

The Impacts of China's Aid and Investment in Cambodia The Case of Sihanoukville

By

Sophy Ny

Submitted to

Central European University

Department of Public Policy

In partial fulfilment of the requirements for the degree of Master of Arts in Public Policy

Supervisor: Prof. Thilo Daniel Bodenstein

Vienna, Austria
2022


AUTHOR'S DECLARATION

I, the undersigned **Sophy Ny** hereby declare that I am the sole author of this thesis. To the best of my knowledge, this thesis contains no material previously published by any other person except where due acknowledgment has been made. This thesis contains no material which has been accepted as part of the requirement of any other academic degree or non-degree program in English or in any other language.

This is a true copy of the thesis, including the final revisions.

Date: 29.07.2022

Name: Sophy Ny

Signature:  _____

Word Count: 11226

ABSTRACT

Cambodia has undertaken state-building and restoration efforts after the 1991 Paris Peace Agreement. Since then, Cambodia has received assistance from a range of donors. In the early 2000s, Cambodia was known as one of the countries with the most significant foreign intervention, with a majority of its budget coming from foreign aid. Due to Cambodia and China's strong political ties, Cambodia has received considerable China's aid and investment. Therefore, this paper examines the implications of China's aid and investment in Sihanoukville, Cambodia. For the design and analysis of this study, a single case study method was used. Due to the unreliability and lack of transparency of Chinese assistance, qualitative research was used to investigate the effects of Chinese aid in Cambodia. Sihanoukville can serve as an example for other recipients of Chinese aid and investment regarding the potential benefits and undesired outcomes. Developing countries welcome Chinese aid when it can meet their demands, especially if there is no other funding source. However, despite the claim of "no strings attached," China's aid may promote Chinese interests over those of locals, as demonstrated in the case of Sihanoukville. The findings of this research suggest that China's aid and investment in Cambodia appear to be mutually beneficial to economic development. Nevertheless, China's aid and investment may bring about social and cultural consequences and harm Cambodians' relations with other foreign donors. Hence, the government should balance ties with others, safeguard neutrality and sovereignty, and avoid China's debt trap while diversifying its economy and strengthening international trade connectivity.

ACKNOWLEDGMENT

I would like to extend my sincere thanks to my supervisor, Professor Thilo Daniel Bodenstein, for his insightful advice and guideline on my thesis. Without his ongoing support, I will not be able to complete this thesis. I am also very grateful to an academic writing instructor, Zsuzsanna Toth, for her valuable feedback on my writing and patience with me.

My gratitude also goes to the Open Society Foundation for sponsoring my study. I would like to express gratitude to my parents, uncle, siblings, and extended family for their unconditional love and support throughout my academic journey.

Thank my wonderful friends in Cambodia and here at Central European University who always supported each other academically and mentally. I would especially like to thank my close friend Janita Bartell, who has continuously inspired me in a variety of ways. Thank you for constantly pushing me up and having faith in me. Lastly, I would like to thank myself for not giving up despite all the hardship of studying during the pandemic.

TABLE OF CONTENTS

AUTHOR’S DECLARATION.....	i
ABSTRACT	ii
ACKNOWLEDGMENT	iii
TABLE OF CONTENTS	iv
LIST OF ABBREVIATIONS	v
LIST OF FIGURES	vi
CHAPTER 1: INTRODUCTION.....	1
1.1 China's Engagement in Cambodia	2
1.2 Research Objectives and Research Questions	3
CHAPTER 2: LITERATURE REVIEW	5
2.1 The Trend of Chinese Aid.....	5
2.2 Studies on the Impacts of Chinese Aid on Recipients in the Global South.....	8
2.3 Motives of China's Aid in Cambodia.....	10
2.4 Characteristics of Chinese Aid in Cambodia	11
CHAPTER 3: RESEARCH METHODOLOGY	14
3.1 Case Selection	14
3.2 Data Collection	15
CHAPTER 4: CASE STUDY	17
4.1 Cambodia at a Glance	17
4.2 Chinese aid and Investment in Sihanoukville	21
CHAPTER 5: FINDING	24
5.1 Economic Impacts.....	24
5.2 Socio-Cultural Impacts	28
5.3 Impacts on Foreign Relations	31
CHAPTER 6: CONCLUSION AND POLICY IMPLICATIONS.....	33
BIBLIOGRAPHY	36

LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BOT	Build Operate Transfer
BRI	Belt and Road Initiative
CDC	The Council for Development of Cambodia
DAC	Development Assistance Committee
EBA	Everything But Arms
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
LDCs	Least Developed Countries
LMIC	Lower Middle-Income Countries
MFN	Most Favoured Nation
NBC	National Bank of Cambodia
ODA	Official Development Assistance
OECD	Organization of Economic Cooperation and Development
SEZ	Special Economic Zone
SSEZ	Sihanoukville Special Economic Zone
USA	The United States of America
USD	US Dollar

LIST OF FIGURES

Figure 1: Debt Stock by Creditors as of End Q1-2022

Figure 2: Amount of Export by Destination (Q4-2020 vs Q4-2021)

Figure 3: Map of Sihanoukville

Figure 4: Sihanoukville in 2022

Figure 5: Chinese Workers on the Construction Sites

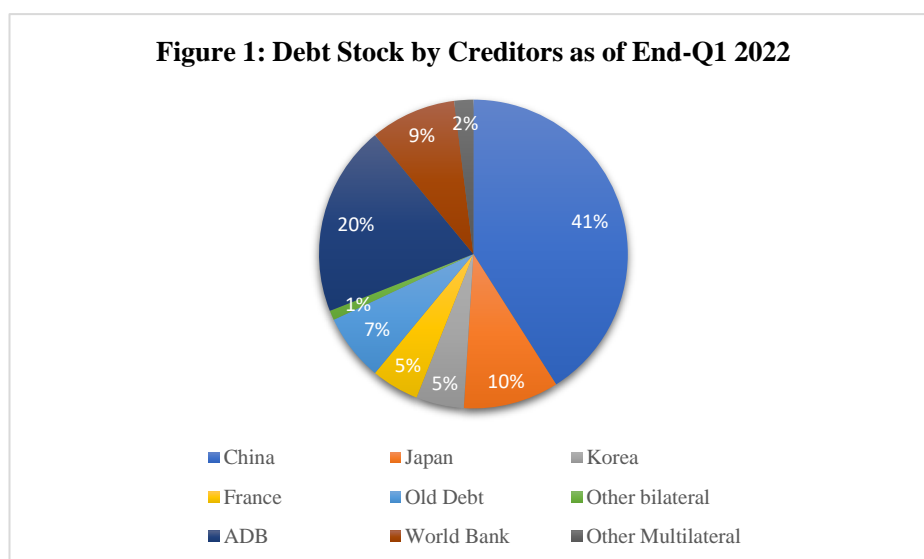
Figure 6: Buildings under Construction in Preah Sihanouk Province

Figure 7: Authorities take down an incorrectly translated banner belonging to a Chinese business owner

CHAPTER 1: INTRODUCTION

Cambodia was ignored by the international community during the Pol Pot dictatorship regime (Kruy 2017, 14). However, Cambodia began a new stage of state-building and reconstruction efforts after the 1991 Paris Peace Agreement (Fforde and Seidel 2010, 4). Following that, Cambodia has received aid from a variety of sources, including international organizations, United Nations agencies, and several developed countries. Foreign aid policies have been altered because of changes in the international system and the shift in donor political agendas (Lengauer 2011, 37). Cambodia was recognized as one of the most internationally intervened nations in the early 2000s, with foreign aid accounting for the majority of the national budget (Fforde and Seidel 2010, 4). Due to China's solid economic and political relations, Cambodia has received significant Chinese aid, investment, and loans.

Since the Belt and Road Initiative (BRI) launched in 2013, Chinese aid to Cambodia has dramatically increased in various forms. Data from the Council for Development of Cambodia (CDC 2021) shows that China was Cambodia's most prominent investor holding 44.2% of the total foreign direct investment share of 17.3 billion USD in 2021. Additionally, according to data from Cambodia Public Debt Statistical Bulletin (2022, 5), China is also the largest creditor with 41% of the total foreign debt (See figure below).



Source: Modified by Author from Cambodia Public Debt Statistical Bulletin (2022)

Numerous studies have examined how Chinese aid harms democracy in Cambodia (Un 2013, 285). However, there are few studies on the effects of Chinese aid on Cambodia's development. Most of the studies in the Global South highlighted that Chinese investment violates human rights and impacts the environment (Po and Sims 2021, 12). Chinese aid seems to present risks to the country; therefore, the government needs to have a precise mechanism to manage the aid on large-scale development projects to ensure its effectiveness.

1.1 China's Engagement in Cambodia

Cambodia is one of China's first and closest Southeast Asian allies. Cambodia-China relations have shifted over time (Heng and Chheang 2019, 6). The official diplomatic ties between Cambodia and China began in 1958 (Kin 2020, 21). During the 1997 coup d'état in Cambodia, the bilateral relations grew closer when China supported the current government in toppling its Co-Prime Minister (Burgos and Ear 2010, 617). Despite the international criticism, China recognized the Cambodian People's Party-led government and granted substantial financial assistance (Heng and Chheang 2019, 6). Consequently, the two countries' bilateral relationship has deepened, followed a series of high-level visits, agreements, and cooperation efforts (Heng and Chheang 2019, 6). After the Cold War, China's involvement in Cambodia altered substantially (Kin 2020, 21). Cambodia received 952 million USD in foreign funding in 2008 (Burgos and Ear 2010, 628). In 2010, Cambodia and China strengthened their relationship by signing a Comprehensive Strategic Partnership Agreement (Angaindrankumar 2018, 2). China's aid to Cambodia has expanded dramatically, from 2.61 million USD in 2000 to 100.2 million USD in 2010 (Po and Sims 2021).

Moreover, since the commencement of the BRI in 2013, Cambodia has been receiving more aid for infrastructure development from China (Sok, 2019). China supported in the form of the build-operate-transfer (BOT) model. In the BOT project, the Principal concedes to the

Concessionaire, who is then in charge of building and running the facility throughout the concession period before passing it to the Principal, free of charge, as a fully functional facility (Sub-Decree No. 11 On Build-Operate-Transfer Contract 1998). For instance, the build of the Sihanoukville Special Economic Zone (SSEZ) and the construction of the Phnom Penh-Sihanoukville Expressway are two examples of BOT (Heng 2019). Since the mid-1990s, China has also built 3,000 kilometers of roads and eight bridges. Then in April 2019, the two countries signed the "Action Plan 2019-2023 on Building China-Cambodia Community of Shared Future." In this action plan, the two countries committed to 31 initiatives in politics, security, economics, people-to-people contacts, and multilateral cooperation (Kin 2020, 21).

During the emergence of the Covid-19 pandemic in China, mutual relations significantly improved following the visit of the Prime Minister to Beijing (Heng 2020, 1). In mid-2020, China announced that under the Mekong-Lancang Cooperation, it would grant Cambodia 7.2 million USD in funding (Xinhua 2020, 1). Chinese funding to Cambodia has risen steadily recently from 322.11 million USD in 2019, 365.53 million USD in 2020, and 4 599.34 million USD in 2021 (Ministry of Economy and Finance 2021). Despite its ongoing struggle against the Covid-19 outbreak, China remains Cambodia's largest aid donor and the first contributor to help Cambodia fight the Covid-19 pandemic with financial and medical assistance (Luo and Un, 2021).

1.2 Research Objectives and Research Questions

The purpose of this study is to examine the prospects and impacts of Chinese aid on development in Cambodia. The scope of research focuses only in Sihanoukville because the province has received significant Chinese aid and investment comparing to other regions. Sihanoukville can be a showcase to reflect the patterns and impacts of Chinese aid on the local communities where a substantial amount of aid is projected. The study is expected to find

empirical evidence of the contribution of Chinese aid on development in Sihanoukville. In addition, the findings provide the Cambodian government, development partners, and key stakeholders with updated information for the formulation of new comprehensive strategic plans and procedures for enhanced development.

To achieve this goal, the paper aims to answer two main questions:

1. What are the positive and negative impacts of Chinese aid and investment on development in Sihanoukville?
2. What are the policy implications of Chinese aid and investment in Sihanoukville?

The structure of this paper is as follows. The first section is the introduction. The second follows a literature review. The third outlines the methodology of this study. The fourth section presents the case study. The fifth is the finding and analysis. The last section ends with a conclusion and policy implications.

CHAPTER 2: LITERATURE REVIEW

This chapter discusses the trend of Chinese aid, reviews earlier research on how Chinese aid affects recipients in the developing world and examines the motivations behind China's aid and investment in Cambodia. This review sets the focus of the analysis for a case study in Sihanoukville.

2.1 The Trend of Chinese Aid

Chinese aid is distinct from conventional Development Assistance Committee (DAC) donors, which typically require recipient countries to uphold human rights and support democracy and good governance (Dreher and Funchs 2011, 1019). Traditional donors such as the USA, Japan, and the EU often offered development assistance to Cambodia with strings attached, but the rise of China began to alter the norms (Sara 2011, 35). Beijing has adopted a non-interference attitude to show itself as a benign partner to the "South" and to differentiate its expansion from the imperialist actions of former colonial western powers (Po and Sims 2021, 1).

China's expanding role as a development aid provider and worldwide economic engagement are of interest both inside and beyond China. The world wonders if the Chinese development policy emphasizes cooperation or competitiveness. Their altruistic or power-driven objectives are often debated (Gu 2022). China's development policy has changed considerably during the previous decade. Since 2013, Chinese foreign aid has gradually expanded, signaling a significant shift in international development. China gave 4 billion USD to developing countries from 2013 to 2018. Since the COVID-19 pandemic began, China has also sent vaccines, medical supplies, and teams to 53 African countries and the African Union (Gu 2022).

China has utilized foreign aid to extend its influence in Asia and Africa since the 1950s (Bermeo 2019, 3). China's foreign policy has emphasized the principle of non-interference initiated during the Bandung Conference in 1955. Bandung Conference is known as Asian-African

Conference, with participants from twenty-nine Asian-African countries conducted in Bandung, Indonesia, which signaled a global revolution struggles against colonialism and imperialism (Weber and Winanti 2016, 391-403). As a consequence of the Bandung Spirit, its initial goal was to safeguard China's independence from Cold War external interferences and project itself ideologically in the Global South. Similarly, Rajagopal (2003, 74) mentioned that the Bandung spirit symbolized "new Third World solidarity," emphasizing decolonization and development (Weber and Winanti 2016, 402). After that, China emphasized its non-interference principle to portray itself as a country respecting others' sovereignty, even though it actively supported several revolutionary movements (Kurita 2021, 3).

In 1964, Beijing established the Eight Principles for Economic Aid and Technical Assistance, which declared that Chinese aid is centered on the concept of "equality and respect of sovereignty and territory integrity" (Kurita 2021, 3 and Li 2017, 206). In the 1970s, over 70 countries received Chinese aid. Then, in 1983 Premier Zhao Ziyang proclaimed the Four Principles Governing Sino-African Economic and Technical Collaboration emphasizing cooperation without interfering in domestic affairs, unconditionality, and upholding common interests " (Kurita 2021, 3 and Li 2017, 206).

In contrast to China, in the early 1990s, Western governments tied official development assistance "aid" to advancing human rights, democracy, and good governance (Crawford and Karcarska 2017,184). Traditional donors tie aid to political and economic governance conditions, provoking hostility from developing countries (Kurita 2021, 1). As such, Chinese aid and investment are more welcomed in developing countries due to their non-interference strategy. Another attractive feature is that Chinese assistance is widely known for "competence and quickness" in negotiating and executing development programs (Olson and Prestowitz 2011).

China's transition from non-interference has been seen more clearly via the Belt and Road Initiative (BRI). BRI, or One Belt One Road, was inaugurated in 2013 and included the Silk Road Economic Belt and the 21st-Century Maritime Silk Road (Tian 2019, 1). The BRI builds land and sea links and aims to link West China to East Europe. The BRI's focus is on energy and transportation infrastructure (Schulhof, Vuuren, and Kirchherr 2022, 1). However, the BRI is expected to have extended China's FDI to BRI countries, primarily along the two Silk Road routes (Nugent and Lu 2021, 3). Each of the two Silk Roads features both hard and soft infrastructure. Steel, concrete, and machinery used to create railways, motorways, ports, energy pipelines, industrial parks, and special economic zones constitute the hard infrastructure (Arase 2015, 4). Financial organizations, trade and investment, academic research, cultural contact, and tourism are examples of soft infrastructure (Arase 2015, 4).

According to Arase (2015), BRI is a Chinese model of economic integration that differs from the Western approach. China's development approach emphasizes economic facilitation. This entails expanding market connections by establishing better transportation links, increasing trade and investment funding, and increasing human interchange opportunities (Arase 2015, 4). BRI connects China to the region and the world via motorways, high-speed trains, electrical lines, ports, pipelines, and other related infrastructure (Heng and Po 2017, 3). Consequently, several international projects with enormous Chinese investment projects are built around the world (Kurita 2021, 2). Liu and Dunford (2016, 335) assert that the BRI has five collaboration areas: policy coordination, infrastructural connectivity, trade facilitation, financial cooperation, and people-to-people connection (Flint and Zhu 2016, 97).

After the Cold War, China's economic footprint in Southeast Asia lagged behind the USA, Japan, and certain European nations (Chheang 2017, 3). Given the geopolitical importance of the Association of Southeast Asian Nations (ASEAN), it is no wonder that Chinese maritime investment has poured into the region since the BRI was introduced (Song and Fabinyi 2021, 1).

Southeast Asia is important for geo-economic and strategic interests and China's economic and industrial expansion (Yuen 2016, 25). Importantly, the South China Sea helps connect East China to the Mediterranean and Indian oceans (Nugent and Lu 2021, 2-3). Under President Xi Jinping, China has strengthened its engagement with ASEAN countries through BRI and China Mekong-Lancang Cooperation (Chheang 2017, 3). Considering BRI, Chinese scholars stated that China is committed to joint growth. They say China uses a "two-wheel and one-spoke" diplomatic arrangement. One wheel represents economic cooperation, the other security cooperation, while people-to-people and cultural collaboration are the spoke (Chheang 2017, 4).

2.2 Studies on the Impacts of Chinese Aid on Recipients in the Global South

China's rise as a significant aid donor raises concerns about its effects. Frequently, the media depict China's development assistance as rogue aid that props up corrupt, dictatorial administrations (Taylor 2012). In return, China receives access to natural resources, territory, and unfair commercial advantages at the recipients' expense. The last two US administrations cautioned African nations of "new colonialism" and accused China of land-grabbing and predatory loan practices hurting economic growth in developing nations (Tannenberg 2019, 17). Tannenberg (2019, 3) highlighted that development aid from western democratic countries is commonly known to strive to promote accountability and democracy in the recipients' countries. In contrast, the aid offered by autocratic regimes ("autocratic aid") has no such goals.

Bader and Hackenesch (2019) asserted that conditionality may lead to democratization only if recipients do not have other sources of funds. Like in the case of African countries, there was a positive association only after the end of the cold war until the mid-2000s. However, this claim no longer exists when China's aid is present (Bader and Hackenesch 2019, 11).

Tannenberg (2019, 17) highlighted that aid from autocratic donors may also affect democratization. Firstly, it could bolster the government mandate by isolating them from the economic downturn

and enhancing their performance credibility (Tannenberg 2019, 17). Secondly, it hinders vertical and horizontal accountability because the Chinese aid does not disclose the contract terms (Tannenberg 2019, 17). Thirdly, dictatorship aid can undermine political reforms backed by other donors (Tannenberg 2019, 17). In the context of Africa, Jones discovers that exposure to Chinese aid causes sentiment among Africans (Tannenberg 2019, 18). On the other hand, Eichenauer, Fuchs, and Brückner conclude that Chinese economic activity (including aid) has no impact on Latin American sentiments about China. Chinese assistance is related to positive opinions among segments, demonstrating that aid creates winners and losers within the receiving community (Tannenberg 2019, 18). Gehring, Kaplan, and Wong find that Chinese funding strengthens one-man and one-party rule, while World Bank aid has the reverse impact. Remarkably, China's aid has risen in the recent decade. This aid is mainly in the form of loans, unlike what democratic OECD donors provide. Chinese assistance has fewer policy constraints than OECD aid, raising concerns that it could hinder other donors' efforts to enhance governance or human rights. Many development scholars and policymakers have paid close attention to the current prominence gained by the BRI and the possibility of a new debt-trap catastrophe (Bermeo 2019, 4). The rise of China and aid are condemned for promoting autocracy and weakening democratization in recipients' countries. Bader and Hacknesch (2019, 8) claimed that without a tie to any political conditions, Chinese aid, investments, and other economic cooperation enhance the corrupt administrations and undercut Western efforts to promote democratic reforms (Taylor 2012). For example, the positive influence of aid on political reforms in sub-Saharan Africa has diminished since China began providing considerable financial resources to African governments (Bader and Hackenesch 2019, 11).

Previous research has yielded few comprehensive and unified insights on how China influences global South political systems. Since President Xi Jinping took office, China's foreign policy has shifted. In October 2017, President Xi proclaimed a transformation in foreign policy

strategy and China's willingness to share its political model with the global South and beyond. In April 2018, Xi eliminated the term "limit" in the constitution (Bader and Hacknesch 2019, 8). Consequently, this may also encourage other developing leaders to follow their model.

Aid Data published by Deborah Brautigam and others has contributed to understanding China's aid allocation and its effects. In contradiction to popular belief, Chinese funding does not favor authoritarian regimes. Chinese aid is more susceptible to political influence after delivery. AidData-based research finds conflicting effects on democratic practices in recipient nations (Brautigam et al., 2011; Bader and Hacknesch, 2019, 8). Chinese aid initiatives tend to increase local corruption, yet they do not erode the state's legitimacy. Chinese help and financing have not increased the possibility of local strife in Africa or protests. They are linked to more government repression, fewer democratic norms, and public dread of holding the government accountable. Overall, the data is contradictory, and we cannot conclude that China's emergence in the development agenda has affected the global decline in political freedom and democratic government (Bader and Hacknesch 2019, 8).

2.3 Motives of China's Aid in Cambodia

Cambodia is one of China's closest friends in Southeast Asia, and many consider it China's "vassal state" (Chong 2017, 2). Most analysts agree that Cambodia serves China in the national interest. Size, economic progress, and recollections of historic strife of the neighboring countries, namely Vietnam and Thailand, all influenced Cambodia's decision to embrace China (Chong 2017, 2).

China's involvement in Cambodia is influenced by its desire to exert more significant influence in the area to realize its "string of pearls" vision (Heng 2012). China's security interests in the South China Sea dispute with Vietnam, Taiwan, the Philippines, and the Spratly Islands are strongly connected (Burgous and Ear 2010). China aims to inject its soft power as a peaceful

rise in Cambodia, a region, and on the international stage. Geographically, Cambodia is situated at a sea-accessible to launch a response to disputes that may arise (Burgous and Ear 2010,620).

Furthermore, Cambodia is rich in natural resources, so China's engagement in Cambodia is to absorb abundant natural resources to boost its economic growth (Burgos and Ear 2010,615). Chinese aid is a tool to achieve their goal. China has helped Cambodia to build physical infrastructure because of its strategic location of Cambodia. It is located in a favorable geographical position for China to oversee global trade. It makes it easier for them to extract natural resources such as timber, gas, oil, water, rubber, mineral, and hydroelectric power (Cohen 2019, 5). China attempts to balance the power in Asia, focusing on trade, globalization, and financial stability. China's goals are to build a solid alliance to advance its agenda related to foreign policy, image shaping, economic pre-eminence, and national security (Burgous and Ear 2010).

2.4 Characteristics of Chinese Aid in Cambodia

China's aid to Cambodia can be categorized into three main phases. The first phase, from 1956 to 1990, was the period in which aid was mainly in the form of grants and for the national building (Zhou 2018, 96). The second phase was between 1991 and 2003 to enhance the two countries' economic cooperation. The third phase began in 2004 until today, when Cambodians remarkably received many grants, loans, and investments (Zhou 2018, 96). China provided aid to Cambodia in both hard and soft infrastructure (Zhou 2018, 96). Steel, concrete, and machinery used to create railways, motorways, ports, energy pipelines, industrial parks, and special economic zones constitute the hard infrastructure (Arase 2015, 4). Financial organizations, trade and investment, academic research, cultural contact, and tourism are examples of soft infrastructure (Arase 2015, 4).

China's aid in Cambodia is different from the traditional donors in three main ways. First, China's assistance is demand-driven and closely aligned with Cambodia's development strategies. For instance, based on the National Strategic Development Plan of Cambodia (NSDP) 2019-2023, infrastructure is one of the top priorities for the country's development. Cambodia desires significant investment and quick growth. Chinese infrastructure assistance addresses a vital development need in Cambodia. In Cambodia, a proverb states, "where there is a road, there is a hope" (Zhou 2018, 99). Under the DAC principle, traditional donors mainly focus on social development. While infrastructure is not their priority and the Cambodian government has difficulty accessing funds for infrastructure projects, China helps fill this gap (Leng 2019, 252). China's aid helps to diversify the infrastructure funding sources (Cohen, 2019, 5).

Second, China's aid initiatives are often large-scale yet efficient and speedy. Hence, it is more welcome by the Cambodian government as it does not require going through a long-complicated process like the DAC aid. China completed more complex projects faster than Western donors, including Australia, Japan, and South Korea (Zhou 2018, 100). China's massive investment in Cambodia's infrastructure contrasts with Western donors' unwillingness to make such long-term, costly commitments (Luo and Un 2021, 403).

Third, China's aid incorporates economic aid with trade and investment. From mid-1994 and the end of 2021, foreign direct investment (FDI) flows in Cambodia totaled 168.8 trillion riels (41 billion USD), an increase of 11.2% from the end of 2020, with China maintaining the country's largest source market (Phanet 2022). China led all other donors in Cambodia in total assistance volume and the magnitude of individual projects (Zhou 2018, 99). For instance, Chinese investment between 2012 to 2016 was over 4 billion USD, 30 times that of the USA, including a 100 million USD Coca-Cola plant (Tostevin and Prak 2017).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Case Selection

To investigate the impacts of China's aid in Cambodia, a qualitative research approach was chosen because of the unreliability and the lack of transparency of Chinese aid. It is hard to assess, compare, and evaluate the impacts of Chinese aid on recipients once there is no public disclosure of the actual amount of aid. In addition, measuring financial flows from China to recipients is another challenge since it is hard to know which flows to examine. China's economic influence in Cambodia is huge, but aid and investment are hard to separate (Hameiri 2019, 11). China does not use the term "development assistance" as it is stated in the OECD-DAC definition, as China wants to differentiate itself from the traditional donors' concept (Brautigam 2009 and Grimm 2011, 4). China's aid differs from the DAC's principle and is unlike the ODA practice (Anderson and Him 2019). Without comparable data, it is challenging to study the impacts and effectiveness of China's aid and compare it with other traditional donors.

This study employs a single case study method for the design and analysis. The case study method is used because it enables the study of a phenomenon in a specific setting analysis and explores data from numerous sources using various lenses to reveal the phenomenon's features (Rashid et al. 2019, 5). Cambodia is chosen as the subject of the analysis due to my personal experience and observation of the chosen country. China has been Cambodia's most significant investor and most influential political ally (Inclusive Development International 2020, 4). In addition, the knowledge of the country allows me to have a deeper understanding of the country's social, cultural, and political context and to have multiple perspectives in the analysis. Moreover, with the in-depth familiarity with the local context, this allows me to have an in-depth examination of a complex event, the "case," in its real-world setting (Yin 2014, 321).

Furthermore, as Marriam (1998) mentioned, qualitative research aims to interpret the events rather than generalize the finding, as it focuses on how people interpret their experiences (Rasid et al. 2019, 8). Hence, based on Maxwell (2019, 182), I will incorporate the local context as it is the main characteristic of the analysis and reject "context-independent" findings of the consequences of a policy.

Cambodia is a typical case study to understand the impacts of Chinese aid on the recipients. Typical samples are selected based on consistent, cross-case links. Since a model explains the typical scenario well, the researcher's puzzle is within it. Cambodia can be an explanation or confirmation of the general assumptions of the Chinese aid by many development scholars and policymakers (Seawright and Gerring 2008, 297). This study will enable a pattern-matching analysis to determine if the evidence validates the given complex phenomena or attempts to explore the different implications or pathways (Seawright and Gerring 2008, 299). The researcher wants to see whether the case of Cambodia shares the same scenario or is different from other countries that receive aid and investment from China.

This study will examine the case of Sihanoukville, one of Cambodia's provinces receiving enormous Chinese aid and investment. Therefore, Sihanoukville can be a showcase to reflect the patterns and impacts of Chinese aid on the local communities where a substantial amount of aid is projected. Therefore, this study will mainly examine the impacts of China's aid and investment in Sihanoukville from 2010 to 2021.

3.2 Data Collection

Data will be based on both primary and secondary data, including academic papers, journal articles, government reports, national strategies, policy, press releases, news from websites of relevant institutions, and media sources. Moreover, the epistemological and interpretive approaches will be used in this research.

However, it is essential to note that the materials collected may be biased because those studies reflect those authors' opinions. There is no such thing as a value-free study because everything is shaped by the researcher's norms, values, culture, and society (Rashid et al., 2019, 3). Hence, to minimize the bias in selecting the sources, the researcher uses multiple sources of evidence to have diverse perspectives. The sources will be drawn from various scholarships of Western scholars, Chinese scholars, and Cambodian scholars. More importantly, the data will be investigated primarily from local and international media sources once no other data sources are available. This method will allow the researcher to triangulate data sources (Yin 2009, 96). Moreover, this allows the researcher to measure and validate the same fact or event.

CHAPTER 4: CASE STUDY

This section gives a brief historical overview and explains why China gave Cambodia much support in recent decades. It also tries to illustrate the nation's current economic situation and its development difficulties. Understanding the country's context would give a more precise image and explanation of why China frequently serves as Cambodia's best partner. China's aid is most welcome in Cambodia as it fits the country's needs well.

4.1 Cambodia at a Glance

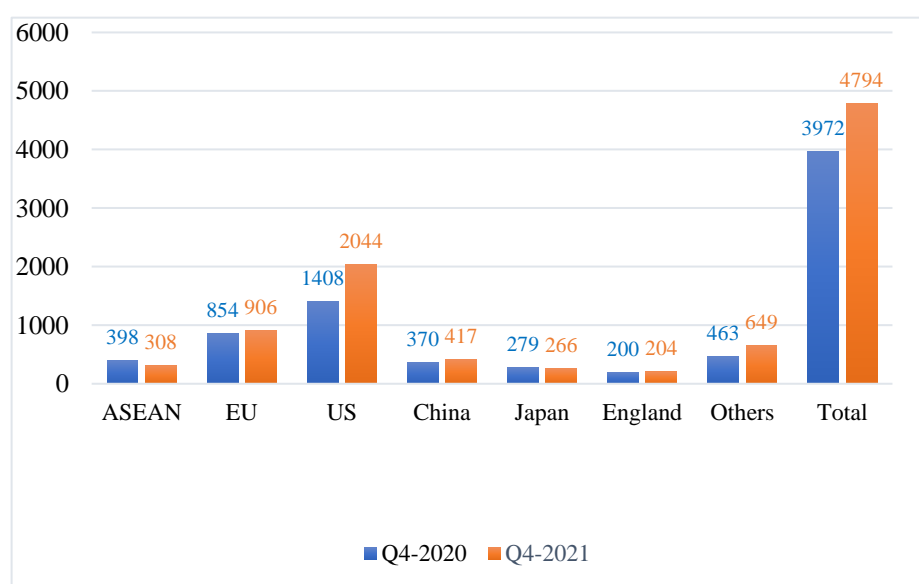
Historically, Cambodia is a war-torn country. Since the end of the civil war in 1991, Cambodia has received much support from the international community to rehabilitate the country (Ear 2007, 74). The international community has backed democratic reform while China has not (Po and Sim 2021, 14). In June 1992, USD 880 million was pledged during the International Conference for the Rehabilitation of Cambodia (ICORC) in Tokyo (Ear 2007, 74). After that, grant aid has remained consistent at around USD 800 million per year, with a massive rise from USD 813 million in 2016 to USD 893 million in 2019. In addition to grants, loans accounted for 53% of overall disbursements in 2019, up from 25% in 2010 due to expanded programs from France, China, Japan, and the ADB (Council for Development of Cambodia 2020, 8).

Moreover, the World Bank and the Asia Development Bank (ADB) increased their financing from USD 17 million and USD 118 million in 2016 to USD 70 million and USD 246 million in 2019, respectively (Council for Development of Cambodia 2020, 10). Whereas, EU disbursements and the resources of Germany and Sweden dropped, except for France, which raised distribution to USD 207 million in 2019 and pledged USD 258 million in 2020 and USD 464 million in 2021 (Council for Development of Cambodia 2020, 10). On a similar note, the United States' disbursements decreased in 2019 due to programming disruptions, while Australian funding fell due to policy decisions made in Canberra (Council for Development of

Cambodia 2020, 10). On the other hand, China remains the leading donor of international development assistance. In 2019, its contribution grew from USD 353 million in 2018 to USD 500 million in 2019 (Council for Development of Cambodia 2020, 10).

In addition to the funding support, Cambodia also got other forms of support from the international community. For instance, in 1997, the USA government granted Cambodia a Most Favoured Nations (MFN) status to Cambodia, which has no quota limits in the USA market through the Generalized System of Preferences (GSP) (Li and Hu 2022, 7, Inclusive Development International 2020, 2). Similarly, in 2010 with a status as a Least Developed Countries (LDCs), Cambodia got favorable trade access to the EU market known as the Everything But Arms (EBA) policy, which allows Cambodia duty-free-quota-free exports except for weaponry as we can see in the figure below (Laweniuk 2020, 1175).

Figure 2: Amount of Export by Destination (Q4-2020 vs Q4-2021)



Source: Modified by Author from Cambodia Public Debt Statistical Bulletin (2022)

The EBA regime mandates Cambodia to comply with international human rights (Laweniuk 2020, 1175). Due to this special treatment, Cambodia's garment industry began to boom as many international investors came into Cambodia (Li and Hu 2022, 7).

Moreover, to better understand the implications of Chinese aid in Cambodia, it is also essential to understand the country's current economic status. Before the pandemic between 1998 and 2019, Cambodia's gross domestic product (GDP) grew by 7.7% annually (World Bank 2022). As a result, Cambodia obtained a lower middle-income countries (LMIC) status in 2015 and aims toward upper-middle-income status by 2030 (World Bank 2022). Likewise, the Council for Development of Cambodia also asserts that Cambodia expects to graduate from LDCs (CDC 2020, 28). As a general rule, once the country reaches the LMIC status or graduates from the LDCs, the amount of ODA and other supports is often reduced (CDC 2020, 28). However, this does not appear to be the case in Cambodia. This may be because of the country's prolonged position as an LDCs and its capacity to secure concessional loans (CDC 2020, 9).

Furthermore, it is essential to note that industry and services are the primary drivers of economic growth in the country, representing 34.4% and 42.1% of 2018 GDP, respectively, and the garment industry contributes to Cambodia's export (Royal Government of Cambodia 2019, 27). The EU is Cambodia's top export market, reaching USD 4.7 billion (38% in 2018), followed by the USA, China, Japan, and Canada (Sequeira 2021). In addition to service and industry, tourism is another engine of growth. In 2019, before the pandemic, there were 6.61 million tourist arrivals in Cambodia (Sequeira 2021). According to the Ministry of Tourism, tourism contributed 20% of Cambodia's GDP in 2019 and employed 800,000 people (Turton and Phorn 2019 cited in IDI 2020, 27). Tourism contributed 13.6% of jobs directly and 30.4% indirectly (OECD 2018, 198). The tourism sector's remarkable expansion garnered 15.8% of Cambodia's overall investment in 2017 (OECD 2018, 198). Importantly, in 2018, over 2 million of the 6.2 million foreign visitors to Cambodia 2018 were Chinese (IDI 2020, 3). Compared to the prior year, this was a rise of 65% (IDI 2020, 27).

Despite the sustained economic growth, the country still faces several challenges that hinder its development. Due to the prolonged civil war, Cambodia's infrastructure was destroyed and

underdeveloped. Even though the rehabilitation fund has improved infrastructure conditions in Cambodia, its basic infrastructure is still inadequate (Hu 2019, 183). Rail service has deteriorated, passenger transport has been stopped, and cargo capacity is low. Hence, the lack of extensive infrastructure development hinders the development of the country (Leng 2019, 249).

Additionally, the cost of energy is also expensive in Cambodia. Cambodia is a developing nation, but the cost of power is among the highest in the world (Urban, Siciliano, and Nordensvard 2017, 756). In comparison to its neighbors, Cambodia has a high cost of energy supply. They were 57 in 2020 as compared to 58 in Laos, 88.2 in Vietnam, and 98.7 in Thailand (World Bank 2019 and Luo and Un 2021, 404). To illustrate, electricity is not available everywhere throughout the country, especially in remote and rural areas, because of the lack of infrastructure, facilities, and the high cost. Therefore, the lack of adequate rural electricity limits Cambodia's development (Urban, Siciliano, and Nordensvard 2017, 756).

As a developing country, Cambodia's economy still depends heavily on international assistance. Over the last ten years, Cambodia has seen an extraordinary and tremendous flood of Chinese investment. To illustrate, China was Cambodia's top foreign direct investment from 2013 to 2017, investing 5.3 billion USD. China invested 1.4 billion USD in Cambodian fixed assets in 2017, accounting for 27% of total investment (Sequeira 2021). China's aid was based on Cambodian government requests and aligned with Cambodia's needs and development aspirations (Mao 2019, 8).

On the other hands, US investors are reluctant to invest in the country due to a lack of high-skilled labor, poor infrastructure, a lack of transparency, and a lack of political freedom. The country is notorious for serious corruption (Sequeira 2021). As an illustration, Transparency International (TI) identifies Cambodia as one of the most corrupt nations. Cambodia ranked

157th out of 180 countries based on the 2021's Corruption Perceptions Index (CPI). Corruption has social and administrative costs for firms. Compared to low-middle income countries, Cambodian firms suffer higher levels of corruption, with nearly 65% experiencing at least one bribe request over six commercial transactions (Calebrese, Brodyna, and Rebecca 2022, 25).

To add more, Freedom House (2020) highlighted that the 2018 National Election in Cambodia was conducted in a very oppressive climate that left voters with no genuine option (Po and Sims 2022, 5). The government has also limited free speech and suppressed independent media, including shutting down independent news publications and radio stations (Sequeira 2021). Consequently, the EU withdrew Cambodia's EBA membership because of human rights abuses (Heng and Po 2017). In this case, Cambodia needs support and investments from other donors. However, due to the political and institutional challenges of the country, other donors and investors are reluctant to support and invest in Cambodia. While China seems to be the best option for Cambodia, Cambodia has no other choice rather than to build good relations with China.

4.2 Chinese aid and Investment in Sihanoukville

4.2.1 Overview

Sihanoukville is a province located on the southwest coast of Cambodia, bordered by Kampot, Kampong Speu, Koh Kong, and the Gulf of Thailand. The province was established in 1964 and named after former King Norodom Sihanouk and is also known as Kampong Som (Tourism of Cambodia 2022). It is 230 kilometers from the capital city of Phnom Penh via National Road 4 (Preah Sihanouk Provincial Administration 2022). The province has a total area of 2,658.90 square kilometers and a total population of 221,360 people, with a population density of 83.25 people/km² (Preah Sihanouk Provincial Administration 2022).

It is vital to note that Sihanoukville is surrounded by beaches and islands with great economic strength, deep-water ports, special economic zones (SEZs), and an international airport (Preah Sihanouk Provincial Administration 2022). Importantly, Sihanoukville is the country's biggest port that carries 90% of the country's cargo (Liu et al. 2021, 1). The area has significant oil refineries with 2 billion barrels of oil and 1 billion cubic feet of natural gas (Liu et al. 2021,1). In addition, Sihanoukville has beautiful sandy beaches and islands which offer extensive tourism resources attracting both local and international tourists (Liu et al. 2021, 1). As shown in the figure below, Sihanoukville also play a key role for China to achieve BRI's vision and the South China Sea issue.

Figure 3: Map of Sihanoukville



Source: Woody (2019)

4.2.2. Brief Overview of Chinese Investment

Previously, Sihanoukville was a peaceful beach town attracting primarily western backpackers (The Straits Times 2019). However, in recent years, as Cambodia's only deep-water port location, the city has become the center of Chinese foreign direct investment, driven by a few significant areas such as real estate development, casinos, and resort buildings (Ellis-Petersen, 2018, Bangkok Post 2022).

Most noticeably, Chinese investments in Sihanoukville have focused on the gaming business, so the province has become a gambling hotspot for China (Ellis-Peterson 2019). The Washington Post has referred to Sihanoukville as "Chinatown" or "Macau 2" (Filfield 2018). Similarly, the Guardian (2019) claimed, "This is not Las Vegas, nor is it Macau. It is Sihanoukville." Furthermore, the Straits Times, a prominent Singaporean newspaper (2019), highlighted that the Chinese investment had turned the region into a gaming destination for Chinese visitors. As evidence, there are approximately 50 Chinese-owned casinos, and many more are under construction (The Straits Times 2019). Among the significant investment projects is a 4.2 billion USD infrastructure development project that includes power plants, offshore oil exploration, residences, hotels, and restaurants in addition to more casinos (Po and Heng 2019, 5).

Furthermore, Sihanoukville is also known as the country's largest Special Economic Zone (SEZ), with an area of 1,114 hectares (Sequeira 2021 and Chheang 2017, 13). China has built the Sihanoukville Special Economic Zone (SSEZ), which has attracted more than 100 enterprises with a total investment of more than 3 billion USD as of 2017 and created approximately 20,000 local jobs (Kin 2020, 22). Notably, a growing Special Economic Zone near the port, where 90% of the 110 enterprises presently operating are Chinese, benefits from tax-free imports, exports, and corporate tax vacations (Tostenvin and Prak 2017).

Moreover, another major project in Sihanoukville highlighted by Kin Phea, the Director-General of the International Relations Institute of Cambodia, is the 2 billion USD Phnom Penh-Sihanoukville Expressway built by China Communications Construction Company (Kin 2020, 21-22). Most recently, on June 9, 2022, Chinese aid supported the restoration of the Ream Naval Base's dry dock, pier, and slipway (Khmer Times 2022b).

CHAPTER 5: FINDING

This section discusses the implications of Chinese aid and investment in Cambodia. The findings will mainly be analyzed concerning the impacts on three primary areas: economic, social-cultural, and foreign relations.

5.1 Economic Impacts

The Chinese aid and investment in Sihanoukville have both positive and negative effects on the country's economy. The economic opportunities derived from China's aid and investment outweigh the challenges in the short and medium term. The Cambodia Chamber of Commerce (CCC) vice-president told Phnom Penh Post that Chinese direct investment had fuelled Cambodia's economic progress (Phanet 2022). It is undeniable that the Chinese projects fulfill the needs of Cambodia's development (Chong 2017, cited in Chheang 2017). As noted in the literature review, the Chinese aid and investment aligned well with Cambodia's National Strategic Development Plan (NSDP) and fits with China's economic and geopolitical interest, specifically the current BRI project (Dunst 2019). Infrastructure development is one of the most visible effects in Sihanoukville. This can be seen in the proliferation of high-rise skyscrapers and massive infrastructure projects (See figure below).

Figure 4: Sihanoukville in 2022



Source: The Star (2022)

Furthermore, the Chinese government has also supported building a four-lane expressway from Sihanoukville to the Capital City, Phnom Penh (Ellis-Petersen 2018). Also, Chinese aid helped transform Sihanoukville's deep-water port (Hansen and Gjonbalaj 2019, 11). In mid-2018, the port built a 74 million USD multipurpose terminal, enabling the port to accommodate larger ships (Senase 2019). Therefore, this will improve market access and enhance productivity across all industries.

Other positive impacts of Chinese aid and investment in Sihanoukville are more employment and higher income for the local population. As Nikkie Asian Review (2018) mentioned, Chinese investments have provided approximately 21,000 employments, with 80,000 predicted by 2022 (Faulder and Kawase 2018 cited in Po and Heng 2019, 7). Those who can speak Chinese can earn a higher income. While garment factory workers make only 170 USD a month and civil servants make 250 USD, Chinese-speaking workers make 700 USD to 1,200 USD (Faulder and Kawase 2018, cited in Po and Sims 2019, 7). In addition to job creation, Chinese investments have allowed small and medium businesses to start and grow and increased revenues for local businesses (Po and Heng 2019, 7). The rise in income and earnings allows the government to collect more taxes, which improves Cambodians' welfare by building more roads, bridges, hospitals, and schools (Po and Heng 2019, 7).

However, it is vital to note that the Chinese aid and investment not only bring Chinese visitors, and businesses but also laborers. In 2017, Sihanoukville received 120,000 tourists and 78,000 permanent residents from China. While the province's population is only 150,000, this massive exodus of Chinese citizens altered the local economy and society, causing long-lasting harm (Alffram 2022). Despite the Chinese aid and investment helping infrastructure development, creating more job opportunities, and raising income, Chinese enterprises sought to hire Chinese workers over Cambodians when eligible Cambodians could do the job (Calebrese, Brodyna, and Rebecca 2022, 33). The job opportunities available for the local people are only low-skill

jobs, and they apply the double standard rule. Chinese workers were usually paid better than the locals (Dunst 2019).

More importantly, based on Cambodian Labour Law 1997, the foreign staff shall be allowed to work in Cambodia only if they are highly skilled workers or if there is a lack of Cambodian workers in that specific skills. However, that is not the case for Chinese workers in Cambodia. Most people expect the Chinese workers to fill the knowledge gap and technology transfer, yet this seems not visible for the Chinese investment in Sihanoukville. In this regard, China resembles the colonial powers of the past (Dunst 2019). According to the Washington Monthly (2019), Chinese state-run and state-aligned firms frequently hire Chinese workers in Sihanoukville to alleviate Chinese domestic unemployment concerns (See figure below).

Figure 5: Chinese Workers on the Construction Sites



Source: Julie Zaugg, CNN (2019)

Furthermore, Chheang Vannarith (2017), a vice-chairman of the Cambodian Institute for Strategic Studies, asserted that though Chinese investment brings revenue to Cambodia, it is mostly retained by the Chinese. Chinese in Cambodia buy from Chinese enterprises, dine in Chinese restaurants, and stay in Chinese accommodations (ASEAN Post 2019). Local

companies barely benefit (Heng 2018). "Chinese visitors like to remain in their little circle" (Fifield 2018). To illustrate, one local seller who has sold beverages, snacks, and cigarettes from a cart on Independence Beach for the past eight years told the Washington Post that they would soon be unable to sustain themselves and their business would collapse (Fifield 2018).

Moreover, a director of Provincial Tourism told Financial Times that Cambodia wants Chinese investment, but more locals should benefit from this boom (Reed 2018, FT). In this case, Chinese investment in tourism accommodations and facilities and a considerable number of Chinese outbound tourists can benefit locals is debatable. Large resorts like Disney World in Sihanoukville may not coexist with fishers and locally run small-scale tourism (Song and Fabinyi 2021,7). New tourism activities may not provide local employment opportunities (Song and Fabinyi 2021,7).

Besides, given the potential advantages, Chinese investments primarily benefit a tiny minority, especially high-ranking officials, and Cambodian elites (Po and Heng 2019, 7). When the Chinese arrived, the ruling class, its family, and local oligarchs already owned the most valuable real estate in Sihanoukville (Bangkok Post 2022). Land prices have skyrocketed tenfold due to high demand. Cambodian landowners with well-connected property to infrastructure profit from increased housing demand (Calebrese, Brodyna, and Rebecca 2022, 18). Property owners might make up to 7,000 USD monthly renting to the Chinese, up from 500 to 1,000 USD previously (Bangkok Post 2022).

Additionally, this has severely impacted the lowest and middle-income Cambodians. They have been pushed out of their homes and communities as they cannot afford it. Similarly, as noted in Bloomberg (2016), Chinese investments may lead to "extractive elites," economic organizations or actors that extract resources without protecting property rights or providing economic incentives and expand wealth inequality (Roman 2016 cited in Chheang 2017).

Rising land prices can cause housing and land instability, poverty, marginalization, and inequality (Calebrese, Brodyna, and Rebecca 2022, 25). Moreover, UN special rapporteurs on human rights in Cambodia raised concerns about these vast land seizures for a decade. (Bangkok Post 2022). Due to Covid-19, non-essential companies, including casinos, have been shut down. Alffram (2022) indicated that Sihanoukville seems to have become a ghost town because 80-90% of Chinese nationals fled. Many Cambodians who adapted to Chinese demand are now unemployed, in debt, or bankrupt (Alffram 2022). Further, the Sihanoukville provincial officials told VOD, a local independent media outlet, that more than 1,000 buildings are unfinished as we can see in the figure below (Mech 2022).

Figure 6: Buildings under Construction in Preah Sihanouk Province



Source: Yousos Apdoulrashim, Phnom Penh Post (2022)

5.2 Socio-Cultural Impacts

Chinese aid and investment in Sihanoukville negatively impact Cambodia's society and culture. Following the investment surge, organized crime and its Chinese gangsters turned Sihanoukville into Cambodia's criminal capital. Guns, drugs, money laundering, human trafficking, child labor, prostitution, rampant violence, and instability have alienated the Sihanoukville people (Bangkok Post 2022). The number of violent crimes in Sihanoukville increased in 2018 (Po and Sims 2019, 10). 68% of those caught during the crackdown on illegal

drugs in the pubs are Chinese (Ismail 2018, ASEAN Post). Cybercrime is a big issue. Cambodia may be used to launch cyberattacks on other nations as Cambodians lack knowledge and awareness of cybercrime and cyber security (Phnom Penh Post 2019). Data reveals that between 2011 and 2017, Cambodia deported 1,133 Chinese cybercriminals.

In addition to in-person gambling, which attracts Chinese visitors, online gambling increased significantly. Online gaming is suspected of illicit conduct, notably money laundering (IDI 2020, 3). Based on the 2019 report released by the Washington Monthly, Sihanoukville is home to approximately 100,000 Chinese, while there is over 210,000 Chinese overall in Cambodia (Dunst 2019). Yun Min, a former Sihanoukville governor, also acknowledged that casinos and the influx of the Chinese population had also brought specific problems. However, he claimed that the issue was under control. He further asserted that once the development is finished, this will provide a vast potential for the country (The Straits Times 2019). Likewise, the minister of the Ministry of Interior recognized the city's difficulties when asked by Nikkei Asia, the Japanese largest financial newspaper (Turton 2020). He further acknowledged that when too many Chinese arrived, the administration was under pressure, and when they left, it was under strain again.

However, the Interior Minister claimed that the government is working diligently to find a mechanism to govern the province's security, order, and growth (Turton 2020). Furthermore, the Chinese often neglect to obey local culture and legislation. Some Chinese businesspeople ran prostitution companies in Sihanoukville (Khy 2019). Cambodia condemned these actions as the country is still conservative, and the public cannot accept this kind of action. ASEAN Post (2018) reported that the police arrested 50 Chinese nationals during the operation of prostitution rings in Sihanoukville. Despite prostitution being prohibited in Cambodia, the Chinese disseminated flyers advertising their prostitution services (Khy 2019).

Moreover, there are also complaints about the degeneration of the Khmer language. Banks, landlords, pawnshops, duty-free businesses, supermarkets, and hotels all use Chinese signs (Fifield 2018). Chinese restaurant, resort, and hotel owners misspell the Khmer language on their signs. From a legal perspective, this is illegal. Based on the Law on Commerce, the Khmer language must use correctly and larger than the foreign language. This can also imply that those businesses do not go through the proper legal process. To illustrate, the municipal government has removed 200 misspelled business signs (Voun 2018). For example, the Sihanoukville municipal administrator for public administration and environment has told Phnom Penh Post, one of Cambodia's most read news articles, that authorities have removed 391 banners with spelling problems, including those with Chinese letters larger than Khmer (Voun 2019). The issues derived from the literal Google Translate translations and a lack of comprehension of the Khmer language as shown in the figure below (Voun 2019).

Figure 7: Authorities take down an incorrectly translated banner belonging to a Chinese business owner



Source: Voun, Phnom Penh Post (2022)

For Cambodian people, language is one of the main components of cultural preservation. As the country treasures its language, the improper use of language created the disappointment of Cambodian people with Chinese business. The local human rights activist from Adhoc has

noted that this issue cannot be resolved if the province administration allows foreigners to run printing businesses without Khmer employees (Voun 2019, Phnom Penh Post).

Additionally, Burgous and Ear (2010) and Heng (2012) claimed that Chinese investment encourages corruption and erodes law and government (Burgous and Ear 2010; Heng 2012). Wealthy Chinese businesses in Sihanoukville conspire with corrupt Cambodian officials to utilize government-issued license plates unlawfully (Po and Heng 2019, 8). When Chinese drivers are involved in an accident, they frequently report misusing or abusing government-issued license plates (Po and Heng 2019, 8). According to official records, the Chinese were responsible for 28 traffic-related deaths in Sihanoukville in 2018 (Po and Heng 2019, 11). Such occurrences occur because the traffic law is not enforced strongly, contributing to the failing rule of law. Cambodia was ranked second-to-last in the rule of law among 113 countries evaluated by the World Justice Project (Hul 2018).

5.3 Impacts on Foreign Relations

Aside from the economic and social-cultural implications, the Chinese aid and investment in Sihanoukville tend to inflame anti-Chinese sentiment nationwide and potentially exacerbate the tensions between Cambodia and its other anti-Chinese partners (Leng 2019, 251). An interview with the Chinese ambassador, who has been living in Cambodia for a decade, claimed that Cambodia has traditionally been a welcoming nation toward the Chinese (Lou and Un 2020, 2). Nevertheless, the significant problems brought by the Chinese in Sihanoukville are now causing an increase in anti-Chinese sentiment (Lou and Un 2020, 2). The anti-Chinese sentiment is on the upswing, "with Facebook posts using #ChineseAgain!" to show how Chinese investment affects specific individuals (Calebrese, Brodyna, and Rebecca 2022, 35-36).

Several pieces of evidence have shown that many Chinese-built institutions are not supervised or overseen by local authorities (Heng 2019). For example, a skyscraper under construction by

Chinese developers collapsed, killing 28 Cambodian laborers (Turton and Khan, 2019). The seven-story building was 80% built, but the owner had not received permits to build (Sineath and Nachemson 2019). Phil Robertson, a deputy director of Human Rights Watch's Asia, told Aljazeera (2019) that the incident shows Cambodia's corruption, lack of monitoring, and lack of responsibility (Sineath and Nachemson 2019). Sihanoukville's local government is unable to inspect new constructions. In the construction sector, this includes inspection failures and poor labor regulation (Sineath and Nachemson 2019, Aljazeera). Sihanoukville provincial spokesperson told Aljazeera that he did not know how many building projects were functioning without permits (Sineath and Nachemson 2019, Aljazeera). The local government told us it does not have the ability or resources to monitor all new building sites in the city and does not know how many are operational. Moreover, at the Public Forum on Macroeconomic Management and Budget Law for 2020, the Ministry of Economy and Finance secretary of state also acknowledged that they have been dealing with unauthorized construction projects (Construction Property 2020, Cambodia Constructors Association). As a result, this has intensified negative sentiments regarding Chinese investment, according to the Washington Monthly (Dunst 2019).

Furthermore, in the past few years, the USA has claimed that Cambodia hosts China's naval bases in Sihanoukville, but there is no credible proof. The Cambodian government repeatedly dismissed the accusation. Despite landing three massive Chinese warships at Sihanoukville's port, Cambodian Prime Minister Hun Sen rejected the port-building claims (The Straits Times, 2019). Then in July 2019, to convince the international community regarding this, the Ministry of National Defence took journalists to Sihanoukville's Ream naval facility, where the claim was made. The visit implies that the country never intended to host the Chinese outpost. The accusations have damaged Cambodia's relations with the USA and EU (Leng 2019, 251).

CHAPTER 6: CONCLUSION AND POLICY IMPLICATIONS

In conclusion, China's aid and investment in Cambodia present both opportunities and challenges. Sihanoukville can serve as an example to other recipients of Chinese aid and investment regarding the positive impacts and the potential adverse effects that may come along. It is evidence that Chinese assistance is most needed for developing countries once they can respond to their country's demands, especially if their government has no other funding source. Although China claimed that its aid and investment have "no strings attached," Chinese support typically favored Chinese interests above locals (Anderson and Him, 2021, 102). Initially, it seems there is no pre-condition or string attached. The case of Sihanoukville in Cambodia shows that the approach of Chinese aid and investment to recipients does not entirely respect the principle of non-interference, sovereignty, and mutual benefit. The Chinese strategy can be seen as strict and usage-attached with the Chinese state-owned or certified Chinese firms as the contractors for China's aid projects in Cambodia (Shihlun 2018, 378). Economically, Chinese aid and investment help contribute to the country's development because the aid tends to be more flexible and based on the recipient's demand. China's aid and investment in Cambodia tend to benefit both countries mutually. For China, it can help strengthen its presence in the Southeast Asian Region, hinder any decision regarding the South China Sea conflict and contribute to achieving the Belt and Road Initiative (BRI) vision. If the recipient country's policy is in line with Chinese geopolitical interests, the recipient will receive significant aid from China through grants, loans, and investments.

Even though Chinese aid and investment bring about an economic boom in the country, they have several policy implications. First, the strong tie between China and Cambodia may harm the relations between Cambodians and other significant donors, mainly the USA and EU, and their ASEAN member states when the government does not commit to promoting democracy and human rights in the country for the future funding. Second, due to China's tremendous

amount of aid and investment, Cambodia seems to rely solely on China politically and economically. This may lead the country to fall under the debt-trap diplomacy of China (Ismail 2018, ASEAN Post). Hence, the government should strive to balance its relations with other donors, and ensure its neutrality and sovereignty, as stated in National Strategic Development Plan (NSDP). The government should diversify and reinforce its economy by improving the physical infrastructure and global trade connectivity (Luo and Un 2021, 403). Third, a large amount of aid and investment in Sihanoukville leads to unequal growth and causes insecurity and hostility in the area and the whole country (Leng 2019, 251).

As such, the government should carefully assess, monitor, and periodically evaluate the impacts of Chinese aid and investment on the country and its people by ensuring the quality, transparency, and accountability of the aid and investment. For instance, for a real estate development company, the environmental assessment and construction approval is especially important before each project can start. The government must strengthen the rule of law. For aid and investment's effectiveness, both sides must encourage project transparency, accountability, and inclusivity (Heng 2018). Foreign investment in Cambodia should be guided by mutual responsibility and multi-stakeholder cooperation to achieve long-term economic, social, and environmental success (Heng 2018). Moreover, the strengthening of work permits shall enable the government to restrict the number of foreign workers in the nation relative to domestic workers. Employment practices should follow the Labor Code of Cambodia, which allow only the technical experts to work in Cambodia and prioritize the local workers rather than the ex-pats.

Finally, this thesis contributes to the knowledge about the trend of Chinese aid and investment and their impacts on recipient countries. As aforementioned, this thesis has some limitations due to the unavailability to access data and the lack of public disclosure. The data used in this thesis is primarily based on media articles though the author has tried to triangulate the data

from other sources. Despite its popularity and neutrality, it is not easy to ascertain the accuracy and representation of the claims or interviews published by the news article. Therefore, future studies shall collect data via fieldwork and conduct stakeholder analysis to better understand the implications of Chinese aid and investment. Nonetheless, this research is a valuable contribution to field of development aid by highlighting the most recent analysis regarding the effects of Chinese aid and investment in Sihanoukville, Cambodia.

BIBLIOGRAPHY

- Alffram, Matthias. "Sihanoukville Pays the Price for Heavy Reliance on Chinese." *Bangkok Post*, May 9, 2022. <https://www.bangkokpost.com/business/2306938/sihanoukville-pays-the-price-for-heavy-reliance-on-chinese>.
- Burgos, Sigfrido, and Sophal Ear. "China's Strategic Interests in Cambodia: Influence and Resources." *Asian Survey* 50, no. 3 (2010): 615–39. <https://doi.org/10.1525/as.2010.50.3.615>.
- Calabrese, Linda, and Yue Cao. "Managing the Belt and Road: Agency and Development in Cambodia and Myanmar." *World Development* 141 (2021): 105297. <https://doi.org/10.1016/j.worlddev.2020.105297>.
- Calabrese, Linda, Olena Borodyna, and Rebecca Nadin. Rep. *Risks along the Belt and Road: Chinese Investment and Infrastructure Development in Cambodia*. ODI, April 2022. <https://odi.org/en/publications/risks-along-the-belt-and-road-chinese-investment-and-infrastructure-development-in-cambodia/>.
- Cambodian Development Council. "Development Cooperation and Partnerships Report - Cdc-Crdb.gov.kh." Cambodian Development Council, 2020. <http://cdc-crdb.gov.kh/en/officials-docs/documents/DCPR-2018-English.pdf>.
- Clark, James. "Sihanoukville Construction Update." *Future Southeast Asia*, January 25, 2022. <https://futuresoutheastasia.com/sihanoukville-construction-update-2022/>.
- Cohen, Hillel J. "Unconditional Aid and 'Hybrid Democracy': The Case of Cambodia." *Asian Journal of Public Affairs* 11, no. 2 (2019). <https://doi.org/10.18003/ajpa.20194>.
- Construction & Property News. "Government to Transform Sihanoukville to Be a Second Shenzhen." *Construction & Property News*, February 23, 2020. <https://construction-property.com/government-to-transform-sihanoukville-to-be-a-second-shenzhen/>.
- Fifield, Anna. "This Cambodian City Is Turning into a Chinese Enclave, and Not Everyone Is Happy." *The Washington Post*, April 7, 2018. https://www.washingtonpost.com/world/asia_pacific/this-cambodian-city-is-turning-into-a-chinese-enclave-and-not-everyone-is-happy/2018/03/28/6c8963b0-2d8e-11e8-911f-ca7f68bff0fc_story.html.
- Gross, Judith M. S. "Document Analysis." *Sage Research Methods*, 2018. <https://methods.sagepub.com/base/download/ReferenceEntry/the-sage-encyclopedia-of-educational-research-measurement-and-evaluation/i7603.xml>.
- Gu, Jing. "Unravelling the Controversies of Chinese Foreign Aid." *East Asia Forum*, May 3, 2022. <https://www.eastasiaforum.org/2022/05/03/unravelling-the-controversies-of-chinese-foreign-aid/>.
- Heng, Kimkong, and Sovinda Po. "Cambodia and China's Belt and Road Initiative: Opportunities ...," 2017. https://www.uc.edu.kh/userfiles/image/2017/1_Cambodia_and_China_Belt_and_Road.pdf.
- Heng, Kimkong. "Chinese Investment Strains Cambodian Society." *Nikkei Asia*, July 22, 2019. <https://asia.nikkei.com/Opinion/Chinese-investment-strains-Cambodian-society>.

- Heng, Panha. "Cambodia Starts Rehabilitating Ream Naval Base - Khmer Times." Khmer Times - Insight into Cambodia, June 9, 2022. <https://www.khmertimeskh.com/501090872/cambodia-starts-rehabilitating-ream-naval-base/>.
- Hom, Phanet. "Cambodia's FDI Surges 11.2% to \$41B in 2021." Phnom Penh Post, April 26, 2022. <https://www.phnompenhpost.com/business/cambodias-fdi-surges-112-41b-2021?fbclid=IwAR2ALUMJQHtxPuughbH0jq5Go-K-xfk5R9Ykfl-C8rJSxNDDSiGILIBfh2A>.
- Huang, Meibo, Xiuli Xu, and Xiaojing Mao. "South-South Cooperation and Chinese Foreign Aid." SpringerLink. Springer Nature Singapore, 2019. <https://link.springer.com/book/10.1007/978-981-13-2002-6>.
- Inclusive Development International. "Briefing Paper: Reassessing China's Investment Footprint in Cambodia." Inclusive Development International, August 2020. https://www.inclusivedevelopment.net/wp-content/uploads/2020/08/2020_IDI_Briefing-on-Chinas-Footprint-in-Cambodia-Update.pdf.
- Ismail, Maizura. "The Making of New Chinese Colonies." The ASEAN Post, August 28, 2018. <https://theaseanpost.com/article/making-new-chinese-colonies>.
- Ith, Serey Vattanak. "Economist: Chinese Companies Rush to Invest in Sihanoukville Lead to Both Positive and Negative Points." WMC, January 10, 2018. <https://wmc.org.kh/article/63119/china-investors/>.
- Le, Xuan-Quynh, Van-Hieu Vu, Luc Hens, and Bas Van Heur. "Stakeholder Perceptions and Involvement in the Implementation of EMS in Ports in Vietnam and Cambodia." *Journal of Cleaner Production* 64 (2014): 173–93. <https://doi.org/10.1016/j.jclepro.2013.07.032>.
- Leander von Kameke, and Mar 28. "Cambodia: FDI Inflows Distribution by Country of Origin." Statista, March 28, 2022. <https://www.statista.com/statistics/899455/cambodia-fdi-inflows-distribution-by-country/>.
- Liang, Yutian, Jiaqi Zeng, Wei Sun, Keyang Zhou, and Zhengke Zhou. "Expansion of Construction Land along the Motorway in Rapidly Developing Areas in Cambodia." *Land Use Policy* 109 (2021): 105691. <https://doi.org/10.1016/j.landusepol.2021.105691>.
- Liu, Jinqing, Xiaoying Chen, Ping Yin, Ke Cao, Fei Gao, Kong Sitha, Kim Seng, and Sambo Heng. "Sediment Characteristics and Environmental Quality Assessment in Kompong Som Bay, Cambodia." *Marine Pollution Bulletin* 173 (2021): 113019. <https://doi.org/10.1016/j.marpolbul.2021.113019>.
- Luo, Jing Jing, and Kheang Un. "Cambodia: Hard Landing for China's Soft Power?" ThinkChina, October 12, 2020. <https://www.thinkchina.sg/resentment-chinese-cambodia-can-covid-19-turn-things-around>.
- Marcus, Tannnenberg. "Of - Connect.apsanet.org." Accessed May 24, 2022. https://connect.apsanet.org/wp-content/uploads/sites/26/2019/09/2019_2-APSA_June2019.pdf.
- Maxwell, Joseph A. "The Value of Qualitative Inquiry for Public Policy." *Qualitative Inquiry* 26, no. 2 (2019): 177–86. <https://doi.org/10.1177/1077800419857093>.

- May, Kunmakara. "Preah Sihanouk to Be Turned into 'Second Shenzhen'." Preah Sihanouk to be turned into 'second Shenzhen', Phnom Penh Post, February 5, 2020. <https://www.phnompenhpost.com/national/preah-sihanouk-be-turned-second-shenzhen>.
- Mech, Dara. "1,000 Unfinished Constructions Show Aftermath of a 'Boom'." VOD. The Cambodian Center for Human Rights, July 14, 2022. <https://vodenglish.news/1000-unfinished-constructions-show-aftermath-of-a-boom/#:~:text=According%20to%20provincial%20officials%2C%20more,which%20peaked%20in%20late%202019>.
- Mills, Albert J., Gabrielle Durepos, and Elden Wiebe. "Case Study Research in Public Policy." Sage Research Methods, 2012. <https://methods.sagepub.com/base/download/ReferenceEntry/encyc-of-case-study-research/n41.xml>.
- Ministry of Economy and Finance. "Cambodian Public Debt Statistical Bulletin." Ministry of Economy and Finance, June 9, 2022. <https://mef.gov.kh/documents-category/publication/public-debt-bulletin/>.
- National Strategic Development Plan 2019-2023 (NSDP 2019-2023)"2019, http://cdc-crdb.gov.kh/en/strategy/documents/nsdp-2019-2023_en.pdf, 27.
- NGO Forum. "Workshop on 'Understanding of China Investment in Cambodia.'" The NGO Forum on Cambodia, April 10, 2019. <https://www.ngoforum.org.kh/workshop-on-understanding-of-china-investment-in-cambodia/>.
- Nigatu H, Adane. "Foreign Aid in Developing Countries." *Journal of Political Sciences & Public Affairs* 03, no. 03 (2015). <https://doi.org/10.4172/2332-0761.1000186>.
- Pav, Suy. "Chinese Embassy Addresses Crime." Khmer Times, July 24, 2018. <https://www.khmertimeskh.com/515221/chinese-embassy-addresses-crime/>.
- Phanet, Hom. "Cambodia's FDI Surges 11.2% to \$41B in 2021." Cambodia's FDI surges 11.2% to \$41B in 2021 | Phnom Penh Post, April 26, 2022. <https://www.phnompenhpost.com/business/cambodias-fdi-surges-112-41b-2021?fbclid=IwAR1Jyp4GeXZCtM6aHV6it-0SXnRFt5UDIoBHZm7KIVVEk19UZtuyY0NLSh8>.
- Po, Sovinda, and Kearnin Sims. "The Myth of Non-Interference: Chinese Foreign Policy in Cambodia." *Asian Studies Review* 46, no. 1 (2021): 36–54. <https://doi.org/10.1080/10357823.2021.1887813>.
- Po, Sovinda, and Kimkong Heng. Working paper. *Assessing the Impacts of Chinese Investments in Cambodia: The Case of Preah Sihanoukville Province*. Pacific Forum, May 2019. <https://cicp.org.kh/wp-content/uploads/2021/01/Working-Paper-on-China-Cambodia-Relations-Assessing-the-Impacts-of-Chinese-Investments-in-Cambodia-The-Case-of-Preah-Sihanouk-Ville-Province.pdf>.
- Prak, Chan Thul. "Thousands Lose Jobs, Casinos Shut as Cambodia Bans Online Gambling." Reuters. Thomson Reuters, December 31, 2019. <https://www.reuters.com/article/us-cambodia-gambling-idUSKBN1YZ0O3>.
- Preah Sihanouk Provincial Administration. "General Situation of the Province." Preah Sihanouk Provincial Administration, 2022. http://sihanoukville.gov.kh/?page_id=51.

- Rashid, Yasir, Ammar Rashid, Muhammad Akib Warraich, Sana Sameen Sabir, and Ansar Waseem. "Case Study Method: A Step-by-Step Guide for Business Researchers." *International Journal of Qualitative Methods* 18 (2019): 160940691986242. <https://doi.org/10.1177/1609406919862424>.
- Reed, John. "Cambodia's Embrace of China Stirs Local Tension." *Financial Times*, February 20, 2018. <https://www.ft.com/content/79faf14a-15f5-11e8-9376-4a6390addb44>.
- Retka, Janelle. "China Funded 70% of Cambodian Roads, Bridges: Minister." *The Cambodia Daily*, July 24, 2017. <https://english.cambodiadaily.com/business/china-funded-70-of-cambodian-roads-bridges-minister-132826/>.
- Shi, Xunpeng, and Lixia Yao. "Prospect of China's Energy Investment in Southeast Asia under the Belt and Road Initiative: A Sense of Ownership Perspective." *Energy Strategy Reviews* 25 (2019): 56–64. <https://doi.org/10.1016/j.esr.2019.100365>.
- Song, Annie Young, and Michael Fabinyi. "China's 21st Century Maritime Silk Road: Challenges and Opportunities to Coastal Livelihoods in ASEAN Countries." *Marine Policy* 136 (2022): 104923. <https://doi.org/10.1016/j.marpol.2021.104923>.
- Sorn, Sarath. "As Chinese FDI Grows, so Does Cambodia's Dependency on China, Say Experts: Camboja News." *Cambodian Journalists Alliance*, January 7, 2021. <https://cambojanews.com/as-chinese-fdi-grows-so-does-cambodias-dependency-on-china-say-experts/>.
- Straits Times. "Cambodia's Bid to Be 'New Macau' Stirs Old Wounds as Chinese Cash In." *The Straits Times*, January 27, 2019. <https://www.straitstimes.com/asia/se-asia/cambodias-bid-to-be-new-macau-stirs-old-wounds-as-chinese-cash-in>.
- Team, The ASEAN Post. "How China Changed Sihanoukville." *The ASEAN Post*, December 29, 2019. <https://theaseanpost.com/article/how-china-changed-sihanoukville>.
- The Guardian "No Cambodia Left': How Chinese Money Is Changing Sihanoukville." *The Guardian*. Guardian News and Media, July 31, 2018. <https://www.theguardian.com/cities/2018/jul/31/no-cambodia-left-chinese-money-changing-sihanoukville>.
- The Phnom Penh Post. "Sihanoukville Takes Centre Stage as the Cambodia Hosts ASEAN Tourism Forum." *Asia News Network*, January 17, 2022. <https://asianews.network/sihanoukville-takes-centre-stage-as-the-cambodia-hosts-asean-tourism-forum/>.
- Thou, Virak. "China Ranks First as Largest Investor in Cambodia." *Post Khmer*, July 20, 2021. <https://www.postkhmer.com/business/2021-07-20-1053-220117.html>.
- Tourism of Cambodia. "Sihanouk Ville Province Travel Guides - Cambodia Travel Guides: Tourism Cambodia." *Tourism of Cambodia*. Accessed June 19, 2022. <https://www.tourismcambodia.com/travelguides/provinces/sihanouk-ville.htm>.
- Transparency International. "2021 Corruption Perceptions Index." *Transparency.org*, 2021. https://www.transparency.org/en/cpi/2021?gclid=CjwKCAjwIaVBhBkEiwAsr7-c_lpJuAn4dYKAoNuj6vyjyHoHL_RyU5HkJFtNM3FrV0o0r0ZOwsPvx0C2SwQAvD_BwE.

U.S. Department of State. "Cambodia - United States Department of State." U.S. Department of State, July 19, 2021. <https://www.state.gov/reports/2021-investment-climate-statements/cambodia/>.

Va, Samnop. "Chinese Investment in Cambodia by 2020 Will Increase by 70% compared to 2019." RFI, January 2, 2021. <https://www.rfi.fr/km/%E1%9E%80%E1%9E%98%E1%9F%92%E1%9E%98%E1%9E%9C%E1%9E%B7%E1%9E%92%E1%9E%B8%E1%9E%96%E1%9F%90%E1%9E%8F%E1%9F%8C%E1%9E%98%E1%9E%B6%E1%9E%93/>.

Vann, Vichar. "Impact of Chinese Presence on Development in Sihanoukville in 2019." VOD, January 2, 2020. <https://www.vodkhmer.news/2020/01/01/the-effect-of-chinese-presence-on-the-development-of-preah-sihanouk-province-in-2019/>.

VOA News. "China in Cambodia: From Beaches to Casinos." VOA, December 19, 2019. <https://khmer.voanews.com/a/how-chinese-money-and-people-are-changing-a-cambodia-seaport/5212090.html>.

VOA News. "China in Cambodia: Positive and Negative Changes." VOA, February 25, 2020. <https://khmer.voanews.com/a/5303594.html>.

Wang, Yaqui. "See, They Are so Happy with Our Generosity!." China File, July 18, 2019. <https://www.chinafile.com/reporting-opinion/viewpoint/see-they-are-so-happy-our-generosity>.

World Bank. "Overview." World Bank, March 29, 2022. <https://www.worldbank.org/en/country/cambodia/overview>.

Xinhua. "Close China-ASEAN Ties Contribute to Regional Peace, Stability, Sustainable Development: Cambodian Experts." Xinhua, December 22, 2021. http://www.news.cn/english/asiapacific/2021-12/22/c_1310388124.htm.

Yin, Leang Kong. "Analysis: Are Chinese Investors Returning to Sihanoukville?" Leading Real Estate News in Cambodia, March 16, 2022. <https://www.propertyarea.asia/archives/95416>.

Yon, Sineat, and Andrew Nachemson. "In a Cambodian Beach Town, China-Led Building Boom Flouts Rules." Economy | Workers' Rights | Al Jazeera. Al Jazeera, July 3, 2019. <https://www.aljazeera.com/economy/2019/7/3/in-a-cambodian-beach-town-china-led-building-boom-flouts-rules>.

Zaugg, Julie. "How Cambodia's Backpacker Haven Became a Chinese Casino Mecca." CNN. Cable News Network, October 5, 2019. <https://edition.cnn.com/2019/10/04/asia/cambodia-chinese-investment-intl-hnk/index.html>.