



ADB Project Document

TA-9124 PRC: Study of the Belt and Road Initiative

National Assessment Report: Cambodia

July 2019

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Abbreviations

ACMECS - Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy

ADB - Asian Development Bank

AEC - ASEAN Economic Community

AFTA - ASEAN Free Trade Area

AIIB - Asian Infrastructure Investment Bank

ASEAN - Association of Southeast Asian Nations

BOO - Build, Own, Operate

BOT - Build, Operate, and Transfer

BRI - Belt and Road Initiative

CAFTA - China-ASEAN Free Trade Area

CIB - Cambodian Investment Board

CCCC - China Communications Construction Company

CDC - Council for the Development of Cambodia

CRBC - China Road and Bridge Corporation

DRC - State Council's Development Research Center

EBA - Everything But Arms

ELC - economic land concession

ESIA - Environmental and Social Impact Assessment

EU - European Union

FTA - Free Trade Agreements

GDCE - General Department of Customs and Excise of Cambodia

GMAC - Garment Manufacturers Association of Cambodia

GMS - Greater Mekong Subregion

GSP - Generalized System of Preferences

IDP - Industrial Development Policy

IRC - Inter-ministerial Resettlement Committee

JICA - Japan International Cooperation Agency

LAR - Land Acquisition and Involuntary Resettlement

LPI - Logistics Performance Index

MPAC - Master Plan for ASEAN Connectivity

MAFF - Ministry of Agriculture, Forestry and Fisheries

MEF - Ministry of Economy and Finance

MFAIC - Ministry of Foreign Affairs and International Cooperation

MGC - Mekong-Ganga Cooperation

MJC - Mekong-Japan Cooperation

MLC - Mekong-Lancang Cooperation

MoC - Ministry of Commerce

MoE - Ministry of Environment

NBC - National Bank of Cambodia

NIS - National Institute of Statistics

OBOR - One Belt One Road
PPP - Public Private Partnership
PPSEZ - Phnom Penh Special Economic Zone
PRC - People's Republic of China
QIP - Qualified Investment Projects
RCEP - Regional Comprehensive Economic Partnership
RCI - Regional Cooperation and Integration
ROK - Republic of Korea
SDGs - Sustainable Development Goals
SME - small and medium-sized enterprise
SOE - State Owned Enterprise
SPS - Sanitary and Phytosanitary
SSEZ - Sihanoukville Special Economic Zone
SCA - Société Concessionnaire d'Aéroport
SOP - Standard Operating Procedures
TA - Technical Assistance
US - United States
USA - United States of America
WITS - World Integrated Trade Solution
WTO - World Trade Organization

I. Introduction

1. The consultant understands that the Asian Development Bank (ADB) is conducting a Policy and Advisory Technical Assistance (TA) Study of the Belt and Road Initiative (BRI) to support the People's Republic of China (PRC) State Council's Development Research Center (DRC) in its knowledge work on the BRI, with particular focus on exploring linkages with existing regional cooperation and integration (RCI) initiatives as well as facilitating regional policy dialogue with mainland countries of the Greater Mekong Subregion (GMS) and Malaysia.
2. As part of the process, ADB commissioned six national consultants from these countries to prepare country-specific research papers. The research aims to analyse stakeholders and identify common interests to build a more comprehensive understanding of BRI opportunities and risks in the designated countries, and to identify means to strengthen the participatory and inclusive architecture of BRI-linked investments and related processes.
3. This national report constructs a research paper for Cambodia and proceeds accordingly to assess the country-level performance of BRI-linked projects through selected case studies, brainstorm recommendations to inform future policy dialogue on the alignment of the BRI with national development strategies and optimize its use as an investment tool to accelerate economic growth in the country and region. Its sincere intention is to contribute to the DRC's knowledge on how the PRC can best engage with Cambodia to optimize the BRI's impact as an RCI initiative.
4. In terms of research methodology, this report is based on the consultant's desk research as well as survey with relevant stakeholders. The desk research comprises of (1) review of the secondary documentation including existing research, reports, and media; (2) review of institutional landscape, policy documents, legislative and regulatory framework, strategies, and incentives regarding the development priorities; (3) review of existing relevant economic data, and (4) the consultant's own knowledge bank (e.g., previous research). The stakeholder consultation engages a broad range of stakeholder groups including private sectors, INGOs and NGOs, and public communities. The stakeholder engagement methodology is elaborated in more detail in section 'Stakeholder Engagement'.

5. The research also allows case study building of selected five BRI-linked investment projects in Cambodia to showcase implementation issues, risks, impact, and sustainability. Particular attention is placed on the linkage between the selected cases and development, as reflected in the UN's Sustainable Development Goals (SDGs)¹.
6. Section 2 presents an initial setup of the study with a situational overview of Cambodia's recent development in the context of RCI and the BRI, with emphasis on sectors and activities most relevant to the cases that the study aims to evaluate. Section 3 presents our selected case study objects. Section 4 provides a general assessment and evaluation of each case study. Section 5 provides a summary and conclusion.

II. Initial Conditions

7. Cambodia was an agrarian economy until the mid-1990s. The economy has undergone a significant transition over the last two decades, with the industry and service sectors steadily growing, new and diversified opportunities being created, and more being contributed to the country's growth and development.
8. Cambodia attained the status of a lower middle-income country in 2015 by the World Bank's classification. The country has set out an ambitious development vision of becoming an upper-middle income country by 2030 and a high-income country by 2050. This vision has become a strong driving force for the government's policy-setting toward further industrial development, which includes (1) capacity building and human resource development, (2) infrastructure development for economic diversification, (3) private sector development and employment, and (4) sustainable and inclusive development.
9. In the domain of international and regional economic cooperation and integration, Cambodia has undertaken two main approaches: (1) transforming the international environment into a source of national development and (2) diversifying strategic partnerships based on the calculation of economic

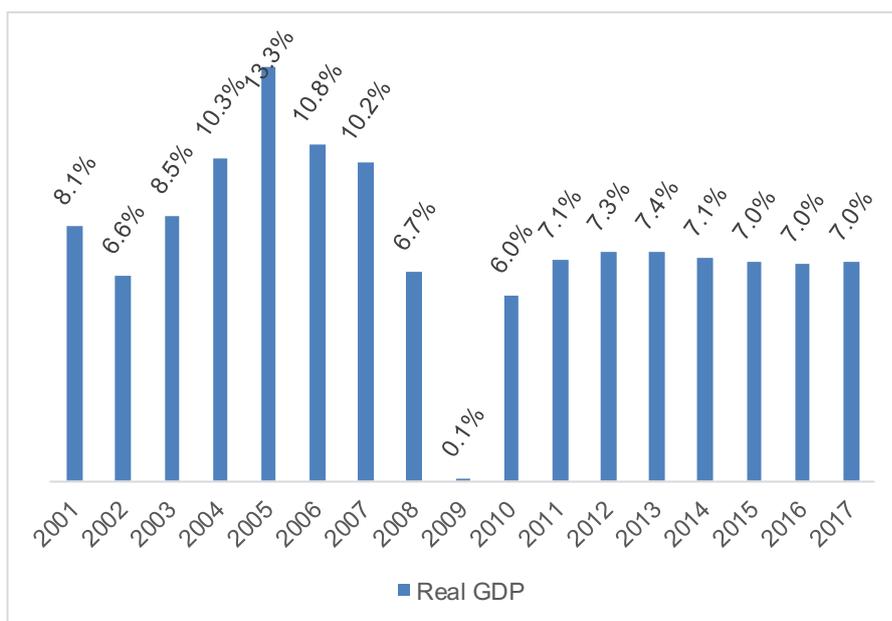
¹ Cambodia localized SDGs by adding one more goal, which is related to clearance of land mines and of Explosive Remnants of War (reflecting the national priority of de-mining Cambodia's territory). For the consistency of this report with the TA's other national reports, the UN's SDG framework is used.

interests. In this regards, Cambodia is supportive of and proactively engaging with a number of RCI initiatives that contribute to furthering domestic and regional integration and connectivity.

A. National Economy Overview

10. Cambodia has experienced steady economic growth over the last two decades, with the industry and service sectors accounting for growing shares of the economy and contributing more to the country’s growth.
11. Since 2001, the real GDP growth rate has averaged 7.7% per year and has been at least 6% every year except in 2009, during the global economic slowdown. In 2017, the economy maintained a strong growth rate of 7% and a GDP size of around \$22.2 billion.

Figure 1: Real GDP growth rate (%), 2001-2017



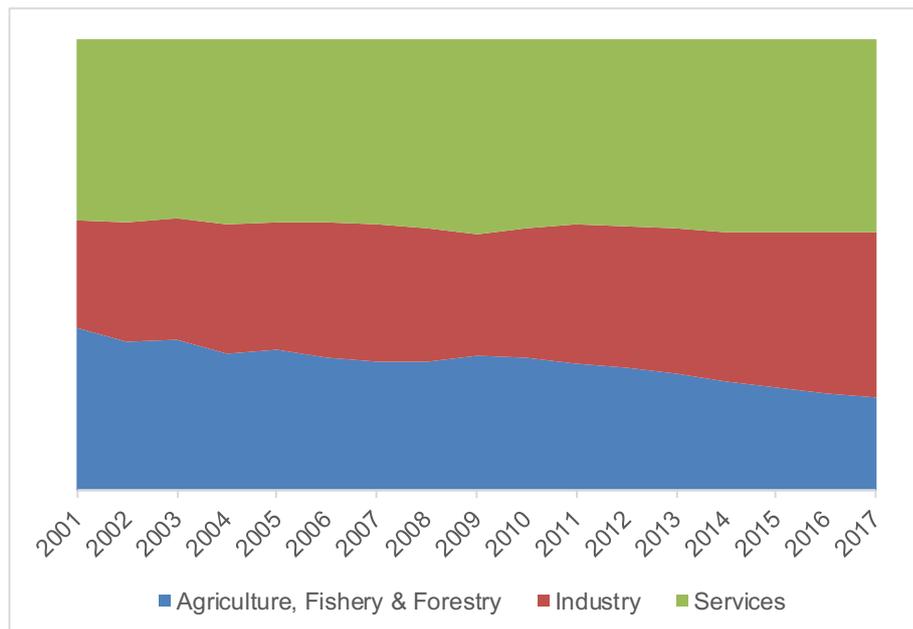
Source: Ministry of Economy and Finance (MEF)

12. The industry sector maintained a strong performance in 2017, growing at 9.9%. Non-textile manufacturing and construction were the main drivers, growing at 21.5% and 17.6% respectively. Foreign investors have significantly contributed to boosting the growth of non-textile light manufacturing such as electronic equipment, spare parts, machinery, etc. In 2017, there were 3,052 construction project approvals, up from the 2,405 project approvals in 2016. Project value

grew from \$5.26 billion to \$6.43 billion². Growth in the service sector was 7.1%, attributed mainly to a significant surge in the tourism sector and solid growth in other service subsectors. Agriculture grew at 1.6%³.

13. In terms of sectoral share of the economy, industry accounted for 31% of GDP in 2017, up from 22% in 2001. Share of the service sector increased to 40% from 38% while that of agricultural declined to 23% from 34.3% during the same period⁴.

Figure 2: Sectoral share of the economy (%), 2001-2017



Source: Ministry of Economy and Finance (MEF)

14. Sectoral employment has also shifted, with people shying away from the agricultural sector. The best available and most recent statistic shows that 41.5% of the employed population worked in agriculture in 2015, a decrease from 57.6% in 2009. The proportion of workers in the industry sector increased from 15.9% to 25.5%, and service sector employment increased from 26.5% to 32.9%⁵.

² Ministry of Land Management, Urban Planning and Construction.

³ Ministry of Economy and Finance (MEF).

⁴ Ibid.

⁵ Cambodia's Socio-Economic Survey (CSES) defines labor force as those economically active in the week previous to the survey, including in production for own consumption; employed persons are those having worked at least 1 hour in the previous week, including unpaid

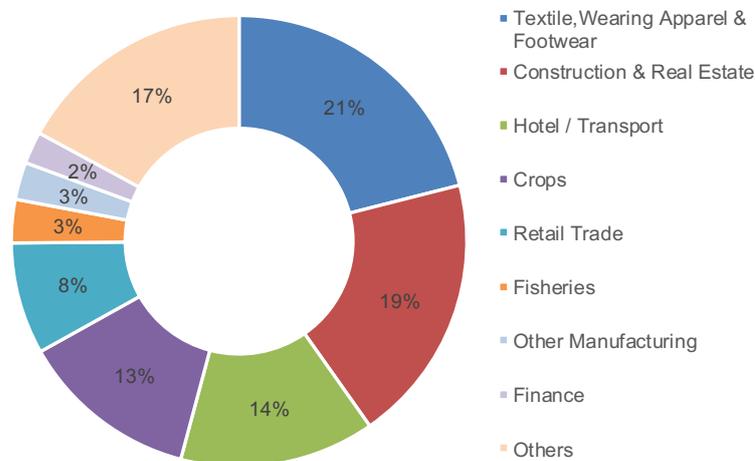
Table 1: Employed population (%), by sector

| | 2009 | 2015 |
|------------------|-------|-------|
| Agriculture | 57.6 | 41.5 |
| Industry | 15.9 | 25.5 |
| Services | 26.5 | 32.9 |
| Other/don't know | 0.0 | 0.1 |
| Total | 100.0 | 100.0 |

Source: Socio-Economic Survey 2015

15. Historically a narrow-based economy with growth highly dependent on a few fragile engines, Cambodia has witnessed noticeable diversification progress in recent years, including strong growth in construction, real estates, retail and financial sectors, and manufacturing and export base of new sectors such as electronics, bicycles, automotive parts, and agri-business products. Figure 3 illustrates how the traditional industry (garment and textile) along with these emerging new industries have contributed to growth over the last two decades.

Figure 3: Contribution to growth (%), 1998-2017



Source: Ministry of Economy and Finance (MEF)

16. Foreign capital inflows, merchandise trade in garment, textile, and, more recently, other light manufacturing products, and tourism have been key driving forces supporting growth. Foreign aid used to play a critical role in Cambodia in

family work. This definition results in a very low unemployment rate traditionally seen in statistics for Cambodia.

its effort to reconstruct the country and economy after years of wars and conflicts. Today, Cambodia is less dependent on foreign aid. Following the first national election in 1993, the country has adopted an outward-looking approach and focused on liberalizing its economy to increase trade and attract foreign investment.

17. For example, Cambodia joined ASEAN in 1999. Broadly speaking, membership has helped attract more foreign investors through greater, more secure market access abroad and improvement of the country's business environment and image abroad. Through ASEAN membership, the country has taken advantage of the many trade and investment pacts ASEAN has with dialog partners. Cambodia joined the WTO in 2004, expanding the country's trading opportunities with the rest of the world. With its least-developed country status, Cambodia receives trade preferential treatments such as the European Union's Everything But Arms (EBA) and the Generalized System of Preferences (GSP), which grants the country duty and quota-preferential access to the EU and US markets.

18. In terms of foreign investment, the law governing investment in Cambodia has established an open and liberal regime. All sectors of the economy are open to foreign investment, except land ownership and restrictions on foreign employment. The country continues to attract a strong inflow of FDI, witnessing an average annual growth rate of 12.4% from 2012 to 2017. Total FDI inflow into the country amounted to \$2.62 billion in 2017, almost double the \$1.37 billion in 2011⁶. Trade preferential treatments, low wages, beneficial geographic location, open investment and trade regime, political stability, and steady economic growth have been regarded as driving factors for these FDI inflows. The initial focus was on garment and textile, but FDI inflow has spread to other growing sectors in recent years, with construction and real estate among the top receivers of foreign investment.

19. Tourism has always been a key component of the services' export. The sector had its initial kickstart in Siem Reap, home to the Angkor Wat complex, and gradually picked up in Phnom Penh and the coastal province of Sihanoukville.

⁶ Data are reported by the National Bank of Cambodia (NBC) as part of the balance-of-payments statistics. The NBC collects FDI data on the financial, construction, and real estate sector. It uses data reported by the Cambodian Investment Board (CIB) of the Council for the Development of Cambodia (CDC) in estimating FDI flows to other sectors.

Business opportunities in this sector have grown rapidly, owing their success to diversifying tourist-attracting sites and tourism products, the implementation of open sky policy and China-Ready strategy, and facilitation of travel such as visa exemption and visa on arrival. The sector has witnessed a significant surge, earning \$3.63 billion in revenue in 2017, a 13.3% increase from 2016. The hotel and restaurant subsectors grew at an average annual rate of 9.8% in real term from 2001 to 2017⁷.

- 20.** Growth and development concerns in Cambodia include the challenge of diversification, constraint issues regarding infrastructure and connectivity, and human resource capacity.
- 21.** Some progress has been made regarding diversification, as evidenced by manufacturing and export base growth into new sectors such as electronics, bicycles, automotive parts, and agri-business products. The country exported 1,215 product categories to 149 international markets in 2016 compared to the 680 product categories it exported to 94 international markets in 2001⁸. However, the need for further economic diversification has been clearly stated in the country's development policies and raised again and again at various national conferences and workshops⁹. Lack of a skilled workforce and an inadequate supply of infrastructure remain key issues.
- 22.** Mobilizing resources to finance infrastructure investment and support further skill development is a challenge in itself. Large investment needs mean a big fiscal burden. Prime Minister Hun Sen was quoted in the media saying the country needs \$500-700 million a year for infrastructure development such as roads, bridges, electric power, and irrigation system. The public sector cannot afford this much investment while the private sector is limited in capacity and reluctant to take part due to large financing requirements, associated risk, and potential land conflict with the locals. Thus, the potential of public-private partnership financing mechanism is undermined. Financing mainly comes from

⁷ Ministry of Economy and Finance (MEF).

⁸ World Integrated Trade Solution (WITS), World Bank.

⁹ Among those include a recent conference held at the Raffles Hotel Le Royal on September 20, 2018, and co-organized by the International Monetary Fund (IMF) and the National Bank of Cambodia (NBC) held under the theme 'A Compass to Diversification and Structural Transformation: The Next Steps of Cambodia Development'.

multilateral development agencies such as ADB, the World Bank, and bilateral donors.

Leading Sectors

Agro-industry

- 23.** Agriculture remains a priority sector despite recent statistics showing its declining dominance. It is the main source of income for rural households and the biggest proportion of the country's employed population. Crops continue to be the main subsector, sharing about 57%-60% of Cambodia's agriculture during the 2012-2017 period¹⁰. Although rice is the dominant crop, the sector has, over the past decade, experienced growing production, diversification, and commercialization of other products such as rubber, vegetables, sugarcane, cassava, maize, cashew nut, pepper, palm oil, mango, and banana. For example, Longmate Agriculture, a joint venture between local, Chinese, and Hong Kong, China investors, invested in a banana plantation and recently sent their first shipment of the fruit to China.
- 24.** The agro-industry is supported by policies favoring FDI and exports. For example, there were 229 economic land concession (ELC) contracts signed between the government and companies as of 2016¹¹. Primary processing still makes up the majority of the agro-industry. These processors normally perform one value-added activity (besides packaging) and sell to the market. Cooking, grinding, drying, roasting, and/or packaging are the most common value-added activities. Few secondary processors exist- they are largely local and foreign investors with the financial and technical capabilities to process crops geared to export. For example, Hong Kong, China - based Green Leader's cassava processing facilities produce cassava starch and modified starch for export, particularly to China. Prior to this new investment, Cambodia was reported to have exported 90% of all its cassava to Thailand and Vietnam to be processed.
- 25.** The industry also receives trade facilitation priorities. The government has conducted negotiations with a number of countries, including China, for better sanitary and phytosanitary (SPS) terms to facilitate the export of products such as mango, dragon fruit, and banana. The government is particularly committed to making milled rice exports a top trade facilitation priority and has worked to

¹⁰ Ministry of Agriculture, Forestry and Fisheries (MAFF).

¹¹ MAFF's Annual Report of Agriculture, Forestry and Fisheries 2016-2017.

address issues of informal payments and time required to export by extending special treatment similar to that given to the garment sector. Significant improvement in customs clearance for rice exports has been reported since the rice policy was announced¹². Rice exports reached 626,225 metric tonnes in 2018 with 61 foreign markets, an increase from the less than 205,717 metric tonnes in 2012 with 58 foreign markets. Rice export has benefitted from EU trade preferences, with France being the biggest importer until China overtook it as the largest buyer of Cambodian rice in 2014. In 2018, Cambodia exported 170,154 metric tonnes of rice to China, which accounted for 27.2% of the entire international market for Cambodian rice¹³.

- 26.** The industry is constrained by issues such as relatively underdeveloped agricultural value chains compared to neighboring countries and high production and distribution costs due to expensive energy, inadequate infrastructure, and high post-harvest losses.

Export-oriented Industry and Trade

- 27.** The economic transition towards industrialization began with the garment subsector's success story. In the mid-1990s, foreign investors took advantage of trade preferential treatments Cambodia receives from EU and US markets and came to set up garment and footwear assembly factories for export.
- 28.** In 2017, there were 1,147 garment enterprises and institutes employing 763,820 workers operating in the country¹⁴. Most factories are foreign owned, use Cambodia for the CMT (cut, make and trim) process, and arrange sourcing for textile from other countries, particularly from China. Textile and related garment industry inputs account for the largest share of the country's import volume, which largely come from China¹⁵. The industry has only recently seen a significant expansion in the travel goods, footwear, bag, and leather subsectors. The transition towards higher value-added products is on-going and incorporates, among others, printing and embroidery.

¹² See Policy Document on the Promotion of Paddy Rice Production and Export of Milled Rice for a more detailed elaboration.

¹³ Secretariat of One Window Service for Rice Export Formality's Report on Cambodian Rice Export Status.

¹⁴ Ministry of Labour and Vocational Training.

¹⁵ World Integrated Trade Solution (WITS), World Bank.

- 29.** The majority of exporting garment factories are members of the Garment Manufacturers Association of Cambodia (GMAC). GMAC has lobbied the government to streamline customs procedures and reduce fees and levies as a means to increase the garment sector's competitiveness. This industry has the strongest worker unions in the country. Following the latest round of negotiations between manufacturers, unions, and the government, a new minimum wage of \$182 for the garment sector was established in January 2019, up from the \$170 in 2018. The amount is more than triple the \$61 minimum wage from merely 7 years ago in 2012 and makes the minimum wage in the kingdom higher than that of other large garment producing countries such as Bangladesh, Myanmar, and Vietnam. This has called for further improvement in labor productivity in order to catch up with wage inflation.
- 30.** There is a noticeable development in the relatively newer manufacturing and export sectors, which include the manufacturing assembly of bicycles, electronic equipment, machineries, and spare parts geared to export. The manufacturing diversification picked up momentum with the arrival of big Japanese corporations such as Minebea (motor manufacturing), Denso (automotive & motorcycle component manufacturing), and Yazaki (automobile wire harnesses), among others who have undertaken the 'China+1' and 'Thailand+1' approach to open factories in Cambodia.
- 31.** Trade facilitation has also seen noticeable improvements. For example, pre-shipment inspections were eliminated in 2010, reducing the time and number of documents required for importing and exporting. The requirement for exporters to register each year with the Ministry of Commerce (MoC) for a Certificate of Origin (which could cost up to \$800 when informal fees are included) was also eliminated. Other reforms, including the introduction of ASYCUDA at ports and checkpoints, have automated certain processes with the Ministry of Commerce and the GDCE (Cambodia's customs) and streamlined processes to reduce clearance times. Work to establish Cambodia's National Single Window (CNSW) is underway. CNSW is a trade facilitation automation platform for customs clearance procedures that consolidates all documentation processes into a single, ICT-based submission for importers and exporters. Prime Minister Hun Sen announced a number of other measures earlier this year, which include

relieving Camcontrol¹⁶ from its inspection duties at border checkpoints and reducing custom clearance procedures and fees for container goods scanning. At the time of producing this report, we cannot verify when these new decisions will be implemented.

- 32.** The industry's competitiveness is still hindered by a limited number of markets, significant skill shortages, and associated high production costs such as the expensive, unreliable supply of electricity and expensive, limited means of transportation.

Transport

- 33.** With merchandise trade becoming the key driver of robust economic 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, both of which result in higher costs and subsequently affect the country's economic competitiveness. The Global Competitiveness Index's 2017-2018 edition ranked Cambodia at 94, positioning it as one of the least competitive countries in Southeast Asia. The Logistics Performance Index 2018 (LPI) ranked Cambodia at 98 out of 160 economies- the country scored the worst at 130 for the infrastructure component of the Index.
- 34.** Transport infrastructure constraints are well recognized and a number of development programs attempt to address them. Financing mainly comes from donors and development partners. The government is calling for increased public investment in infrastructure through public-private partnership (PPP) models such as build, operate, and transfer (BOT) and build, own, operate (BOO).
- 35.** As for road networks linking Cambodia with neighboring countries, there are a number of cross-border transport corridors under the Greater Mekong Subregion (GMS) initiative and the ASEAN Highway System. National Road No. 4, which connects Phnom Penh to Sihanoukville Autonomous Port, is the main road facilitating the flow of merchandise trade between Cambodia and the rest of the world. Together with National Road No. 1 and No. 5, connecting

¹⁶ Camcontrol is the Ministry of Commerce's Cambodia Import-Export Inspection and Fraud Repression Directorate-General. It does separate inspection at border checkpoints, in addition to customs. This has been viewed as extra cost and time burden for traders.

Cambodia with Vietnam and Thailand respectively, they form the major on-land trade routes in the country.

- 36.** Sihanoukville Autonomous Port is the country's only international seaport. Other seaports include Koh Kong port, Sre Ambel port, Oknha Mong port, Stunglav port, Kampot port, and Kaeb port. There are also a number of river ports located along the Mekong River, among which the largest is the Phnom Penh Autonomous Port. Goods shipped from Phnom Penh Autonomous Port go through international ports in Vietnam before reaching international markets.
- 37.** The government outsourced railway operations to the Royal Railway (of the Royal Group) under a 30-year concession to operate the country's railway network. The 267km southern line from Phnom Penh to Sihanoukville began commercial rail services in 2010 and started taking passengers in 2016. The northern line, which stretches for 386km, was finished in July 2018 and connects Phnom Penh to Poipet city, which borders Thailand. Three international airports (Phnom Penh, Siem Reap, and Sihanoukville) are operated by the French company Société Concessionnaire d'Aéroport (SCA) under the BOT investment scheme. There are currently seven dry ports located in Bavet city, which borders Vietnam, Poipet, which borders Thailand, and around Phnom Penh. Investments for these dry ports come from the private sector under the BOO scheme.
- 38.** Cambodia considers expressway development essential to furthering modern industrialization. The expressway master plan was prepared with the technical assistance of Henan Province, China. A study by Henan Provincial Communications Planning Survey and Design Institute suggests that Cambodia would need to develop 2,230 km of expressway network costing approximately \$26 billion by 2040. A study by JICA also recommends that a national expressway network with a total length of 2,200 km be planned and constructed.

Energy

- 39.** Inadequate supply of energy is another major constraint undermining development potential. Cambodia is not self-sufficient in electricity. Unstable electricity supply frequently forces factories and businesses to use their own generators, which is typically more expensive than using energy from the power grid.

- 40.** Electricity cost is among the highest in the region. Rural areas experience some of the highest electricity prices due to the patchwork network of licensed rural electrification enterprises (REEs) and regulations that set tariffs based on production cost. As the national grid expands and reaches areas granted to the REEs in their licenses, government policy requires REEs to purchase electricity wholesale from the national grid and lower costs instead of utilizing inefficient and expensive diesel generators. This decreases tariffs for end consumers and makes REEs a part of the national grid instead of an isolated system.
- 41.** Private investment in energy infrastructure is generally encouraged. This includes energy infrastructure production, transmission, and distribution with a focus placed on modern, efficient, and renewable technology. The aim is to promote an electricity supply that can cope with increasing energy demands in a cost-efficient manner while reducing greenhouse gas emissions. However, green energy development is still in its infant stages. Presently, the country largely uses conventional electricity production to reduce costs and increase electricity supply.
- 42.** China takes the lead in investing in electricity production, with an accumulated capital of more than \$7.5 billion invested in seven hydropower plants and about \$4 billion in two coal power plants in Cambodia. These hydro projects and coal plants have collectively increased the amount of electricity produced domestically by more than 81% of all electricity generated in the country in 2017¹⁷. The Lower Sesan II hydropower, jointly invested by China's Hydrolancang International Energy, Cambodia's Royal Group, and Vietnam's EVNI, secured more than \$800 million in investments under the BOT scheme. It had its official inauguration ceremony on December 17, 2018, and officials praised the new facility as a good example of China-Cambodia cooperation on energy.

Tourism

- 43.** Cambodia earned \$3.63 billion in tourism revenue in 2017, a 13.3% increase from 2016. The ancient temples of Angkor Wat complex are the main tourist attraction. The country continues its efforts to diversify tourist-attracting sites and

¹⁷ Electricity Authority of Cambodia. The electricity imports from neighboring countries still play an important role, accounting for over 18% of the total electricity supply in the country in 2017, down from over 22% in 2016.

products across the country, implement the open sky policy, and facilitate international travel through policies such as visa exemption and visa on arrival.

44. The majority of international tourists arrive through the three operating international airports in Phnom Penh, Siem Reap, and Sihanoukville. Other international tourist gateways include on-land checkpoints at the country's three neighboring countries and waterway. China tops the list for most travelers by nationality, accounting for 21.6% of all international tourist arrivals with over 1.2 million Chinese tourists visiting Cambodia in 2017. It was followed by Vietnam, Laos, Thailand, Korea, the US, and Japan¹⁸.
45. China's investment in this sector has increased substantially, with major airlines increasing their passenger capacity and offering new routes to Cambodia. Air China became the first commercial airline to offer direct flights between Phnom Penh and Beijing in early 2019. Other airlines with routes between the two countries include China Southern Airlines, Hainan Airlines, China Eastern Airlines, Shenzhen Airlines, Ruili Airlines, Shandong Airlines, Xiamen Airlines, Guangxi Beibu Gulf Airlines, Spring Airlines, and China Express Airlines. Cambodia has also seen increases in Chinese investment and Cambodia-China joint ventures in the domestic airline industry, such as with Lanmei Airlines, JC International Airlines, Cambodia Airways, KC International Airlines, Cambodia Bayon Airlines, and MJ Airlines.
46. Regarding the hotel and restaurant subsectors, the media quoted the tourism minister revealing that Cambodia had a total of 781 hotels in 2017, 134 more than in 2016. The country had 2,255 guesthouses, up from 1,996 in 2016, 2,239 restaurants, 881 entertainment centers, and 619 tourist agencies in 2017. The recent market entry of luxury hotel chains such as the Rosewood, Marriott, and Hotel Okura will add to the existing hospitality establishments and strengthen the country's image to attract even more foreign tourists. Chinese investment in this subsector also increased in recent years, particularly in Siem Reap and Sihanoukville.

B. Review of Regional Cooperation Initiatives

47. As a less developed member state in the region, Cambodia has a strong interest in promoting and realizing a more inclusive, fair, and just process of regional

¹⁸ Tourism Statistics Department, Ministry of Tourism.

cooperation that will narrow the development gap between countries in the region. Over the last two decades, Cambodia has actively engaged in a variety of regional and sub-regional cooperation and integration initiatives, hoping to transform them into a source of national development. Specifically, Cambodia aims to capitalize on the opportunities presented by China-led initiatives such as BRI and Mekong-Lancang Cooperation (MLC) and other existing Mekong- and ASEAN-centered cooperative mechanisms including, among others, the Master Plan for ASEAN Connectivity (MPAC), Greater Mekong Subregion (GMS) Economic Cooperation Program, Mekong-Ganga Cooperation (MGC), Mekong-Japan Cooperation (MJC), Mekong-ROK Cooperation, and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)¹⁹.

- 48.** ASEAN adopted the MPAC in 2010 to promote connectivity in all dimensions, including basic infrastructure, rules and regulations, and people-to-people connectivity, and lead to a Seamless ASEAN. As a result of the 28th ASEAN Summit in 2016, the Vientiane Declaration further concretizes the commitments to enhance ASEAN Connectivity by adopting the successor document MPAC 2025. The MPAC 2025 focuses on infrastructure, digital, logistics, regulatory, and people-to-people connectivity.
- 49.** The GMS was initiated in 1992 by ADB to bring together Cambodia, China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region), Laos, Myanmar, Thailand, and Vietnam and enhance economic relations through the so-called 3Cs strategies: (1) increasing connectivity through sustainable development of physical infrastructure and transformation of transport corridors into transnational economic corridors; (2) improving competitiveness through efficient facilitation of cross-border movement of people and goods and integration of markets, production processes, and value chains; (3) building a greater sense of community through projects and programs that address shared social and environmental concerns. The transport sector is the most prominent

¹⁹ The Rectangular Strategy Phase IV (2018-2023) stresses that: “regional cooperation initiatives such as Regional Comprehensive Economic Partnership, Trans-Pacific Partnership and others will result in massive trade liberalization of goods, services, and investment in the region. For Cambodia, as a member of ASEAN, this presents opportunity to absorb investment and expand its export markets through promotion of its industry and trade linkages, physical and institutional connectivity along with the integration into regional and inter-regional production and supply chains”.

of all investment projects, though the coverage also includes agriculture, energy, environment, health and human resource development, information and communication technology, tourism, trade facilitation, and urban development. The Regional Investment Framework 2022 highlighted 247 investment and technical assistance projects in its medium-term pipeline, requiring \$80.9 billion in estimated financing.

- 50.** India and 5 Mekong countries, namely Cambodia, Laos, Myanmar, Thailand, and Vietnam, set up the Mekong-Ganga Cooperation in 2000, which covers tourism, culture, education, transport, and communication. Although progress has been slowing, India's Act East Policy brings a new sense of optimism to this initiative and shows it is still clearly serviceable with significant potential for deepening economic cooperation among participating countries.
- 51.** Historically an indispensable development partner in the region, Japan reached out to the same 5 Mekong nations in 2007 to initiate the 'Japan-Mekong Region Partnership Program', which was officially launched as the Mekong-Japan Cooperation in 2008. Over the years, this cooperation has been strengthened with subsequent releases of milestone documents titled 'Tokyo Strategy', which lay out a comprehensive scope of both the hard and soft connectivity aspects of development, with a strong focus on industrial human resource development. Japan is the main source of funding, pledging around 750 billion JPY (approximately \$6.7 billion) for implementation of a series of a concrete plan laid out in the Tokyo Strategy 2015.
- 52.** Initiated in 2011 by the Republic of Korea and the 5 Mekong nations of Cambodia, Laos, Myanmar, Thailand, and Vietnam, Mekong-ROK Cooperation focuses on six priority areas- infrastructure, ICT, green growth, water resource development, agriculture and rural development, and human resource development. The Mekong-ROK Cooperation Fund was established in 2013 to support the implementation of cooperation projects. The Han-River Declaration produced following the Mekong-ROK Foreign Ministers' meeting in 2011 has its guiding principles aimed towards enforcing and complementing existing bilateral and multilateral cooperation mechanisms in the region.
- 53.** Established in 2003 under Thailand's initiative, ACMECS is an intra-Mekong initiative comprised of Cambodia, Laos, Myanmar, Thailand, and Vietnam. ACMECS puts a high emphasis on using self-help and partnership to achieve

sustainable development such as poverty reduction. The cooperation focuses on (1) trade and investment facilitation, (2) public health and social welfare development, (3) human resource development, (4) industrial and energy cooperation, (5) tourism, (6) transport linkage, (7) agriculture, and (8) environment. Thailand proposed to establish an ACMECS Fund as a supporting financing vehicle by mobilizing resources from member countries, development partners, regional and international organizations, and financial institutions.

54. The MLC, comprised of China and the other 5 Mekong countries, was formally launched at the First LMC²⁰ Leaders' Meeting in China's Sanya on 23 March 2016. It aims to promote regional connectivity, production capacity, cross-border economic cooperation, trade and investment facilitation, customs and quality inspection, financial cooperation, water resource management, agriculture, forestry, environmental protection, and poverty reduction. China launched the \$300 million Special Fund to support the implementation and encourage other members to financially commit to expand available resources. MLC also seeks support from financial institutions such as the AIIB, the Silk Road Fund, and the ADB.

55. Going forward, ensuring linkages, complementarities, and synergies of these initiatives with Cambodia's growth strategy for shared development and win-win cooperation will be crucial to addressing remaining growth and development concerns such as the challenges of diversification, inadequate infrastructure and connectivity, and human resource capacity.

III. Selected Case Studies

56. Specific Cambodia-China cooperation mechanisms under the BRI are still in the institutional building process. Both countries signed the Outline of Bilateral Cooperation Plan to Jointly Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road in May 2017 during Prime Minister Hun Sen's visit to China to attend the Belt and Road International Cooperation Summit. This plan seeks to align the two countries' development strategies and focuses on a range of areas for cooperation, including infrastructure, agriculture, capacity

²⁰ LMC and MLC are used interchangeably. When the meeting was held in any of the five Mekong countries, MLC is used. Likewise, if the meetings were held or the documents were signed in China, LMC is used.

building, special economic zone development, culture and tourism, finance, and eco-environmental protection.

57. The implementation of the Outline Plan falls under the mandate of the Ministry of Foreign Affairs and International Cooperation (MFAIC), which is working to raise greater awareness within the government to coordinate policies from different sectors. The Ministry of Economic and Finance (MEF) is the leading government agency compiling and consolidating project proposals from line ministries to include into the BRI framework. The project formation process has frequently evolved during the two country leaders' state visits. At the time this report was produced, BRI project information had not been centrally reported. A lot of people here regard any extension of the existing bilateral projects as BRI projects.

58. Five projects are selected as our case studies: (1) Cambodia Sihanoukville Special Economic Zone (SSEZ), (2) Phnom Penh - Sihanoukville Expressway, (3) Siem Reap Angkor International Airport, (4) White Paper on China ready for Cambodia Tourism, and (5) new Phnom Penh airport²¹. The SSEZ was established in 2008 and is currently in operation. The tourism policy, dubbed White Paper on China ready for Cambodia Tourism, was established in 2016 and is currently under implementation. Some development regarding the expressway and two airport construction projects have been made but official ground-breaking construction has not yet started.

59. The rationale behind selecting these projects are: (1) diversity of sectors or project types (road transport, air transport, industrial park and trade facilitation, and tourism), (2) diversity of financing modes, and (3) geographical sites of the projects, which are located in the country's three major economic poles: Phnom Penh, Sihanoukville, and Siem Reap.

A. Cambodia Sihanoukville Special Economic Zone (SSEZ)

60. The SEZ scheme was introduced in Cambodia in December 2005. According to Open Development Cambodia's portal site, which tracks SEZs throughout

²¹ At the time this report is produced, the consultant cannot verify the official name of the new Phnom Penh airport project.

Cambodia and beyond, there were 38 SEZs as of 2018. Only 14 SEZs are currently operational. All SEZs are privately owned and operated²².

- 61.** China's experience with SEZs was used as a guide during the early days of the SEZ establishment campaign. The intention of the SEZ establishment was to free businesses from regulatory and legal constraints in order to attract foreign investment and create jobs. Generally, SEZs have business environments that are more liberal, use administrative procedures that are more effective, and have infrastructure capacity that is more efficient than the rest of the country.
- 62.** SEZ administration acts as a one-stop public administrative service for investors within the zone. That is, SEZ investors, the majority of whom are involved in manufacturing assembly geared to export, do not have to deal directly with government ministries and agencies regarding paperwork such as export and import permits, work permits, and other licenses. The zone developer bears the costs of providing SEZ administration services in addition to providing materials, water, electricity, accommodation, and other supports.
- 63.** SEZs developers and SEZs investors are entitled to request a Qualified Investment Projects (QIP) incentive so as to enjoy profit tax exemption for a specified period or special depreciation allowance, import tariff and export tax exemptions, and VAT exemption²³. Almost 90% of total foreign QIP investments came from Asia over the 2012-2016 period. Chinese investors were the most active and largest foreign QIP investor, accounting for almost 30% of the total approved QIP investment amount in 2016.
- 64.** The main attractiveness of SEZs lies in infrastructure quality and other attributes. The government stipulates certain minimum requirements on the size of the zone, the infrastructure provided, and the technical and regulatory standards for water sewage networks, wastewater treatment networks, solid waste management, and environmental protection measures. Some SEZs provide

²² Sihanoukville Port SEZ is an exceptional case. It is a public-private joint venture financed by JICA's loan.

²³ Exporters receive VAT exemption on construction materials, production materials, and production equipment; domestic-focused companies receive VAT exemption on construction materials and production equipment.

services such as language translators, factory construction facilitation, legal advisory, and assistance with recruitment to zone investors.

- 65.** SSEZ is by far the largest operational SEZ in the country. The first of its kind, the zone was established in 2008 under a bilateral government agreement between China and Cambodia. SSEZ is the ideal representation of the BRI-linked project in Cambodia. President Xi Jinping visited the country as president for the first time in October 2016 and constantly praised the SSEZ during his talks with Prime Minister Hun Sen. During the visit, the Chinese side expressed their commitment to encourage more competent, renowned Chinese enterprises to increase cooperation with the Cambodian side in the major fields of infrastructure, energy, communication, agriculture, industry, and tourism, and continue to implement the SSEZ and other projects²⁴.
- 66.** SSEZ was jointly developed by China's Hongdou Group Co., Ltd. and Cambodia's International Investment Development Group Co. Ltd. on a 1,113ha property in Sihanoukville. The Cambodian coastal province has become the main recipient of the growing influx of Chinese investment, particularly from Jiangsu, thanks to the sister city program that bonds the two provinces together. The zone developer aims to build the 'model industrial park of win-win cooperation along the One Belt & One Road' and transform it into the 'Shenzhen' of Cambodia²⁵.
- 67.** The zone is strategically located on National Road 4, 12km from Sihanoukville Port, 3km from Sihanoukville Airport, and 210km from Phnom Penh. The National Road 4 is the main transport route connecting Phnom Penh to Sihanoukville Autonomous Port and facilitates the flow of merchandise trade between Cambodia and the rest of the world. The Sihanoukville Autonomous Port is the country's only deep-sea port and handled more than 90% of Cambodia's total containers in 2017²⁶.
- 68.** The first phase of development was completed on an area half the size of the total zone property and includes an administration building and supporting

²⁴ Joint statement between the Kingdom of Cambodia and the People's Republic of China, released on October 14, 2016, by Ministry of Foreign Affairs and International Cooperation.

²⁵ Information collected from site visit.

²⁶ Own calculation using the figure provided by Sihanoukville Autonomous Port and World Bank's data on container port traffic.

service facilities such as hotels, dining and entertainment facilities, staff dormitories, and markets. The consultant visited SSEZ on December 27-28, 2018 and observed that the necessary infrastructure, including road, electricity, water, communication, water sewage network, wastewater treatment network, and waste management, was constructed and well-maintained.

Figure 4: Some of the facilities at SSEZ, 2018



69. There are 161 registered zone investors but only 105 factories- 98 from China, 2 from the USA, and one each from France, Ireland, Germany, Thailand, and Vietnam- currently in operation. The factories employ 22,495 Cambodian workers, with female workers accounting for almost 62%. These factories produce garment, textiles, bags, leather products, hardware, machinery, wooden products, and other light manufacturing products²⁷. According to the plan, the developer will gradually develop the SSEZ into a well-facilitated, fully-functional, ecological model industrial zone capable of hosting up to 300 enterprises and an employment capacity of up to 100,000 Cambodian industrial workers.

²⁷ Information collected from site visit.

Figure 5: Some factories in SSEZ, 2018



B. Phnom Penh - Sihanoukville Expressway

70. The Phnom Penh - Sihanoukville Expressway was proposed in China's Henan Provincial Communications Planning Survey and Design Institute survey. This expressway agreement under the BOT framework was one of the 19 development projects signed during Chinese Prime Minister Li Keqiang's visit in January 2018. The project serves as another display of Cambodia-China cooperation under BRI. The 190km expressway project could cost up to nearly \$1.9 billion and take up to four years to build.

71. The expressway will link Cambodia's two major economic poles: Phnom Penh and Sihanoukville. The latter is home to the country's only international deep-sea port, which handled more than 90% of Cambodia's total container shipments in 2017. The expressway will also run through the two populous provinces of Kandal and Kampong Speu. It will be Cambodia's first expressway and provide a complementary logistic route to the existing National Road 4, which currently serves as the main road facilitating the flow of merchandise trade between Cambodia and the rest of the world.

72. China's state-owned China Communications Construction Company (CCCC) will be responsible for construction and costs. It will collect tolls on the road through its subsidiary company China Road and Bridge Corporation (CRBC) in order to recoup its investment. CRBC has been conducting the feasibility study

of the Phnom Penh - Sihanoukville Expressway since 2007. CRBC established its branch office in Cambodia in 2001 and has been engaged in many infrastructure construction projects in the country. The company claims its business activities in Cambodia have directly and indirectly contributed to the country's employment by providing about 30,000 jobs since the establishment of its branch office.

73. To carry out its project duties, CRBC incorporated its business at the Ministry of Commerce and formed a new entity named Cambodian PPSHV Expressway Co. Ltd. in May 2018. It obtained approval from the Council for the Development of Cambodia (CDC) in June 2018 with a registered investment capital of \$1.87 billion and the potential to create 9,515 jobs for Cambodians.

74. At the time this report was produced, the date for the official ground-breaking ceremony for construction had not been announced. The consultant understands that the company completed the project's Environmental and Social Impact Assessment (ESIA) report in March 2018. The report is pending final approval from the Ministry of Environment (MoE). The consultant also understands that the Inter-ministerial Resettlement Committee (IRC), the national mechanism mandated to review and evaluate the resettlement impact and land acquisition of public physical infrastructure development projects in Cambodia, is finalizing the resettlement plan process for over 2,800 affected households. However, it is possible that construction be initiated in areas unaffected by the project concurrently with the resettlement and compensation process.

75. The consultant had an opportunity to briefly visit the project's work site in Sihanoukville on December 29, 2018. The site was partly constructed with some groundwork laid out and fences erected. It was still literally empty. However, the media recently quoted an official of the Ministry of Public Work and Transport saying that the machinery and equipment to be used for the construction were to arrive in Cambodia at the end of January 2019 and almost 200 Chinese technical staff had already arrived.

C. Siem Reap Angkor International Airport

76. Currently, only three international airports are operational in Cambodia: Phnom Penh, Siem Reap, and Sihanoukville. All three are run by the French company

Société Concessionnaire d'Aéroport (SCA) under the BOT investment scheme. The three airports received a combined 8.8 million passengers in 2017, a 25% increase from the previous year. They received a record 65,000 tonnes of cargo shipments, a 40% increase from 2016²⁸. Despite starting with a low base, Sihanoukville airport has witnessed a triple-digit growth rate of 115% for volume of passengers.

77. The surge in traffic has pressured the SCA to invest more in upgrading airport infrastructure. In 2016, the company spent \$100 million upgrading the Phnom Penh and Siem Reap airports and doubling their capacity in order to handle over 10 million passengers a year. The company completed the renovation of the Sihanoukville airport's passenger terminal in June and the renovation of Phnom Penh airport's runway in November 2018²⁹. The government is building two new airports, one each in Siem Reap and Phnom Penh, under the reasoning that the existing facilities cannot accommodate expected future air travel demand by 2025. The construction of these two new airports is entrusted to China's investment under the BRI framework.

78. The agreement to build the new greenfield Siem Reap Angkor International Airport was signed between the Cambodian government and China's state-run Yunnan Investment Holding during the state visit of President Xi Jinping to Cambodia in October 2016. The project is also under the BOT scheme, which gives the Chinese company exclusive rights to run and manage the airport for 50 years. The new airport, with an estimated price tag of around \$800 million, will be built on a 700ha property in Sort Nikom district on the outskirts of Siem Reap City, about 50km away from the existing airport, and take 5 years to build.

79. According to the company registration database portal site run by Ministry of Commerce, Yunnan Investment Holding incorporated in Cambodia under the name Angkor International Airport Investment (Cambodia) Co. Ltd. in 2016. This was necessary in order to build, run, and manage the airport.

80. At the time this report was produced, the date for the official ground-breaking ceremony for construction had not been announced. The consultant understands that the company completed the project's ESIA report in January 2018. However, we cannot verify (1) the approval process of this report by the

²⁸ Cambodia Airports.

²⁹ Ibid.

Ministry of Environment or (2) the process and outcome of negotiations between the government and the French company Société Concessionnaire d'Aéroport (SCA), who still has valid concession rights over the existing Siem Reap International Airport.

81. The project's ESIA report states that the government has the right to 'expand the airport' and choose a developer to carry out the expansion of any of the 3 airports under the SCA's concession. However, a government decree calling for the formation of a government committee to lead compensation talks with Cambodia Airports has also been reported. Yunnan Investment Holding will be responsible for distributing the settlement amount once its new airport begins operations. The ESIA report also mentions the company settled for the land for the project site in 2006 and thus the construction will not face any land conflict with the locals.

D. White Paper on China ready for Cambodia Tourism

82. The Memorandum of Understanding on Tourism Cooperation (2017-2020) is another Cambodia-China cooperation agreement signed during Chinese Prime Minister Li Keqiang's visit in January. It was followed by the first high-level Cambodia-China Tourism Forum, held in Phnom Penh in May 2018. The MoU and the forum aim to enhance the implementation of the tourism policy, which aims to bring two million Chinese tourists to Cambodia annually by 2020 and is dubbed White Paper on China ready for Cambodia Tourism.
83. The White Paper called for and led to the establishment of China Ready Support Center, which promotes tourism to Cambodia in the Chinese market through market research, outreach activities, skill and capacity development, China Ready Accreditation System, and others. The strategy lists steps to facilitate visits by Chinese tourists, such as through offering more direct flights between the two countries, providing signs, tourism information booklets, and documents for visa processing in Chinese language, encouraging local use of the Renminbi, creating shopping privilege cards specifically for Chinese tourists, making hotline numbers specifically for Chinese tourists, and ensuring that food and accommodation facilities are suited to Chinese tastes.
84. Driven by the tourism cooperation under BRI, China's major airlines continue to increase their passenger capacity to Cambodia. Air China became the first

commercial direct flight to offer direct flights between Phnom Penh and Beijing in early 2019. The Chinese national flag carrier operates three flights between the two cities every week. Other Chinese airlines with routes between the two countries include China Southern Airlines, Hainan Airlines, China Eastern Airlines, Shenzhen Airlines, Ruili Airlines, Shandong Airlines, Xiamen Airlines, Guangxi Beibu Gulf Airlines, Spring Airlines, and China Express Airlines.

- 85.** Cambodia has also seen increases in Chinese investment and Cambodia-China joint ventures in the domestic airline industry, most of which serve routes connecting Phnom Penh, Siem Reap, and Sihanoukville with various cities in China. Lanmei Airlines, JC International Airlines, Cambodia Airways, KC International Airlines, Cambodia Bayon Airlines, and MJ Airlines, all with their bases in Cambodia, are among these emerging new airlines.
- 86.** The target set out in the China Ready policy was almost achieved in 2018, with China tourists amounting to 1.9 million visitors. The influx of Chinese tourists has resulted in an inadequate supply of Chinese tour guides and more Cambodian teenagers learning Chinese. In Siem Reap and Phnom Penh, Chinese-backed hotels and restaurants have sprung up to not only satisfy the dietary needs of tourists and expats but also significantly spread Chinese food culture.

E. New Phnom Penh Airport

- 87.** Phnom Penh's new international airport is another construction project under Cambodia-China cooperation. It was proposed with the same rationale as that for the new airport construction in Siem Reap and was among the development project agreements signed during Chinese Prime Minister Li Keqiang's visit in January 2018. The signatories are Cambodia's Overseas Cambodian Investment Corporation (OCIC) and China's state-run China Development Bank. This new airport will be constructed on a 2,600ha property in Takhmao city, Kandal province, about 40km from the capital city of Phnom Penh. The proposed project requires \$1,500 million of investment, of which \$1,100 million is to be loaned from the Chinese bank and, according to a government letter to Ministry of Economy and Finance made available to the consultant, the remaining amount is to be financed by a new PPP joint-venture between the government (10%) and OCIC (90%).

88. A lot of details are still unknown as information on this project is scarce and a number of sensitive issues are still present. The consultant had an opportunity to briefly discuss the project with the executive vice president of Canadia Bank, a subsidiary of OCIC, but failed to obtain any useful information due to the sensitivity of the matter. A subsequent outreach effort was made but the meeting never materialized. It was revealed to the consultant that only the chairman and president of the company would talk about the project and that even Chinese CCTV's interview request was turned down.

IV. Evaluations

89. One can say Cambodia is one of China's closest allies in the region by many accounts. The bilateral relationship between the two countries was elevated after the Chinese Premier Zhou Enlai and Cambodia's Prince Norodom Sihanouk met on the sidelines of the Bandung Conference in 1955, where leaders of several newly independent states in Asia and Africa gathered to discuss the Non-Aligned Movement in the midst of the Cold War. Although domestic political changes in Cambodia disrupted the bilateral ties for some time, the relationship has been restored and is advancing substantially.

90. Politics aside, China has undeniably become Cambodia's largest economic influencer, largest foreign investor, largest bilateral donor, biggest buyer of rice, largest source of tourists, and biggest trading partner. The sub-sections below aim to assess how this economic influence contributes to Cambodia's development by looking at five selected projects that illustrate the importance of Cambodia-China cooperation under the BRI.

A. Assessment Indicators

91. This sub-section presents the linkage between selected cases and development as reflected in the UN's Sustainable Development Goals (SDGs). Particular attention is placed on the five most relevant SDGs in making a brief but cogent argument on how the cases contribute to achieving the goals.

1. Cambodia Sihanoukville Special Economic Zone (SSEZ)

92. SDG1 - Poverty reduction: the project has promoted employment, generated income, and prevented risky migration. The 105 factories currently in operation in the zone directly employ 22,495 Cambodian workers, with female workers

accounting for almost 62%. The zone, if built to the full capacity planned for the second phase of development, will be able to host up to 300 enterprises with an employment capacity of up to 100,000 Cambodian workers. This contribution is substantial considering the extent of indirect employment and income generation (e.g., immediate families of the workers, businesses to support the livelihood of the workers, etc).

- 93. SDG5 – Empowerment:** the project has empowered and promoted the social, economic, and political inclusion of low-skilled and female workers from Sihanoukville and other surrounding provinces. Employed women have increased decision-making power at home and in the community. About 62% of the currently employed workers are female and the majority are low-skilled workers who would face difficulties finding alternative work without factories. SSEZ offered to host a government-backed vocational training center, which is currently in operation and provides training on specific technical skills to workers and students literally free of charge. SSEZ also demonstrates the potential to absorb spill-over effects on domestic technology and innovation development as well as on increasing the existing stock of knowledge in Cambodia through labor training, transfer of skills, and the transfer of new managerial and organizational practice.
- 94. SDG8 - Economic growth:** the project has contributed to furthering industrialization, export diversification, formation of industrial clusters, and integration into domestic and regional value chains.
- 95.** Based on China’s success, the SEZ scheme was introduced to attract foreign investment and create jobs. SSEZ has done just that. While garment and textile firms still dominate, SSEZ also has firms producing bags, leather products, hardware, machinery, wooden products, and other light manufacturing products geared to exports. The production chain has become relatively easier today as inputs can be sourced from within the SSEZ thanks to the arrival of new investors (i.e. particularly the packaging materials production). The developer also deploys outreach efforts to promote Cambodia as an investment destination for Chinese investors in other sectors. For example, SSEZ recently collaborated with UNIDO and the government to attract factories and other Chinese investments into the province. A case in point is the hosting of a high-level delegation from the Shenzhen Foundation for International Exchange and Cooperation (SFIEC) in May 2018 for knowledge and experience sharing on

SEZ development and exploring investment opportunities in education, trade, commerce, agro-industry, and infrastructure.

- 96. SDG7 - Energy:** the project has induced energy investment projects by local partners in order to meet the growing demand for energy inside and around the zone. The \$383 million joint-venture coal power plant under the BOO scheme and a \$1 million transmission line now supplies the electricity for household consumption and factories in the SSEZ. A \$1.2 billion coal power plant project, also by the zone's partner, is in the pipeline. Cambodia has adopted conventional electricity production to reduce costs and increase the reliability of electricity supply. Going forward, however, there is a growing need for greater emphasis on sustainable and renewable energy.
- 97. SDG17 - Partnership:** The first of its kind, SSEZ was established in 2008 under a bilateral government agreement between China and Cambodia. It has become a role model for promoting Cambodia-China cooperation to a higher level and for further collaboration between the China-backed project and other development partners, such as with the UNIDO for the development of a multi-purposed SEZ in Sihanoukville to support further growth in the country through a measure the government outlined in its Industrial Development Policy 2015–2025 (IDP).

2. Phnom Penh - Sihanoukville Expressway

- 98. SDG1 - Poverty reduction:** According to the CDC, the project has the potential to create 9,515 jobs for Cambodian workers. Once built, the expressway will add to existing transport and logistic options as well as increase economic activities, investments, and tourism. Employment opportunities and income generation for residents of all 4 provinces the expressway runs through will also increase.
- 99. SDG3 - Health:** the project has the potential to reduce the number of road accidents on National Road 4, stop animals crossing, lessen traffic congestion, and improve access to medical services. The National Road 4 is currently the main road linking the merchandise flow between Cambodia and the world through its connection with the Sihanoukville Autonomous Port. Tragic accidents have occurred as truck drivers are under pressure to deliver merchandise on time for shipments and frequently drive fast.

- 100.** SDG8 - Economic Growth: the project has the potential to attract more local and foreign investment through improved logistics and shipping time reduction, widening of economic activities through forward and backward linkage, and connectivity between two major economic poles and areas in between them. It will complement the SSEZ in realizing the development of a multi-purposed SEZ in Sihanoukville.
- 101.** SDG9 - Infrastructure: the project has the potential to enhance connectivity and logistics within Cambodia and beyond. It is complementary to National Road 4 and will cut travel time between Phnom Penh and Sihanoukville in half, improve logistics efficiency, and reduce trade costs. The Sihanoukville Port that the expressway connects to is Cambodia's only international deep-sea port and handled more than 90% of Cambodia's total container in 2017.
- 102.** SDG17 - Partnership: the project demonstrates the increasing importance of multi-stakeholder partnerships such as PPP in delivering necessary physical infrastructure, which has traditionally been financed through development programs supported by development partners and donors. The project is under the BOT scheme between the Cambodian government and China's state-run enterprise with Chinese government's loans.

3. Siem Reap Angkor International Airport

- 103.** SDG1 – Poverty reduction: the project has the potential to contribute to local employment by creating 900 jobs for construction and 1,500 jobs for airport operation. The airport will indirectly provide employment and income generation opportunities for businesses and workers in tourism-related sectors such as F&B, restaurants, hotels, transports, etc. as well as at the local and community levels, which will prevent risky migration to other countries (i.e., Thailand).
- 104.** SDG8 - Economic growth: the project has the potential to support key areas of economic development through increased tourism revenue, connectivity, trade link, and more efficient access to goods and services. The Angkor Archaeological Park received 2.59 million international visitors in 2018, generating more than \$116.64 million in revenue³⁰. The new airport also has the potential to help business start-ups in the surrounding area gain momentum.

³⁰ Apsara Authority.

- 105.** SDG9 - Infrastructure: the project has the potential to increase aviation capacity in order to accommodate future air travel demand and enhance trans-border connectivity and logistics. The project's ESIA report projected that the province will receive nearly 4.5 million and nearly 9 million international tourists in 2025 and 2045 respectively. According to the developer's plan, it also has the potential to contribute to infrastructure development and rehabilitation around the project.
- 106.** SDG11 – Habitation: the project has the potential to contribute to sustainable socio-economic development in urban areas. The proposed project site is about 50km away from the existing airport in Sort Nikom district on the outskirts of Siem Reap City. Instead of being surrounded by suburbs, industries, hotels, and restaurants like the old facility, the new airport will be farther from the crowded city center, which makes further airport expansion more convenient and avoids disturbing residents. It will also better contribute to the preservation of the province's World Heritage Sites, such as the Angkor Wat Complex.
- 107.** SDG17 - Partnership: the project demonstrates the increasing importance of multi-stakeholder partnerships such as PPP in delivering necessary infrastructure. The project is under the BOT scheme between the Cambodian government and China's state-run enterprise.

4. White Paper on China ready for Cambodia Tourism

- 108.** SDG1 – Poverty reduction: with the World Travel & Tourism Council estimating that travel & tourism directly supported 1,191,000 jobs in Cambodia in 2017, this policy, which aims to promote tourism, has the potential to increase employment, generate income, and reduce poverty in the country.
- 109.** SDG8 - Economic growth: a surge in Chinese tourist arrivals and increasing flight connections between the two countries will spur tourism revenue and promote trade links and investment activities with China. The target set out in the China Ready policy was almost achieved in 2018, with China tourists amounting to 1.9 million visitors.
- 110.** SDG11 – Habitation: the policy has the potential to advance urban infrastructure and preserve culture and heritage, such as spectacular temples, the palaces, and other cultural heritage sites, all of which are valuable assets for tourist attraction. The policy also contributes to efforts to make transport facilities

more efficient, reduce pollution, and ultimately make Cambodia's cities and human settlement inclusive, safe, resilient, and sustainable (i.e., Phnom Penh has seen an increase in public bus service, rail service connecting the city center with the airport, and widely available ride-sharing services).

- 111.** SDG12 – Responsible consumption and production: the policy can leverage China's Tourism Law (2013) to promote sustainable tourism in Cambodia through enforcement of transparent tour service packages, encouragement of eco-tourism and cultural tourism, etc.
- 112.** SDG16 - Institutions: the policy will induce more interaction between people of both nations. It will thus promote cultural exchange and enhance tolerance and understanding of each other, which will ultimately lead to a stronger foundation for strengthening Cambodia-China cooperation.

5. New Phnom Penh Airport

- 113.** SDG1 – Poverty reduction: information regarding employment potential could not be obtained, but the airport has the potential to provide about the same, if not more, given the bigger proposed scale, job opportunities as the new Siem Reap airport. Similarly, the airport will indirectly provide employment and income generation opportunities for businesses and workers in tourism-related sectors, such as F&B, restaurants, hotels, transports, etc. as well as at the local and community levels, which will prevent risky migration to other countries.
- 114.** SDG8 - Economic growth: the project has the potential to support key areas of economic development through increased tourism revenue, connectivity, trade link, and more efficient access to goods and services. The new airport will also help business start-ups in the surrounding area gain momentum.
- 115.** SDG9 - Infrastructure: this project has the potential to increase aviation capacity in order to accommodate future air travel demand and enhance trans-border connectivity and logistics. It also has the potential to contribute to infrastructure development and rehabilitation around the project, which will attract airport customers and smoothen travel flow.
- 116.** SDG11 – Habitation: the project has the potential to contribute to sustainable socio-economic development in urban areas. The proposed project site is in Takhmao city, Kandal province, about 40km from the capital city of Phnom Penh. Instead of being surrounded by suburbs, industries, hotels and

restaurants like the old facility, the new airport will be farther from the crowded city center, which makes further airport expansion more convenient and avoids disturbing residents.

- 117. SDG17 - Partnership:** the project also demonstrates the increasing importance of multi-stakeholder partnerships such as PPP in delivering infrastructure. The proposed project requires \$1,500 million of investment, of which \$1,100 million is to be loaned from the Chinese bank. The remaining amount is to be financed by a new PPP joint-venture between the government (10%) and OCIC (90%).

B. Stakeholder Engagement

- 118.** Desk research and subsequent discussions with the TA’s project team have contributed to identifying the key stakeholders with different interests and thus different perceptions of the BRI and its projects as well as related processes. These stakeholders include private enterprises, multilateral and bilateral donor agencies, local NGOs, labor unions, and the public community. While particular focus is placed on insights regarding the 5 selected cases, the engagements with INGO, NGO, and labor unions were more on cross-related issues.

Table 2: Stakeholder counts

| Stakeholder Group | Count |
|---------------------------------|--------------|
| Private Companies | 19 |
| INGO | 4 |
| NGO | 3 |
| Labor Unions | 2 |
| Public Communities (households) | 48 |

- 119.** Private companies include (1) two industrial park developers who are contributing to FDI and trade facilitation, (2) one firm approved by the government for air transport infrastructure development, (3) eight manufacturing firms who are investing in factories inside the SSEZ, (4) two big logistic firms who are the key users of the containerized road shipments, (5) one agro-business firm who is using the road transport to export its product , (6) one big real estate firm with a strong background in assessing the property value and real estate market, (7) three firms in the tourism sector, and (8) one ESIA consulting firm.

- 120.** We also engaged with representatives from UNDP, UNIDO, JICA, and IFC. UNDP works with the government, NGOs, CSOs, community-based organizations, multilateral aid agencies, bilateral donors, and private firms to support progress towards achieving the SDGs. UNIDO works with the government and other partners to implement the Programme for Country Partnership (PCP) and synchronize development efforts and mobilize resources in order to create a greater impact on the implementation of Cambodia's Industrial Development Policy. JICA has extensive experience in a variety of infrastructure and development projects while IFC works with the private sector on impact investment projects in Cambodia.
- 121.** We engaged with 3 NGOs. Two are based in Phnom Penh. One of them has experience in advocacy activities such as pro-poor fiscal policies, transparency and accountability in the revenue management, information transparency, accountability, and alignment with poverty reduction goals regarding development cooperation. The other has experience with addressing issues regarding corruption, governance, and social accountability in Cambodia. The third NGO is based in Sihanoukville and has worked with the local community through various programmes, such as vocational training and employment.
- 122.** The public community includes factory workers, factory guards, and interpreters working inside the SSEZ. Also included are residents from different walks of life- civil servants, business owners, F&B operators, office employees, researchers, investors in financial sector, INGO staffs, NGO staffs, CSO staffs, street business owners, casino workers, guesthouse staffs, bus drivers, taxi drivers, and tuk-tuk drivers- living and working in Phnom Penh and Sihanoukville.
- 123.** The survey tool was developed using unstructured and open-ended questions. It is attached in Annex 2. The survey tool is used as guidance for interviews with stakeholders to capture the information required by and in line with the TOR. Specifically, the tool is designed and used in an attempt to gain information on the situational overview, identify gaps and concerns, identify potential of and opportunities for BRI investments in Cambodia, and showcase implementation issues, risks, impact, and sustainability.

- 124.** The survey findings are not meant to be representative. Rather, they aim to present the general perspectives of those in positions with authority to influence Cambodia's engagement policy with China.
- 125.** Interviews were conducted in person, but questionnaires were sent to members of the public community in Phnom Penh to complete. Phone interviews and/or follow-up clarifications were conducted with the few respondents whom the consultant could not reach out to in person due to time, location, and other constraint factors. Some interviews involved a gathering of key informants who were more comfortable in a group, such as the public community representatives in Sihanoukville. The interviews lasted between 40 to 90 minutes, depending on the key informant and the amount and quality of information the informant could reveal. The consultant guided the discussions and asked questions relevant to the key informant's business background and knowledge.
- 126.** The consultant also made a 4-day site visit, from 26 to 29 December 2018, to Sihanoukville Town, the SSEZ, and the work site prepared for the Phnom Penh – Sihanoukville Expressway construction. Observation notes were made on the status of relevant projects in the province.
- 127.** Overall, respondents perceive the current political setting and investment regime and climate in Cambodia as ideal for attracting more investment from China. They perceive that political backing and extraordinary government-to-government relationship have contributed to Chinese-funded project formation.
- 128.** Only about one-third of public community respondents are familiar with the term 'Belt and Road Initiative' or 'One Belt One Road'. With the exception of a Cambodian private firm in tourism and an NGO in Sihanoukville, the level of familiarity with the term is almost 100% among all other stakeholders. The level of understanding of the function of the BRI, however, is low among Cambodian stakeholders.
- 129.** All firm respondents know at least one of the 5 selected cases to be under Cambodia-China cooperation, mainly through the media. 70% of the public community respondents had knowledge of the Phnom Penh – Sihanoukville expressway project³¹, 63% of the SSEZ, 60% of the government's campaign to attract 2 million Chinese tourists, and about 30% each of the two new airport

³¹ Two respondents said they were personally engaged for the project consultation.

projects. This can be interpreted as a lack of sufficient information among stakeholders, particularly those of Cambodian origin, to develop an informed opinion of the BRI and its associated projects in Cambodia.

- 130.** The majority of respondents credit the media for their familiarity with the term and projects. The expressway project has frequently been in the media spotlight during recent months as the Public Work and Transport Minister and officials keep announcing that the expressway construction linking the two cities will begin soon. The SSEZ was established years ago and only recently became the case in point when the government announced its plans to use it as a model to transform Sihanoukville into the ‘Shenzhen’ of Cambodia. The name of the China-ready campaign obviously tells people that it is the project related to Cambodia-Chinese cooperation. Regarding the airport projects, information disclosure is normally rare. Apparently, this is due to the general belief that big development projects like airports will increase surrounding property value and information flow is thus limited.
- 131.** None of the respondents knew of the financing arrangement. Cambodian respondents perceive all these projects as being carried out on loan from China, and expressed concern over the increasing debt their country will face.
- 132.** All interviewees broadly agree that the barriers to Cambodia's future growth and development are infrastructure and human resource constraints. They believe that the two constraints will undermine the country's efforts toward economic growth and sustainable and inclusive development. They are optimistic about the contribution of China and Chinese investment in these areas.
- 133.** Private firms, both Cambodian³² and Chinese, especially welcome the SSEZ, the new expressway, and the airport projects. Similar perspectives are shared among the public community, NGOs, and labor unions we engaged with. Over 80% of public community respondents support the projects and expect they will benefit the economy and country. They observe that the SSEZ promotes industrialization, contributes to export diversification, improves Cambodia’s

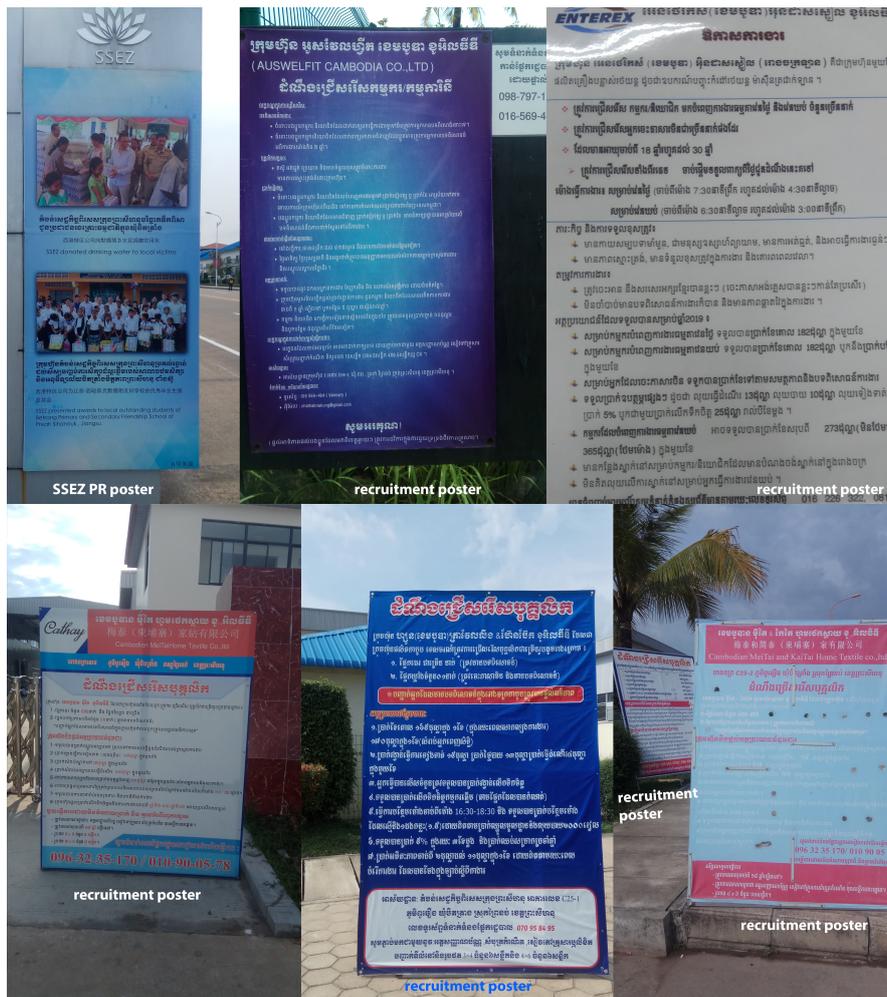
³² Except the company responsible for development of the new Phnom Penh airport, where the consultant only managed to engage briefly without obtaining much useful insights due to the apparent sensitivity of the project.

position in regional value chains, and has big potential spill-over effects on domestic capacity development.

134. All 5 factories workers we interviewed expressed gratitude for the opportunities that SSEZ has provided and said people around them have the same favorable view of the zone, especially regarding how it provides employment opportunities that would be hard to find without factories. Workers said that some of their colleagues are from as far as the Banteay Meanchey province near Thailand. They judge work conditions and relationships with employers to be good and perceive Chinese bosses in the zone as nice people, unlike what they observe in the Sihanoukville town. Workers in the SSEZ report to face very few issues. With a minimum wage of \$182, workers consider their salary to be good, with two reporting to earn more than \$400 per month. They said they knew of 3 factories that provide free accommodation and meals and that there are plenty of job opportunities so they are able to conveniently switch to other factories if they want to experience and learn new job activities.

135. The following is based on the reflections of manufacturing companies inside the SSEZ. They said human resources is lacking in terms of both quantity and quality. Skilled workers are particularly hard to find. The factories need to retain skilled staff by providing more incentives or they will face the trouble of having to constantly put up recruitment posters. The consultant observed about a dozen recruitment posters on roadsides and factory corners, illustrating that human resource supply frequently fails to meet growing demand. With financial aid from the Chinese government and land donated by the zone developer, a government-run vocational training center was built inside the SSEZ. It is currently operating and providing training to workers and students. The plan is to develop human resources to not only supply the SSEZ but also other areas. There are high hopes that the center will improve the skilled labor shortage currently faced by SSEZ's investors.

Figure 6: Some PR and recruitment posters in SSEZ, 2018



136. All respondents expect the expressway to have the potential to attract more investment due to improved logistics and reduced shipping time. Firms in the logistics sector and traders have a particular interest in the expressway development. They expressed dissatisfaction at the high logistic costs in Cambodia, of which transportation is the main attribute. Currently, the National Road 4 is the main transport route to Sihanoukville Autonomous Port. Different sectors frequently compete with each other to use the route, especially since the rail freight service is not yet sufficient. For example, rice exports rely heavily on the containerized road shipments and have to compete with garment exports to send their merchandise through National Road 4, which is currently free but saturated with frequent animal and people crossing, traffic congestion, and accidents that result in long shipping time. Respondents, who have noted that tragic accidents have occurred as truck drivers are under pressure to deliver merchandise on time for shipments and frequently drive fast, welcome the new expressway as a complementary logistic route. One logistic company that is also

a dry port operator expressed concern over the fee of using the expressway and noted that a proper calculation must be done to balance the time saved and toll cost.

- 137.** While the consultant could not access information regarding the toll fee, one respondent with direct knowledge of the project acknowledged that the Chinese company will not benefit from the project and may even incur losses. The respondent said the company went ahead because the cooperation project between Cambodia and China has received political backing and commitment to bring to life.
- 138.** Regarding airport construction projects, all respondents approve that the airports are being built farther from the city in order to avoid exacerbating urbanization issues (i.e., traffic congestion, noise, limited airport facilities). They believe that with increased capacity, modernity, and flight connectivity, the new airport will boost the country's image in the international travel market and thus attract more foreigners to visit Cambodia. They expect the airport project to boost supporting businesses as they believe airport investors will also invest in commercial centers and other nearby amenities and attract customers.
- 139.** All Cambodian respondents view big development projects like airports as opportunities for some people to make a quick fortune from increasing property prices around the project site. They note that the government's approval for the new Phnom Penh airport has already increased real estate prices in the proposed area.
- 140.** The tourism policy project, which aims to attract more Chinese tourists to the country, receives a comparatively lower level of optimism among Cambodian stakeholders. A mere 50% of all Cambodian respondents have a favorable opinion of the project. Respondents acknowledge that the policy will present more opportunities for people-to-people interaction and has the potential to promote cultural exchange and enhance understanding of each other, which will ultimately lead to a stronger foundation for strengthening Cambodia-China cooperation. The unfavorable view of the policy stems mainly from the 'Chinese issues' that have frequently appeared and been shared in large volumes on social media. Cambodian respondents shared that they have either seen, heard, or had a bad experience with the growing influx of Chinese in the country.

- 141.** The firms in the tourism sector note that the majority of Chinese tourists arriving in the kingdom are through the so-called zero-package tours. These tours are widely popular due to their fire-sale prices and organized by Chinese proxies and China-connected companies in Cambodia. Much of the revenue generated goes back to companies in China at the expense of local Cambodian businesses such as hotels and restaurants, who receive a much smaller portion of revenue. The firms said the fact that Cambodian SMEs are limited in capacity and need to use imported inputs and products to serve customers add to the concern. They note that although the zero-package tours are also organized in countries such as Thailand, Cambodian businesses are much more adversely affected because of the lack of local products, which leaves them with limited options.
- 142.** The Chinese issue in Sihanoukville town has also become a case in point. The coastal town has seen a strong surge in Chinese visitors and Chinese investment during the last two years or so. Development has picked up at lightning speed during this period due to the influx of extensive Chinese money. The construction and casino sectors have received the biggest boom but basic utility has failed to keep up with increasing economic activities. During the site visit, the consultant saw a lot of dirty and unorganized trash on roadsides and observed the limited water and electricity problems to be getting worse. Some locals blamed weak phone signals on the increasing Chinese competition (sim cards of the two biggest telcos, CellCard and Smart, were not working well during the consultant's 4-day stay in the town).
- 143.** The development speed in Sihanoukville town has left many locals frustrated. The consultant interviewed a good number of Sihanoukville residents, from the tuk-tuk drivers to guesthouse staffs to shop and street business owners, amongst others. Overall, the consultant felt a low level of societal trust in China by these ordinary Cambodians. Most locals expressed negative views to us. Most complaints were about the minimal trickle-down benefit for people on the ground- Chinese investment brings fellow Chinese laborers and limits use of locals while Chinese expats and tourists buy from Chinese-owned businesses, dine at Chinese-owned restaurants, and sleep at Chinese-owned hotels and guesthouses, etc. They also noted that Chinese businesses were crowding out local ones and that Chinese money has inflated the price for literally everything from food to accommodation to entertainment. They don't know why or how the Chinese are coming to the town and making 'investments' by opening small

shops and street carts in almost every corner and street of town to sell, among others, steam buns, noodle, and grocery.

- 144.** They seek better state management of ‘the GeGe (literally means brothers in Mandarin)’ and ‘the Laoban (literally means boss in Mandarin)’, terms the residents in Sihanoukville use to refer to the Chinese. Several respondents note that local Cambodians frequently choose not to reveal their discontent as the Chinese are not ‘touchable’ because they are ‘protected’ by their connections with elite government officials.
- 145.** The infrastructure projects are not without their share of controversies. Particular focus is placed on transparency issues, inadequate public engagement, financing, and limited public capacity to efficiently and effectively regulate, monitor, and ensure successful implementation of the project’s full potential. For example, over 83% of public community respondents in Sihanoukville do not know if any of the Sihanoukville-related projects have engaged with locals. Only 12.5% of public community respondents in Phnom Penh know the key stakeholder of any one of the selected cases. These sentiments are echoed by other types of Cambodian respondents, who all cite that the Chinese are widely perceived to have a relatively lower level of transparency than the Japanese, Korean, and Westerner.
- 146.** Overall, Cambodian respondents have an unfavorable view on public capacity in regulating, monitoring, and managing Chinese-funded projects. This exacerbates the concern about money Cambodia borrowed from China, which is in line with an online survey finding by the ISEAS-Yusof Ishak Institute. The recently published study surveyed a total of 1,008 ASEAN citizens. The respondents were drawn from government, academia, business communities, civil society, and media. Cambodian respondents made up about 2.4% of the sample. Regarding perception of the BRI, the majority of Cambodian respondents (70.8%) are optimistic that the initiative provides much-needed infrastructure funding for countries in the region. However, they also opined that the government should be cautious about getting into unsustainable debt with China, considering Sri Lanka’s past experiences with the BRI.
- 147.** While all firms are optimistic about the future at SSEZ, the manufacturing firms inside the SSEZ note that they are having production linkage issues. They report that because the majority of their inputs need to be imported, as they

cannot be sourced domestically, their options are limited, with only carton and packaging materials readily available.

- 148.** Regarding risk, the respondents all point to the strong political backing that facilitates the flows of Chinese and Chinese money into Cambodia as the case in point. They warn that this practice frequently leads to inconsistent announcements, decreased public engagement, and non-transparent information flow, all of which prevents the public from being able to develop informed opinions on the projects. They note that economic viability analyses, cost and benefit studies, and impact assessments must be conducted rather than allow strong political influence to dominate.
- 149.** Respondents express concern over the quality of ‘Chinese products’, which are widely perceived in Cambodia to be inferior to products delivered by Japan or other reputable development partners such as ADB and World Bank. They also consider Cambodia’s governance issues to be potential risks in terms of coordination, accountability, government effectiveness, rule of law enforcement, and corruption. They view the low level of societal trust in China among ordinary Cambodians as a particularly major risk to not only the five selected cases but also to the foundation of Cambodian-China cooperation.

C. Opportunities

- 150.** The economic center of gravity’s shift to Asia, led by China, continues to present opportunities for Cambodia to develop and modernize the country’s industries, productions, and services through enhanced connectivity, production capacity, and cross-border economic cooperation.
- 151.** July 2018 marks the 60th anniversary of the diplomatic tie between Cambodia and China. On the political front, leaders of both countries retain a good personal relationship that has continued from generation to generation. Current Cambodian political elites often perceive the rise of China as a growing opportunity for them to develop and strengthen the country’s autonomy against pressures from the western countries regarding issues of alleged human rights abuse, democratic space restriction, and the like. On the economic front, the Bilateral Cooperation Plan to Jointly Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road, signed in May 2017, seeks alignment of the two countries’ development strategies and focuses on a range of areas for

cooperation beyond physical infrastructure and connectivity development. It also includes industrial park development, human resource capacity building, agriculture, culture and tourism, finance, and eco-environmental protection.

152. The bilateral cooperation in physical infrastructure development has been particularly in the spotlight. Cambodia has embraced the BRI and hopes to take advantage of the associated financing vehicles, such as the Asian Infrastructure Investment Bank (AIIB), Silk Road Fund, and the New Development Bank, that come with the initiative. These alternative financing sources have become even more crucial after Cambodia’s development status was revised by the World Bank and elevated to lower-middle income territory³³. While the status upgrade indicates success in poverty alleviation and income level improvement and is a point of pride for many, it comes with its own set of challenges. The World Bank uses a country’s income level to determine which to lend to and at what interest rate. ADB also uses a similar GNI-based classification on its lending criteria. In this context, BRI is even more complementary to the strengthening of Cambodia’s physical connectivity and the integration into Asian production network and market.

Linkages, Complementarities, and Synergies with Other Local and National Programs

153. In Cambodia, the most recent and important ‘economic growth strategy’ is the Cambodia Industrial Development Policy 2015–2025 (IDP). The IDP aims to strengthen and diversify Cambodia’s industrial sector, increase and diversify exports, and strengthen and promote the private sector. Its ‘key concrete measures’ are to reduce electricity cost, enhance connectivity in transport and logistics, and improve the labor market and skills. The selected cases are aligned well with the IDP and have the potential to contribute to the measures called for in the IDP.

Table 3: IDP’s key concrete measures

| Area | Practical Measures |
|-------------|------------------------------------|
| Electricity | - Reduce the price of electricity, |

³³ The revision was based on the estimated gross national income (GNI) per capita for the previous calendar year. The World Bank estimated Cambodia’s GNI per capita for 2015 to be \$1,070, above the threshold of \$1025 for low-income countries for the WB’s 2017 fiscal year.

| | |
|---|---|
| | <ul style="list-style-type: none"> - Expand the coverage of electricity supply to all the targeted industrial zones; - Ensure reliability and confidence in the electricity supply. |
| Connectivity in transport and logistics | <ul style="list-style-type: none"> - Create an integrated and highly effective multimodal transport and logistics system, - Connect the major economic poles and the three economic corridors: Phnom Penh–Sihanoukville, Phnom Penh–Bavet, and Phnom Penh– Poipet; to become key national economic corridors through the construction of internationally standards highways and the setup of an effective logistics system. |
| Labour market and skills | <ul style="list-style-type: none"> - Strengthen labor market mechanisms and skills training development to ensure the stability of the labor supply, increase productivity - improve the living standard of workers by promoting skills training programs, - strengthen the mechanism for setting a minimum wage and enhancing harmony in industrial relations based on the principles of positive union and the kindness of employers towards their employees |
| Multi-purposed Special Economic Zone in Sihanoukville | <ul style="list-style-type: none"> - Follow the concept of Special Administrative Region - Build a master plan; defining the legal and regulatory framework and regime; mobilizing resources, talents, investments, and businesses to develop Sihanoukville to become an industrial, trade and tourist hub in line with sustainable and environmentally sound development concepts; and to be recognized as the ASEAN Green Industry and Metropolitan City in the future. |

Source: Infrastructure and Regional Integration Technical Working Group (IRITWG)

154. For example, the SSEZ greatly contributes to the multi-purposed Special Economic Zone development in Sihanoukville and to the labour market and skills by promoting and diversifying the industrial base and enhancing competitiveness and productivity in order to move up in the regional and global value chain. Positioning itself well in the global value chain will further attract foreign direct investment, stimulate private sector development, and create more jobs.

155. The expressway project will directly reduce transport and logistics costs by creating a multimodal transport system that will make Cambodia more connected with the region, better facilitate trade and investment cooperation, and deepen regional integration through a vibrant national logistics system. The expressway and SSEZ projects complement and enhance each other and

contribute to the development of a multi-purposed Special Economic Zone in Sihanoukville.

- 156.** Similar to the expressway, the two airport projects will play important roles in promoting connectivity in transport and logistics. The tourism policy project has the potential, to a certain extent, to promote and be promoted by the development of every area outlined in the IDP.

Bilateral and Multilateral Regional Initiatives

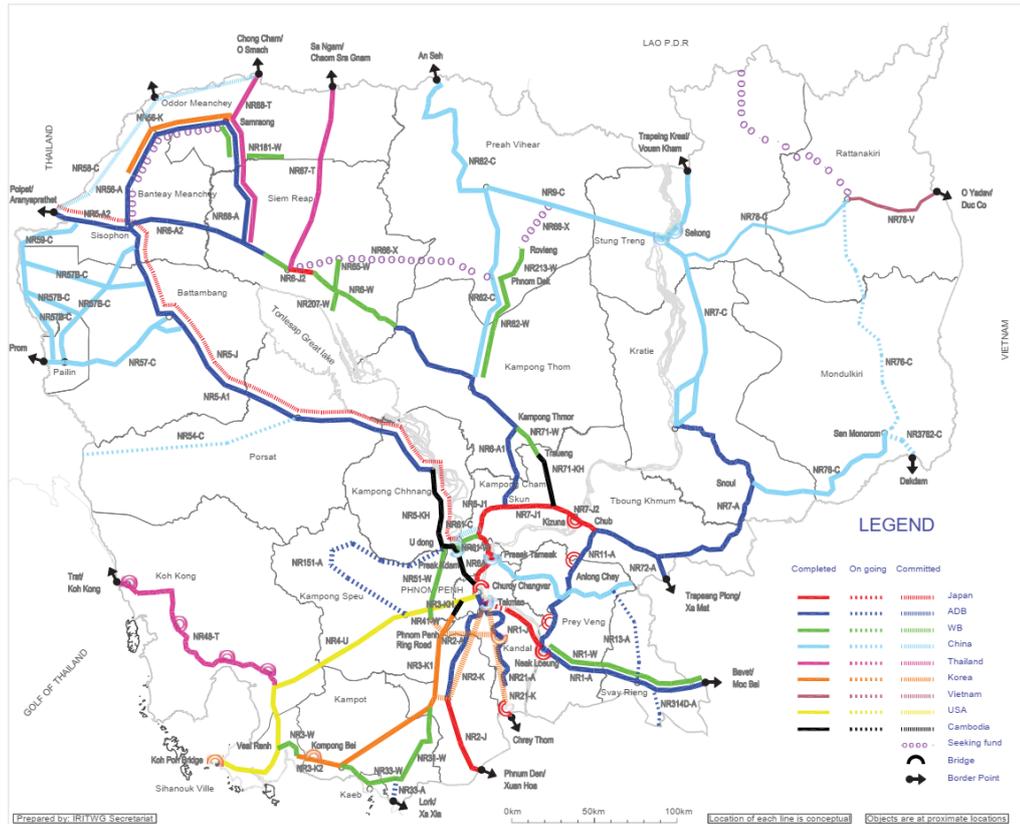
- 157.** The attempt here is to seek room for synergy between BRI and these other initiatives so that Cambodia can capitalize on the opportunities presented by these initiatives to address remaining growth and development concerns such as the challenges of diversification, inadequate infrastructure and connectivity, and human resource capacity.

- 158.** As elaborated earlier, Cambodia has embraced China-led initiatives such as BRI and Mekong-Lancang Cooperation (MLC) and other existing Mekong- and ASEAN-centered cooperative mechanisms including the Master Plan for ASEAN Connectivity (MPAC), Greater Mekong Subregion (GMS) Economic Cooperation Program, Mekong-Ganga Cooperation (MGC), Mekong-Japan Cooperation (MJC), Mekong-ROK Cooperation, and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), among others. They may have different levels of political will, commitment, financing resource, and areas of cooperation and focus, but their motives, as presented by their vision, goals, and objectives all demonstrate one common theme: enhancement of economic relations for shared development.

- 159.** The most prominent sectoral overlap is in infrastructure and connectivity development. Any mechanism that embeds the Cambodian economy deeper within ASEAN should be embraced with open arms. For example, China's BRI is mainly about north-south connectivity (i.e., the Phnom Penh – Sihanoukville Expressway project) and transport infrastructures lead all the way to Kunming while ADB- and Japan-backed projects ensure that east-west connectivity is fully developed (i.e., roads linking Phnom Penh to both Thai and Vietnamese borders). Together with other transport-related infrastructure projects financed by other multilateral development agencies such as World Bank and bilateral donors such as South Korea, USA, Thailand, and Vietnam, they contribute to reducing transport and logistics costs while connecting the multimodal transport

system through a vibrant national logistics system. (**Error! Reference source not found.**)

Figure 7: Road Network Development Programs as of 2015



Source: Infrastructure and Regional Integration Technical Working Group (IRITWG)

160. Many of the cooperative mechanisms also cover trade facilitation, production capacity enhancement, and industrial human resource development. There are complementary aspects in terms of project implementation in Cambodia. For example, Japan and ADB have been active regarding the SEZ, port development, and skill development in Cambodia (i.e., Phnom Penh Special Economic Zone - PPSEZ, Poipet PPSEZ, Sihanoukville Autonomous Port – PAS, TVET projects). The companies managing PPSEZ and BRI-associated SSEZ constantly communicate with each other to share knowledge and experience while harmoniously developing their respective SEZ. They contribute to upgrading local skills and capacity through their various training programs and centers (i.e., both have designated training center within their premises).

161. Tourism and people-to-people connectivity are also the focus of existing cooperative mechanisms and where there is plenty of room for synergy between BRI and other initiatives. For example, cooperative mechanisms often encounter

challenges, such as limited or uncertain financing resources and political will. Within this context, BRI, a mechanism that has a strong political backing from both governments and a concrete foundation of funding, should be embraced with open arms by other mechanisms in Cambodia. As a matter of illustration, ACMECS can mobilize resources from BRI-associated financial institutions such as AIIB and Silk Road Fund. Chinese projects can also seek opportunities to collaborate with other mechanisms for financial support. The MLC's Five-Year Plan mentions three main financial institutions that the cooperation actively seeks support from: the AIIB, the Silk Road Fund, and the ADB.

Initiatives of Other Development Partners

- 162.** The BRI projects conform to the initiatives of other development partners. The collaboration between UNIDO, the government, and SSEZ is a case in point where different development programs and projects capitalized on opportunities to coordinate on Cambodia's development objectives. SSEZ played an important role in contributing to the implementation of UNIDO's Programme for Country Partnership (PCP) in Cambodia, which focused on SEZ development in order to support IDP implementation. In exchange, UNIDO facilitated the visit of Chinese investment delegates to SSEZ in order to explore investment opportunities, learn and share experiences, and organize future collaboration.
- 163.** The UNDP in Cambodia has embarked on a policy dialogue research initiative to establish why and how both the BRI and the 2030 Agenda are critical for realizing the Cambodian government's vision to become an upper middle-income country by 2030. The research is still in progress and is expected to produce findings by the end of March 2019.

Public-Private Partnerships

- 164.** Cambodia's development policy and strategies call for increased public investment in infrastructure through public-private partnership (PPP) models such as BOT and BOO. The PPP mechanism is part of the Law on Concession adopted in 2007, which aims to promote and facilitate private financing for infrastructure development.
- 165.** Three of the five selected cases, namely the expressway and two airport projects, demonstrate the increasing importance of multi-stakeholder partnerships such as PPP in delivering necessary physical infrastructure, which has traditionally been financed through development programs supported by

development partners and donors. The expressway and new Siem Reap airport projects are under a BOT scheme between the Cambodian government and China's state-run enterprises. The new Phnom Penh airport project is partly financed by loans from China's state-run China Development Bank and partly financed by a new PPP joint-venture between the Cambodian government (10%) and Cambodia's conglomerate OCIC (90%).

D. Potential Risks

- 166.** China's increasing political and economic dominance in the country are becoming major concerns. Overdependence on China poses certain constraints on Cambodia's foreign policy options, with ASEAN's failure to issue a statement in 2012 being a good telling example where diplomats and commentators accused Cambodia of having been bought by China. This dependency has increased over the last year as the government's relationships with the U.S. and Europe have become strained due to the unfavorable political development in the country³⁴. China is viewed as an opportunist as it exploits Cambodia's situation, created by the weakening of ties with other powers, and cultivates relationships with government elites.
- 167.** This elite-courting relationship has effectively worked in China's favor and that of BRI-linked projects in Cambodia. Many view political backing to have facilitated the approval of China-funded and China-initiated projects, subsequently leading to limited information dissemination and engagement with the public and other relevant stakeholders. The government sometimes makes public announcements about project investments (i.e., following the two country leaders' state visits), but it is not done consistently and detailed project specification and financing agreements are rarely published. This, in turn, presents minimal opportunities among civil societies to develop informed opinions of the BRI and its associated projects in Cambodia.
- 168.** There are also unfavourable views toward Chinese investment in terms of quality and transparency, especially compared to investment projects funded by other donors and development partners. The projects may cause public

³⁴ The Supreme Court dissolved the Cambodia National Rescue Party, removing the only viable electoral threat to Prime Minister Hun Sen's grip on power, a move that many in the west viewed as political motivated. The prime minister's Cambodian People's Party (CPP) won all parliamentary seats in last year's general election.

discontent if they are not inclusive or if they adversely affect local livelihood and environment. The minimal trickle-down benefits for and adverse effects on people on the ground have often become the case in point, with the Sihanoukville town issue being a good illustrative example. Some NGOs and civil societies have frequently raised concerns about Chinese investment projects, particularly on issues of resettlement and compensation, environmental damage, and land grabbing. Some locals note that Chinese investors follow the Chinese government's example in extensively pursuing an elite-to-elite approach by going directly to the 'top'. They engage with political elites and well-connected but controversial business leaders to avoid formality requirements and procedures without considering the people their investment projects could potentially affect.

169. Regarding safeguard issues, the Cambodian government has formulated a variety of laws and regulations and is accommodating safeguard policies and development partners' procedures when carrying out infrastructure investment projects. For example, the government promulgated the Standard Operating Procedures (SOP) Manual for the Land Acquisition and Involuntary Resettlement (LAR) of affected persons in February 2018 to increase awareness, serve as a reference and guideline for the planning and implementation of LAR activities, and ensure that all safeguard matters relating to LAR are addressed in a consistent, transparent, and fair manner. The SOP is for the use of government staff involved in the preparation, implementation, monitoring, and reporting of LAR for all externally financed infrastructure investment projects. The extent of public discontent mitigation depends on the extent of SOP implementation. It depends largely on governance and public capacity, which have been viewed as constraints in themselves, in terms of coordination, accountability, government effectiveness, rule of law enforcement, and corruption. The consultant understands there are cases where Chinese investors produce sham ESIA reports because they know political backing from the 'top' will lead to successful approval of their investment proposal regardless.

170. China, for its part, has established the Guidelines on Environmental Protection and Cooperation for Chinese overseas investments. It sets basic principles for Chinese enterprises to adhere to regarding integration of environmental protection into their corporate governance strategies and requirements to address the concerns of host countries' governments and communities. Cambodian NGOs and experts have reported being consulted

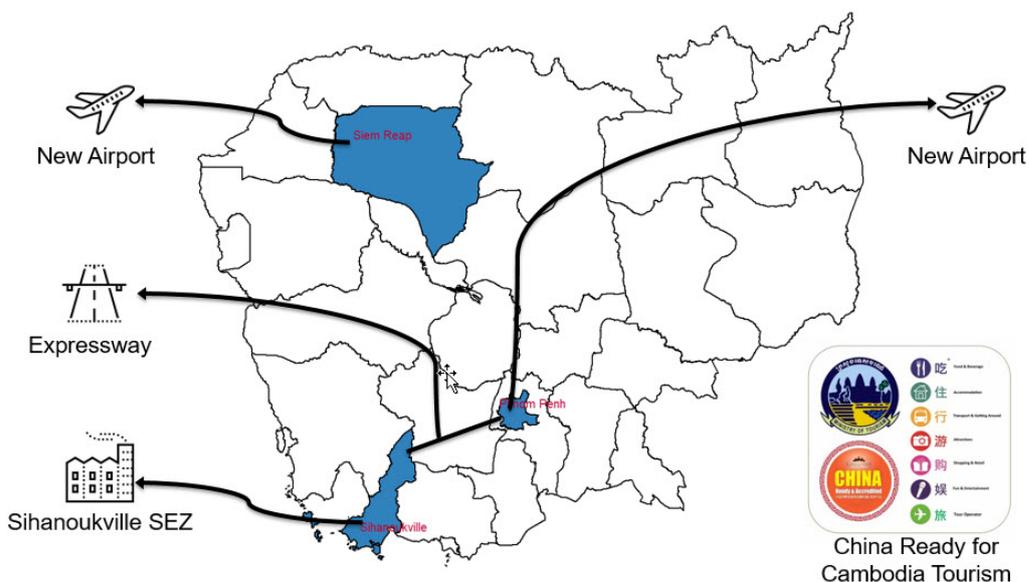
regarding the development of this guideline. It is a good sign and one that represents the Chinese government’s commitment to social and environmental safeguards. However, the extent to which the guidelines are effectively adopted in Cambodia is a concern because they seem to mainly target big state-owned enterprises and are non-binding, which essentially makes them soft and moral regulation.

171. The blurry distinction between projects listed under the bilateral deals and the BRI is also another source of concern. At the time of this report, a lot of people regard any extension of the existing bilateral projects as BRI projects, making it difficult to carry out cost-benefit analyses and risk assessments. It confuses relevant agencies, who find it challenging to provide pragmatic coordination in order to facilitate project implementation. This will only slow the implementation process and potentially trigger bureaucratic competition among public entities for projects and funding.

E. Maps

172. Figure 8 presents a map of the five projects selected as our case studies. The tourism policy project has no specific designated location.

Figure 8: Selected 5 projects as case studies



173. The table below summarises the potential benefits, measured in terms of the five most relevant UN SDGs, of each selected BRI project.

| BRI Project | Anticipated Potential SDG Benefit |
|--|---|
| Cambodia Sihanoukville Special Economic Zone (SSEZ) | <ul style="list-style-type: none"> - SDG1 - Poverty reduction: currently employing 22,495 Cambodian workers, with potential to employ up to 100,000 if full capacity is developed. - SDG5 - Empowerment: 62% of the currently employed workers are female. Majority of the employed are low-skilled who would face difficulties finding alternative work if there were no factories. - SDG8 - Economic growth: industrialization, export diversification, formation of industry clusters, integration into domestic and regional value chains, and spillover effect to support domestic technology and innovation development. - SDG7 - Energy: induce investment in energy source by its partner. A joint-venture coal power plant with a price tag of \$383 million under a BOO scheme and a \$1 million transmission line is developed, with another \$1.2 billion coal power plant project is under pipeline. - SDG17 - Partnership: as a role model for promoting Cambodia-China cooperation to an even higher level and ultimately turned into 'Shenzhen' of Cambodia. |
| Phnom Penh - Sihanoukville Expressway | <ul style="list-style-type: none"> - SDG1 - Poverty reduction: potential to create 9,515 jobs for Cambodian workers. - SDG3 - Health: reduce road accidents on National Road 4, no animals crossing, no traffic congestion, and improved accessibility of medical services. - SDG8 - Economic Growth: more local and foreign investment due to improved logistic and shipping time reduction, widening economic activities through forward and backward linkage and connectivity between two major economic poles and areas in between them. - SDG9 - Infrastructure: connectivity and logistics improvement and trade cost reduction. - SDG17 - Partnership: using PPP. |
| Siem Reap Angkor International Airport | <ul style="list-style-type: none"> - SDG1 - Poverty reduction: potential to create 900 jobs for the construction and 1,500 jobs for airport operation. Also employment opportunities in supporting businesses. - SDG8 - Economic growth: tourism revenue, connectivity, trade link, and more efficient access to goods and services. - SDG9 - Infrastructure: increased capacity to accommodate future air travel demand, trans-border connectivity and logistics. - SDG11 - Habitation: socio-economic development of urban areas. |

| | |
|---|--|
| | <ul style="list-style-type: none"> - SDG17 - Partnership: using PPP. |
| White Paper on China ready for Cambodia Tourism | <ul style="list-style-type: none"> - SDG1 - Poverty reduction: add to the 1,191,000 jobs already created in the tourism sector. - SDG8 - Economic growth: tourism revenue, promote more trade link and investment activities with China. - SDG11 - Habitation: advance urban infrastructure and promote the preservation of culture and heritage. More effort in making transport facilities more efficient, reducing pollution, and ultimately make Cambodia's cities and human settlement inclusive, safe, resilient and sustainable. - SDG12 - Responsible Consumption and Production: leverage China's Tourism Law (2013) to promote sustainable tourism. - SDG16 - Institutions: more interaction between people, promote cultural exchange, enhance tolerance and understanding of each other, laying stronger foundation for strengthening Cambodia-China cooperation. |
| New Phnom Penh Airport | <ul style="list-style-type: none"> - SDG1 - Poverty reduction: cannot obtain information regarding the employment potential, expect similar effect as the new Siem Reap airport. - SDG8 - Economic growth: tourism revenue, connectivity, trade link, and more efficient access to goods and services. - SDG9 - Infrastructure: increased capacity to accommodate future air travel demand, trans-border connectivity and logistics. - SDG11 - Habitation: socio-economic development of urban areas. - SDG17 - Partnership: using PPP. |

V. Summary and Conclusions

174. Cambodia is supportive of all regional and subregional cooperation and integration initiatives that further domestic growth, regional integration, and connectivity. In the context of BRI, the case studies of the selected five BRI-linked investment projects in Cambodia have showcased the potential benefits. Other than job creation, income generation, and empowerment impact for Cambodia's mostly low skilled workers, they have the potential to promote and diversify industrial bases, competitiveness, and productivity in order to move the country up regional and global value chains and further attract foreign direct investment, stimulate private sector development, and create more jobs. They

will also reduce transport and logistics costs while creating a multimodal transport system that will better embed Cambodian economy within the region, facilitate trade and investment cooperation, and deepen regional integration through a vibrant national logistics system. The tourism policy project will help create a stronger foundation for strengthening Cambodia-China cooperation.

- 175.** Although a latecomer to Cambodia's development sector, China's emergence has experienced substantial and impressive progress, thanks to China's public diplomacy practice in Cambodia, which has focused on building strong elite-to-elite relationships. While this relationship has worked effectively in supporting China's push to gain strategic and economic influence in Cambodia and beyond, the perspective shared by many stakeholders reveals a high level of distrust in China among ordinary Cambodians. The locals show concern and discontent toward the growing Chinese presence and Chinese investment projects in the country, particularly regarding the political and economic overdependence on China and associated debt, the project's insufficient quality and transparency, minimal trickle-down benefits for and adverse effects on the people on the ground, and public capacity issues such as coordination, accountability, government effectiveness, rule of law enforcement, and corruption that could undermine the projects' benefits.
- 176.** Going forward, ensuring and sustaining linkages, complementarities, and synergies between BRI, Cambodia's growth strategy, and other existing regional and subregional initiatives for shared development and win-win cooperation will be crucial to addressing remaining growth and development concerns such as the challenge of diversification, inadequate infrastructure and connectivity, and human resource capacity. In doing so, specific plans and strategies for possible coordination efforts with other cooperative mechanisms that correspond to Cambodia's development needs should be formulated, with regular contact and routine information- and knowledge-sharing among various mechanisms. The collaboration processes and partnerships should be based on the respective mechanisms' strengths and shortcomings. Using a long-standing multilateral institution as an honest broker between countries and on behalf of individual countries can help countries avoid suspicions of one another as well as enhance trust and confidence-building measures. Indeed, this TA is a good illustration of prospective collaboration on knowledge-sharing, with joint research and jointly-hosted workshops to disseminate and discuss the research objectives and findings.

- 177.** Further enhancement of cooperation between the two countries is needed to address all the said controversies and maximize the potential opportunities and benefits. The primary responsibility lies with Cambodians, who must promote governance and public capacity, which have been viewed as issues in themselves in terms of coordination, accountability, government effectiveness, rule of law enforcement, and corruption, in order to ensure the quality use of China-backed resources to align with Cambodia's development needs. China, for its part, can assist by adjusting its policies and practices and setting transparency and quality of investment project standards as prerequisites for awards and tenders.
- 178.** Both countries have great interest in bringing this bilateral cooperation to higher levels of partnerships. These 'partnerships', however, must not concern governments alone. They must be formed by all levels of society working together to ensure sustainability and maximizing and sharing benefit while minimizing negative impact to the greatest extent possible. The foundation of Cambodia-China cooperation will falter if there is little public support and admiration for China and its investment projects in the country among ordinary Cambodians. In this regard, the BRI's pillar of people-to-people bonds should be prioritized by building, strengthening, and consistently promoting people interactions and cultural exchange through enhanced cooperation on multi-dimension aspects covering exchanges on tourism, academic, education, culture, sports, youth issue, and the like. A central facility (i.e., website) to consistently disseminate BRI materials, BRI-linked projects' information including their specification, financing agreements, implementation progress, and related events should be established so that relevant stakeholders and civil societies can develop better-informed opinions and provide inputs.
- 179.** China has already, in fact, deployed a variety of people-centered public diplomacy tools in Cambodia. They include collaborating with local media outlets, forming stronger bonds with provincial-level officials and business leaders through sister city programs, sponsoring cultural festivals and exhibitions, creating student exchange and scholarship programs, etc. By further promoting these activities and conforming to local compliance requirements and bilateral, regional, and international agreements and commitments, China will cultivate a larger and more positive reputation for China and Chinese investment projects in the country. Only then can China secure broader support, beyond Cambodia's chief executives, for its 'peaceful rise'. Only then can we also ensure

a more durable foothold and successful implementation of the BRI and its associated projects in Cambodia.

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VII. Annex 1

180. On 25 September 2015, the 193 Member States of the United Nations adopted the Sustainable Development Goals (SDGs), a set of 17 aspirational objectives with 169 targets expected to guide development actions of governments, international agencies, civil society and other institutions over the next 15 years (2016-2030).

181. The 17 SDGs aim to end poverty and hunger while restoring and sustainably managing natural resources. They integrate the three dimensions of sustainable development – economic, social, and environmental. They are indivisible – no one goal is separate from the others, and all call for comprehensive and participatory approaches. And they are universal – the 2030 Agenda is as relevant to developed as it is to developing nations.

Figure A1.1: Sustainable Development Goals for the UN Agenda 2030



182. Harmonized indicators are essential to measuring progress, and SDGs will ultimately be turned into management tools to help countries develop implementation strategies and allocate resources accordingly, measure progress towards sustainable development, and help ensure the accountability of all stakeholders in achieving the SDGs. Because all the countries participating in the current TA are signatories to the 2030 Sustainable Development Agenda, it is appropriate to use SDGs for evaluation of our RCI and BRI initiatives.

Table A1.1: United Nations Sustainable Development Goals

| | Topic | Title |
|----|--------------------------|---|
| 1 | Poverty | <u>End poverty in all its forms everywhere</u> |
| 2 | Food | <u>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</u> |
| 3 | Health | <u>Ensure healthy lives and promote well-being for all at all ages</u> |
| 4 | Education | <u>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</u> |
| 5 | Women | <u>Achieve gender equality and empower all women and girls</u> |
| 6 | Water | <u>Ensure availability and sustainable management of water and sanitation for all</u> |
| 7 | Energy | <u>Ensure access to affordable, reliable, sustainable and modern energy for all</u> |
| 8 | Economy | <u>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</u> |
| 9 | Infrastructure | <u>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</u> |
| 10 | Inequality | <u>Reduce inequality within and among countries</u> |
| 11 | Habitation | <u>Make cities and human settlements inclusive, safe, resilient and sustainable</u> |
| 12 | Consumption | <u>Ensure sustainable consumption and production patterns</u> |
| 13 | Climate | <u>Take urgent action to combat climate change and its impacts</u> |
| 14 | Marine-ecosystems | <u>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</u> |
| 15 | Ecosystems | <u>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</u> |
| 16 | Institutions | <u>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</u> |
| 17 | Sustainability | <u>Strengthen the means of implementation and revitalize the global partnership for sustainable development</u> |

VIII. Annex 2

This section lists contains the questions for interviews with identified key stakeholders:

1. How much do you know about BRI in the country? Please describe your understanding of development strategies and gaps in Cambodia (i.e., SDGs) and your insight on the alignment and contribution of BRI and its related investment projects in this Cambodia's socio-economic development context - the perceived benefit and issues?
2. How and to what extend do you know about the BRI-related projects (i.e., PHN-SHV expressway, Sihanoukville SEZ, new PHN and Siem Reap airports, China-ready strategy)? Please provide your insight on the opportunities and challenges the projects present from your org's perspectives; community perspective; and sectoral development perspective.
3. Have your org taken part in any stakeholder consultation process during project formulation, initiation, preparation, and implementation? Do you know of the key stakeholders of the project? Please provide your understanding/perception on stakeholder engagement for the project – sufficiency, inclusiveness, and transparency.
4. How do you perceive the economic viability of the project? To what extend do you know why, and how, the project receives funding/is approved (i.e., political backing, business cases, external funding, cost/benefit analysis result, functional fit with other infrastructure assets, part of the long-term strategic plan)?
5. Do you know if the government have a formal, gate-keeping role in approving projects (i.e. if requirements set by the authority are not fulfilled, the project cannot proceed)? Do you think the national and sub-national authorities have adequate capacity to effacingly and effectively regulate, monitor, and ensure successful implementation of the project? How do you think this will affect or constraint the project potentials?
6. How do you access different financial modality of the project, including traditional public works, use of SOE, PPP/concession, and regulated private participation (i.e., different importance level and procedure for identifying and allocating risks between public vs. private parties)?

7. How do you see as a constraint in the capacity of private sector involved in the project? And how this constraint would undermine the realization of the project potentials?
8. What kind of risk do you think will undermine the project? Do you know of any imposed measures in place in order to deal with risk and uncertainty of the project (i.e. agreement on codes of conducts, audit and assessment by the government or third party)? If not, what do you recommend as a safeguard measure?
9. How do you see the project evolving? Are you satisfied with the current development of the project? Why?
10. What would you recommend to the project's key stakeholder to maximize the potential benefit of the project, to the community and national/regional socio-economic development?