



Chinese Energy Investment in Cambodia

Fuelling Industrialisation or Undermining Development Goals?

Steung Hav Coal Power Plant, Sihanoukville Province, Cambodia.
PC: Dmitri Makeev (CC).

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'In the last decade, Cambodia transitioned from reliance on imported energy towards self-sufficiency. Driven by Chinese-invested and built hydropower plants, Cambodia's energy mix hit 50 per cent non-fossil fuels in 2018. Since then, major new coal plants have been approved, and national energy planning is now leading Cambodia to a future dominated by fossil fuel, despite some gains in the renewable energy sector. This essay explores how the energy investment priorities of Chinese companies and banks, along with the development decisions of the Cambodian Government, in the long term could set back industrial upgrading, diversification, and job creation, ultimately harming Cambodia's economy.'

In early 2020, Cambodian authorities fast-tracked approval of two new coal plants. Soon after, they also signed a memorandum of understanding with the Lao Government committing to purchase energy imports from two proposed coal plants in southern Laos. This marked a significant shift in the evolution of Cambodia's energy planning, from a model heavily dependent on hydropower to one in which fossil fuels will play a dominant role. This move towards fossil fuels will have significant implications for the Cambodian economy. In addition to the obvious environmental and social impacts, this change in strategy threatens Cambodia's long-term viability as a base for export-oriented manufacturing targeting Western markets, as buyers in the latter are increasingly adopting policies seeking to 'green' their supply chains.

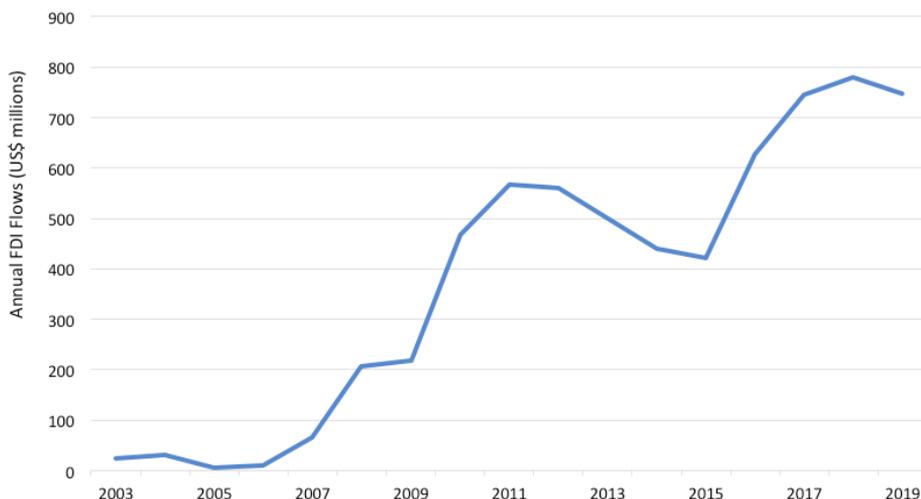
China plays a unique and diverse role in this complex landscape. More than a decade of aid and state-backed investment and assistance for energy and transport infrastructure have facilitated the expansion of Cambodian manufacturing, which is now dominated by private Chinese firms. While much of China's engagement in the country is now framed under the narrative of the Belt and Road Initiative (BRI), inflows of Chinese investment and aid in Cambodia very much foster Cambodia's export-oriented economy, which remains heavily focused on exports to the United States and Europe. In such a context, this essay explores how the energy investment priorities of Chinese companies and banks, along with the development decisions of the Cambodian Government, in the long term could set back industrial upgrading, diversification, and job creation, ultimately harming Cambodia's economy.

China's Developing Relationship with Cambodia

Over the past decade, China has risen to become Cambodia's largest investor and a key political ally. China's presence as a major investor in the

country began to really develop in 2006, after a state visit from then Premier Wen Jiabao, which resulted in the signing of several bilateral agreements and a commitment of US\$600 million in loans and grants (AP 2006). Since then, the relationship has strengthened significantly, reaching the status of a 'comprehensive strategic cooperation partnership', which is generally regarded by the Chinese authorities as the highest level of bilateral relations. Premier Wen's trip set a trend of high-level meetings between the two sides, which consistently resulted in high-profile investment, aid and cooperation packages, and commitments to develop large infrastructure projects, including power plants, roads, and other major public works. Significantly, although China's global investment and financing have been in decline since 2016, its investment in Cambodia does not follow the same trend, increasing relatively steadily between 2015 and 2018 before dipping slightly in 2019 (MOFCOM et al. 2020). According to the Council for the Development of Cambodia (CDC), China has been Cambodia's top investor since 2013, accounting for 22 per cent of all approved foreign investment in the period 1994–2019 (Hin 2019; CDC n.d.[a]).

Figure 1: China's Foreign Direct Investment Flows to Cambodia, 2003–2019. Source: MOFCOM (2020).



China is also one of Cambodia's most important development partners and, since 2010, its largest source of bilateral development assistance, having provided a total of US\$5.8 billion to Cambodia as of December 2018 (58cam 2018). More than half of these aid projects involve transport (mostly road development or improvement) and energy (mostly high-voltage transmission lines), supported by concessional loans and preferential export buyers' credits (CDC n.d.[b]). As of mid-2019, Cambodia's total outstanding foreign debt stood at US\$7.22 billion. Of this amount, 48 per cent was owed to China through interest-free and concessional loans (MEF 2020).

Cambodia's Energy Sector

Cambodia's unreliable and expensive power supply was for many years a major barrier to investment. Throughout the 1990s and 2000s, Cambodia relied on expensive and polluting diesel-powered generators and electricity imports from Thailand and Vietnam. Only in the early 2010s, as hydropower and coal power plants—the majority of which were financed and developed by Chinese actors—began to come online was there a shift towards domestically generated power.

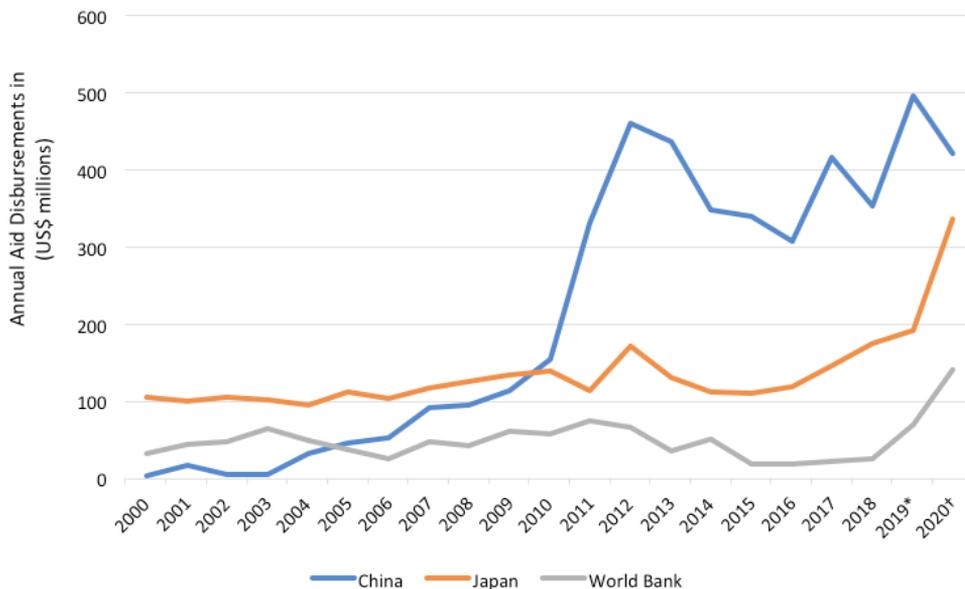


Figure 2: Chinese Development Assistance to Cambodia, 2000–2020. Source: CDC (2020).
* estimated; † projected

China's role in Cambodia's energy sector is now so extensive that, as of 2018, almost three-quarters of the domestic power supply came from Chinese-built and financed power plants (Mao and Nguon 2018). All of Cambodia's major hydropower dams—representing just under half of the country's total generating capacity in 2019—were built by Chinese companies with financing coming mostly from China Eximbank and the China Development Bank. Additionally, all but two of Cambodia's operational

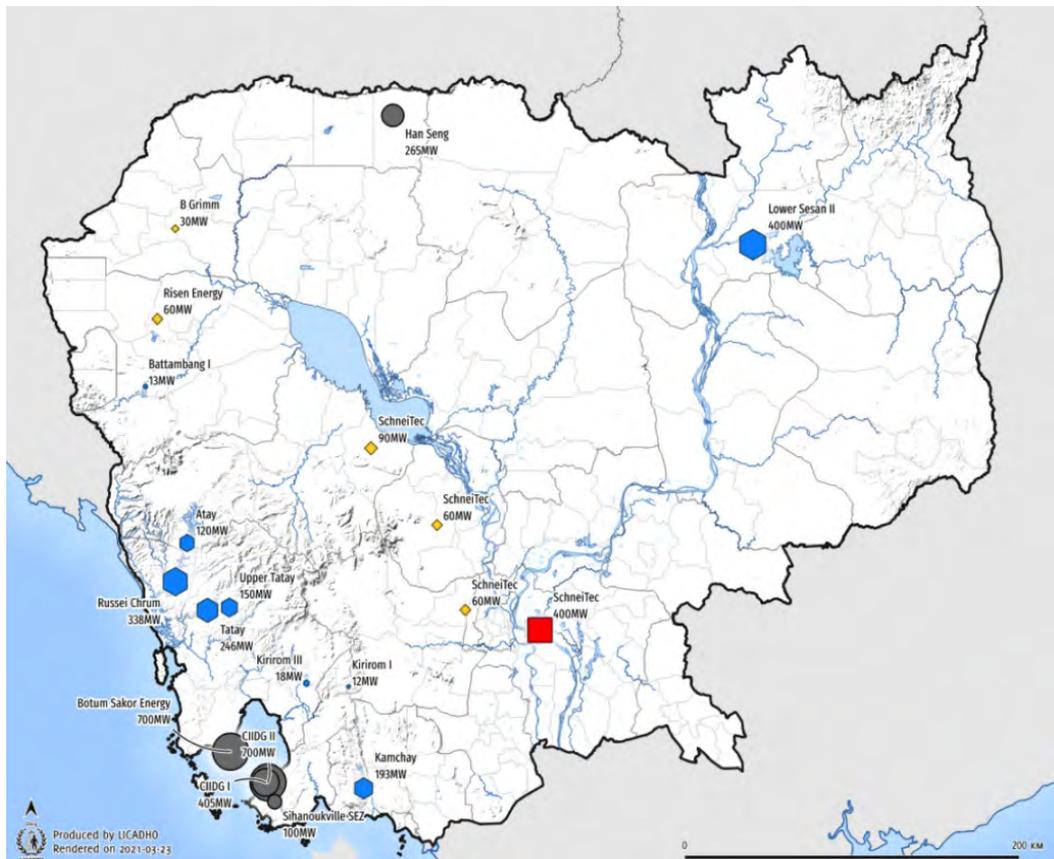
and planned coal plants are Chinese-built and operated; their financing is harder to identify, but the state-owned commercial banks Industrial and Commercial Bank of China and Bank of China are connected to at least two. Energy transmission is the second biggest focus for Chinese concessional lending in Cambodia, after transport. The majority of these projects have been financed by the China Eximbank and developed by Chinese state-owned companies. According to the then Chinese ambas-

sador, as of mid-2019, around 8,000 kilometres of transmission lines had been built by Chinese companies (Huang 2019).

Expansion of energy coverage and connection has been a key priority of successive Rectangular Strategies, the five-year plans that set the agenda for Cambodia's legislature. At the same time, it has long been a priority for China to support its energy companies to go global—an agenda that has been further promoted through the BRI. In line with these shared priorities, joint documents of the Chinese and Cambodian authorities in recent years have highlighted specific hydro and coal power plants as priority development projects.

Solar projects are now also being approved and developed and, of 10 approved projects, five have

Chinese involvement. A publicly listed firm has developed a 60 MW solar plant in Battambang (CCA 2020); construction of a 30 MW plant in Banteay Meanchey was contracted to Chinese state-owned firms by the Thai project owner (Fresh News 2021); and Chinese solar giant JinkoSolar is providing equipment to three solar parks (Bhambhani 2020). A Cambodian–Chinese joint venture is also conducting a feasibility study for what could be Cambodia's first wind farm (CCA 2021). Table 1 lists all the energy projects that have connections to Chinese companies as developers, constructors, or suppliers, and shows that in terms of output, fossil fuel projects are dominant (2,570 MW), followed by hydropower (1,490 MW), with renewables some way behind (320 MW).



Source: Supplied by Licadho.

Project	Type	Location	Status	Value	Output
Kirirom I [*]	Hydro	Kampong Speu	Operational	US\$15.5m	12 MW
Kirirom III [*]	Hydro	Koh Kong	Operational	US\$47m	18 MW
Kamchay [*]	Hydro	Kampot	Operational	US\$280m	193 MW
Stung Atay [*]	Hydro	Pursat	Operational	US\$255m	120 MW
Stung Tatay [*]	Hydro	Koh Kong	Operational	US\$540m	246 MW
Upper Stung Tatay [*]	Hydro	Koh Kong	Under preparation	US\$400m	150 MW
Lower Russei Chhrum [*]	Hydro	Koh Kong	Operational	US\$538m	338 MW
Lower Sesan II [*]	Hydro	Stung Treng	Operational	US\$800m	400 MW
Battambang Multipurpose Dam [*]	Hydro	Battambang	Operational	US\$100m	13 MW
CIIDG I [*]	Coal	Preah Sihanouk	Operational	US\$660m	405 MW
CIIDG II [*]	Coal	Preah Sihanouk	Under construction	US\$1.3b	700 MW
Sihanoukville SEZ [*]	Coal	Preah Sihanouk	Under construction	Unknown	100 MW
Botum Sakor power plant [*]	Coal	Koh Kong	Under preparation	US\$1.3b	700 MW
Trapaing Prasat power plant [*]	Coal	Oddar Meanchey	Under construction	US\$294m	265 MW
Kandal dual-fuel power plant [†]	Heavy fuel oil / LNG	Kandal	Under construction	US\$380m	400 MW
Kampong Speu [‡]	Solar	Kampong Speu	Operational	US\$76m	80 MW
Battambang [‡]	Solar	Battambang	Operational	US\$50.9m	60 MW
Banteay Meanchey [‡]	Solar	Banteay Meanchey	Operational	Unknown	30 MW
Kampong Chhnang [‡]	Solar	Kampong Chhnang	Operational	US\$58m	60 MW
Pursat [‡]	Solar	Pursat	Under construction	Unknown	90 MW

Table 1: Energy Generation Projects Developed, Constructed, or Supplied by Chinese Companies in Cambodia. * Chinese developer/investor; † Chinese construction; ‡ Chinese equipment supplier
Source: Data collected by author from company reports, press releases, and media reports.

Cambodia's Shifting Energy Mix

Until recently, Cambodia's energy sector did not rely heavily on coal power. This has now begun to change. With Cambodia previously relying on hydropower for around 50 per cent of its energy needs, the drought of 2019 exposed the country's vulnerability in meeting domestic power demand. As a consequence, several coal-related projects that had been under lengthy study over the previous few years were given a boost.

Two trends are at play here: increasing reluctance to launch new hydropower projects, and a turn to coal power to expand energy production. Hydropower projects in Cambodia have been controversial and have met with resistance from local people and environmental groups. This was most evident in the controversy around the Lower Sesan 2 Dam in northeastern Cambodia, the development of which was led by a subsidiary of Chinese state-owned Huaneng Group (Ogonda 2014). However, with the most commercially attractive tributary dams constructed and already in operation, there has been approval of only one major new dam in recent years, the Upper Stung Tatay in the southwestern province of Koh Kong. A long-running concern for environmentalists had been the potential development of dams on the Mekong mainstream in Kratie and Stung Treng, which would displace thousands of people and have severe impacts on the river's ecology. In March 2020, the Ministry of Mines and Energy informed the media that there were no plans to dam the mainstream of the Mekong in Cambodia in the next 10 years (Prak 2020).

With hydropower proving controversial and susceptible to unpredictable weather trends, the Cambodian authorities have now turned to coal to expand energy production. Recently approved power projects include two new coal plants, in Oddar Meanchey and Koh Kong, which were green-lit with minimal public engagement and consultation, despite their potentially extensive social and environmental impacts (Khorn 2020; see also the profile for the Botum Sakor Coal Power Plant in the Map). As mentioned above, 10 solar

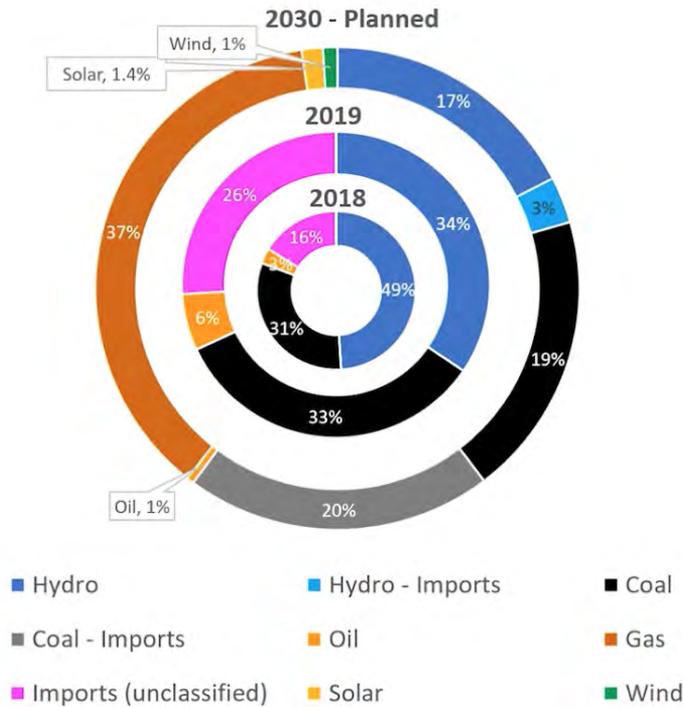
projects have been approved, but these are much smaller in terms of value and output and have been eclipsed by the approval of new coal plants and a dual-fuel power plant on the outskirts of Phnom Penh, which operates during peak-demand periods and is currently running on heavy fuel oil and will later incorporate liquefied natural gas (LNG). Cambodia also has plans to expand LNG use nationwide, and a well-connected local company has signed a cooperation agreement with China's state-owned CNOOC Gas & Power Group to receive LNG from China, with licences to distribute nationwide (Xinhua 2020a).

If the current trends in Cambodia's energy planning continue, the country is on track to an energy mix that is more than 75 per cent dependent on fossil fuels by 2030—a huge jump from the 31 per cent in 2019 (Zein 2020).

Coal Power: Addressing Energy Needs, But at What Cost?

The local and global impacts of coal power projects are well documented. Coal plants create air and water pollution, wastewater discharge can raise water temperatures and damage fisheries, extensive water use can limit water access for local people, and increases in the number of coal-burning plants further exacerbate the climate crisis. To make things worse in Cambodia, public information on the impacts of operational plants is very scarce—and all but nonexistent for the recently approved projects. To date, only basic information has been released, and public participation in the development process has been minimal. Environmental impact assessments have reportedly been conducted, but not published, and local nongovernmental organisations (NGOs) have been unable to obtain project documents.

One major obstacle for local civil society in Cambodia is the fact that the country's environmental management agencies lack capacity and resources, and monitoring systems are rudimentary. For instance, a major concern that has emerged



Source: EnergyLab (n.d.).

around existing plants in coastal Preah Sihanouk Province is management of coal-plant waste. Three plants currently operate in the area, two owned by a private Malaysian company and one by a Cambodian–Chinese joint venture. Local companies purchase waste coal ash from the plants and process it for use in cement to increase its waterproof properties. At least one cement plant has been reported on multiple occasions for causing severe pollution in neighbouring villages due to a failure to properly manage dust during the processing of the ash. This eventually led to the Ministry of Environment ordering its closure (Lay and Sao 2021). In this case, it took years for action to be taken against a single associated project, despite clear negative impacts and violations of environmental codes. This brings into question the capacity of authorities to monitor and regulate the much larger impacts associated with the coal plants themselves.

To further complicate matters, all these plants—and, more broadly, the Cambodian energy landscape—have some link to well-connected local tycoons, who often operate beyond the reach of the law. In addition to the five coal plants listed above, there are a further two Malaysian-invested plants and three that are being studied by Cambodian–Chinese joint ventures. All 10 projects have a direct connection to a local *okhna*—a honorific title bestowed on civilians who have made contributions of US\$500,000 or more to the Cambodian Government (Cheang 2017). These actors are linked to the projects either through ownership of the land on which the developments are located or as joint-venture partners (or both).

Approval of the new coal plants also caused alarm among global companies that source from Cambodia. A growing number of global brands, including several major companies that produce in or source from Cambodia, have signed on

to the RE100 initiative. Under RE100, companies commit to work towards producing in and/or sourcing from factories that are 100 per cent powered by renewable energy or, when this is not possible, to offset the difference. The more coal present in Cambodia's energy mix, the more expensive those offsets will be, which could push companies to relocate to Vietnam or elsewhere. In August 2020, five major global brands—H&M, Adidas, Puma, Gap, and Specialized—articulated these concerns to the Cambodian Government in a private letter obtained by regional media (Turton 2020c). These are major players in the country, with Adidas suppliers alone reportedly employing 80,000 Cambodians (McIntosh 2021). Swedish clothing company H&M, one of Cambodia's top international buyers, has made its position known to the Cambodian Government and the public that if grid energy does not become cleaner, 'industry will find more attractive countries that are able to offer such energy opportunities' (Ford 2020).

The Broader Economic and Development Impacts

If brands do begin to leave, the economic impacts for Cambodia could be huge, as the garment sector (along with tourism and construction) is one of the backbones of the economy. In 2019, Cambodia exported industrial products worth US\$11.18 billion, 83 per cent of which were garments, footwear, and travel goods (Xinhua 2020b). The sector employs at least 800,000 people, mostly women (Turton 2020b). If the sector becomes uncompetitive, moving to Vietnam or other destinations may become a more attractive option for foreign companies. In addition, although Cambodia is diversifying to other non-garment manufactured products, such as bicycles, furniture, and electronic components, these producers will face similar pressures from buyers with climate commitments. For example, Specialized, which signed the letter to the Cambodian Government mentioned above, is a major bicycle manufacturer.

China can only play a limited role to mitigate this potential decline. Although China is Cambodia's largest trading partner, with total trade reaching US\$8.53 billion in 2019 (Mao and Gao 2020), and the two countries committed to increase this to US\$10 billion by 2023 (Kingdom of Cambodia and the PRC 2019), bilateral trade is heavily imbalanced, with imports from China representing 88 per cent of Cambodia's total trade volume in 2019 (Trading Economics 2021a). The bulk of these imports are materials and machinery used in the garment industry (Trading Economics 2021b). Cambodia's manufacturing industry is heavily export-oriented, with the majority of garment factories set up to produce clothing for markets in Europe and the United States. This has been encouraged by the access Cambodia has to preferential trade schemes. Under the Everything But Arms (EBA) initiative, Cambodia can export products to the European Union free from import duties and quotas and, under the US General System of Preferences (GSP), specific products including garments, footwear, and travel goods enjoy preferential treatment. Even where garment factories are wholly Chinese-owned and utilise materials produced and cut in China, products assembled in Cambodia can benefit from these relaxed tax regimes.

In August 2020, in response to human rights concerns, the European Union withdrew EBA status for 20 per cent of Cambodian products (EC 2020). This caused serious alarm within the private sector, which feared the negative impacts it could have on an industry with often low profit margins. In the wake of the EBA withdrawal, more than 20 international brands made a rare direct call to the Cambodian Government to implement reforms to address EU concerns (Turton 2020a). A drop in trade with the European Union did indeed occur after the partial EBA withdrawal, but it was largely absorbed by steadily increasing exports to the United States, which overtook Europe as Cambodia's top trading partner in 2020 (Turton 2020d). This position is, however, somewhat precarious, due to the ongoing friction between the United States and Cambodia, much of which revolves around concerns regarding China's expanding influence in the country. With trade shifting heavily

towards the United States in recent years, Washington holds significant leverage over Cambodia, should it choose to use it.

This is not simply an issue that concerns the political and trade relations of Cambodia, the European Union, and the United States; China is also deeply implicated. As production costs and trade barriers have made production in China more expensive, Chinese companies have gone global, establishing manufacturing bases in countries where operating costs are lower and trade tariffs less onerous, like Cambodia. Chinese owners today account for the largest share of Cambodia's garment factories. As of 2021, more than 50 per cent of the members of the Garment Manufacturers Association in Cambodia were from mainland China (GMAC 2021). Many set up shop in the country to take advantage of lower operating costs and the aforementioned preferential trade agreements. Several Chinese-invested special economic zones (SEZs), which largely focus on low-end manufacturing, expressly reference preferential market access in the European Union and the United States in promotional materials as advantages to companies who set up in their zones (SSEZ n.d.[b]). The loss of these trade privileges therefore represents a potentially significant blow to Chinese companies—one that will be further exacerbated by the move towards fossil fuel dependence, raising production costs, and again making Cambodia a less desirable supplier of manufactured goods.

With external pressure building and withdrawal of the EBA looking very likely, the Cambodian Government began discussing new bilateral trade deals with various countries. Negotiations with China moved forward rapidly and, just two months after the EBA decision, the Cambodian and Chinese authorities signed a bilateral free-trade agreement (FTA). Finalised in just seven months, this was the first FTA China signed with a least-developed country (Jia 2020). It is set to come into force in 2021 but, contrary to much rhetoric from both sides, it is unlikely to bolster Cambodia's garment industry. Chinese companies have specifically set up in Cambodia as a base for global exports and their buyers remain Western, not Chinese.

All of the above comes on top of the COVID-19-related woes that have besieged Cambodian industry. In November 2020, local media reported that at least 110 factories had closed, leaving more than 55,000 people without jobs (Mom 2020). Although dozens of new factory projects were also approved in 2020, the impacts of the pandemic were still felt acutely by workers. In addition to factories closing, many suspended operations or reduced overtime, leading the government to provide cash handouts from emergency response funds to 330,000 people (Long 2020). The community spread of the virus that began in February 2021 has since spread to factory areas and led to a lockdown of Phnom Penh, with the harshest restrictions applying in several hard-hit factory zones (RFA 2021).

The Infrastructure Intersection

In such a fraught context, the intersection between private-sector investment, trade preference withdrawal, and fossil fuel dependence has major significance for China's broader role as the leading financier and developer of infrastructure in Cambodia. In 2015, the Council for the Development of Cambodia and China's National Development and Reform Commission (NDRC) signed a memorandum on industrial investment cooperation. This draws together various aspects of Chinese investment cooperation, directly linking infrastructure development to industrialisation and manufacturing (NDRC and CDC 2015). Subsequent communiqués have reiterated these commitments, referring to specific projects that directly support industrial expansion, including SEZs, roads, and power plants.

This cooperation draws together both Chinese state-backed projects and private-sector investment from China. As we have seen, hydropower and coal projects are financed largely by China's state policy banks and, in some cases, by majority state-owned commercial banks. These projects then often link to the grid—and therefore to population centres and developing industrial

zones—through high-voltage transmission lines financed by concessional and preferential funding from China’s Eximbank. Transport infrastructure, including the flagship Phnom Penh–Sihanoukville Expressway, financed by the China Development Bank, enhances linkages that aim to improve conditions for the transport of people and goods and further develop industry and trade conditions. This directly supports Cambodia’s realisation of its Industrial Development Plan, which envisions the development of key industrial regions, and also creates a foundation for continued Chinese investment from both private manufacturers and state-owned enterprises in construction and, potentially, future heavy industry.

The Sihanoukville SEZ (SSEZ; see the relevant profile in the Map) offers a useful example to illustrate the extent to which trade preferences and energy development choices could impact Chinese interests in Cambodia. A joint venture between a large Wuxi-based private enterprise and a company owned by a local tycoon, the SSEZ is often referred to by both Chinese and Cambodian governments as a flagship BRI project. From the outset, the SSEZ has enjoyed strong state support from both countries and benefits from its proximity to various Chinese-funded infrastructure projects. Currently, most tenants are private Chinese companies focusing on light-industry manufacturing, and, in the long-term, the zone plans to employ 100,000 workers across 300 factories (SSEZ n.d.[a]).

Among the ‘investment advantages’ touted by the operators of the SSEZ is Cambodia’s ‘favourable trade status’ (SSEZ n.d.[b]). With the SSEZ focusing on Western export markets, the partial EBA withdrawal and any other future limitations on trade preferences will have serious impacts on the profits of tenants, as well as the attractiveness of the zone to potential future investors. This is further complicated by the fact that the zone is currently building its own dedicated coal power plant to ensure reliable power supply. While on one hand this can be pitched as a selling point for potential investors, it also means that production at the SSEZ will soon be 100 per cent coal-powered, which will effectively mean that international buyers with climate commitments will eventually cease sourcing from factories within the zone.

Building a Green Belt and Road

In September 2020, President Xi Jinping surprised many by announcing to the United Nations General Assembly that China aims to achieve peak carbon dioxide emissions before 2030 and plans to go carbon-neutral by 2060 (McGrath 2020). This commitment applies to China’s domestic emissions but has important implications for overseas projects as China is the world’s top developer of coal power plants. Data published by Boston University’s Global Development Policy Center document the Chinese policy banks and firms involved in 777 power plant investments in 83 countries between 2000 and 2018 (Ma 2020). Almost three-quarters of these projects, 40 per cent of which were in South-east Asia, were funded by China’s policy banks.

There is a gradual shift taking place in Chinese overseas energy investment, with renewable energy investment on the rise (Springer 2020). In 2020, renewable energy projects moved forward in a number of countries, including Cambodia’s neighbours Vietnam and Myanmar. However, Chinese renewable energy companies face challenges to expanding globally. Overseas wind and solar projects tend to be much smaller than fossil fuel projects and are less likely to receive Chinese state financing. Chinese overseas renewable investment is held back by both ‘pull’ and ‘push’ factors (Kong and Gallagher 2021). On the one hand, many countries do not prioritise seeking financing for renewables expansion; on the other, China’s policy banks often view overseas renewables as unattractive as they have less experience financing such projects, which are often small scale and distributed, rather than grid-based. In the words of one bank official, these projects are ‘pocket change’ and banks prefer large, grid-connected energy projects valued in the hundreds of millions of dollars (Kong and Gallagher 2021: 4).

If China does follow through on its climate commitments, it will set an important example, and could put Chinese finance and firms in a strong position to support energy transitions in countries where they are active. In many cases, countries that are hosting Chinese energy projects do not have

carbon-neutrality commitments and coal power is seen as an accessible and proven source of the energy required to fuel economic growth. China can in part address this with policies and incentives that encourage its own banks and companies to more vigorously pursue overseas renewables investments and assume the role of a global climate change leader, rather than an exporter of emissions.

For the time being, in Cambodia, Chinese developers and financiers are supporting energy projects that are prioritised by the Cambodian Government, reflecting the power of the ‘pull’ factor discussed earlier. This is consistent with the general approach taken by China’s corporate and state actors overseas, but there have been signs of a shift in rhetoric in the past year. In Xi Jinping’s speech to the Boao Forum in April 2021, he emphasised the need for ‘green and clean cooperation’ in the BRI, highlighting green infrastructure, energy, and finance as priorities. The previous month, a leaked letter from China’s embassy in Bangladesh to the country’s Ministry of Finance stated that China will no longer consider projects with high pollution or energy consumption—explicitly mentioning coal power plants—for government-to-government cooperation (Chakma 2021).

Shifting to lower-carbon development models both inside China and overseas will require significant policy shifts at the state level, and banks and companies active abroad will need to drastically rethink their investment priorities. Countries like Cambodia have limited experience with renewable energy projects and often regard such ‘new technology’ as unproven and therefore less attractive. China is well positioned to raise the capacity of its counterparts in Cambodia to create an environment that enables expansion of renewable energy, but this will not happen without proactive interventions. As mentioned above, Cambodia’s rapid approval of new fossil fuel projects following the drought of 2019 was likely made under extreme pressure, after the country was gripped by serious daily blackouts. Since then, new solar projects have moved forward, connected to the grid, and demonstrated they can produce at prices significantly lower than coal. Independent assessments indicate that Cambodia has much higher potential for solar and wind power than previously projected by

the government (McIntosh 2021). Chinese stakeholders are well placed to support the realisation of this potential.

Time to Reassess Priorities

Since the early 2000s, Chinese overseas investment has been driven by its formidable state machinery, financed by policy banks, and developed in large part by state-owned enterprises. The BRI continues this trend, and the export of a development formula dominated by state capital is a key feature of the initiative. State-backed infrastructure developments create a foundation on which both state-owned and private enterprises can go out, gain footholds for overseas production, and increase access to global markets. These motivations have linked up well with the Cambodian Government’s development priorities, which revolve in large part around expanding its export-oriented manufacturing industry, developing infrastructure to attract more domestic and foreign investment, and, in the process, generating employment for its youthful population.

Cambodia is an important case study in how Chinese capital is increasingly integrated into global systems. Still holding dear to the principle of non-interference, China has remained silent on the issues that led to the European Union withdrawing trade preferences. However, Chinese investment does not and cannot exist in a vacuum. Human rights issues will impact on companies that are integrated into global supply chains, as evidenced by the partial withdrawal of EBA benefits. Likewise, supporting Cambodia’s growing dependence on fossil fuels to power industry comes with the serious and paradoxical risk of undermining the same industry by pushing away buyers and limiting market access. If China is to continue to support the industrialisation and expansion of Cambodia’s export economy, in which Chinese state and private interests are now deeply embedded, a reassessment of priorities needs to occur. ■

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