Third, the government also intervened to support of some struggling but viable businesses that have the potential to grow after the pandemic is over. In this survival phase, the government has mobilized its available resources, most importantly the state savings of over 3 billion US dollars, to survive the economic impacts of this global pandemic till 2023. According to Vissoth Vongsey, the Minister Attached to the Prime Minister and Secretary of State at the Ministry of Economy and Finance, the government had planned to use 1.6 billion USD for Covid-19 reliefs in 2020, but in actuality the government only spent 823 million USD for the entire year's intervention package, leaving enough cash on hand to be used for continued Covid-19 relief programs in 2021-2023; Cambodia is one of the few countries in Southeast Asia emerging from the global pandemic with a strong record of successfully managing Covid-19 (Public Forum, January 27, 2021). Cambodia's successful containment of Covid-19 virus is attributed to (1) Hun Sen's authoritarian but competent leadership; (2) timely interventions (3) 7 rounds of cash distribution to the affect groups and poor people); (4) active participation of the Ministry of Health, local authorities, and Cambodian people, (4) social capital, i.e. the financial contributions of Cambodian tycoons ranging from 1 to 3 million USD each and small donations by concerned citizens. As of January 2021, the government received 57 million USD to purchase Covid-19 vaccines and to address the adverse effects of a major flooding in 2020. As to why the government was able to save such a huge amount of fund for relief programs over the next three years, Vongsey also pointed to Cambodia's ability to guarantee food security in 2020; Cambodia's agricultural sector was and remains strong. Before Covid-19, the agricultural sector was predicted to grow by 19 per cent, but the pandemic caused this sector's growth to significantly drop to 0.5 per cent. However, Cambodia did not suffer from food insecurity in 2020.

Second, along with the survival strategy, the government is continuing its structural reforms with specific focus on *competitiveness* and *diversification* of Cambodia's economy. The direct devastating impacts of the pandemic on Cambodia's three crucial sectors, tourism, garment, and construction and real estate have revealed significant risks of Cambodia's economic structure which overwhelmingly still relies on few economic sectors like tourism and

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garment industries. Cambodia needs to build two other economic lifelines, i.e. agricultural and industrial (manufacturing) sectors. The main lesson Cambodia has learned from this global pandemic is that countries that mainly rely on strong agricultural and industrial foundations can recover faster than those that heavily depend on the service sector (Vongsey's speech at the Public Forum on January 27, 2021). Cambodia's eastern neighbour Vietnam is an example of that. Vietnam is the only country in Southeast Asia that has achieved 2.9 economic growth while the entire ASEAN economic growth dropped to - 3.2 per cent in 2020.

Cambodia's FDI dropped significantly in 2020, and it remained not as competitive as Vietnam in terms of its ability to attract foreign direct investment that moved to Southeast Asia due to the intensified trade war between China and the United States. Since Hun Sen's "Win-Win" policy in 1998, Cambodia has been in total peace, the ruling party under Prime Minister Hun Sen's leadership is pro-business and has elevated reformists and technocrats to the policy-making level. And these reformists have increasingly pushed for deeper institutional reforms. For foreign investors including the Chinese, endemic corruption remains one of the major problems in doing business in Cambodia. It increases the operating costs of foreign firms in the forms of illegal fees and local opposition to the government-approved projects (Hu et al. 2019, p. 189). The biggest risks for foreign investors are political instability and corruption. Cambodia needs to expedite its reform processes, enhance its political unity and stability, and seriously combat corruption, nepotism, and impunity to social injustice. Evidently Cambodia is closely watching Vietnam's economic success. In May 2020, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation Prak Sokhonn asked a Phnom Penh-based think tank, Asian Vision Institute, to provide an analysis of Vietnam's economic success, and assembled a team to focus on Cambodia's economic diplomacy. Vietnam's success in attracting foreign investment is significantly attributed to General Secretary of Communist Party of Vietnam Nguyen Phu Trong's anti-corruption success, and he was rewarded the third term (a special case given his retirement age and the two-term limit) during the 13<sup>th</sup> Party Congress in early February 2021.

To increase Cambodia's competitiveness, the government has adopted the 2021 New Investment Law (come into effect in April) to make it much easier to do business in Cambodia. This new law is different from the 1994 Investment Law on a few respects. First, with this new law, the government seeks to eliminate illegal fees, under-the-table bribery, and other bureaucratic red tapes. These rent-seeking practices have increased the operational costs of foreign investors in Cambodia. Second, this new law will further slash government regulations to facilitate investors' business operations and

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significantly lower the costs of factory construction. For example, a five-star hotel investor would enjoy as a special incentive package that includes tax-free import of all materials for the input of this project; in the past, every item had to be inspected and approved, creating a cumbersome process that caused bureaucratic bottlenecks and a boon for government officials to demand bribery. Third, this new investment laws will focus on technological transfer and improve working environment for Cambodian workers. It will incentivize private companies to invest in brining advanced technology and create a better working environment for Cambodian workers; for instance, investors will get 150 USD as their tax-related expense when they only spend 100 USD to upgrade its company's technology, or train employees in operating high-tech equipment, or build a childcare facility for its employees (Phan Phalla's speech at the Pubic Forum, January 27, 2021). In short, this new investment law is written to not only sweeten the pot to attract foreign investment but also directly offer special incentives for investors to update technology and up-skill Cambodian workers with a vision towards transforming Cambodia's low-tech economy into a digital economy in 2030-2035. Hence, this new law is designed to create a more favourable environment for business and investment and to attract more FDI, especially manufacturers that are relocating to the ASEAN region.

Third, building economic resilience is going to be a priority as Cambodia is deeply integrated into the global economy and therefore more exposed to external shocks. To build Cambodia's economic resilience, the Cambodian government has drawn up a four-pronged strategy. First, to address future crises like this global pandemic, according to Visoth Vongsey, the Cambodian governance must be "stronger, more effective, smarter (technology-empowered administration), and cleaner (transparency and accountability)" (Vongsey's speech, January 27, 2021). Evidently, reformists and other economics-minded officials within Hun Sen's ruling party have been frustrated about the endemic corruption in Cambodia, and they have fired another warning shot that, if the ruling party leadership does not seriously combat this corruption, Cambodia will continue to lag behind other ASEAN members in attracting foreign direct investment. This time, such a failure will have serious consequences on post-Covid 19 economic recovery, and the legitimacy of the ruling party. Thus the Hun Sen government has a huge political stake, if not political will, in waging a war on Cambodia's deeply rooted corruption as part of its institutional reforms over the next five years.

Second, diversification of Cambodia's economy is a necessity to build up new economic lifelines to offset economic impacts of any regional or global crises (e.g. a war over the South China Sea dispute or a trade war between China and the United States, or a future global pandemic like Covid-19). In

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addition to the three major industries, i.e. garment, tourism, and construction and real estate which drove Cambodia's economic growth, Cambodia is to focus on two other major sectors: agriculture and industry. The full potential of Cambodia's agriculture is huge but under-exploited and under-developed due to the lack of market and poor transportation in the rural area. On the contrary, Cambodia's industry remains weak, and needs to be more competitive in attracting the kind of foreign investors who not only wants to build up its manufacturing base in Cambodia and export to the West, but also use advanced technology to develop green economy in Cambodia.

Third, the Cambodian government aims at accelerating the development of Cambodia's human resources to meet the above-mentioned demands of Cambodia's digital and technology-based economy. The Cambodian government is poised to invest more in education, public health, and social safety nets as well. In the area of education, the government needs to invest heavily in its efforts to re-skill and up-skill Cambodia's workforce so that they can transfer employment from one sector to another easily. The Covid-19 crisis has exposed the vulnerability of Cambodia's public health and underscored the importance of building social protection for Cambodia's workforce. Fourth, in addition to the success in tax collection, the government is to re-adjust its tax policy to an optimal level to support economic recovery efforts. The government has planned to borrow much more to invest in targeted projects like major infrastructure (roads, bridges, and airport) and power grid to provide more incentives to attract new foreign investors. The construction of major infrastructure projects is under way; those include the Siem Reap International Airport and second international airport in Phnom Penh; the construction of the Phnom Penh-Sihanouk express way with a price tag of 2 billion USD started in 2019 is expected to be completed by 2023, the latest. When completed, this expressway will connect nation's capital to its main seaport and the Sihanouk Special Economic Zone and pass through Kampong Speu province where a mega Chinese agriculture investment project bearing the status of a special economic zone worth 2 billion US dollars is located (Po and Primiano 2020, p. 453). The government expects that these projects would turn Cambodia into a transportation hub in China's Maritime Silk Road.

Fourth, financial resilience is also very important. Seven years ago, the Cambodian government began its saving scheme, and claimed to have saved over 3 billion USD as a buffer to deal with national emergencies. Since Cambodia is a USD based economy, the Cambodian government has planned to shift its reserve currency from US dollar to Chinese renminbi because it believes that China's economy is likely to surpass the U.S economy during the next decade; when that happens, Chinese renminbi will be an interna-

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tional reserve currency. Phnom Penh's leaders are increasingly concerned about the devaluation of US dollars due to the U.S. government's dumping more U.S. dollar supplies into its economy, and they believe that Chinese currency is becoming more stable and can facilitate economic transactions as Cambodia's trade with China has been increasingly deepened.

The Cambodian government is poised to borrow more loans because it believes that Cambodia's debt to international creditors, estimated at over 30 per cent of the country's DGP in 2020, remains healthy. According to a publicly available record of the Ministry of Economy and Finance, Cambodia's debt to international creditors in 2020 was nearly 8.6 billion USD, of which Cambodia's debt to China accounts for 45 percent, and the debt has increased to over 10 billion USD in 2021, doubling the country's debt to international creditors since 2015 when Cambodia's debt was just over 5.6 billion US dollars in 2015 (Ministry of Economy and Finance 2021). Cambodia will shift from the World Bank to the Beijing-based Asian Infrastructure Investment Bank (AIIB) as its major creditor because the AIIB can offer significantly lower interest rates (Vongsey's speech, January 27, 2021). In addition, the government is planning to create a system of sovereign bonds to enable the government to borrow more from domestic creditors.

### IV. ECONOMIC STRATEGIES IN THE POST-COVID 19 ERA

Under Hun Sen's leadership, Cambodia's economic and international vision for 2020-2030 prioritizes two closely intertwined goals of peace and economic modernization. A peaceful regional environment is crucial for Cambodia's economic priorities in the three critical-need sectors: infrastructure, energy, and digital connectivity and economy (Sim, 2020, pp. 1-12). Since Hun Sen put an end to the civil war in Cambodia through his national reconciliation in 1998, dubbed the "Win-Win" policy, he has carried out sustained market reforms, solidified the foundations of economic development and poverty reduction over the past three decades. Cambodia achieved an impressive average annual growth rate of over 7% during the 1998-2019 period, and attained a lower middle-income status in 2015. According to the Ministry of Finance and Economy's 2021 budget law, Cambodia's poverty rate was reduced from 47.8% in 2007 to below 10% in 2019. Cambodia's labor productivity growing from \$474.20 in 2005, to \$1,269.90 per person in 2016, to nearly US\$1,700 in 2019 (Hu et al., 2019, p. 180). The labour costs in Cambodia remain the lowest among ASEAN countries with a minimum legal wage set at US\$170 per month in 2018. These are good assets for foreign investors.

The post-Covid 19 era, the Cambodian government is planning to grasp three important opportunities to put its economic vision on track to become

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an upper-middle income country by 2035. The first and most important opportunity is China's outbound investment, propelled by China's continued economic growth. As China's economy has rapidly shifted from labour-intensive manufacturing toward high technology based economy by 2030, Phnom Penh anticipates that Cambodia as China's closest ally will absorb a large chunk of China's investment in labour-intensive manufacturing in Cambodia. Sihanoukville will draw huge Chinese investment because Cambodia has already invested in building up the infrastructure (seaports, roads, an international airport, and the Sihanoukville Special Economic Zone) in this coastal province. Thus Sihanoukville has a huge potential for developing Cambodia's industry. The China-Cambodia FTA signed in August 2020 is expected to provide a huge and favourable market for Cambodia's agricultural products (Vongsey's speech January 27, 2021). Also the Cambodia-South Korea Free Trade Agreement to be signed in 2021 will present another huge market for Cambodia's agricultural products and draw Korean investment into Cambodia's labour-intensive manufacturing sector. The Cambodian government expects to benefit from Cambodia's access to the US's market over the next five years. In 2020, the United States already surpassed the European Union as the largest market for Cambodian's non-garment products especially bicycles and furniture. Third, at the multilateral level, the signing of the Regional Comprehensive Economic Partnership (RCEP) in November 2020 will enable Cambodia to expand its market beyond the ASEAN Free Trade Area (Vongsey's speech, January 27, 2021).

Mostly recently, the Cambodian government has tasked its diplomatic corps to do economic works. The Minister of Foreign Affairs and International Cooperation (MFAIC) Prak Sokhonn has recently shifted from Cambodia's traditional diplomacy to economic diplomacy strategy (EDS) to promote international trade, attract foreign direct investment, tourism, cultural and sports exchanges (MFAIC, 2021, p. 5). Cambodia's diplomatic corps will be trained to streamline and empower economic diplomacy practices. This is unprecedented in Cambodia's diplomatic history, but certainly not without precedence in Southeast Asia. The Cambodian foreign policy establishment needs to look no further than its eastern neighbour, Vietnam. Since economic reform and opening in 1986, dubbed *doi moi* (renovation) policy, Vietnam's economic diplomacy under the leadership of the Vietnamese Communist Party has brought about impressive economic growth, affirming the core belief of the ruling Cambodian People's Party (CPP) that the authoritarian stewardship of a one-party state can ensure political stability and succeed in economic development. Economic development is key to maintaining the continued rule by the CPP.

## V. IMPLICATIONS FOR CAMBODIA'S POLITICAL AND NATIONAL SECURITY

As a small state sandwiched by two bigger and more powerful neighbours, Vietnam and Thailand, Cambodia's central concerns about self-determination, economic resilience, and physical survival are inevitably tied together in one overarching question of security. Under Prime Minister Hun Sen's leadership, Cambodia's core national interests are defined in terms of the closely intertwined duality of peace and economic development which would in turn increase the popularity of the ruling party. Domestic and regional peace is the necessity for Cambodia's economic development. To ensure Cambodia's peaceful relations with its ASEAN member states, the ruling party emphasizes strict adherence to the principle of non-interference in the internal affairs of any ASEAN members, and peaceful resolution of conflict through dialogue and negotiations at the regional level (Sim 2020). From the perspective of the ruling party, in stark contrast to Western powers' human rights-conditioned aid, China has provided all-out assistance for Cambodia's economic development and military modernization without interfering in Cambodia's internal affairs. However, critics have warned that Cambodia's overdependence on China will further undermine Cambodia's self-proclaimed neutrality and risk entangling Cambodia in China's future conflict with the United States in the South China Sea. Nonetheless, in Hun Sen's calculation, the benefits of Cambodia's bandwagoning with China's rise far outweigh such risks down the road. Hun Sen's fervent critics have labelled him as Hanoi's puppet since the day he escaped from Pol Pot's purges to seek the Vietnamese assistance on June 20, 1977, and now as Beijing's most faithful client (Hutt, 2016). After having secured China's full backing, he responded in 2016 to the "betrayal" narrative widely articulated on social media by some Vietnamese chauvinists: "Vietnam is not my boss" (Lay 2016). China's growing influence in Cambodia, especially China-funded seaports and an international airport in Sihanoukville and Koh Kong, has alarmed Hanoi's foreign policy strategists about Beijing's military use of these physical infrastructures in a future Sino-Vietnamese armed conflict in the South China Sea. Deputy Director of the Institute for Foreign Policy and Strategic Studies under the Vietnamese Ministry of Foreign Affairs Tran Viet Thai warned his government that the Chinese did not invest heavily in the construction of several ports of Cambodia such as those in Sihanoukville and Koh Kong out of generosity toward Cambodia. He further argued that the Chinese have invested massively in Sihanoukville and Koh Kong because these are strategic locations and the sea ports lie on China's fourth strategic line of defence from the Bay of Bengal to the Gulf of Thailand passing through the China-proposed 135-kilometer-long Kra canal of Thailand (Tran

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2020). Yet, Hun Sen has never ceased to amend personal and traditional ties with Hanoi's leaders. For example, on official visits to Vietnam, Hun Sen always visited General Le Duc Anh, who played a central role in training and building the armed forces of the People's Republic of Kampuchea in the early 1980s. Hun Sen counselled his son, General Hun Manet, whom he has groomed to succeed him as Cambodia's next prime minister, to visit the Vietnamese general whenever he visited Vietnam (Thach Thong's interview with Hun Sen in 2018). Most recently, in his capacity as the President of Central Youth of the CPP, Hun Manet sent a letter on January 15, 2021 to First Secretary of the Ho Chi Minh Communist Youth Union Nguyen Tuan Anh. In this letter, he wrote:

"Speaking of Cambodia-Vietnam ties, I took note with satisfaction of the progress in the bilateral relations that have been guided by the golden words of 'good neighbourliness, traditional friendship, comprehensive and long-term cooperation.' Our relations have stood the test of times thanks to the close and cordial personal ties between leaders from different generations of the Cambodian People's Party and CPV. This is the great cross-generational asset that young generations of our two parties shall treasure for the sake of peace, prosperity, and shared benefits" (Hun 2021).

While the ruling party's leaders have made concerted efforts to maintain peace and cooperation with its traditional ally Vietnam, they see China as Cambodia's trustworthy and indispensable great power ally. Chheang Vanarith, who is an expert on Cambodia's foreign policy at the Phnom Penh-based Asian Vision Institute, argues:

"Deep political trust, strategic convergence, and common economic interests are the foundations of the bilateral relationship and the key factors that have formed Cambodia's positive perceptions, particularly among governing elites, towards China's foreign policy initiatives. Cambodia has fully embraced China's proposed Belt and Road Initiative, which is believed to assist Cambodia in developing its infrastructure and strengthen its economic competitiveness. In this connection, economic rationale best explains Cambodia's perception and approach towards China." (Chheang 2020).

Similarly Leng Thearith argued that the ruling party's economic agendas largely dovetailed with China's Belt and Road Initiative (BRI); he also contends that Cambodia's embrace of China's BRI has also helped Hun Sen undercut the popularity of his political nemesis, Sam Rainsy, the leader of the Cambodian National Rescue Party (CNRP), after the latter had a huge gain in the 2013 national election. The CNRP has long accused Hun Sen of being "a Vietnamese puppet" and effectively used this narrative to

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undermine Hun Sen's nationalist identity as the saviour of Cambodian people from Pol Pot's genocidal regime and popular support. Leng observed: "Forging close ties with Beijing may prove that the CPP is not subordinate to Hanoi" (Leng, 2019, p. 250). Yet, others analysts—and I agree—see the Sino-Cambodian comprehensive partnership is rooted in a deeper convergence of economic-security interests in this asymmetrical alliance. Among others, Po Sovinda and Christopher Primiano pointed out four main drivers of Cambodia's bandwagoning towards China: (1) the survival of the Hun Sen's regime; (2) China's massive economic rewards for Cambodia; (3) an insurance against the Vietnamese threat; (4) the ineffectiveness of ASEAN to solve the Thai-Cambodia border dispute (Po and Primiano, p. 457). The security externality of Cambodia's deep economic relations with China explains why the ruling elites in Phnom Penh see Cambodia's overdependence on China as not a threat. As a leading defender of the principle of national sovereignty, China firmly supports Cambodia's sovereignty in that China has strongly opposed the West's interference in Cambodia's internal affairs and firmly backed the ruling party's socio-economic development priority over democracy and human rights (Path, 2018, 218). Chinese aid and investment not only has boosted Cambodia's economic growth, which in turn has soared up CPP's performance-based legitimacy, but will also provide security insurance against potential threats from its two more powerful neighbors, Vietnam and Thailand (Hu Fang et al., 2019, pp. 196-7). The Cambodian government has steadfastly self-proclaimed "neutrality" in its foreign policy, privately the political elites within the ruling party knows that Cambodia's neutrality does not sit well with China's expectation from its ironclad ally, Cambodia (anonymous interview with a senior official of the Cambodian government). One Cambodian analyst observed that China is now an economic and security guarantee for Cambodia's national development and survival (Soun, 2016, p.3). Cambodia engaged in a brief border war with Thailand over the dispute over the land adjacent to Preah Vihear temple in 2010. Contrary to its purported peaceful conflict resolution mantra, ASEAN proved to be ineffective in its preventive diplomacy, and China stepped in to provide Cambodia with military aid to stand up to a much stronger U.S. ally, Thailand. The Cambodian government was beyond displeased with Vietnam's unilateral cross-border shutdown using its border defence forces and setting checkpoints even in some areas where border disputes remain outstanding in the summer of 2020 (anonymous interview 2020). As Vietnam has increasingly tilted toward the United States to cope with China's assertiveness in the South China Sea, the ruling party in Cambodia has begun to anticipate a future threat from its eastern neighbour and traditional ally. At the domestic level, political opposition spearheaded by the Cambodian National Rescue Party backed

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by the West has continued to pose a major threat to the survival of the CPP. China's economic and political backing has enabled the Hun Sen government to offset any economic sanctions and political pressure by the West. All of these national security and regime survival challenges have deepened Cambodia's dependence on China. For China, Cambodia is not only China's closest ally in Southeast Asia, but also a pivotal country in China's Belt and Road Initiative. Hu and his colleagues (2019) observed, "Cambodia's location in Southeast Asia makes its strategically significant as a transportation hub for the Belt and Road" (p. 180). Cambodia is also vital for China's outbound investment. The Chinese government has encouraged Chinese enterprises to invest in Cambodia's infrastructure, specially roads and bridges, power grid, airports, telecommunication, water and sewage treatment (Hu et al, 2019, pp. 185-7).

### VI. CONCLUSION

Cambodia's economic recovery efforts in 2021-2023 will rely on three pillars: survival strategies, deep reforms, and building economic resilience. For Cambodia to regain a net positive growth of 7 percent and to achieve the upper-middle-income by 2030-2035, the Cambodian government is preparing to grasp the full economic potentials of Cambodia's free trade with China, South Korea, and membership of RCEP, the world's largest free trade zone to date. From Phnom Penh's perspective, these free trade agreements will bring much more economic benefits than the ASEAN Free Trade Agreement of which Cambodia is a member. Gleaning from the ruling elites' analysis of the post-Covid 19 global economy and their new strategic economic plan after 2021, I have come to a conclusion that Cambodia's economic crisis caused by the Covid-19 global pandemic will certainly drive Cambodia even closer to China, making it even more difficult for the ruling party to claim Cambodia's "neutral" foreign policy. Cambodia's economic reliance on China is going to grow significantly in the post-Covid 19 era. The Cambodian government has seen China as a big winner emerging out of the global pandemic, and will surpass the United States as the economic superpower in the post-Covid 19 era. In the mist of the pandemic, the CPP resented and suspected its traditional ally, the Communist Party of Vietnam, of its ill intention when the latter decided to unilaterally close the Cambodian-Vietnam border in the summer of 2020; Vietnam temporarily set up hundreds of security posts even in the disputed territory along the border in order to contain Covid-19 spread. In private, Vietnam's unilateral actions angered the ruling elites of the CPP. Hence, given the stronger economic-security nexus in the Sino-Cambodian-Vietnamese triangle relations, the ruling elites in Cambodia are more likely to bandwagon with China with greater enthusiasm

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in the post-Covid 19 era. This will make it more difficult for the ruling party to maintain its principle of “neutrality” in its foreign policy in general, and to restore its close relationship with its traditional ally, Vietnam, in particular.

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