



Royal University of Law and Economics

Final Report on:

**Belt and Road Initiative:
A New Trade Framework for
Cambodia**

**Names of Student:
MEAS SOTHEARA
PISITH PITOU**

**Name of Academic Advisor
Dr. KEM SAMBATH**

**International Program
Bachelor's Degree in International Relations
Cohort 8
Year of Submission: 2020**



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Abstract

Since the establishment of The Belt and Road Initiative by president Xi Jinping, Cambodia has been actively engaging and cooperative in the framework. Through Belt and Road, Cambodia has received major support from China in term of the socio-economic developments. Not only does Cambodia benefit from the infrastructure development and other focal point in the initiative, but it also witnesses an increase in the trade and commercial sector too. However, along with said benefits, Cambodia does face with major challenges and side effect coming from the initiative. This require careful responses from the RGC in order to steer clear from any effects on the nation while take up all the benefits that BRI provides.

In our thesis we have divided the paper into five part: The first part is the introduction of our thesis which gives the background, aims, scope, terminology, and research methodology of our topic. In Chapter 1, we will discuss about relationship between Cambodia and China within the framework of BRI such as, infrastructures, trades, social and cultural exchange, and mutual relations. In Chapter 2, we will explore how BRI benefit Cambodia economy and also the challenges that come with it. Chapter 3 is the explanation about how Cambodia responses to such economic wake and the challenge that was listed above. Finally, the last section provides the suggested recommendation to the topic and the conclusion combined with the finalized literature review of the author.

Keywords: Belt and Road Initiative, Trade, Cambodia

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LIST OF ACRONYMS

- ADB : Asia Development Bank
- AHKFTA : ASEAN Hong Kong Free Trade Agreement
- AIIB : Asia Infrastructure Investment Bank
- AmCham : American Chamber of Commerce
- ASEAN : Association of South East Asian Nations
- BRI : Belt and Road Initiative
- CCC : Cambodia Chamber of Commerce
- CDC : Council of the Development of Cambodia
- EuroCham : European Chamber of Commerce
- FTA : Free Trade Agreement
- NCAC : National Commercial Arbitration Center
- PPSEZ : Phnom Penh Special Economic Zone
- RCEP : Regional Comprehensive Economic Partnership
- RGC : Royal Government of Cambodia

INTRODUCTION

1. Background

The “Silk Road” was an ancient network of trade routes, formally established during the Han Dynasty of China, which linked the regions of the ancient world in commerce between 130 BCE-1453 CE. As the Silk Road was not a single thoroughfare from east to west, the term 'Silk Routes' has become increasingly favored by historians, though 'Silk Road' is the more common and recognized name. According to the article “Silk Road”¹, the common trading goods included: gold, silver, slaves, weapons, silk, tea, precious stones, porcelain, bronze and gold artifacts, medicine, perfumes, rice,.....etc. The route was utilized routinely from 130 BCE, when the Han Dynasty formally opened commerce with the west, to 1453 CE, when the Ottoman Empire boycotted the trade with China and shut the route. At this point, Europeans had gotten used to the merchandise from the east and, when the Silk Road shut down, merchant needed to discover new exchange paths to satisfy the need for these products.²

The conclusion of the Silk Road started the Age of Discovery (1453-1660 CE) which would be characterized by European pioneers taking to the ocean and chartering new water courses to supplant over-land exchange. The Age of Discovery would affect societies around the globe as European explorer would claim some land for the sake of their god and nation, and impacted others by presenting western culture and religion and, simultaneously, these different countries influence European culture.³ It had put China trade route into hibernation and influence the trading path of the new world for centuries until Chinese President Xi Jinping launched the BRI in an attempt to resurrect the ancient silk road.⁴

¹ Joshua J. Mark, "Silk Road," (2018).

² . Ibid.

³ . Ibid.

⁴ Heng, K., & Po, S. (2017), Cambodia and China's BRI: Opportunities, challenges and future directions, *UC Occasional Paper Series, 1(2)*, 1-18.

The “Silk Road” later became the major strategy of China to infiltrate the 21st century, BRI which is focused on establishing connection between China and the rest of the world through logistic networks such as, road, railways, power line, ports, and other infrastructure network. Currently, there are 71 nations participate in the initiative, which accountable for over two-third of the world population and exceed one-third of the world’s GDP.⁵ The BRI is a new route which was established in order to support and quicken the exportation of Chinese goods and technology to world market. Via BRI, China can outsource its production to other countries along the route of the Initiative, especially to the less developing countries. By outsourcing its production, it can push the economic growth of the host countries through various factors. Furthermore, having the production line near its market can reduce the cost of transportation and other risk, which in return make the product more cost-efficient resulting in increasing consumer statistic.

In order to reach the goal of the project, the BRI are prioritizing on five keys cooperation factors including:

- Policy coordination: Promotion of intergovernmental cooperation, multi-level intergovernmental macro policy exchange and communication mechanism.
- Connectivity: Improvement of connectivity of infrastructure construction plans and technical standards systems
- Trade: Reduction of investment and trade barriers, promotion of regional economic integration.
- Financial integration: Coordination and cooperation in monetary policy, set-up of financing institutions, and
- People to people bond: Cultural and academic exchange and dialogue, media cooperation.⁶

The geography of The BRI was established to bring out a win-win result to the world, including freeing millions of citizen out of the poverty line, promoting diplomacy by connecting

⁵ "BRI," <https://www.beltroad-initiative.com/belt-and-road/>.

⁶ Ibid.

the world through a new trend of international relation. The establishment of the Initiative, which seek foster on creating commercial network and infrastructure that connect Asia, Africa, and Europe through an ancient commerce route, has provide entrepreneurs with a sustainable opportunity.

The BRI consist of two main approaches, The Silk Road Economic Belt, and the 21st Century Maritime Silk Road. By heading towards the world in two directions, China has advance it movements further and broader than the last attempt in Silk road – which focused only at European market. Financially speaking, the 21st Century BRI account for over 40 percent of all China’s international project, which exceed over 1400 contracts worth 37.6 Billion Dollars during its first semester of 2015.

The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic), linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean.⁷ The Silk Road Economics Belt is a long term infrastructure development project that bring connectivity and economic cooperation through Eurasia by the upbringing six establishment of “Corridors”.⁸

- New Eurasian Land Bridge Economic Corridor (NELBEC)
- China – Mongolia – Russia Economic Corridor (CMREC)
- China – Central Asia – West Asia Economic Corridor (CCWAEC)
- China – Indochina Peninsula Economic Corridor (CICPEC)
- Bangladesh – China – India – Myanmar Economic Corridor (BCIMEC)
- China – Pakistan Economic Corridor (CPEC)

⁷ Huping Shang, *The BRI: Key Concepts* (Peking see 6.University Press Springer Nature Singapore Pte Ltd., 2015).

⁸ .Ibid.

In short, with the huge economic leap, China also eyeing for the potential of expanding its trade through maritime ports, which lead to the creation of “The Maritime Silk Road”. The 21st Century Maritime Silk Road is designed to go from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other. It was first proposed by Chinese President Xi Jinping in October 2013 at the ASEAN Parliament in Indonesia, in which has stated that China was ready to work with ASEAN to build the 21st Century Maritime Silk Road as a mean to upkeep the connection and cooperation in Maritime partnership between China and ASEAN. In November 2014, President Xi had put forth a development fund of 40 billion US dollars to aid china in its plan to establish both the Silk Road Economic Belt and Maritime Silk Road.⁹

2. Problem Formulation

The BRI presents many potential opportunities for Cambodia. An obvious advantage for Cambodia is a substantial improvement to its physical infrastructure. By embracing the BRI, Cambodia will be able to access the massive infrastructure fund provided by the Asian Infrastructure Investment Bank. The country is more likely to have access to other infrastructure loans, supported by such Chinese institutions as the Export-Import Bank of China, the China Development Bank and the Silk Road Fund. To fund these extremely ambitious infrastructure projects involving 65 countries in Asia and beyond President Xi Jinping pledged USD 79.4 billion in the BRI Forum in May 2017.

Moreover, under the framework of the BRI, Cambodia and China have agreed on several infrastructure projects, with China pledging to offer a USD 2 billion supporting fund (Sum, 2016).

⁹, in *China’s BRI: Motives, Scope, and Challenges*, ed. Simeon Djankov and Sean Miner (Peterson Institute for International Economics. , 2016).

Furthermore, The BRI will enable Cambodia to accelerate its economic integration into the region and the wider world. Since the BRI is comprised of both land and sea routes that span 65 countries, Cambodia is very likely to improve its regional and international economic integration by acting as a connecting point along the route between China and the rest of world. Plus, it is worth noting that China remains the biggest investor, trading partner and aid provider of Cambodia.

3. Research Questions

The principal purpose for this thesis is to explore the benefits that Cambodia receive from the BRI, and how does Cambodia response to the problems that are coming with such benefits.

The questions we trying to answer are:

1. What is BRI?
2. How does BRI improve the trading sector in Cambodia?
3. What will Cambodia do to prepare itself for the Initiative?

4. Research Objectives

This final report is going to examine the trading Sector between Cambodia and China under the BRI framework. This paper will also discuss the overview condition of Cambodia within the BRI context – such as infrastructure projects, transportation projects, and. Further, it will discuss how Cambodia will prepare itself in order to extract other beneficial factors that are coming with joining BRI. By this analysis, the recommendation will be made for any problems that had arose and also as a prevention for the future obstructions.

5. Research Methodology

In order to fulfill to requirement for this final report, it depends on the additional research that gather from various sources including the legal documents, reports, relevant data, international news, reliable sources from online. This final report is advising, consulting, reviewing, and revising with an academic adviser to complete this paper.

6. Structure of Research

Introduction:

This part is going to give a leading interest to research, and follows through research problem, research question, research objectives, significance of research, scope and limitation, research methodology and the last one is structure of research.

Body:

Chapter 1: Overview of Cam-China relations in context of BRI

Chapter 2: A New Perspective

Chapter 3: Strategies to strengthen Cambodia trades tie

Conclusion and Recommendation:

This part is the last part, which is going to provide the overall conclusion of key findings and give further recommendations by answering to the main research question.

CHAPTER 1: OVERVIEW OF CAMBODIA TRADE RELATIONS IN COTEXT OF BRI

1.1 FOREIGN POLICY

1.1.1 Cambodia's Economic Relations

Cambodia's trading pattern has changed dramatically since the mid-1980s, when the Soviet Union virtually dominated Cambodia's trade. The country's main import sources now are China, the United States, Thailand, Vietnam, and Hong Kong. Most exports go to the United States, Hong Kong, Singapore, the United Kingdom, and Germany. Goods are freely smuggled between Cambodia and Thailand, and large volumes of Cambodian imports are undocumented and untaxed. Consequently, trade figures are difficult to interpret. This understood, major retained imports include investment-related products, petroleum products, and durable consumer goods. Until the late 1990s, export of imported goods such as cigarettes, motor vehicles, electronics, and gold accounted for the bulk of Cambodia's external trade. Since then garments have eclipsed all other commodities to constitute the bulk of Cambodia's exports. Sawn timber, logs, and rubber, once central to Cambodia's economy, continue to be exported legitimately in small quantities.¹⁰

The most-important sources of tax revenue in Cambodia have been consumption taxes and customs duties. In 1993 all tax collection and government spending was centralized and placed under the control of the Ministry of Finance, replacing the previous system that allowed individual ministries to assess taxes and spend the resulting revenues. Tax collection subsequently became more effective, and tax revenues increased. During that period new tax policies, instituted to encourage domestic and international investment, provided for lower

¹⁰ David P. Chandler, *The Tragedy of Cambodian History and others*. (Australia: Monash University, 2019)

corporate taxes, tax exemptions of up to eight years for companies in industrial sectors assigned priority status by the government, no taxes on reinvested profits, and tax exemptions on imported capital equipment intended for export-oriented production.¹¹

1.1.2 Cambodia-China Relations

The presence of China in Cambodia is nothing new, the extent of its current involvement in Cambodia's politics and economic development is staggering. Despite the international condemnation, China recognized the result of the coup and provided Cambodia with huge financial aid. Since then, a series of reciprocal high-level visits between the countries have helped to strengthen the bilateral relationship.¹² Presently, the bond between Cambodia and China is closer and stronger than ever. China is Cambodia's top foreign investor, a major donor and an increasingly important trading partner. With 247,197 Chinese tourists visiting Cambodia in 2011, China is also the latter country's third-biggest tourism market, after Vietnam and South Korea.¹³ According to the Chinese Association in Cambodia, there are about 500,000 Chinese and Chinese-Cambodians living in Cambodia, where they are one of the largest and most visible ethnic minorities.¹⁴ Chinese-Cambodians play a prominent role in the Cambodian business sector as well as within Cambodia's political scene. Mandarin Chinese is the second most popular language in Cambodia after English. There are approximately 56 schools offering Chinese-language classes to some 30,000 students nationwide.¹⁵

The China-proposed BRI creates huge opportunities for Cambodia to develop and catch up with other countries in the Asia-Pacific region, especially in attracting more foreign investment. Cambodia stands to benefit more from Chinese investment in infrastructure such

¹¹ David P. Chandler, *The Tragedy of Cambodian History and others*. (Australia: Monash University, 2019)

¹² Julio A. Jeldres, *Cambodia's Relations with China: A Steadfast Friendship*. (Australia: Monash University, 2015)

¹³ Julio A. Jeldres, *Cambodia's Relations with China: A Steadfast Friendship*. (Australia: Monash University, 2015)

¹⁴ Heng Pheakdeuy, *Cambodia-China Relations: A Positive-Sum Game?* (Ministry of Tourism, June 1, 2012)

¹⁵ Heng Pheakdeuy, *Cambodia-China Relations: A Positive-Sum Game?* (Ministry of Tourism, June 1, 2012)

as roads, rail, ports and hydropower plants which will increase significantly in the coming years. Cambodia believes the initiative would boost infrastructure development and increase economic opportunities.¹⁶

The scope of the project will help realize Cambodia's development strategy such as the Rectangular Strategy and Industrial Development Policy (2015-2025) as The BRI will also contribute to the realization of the vision of becoming a middle-income country by 2030 and a high-income country by 2050.

Logistics in Cambodia is less developed compared with other nations of the Association of Southeast Asian Nations (ASEAN) due to the lack of a reliable network of transportation, telecommunications, warehousing and other related infrastructure. Another key constraint in attracting foreign direct investment in Cambodia is the cost of electricity which is higher than in neighboring Laos, Thailand and Vietnam.¹⁷

A. Cambodia-China Trade

A soon-to-be-signed Cambodia-China Free Trade Agreement (FTA) will not extend Phnom Penh the economic lifeline it initially sought from Beijing and now needs more than ever in the wake of Covid-19. Cambodia's first-ever bilateral trade pact will by initial estimates add less than 2% of gross domestic product (GDP) to the economy and prioritize agriculture over manufacturing exports at a time Cambodia's crucial garment industry is teetering towards collapse.

Symbolism aside, the Cambodia-China trade deal's economic significance is less clear. The Cambodian government has provided scant details on the deal's financial and economic benefits, even as the country suffers its worst economic crisis in decades. Cambodia's economy is poised to shrink 5.5% in the worst-case scenario in 2020 due to the Covid-19 pandemic and

¹⁶ Heng Pheakdeuy, *Cambodia-China Relations: A Positive-Sum Game?* (Ministry of Tourism, June 1, 2012)

¹⁷ Heng Pheakdeuy, *Cambodia-China Relations: A Positive-Sum Game?* (Ministry of Tourism, June 1, 2012)

global recession, according to the Asian Development Bank. In May, the World Bank estimated that poverty rates could climb 11 percentage points if Covid-19 related income losses last for six months. Tariffs will be cut for 98% of all Cambodian exports to China with the rest becoming tariff-free within ten years, while 90 percent of Chinese exports to Cambodia will be tax-exempt. But it's not immediately clear the deal will improve Cambodia's trade terms with China. In 2018, Cambodia exported just over US\$1.3 billion worth of goods to China, while its imports from China were worth \$6.1 billion, according to United Nations data. By comparison, Cambodia's exports to the US and EU were worth \$3.8 billion and \$6 billion respectively that year, with Cambodia enjoying a trade surplus with both.¹⁸

The vast majority of Cambodia's exports to China are already tariff-free because it is a party to the ASEAN-China Free Trade Area. As such, the free trade deal extends tariff-free trade to an additional 340 products, including pepper, dried chili, cashew nuts, garlic, honey and seafood products.

The narrative advanced by the Cambodian government and its supporters is that the deal will allow the country to diversify its export-driven economy yet all the attention of the trade deal and it is only clear benefits lie in expanding Cambodia's agricultural exports.¹⁹

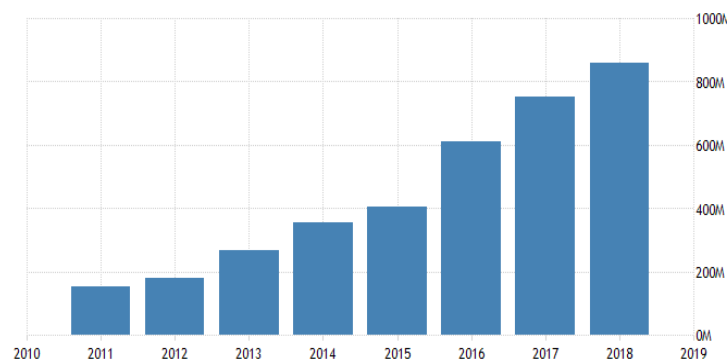


Figure 1: Statistic of Cambodia Exports to China from 2010-2018

¹⁸ Sangeetha Amarthalingam, *What's the deal with Cambodia and China's FTA*, The Phnom Penh Post, (Phnom Penh, Aug 13, 2020)

¹⁹ Sun Narin, *China, Cambodia Conclude 'Mutually Beneficial' Free Trade Agreement*, VOA Khmer, (Cambodia: July 21, 2020)

Cambodia exports to China was US\$858.74 Million during 2018, according to the United Nations COMTRADE database on international trade. Cambodia exports to China - data, historical chart and statistics - was last updated on August of 2020.²⁰

1.1.3 ASEAN and BRI

Cambodia has recently put higher emphasis on cultivating new market industry in the pursuit of building a digital-economic platform through the creation of new business opportunities via digital payment, online entertainment and e-commerce, of which the tech savvy millennial has increasingly been involved as both the user and the workforce to set up those platforms. The remarkable shift toward digital economy has also enabled investors to benefit more from the business activity regarding the reducing the transaction costs. The Government has laid out 17-point strategy to reduce the cost of doing business in Cambodia, undertaken under the new structural reforms starting from late March 2019, which would expect to save up to USD 400 million a year for the private sector. Other forms of structural adjustment include the development of the country's competitive logistics masterplan in addition to the policy reforms in easing the investment flow and business cost.²¹

As one of the member states of ASEAN, Cambodia has played a fundamental role in proactively engaging and enhancing the country's foreign policy in relations to small state diplomacy. The Kingdom needs to be more flexible and practical in strengthening its diplomatic maneuverability in the midst of increasing shift of the strategic security landscape and rising intensity of power competition in the region. Cambodia needs to adhere to its core principles of "neutrality and non-alignment" in conformity to the Article 1 enshrined in the Constitution by further pushing for the hedging strategy of its foreign policy. By embracing

²⁰ The Observatory of Economic Complexity, *Country: Cambodia*, 2019

²¹ Molly Ball, *Cambodia Braces Itself for ASEAN Free Trade*, The Cambodia Daily, August 14, 2020. <https://english.cambodiadaily.com/news/cambodia-braces-itself-for-asean-free-trade-35526/>

a tactical balancing and diversification strategy, Cambodia would stand many chances to further boost its economy while at the same time, enhancing the essence of ASEAN unity and Centrality at large. Placing ASEAN at the core would also prevent the internalization of the superpower competition within this region, which has the possibility of escalating to armed conflicts among countries in the regional grouping.²²

The members of the Association of Southeast Asian Nations (ASEAN) including Cambodia are greatly benefiting from the China-proposed BRI (BRI), BRI has importantly contributed to enhancing economic growth and development in ASEAN as well as in the world at large. The BRI is a good connectivity initiative that has been providing tremendous opportunities and benefits to all participating countries as the strategy has been helping the 10-member ASEAN strengthen infrastructure connectivity, which is the key element for socio-economic development in ASEAN groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.²³

Through the BRI, ASEAN member states have received many physical infrastructure projects from China such as roads, expressways, railroads, airports, and seaports, among others. The inflows of Chinese investors and tourists to ASEAN have also increased, which have greatly contributed to economic growth, job creations and poverty reduction in the region.

At the same time, other ASEAN members can also benefit from the BRI given this region still has room for development in the fields of physical infrastructure, industry, and tourism among others. the BRI has not only brought economic development and growth to ASEAN, but also improved trade and investment thanks to geography, cultural value, and good relations between

²² Amitendu Palit, *The BRI and the Asian Region: Impacts and Response*, Asia Research Institute, University of Nottingham.

²³ Amitendu Palit, *The BRI and the Asian Region: Impacts and Response*, Asia Research Institute, University of Nottingham.

China and ASEAN in economics, trade, investment and tourism, given the fact that China has the population of about 1.4 billion, and ASEAN has the combined population of more than 600 million.²⁴

1.2 CAMBODIA INVESTMENT OPPORTUNITIES

Cambodia has emerged in recent years as a high growth economy, attracting investors from around the globe. Foreign direct investment has increased significantly since the end of civil war in 1993. And while foreign investment slowed along with the global economy, economists project a strong rebound in 2010. For the adventurous investor, Cambodia offers long-term growth opportunities across a variety of sectors.

1.2.1 Motivation for Investment

A. Preferential Market Access

Cambodia is located at the heart of Southeast Asia, a region experiencing enormous economic growth over the past several decades. As a member of the Association of Southeast Asian Nations (ASEAN), Cambodia benefits from very low tariffs on most goods traded with its neighbors. By 2018, the ASEAN Free Trade Area aims to completely eliminate all tariffs.²⁵

In addition, 2010 marks the first year of the China-ASEAN Free Trade Area, a trading block of 1.7 billion people and astounding economic growth. Finally, as a WTO member and least-developed country, Cambodia benefits from preferential access in a number of markets.²⁶

B. Open Economy

Cambodia offers one of the region's most open economies to foreign investment. Low tax rates, investment incentives, and a one-stop-service for qualified investments all reflect the government's commitment to attracting foreign capital.²⁷

²⁴ Amitendu Palit, *The BRI and the Asian Region: Impacts and Response*, Asia Research Institute, University of Nottingham.

²⁵ RepASEAN Desk. *After 20 Years, Cambodia Has Reaped Benefits from ASEAN*, Reporting ASEAN: Voice and Views from Within. <https://www.reportingasean.net/20-years-cambodia-reaped-benefits-asean/>

²⁶ Molly Ball, *Cambodia Braces Itself for ASEAN Free Trade*, The Cambodia Daily, August 14, 2020. <https://english.cambodiadaily.com/news/cambodia-braces-itself-for-asean-free-trade-35526/>

²⁷ David Haskel, *Investing in Cambodia*, BNG Legal, <https://www.hg.org/legal-articles/investing-in-cambodia-7235>

C. Competitive Assets

Tourism has traditionally attracted the most foreign investment. Lead by the world-class destination of Angkor Wat, Cambodia draws over a million international visitors a year. While temple tourism has already drawn significant foreign investment, significant potential remains. In addition, the Cambodian labor force offers a competitive advantage for many firms. With low labor costs and rapidly increasing education levels, the country can offer lucrative returns for investors in labor-intensive manufacturing.

D. Establishing a Company

All companies that conduct commercial activities in Cambodia must be registered with the proper authorities. Most investors choose to establish a private limited company, as it provides limited liability for its shareholders. Operating as a sole proprietorship or partnership is also possible, and though cheaper to establish, the owners can be held personally liable for any debts. Foreign companies can also work through a subsidiary, branch or representative office, though they need to be careful not to exceed the limited allowable activities. Foreign-owned companies can undertake the same business activities as Cambodian-owned companies, with the notable exception of land ownership.²⁸

1.2.2 Investment Qualification

According to the Law on Investment of the Kingdom of Cambodia, only Qualified Investment Projects are entitled to the benefits subject to the scope of this Law. Qualified Investment Project, abbreviated to “QIP”, is the investment project which has received a Final Registration Certificate.²⁹ The Ministry of Commerce and the Council of the Development of Cambodia are the institutions responsible for overseeing foreign direct investment and business

²⁸ David Haskel, *Investing in Cambodia*, BNG Legal , <https://www.hg.org/legal-articles/investing-in-cambodia-7235>

²⁹ Special Procedure, *Procedure: Qualified Investment Project*. General Department of Customs and Excise of Cambodia.

development in Cambodia. FDI projects which are eligible for business incentives are called Qualified Investment Projects (QIPs) and must be registered with the CDC.³⁰ In addition, all QIPs are exempted from import duties on construction materials, production equipment, and input materials. With certain exceptions, any goods manufactured by the QIP are also exempted from export taxes. With the recently established ASEAN and ASEAN-China Free Trade Areas, it is possible that traded goods could be totally free of export and import duties. Only projects over a certain size can apply for QIP incentives. Specific activities are also excluded - such as restaurants, casinos, and professional services.³¹

1.2.3 Taxation

Cambodia has a more lenient tax regime compared to most neighboring countries. Corporate tax rates are low, and filing requirements are simple and streamlined. In addition, Qualified Investment Projects can benefit from attractive tax breaks, as determined by the CDC including:³²

- Tax Registration
- Patent Tax
- Stamp Tax
- Tax on Profit
- Minimum Tax

Compared to many other countries, Cambodia is a relatively low-tax regime. Furthermore, the simplicity of the tax code makes compliance relatively straightforward. Failure to properly register and pay, while unfortunately common, can entail grave consequences for any reputable business.

³⁰ Special Procedure, *Procedure: Qualified Investment Project*. General Department of Customs and Excise of Cambodia.

³¹ David Haskel, *Investing in Cambodia*, BNG Legal , <https://www.hg.org/legal-articles/investing-in-cambodia-7235>

³² Pwc, *Cambodian 2018 Tax Booklet: A summary of Cambodian Taxation*. 10-12. www.pwc.com/kh

1.2.4 Special Economic Zones

Special Economic Zones have recently been introduced to Cambodia. All industrial activities are brought together into one special development under the auspices of the SEZ. Each zone contains a production and service area and may also include a residential area to accommodate workers. SEZs offer a one-stop service for imports and exports, with government officials stationed on-site to provide administrative services. Applications to establish factories within the SEZs are dealt with on-site as well as all administrative clearances, permits, and authorisations. Businesses within the SEZs also benefit from a number of fiscal advantages, including income tax, customs.³³

VAT breaks.

Since the adoption of the sub-decree establishing economic zones, the government has approved 21 SEZs, located along the border with Thailand and Vietnam, Sihanoukville and Phnom Penh. Of the 21, six have commenced operations.

1.2.5 Repatriating Profits

The U.S. dollar is widely used in business and daily life in Cambodia. The national currency, the Cambodian Riel, hovers at about 4,000 Riel to the dollar, as the government is committed to maintaining exchange rate stability. Investors can freely convert accounts in Riel to dollars. Though the Foreign Exchange Law allows the National Bank of Cambodia to implement exchange controls in the event of a crisis, this power has never been exercised. Several regional banks have opened in recent years, making it even easier for investors to move funds in and out of the country.³⁴

³³ David Haskel, *Investing in Cambodia*, BNG Legal , <https://www.hg.org/legal-articles/investing-in-cambodia-7235>

³⁴ Invest Phnom Penh, *Cambodia Real Estate Investment*. <https://www.investphnompenh.com/cambodia-investment-opportunities/>

1.2.6 Foreign Ownership

Foreigners can enter the Cambodia real estate market without a change in citizenship. Foreigners can buy properties thru a Strata title or by way of nominee structure. In a nominee structure, 51% of the property is under the name of a Cambodian National and 49% is owned by the Foreigner. For security, they enter into a Mortgage Agreement. This does not allow nominees to sell, transfer, move or make any changes on the property. Additionally, foreigners are allowed to lease land for 50 years or more. They can build structures or re-purpose the land as long as the lease agreement is in place. As long as it is not stipulated in the lease, the foreigner can do whatever they need to do on the land.³⁵ Foreigners can invest, and own companies in Cambodia. They can have 100% ownership and there are no trade restrictions. Investors can put up any type of business in the country. No price control is put in place, which means they can put any price they want on the items that they sell. Foreigners can also send their income back to their home country.³⁶

1.3 INFRASTRUCTURE DEVELOPMENT

1.3.1 Road

Cambodia has now strengthened its existing road network capabilities to keep pace with its rapid economic growth, as well as boost cooperation. Operations in ASEAN and the Greater Mekong Sub region.³⁷

The construction of the Expressway network is the biggest factor in strengthening the capacity of the road network in Cambodia, because the expressway can provide better

³⁵ IPS Cambodia, *5 Reasons Cambodia is Best in the Region for Foreign Investments*. Globe: Line of thought Across Southeast Asia. <https://southeastasiaglobe.com/5-reasons-cambodia-is-best-in-the-region-for-foreign-investments/>

³⁶ IPS Cambodia, *5 Reasons Cambodia is Best in the Region for Foreign Investments*. Globe: Line of thought Across Southeast Asia. <https://southeastasiaglobe.com/5-reasons-cambodia-is-best-in-the-region-for-foreign-investments/>

³⁷ Expressways, Ministry of Public Works and Transport: Public Works, <https://www.mpwt.gov.kh/en/public-works/expressways>

transportation services than normal roads and is considered It is also the basis for modern industries and heavy transport activities.³⁸

A. Purpose of Expressway Construction

The purpose of the expressway construction project in Cambodia is to:³⁹

- Regional Integration (both within ASEAN and the Greater Mekong Sub Region) as well as globally. Help connect regional transport networks from one country to another to improve Cambodia's transport capacity, in line with the development of globalization.
- Increase the balance of territorial development by connecting Phnom Penh with provincial capitals and as a way to the world: increase transport capacity and improve logistics efficiency in the country, especially from Phnom Penh to the provinces to make progress in the provinces quickly.
- Strengthen and improve the traffic situation in Cambodia: Highways have a high capacity to carry heavy vehicles, serve well and can attract vehicles traveling on national roads, this will help reduce damage and cut Reduce traffic congestion on national roads

B. Priority Expressway Project for Cambodia

1. Phnom Penh-Sihanoukville Expressway Project

The Phnom Penh-Sihanoukville Expressway is a completely new highway with a total length of approximately 190,633 km. The investment in the expressway project will be implemented on a Build-Execute-Transfer (BOT) basis with a construction period of 48 months.⁴⁰

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

Currently, the project has reached the stage of establishing an impact management committee composed of the Ministry of Economy and Finance and the Ministry of Public Works and Transport.⁴¹

2. Phnom Penh-Bavet Expressway Project

The Phnom Penh-Bavet Expressway is also a completely new lane with a total length of about 135 km. This road is to be built in 4 lanes, the road body is 25.5 meters wide. This road will leave Phnom Penh at the third ring road through Kandal, Prey Veng and Svay Rieng provinces to Bavet on the Cambodian-Vietnamese border. According to a study by the Japan International Cooperation Agency (JICA), the expressway is a 12 km long viaduct with a box culvert and a 28.4 km long culvert. Embankment is about 85.8 km long. The Phnom Penh-Bavet Expressway has seven inter-change lanes, six rest stops and one new border gate.

The Phnom Penh-Bavet Expressway project has been completed and is in the process of discussing the cost of the project and the source of funding.⁴²

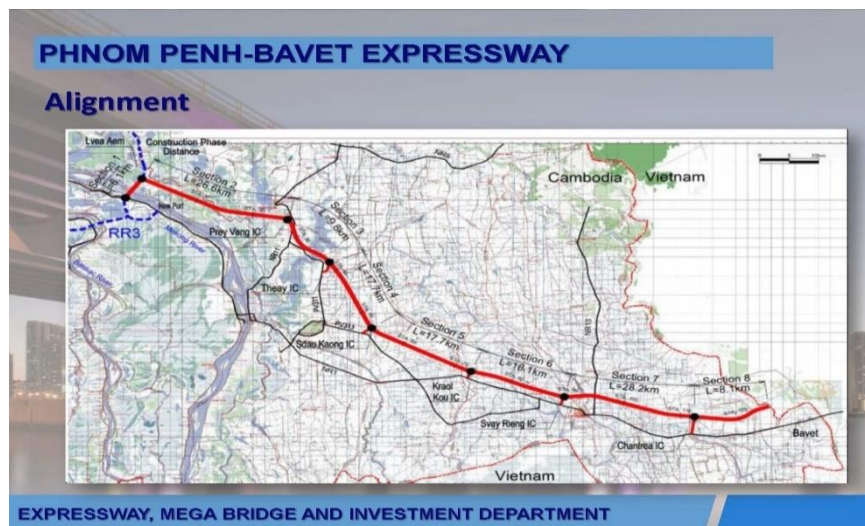


Figure 2: Phnom Penh-Bavet Expressway Project

The Ministry of Public Works and Transport of the Kingdom of Cambodia and the Ministry of Transport of Vietnam also signed a Memorandum of Understanding on the

⁴¹ Ibid

⁴² Ibid.

Promotion and Study of the Phnom Penh-Bavet Expressway and the Ho Chi Minh-Mok Bai Expressway.⁴³

1.3.2 Railway

Cambodian railways first began construction in the 1930s and 1940s. There are two Cambodian railways, the northern line and the southern line, with a total length of 650 km. The 386-kilometer-long northern railway from Phnom Penh to Poipet (Cambodia-Thailand border) was built from 1929 to 1942 during the French colonial period, and the southern railway was built between 1960 and 1969 during the Sangkum era under the leadership of His Majesty King Norodom Sihanouk, under the auspices of France, West Germany and China, with a total length of 264 km. M. Both railways were severely damaged and some parts were completely destroyed by the Democratic Kampuchea regime.⁴⁴

Currently, both railways have been built and rehabilitated through a collaboration between the Ministry of Public Works and Transport and Royal Railway Cambodia (RRC).



Figure 3: Cambodian Royal Railways

Current and future railway infrastructure projects:

1. Poipet Serey Sophorn 48 km, concrete capacity can support a weight of 20 tons / lap
(launched on April 4, 2018)

⁴³ Railway Services, Ministry of Public Works and Transport: Public Works. <https://www.mpwt.gov.kh/en/public-services/railway-services>

⁴⁴ Railway Services, Ministry of Public Works and Transport: Public Works. <https://www.mpwt.gov.kh/en/public-services/railway-services>

2. Serey Sophorn, Battambang, 65 km, can hold 15 tons of steel / thighs (launched on April 29, 2018)
3. Battambang, Pursat, 107 km, can hold 15 tons of steel / thighs (launched on May 29, 2018)
4. Pursat, Bat Doeng 134 km and Bat Doeng - Phnom Penh 32 km, the steel can support a weight of 15 tons / lap (launched on July 3, 2018)⁴⁵.

1.3.3 Port

A. Sihanoukville Port Special Economic Zone (SPSEZ)

The Sihanoukville Port Special Economic Zone SPSEZ which consists of 68 ha operational land area including 45ha for lease has started operational since 2012. The Sihanoukville Port Special Economic Zone has provided some special incentives to the customers as follows:

A. Incentives for Investors⁴⁶:

- Permission for long-term lease up to 50 years
- Exemption of import duty such as production materials & equipment, construction materials, and production input.
- Exemption of export duty.
- VAT shall be charged with zero percent (0%) for each import.
- Exemption of tax on profit up to 9 years.
- Permanent visa for families and investors.

B. Excellence for Investors⁴⁷:

- Located within the port's domain and can reduce a relatively.

⁴⁵ Railway Services, Ministry of Public Works and Transport: Public Works. <https://www.mpwt.gov.kh/en/public-services/railway-services>

⁴⁶ Special Economic Zone, Port Autonome de Sihanoukville, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

⁴⁷ Special Economic Zone, Port Autonome de Sihanoukville, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

- Located in the port zone which is able to reduce large amount of transport cost of both import and export cargoes and less time consuming.
- The Master Plan and construction process were designed and performed by Japanese technical teams and Japanese companies.
- The location never affected by natural disasters.
- The SEZ Administration Center comprises (Bank, Telecom, Vocational Training Rooms, Rental Office, Clinic, Worker Recruitment).

B. Development Plan

Owing to the political and economic stabilization of the Cambodia after the free national election in 1993, the Government of Japan as well as JICA has consequently granted the Grant Aids, Technical Cooperation Program and ODA Loans to the RGC, particularly to develop the Sihanoukville Port such as port infrastructures rehabilitation and expansion in order to build the capacity of the container handling operation. Since 1999 up to present, JICA has financed the ODA Loans with the total of JPY19,600,000,000 (US\$ 178,500,000) to Sihanoukville Port for the software and hardware developments, including⁴⁸:

1. Sihanoukville Port Urgent Rehabilitation Project (2002-2005) financed ODA Loan N° CP-P3 with the total cost of JPY4,142,000,000 (US\$ 33.7 Million) for development and construction of 240m Container Berth, Container Yard with 8.5 ha and dredging the port channel and port basin up to -10.00m depth.
2. Sihanoukville Port Urgent Expansion Project (2005-2009) financed ODA Loan N° CP-P4 with the total cost of JPY4,313,000,000 (US\$ 34.8 Million) for development and expansion of 160m Container Berth, the construction of One-Stop-Service Administration Building and the dredging the port channel and port basin up to -11.00m depth. In addition, it was

⁴⁸ Development Plans, Port Autonome de Sihanoukville, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

equipped with the modern container handling equipment: 02 Units of QC Cranes, 05 Units of RTG Cranes, 08 Units of Tractor & Trailer, and one set of CTMS.

3. Sihanoukville Port SEZ Development Project-E/S (2007-2009) by using ODA Loan N° CP-P6 with the total cost of JPY318,000,000 (US\$ 2.8 Million) for the feasibility study and the details design.
4. Sihanoukville Port SEZ Development Project (2009-2013) by using ODA Loan N° CP-P8 with the total cost of JPY3,651,000,000 (US\$ 32.9 Million) for the construction of the important SEZ's facilities such as SEZ's Administration Building, Container Operation Service, Land for rent approximately 45 ha, Rental Factories, Dormitory buildings for workers and employees dwelling, and 24 Hours security services.
5. Sihanoukville Port Multipurpose Terminal Development Project (2014-2017) by using ODA Loan N° CP-P10 with the total cost of JPY7,176,000,000 (US\$ 74.2 Million).

In addition to the existing facilities, PAS is planning to build the Multipurpose Terminal with 330m length by -13.5 depths for bulk and general cargoes and 200m length Terminal for Logistic Base Oil Exploration in order to facilitate and stimulate the export of Cambodia agriculture products such as acacia, woodchip, and dry tapioca chip, esp. in response to the market expansion strategy for milled rice export of the RGC, and logistic service for the offshore oil exploration in the territory of Cambodian sea as well as for the economic growth in Cambodia.

Under Japanese ODA Loans, Grant Aids and Technical Cooperation by the Government of Japan as well as JICA have diversified the Sihanoukville Autonomous Port of Cambodia, to be the international port of better service quality, security and good environment as well as to boost productivity and satisfaction in providing the benefits and cost with competitiveness to

port users by installing a modern Container Terminal Management System (CTMS) in accordance with the international standard, which is comparable with the neighboring countries' operational system.⁴⁹ The above mentioned achievement reflected that the utilization of Japanese ODA Loans, Grant Aids and TCP for development of the hard and soft infrastructures of Sihanoukville Port has been remarkably contributed to reduce the poverty of the Cambodian people as well as the economic growth of Cambodia.

C. Plans for Ports Connection

1. Multipurpose Terminal

The Multipurpose Terminal Development Project is a prioritized project to help encourage various fields of agriculture, agroindustry, industry, trade, and especially for the export of such Cambodian agricultural products such as dried tapioca and dried bulk cargo, and to respond to the Royal Government market expansion strategy for milled rice export and to provide logistics service for the offshore oil exploration in the territory of Cambodian sea as well as for the economic growth of Cambodia.⁵⁰

2. Main Facilities⁵¹

- Multi-purpose terminal; Length: 330m and alongside depth: -13.50m
- Terminal for Oil Exploration Logistic Base: 200m and alongside depth: -7.50m
- Navigation Channel; Water depth: -12m, Length: 3,900m, Wide: 150m and total volume 1,800,000m³
- Dry bulk cargo storage yard: 28,000m²

⁴⁹ Development Plans, Port Antonome de Sihanoukville, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

⁵⁰ Multipurpose Terminal, Port Antonome de Sihanoukville: Development Plans, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

⁵¹ Multipurpose Terminal, Port Antonome de Sihanoukville: Development Plans, <http://www.pas.gov.kh/en/page/sihanoukville-port-special-economic-zone-spsez>

- Coal Storage Yard: 13,000m², General Cargo Storage Yard: 14,000m² and other main port facilities. This project uses (JICA) Japanese soft loan and started the construction process in early January 2015 and completed in July 2017.

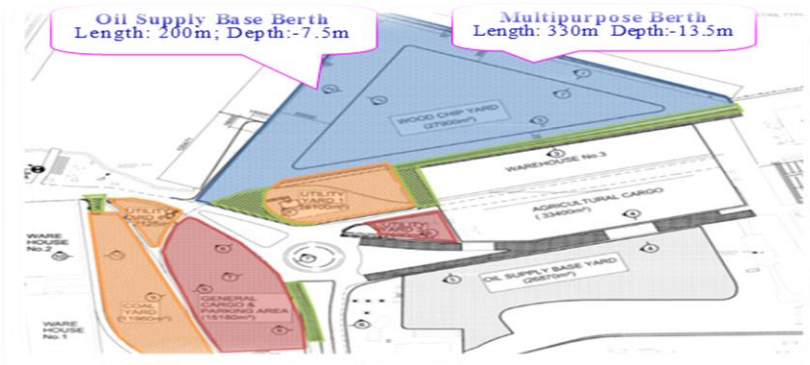


Figure 4: Main Facilities of Sihanoukville Port

1.3.4 Airports

The Kingdom of Cambodia has seen rapid progress over the past two decades in particular. One of the reasons for the development has been a buoyant tourism industry, with the SEA nation appealing to international visitors and regional tourists from Asia.

As a result, the airline industry and the Cambodian airports have had to keep pace with the growth of inbound and outbound tourists using air travel to reach the key Cambodian cities.

The Cambodian airports have seen a number of renovations over recent years, with more planned. The modernization and expansion of the runways to support the increased number of passengers are vital as the number of visitors doubled between 2013-2018.⁵²

In 2019 alone, the following destinations were added, some with new airlines managing flights to the Kingdom to Cambodia's airports.

- **Phnom Penh:** Beijing, Bangkok, Manila, Phuket, Jakarta, Shenyang, Shantou, Macau, Mandalay, Fuzhou, Yangon, Da Nang, Chengdu, Shenzhen.
- **Siem Reap:** Wanzhou, Shenzhen, Dunhuang.

⁵² Business 2 Business, *Hospitality & Tourism: Airports in Cambodia*. July 03, 2020.

- **Sihanoukville:** Bangkok, Beijing, Yichang, Shenyang, Zhanjiang, Guangzhou, Wuhan, Xiamen, Fujian.

A. Phnom Penh International Airport (Pochentong)

As the capital and largest city of Cambodia, Phnom Penh has the biggest and busiest airport in the country. The Phnom Penh International Airport saw renovation works increase the surface area to 31.000 sqm to meet the demands of rapidly growing air traffic in Cambodia in 2017. The USD \$12-million upgrades also modernised the airport’s carpark system, introduced new services such as multi-language signage and information digital screens, a new website, and the diversification Food & Beverage outlets. In 2019, the Phnom Penh International Airport was awarded the best Asia Pacific regional airports for smaller airports category by the CAPA Centre of Aviation.⁵³

B. Siem Reap International Airport

Siem Reap International Airport is the closest airport to Angkor Wat and is located only 5 kilometers away from Cambodia’s main destination for tourism. The Siem Reap International Airport also underwent renovation work which was completed in 2016 and increased the surface area to 26,000 sqm. There is only one runway at the international airport.⁵⁴

C. Sihanouk International Airport

The coastal city of Sihanoukville has seen the biggest changes of all the Cambodian cities and also has the primary seaports in the country. In December 2016, an infrastructure enhancement program was started, completed in 2018, to enlarge facilities and handle the growth of passenger arrivals at Sihanoukville airport. The works saw the renovations of the existing building and the extension of the current terminal by 80% to 4,800 sqm. In late

53 Ibid.

54 Ibid.

February 2020, Cambodia Airports announced a new terminal would also be built to facilitate 3.6 million air passengers for 2020-2030. The Sihanouk International Airport won the Routes Asia 2019 Marketing Awards (under 4 million passengers category) in 2019.⁵⁵

D. Airports under construction in Cambodia

These are the three confirmed projects for new airports being built in Cambodia. However, there are talks of new airports being looked at in Poipet, Mondulkiri, and Koh Kong.⁵⁶

1. Kandal – New Phnom Penh International Airport
2. Koh Kong – Dara Sakor International Airport
3. Siem Reap Angkor International Airport
4. Mondulkiri Airport

E. Regional / Provincial airports in Cambodia

Cambodia has a number of provincial or regional airports listed. Some of these may be used for occasional chartered light wing aircraft or helicopters but are not used commercially. These include some military and private airports.⁵⁷

1. Battambang Airport: Although it is the largest city in western Cambodia, has no operational commercial airport.
2. Ratanakiri Airport
3. Kampong Cham Airport
4. Kampong Chhnang Airport
5. Kampot Airport
6. Krakor Airport
7. Kratié Airport

⁵⁵ Ibid.

⁵⁶ Cukia M, *Cambodia Plans for New International Airports*, Construction Review, June 26, 2020. <https://constructionreviewonline.com/>

⁵⁷ Ibid.

8.Mondulkiri Airport

9.Stung Treng Airport

10.Thbeng Meanchey Airport

CHAPTER 2: A NEW TRADE PERSPECTIVE

The result of analysis of BRI policy lead to three conclusions. Firstly, BRI is becoming an umbrella term for different regional development strategies across Eurasia, Africa and perhaps beyond including- many aspects, ranging from economy, through security, science to environmental protection. Secondly, BRI became the cognitive framework, a new model, for international relations- the way that people perceive them. Thirdly, the introduction of the initiative may be the beginning of China in the role of architect of new global institutions and rules.

2.1 INVESTMENT

BRI invest is a specialist and unique platform serving for exclusive opportunities along the modern Silk Road. Through its strategically positioned “Silk Road” continental offices stretching from Far East and Central Asia and bridging with Middle East and Africa whilst covering Europe and Latin America, have globally reach with a strong local offering as trusted advisors for leading businesses, governments, non-governmental organizations and non-for-profits.⁵⁸

Amidst the expansion of China’s BRI (BRI), Cambodia has become an attractive destination for Chinese foreign direct investment. A period of political stability, low labor costs, easy market access, and Cambodia’s strategic location in Southeast Asia have all been a powerful draw for a massive influx of Chinese money.⁵⁹

China signed 31 economic agreements (*During Xi Jinping’s 2016 visit*), including \$237 million in soft loan deals with Cambodia. Xi also pledged to push for Chinese investment in Cambodian infrastructure and cancelled roughly \$89 million in Cambodian debt.

⁵⁸ Adrian Brona, *One Belt One Road: New Framework for International Relations*, Polish Journal of Political Science, Volume 4 issue 2 (2018)

⁵⁹ Adrian Brona, *One Belt One Road: New Framework for International Relations*, Polish Journal of Political Science, Volume 4 issue 2 (2018)

Although one of the fastest growing economies in Southeast Asia, Cambodia still struggles to overcome key hurdles to its development, namely infrastructure issues such as electricity, rural road transport, and water sanitation. With few other financial alternatives sizeable enough to cover Cambodia's infrastructure needs, the promise of a large, no-strings-attached loan makes China's BRI proposal difficult to resist. Participation in the BRI, brings with it access to the enormous infrastructure funding of Chinese-led financial institutions, such as the Asian Infrastructure Investment Bank, the Export-Import Bank of China, the China Development Bank, and the Silk Road Fund.⁶⁰

2.1.1 China's BRI Projects in Cambodia

China is the largest foreign investor in Cambodia's energy sector, with more than \$7.5 billion in accumulated capital in hydropower plants. Cambodia and China have agreed on several hydropower dam projects. Kemchay Dam was constructed with Chinese assistance and possesses an electrical capacity of 194 megawatts—enough to cover a vast area of the country, including the Kampot and Takeo provinces.⁶¹

The biggest hydropower dam, Lower Sesan II Hydropower Plant, will generate up to 400 megawatts per hour once operational, providing enough power to radically transform Cambodia's energy infrastructure.⁶²

China also offers developmental assistance on Cambodia's transportation infrastructure, including bridges, highways, railways, and ports. Several projects linking major Cambodian routes are under construction, including the "Cambodia-China Friendship Bridge" crossing the

⁶⁰ Heng Pheakdeuy, *Cambodia-China Relations: A Positive-Sum Game?* (Ministry of Tourism, June 1, 2012)

⁶¹ Adrian Brona, *One Belt One Road: New Framework for International Relations*, Polish Journal of Political Science, Volume 4 issue 2 (2018)

⁶² Adrian Brona, *One Belt One Road: New Framework for International Relations*, Polish Journal of Political Science, Volume 4 issue 2 (2018)

Mekong River; a bridge linking Steng Trang district to Krouch Chmar; and the first 190-kilometre expressway connecting the capital Phnom Penh to the coastal Sihanoukville in the southwest.⁶³

In addition, China has proposed development of 2,230 kilometers of national expressways by 2040, as well as railway infrastructure developments and renovation projects, connecting its provinces with each other and with neighboring countries. Finally, China has also helped Cambodia to upgrade its deep water Sihanouk Autonomous Port, which could contribute to expand China's growing influence and expansion in the Indian Ocean.

2.1.2 Trade Costs Reduction

The BRI (BRI) is a development strategy proposed by China to improve cooperation on a trans-continental scale. The range of projects and activities that will be part of the BRI is very wide, including policy coordination, infrastructure, trade and investment, financial and people-to-people exchanges. But a key goal of the Initiative is to boost connectivity and reduce trade costs through new and improved transport infrastructure projects.⁶⁴

2.2 OPPORTUNITIES

2.2.1 Free Trade Agreement

Recently, Cambodia and China have started studying a possibility to establish a bilateral free-trade agreement (FTA). The first round of negotiation was officially launched in late December 2019, during the negotiation the two countries stated discussing and consulting that lead to the final conclusion of Cambodia-China FTA in the near future. This FTA would

⁶³ Adrian Brona, *One Belt One Road: New Framework for International Relations*, Polish Journal of Political Science, Volume 4 issue 2 (2018)

⁶⁴ Ruta .Michele and others, *How much will the BRI Reduce trade Costs?* (World Bank Blogs, October 16, 2018)

be a new great mechanism that boosts and diversities the economic potential and visions of the two nations.⁶⁵

The FTA will benefits Cambodia in two ways. First, the agreement would encourage greater trade and investment flows between Cambodia and China through the reduction and/or removal of tariff and non-tariff barriers. By concluding the deal with China, Cambodia may enjoy more diverse and cheap products into the market, as trade and investment will provide consumers and businesses an access to a wider range of competitively priced goods and services. Furthermore, the trade and investment will boost economic growth which helps the country to achieve its target of becoming an upper-middle-income country by 2030.⁶⁶ Second, the FTA also serves as a new source for Cambodia's exports. Cambodia's economy is rapidly growing to a point where it will need more exporting markets besides the EU and the US. These two traditional markets have been providing preferential treatments to Cambodia through the Everything but Arms (EBA) and Generalized System of Preferences (GSP), respectively. In the past, China has been reportedly interested in importing Cambodia's agricultural products such as rice, mangos, soya beans, corn, coconut oil and cassava. In this sense, China could provide Cambodia a preferential tariff treatment of the mentioned agricultural products in order to meet the former's local demands. By the same token, Cambodia will increase its export volume that could eventually modernize the exporting industries of the country. Through this FTA, Cambodia may reach similar trade deals with the other trading partners of China, such as Singapore, South Korea, Australia, New Zealand, Switzerland and Pakistan which have already signed and FTA with this giant economy. Therefore, it could be strongly suggested that the

⁶⁵ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

⁶⁶ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

FTA with China is crucial for Cambodia because the Kingdom is seeking for more opportunities to the diversity its export destinations, and finally reducing its heavy dependence on the West.

By many accounts, Cambodia is one of China's closest allies in the Southeast Asian region. Politics aside, China has undeniably become Cambodia's largest economic influencer, being the largest foreign investor, largest bilateral donor, largest trading partner, largest buyer of Cambodian rice, and the largest source of foreign tourists in the country. Since the inception of the BRI in 2013, Cambodia has embraced this China-led initiative and hopes to transform it into a source of national development. From connectivity to cross-border trade to tourism, Cambodia has benefited greatly from cooperation with China under the BRI framework and future enhancement of cooperation between the two countries will lead to even greater potential.

Bilateral cooperation in physical infrastructure and connectivity development has been in the spotlight in Cambodia. Two ideal examples of BRI-linked projects are the Sihanoukville Special Economic Zone (SSEZ) and the planned Phnom Penh-Sihanoukville Expressway.

The SSEZ alone has helped generate income by directly employing over 20,000 Cambodian workers and promoting the social and economic inclusion of mostly low-skilled and female workers from Sihanoukville and other surrounding provinces. Over 100 factories currently in operation within the zone hire these Cambodian workers to produce garment, textiles, bags, leather products, hardware, machinery, wooden products, and other light manufacturing products for exports. With the second phase of development underway, the zone will be able to host up to 300 enterprises employing up to 100,000 Cambodian workers. The SSEZ also offered to host a government-backed vocational training center, which is currently in operation and provides training in specific technical skills to workers and students in and around the coastal town, free of charge. The income generation and empowerment benefits are substantial, especially considering the extent of indirect employment and income generation (i.e., the

benefits for the immediate families of the workers, the need for other businesses to support the livelihood of the workers, etc.).

With the merchandise trade becoming the key driver supporting the country's growth, the logistics sector has become even more crucial. Presently, Cambodia has inadequate infrastructure capacity and significantly lower performance in logistics than others in the region, resulting in higher costs that subsequently affect the country's economic competitiveness. The expressway project has big potential to enhance connectivity and logistics within Cambodia and beyond, improving logistical efficiency and reducing trade costs. This new infrastructure will complement the existing national road connecting Phnom Penh and Sihanoukville Port, Cambodia's only international deep-sea port, which handled more than 90 percent of Cambodia's total container traffic in 2017. China's state-owned China Communications Construction Company (CCCC) is responsible for the construction and costs of this \$1.9 billion expressway project. Under the concession agreement with the government, CCCC will collect tolls on the road through its subsidiary company China Road and Bridge Corporation (CRBC) in order to recoup its investment. This expressway project demonstrates the increasing importance of multi-stakeholder partnerships such as public-private partnerships in delivering necessary physical infrastructure, and the Cambodian government has aimed to promote such mechanisms.⁶⁷

2.2.2 Market Expansion

Cambodia is in three major directions of BRI. In the core area, it will not only promote the construction of the China-Indochina Peninsula economic corridor, but also provide important

⁶⁷ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

support for the extension of the 21st Century Maritime Silk Road to the Indian Ocean and the South Pacific.⁶⁸

Therefore, with the cooperation and support of the Chinese and Cambodian governments, the major investment groups have launched a close cooperation under the framework of the “Belt and Road” to promote Cambodia’s industrial, economic and trade development and industrial transformation, and deepen the operation and development of the financial sector. All the industries in Cambodia are to be developed jointly Cambodia has become the fastest growing economy in Southeast Asia.

China’s development of Cambodia’s development, creating opportunities for wealth creation for all China Wind Global Investment Group has entered Cambodia in an all-round way. The company adheres to the “One Belt, One Road” development route and the direction of creating wealth, and actively appeals to more patriotic Chinese to participate in the “One Belt, One Road” global national grand strategic project, which will soon become the “One Belt and One Road”. An international company that plays a model role in building in Cambodia and beyond.⁶⁹

At present, the company has diversified industries in Cambodia, comprehensively investing in industries with potential and value, forming a Chinese wind industry structure with sustainable development prospects and explosive growth, and fully enhancing the value creation ability of the Chinese style. At present, China Wind has been involved in many fields such as clothing, hotels, restaurants, tourism, real estate, entertainment, etc., and has made certain breakthroughs in the layout of various industries, and purchased and built high-quality assets in Cambodia, Phnom Penh, Siem Reap, etc. China wind pillar business. In the future, China Wind will continue to develop its subsidiaries’ multi-industry development, focus on

⁶⁸ Khmer Time, *Cambodia has boosted the “Belt and Road” to a new high*, September 10, 2018

⁶⁹ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

building asset transfer, incubation and operation functions, and strive to create a market-competitive professional management platform to promote the huge improvement of Cambodia's local economy.⁷⁰

The basis of the maturity of policies and opportunities, the Chinese style will surely rely on the successful experience of China's "*Reform and Opening up*", closely follow the development trend of the "Belt and Road", and focus on building a dream hall for a broad wealth cause. The dream of outstanding wealth creation has been put on the wings, fulfilling the mission and goal of "*National Rejuvenation of China Dream, Belt and Road China Wind*", and let the Chinese style sweep across the globe.

2.2.3 E-Commerce

China's BRI (BRI) plays a crucial role in connecting China to Cambodia and enhancing connectivity and cross-border trade within Asia and across the globe as the BRI will bring benefits to every country included, and it has the potential to connect the whole world.⁷¹

The mammoth China-led project will boost trade between Cambodia and countries across the world by improving transportation infrastructure. As an example of the importance the current administration places on improving connectivity, the recent creation of the National Logistics Council which led the logistics sectors to be more competitive, efficient, transparent and affordable and to push the development of electronic commerce in the Kingdom.⁷²

⁷⁰ Khmer Time, *Cambodia has boosted the "Belt and Road" to a new high*, September 10, 2018, <https://www.khmertimeskh.com/531942/cambodia-has-boosted-the-belt-and-road-to-a-new-high/>

⁷¹ Khmer Time, *Cambodia has boosted the "Belt and Road" to a new high*, September 10, 2018, <https://www.khmertimeskh.com/531942/cambodia-has-boosted-the-belt-and-road-to-a-new-high/>

⁷² Khmer Time, *Cambodia has boosted the "Belt and Road" to a new high*, September 10, 2018, <https://www.khmertimeskh.com/531942/cambodia-has-boosted-the-belt-and-road-to-a-new-high/>

Through the One Belt One Road Initiative, e-commerce and e-trade could support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of small and medium sized enterprises.⁷³

However, Cambodia needs to work hard on developing this infrastructure to facilitate e-commerce between China and Southeast Asian countries. This will allow China to import a lot from those countries which will generate jobs here.⁷⁴

2.2.4 Economic Growth

BRI has allowed Cambodia and other countries in the region to expand and build highways, bridges, ports and power plants – allowing for direct infrastructure improvements that are crucial for developing economies. In Cambodia specifically, BRI has contributed to the Kingdom’s massive construction boom, which reached \$18 billion in 2017 – nearly matching the country’s annual \$22 billion gross domestic product.⁷⁵

While Cambodia has benefitted hugely from the many projects funded by China’s BRI in the Kingdom, it must ensure that it remains open to a wide range of foreign investment.

The BRI has seen Cambodia’s economy change rapidly over the past few years. China has become Cambodia’s largest trading partner, though 70% of the trade is via Chinese imports; it has become the largest investor in the Kingdom, with 70% of Cambodia’s foreign direct investment coming from China; over a third of all development funding in the Kingdom is Chinese; and more than a fifth of tourists to the country are from China.

A lack of diversification in economic partners could lead to serious implications for Cambodia: as its industries become more reliant on Chinese funding and markets, a slowdown in China’s growth could mean the same for the Kingdom. The focus for the future, should be on

⁷³ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

⁷⁴ Belt and Road News, *Cambodia-China FTA Boost Trade & Investment*, Hong Kong, August 8, 2020

⁷⁵ IPS Cambodia, *How Cambodia can make the most of China’s millions*, Globe: Line of thought Across Southeast Asia. <https://southeastasiaglobe.com/how-cambodia-can-make-the-most-of-chinas-millions/>

choosing the BRI projects that are most crucial for infrastructure development and which will, in turn, attract investment from a diverse range of countries and companies. Projects that improve power production and lower electricity costs are, for example, prime BRI projects for the Kingdom to continue pursuing as are projects that promote agriculture, which were recently outlined in the latest BRI MoUs. Cambodia has the opportunity to prove that its vibrant economic landscape is supportive of potential, mutually beneficial projects from all countries and potential investors.⁷⁶

2.3 CHALLENGES

Despite these new opportunities for Cambodia, participation in the BRI does come with a significant commitment and a measure of economic and strategic risk. With an increasing number of plants to generate electricity, Cambodia would have a more stable supply of power, facilitating a growth in job opportunities. However, some of these energy investment projects do not meet international standards, which has resulted in adverse impacts on local livelihoods and the ecosystem.

Given the lack of local industry in Cambodia and soaring Chinese investment, Cambodia remains highly dependent on imports from China, which is currently the economy's main source of imports. Rising national debt only exacerbates this growing dependency on China: the country's national debt is already roughly one third of its total GDP. Based on the Cambodia Public Debt Statistical Bulletin, Cambodian bilateral loans total USD 5.3 billion, of which USD 3.9 billion is from China, making China Cambodia's largest creditor. As their debt grows beyond their ability to manage it, Cambodia may find itself in a similar scenario to Sri Lanka in which state property is used as equity to pay their Chinese creditors.⁷⁷

⁷⁶ IPS Cambodia, *How Cambodia can make the most of China's millions*, Globe: Line of thought Across Southeast Asia. <https://southeastasiaglobe.com/how-cambodia-can-make-the-most-of-chinas-millions/>

⁷⁷ Qi Lin, *Money talks: China's BRI in Cambodia*, Global Risk Insight, January 7, 2018. <https://globalriskinsights.com/2018/01/money-talks-chinas-belt-road-initiative-cambodia/>

Cambodia's acceptance of the BRI is likely to lock this small state securely under China's growing strategic sphere of influence. Cambodian foreign policy has been criticized for prioritizing short-term benefits in a way that privileges Chinese political and diplomatic interests at the expense of ASEAN counterparts and other regional powers.⁷⁸

On the South China Sea issue, Cambodia has repeatedly blocked ASEAN from making statements that criticize China's expansive territorial claims, even though they conflict with those of several other ASEAN members. Last year, less than a week after Cambodia supported China's commitment to resolve maritime claims bilaterally, China gave Cambodia an aid package worth approximately \$600 million.⁷⁹

These compromises have sparked concerns that China's growing political and economic leverage over Cambodia will bring a future of Cambodian foreign policy as no more than an extension of Chinese regional influence.

2.3.1 Illegal Immigration

While Chinese investment is part of stimulating growth and development in Cambodia, growing numbers of Chinese nationals have been investigated for allegedly committing a number of offenses in the country, including assault, drug trafficking, kidnapping, and organizing prostitution. Migration law should be a priority. When the Cambodia Migration Law was enacted in 1994, few foreigners, including from China were living and working in Cambodia. However, in 2018, 2.8 million people were granted visas to visit the country, mostly people are arriving as tourists. But it is clear from the large numbers of Chinese workers in

⁷⁸ Qi Lin, *Money talks: China's BRI in Cambodia*, Global Risk Insight, January 7, 2018.

<https://globalriskinsights.com/2018/01/money-talks-chinas-belt-road-initiative-cambodia/>

⁷⁹ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

Cambodia that many either overstay their tourist visas or enter the country without any documentation.⁸⁰

The numbers imply there is huge amount of illegal immigration which indicates that the local authorities have not actively prevented inflows or even accurately recorded what is happening. We must start by producing reliable and consistent records and then making sure that the rules are enforced. The immigration police and inspection teams need to do more work along the border to reduce illegal border crossings. More needs to be done in dealing with foreigners involved in crime. Foreign people who are convicted of serious offenses such as robbery or murder should, after serving their sentences, be sent back to their home country. This requires the cooperation of foreign governments to receive their nationals back. This is especially true for China our biggest economic partner and source of the largest numbers of immigrants to Cambodia. Engaging in cooperation with China on this issue is consistent with maintaining warm Sino-Cambodia relations and protecting our national interests.⁸¹

2.3.2 Overcapacity

Prior to the global financial crisis, China was already facing the issue of overcapacity in many of its production sectors. But when threatened with negative spillovers of the West's economic slump in 2008, China's response at the time was to inject the equivalent of half a trillion dollars in a stimulus for public infrastructure, rail, urban housing, construction – boosting precisely those sectors where inefficiencies were high but demand was slumping.⁸²

As a short-term solution, the stimulus worked: China escaped the turbulent years relatively unscathed. However, in many cases this credit-fueled production was not

⁸⁰ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019. <https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸¹ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019. <https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸² Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019. <https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

commensurate with the organic demand to absorb it. Researchers from the National Development and Reform Commission (NDRC) have published a scathing review of the waste and inefficiencies that have resulted from these de facto subsidies.⁸³

Far from being market-based, these types of credit-based, supply-driven projects have so far only encouraged continued lack of accountability in addition to tremendously distorting China's so-called capitalist economy. Today, China's steel sector idle capacity alone is double that of America's steel production, with iron, cement, aluminum, glass, coal, shipbuilding, solar panels, and other industries all facing similarly slumping demand and profit losses.⁸⁴

However, a large part of the BRI will in fact be internally focused. Major infrastructure projects are being planned to connect some of the China's more remote regions to the wider national and international markets. And while positive in some respects, this again amounts to yet another massive stimulus package for hard industry, and which will only delay the shift to a balanced economy that still needs to take place.⁸⁵

2.3.3 Domestic Restructuring

Economic restructuring away from export-oriented production and manufacturing would (or will) be painful. Years of artificially supported and credit-fueled growth have entrenched local government interests, revenue channels, jobs, and industries in a way that could be very destabilizing to remedy. Cutting down overcapacity would involve slashing jobs, shutting down plants, and closing factories.⁸⁶

⁸³ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸⁴ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸⁵ Guoyi. Han, Karl Hallding, Zhou Jiayi, *The trouble with China's 'One Belt One Road' Strategy*. China Dialogue, June 29, 2015. https://chinadialogue.net/en/business/8001-the-trouble-with-china-s-one-belt-one-road-strategy/?gclid=EAlaIqobChMI4qm1ldWF6QIVjoWPCh0jnwdnEAAYASAAEgI51fD_BwE

⁸⁶ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

And for a country renowned for its long-term thinking, social stability is always the foremost and immediate priority. Statements that slower growth (the “new normal”) is acceptable may largely be about managing expectations; to the extent that it impacts jobs, boosting growth is still of paramount concern to Chinese leaders.⁸⁷

To be clear, it does impact jobs, the China Labor Bulletin reported earlier this year that worker strikes and labor unrest increased significantly in 2014 compared to the previous year, with the increase linked to the economic slowdown.⁸⁸

2.3.4 Low Investment Return

Many of the developing countries along the BRI are politically volatile and economically vulnerable. While financial assistance will be provided to countries of the BRI through AIIB and other mechanisms, capital cannot provide the stability or security necessary to see these projects through, nor guarantee that counterparts will hold on to their end of the bargain.⁸⁹

Moreover, it cannot control for public opinion: Chinese projects in some cases have even galvanized populations against more easily bought off governments. Chinese companies using Chinese labor are not always welcomed with open arms, and the flooding of Chinese goods and exports likewise can become a source of local disgruntlement and resentment.⁹⁰

Developing countries are littered with cases of failed, stalled, or at least troubled Chinese projects due to local opposition, corruption, regulatory issues, and legal problems. As a result, investment returns have been low. For instance, the head of China’s mining association in 2013

⁸⁷ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸⁸ Sok Kha, *The Belt and Road in Cambodia: Successes and Challenges*, The Diplomat, April 30, 2019.

<https://thediplomat.com/2019/04/the-belt-and-road-in-cambodia-successes-and-challenges/>

⁸⁹ Guoyi. Han, Karl Hallding, Zhou Jiayi, *The trouble with China’s ‘One Belt One Road’ Strategy*. China Dialogue, June 29, 2015. https://chinadialogue.net/en/business/8001-the-trouble-with-china-s-one-belt-one-road-strategy/?gclid=EAlalQobChMI4qm1ldWF6QIVjoWPCh0jnwdnEAAYASAAEgI51fD_BwE

⁹⁰ Guoyi. Han, Karl Hallding, Zhou Jiayi, *The trouble with China’s ‘One Belt One Road’ Strategy*. China Dialogue, June 29, 2015. https://chinadialogue.net/en/business/8001-the-trouble-with-china-s-one-belt-one-road-strategy/?gclid=EAlalQobChMI4qm1ldWF6QIVjoWPCh0jnwdnEAAYASAAEgI51fD_BwE

estimated that up to 80% of China's mining ventures overseas had failed. The BRI may very well look in practice like China's Going Out policy on steroids. So far there are no strong indications it will be a different animal, though the international stake in the new AIIB is in this regard a highly positive development.⁹¹

⁹¹ Guoyi. Han, Karl Hallding, Zhou Jiayi, *The trouble with China's 'One Belt One Road' Strategy*. China Dialogue, June 29, 2015. https://chinadialogue.net/en/business/8001-the-trouble-with-china-s-one-belt-one-road-strategy/?gclid=EAlalQobChMI4qm1ldWF6QIVioWPCh0jnwdnEAAYASAAEgI51fD_BwE

CHAPTER 3: STRATEGIES TO STRENGTHEN CAMBODIA TRADE TIE IN THE BRI FRAMEWORK

3.1. DOMESTIC STRATEGIES

As a developing country, there are many improvements that Cambodia need to make in order to allow for the ideal trade tie within the framework of BRI. The major focal points that the Cambodian government had addressed are, Legal Framework and, the institution that are immediate to the BRI Framework.

3.1.1. Legal frameworks

Being a sovereign state, Cambodia has the suitable legal standard for the major fields trade sector, in which has enabled the country to allow for all trade flow from both regional and international segment. The legal framework of Cambodia has allowed the nation to receive utmost benefit from the BRI. Cambodia has been prioritizing at most the main laws and regulations in order to ensure that all investors will receive the most convenience and at the same time provide protection in all aspects as the country progress in integrating into BRI.

A. Labor Laws

The Labor Law of Cambodia is the legal framework that set forth to overlook the relationship between employers and employees through the employment contract that took place and perform within the territory of the Kingdom of Cambodia, regardless of the place where the contract was made and what the nationality of the employers and employees are.⁹² It was drafted to protect the benefit of both the employers and employees, and to ensure that there were no abuse of power from employers to employees.

⁹² "Cambodia Labour Law," (1998).

B. Employment Permits

Both foreign and domestic employees shall enjoy the same type of employment right as stated in the Labor laws of Cambodia. However, all foreign employees that wish to work in Cambodia must obtain the work permit and employment cards issues by the Ministry of Labor and Vocational Training. A work permit and an employment card are two separate documents, although they may both be requested in a single application submitted online. In order to be eligible to apply for work permit and employment card, foreign national must meet the following criteria such as have a job offer from an employer compliant with relevant regulations regarding employment of foreign nationals, have legally entered the Kingdom of Cambodia, possess a valid passport, possess a valid residency permit, be fit for the relevant job, and must have no contagious diseases.

Moreover, Under the Labor Law, the total percentage of foreign workers employed by a given enterprise cannot exceed 10 percent of the overall staff. An application for a “foreign quota approval” from the Ministry of Labor must be submitted between 1 September and 30 November in each year preceding a year in which the aforementioned limit is exceeded.⁹³ The Ministry of Labor and Vocational Training has introduced the “Foreign Workers Centralized Management System” through Prakas No.352 to manage the employment of foreign workers and work permits in Cambodia through an online system namely, www.fwcms.mlvt.gov.kh. The new system was implemented on 1 September 2016.⁹⁴

C. Investment Laws

⁹³ "Work Permits and Employment Card for Foreigner in Cambodia," Business 2 Business Cambodia, 2016, <https://www.b2b-cambodia.com/articles/work-permits-and-employment-cards-for-foreigners-in-cambodia/>.

⁹⁴ "Prakas 352 on Using Labour Centralized Management System by Online System," ed. Ministry of Labour and Vocational Training (2016).

The Cambodia's free market economy allow for all person and institutions to invest in Cambodia territories regardless of Nationalities. Cambodia legal frameworks regarding commercial field is resourceful and compatible for investments within BRI.

The stability of Cambodia politic is a factor encouraging for Chinese investor to invest in the country, and also with welcoming part of Cambodian government in term of easing the investment processes; it is notable that there is an increasing number of Chinese Investors in Cambodia. Such occurrence has shown the ever strengthening cooperation tie within China and Cambodia both politically and Economically.

Laws on Investment of the Kingdom of Cambodia has been adopted and put into use in 1994 and was last refined in 2003. According to article 1 of Investment Laws control all investment projects established by all investors in Cambodia, whether the projects own by Cambodian investor, or own by Foreigner investing in Cambodian territory, and regardless of the investor being natural person or judicial person.⁹⁵

Currently, with the ever-increasing trend of Chinese investors coming into Cambodia to establish their businesses; has advanced Cambodia's economy and keeping a sustainable Gross Domestic Products growth rates of 7%. As a result, in 2019 Cambodia has received a remarkable increase in term of committed investment of \$9.4 Billion dollars which is a 45% surge compare to 2018 investment capital of \$6.4 Billion.⁹⁶ The majority of committed investments were in the industrial and infrastructure sectors which together accounted for 53% of total investments in the last five years follow by tourism sector 41% and agriculture sector 6%.⁹⁷

⁹⁵ "Law on the Investment of the Kingdom of Cambodia," (2003).

⁹⁶"Why Invest in Cambodia: Investment Trend ", Council for the Development of Cambodia, 2020, <http://www.cambodiainvestment.gov.kh/why-invest-in-cambodia/investment-enviroment/investment-trend.html>.

⁹⁷ "Why Invest in Cambodia: Investment Trend ".

D. Intellectual Property Laws

The Intellectual Property right in Cambodia existed since the 1960s and 1970s with a number of trademark was protected under the law of Intellectual Property of Cambodia. Unfortunately, Intellectual Property had been abandoned for over 2 decades due to the raging civil war from 1970s to 1990s that has put Cambodia back to zero in all fields. Since Paris Peace Agreement in 1993, Cambodia has seen a new era where all of infrastructure has been rebuilt and improve including the revival of Intellectual Property Laws. As a result, the Office of Trademark was established in 1991 under the supervision of Ministry of Commerce with the duty to register and protect trademarks. The Office of Trademark has received technical support and assistant from various country and organizations, particularly from World Intellectual Property Organization-WIPO.⁹⁸

On 22 September 1997, the Department of Intellectual Property of the Ministry of Commerce was established under Sub-Decree No. 54 by the RGC. Prior to its establishment, the Department of Foreign Trade had duties to register and protect marks. The Department of Intellectual Property had the following duties and responsibilities:

1. Studied, researched and gave recommendations on intellectual property policy for Minister of Commerce and the Government
2. Coordinated and prepared laws and regulations regarding intellectual property rights
3. Coordinated the cooperation with international community regarding intellectual property
4. Examined three sectors of intellectual property in Cambodia, served as the focal point of intellectual property and coordinated intellectual property matters with all relevant ministries.

⁹⁸ *History of Department of Intellectual Property*, (Ministry of Commerce).

5. Promoted by all means to protect the intellectual property appropriately and effectively
6. Applied to all obligations as stipulated in various Agreements and Conventions from 1994 to 1998, the Department of Intellectual Property granted protection of 7,055 trademarks, among of which 198 were domestic marks and 6855 were foreign marks. Marks that were registered from 1994 to 1998: Despite the intellectual property was a new field for the Kingdom of Cambodia, but with technical assistance of WIPO in training human resources both domestically and abroad in a short-term period, national workshops or international forums regarding the intellectual property and provision of the technical equipment.⁹⁹

E. Immigration Laws

Since 1993, Cambodia has been progressing in all sectors, including foreign trade, which greatly push the country toward prosperity. However, it also poses an imminent threat of having to combat with illegal immigrant. The RGC has last drafted the Immigration Laws since 1994, thus it is quite outdated to be used in current situation in the country. As a solution, The RCG has proposed to draft a new law to face with the Immigrant issue that is piling over the year. According to an article by Phnom Penh Post, the ministry of Interior has formed a working group in order to draft the new Immigrant Laws to ensure the effective management on the issue.¹⁰⁰

In the meantime, the RCG has put forth some measure in order to face the immigrant issues that currently imposing. In August 2014, the Interior Ministry's General Department of Immigration (GDI) also conducted a nationwide census of foreigners. During this period long-staying illegal migrants were given the chance to apply for permanent resident status. This amnesty period ended on June 30, 2019, during which 89,786 foreigners or 28,945 families

⁹⁹ *History of Department of Intellectual Property, Short.*

¹⁰⁰ Mech Dara, "Kingdom Drafting New Law to Strengthen Immigration," *The Phnom Penh Post* 2020.

applied for a permanent residency card. Along with giving census of foreigner, the government has been actively deporting illegal foreigner who does not meet the requirements to applying for permanent residency. It said that from 2014 to the end of 2019, it had overseen the deportation of 16,200 foreigners who were involved in online gambling, not having passports, staying on with expired visas and for drug crimes.¹⁰¹

3.1.2. Commercial Institutes

Beside improving the laws and regulation to make investing in Cambodia more convenience, Cambodian government also put forth its focus in establishing and maintaining institutions that are an immediate response to any occurrences issues to businesses throughout the nation. These institutions have aid the government in term of promoting Cambodia to international investors, and also being the core mechanism of disputes resolution in the trading field.

A. Cambodia Chamber of Commerce

Cambodia Chamber of Commerce has attracted a significant number of foreign investors since its establishment 2 decades ago, especially in Tourism, which has the most growth in term of total investment. In order to further the investment growth rate, the RGC has put forth a proposal to establish a Representative Cambodia Chamber of Commerce in foreign countries.

In this matter, Ministry of Commerce and other relevant institutions had agreed on the adapting a Sub Degree the enable foreign companies as well as Cambodian national who living in foreign country to run for election as a member of Cambodia Chamber of Commerce, and to be the representative of the Chamber outside the country. Along with outsourcing the representative to other countries, there are many representatives of Chamber of Commerce from

¹⁰¹ Ben Sokhean, "Interior Ministry Sees a Danger to Kingdom: Illegal Migrants 'Are a Security Risk'," *Khmer Times* 2020.

foreign countries that reside in Cambodia too. the American Chamber of Commerce in Cambodia (AmCham), European Chamber of Commerce in Cambodia – which include the Franco-Cambodian Chamber of Commerce (CCFC) and the German Business Group Cambodia, The Australian Chamber of Commerce in Cambodia, Japanese Business Association of Cambodia, and many more. The main mission of the representatives is promoting and advancing the trading field bilaterally, and working alongside the embassy to further the relation between the host country and their home countries. Stated in mission of the American Chamber of Commerce in Cambodia (AmCham, Cambodia):

As its core mission, the American Chamber of Commerce in Cambodia (AmCham Cambodia) provides its members – large or small, multinational or individual, American, Cambodian or of other nationality – dedicated support and advocacy in fostering the success of legitimate business activities in the Kingdom.

Efforts are focused on the promotion of forward-looking, Public and Private Sector collaborations, which contribute to the regional or global advancement of the Cambodian business environment, professional development and technological innovation in the overall achievement of meaningful, diversified economic growth. Our leadership through collaborations, actions and activities will always seek to bring together the ideas, opinions and viewpoints of all as we strive to attain unbiased solutions and constructive engagement.¹⁰²

B. Dispute Resolution Mechanisms

With the ever-growing amount of investments, factories, and other industrial establishments, and organizations are enrolling in the Kingdom consistently. Likewise, with any expansion in business exchanges there is expanding potential for disputes. Because of this dispute potential, foreign investors are always interested in the mechanisms to deal with such

¹⁰² "Missions," The American Chamber of Commerce Cambodia, <https://amchamcambodia.net/about/>.

disputes and for decades in Asia, Europe and the US a popular mode of dispute resolution has been Commercial Arbitration. The same trend is followed in Cambodia, with the establishment of The National Center of Commercial Arbitration (NCAC) and The Arbitration Council.

1. National Center of Commercial Arbitration

The NCAC, was established under the Cambodia's Commercial Arbitration Law (2006) and the related Sub-Decree on Organization and Functioning of the National Commercial Arbitration Center (2009).¹⁰³ NCAC is an institution that provide alternative disputes settlements mechanism to any commercial disputes, a very effective way of disputes settlement. The establishment of NCAC can be the potential adaption of turning Cambodia into a jurisdiction in which any commercial disputes resolution can prove to be efficient and transparent. NCAC could be one giant leap of Cambodian into the alternative dispute resolution field compare to many other countries in ASEAN, whose are lagging in such area.

The first group of arbitrators of the NCAC was initially selected in January 2013 and completed their initial training in Singapore International Arbitration Center 2014. The NCAC adopted its arbitration rules and internal working rules in July 2014 and its Code of Conduct of Arbitrators in April 2015.¹⁰⁴ Since it first establishment, NCAC received its first two case in Mid-2016 and has since been resolved in less than 1 year , which according to Mr. Ros Monin, NCAC President, a suitable time frame for an arbitral case which in contrast to court case cases that could run up to several years.¹⁰⁵

¹⁰³ Alex Larkin and Ly Sambo, "Recent Developments in Commercial Arbitration in Cambodia," *Asian Dispute Review* (2015).

¹⁰⁴ "Dispute Resolution," *Investment Guide Cambodia* (DFDL, 2017), <https://www.dfdl.com/resources/legal-and-tax-updates/investment-guide-cambodia-2/>.

¹⁰⁵ Robin Spiess, "Commercial Arbitration Body Settles Its First Two Cases," *The Phnom Penh Post* 2017.

2. The Arbitration Council

The Arbitration Council is an independent, national institution with quasi-judicial authority derived from the Labour Law of Cambodia. Established in 2003 with the support of the Ministry of Labor, employers and workers—and technical assistance from the International Labour Organization (ILO), the Arbitration Council is empowered to assist parties in resolving collective labour disputes in Cambodia.

3.2. INTERNATIONAL STRATEGIES

Beside enhancing internal rules and institutions, Cambodia also strive hard with external relation as well, both regionally and internationally in the BRI Frameworks. Being the “Steel Friend” of China,¹⁰⁶ Cambodia has seen most of its major economic boost coming from China such as, largest economic influencer, the largest foreign investor, largest bilateral donor, largest trading partner, largest buyer of Cambodian rice, and the largest source of foreign tourists in the country.

3.2.1. Enhance mutual relations

A. Bilateral and Regional Relations

In order to avoid falling completely within the Chinese sphere of influence, Cambodia has to seek to diversify its foreign policy. Jumping on the Chinese bandwagon at the expense of its relations with its Southeast Asian neighbors and the US as well as the US allies would definitely not be the best option for Cambodia, although China is Cambodia’s largest foreign investor and its most generous economic and military supporter. An option for Cambodia to ensure its prosperity, sovereignty, and foreign policy autonomy could be to enhance its relations with all the countries in the region and beyond. If Cambodia does not adopt an omnidirectional

¹⁰⁶ Chea Vannak, "Hodo Group Donates One Million Face Masks to Cambodia," news release, 2020, <https://www.information.gov.kh/detail/416737>.

foreign policy – making as many friends as possible – this small state would risk losing its independent foreign policy to China and become a true Chinese patron. Thus, it is vitally important for Cambodia to restrain itself from alienating others while relying solely on China’s unconditional aid and loans.

Being a member of ASEAN, Cambodia enjoys the benefit of the Free Trade Agreements provided by the association. The ASEAN Free Trade Agreements (AFTA) cancel all import and export duty taxes on all types of items traded within its members. Beside the AFTA, there are other regional agreements that Cambodia benefit greatly from ASEAN.

First A significant agreement in the ASEAN Hong-Kong, China Free Trade Agreement. Under the AHKFTA, Hong Kong and Singapore will grant tariff free access and will bind their customs duties at zero upon entry into force of the agreement. Brunei Darussalam, Malaysia, the Philippines and Thailand will eliminate customs duties on 85% of products traded with Hong Kong within ten years and reduce another 10% of tariff lines within 14 years. Indonesia and Viet Nam will eliminate customs duties for 75% of their products within ten years, and reduce another 10% of tariff lines within 14 years. Meanwhile, Cambodia, Lao PDR and Myanmar will eliminate customs duties for 65% of their products within 15 years and reduce another 20% of tariff lines within 20 years.¹⁰⁷

Another Milestones for ASEAN’s biggest trade accomplishment was the conclusion of negotiations for the Regional Comprehensive Economic Partnership (RCEP) in November 2019 by 15 nations — 10 ASEAN member states and five ASEAN dialogue partners (Australia, China, Japan, New Zealand and South Korea). According to the Joint Leaders’ Statement at the third RCEP Summit, the 15 members ‘concluded text-based negotiations for all 20 chapters and

¹⁰⁷ "Asean-Hong Kong, China Free Trade Agreement Enters into Force," news release, 2019, <https://asean.org/asean-hong-kong-china-free-trade-agreement-enters-force/>.

essentially all their market access issues; and tasked legal scrubbing by them to commence for signing in 2020.¹⁰⁸ The agreement is set to be signed this year, making RCEP the world's biggest trading bloc by both population and economic weight through the creation of a combined market of 2.2 billion people and will account for 29 per cent of the world's GDP.¹⁰⁹

Beside the agreements above, Cambodia also take part in many other agreements between Cambodia itself with other region/countries, and ASEAN and other regions/countries that got proposed and currently under study for signing possibility such as:

- ASEAN-Eurasian Economic Union Free Trade Agreement
- ASEAN-EU Free Trade Agreement
- ASEAN-Canada Free Trade Agreement
- Cambodia-Republic of Korea Free Trade Agreement
- Cambodia-People's Republic of China Free Trade Agreement
- Cambodia-Eurasian Economic Union FTA.

B. Mutual Relation in time of Crisis

During Covid-19 Pandemic, almost every country is more or less affected by the disease. With most of the industrial production and commercial trade came to a halt, the affect has slowed or cripple many countries' economy. Likewise, Cambodia also has faced such deprivation due to the shortage of raw materials from oversea resulting the closedown of factories. Plus, the tourism sector, which accountable for major economic growth in Cambodia, has drop significantly.

In response to such economic loss, China and Cambodia are currently discussing on recovery proposals to cope up with this financial crisis. Recently, in a meeting held by China

¹⁰⁸ "Asean's Rcep and Sustainability Challenges and Achievements," East Asia Forum 2020, <https://www.eastasiaforum.org/2020/01/24/aseans-rcep-and-sustainability-challenges-and-achievements/>.

¹⁰⁹ Pitakdumrongkit.

Ministry of Commerce and Council for the Development of Cambodia to discuss about the trade promotion and the impact of Covid-19 toward Cambodia's economy. Through the meeting, Chinese has pointed out that the economy of Cambodia is indeed affected by the Covid-19 pandemic, and to cope up with the impact, has provided assurance in term of encouraging Chinese investor to open businesses in Cambodia and give the Kingdom a preference once the raw materials factories in China reopen.¹¹⁰

Furthermore, according to a press release from Ministry of Economy and Finance, the first round of negotiation for the Free Trade Agreement between Cambodia and China has already concluded, and expecting to sign the agreement by the end of 2020.¹¹¹ This Free Trade Agreement would be a key factor to expand the trade, investment, service, and cooperation between the two countries. It provides Cambodia with many beneficial points which could uplift the national export to Chinese markets in both quantities and goods varieties through better tax exemption. In term of Investment field, the Free Trade Agreement would improvise the work regarding the promoting and supporting the investment, thus¹¹² bring convenience to the current investors to expand their businesses, and also attract new entrepreneur to the kingdom which in return, would bring jobs and opportunities to Cambodian Citizen to uplift their financial status.

¹¹⁰ Hin Pisei, "Cambodia, China Discuss Covid-19, Free Trade Deal," *The Phnom Penh Post* 2020.

¹¹¹ "Result of Policy Meeting for the First Round of Negotiation for the Free Trade Agreement between Cambodia and China," news release, 2020, <https://mef.gov.kh/documents/news/press-release-20200213-1/result-policy-meeting-2020.pdf>.

¹¹² Ibid.

CONCLUSION

According to China's BRI Policy which we studied earlier, it highlights the evolving relationship between Cambodia and China that focuses on trade development in of friendship and peace content. Although this mega policy has just been established, it has been received massive accomplishments in recent years. Obviously, due to the geographical factors, political stability, the effect of the free market economy, especially the adequate legal system of the Kingdom of Cambodia make the country easier to integrate with the One Belt One Road policy and regain trade benefits along this international road.

A developed society can only prosper if it has a strong management system combined with good communication with neighboring countries and other regionals. After reconstructed the kingdom, the RGC has put resources and efforts to lead the country towards the development, monitor the legal frameworks by adopting laws and regulations, strengthen law enforcement and link with foreign policy, especially the great power of China, which has had good relations for a long time. Today, Cambodia is likely getting closer to China, that provides warmth as a brotherly country by establishing cooperation such as BRI.

However, along with the progress of the smooth implementation of the BRI strategy, we have observed that a number of challenges have emerged which can be led to a decline in the effectiveness of the policy. Several problems arise through the extensive nature of the Silk Road, which stretches from region to region. The main problem is that there is no legal body or joint institution that regulates the implementation of Belt and Road policy. Secondly, the pandemic may also impact on the progress of BRI development, as Covid-19 has already had a significant impact on the global economy, influencing production, supply chains and the movement of people and goods. Since the outbreak and increasing the cases of corona virus, many people concerned about the impact of covid-19 on Cambodia's BRI development

projects. As the ripple effects of the coronavirus are felt across the globe, the nature, pace and scope of BRI (BRI) activity will also be affected, both in the near and longer-term future.

All in all, the BRI policy has boosted Cambodia's economic growth, which has the potential to accelerate national development, help people's lives, peace and prosperity, and enhance international cooperation. Of course, the most important point that can lead to a prosperous and peaceful country is only if all citizens respect and apply the law to achieve positive results, so in honor of all Cambodian citizens should understand this BRI concept in term of Trade Framework.

RECOMMENDATION

It now comes to the limitation of this research, the purpose is to show how much the Belt and Road policy could contribute to Cambodian Trade by taking part in economic and infrastructural development, and enhance international cooperation for the country. As the connection of the Belt and Road policy connects the countries and people from various regions through international roads, ports, railways and flights, this study will open up the view of BRI that is really matter to the society, thus to enhance for a better international relations purpose, people must understand the impact of BRI, and learn it in a beneficial way.

We would like to recommend to the next researchers to this topic that to focus and clarify on the specific sectors of BRI that provide the both positive and negative impact to the Cambodia development with the data collection impartial in. Furthermore, the next researchers on this topic should be impartial in conducting research by not bias to any side of group of people.

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APPENDIX

Work Together to Build the Silk Road Economic Belt and The 21st Century Maritime Silk Road

Speech by H.E. Xi Jinping

President of the People's Republic of China

At the Opening Ceremony of

The Belt and Road Forum for International Cooperation

14 May 2017

Distinguished Heads of State and Government,
Heads of International Organizations, Ladies and Gentlemen,
Dear Friends,

In this lovely season of early Summer when every living thing is full of energy, I wish to welcome all of you, distinguished guests representing over 100 countries, to attend this important forum on the BRI held in Beijing. This is indeed a gathering of great minds. In the coming two days, I hope that by engaging in full exchanges of views, we will contribute to pursuing the BRI, a project of the century, so that it will benefit people across the world. Ladies and Gentlemen, Dear Friends, Over 2,000 years ago, our ancestors, trekking across vast steppes and deserts, opened the transcontinental passage connecting Asia, Europe and Africa, known today as the Silk Road. Our ancestors, navigating rough seas, created sea routes linking the East with the West, namely, the maritime Silk Road. These ancient silk routes opened windows of friendly engagement among nations, adding a splendid chapter to the history of human progress. The thousand-yearold "gilt bronze silkworm" displayed at China's Shaanxi History Museum and the Belitung shipwreck discovered in Indonesia bear witness to this exciting period of history. Spanning thousands of miles and years, the ancient silk routes embody the spirit of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. The Silk Road spirit has become a great heritage of human civilization. -- Peace and cooperation.

In China's Han Dynasty around 140 B.C., Zhang Qian, a royal emissary, left Chang'an, capital of the Han Dynasty. He traveled westward on a mission of peace and opened an overland route linking the East and the West, a daring undertaking which came to be known as Zhang Qian's journey to the Western regions. Centuries later, in the years of Tang, Song and Yuan Dynasties, such silk routes, both over land and at sea, boomed. Great adventurers, including Du Huan of China, Marco Polo of Italy and ibn Batutah of Morocco, left their footprints along these ancient routes. In the early 15th century, Zheng He, the famous Chinese navigator in the Ming Dynasty, made seven voyages to the Western Seas, a feat which still is remembered today. These pioneers won their place in history not as conquerors with warships, guns or swords. Rather, they are remembered as friendly emissaries leading camel caravans and sailing treasure-loaded ships. Generation after generation, the silk routes travelers have built a bridge for peace and East-West cooperation. -- Openness and inclusiveness. The ancient silk routes spanned the valleys of the Nile, the Tigris and Euphrates, the Indus and Ganges and the Yellow and Yangtze Rivers. They connected the birthplaces of the Egyptian, Babylonian, Indian and Chinese civilizations as well as the lands of Buddhism, Christianity and Islam and homes of people of different nationalities and races. These routes enabled people of various civilizations, religions and races to interact with and embrace each other with open mind. In the course of exchange, they fostered a spirit of mutual respect and were engaged in a common endeavor to pursue prosperity. Today, ancient cities of Jiuquan, Dunhuang, Tulufan, Kashi, Samarkand, Baghdad and Constantinople as well as ancient ports of Ningbo, Quanzhou, Guangzhou, Beihai, Colombo, Jeddah and Alexandria stand as living monuments to these past interactions. This part of history shows that civilization thrives with openness and nations prosper through exchange. -- Mutual learning. The ancient silk routes were not for trade only, they boosted flow of knowledge as well. Through these routes, Chinese silk, porcelain, lacquerwork and ironware were shipped to the

West, while pepper, flax, spices, grape and pomegranate entered China. Through these routes, Buddhism, Islam and Arab astronomy, calendar and medicine found their way to China, while China's four great inventions and silkworm breeding spread to other parts of the world. More importantly, the exchange of goods and know-how spurred new ideas. For example, Buddhism originated in India, blossomed in China and was enriched in Southeast Asia. Confucianism, which was born in China, gained appreciation by European thinkers such as Leibniz and Voltaire. Herein lies the appeal of mutual learning. -- Mutual benefit. The ancient silk routes witnessed the bustling scenes of visits and trade over land and ships calling at ports. Along these major arteries of interaction, capital, technology and people flowed freely, and goods, resources and benefits were widely shared. The ancient prosperous cities of Alma-Ata, Samarkand and Chang'an and ports of Sur and Guangzhou thrived, so did the Roman Empire as well as Parthia and Kushan Kingdoms. The Han and Tang Dynasties of China entered the golden age. The ancient silk routes brought prosperity to these regions and boosted their development. History is our best teacher. The glory of the ancient silk routes shows that geographical distance is not insurmountable. If we take the first courageous step towards each other, we can embark on a path leading to friendship, shared development, peace, harmony and a better future. Ladies and Gentlemen, Dear Friends, From the historical perspective, humankind has reached an age of great progress, great transformation and profound changes. In this increasingly multi-polar, economically globalized, digitized and culturally diversified world, the trend toward peace and development becomes stronger, and reform and innovation are gaining momentum. Never have we seen such close interdependence among countries as today, such fervent desire of people for a better life, and never have we had so many means to prevail over difficulties. In terms of reality, we find ourselves in a world fraught with challenges. Global growth requires new drivers, development needs to be more inclusive and

balanced, and the gap between the rich and the poor needs to be narrowed. Hotspots in some regions are causing instability and terrorism is rampant. Deficit in peace, development and governance poses a daunting challenge to mankind. This is the issue that has always been on my mind. In the autumn of 2013, respectively in Kazakhstan and Indonesia, I proposed the building of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which I call the BRI. As a Chinese saying goes, "Peaches and plums do not speak, but they are so attractive that a path is formed below the trees." Four years on, over 100 countries and international organizations have supported and got involved in this initiative. Important resolutions passed by the UN General Assembly and Security Council contain reference to it. Thanks to our efforts, the vision of the BRI is becoming a reality and bearing rich fruit. -- These four years have seen deepened policy connectivity. I have said on many occasions that the pursuit of the BRI is not meant to reinvent the wheel. Rather, it aims to complement the development strategies of countries involved by leveraging their comparative strengths. We have enhanced coordination with the policy initiatives of relevant countries, such as the Eurasian Economic Union of Russia, the Master Plan on ASEAN Connectivity, the Bright Road initiative of Kazakhstan, the Middle Corridor initiative of Turkey, the Development Road initiative of Mongolia, the Two Corridors, One Economic Circle initiative of Viet Nam, the Northern Powerhouse initiative of the UK and the Amber Road initiative of Poland. We are also promoting complementarity between China's development plan and those of Laos, Cambodia, Myanmar, Hungary and other countries. China has signed cooperation agreements with over 40 countries and international organizations and carried out framework cooperation on production capacity with more than 30 countries. During the forum, a number of cooperation agreements on policy connectivity and action plans will be signed. We will also launch Belt and Road cooperation initiative on trade connectivity together with some 60 countries and international organizations. Such policy connectivity will produce

a multiplying effect on cooperation among the parties involved. -- These four years have seen enhanced infrastructure connectivity. Building roads and railways creates prosperity in all sectors. We have accelerated the building of Jakarta-Bandung highspeed railway, China-Laos railway, Addis Ababa-Djibouti railway and Hungary-Serbia railway, and upgraded Gwadar and Piraeus ports in cooperation with relevant countries. A large number of connectivity projects are also in the pipeline. Today, a multi-dimensional infrastructure network is taking shape, one that is underpinned by economic corridors such as China-Pakistan Economic Corridor, China-Mongolia-Russia Economic Corridor and the New Eurasian Continental Bridge, featuring land-sea-air transportation routes and information expressway and supported by major railway, port and pipeline projects. -- These four years have seen increased trade connectivity. China has worked with other countries involved in the BRI to promote trade and investment facilitation and improve business environment. I was told that for Kazakhstan and other Central Asian countries alone, customs clearance time for agricultural produce exporting to China is cut by 90%. Total trade between China and other Belt and Road countries in 2014-2016 has exceeded US\$3 trillion, and China's investment in these countries has surpassed US\$50 billion. Chinese companies have set up 56 economic cooperation zones in over 20 countries, generating some US\$1.1 billion of tax revenue and 180,000 jobs for them. -- These four years have seen expanded financial connectivity. Financing bottleneck is a key challenge to realizing connectivity. China has engaged in multiple forms of financial cooperation with countries and organizations involved in the BRI. The Asian Infrastructure Investment Bank has provided US\$1.7 billion of loans for 9 projects in Belt and Road participating countries. The Silk Road Fund has made US\$4 billion of investment, and the 16+1 financial holding company between China and Central and Eastern European countries has been inaugurated. With distinctive focus, these new financial mechanisms and traditional multilateral financial institutions such as the

World Bank complement each other. A multi-tiered Belt and Road financial cooperation network has taken an initial shape. -- These four years have seen strengthened people-to-people connectivity. Friendship, which derives from close contact between the people, holds the key to sound state-to-state relations. Guided by the Silk Road spirit, we the BRI participating countries have pulled our efforts to build the educational Silk Road and the health Silk Road, and carried out cooperation in science, education, culture, health and people-to-people exchange. Such cooperation has helped lay a solid popular and social foundation for pursuing the BRI. Every year, the Chinese government provides 10,000 government scholarships to the relevant countries. China's local governments have also set up special Silk Road scholarships to encourage international cultural and educational exchanges. Projects of people-to-people cooperation such as Silk Road culture year, tourism year, art festival, film and TV project, seminar and think tank dialogue are flourishing. These interactions have brought our people increasingly closer. These fruitful outcomes show that the BRI responds to the trend of the times, conforms to the law of development, and meets the people's interests. It surely has broad prospects. Ladies and Gentlemen, Dear Friends, As we often say in China, "The beginning is the most difficult part." A solid first step has been taken in pursuing the BRI. We should build on the sound momentum generated to steer the BRI toward greater success. In pursuing this endeavor, we should be guided by the following principles: First, we should build the Belt and Road into a road for peace. The ancient silk routes thrived in times of peace, but lost vigor in times of war. The pursuit of the BRI requires a peaceful and stable environment. We should foster a new type of international relations featuring win-win cooperation; and we should forge partnerships of dialogue with no confrontation and of friendship rather than alliance. All countries should respect each other's sovereignty, dignity and territorial integrity, each other's development paths and social systems, and each other's core interests and major concerns. Some

regions along the ancient Silk Road used to be a land of milk and honey. Yet today, these places are often associated with conflict, turbulence, crisis and challenge. Such state of affairs should not be allowed to continue. We should foster the vision of common, comprehensive, cooperative and sustainable security, and create a security environment built and shared by all. We should work to resolve hotspot issues through political means, and promote mediation in the spirit of justice. We should intensify counter-terrorism efforts, address both its symptoms and root causes, and strive to eradicate poverty, backwardness and social injustice. Second, we should build the Belt and Road into a road of prosperity. Development holds the master key to solving all problems. In pursuing the BRI, we should focus on the fundamental issue of development, release the growth potential of various countries and achieve economic integration and interconnected development and deliver benefits to all. Industries are the foundation of economy. We should deepen industrial cooperation so that industrial development plans of different countries will complement and reinforce each other. Focus should be put on launching major projects. We should strengthen international cooperation on production capacity and equipment manufacturing, and seize new development opportunities presented by the new industrial revolution to foster new businesses and maintain dynamic growth. Finance is the lifeblood of modern economy. Only when the blood circulates smoothly can one grow. We should establish a stable and sustainable financial safeguard system that keeps risks under control, create new models of investment and financing, encourage greater cooperation between government and private capital and build a diversified financing system and a multitiered capital market. We should also develop inclusive finance and improve financial services networks. Infrastructure connectivity is the foundation of development through cooperation. We should promote land, maritime, air and cyberspace connectivity, concentrate our efforts on key passageways, cities and projects and connect networks of

highways, railways and sea ports. The goal of building six major economic corridors under the BRI has been set, and we should endeavor to meet it. We need to seize opportunities presented by the new round of change in energy mix and the revolution in energy technologies to develop global energy interconnection and achieve green and low-carbon development. We should improve transregional logistics network and promote connectivity of policies, rules and standards so as to provide institutional safeguards for enhancing connectivity. Third, we should build the Belt and Road into a road of opening up. Opening up brings progress while isolation results in backwardness. For a country, opening up is like the struggle of a chrysalis breaking free from its cocoon. There will be short-term pains, but such pains will create a new life. The BRI should be an open one that will achieve both economic growth and balanced development. We should build an open platform of cooperation and uphold and grow an open world economy. We should jointly create an environment that will facilitate opening up and development, establish a fair, equitable and transparent system of international trade and investment rules and boost the orderly flow of production factors, efficient resources allocation and full market integration. We welcome efforts made by other countries to grow open economies based on their national conditions, participate in global governance and provide public goods. Together, we can build a broad community of shared interests. Trade is an important engine driving growth. We should embrace the outside world with an open mind, uphold the multilateral trading regime, advance the building of free trade areas and promote liberalization and facilitation of trade and investment. Of course, we should also focus on resolving issues such as imbalances in development, difficulties in governance, digital divide and income disparity and make economic globalization open, inclusive, balanced and beneficial to all. Fourth, we should build the Belt and Road into a road of innovation. Innovation is an important force powering development. The BRI is new by nature and we need to encourage innovation in

pursuing this initiative. We should pursue innovation-driven development and intensify cooperation in frontier areas such as digital economy, artificial intelligence, nanotechnology and quantum computing, and advance the development of big data, cloud computing and smart cities so as to turn them into a digital silk road of the 21st century. We should spur the full integration of science and technology into industries and finance, improve the environment for innovation and pool resources for innovation. We should create space and build workshops for young people of various countries to cultivate entrepreneurship in this age of the internet and help realize their dreams. We should pursue the new vision of green development and a way of life and work that is green, low-carbon, circular and sustainable. Efforts should be made to strengthen cooperation in ecological and environmental protection and build a sound ecosystem so as to realize the goals set by the 2030 Agenda for Sustainable Development. Fifth, we should build the Belt and Road into a road connecting different civilizations. In pursuing the BRI, we should ensure that when it comes to different civilizations, exchange will replace estrangement, mutual learning will replace clashes, and coexistence will replace a sense of superiority. This will boost mutual understanding, mutual respect and mutual trust among different countries. We should establish a multi-tiered mechanism for cultural and people-to-people exchanges, build more cooperation platforms and open more cooperation channels. Educational cooperation should be boosted, more exchange students should be encouraged and the performance of cooperatively run schools should be enhanced. Think tanks should play a better role and efforts should be made to establish think tank networks and partnerships. In the cultural, sports and health sectors, new cooperation models should be created to facilitate projects with concrete benefits. Historical and cultural heritage should be fully tapped to jointly develop tourist products and protect heritage in ways that preserve the distinctive features of the Silk Road. We should strengthen exchanges between parliaments, political parties and

nongovernmental organizations of different countries as well as between women, youths and people with disabilities with a view to achieving inclusive development. We should also strengthen international counter-corruption cooperation so that the Belt and Road will be a road with high ethical standards. Ladies and Gentlemen, Dear Friends, China has reached a new starting point in its development endeavors. Guided by the vision of innovative, coordinated, green, open and inclusive development, we will adapt to and steer the new normal of economic development and seize opportunities it presents. We will actively promote supply-side structural reform to achieve sustainable development, inject strong impetus into the BRI and create new opportunities for global development. -- China will enhance friendship and cooperation with all countries involved in the BRI on the basis of the Five Principles of Peaceful Co-existence. We are ready to share practices of development with other countries, but we have no intention to interfere in other countries' internal affairs, export our own social system and model of development, or impose our own will on others. In pursuing the BRI, we will not resort to outdated geopolitical maneuvering. What we hope to achieve is a new model of win-win cooperation. We have no intention to form a small group detrimental to stability, what we hope to create is a big family of harmonious co-existence. -- China has reached practical cooperation agreements with many countries on pursuing the BRI. These agreements cover not only projects of hardware connectivity, like transport, infrastructure and energy, but also software connectivity, involving telecommunications, customs and quarantine inspection. The agreements also include plans and projects for cooperation in economy and trade, industry, e-commerce, marine and green economy. The Chinese railway authorities will sign agreements with their counterparts of related countries to deepen cooperation on China-Europe regular railway cargo service. We will work to launch these cooperation projects at an early date and see that they deliver early benefits. -- China will scale up financing support for the BRI by

contributing an additional RMB 100 billion to the Silk Road Fund, and we encourage financial institutions to conduct overseas RMB fund business with an estimated amount of about RMB 300 billion. The China Development Bank and the Export-Import Bank of China will set up special lending schemes respectively worth RMB 250 billion equivalent and RMB 130 billion equivalent to support Belt and Road cooperation on infrastructure, industrial capacity and financing. We will also work with the AIIB, the BRICS New Development Bank, the World Bank and other multilateral development institutions to support Belt and Road related projects. We will work with other parties concerned to jointly formulate guidelines for financing the Belt and Road related development projects. -- China will endeavor to build a win-win business partnership with other countries participating in the BRI, enhance trade and investment facilitation with them, and build a Belt and Road free trade network. These efforts are designed to promote growth both in our respective regions and globally. During this forum, China will sign business and trade cooperation agreements with over 30 countries and enter into consultation on free trade agreements with related countries. China will host the China International Import Expo starting from 2018. -- China will enhance cooperation on innovation with other countries. We will launch the Belt and Road Science, Technology and Innovation Cooperation Action Plan, which consists of the Science and Technology People-to-People Exchange Initiative, the Joint Laboratory Initiative, the Science Park Cooperation Initiative and the Technology Transfer Initiative. In the coming five years, we will offer 2,500 short-term research visits to China for young foreign scientists, train 5,000 foreign scientists, engineers and managers, and set up 50 joint laboratories. We will set up a big data service platform on ecological and environmental protection. We propose the establishment of an international coalition for green development on the Belt and Road, and we will provide support to related countries in adapting to climate change. -- In the coming three years, China will provide

assistance worth RMB 60 billion to developing countries and international organizations participating in the BRI to launch more projects to improve people's well-being. We will provide emergency food aid worth RMB 2 billion to developing countries along the Belt and Road and make an additional contribution of US\$1 billion to the Assistance Fund for South-South Cooperation. China will launch 100 "happy home" projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along the Belt and Road. China will provide relevant international organizations with US\$1 billion to implement cooperation projects that will benefit the countries along the Belt and Road. -- China will put in place the following mechanisms to boost Belt and Road cooperation: a liaison office for the Forum's follow-up activities, the Research Center for the Belt and Road Financial and Economic Development, the Facilitating Center for Building the Belt and Road, the Multilateral Development Financial Cooperation Center in cooperation with multilateral development banks, and an IMF-China Capacity Building Center. We will also develop a network for cooperation among the NGOs in countries along the Belt and Road as well as new people-to-people exchange platforms such as a Belt and Road news alliance and a music education alliance. The BRI is rooted in the ancient Silk Road. It focuses on the Asian, European and African continents, but is also open to all other countries. All countries, from either Asia, Europe, Africa or the Americas, can be international cooperation partners of the BRI. The pursuit of this initiative is based on extensive consultation and its benefits will be shared by us all. Ladies and Gentlemen, Dear Friends, An ancient Chinese saying goes, "A long journey can be covered only by taking one step at a time". Similarly, there is an Arab proverb which says that the Pyramid was built by piling one stone on another. In Europe, there is also the saying that "Rome wasn't built in a day." The BRI is a great undertaking which requires dedicated efforts. Let us pursue this initiative step by step and deliver outcome one by one. By doing so,

we will bring true benefit to both the world and all our people! In conclusion, I wish the Belt and Road Forum for International Cooperation a full success!

Thank you!