

Chinese investment and aid in Cambodia a controversial affair

16th July, 2013

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The China–Cambodia relationship has reached new peaks in recent years.



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China is now Cambodia's largest foreign investor, a major donor of aid and an increasingly important trading partner. But this growing relationship is also accompanied by renewed controversies.

China undeniably plays a crucial role in Cambodia's economic development. China invested a total of US\$9.17 billion between 1994 and 2012. Chinese investment in the textiles industry has increased Cambodia's exports and created employment for thousands of women in rural areas, while investment in the energy sector, particularly in hydropower development, has helped reduce Cambodia's chronic energy shortages. China is also a major source of foreign assistance for Cambodia. By 2012, Chinese loans and grants to Cambodia reached US\$2.7 billion, making it the country's second-largest donor after Japan. Cambodia has been using China's so-called 'no strings attached' aid to build roads and bridges, helping to improve the country's much needed infrastructure.

But behind these impressive numbers lie hidden agendas and serious social and political implications. While Chinese investment and aid is much needed for economic development, China's unquestioning approach to how its aid and investment money is distributed and used has exacerbated corruption, deteriorated good governance and human rights, and ruined Cambodia's resources and natural environment. Human rights activists have often accused Chinese textile factories of abusing worker's rights, while China's hydropower investments have destroyed protected areas, forest biodiversity and wildlife habitat.

In return for its generous financial aid, China has exerted its influence on Cambodia to propel its own political interests. Cambodia's decision to deport 20 ethnic Uyghur asylum seekers to China upon Beijing's request in 2009 is a clear example of this. In another instance, after receiving millions of dollar in pledges from China last year, Cambodia refrained from discussing the South China Sea disputes during the ASEAN Summit, which was harshly criticised by the international community and resulted in the failure by ASEAN's foreign ministers to issue a joint communiqué for the first time in ASEAN history. Cambodia has also been accused of favouring Chinese investment, putting China's investment interests above that of other nations. According to a report by the Cambodian Center for Human Rights, 50 per cent of the land concessions granted since 1994 — totalling 4.6 million hectares — were given to Chinese companies to invest in mining, hydropower and agriculture in Cambodia.

There are concerns that the government is at risk of losing its autonomy. If it were to rely solely on China, Cambodia also risks losing face and trust from the international community, and its role in ASEAN might be marginalised if it continues to put China ahead of ASEAN.

There is no doubt that Cambodia needs China's assistance to further its economic development. Likewise, China sees Cambodia as an important ally for exercising greater influence in Southeast Asia and counterbalancing the United States. Chinese Ambassador to Cambodia Pan Guangxue recently said that the positive relationship China and Cambodia have built over the years serves as a role model of friendship between countries of different social systems. He is convinced that, with the careful guidance of its leaders and the efforts of its people, China and Cambodia can further deepen their mutual trust for one another and improve cooperation, so as to develop the relationship to a greater level.

To ensure this long-lasting relationship is mutually beneficial, the two nations must work together to improve transparency, promote participatory and inclusive development by involving all relevant stakeholders, and minimise environmental degradation. Cambodia must strengthen its institutions, implement policies that encourage responsible investment and link aid to poverty reduction. China needs to rebuild its image as a good neighbour and international citizen — one that is accountable for its foreign investment and promotes sustainable development.

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Article from the East Asia Forum: <http://www.eastasiaforum.org>

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