Cambodia’s Bureaucracy and China, Friends for Benefits?

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Abstract:

The emergence of China has shocked the world as it is about to become the number one economic superpower of the world. To create alliances, to build new markets, and to expand its power in the multipolar world, China has emerged as the donor and creditor to different countries of LDCs. In addition, among all of those countries, Cambodia is a great example of the debtee who is enjoying the no strings attached aid from China. Surprisingly, there are facts that China has always funded the governments in power though the governments have been seen as autocratic. For instance, China was a sole biggest supporter of the Khmer Rouge who took the lives of more than 2 million Cambodians. Currently, China has become the second-largest donor of the government which has been under the rule of Cambodia’s strongman for around 25 years. China’s decision to provide large aid to Cambodian military has come under suspicion. Moreover, Chinese companies have been given license to extract Cambodia’s 400 million barrels of crude oil and three trillion cubic feet of gas. Cambodia was also criticized for being pro-China when it chaired ASEAN meeting as Cambodia avoid raising the issue of the conflict of South China Sea. For this reason, there have been debates and discussions of whether the aid from China to Cambodia is really a no strings attached one or the one with underlying strings attached. Thus, the paper will assess the relations between China and Cambodia by focusing on two main issues namely aid dependency, and resource curse to see if China’s strategic aid really assist Cambodia in development.
Key words: Aid dependency, Resource Curse, No strings attached aid, Autocratic government.

Cambodia has witnessed robust growth with gross domestic product (GDP) growing at the rate of 7.2 percent in 2014. The World Bank has also projected that this least developed country will further enjoy economic growth up to 7.5 percent this year, which is among the highest in the region.\(^1\) Although the rising GDP has improved the standard of living for people in Cambodia, the economic growth has come with risks. Recently, China has been investing large sums of money on Cambodia’s development and become one of the nation’s two largest donors.\(^2\) However, the purpose of China’s investment is unknown, and skeptics have expressed concerns and criticisms regarding the transparency of China’s funding to Cambodia.\(^3\) While China may seek to support Cambodia’s goal of developing economically, it could also be strengthening the bilateral relationship with Cambodia for the purpose of extracting the nation’s natural resources, so that it can expand its own influence in Southeast Asia. In this paper I will firstly introduce the theories of Cambodia’s aid dependency and resource curse. Then, I will use these two foundational theories to analyze relations between Cambodia’s bureaucracy and China, and prove that the provision of aid from China to Cambodia is meant to achieve China’s underlying strategic interests, rather than help Cambodia eliminate poverty.


According to Singer, giving aid is morally obliged if the provision can prevent something bad from happening without having to sacrifice anything else which is comparably important. Since directing aid to any part of the world can be as effective as providing aid to the nearby area around us, we ought to provide aid to save those who are suffering.\(^4\) On the other hand, based on Collier, a large flow of aid can somehow affect the management capacity of a country. Although aid is meant to help a country develop, its large influx in a poor environment makes aid ineffective, because the government becomes overwhelmed with prioritizing the interests of donors over the needs of its own citizens.\(^5\) Likewise, as mentioned by Wenar, in poor countries where transparency and accountability record is very low, aid can be captured by corruption. As a result, only a small proportion of development aid might be channelled to the population while the remaining larger portion is siphoned off by the corrupt officials to meet their personal ends. A large influx of aid can also lead to aid dependency which provides little incentive for the government to respect its primary role as the provider of citizens’ needs.\(^6\) In the current context, Cambodia is one of the most aid dependent countries in the world. Foreign aid represented 94.3 percent of spending by the central government between 2002 and 2010.\(^7\)

Resource curse, as described by Wenar, occurs in countries where a larger portion of national income comes from exporting high-value natural resources, such as oil, gas, metals, and gems. These countries are prone to four overlapping curses namely authoritarianism, corruption, civil wars, and greater

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economic instability. To some economists, the violation of property rights over natural resources is also a factor that contributes to resource curse. In countries where resource curse takes place, the strongman uses the profits from natural resources to build up his security force. Thus, the strong reliance on exporting resources provides very little incentives for the regime to invest in improving the standard of living for citizens, which includes providing for basic needs like education and healthcare.\(^8\) Hence, resource curse refers to negative political and economic impacts that result from the reliance on natural resources for economic growth. The extent of the “curse” varies depending on the context of the nation.\(^9\) For example, unlike the Republic of Congo or Nigeria, Cambodia’s resource curse is not associated with armed conflicts and civil wars. Currently, Cambodia has passed the stage of civil wars, but rampant corruption is still a major issue. So far, economic and political stability in Cambodia has been maintained by the long-serving Prime Minister, Hun Sen, but this stability is not guaranteed in the future.

Whether or not China has become an ally to Cambodia for cooperation or its own benefit is still speculative. However, Chinese involvement in Cambodia in the past indicates that China is interested in supporting any leader in Cambodia to satisfy its own strategic interest. China has been involved in Cambodian politics on a number of occasions throughout the nation’s history. During the 1960s, China played its role as the big supporter of the former King, Norodom Sihanouk. Surprisingly, after the king was overthrown, China switched its support to the Khmer Rouge, which was responsible for the extermination of nearly two million people.\(^{10}\) Coincidently, the

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10 Heng, Pheakdey. "Cambodia–China Relations: A Positive-Sum Game?".
Chinese were found advising the Khmer Rouge cadres from the very top to the bottom ranks. Before the Khmer Rouge came to power, China funded the coalition with the amount of $2 million annually. In 1975, China signed an economic agreement with the Khmer Rouge in which one of the projects was an oil refinery. China then continued to militarily back the Khmer Rouge after the collapse of the regime in 1979. As mentioned by Andrew Mertha, China was not really keen on being an ally of the Khmer Rouge; however, it did so in exchange for trade and commerce with the murderous regime. China has consistently provided financial aid to the long ruling government of Cambodia despite the fact that nation has been ranked as one of the most corrupt countries in the world, with the score of 21/100 in the Corruption Perception Index.

Despite the economic and political ties between two nations strengthening, China’s business practices and lack of concern for Cambodia’s social development seems to demonstrate that economic gain is their principle interest in Cambodia. Over the years, Cambodia has become one of China’s largest sources of production for Chinese exports.

13 Ibid, 100.
China became Cambodia’s largest investor with the accumulation of 1,147 million USD of FDI. Apart from investing in agriculture, tourism, telecommunication, and construction, China is the leading investor in natural resources extraction in Cambodia. Although this economic cooperation and aid from China comes supposedly with no-strings attached, Cambodian politicians are seen as being attached to China’s interests. During his visit to Cambodia in 2012, President Hu Jintao and Cambodia’s strongman, Hun Sen, signed an agreement for military aid worth 20 million USD. With Cambodia ranked at the bottom of TI’s Corruption Index, the military aid seems to be counterproductive, because pumping in large sums of money that can be captured by corrupt officials will only stimulate corruption in Cambodia. For this reason, there is no doubt that this kind of aid serves as a mean for the current autocratic government to maintain power, and not to improve the social and economic well-being of Cambodian citizens. Along with its large influx of aid to the Cambodian government, China has been able to secure a number of bilateral trade agreements to gain access to Cambodia’s timber, oil, gold, iron, steel, and other resources. Two Chinese-Cambodian joint ventures captured the largest land concession in Cambodia, worth 200,000 hectares. The officials managing these ventures have been accused of illegal logging. According to an article published by the Washington Post in 2012, hundreds of families were forcibly evicted out of their homes in the Southwestern part of Cambodia to construct a resort and casino for a Chinese company based in Tanjin, China. Surprisingly, the construction was carried out on the area that was supposed to be a part of the protected rainforest.

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19 Ibid, 64.
22 Higgins, Andrew. "Land Disputes in Cambodia Focus Ire on Chinese
recently reported by Radio Free Asia (RFA), the demand of luxury furniture in China has led to large-scale illegal export of rosewood from Cambodia as well as the other countries in the Mekong Region. RFA further reported that 85 percent of Cambodia’s timber exports were shipped to China.  

Politically, Cambodia is considered to be an important landmark for China to expand its power in Southeast Asia. Due to its strategic location on the mainland of Southeast Asia, Cambodia has become one pearl among China’s “string of pearls”. This string of pearls represents the maritime version of China’s silk road, which the Chinese government intends to use for diplomatic, security, and commercial purposes. In 2010, Cambodia received compensation of 257 military trucks and 50,000 uniforms from China for deporting 20 Uighurs back to China right after the United States canceled the shipment of 200 military trucks to Cambodia to express its disapproval of the deportation. During the ASEAN ministerial meeting in Phnom Penh when Cambodia served as the chairman, China was able to use Cambodia’s position to prevent the other ASEAN members from raising the issue regarding the on-going territorial dispute in the South China Sea. The move made by Cambodia during ASEAN meeting was heavily criticized by the other members for putting the interests of China over ASEAN’s unity.

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26 Huang, Jing, Andrew Billo, Yee Kuang Heng, Walter Lohman, Asia Centre on, and Globalisation. Territorial Disputes in the South China Sea:
Strategically, Chinese domination of Cambodia’s textile industry has given China a great advantage in the global market. By labelling its products as being made in Cambodia, Chinese products can overcome trade barriers and get free access to the world’s largest markets in the European Union and United States. At the same time, Chinese textile companies operating in Cambodia have enjoyed cheap labour costs, energy reserves, and natural resources in addition to the strong support and protection from the Cambodian government. Chinese textile companies have been accused of infringing the human rights of the Cambodian labourers which has led to countless demonstrations and violence in the kingdom. These companies are often found to be linked to the Chinese government and benefit from the government’s financial support.

As mentioned above, Cambodia’s aid is correlated with resource curse. Although the natural resources in Cambodia are not as abundant as in the Middle East, this small country is the home to luxury timbers, steel, iron ore, zircons, sapphires, rubies, salt, manganese, chromium, copper, limestone, nickel, silica, tungsten, phosphate, and 400 million barrel of oil. Among 9 oil and gas exploration blocks in Cambodia, five blocks have already been awarded to the Chinese companies. Financially, China’s aid to Cambodia comes in the forms of grants, interest-free loans, and concessional loans. In


31 Heng, Pheakdey. "Cambodia–China Relations: A Positive-Sum Game?".
addition, most of China’s 17 on-going projects in Cambodia are claimed to serve the purpose of infrastructure development. As mentioned by Collier, Wenar, and Hoeffler, the richness in resource is not a fortune, yet it is the curse for the country. The abundance in resources incentivizes the government of autocratic regimes to establish their strongholds by strengthening military power, so that they can exploit the natural resources for their own benefits. Being ruled by a prime minister who has been in power for around 30 years, Cambodia’s leadership system is that of cronyism while the Global Witness named it “Kleptocracy”. The use of violence to keep holding on to power is a sign that the Cambodian government is trying to strengthen its autocratic regime.

Statistically, Cambodia’s percentile rank of the aggregate indicator on political stability and the absence of violence in 2013 is only 40.3 over the scale of a hundred while the aggregate indicator of free speech and accountability dropped from 23.9 percent in 2011 to only 20.4 percent. Furthermore, the aggregate indicator on government effectiveness shows no better result with Cambodia scoring 19.9 percent in 2011 and 18.7 in 2013, while the rule of law received a score of only 16.1 percent. As a highly corrupt country, Cambodia has not taken any considerable move to fight corruption as shown by its corruption control indicator score of 16.3 percent in 2013. Despite the large influx of aid, we have also witnessed a larger gap of inequality, the gap rose from 0.38

in 1994 to 0.44 in 2007.\textsuperscript{36} Drawing from these indicators, strategic aid from China is counter-productive to Cambodia’s governance as pumping in more aid into Cambodia helps support the autocratic government solidify its power. As agreed by Collier and Wenar, pumping large influx of aid into a country where systems of transparency and accountability are not in place is ineffective. This ineffectiveness is clear in Cambodia’s case. It is hard to deny that to compensate China’s large amount of aid, Cambodia’s bureaucracy has prioritized China’s interest over the interest of its own citizens. When it comes to cooperating with Cambodia, we can see that China is playing a double-edged game by providing aid to influence Cambodia’s decision-makers, so that it can secure deals to get access to Cambodia’s resources for its own development.\textsuperscript{37}

Selling the rights to extract natural resources is a controversial issue, while it is debatable whether the government possesses the rightful authority to resource extraction. In the case of Cambodia, the rights to extract and manage resources are given to the related ministries, which are under the branch of the government in accordance to article 8 of the Law on Environmental Protection and Natural Resource Management. This right is further reinforced by article 58 of the Cambodian constitution which includes natural resources as the state’s property.\textsuperscript{38,39} Although the government has the right to extract resources, extracting for the personal gain and strengthen its own bureaucracy is not legitimate. The wealth gained from resources will only go to the corrupt stakeholders and/or the Chinese government. As mentioned by Wenar, according to the customary principle of property rights, the strongmen do not possess the right to money gained from

\textsuperscript{37} Ibid, 134.
\textsuperscript{38} Law on Environmental Protection and Natural Resource Management, art. 8.
\textsuperscript{39} Cambodian Constitution, art. 58.
natural resources as the natural resources belong to people in the country. Thus, in the case of Cambodia, its natural resources belong to the Cambodian citizens. As the government represents its people, it has to carry out people’s wishes and interests as the resources do not particularly belong to any specific party. Since Cambodia lacks a transparent and accountable system, the exploitation of resources is clearly against people’s interests.

Although aid and investments from China have helped boost Cambodia’s economy, the correlated risks of aid dependency and resource curse have proven to be harmful to the development of Cambodia. To gain access to Cambodia’s resources and increase its influences throughout Southeast Asia, China has empowered the corrupt government through aid. Simultaneously, while the government of China gains resources to speed up its global chains of production, the bureaucracy in Cambodia gets the money they need to maintain their power grip. As financial aid from traditional donors requires the Cambodian government to adhere to a number of conditions, the behind-the-scenes activities connected to aid from China makes their investments seem less like cooperation between nations and more like a business deal. Thus, with little transparency and accountability, the strategic aid from China will impede rather than encourage growth in Cambodia.

BIBLIOGRAPHY


41 Ibid.


