Belt and Road Initiatives and Southeast Asia: The Case of Cambodia

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Content

1. Introduction
2. Belt and Road Initiatives (BRI) in Cambodia
3. Cambodian Sustainable Development Goals (CSDGs)
4. Potential Impact of BRI on CSDGs
5. Some Policy Options
1. Introduction

• Cambodia is a strong supporter of BRI and is one of the founding members of AIIB.
• In fact, Cambodia has already benefited greatly from China’s FDI over the past decades, and the BRI will further make their economic cooperation comprehensive, strategic and long term.
• There is no doubt that the underlying principles of the BRI – such as connectivity, unimpeded trade, money circulation, industrial capacity cooperation, policy communication, and cultural exchange, among others – are highly compatible with Cambodia’s policy priorities.
2. BRI in Cambodia – Policy Coordination

- BRI & Rectangular Strategy
- China Ready Policy
- Industry Policy
- Rice Export MOU
2. BRI in Cambodia – Facilitated Connectivity

SEA PORT (SIHANOUKVILLE): THE PORT CITY OF SIHANOUKVILLE HAS EMERGED AS THE FOCAL POINT OF CAMBODIAN-CHINESE CO-OPERATION AS THE TWO COUNTRIES WORK EVER MORE CLOSELY TOGETHER TO DELIVER THE AIDS OF BRI.

AIRPORT (SIHANOUKVILLE): CAN HANDLE UP TO 500,000 PASSENGERS PER ANNUM TO COMPETE FOR PASSENGERS AND CARGO WITH PHNOM PENH AND SIEM REAP INTERNATIONAL AIRPORTS, WITH ABOUT 70% OF INTERNATIONAL FLIGHTS FROM CHINA.


THE GOVERNMENT IN APRIL SIGNED A MEMORANDUM OF UNDERSTANDING (MOU) WITH CHINESE TECH GIANT HUAWEI TO BUILD A 5G NETWORK IN THE KINGDOM.
2. BRI in Cambodia – Trade and Investment

✓ Sihanoukville SEZs: Jointly operated by Jiangsu Taihu Cambodia International Economic Cooperation Investment & the Cambodia International Investment Development Group, the zone is just 12km away from Sihanoukville Port and is already home to more than 160 Chinese companies, with the majority specialising in textiles, electronics or light-industry-related sectors.

✓ China investment during the first half of 2019 = 2.5 billion USD (Maybank report)
## 2. BRI in Cambodia – Trade and Investment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>(In Million USD)</th>
<th>(As percentage of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>600.0</td>
<td>856.5</td>
</tr>
<tr>
<td>Export</td>
<td>182.9</td>
<td>405.5</td>
</tr>
<tr>
<td>Import</td>
<td>2161.7</td>
<td>3926.2</td>
</tr>
</tbody>
</table>
2. BRI in Cambodia – Financial Integration

✓ Bank of China Industrial and Commercial Bank of China: to reinforce its cooperation with Chinese enterprises in Cambodia and support the infrastructure development in fields like communication, transportation and electricity.

✓ It will also extend its financial service to traditionally advantageous local industries such as grain and tourism and provide quality and convenient comprehensive financial service to indigenous enterprises and individual customers.

✓ Renminbi as a trading currency: Usage of the Yuan for cross-border settlements had been increasing in the last few years. Last year, cross-border settlements in yuan represented about 10 per cent of the total trade between Cambodia and China.
2. BRI in Cambodia – People to People Bond

✓ **Govt, public exchange:** BRI helped promote frequent top-level visits between the two sides. But exchanges go beyond officials – people from all walks of life have been ambassadors of their respective countries, with tourism and cultural activities bringing China to Cambodia and vice versa.

✓ **Chinese tourist arrivals (Fourth pillar of growth):** Cambodia welcomed some two million Chinese tourists last year, up more than 70 per cent on the previous year, boosting the total number of foreign tourists visiting the Kingdom to some 6.2 million.

✓ **3000 scholarships provided by 2019:** The students studied bachelor's, master's, and doctor's degrees in various Chinese universities in majors of civil engineering, business administration, health, international trade, finance, economics and international relations, among others.
3. CSDGs

• The process of reviewing and mapping the global goals and target to national priorities was started in 2015. An additional goal was also related to clearance of land mines and Explosive Remnants of War as added to the 17 universal SDGs. The final CSDGs were adopted with 18 Goals, 88 nationally relevant targets, and 148 (global and locally-defined) indicators included 96 as national indicators.

• The CSDG framework serves as the guiding principles for the development of the Rectangular Strategy IV (RS IV) and National Strategic Development Plan (NSDP) 2019-23. It is important to also bear in mind that in line with the global goals, the CSDGs frame a longer period running to 2030 and are therefore a counterpart to the Government’s Vision 2050.
3. CSDGs

The SDGs in Cambodia build on:

✓ National recovery from decades of internal conflict

✓ Robust growth – 7% per annum over two decades

✓ Rapid poverty reduction – more than 1 percentage point per year

✓ MDG performance – one of the best in the world

✓ Human development – strongest HDI performer in Asia-Pacific

✓ The Royal Government of Cambodia has localised the Goals and integrated them with national development policy:

✓ 18 Cambodia Sustainable Development Goals

✓ Integrating the SDGs into national planning, budgeting and monitoring mechanisms
3. CSDGs

Progress on the 18 Goals

✓ A significant challenge has been to identify quality indicators
✓ CSDGs now integrated into national planning, budgeting and M&E

- Ahead 29.5%
- No data 43.2%
- On-track 19.3%
- Below 8.0%
- No data 43.2%
### 3. CSDGs

<table>
<thead>
<tr>
<th>Aggregate</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual flow</td>
<td>$ million</td>
<td>% GDP</td>
<td>$ million</td>
</tr>
<tr>
<td>Domestic public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-grant government revenue</td>
<td>3,142.4</td>
<td>17.2%</td>
<td>5,047.0</td>
</tr>
<tr>
<td>Government borrowing (domestic)</td>
<td>0.0</td>
<td>0.0</td>
<td>89.7</td>
</tr>
<tr>
<td>Domestic private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private borrowing (domestic)</td>
<td>2,147.5</td>
<td>11.8%</td>
<td>3,070.2</td>
</tr>
<tr>
<td>Philanthropy (domestic)</td>
<td>41.5</td>
<td>0.2%</td>
<td>44.6</td>
</tr>
<tr>
<td>International public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ODA</td>
<td>1,464.8</td>
<td>8.0%</td>
<td>1,328.2</td>
</tr>
<tr>
<td>Other official flows (00F)</td>
<td>111.1</td>
<td>0.6%</td>
<td>112.6</td>
</tr>
<tr>
<td>Government borrowing (international)</td>
<td>918.2</td>
<td>5.0%</td>
<td>1,279.2</td>
</tr>
<tr>
<td>International private</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>1,732.0</td>
<td>9.5%</td>
<td>2,558.5</td>
</tr>
<tr>
<td>Private borrowing (international)</td>
<td>1,629.0</td>
<td>8.9%</td>
<td>1,637.4</td>
</tr>
<tr>
<td>Remittances</td>
<td>394.2</td>
<td>2.2%</td>
<td>911.1</td>
</tr>
<tr>
<td>Philanthropy (international)</td>
<td>216.4</td>
<td>1.2%</td>
<td>209.6</td>
</tr>
<tr>
<td>Total development finance</td>
<td>11,797.2</td>
<td>64.7%</td>
<td>16,198.5</td>
</tr>
</tbody>
</table>
4. Potential Impact of BRI on CSDGs

BRI

- Policy coordination
  - SDG - 17

- Facilities connectivity
  - SDG - 7, 9

- Unimpeded trade
  - SDG – 8, 10, 11, 12, 13, 14, 15

- Financial integration
  - SDG – 10, 17

- People-to-people bond
  - SDG – 3, 4

Strategic Goals of Cambodia Vision 2050, Rectangular Strategy IV and National Strategic Development Plan: 2019 - 2023
4. Potential Impact of BRI on CSDGs

Transmission mechanism of BRI impacts

✓ Investment and Trade – political trust-led market access, development finance, and investment
✓ Infrastructure development - dividends from better transport, logistics, lower energy costs
✓ Technological transfer, human resource development etc.
4. Potential Impact of BRI on CSDGs

Chinese own more than 90% of Sihanoukville businesses, says report

Chinese investment strains Cambodian society

Drastic transformation of Sihanoukville should warn other Asian countries

Belt and Road Initiative in Cambodia: economic diversification and debt management

The benefits of Chinese investment have not been widely shared with the local population.

© Getty Images

Phnom Penh, April 03, 2019– Since 2018, the United Nations in Cambodia has...
4. Potential Impact of BRI on CSDGs

The Informal Economy in Cambodia

• In terms of employment, the informal economy includes an extensive range of activities such as survival or subsistence occupations, and the self-employed as well as other wage and unpaid workers in formal and informal enterprises.

• Some workers in formal enterprises are considered part of the informal economy because their employers do not declare them to the Ministry of Labour. In terms of productivity and scale, the informal economy in Cambodia encompasses the vast majority of enterprises, including small and medium enterprises that are household-based.

• The three main components of the formal sector of the Cambodian economy are garments (230,000 workers), tourism (about 70,000 jobs) and public administration (350,000 jobs).

• Large Chinese Investment’s impact on the informal sector, especially the employment, is still lack of research.
5. Some Policy Options

✓ To ensure equal cooperation, Cambodia needs a strong and wise set of institutions to work with the counterparts in China to encourage policy coherence and SDGs mainstreaming

✓ Cambodia could leverage mutual “political trust” to access Chinese market (e.g. bi- or multi-lateral projects in the agro-processing sector, to develop a modern industrialized agriculture)

✓ Access to Chinese market has the potential to reform Cambodia’s productive sectors and make them more profitable and competitive. The Government of Cambodia could use existing inter-ministerial mechanisms to prompt a strategic discussion on this matter

✓ As a beneficiary of BRI, Cambodia could seize opportunities created under BRI to implement national and sectorial strategies and plans, as well as commitments to regional agreements.

✓ Generating and distributing incentives for companies in Cambodia operating in alignment with a strategic vision derived from a localization of both 2030 Agenda and BRI in Cambodia
5. Some Policy Options

✓ SEZ’s role to connect and finally “lock in” the global production chain is very important. A Law on SEZ should be adopted to scale up their potential.

✓ Corporate Social Responsibility guiding principles should be issued and well publicized by both governments. Some Chinese companies with good CSR record should be recognized and rewarded by the governments; meanwhile the Cambodia government could work with Chinese counterparts to enforce compliance – through joint task forces, coordinating committees etc.

✓ China has been active in supporting the capacity training programs, for instance a joint vocational training college should be promoted in Cambodia

✓ Promote technology transfer – through more joint ventures, skill training, joint research and development, science parks etc.
THANK YOU FOR YOUR ATTENTION!