

# OUTCOME REPORT

## WORKSHOP ON OVERVIEW AND OUTLOOK OF COOPERATION BETWEEN CAMBODIA AND CHINA UNDER BELT AND ROAD INITIATIVES

22 JUNE 2017  
PHNOM PENH, CAMBODIA

### China's One Belt, One Road



© 2017 **Cambodian Institute for Cooperation and Peace**, Cambodia.  
All rights reserved.

*The responsibility of facts and opinions in this report rests exclusively with the authors and their interpretations do not necessarily reflect the views or the policy of the publishers or their respective institutions.*

**Cover Photo:** China's One Belt One Road

Source: *The Straits Times Graphics* <<http://www.straitstimes.com/asia/china-makes-tracks-on-modern-silk-road>>

**WORKSHOP ON**

**OVERVIEW AND OUTLOOK OF  
COOPERATION BETWEEN CAMBODIA  
AND CHINA UNDER BELT AND ROAD  
INITIATIVE**

Organized by the East Asia Research Center (EARC) of  
The Cambodian Institute for Cooperation and Peace (CICP)

22 June 2017  
Phnom Penh, Cambodia

## ACKNOWLEDGEMENTS

---

Being the world's second largest economy and the largest trading nation in goods with over 120 countries, China's rise has sparked remarkable attention from the international community. Chinese President Xi Jinping's announcement of the "One Belt, One Road" concept in 2013, which involves China's grand strategy in infrastructure investment in countries along the old Silk Road linking it with Europe, has raised perplexing responses across the globe.

The Belt and Road Initiative (BRI) is expected to firmly support ASEAN countries in promoting sustainable economic growth, through the advancement and development of regional infrastructure. Nevertheless, reaping full benefits from BRI requires constructive engagement and ASEAN and China need to work closer to ensure that BRI projects will support the ASEAN Master Plan for Connectivity by scaling up their economic exchange, social and cultural exchanges through a system of roads and railway links as well as a system of ports.

Likewise, Cambodia could look forward to tap on BRI to meet the demand of much needed infrastructure projects across the country as well in enhancing the national economic growth by ensuring that the initiatives will improve trade, investment, tourism and people to people exchange forging closer Cambodian and China relations.

It is in this context that I believe the hosting of the workshop on the "*Overview and Outlook of Cooperation between China and Cambodia under Belt and Road Initiative*" the East Asia Research Center (EARC) of the Cambodian Institute for Cooperation and Peace (CICP) is an opportune time to address the opportunities and challenges in implementing BRI in Cambodia and as well toward a wider ASEAN region.

CICP would like to express our sincere appreciation to all the eminent speakers, from government officials and from other credible think-tanks, whose expertise have contributed tremendously to the understanding of the BRI perspectives. Having heard from both Cambodian and the Chinese counterpart allowed the balance view of idea and how we can work together to bridge the remaining gap.

**Ambassador Pou Sothirak**

Executive Director

The Cambodian Institute for Cooperation and Peace

## FOREWARD

---

This one-day workshop has enhanced a better mutual understanding between Cambodia and China over the prospect of cooperation under the Belt and Road Initiative (BRI), initiated by Chinese President Xi Jinping in 2013. China and Cambodia relations could be dated back to more than two thousand years ago. In modern history, the bilateral relationship was elevated after the meeting between the Chinese Premier Zhou Enlai and Prince Norodom Sihanouk at the Bandung Conference in 1955 toward the “*Non-Aligned Movement*” in the midst of the Cold War. Although the domestic political changes in Cambodia had disrupted the bilateral ties, the relationship was eventually restored and has advanced to a “Comprehensive Strategic Partnership of Cooperation” in late 2010. China is the biggest aid donor and loan provider to Cambodia, and built the largest amount of roads, bridges, water conservancy facilities and power grids in the country.

Given the huge infrastructural demands worth over US\$ 600 million annually, BRI would aid Cambodia in acquiring the needs. Institutional capacity and governance define the success of the BRI. We need to identify the opportunities and challenges, obstacles and constraints, and ways to overcome it. How we can work to maximize the benefits while minimizing the costs. And more importantly, how Cambodia and China can work together to synergize BRI with the Cambodian development objectives and strategies in partnership with international donors. With all of these motives in mind that this Workshop was planned.

Our Center, the East Asia Research Center (EARC), is pleased to host this Workshop in time of need, in time of increasing infrastructure development across the country, and especially, in time of critical responses raised as of why does BRI matter for China and Cambodia. Last but not least, EARC would like to sincerely express our gratitude to all our prominent speakers and to all the distinguished participants for making valuable contributions in making this Workshop a success and this Outcome Report available.

**H.E. Mrs. Pok Marina**

Director

The East Asia Research Center

## CONTENTS

---

Rationale of the Workshop	9
Programme Agenda	11
Executive Summary	13
Summary of the Proceedings	15
Annex	
❖ Opening Remarks <i>HRH Samdech Norodom Sirivoudh</i> Founder and Chairman, Cambodian Institute for Cooperation and Peace (CICP)	33
❖ Special Remarks <i>Mr. Li An</i> Economic and Commercial Counsellor, Embassy of the People's Republic of China in Cambodia	35
❖ Keynote Address <i>H.E. Mr. Lim Sidenin</i> Secretary of State, Ministry of Public Works and Transport of Cambodia	39
❖ Cambodian Government's Policy towards the BRI <i>H.E. Ms. Eat Sophea</i> Undersecretary of State, Ministry of Foreign Affairs and International Cooperation of Cambodia	45
❖ The Significance of China's Belt and Road Initiative in the context of ASEAN and Cambodia <i>H.E. Ambassador Pou Sothirak</i> Executive Director, CICP	51
❖ Cambodia-China Partnership in concretizing Belt and Road Initiative: Future Areas of Focus <i>Dr. Chheang Vannarith</i> Member of the Boards of Director and Senior Research Fellow, CICP	59

- ❖ Belt and Road Initiative and Regional Connectivity: Chinese Perspective and Practice 73

*Prof. Song Guoyou*

Director of Economic Diplomacy, Deputy Director for American Studies,  
Fudan University Shanghai, China

Closing Remarks by H.E. Ambassador Pou Sothirak 93

## RATIONALE OF THE WORKSHOP

The Belt and Road Initiative (BRI), which was launched in 2013, is a game changer of global economy and even global geopolitics. BRI is a powerful shaper of a new global order. It also creates a wave against re-emerging de-globalization sentiment that caused by protectionism and to some extent populism and transactional politics. BRI, although it was proposed by China, is now a global common goods. It belongs to everyone, particularly the countries that are engaged in concretizing the initiative. We are all the stakeholders and owners of BRI.

Intra-regional and inter-regional connectivity is to be improved under BRI. Political trust, mutual learning, mutual respect, and mutual interests are the foundations of cooperation under the framework of BRI. No country is willing to impose ideas or policies on other countries. Every country shares an equal say in collectively designing and implementing BRI's projects. Collective leadership for a shared opportunity is the philosophy of BRI. Sustainable and inclusive development is the vision of BRI.

BRI is compatible with ASEAN community building and Cambodia's development strategy, particularly in infrastructure connectivity. There are three main sources of funding for BRI's projects, namely the Silk Road Fund, the Asian Infrastructure Investment Bank (AIIB), and BRICS Development Bank. At the recent Belt and Road Forum in Beijing, China pledged extra funding to boost the realization of BRI. Nevertheless, these sources of funding are not sufficient. Public-private partnership needs to be strengthened. The private sector has a key role to play in mobilizing financial resources for a sound investment.

At the Belt and Road Forum for International Cooperation last month, President Xi Jinping highlighted peace and cooperation, openness and inclusiveness, mutual learning, and mutual benefit. In the past four years, BRI has delivered some concrete results: policy connectivity has been deepened, infrastructure connectivity has been enhanced, trade connectivity has been increased, financial connectivity has been expanded, and people-to-people connectivity has been strengthened. The principles of BRI are to build a road for peace, prosperity, opening up, innovation, and connecting different civilizations.

In the coming three years, China will provide assistance worth RMB 60 billion to developing countries and international organizations participating in the Belt



and Road Initiative to launch more projects to improve people's well-being. We will provide emergency food aid worth RMB 2 billion to developing countries along the Belt and Road and make an additional contribution of US\$1 billion to the Assistance Fund for South-South Cooperation. China will launch 100 "happy home" projects, 100 poverty alleviation projects and 100 health care and rehabilitation projects in countries along the Belt and Road. China will provide relevant international organizations with US\$1 billion to implement cooperation projects that will benefit the countries along the Belt and Road.

Economic determinants define Cambodian perceptions of and approach towards BRI. Cambodia is one of the most supportive of BRI due to the fact that economic opportunities generated from the initiative are believed to be tremendous. Every country stands to benefit from the BRI, of course at different level, depending on their participation. Institutional capacity, leadership, and human capital will define which country gain more. Opportunities are there; it now depends on how quick and smart Cambodia can do to leverage bilateral trust with China, strengthen its governance and leadership to grasp the opportunities.

The workshop will bring together Cambodian and Chinese experts and scholars to address the opportunities and challenges in implementing BRI in Cambodia. The participants of this workshop are invited to deliberate on several important questions related to: (1) Why does BRI matter for China and Cambodia? What are the opportunities? What are the constrains? How to overcome these obstacles? How to maximize the benefits generated by BRI? How should Cambodia and China work together to synergize BRI with Cambodian development objective?

## PROGRAMME AGENDA

Time	Activity	Note
8:30	Registration and Arrival of Participants	
<b>Opening Session is moderated by</b>		<b>H.E. Amb. Pou Sothirak</b> Executive Director, CICP
9:00	<b>Opening Remarks</b>	<b>HRH Samdech Norodom Sirivudh</b> Founder & Chairman, CICP
9:10	<b>Special Remarks</b>	<b>Mr. Li An</b> Economic and Commercial Counsellor, Embassy of the People's Republic of China in Cambodia
9:25	<b>Keynote Address</b>	<b>H.E. Mr. Lim Sidenin</b> Secretary of State, Ministry of Public Works and Transport of Cambodia
9:45	Coffee break	
<b>The First Session is chaired by</b>		<b>H.E. Mrs. Pok Marina</b> Director of East Asia Research Center, CICP
10:15	<b>Cambodian Government's Policy towards the BRI</b>	<b>H.E. Ms. Eat Sophea</b> Undersecretary of State, Ministry of Foreign Affairs and International Cooperation of Cambodia
10:40	<b>The Significance of China's Belt and Road Initiative in the Context of ASEAN and Cambodia</b>	<b>Ambassador Pou Sothirak</b> Executive Director of the Cambodian Institute for Cooperation and Peace
11:00	Question and Answer Session	
12:00	Lunch	

<b>The Second Session is chaired by</b>		<b>Ms. Pich Charadine</b> Assistant to the Executive Director, CICP
14:00	<b>Cambodia-China Partnership in Concretizing Belt and Road Initiative: Future Areas of Focus</b>	<b>Dr. Chheang Vannarith</b> , Member of Board of Directors, and Senior Research Fellow, CICP
14:20	<b>Belt and Road Initiative and Regional Connectivity: Chinese Perspective and Practice</b>	<b>Prof. Song Guoyou</b> , Director of Economic Diplomacy, Deputy Director for American Studies, Fudan University Shanghai, China
14:45	Questions and Answer Session	
15:30	Coffee break	
16:00	This session is reserved for open discussion and inputs from all the participants and is moderated by	<b>H.E. Amb. Pou Sothirak</b> Executive Director, CICP
17:00	Closing	<b>H.E. Amb. Pou Sothirak</b> Executive Director, CICP
End of the program		

## EXECUTIVE SUMMARY

The BRI is an excellent opportunity for Cambodia and China to raise their bilateral relationship to a new level. Both countries are at different stages of development and have complementarity; their political relationship at the highest level is excellent, and both countries are politically stable and peaceful. These conditions make investments and trade profitable and safe, and the BRI is the right development train for Cambodia to board.

China has agreed to align its BRI with the existing plans and cooperative frameworks that Cambodia and ASEAN have erected over the last decade. This commitment brings promise of extensive consultations on the BRI because the interests of both sides of collaboration would be considered. The synergy between BRI and Cambodia's national development strategy is critical to strengthening Cambodia-China partnership in implementing BRI projects.

Other than being consultative, BRI projects should also be professional and market-oriented. Cambodia would also erect plans for its industrialization and infrastructure building in line with the BRI vision. Delegates at the conference enumerated the areas that are priorities in Cambodia's development and indicated the wish that China would coordinate with and assist Cambodia to achieve those goals. Delegates also noted the primary responsibility for the development of Cambodia is with Cambodians; the latter has to ensure that Chinese aid and loans are not wasted in inefficiency and corruption, by ensuring transparency and accountability in terms of needs and quality. China on its end could also assist in these two important areas by adjusting its policies to ensure transparency and quality in outgoing investment projects funded by its aid and loans as preconditions for awards and tenders. Cambodians must also raise its act in developing its own capacity to govern, to organize for development goals, and to synergize resources within its own jurisdiction.

Delegates were of the view that in subscribing to the BRI and collaborating with China, Cambodian sovereignty and independence should be respected, and Cambodia's regional commitments with regards to ASEAN's vision and values are also important missions that Cambodia must strive towards. These two are not incompatible goals. However, a perception that Cambodia had compromised on those values have existed for some years, and it may be time that this perception be corrected. Delegates asserted that Cambodia has a right to use friendly and accessible means to develop its society, in accordance with its needs and stage of development. Methods and communications, however, would also

have to be sensitive to Cambodia's other regional commitments. On the whole, delegates agreed that BRI would become a new engine of growth and development, not just for Cambodia, but also for the world. This was encouraging given the rise in anti-globalization sentiments. Delegates however also noted that the BRI is not a rules-based regime and therefore in order not to generate anti-BRI feelings, the benefits of the BRI must trickle down and truly benefit society, rather than just the political and business leaders of partner countries. The added focus of the BRI on innovation and on people-to-people bonds are welcome, bringing the BRI beyond just a facility building business without due regards for other needs of BRI-littoral societies.



## SUMMARY OF THE PROCEEDINGS

The Belt & Road Initiative, initiated by China in 2013, has become a catalyst of change in the regional and global affairs. More than 60 countries have expressed support and their wishes to participate. The BRI promises to be a strong counter to strong anti-Globalization sentiments of the last few years and to become a new engine of growth that is not Western in origin.

Cambodia is in the heart of mainland Southeast Asia and sits on the path of the maritime route in BRI. The potential for China and Cambodia to cooperate extensively on the BRI, and thus to forge an even stronger relationship, is achievable if both sides understand each other's strengths and needs. With this aim, CICP has organized a one-day conference on the BRI to help the Cambodian public understand what the BRI is, and why it matters for Cambodia's relationship with China.

A total of four speakers from Cambodia and China spoke on the following themes:

- ❖ The significance of the BRI at the global, regional, and Cambodian context
- ❖ Chinese and Cambodian perspectives on cooperation and the BRI
- ❖ Cambodian government policy and possible areas of BRI partnership with China

This publication is a summary of the proceedings of the conference and reflects adequately both Cambodian and Chinese views.

### **Opening Remarks: HRH Samdech Norodom Sirivudh, Founder and Chairman, Cambodian Institute for Cooperation and Peace (CICP)**



More than sixty countries have expressed support and participation for the BRI, an emerging global force against the anti-globalization sentiments. Cambodia is committed to doing its best to help realize the vision of China, as demonstrated by the Cambodian PM attending the BRI Forum in Beijing in May 2017.

HRH Norodom Sirivudh said every partner of the BRI will benefit from it. If Cambodia participates, China will be able to help Cambodia develop its infrastructure and Special Economic Zones, reduce its logistics costs, increase Cambodian competitiveness, and become a new engine of growth. For infrastructure building, Cambodia annually required US\$ 600 million, and public funds are insufficient; therefore, private investments are required. The public sector would need to develop policies and legal frameworks for these BRI projects. He noted BRI is also about soft infrastructure, defined as human skills and capacity.

**Special Remarks: Mr. Li An, Economic and Commercial Counsellor, Embassy of the People’s Republic of China in Cambodia**

Mr. Li first recapped the excellent and close relationship between China and Cambodia. The Comprehensive Strategic Partnership has deepened economic and trade cooperation. China is now the largest source of Foreign Direct Investment and trade, as well as the largest source of tourists for Cambodia. Bilateral trade in 2016 was US\$ 4.8 billion, a 7.4% increase year-on-year. China is the largest export market for Cambodian rice. China takes up a total of 34.3% of the total of US\$ 11.8 billion into Cambodia.



The two countries are collaborating in electricity production (Chinese projects are the largest producer of electricity), special economic zones (more than 100 foreign enterprises invested), airports, and highways. Altogether, Chinese investments and businesses have created 16,000 jobs in Cambodia. China is also the largest giver of aid and loans, to schools, hospitals, and to clean water supply.

China has emphasized that a stable political environment and a favorable investment climate are key requisites for Cambodia’s success. These have brought about an average GDP growth of 7% per year to Cambodia in the last decade. GDP per capita per annum has grown from US\$ 300 in year 2000 to US\$ 1,300 in 2016. Cambodia is an investment destination that gives optimism and he has good reason to be greatly confident about the prospects of Cambodia.

Moving from ideas to action on the BRI, Cambodia would be an important partner to China. The two countries’ economies are complementary to each other

because they are in different stages of development. Recent visits by leaders (President Xi to Cambodia in 2016, and PM Hun Sen to China in 2017) have powered up activities to a higher level. Under the BRI, there is much potential in many sectors, such as infrastructure, information and communications, and agriculture and irrigation. He concluded that promoting the BRI in Cambodia will lead to a better future for Cambodia, and the Embassy of China will push to speed up cooperation in strategic areas.

**Keynote Address: H.E. Mr. Lim Sidenin, Secretary of State, Ministry of Public Works and Transport of Cambodia**



The BRI connects mainland and maritime routes and it is important for global cooperation and development. There is therefore a need for BRI participants to coordinate policy to facilitate cooperation deepening, and to build trust. Development policy-wise, Cambodia has a “Rectangular strategy” for development and growth, and in response to the BRI, the government has been promoting ideas for partnership on BRI, but these ideas would have to be based on the following principles.

- ❖ Consultation for win-win bilateral collaboration, which would promote peace, openness, and mutual learning.
- ❖ Cooperation should be based on concrete results and should fully utilize all mechanisms of international and bilateral cooperation on the development needs and the competitive advantages of each side. Cooperation with third country is also possible where appropriate.
- ❖ Principle of market-directed strategy and professionalism.

He said the government advocates the BRI to be in tandem with the ASEAN Masterplan of Connectivity and the Cambodian Industrial Development Plan 2015-2025. He noted connectivity must also include soft areas. Other than investments, growth, logistics, and transport networks, there should also be focus



on technological standard, financial cooperation, credit systems, and people-to-people bonds. In this regard, he said there were seven prioritized areas of connectivity.

- ❖ Enhancing the transport network in Cambodia, including highway between major nodes, inland waterway development, railway and airways, which would see direct flights between China and Cambodia increase. In other words, the BRI would be firmly within the bilateral Strategic Partnership framework. The transport network must be multi-modal.
- ❖ Speed up construction of the port at Sihanoukville, which is Cambodia's international trade port, and concurrently to encourage more Chinese investments in that area.
- ❖ Develop a national logistics masterplan.
- ❖ Energy sector cooperation to promote efficient production at reasonable prices, and to encourage Chinese enterprises to contribute, especially in the rural areas.
- ❖ Enhance development of the latest forms of agriculture, in sectors of natural rubber, rice, cassava, vegetables, corn, beans, and fruits. The bilateral cooperation should also, within the BRI framework, promote livestock breeding, fisheries, and the use of technology in those sectors.
- ❖ Cultural cooperation to raise mutual understanding and awareness of BRI
- ❖ Tourism cooperation - to try to raise Chinese tourist numbers to 2 million per year by 2020.

H.E. Sidenin also said Cambodia should respond appropriately to the BRI but adopting new strategies in the following areas.

- ❖ Promote human resource development, enhance capacity, professionalism
- ❖ Develop the transport system further to serve all sectors, to promote connectivity and borders of peace and development. There are plans to better connect Cambodia with neighbours through the upgrading of all rail and road connections and major transport and economic nodes in Cambodia.

He said the outlook for bilateral cooperation under the BRI is good. All assistance from China will not only benefit Cambodia, but will also strengthen Cambodian sovereignty. In this sense, in the coming stage of development, Cambodia cannot be detached from China.

**Speaker: H.E. Ms. Eat Sophea, Undersecretary of State, Ministry of Foreign Affairs and International Cooperation of Cambodia**

H.E. Ms. Sophea remarked the BRI, when proposed in 2013 by President Xi to revive the trade network on the continent, was greeted with much skepticism but the recent BRI Forum in May 2017 showed that BRI has gained great support and interest. 130 delegates from across the globe, including the UN Secretary General, the Managing Director of the IMF, and the World Bank, were present. Cambodia gave support when PM Hun Sen attended the May 2017 meeting.



Stating her support for the view that great strides have been made by Cambodian society and the economy has performed well in the past two decades, she noted that the progress was preconditioned upon a peaceful and unified Cambodia. The country is now one of the 6 fastest growing economies globally; poverty is being reduced by 1% annually. Cambodia graduated from low income to lower-middle income country status and is now able to contribute more proactively in international and regional affairs and in the development of the region.

Other than a peaceful environment, she said the correct choices of policies were also necessary to underpin this progress. The Triangular Strategy for development was adopted in 1998 and its success led to its being updated to the present Rectangular Strategy, which is now in the third phase. In 2015, the government launched its Industrial Development Policy, aiming to fulfill goals of sustainable and high economic growth, which is at the same time competitive and inclusive. The government is participating in and supporting many external initiatives and frameworks in service of this Strategy. At the same time, she said Cambodia must also maintain its neutrality in international affairs, adhere to peaceful co-existence with all countries and promote mutual respect.

H.E. Ms. Sophea said there are also many challenges and gaps to fill. There are the infrastructure gaps, including hard and soft infrastructure; gaps in institutional capacity; similar gaps in technology, in energy; in social services such as health care and sanitation. All these gaps require huge investments as well as adequate and skilled manpower. Cambodia welcomes assistance and

support from all quarters that have regards for the independence and sovereignty of Cambodia.

H.E. the Undersecretary said currently global economic and political weight has shifted to Asia, and China's global role is growing. At the same time, the world has also witnessed rising sentiments of protectionism, amid slow economic recovery. In this backdrop, the BRI is a new engine of growth. Cambodia is a strong proponent of the BRI because of its complimentary nature and premise on mutual respect. She said the BRI also conformed to the ASEAN vision of building an economically strong, vibrant, and inclusive community among its members. The BRI provides a way for ASEAN to reduce its development gap. She noted PM Hun Sen has called for the BRI Summit to be held regularly to review progress, and she thought this reflected great confidence in the BRI. She also thought that the financial component and international policy coordination would be key for the BRI to work.

On the bilateral side, she pointed out Cambodia has enhanced cooperation with China since 2010 and the BRI will be taking this cooperation to greater heights. A bilateral BRI Outline Plan for Cooperation was signed when PM Hun Sen visited Beijing in May 2017. This Plan aligned the two countries' development strategies – the 13<sup>th</sup> 5-year Economic and Social Development Plan of China, and the Cambodian National Strategic Development Plan and Industrial Development Policy. The two governments have identified seven key areas (infrastructure, agriculture, capacity building, industrial cluster, culture and tourism, financial sector, ecology and environment) and will determine priority projects through a BRI Task Group. Provincial level cooperation, with the participation of the private as well of the non-government sector will be sped up. She said the BRI provides an excellent opportunity for Cambodia to achieve its domestic agenda through international cooperation.

**Speaker: Ambassador Pou Sothirak, Executive Director, CICP**



Ambassador said he would provide a view of the BRI through looking at its three aspects:

- ❖ Chinese grand strategy

What has been the driving force for China

- ❖ Outside world response, and BRI with relations to Cambodia and ASEAN, including what conditions needed to be present for the BRI to become a win-win reality.

He read domestic Chinese motivation for the BRI to be the recalibration of its economic growth model and readjustment needed to counter increased pressure on growth. He noted alongside his view are others important aspects such as the connections of cultures, communities, economies, and people through the BRI, and that it would revive the ancient trade routes and build new ones.

He noted there are scholars who viewed BRI as a projection of Chinese power. They assessed the BRI as a way to build the Chinese identity, through a rejuvenation of China. They thought the BRI would boost regional integration but embedded in it is a Chinese geopolitical ambition. Despite the widespread support for BRI, Western scholars are skeptical about the Chinese ability to implement it. Over half of the large-scale Chinese infrastructure project overseas have budget over-runs, with little returns to investors. These skeptics, therefore, conclude that the Chinese intention is not purely benevolent, but is to build influence through infrastructure funding and building. Among Western scholars, there is also an opposite view that sees China stepping up to provide a public good (of funding infrastructure for development). Individuals such as Joseph Nye or Robert Zoelick would take this view and have encouraged the US to see it positively.

In the region, the BRI is expected to support ASEAN countries through the economic growth it would bring. Unlike the Trans Pacific Partnership (TPP), which is a rules-based single framework, the BRI is multi-connected framework connecting various parts of the globe, piece by piece, and each piece may be different from the next. This approach appears suitable for less-developed ASEAN countries.

Ambassador Sothirak said ASEAN wants to deepen its relationship with China. At the ASEAN AMM held in Kuala Lumpur in 2015, Foreign Minister Wang Yi mentioned that China was willing to align its BRI with the development strategy of ASEAN, which will provide impetus to ASEAN plans. If ASEAN countries collaborate, they stand to reap great benefits. He also noted the BRI is a non-western model mechanism for growth and integration, as well as for security interests.

He offered personal perspectives on BRI's significance for Cambodia, which has been a vocal supporter of BRI. He thought Cambodia should capitalize on neighborhood diplomacy by China and Chinese financial support either direct or through AIIB. Cambodia can benefit from BRI to meet much needed support for domestic infrastructure. Cambodia has become a major strategic partner for China, which has given Cambodia much help.

He pointed out that the BRI needed to consider appropriately the following two aspects:

- ❖ **Economic.** The main development challenge to Cambodia is in its infrastructure. Long term and careful planning are necessary when engaging with BRI and AIIB, so projects should be forged in that context. Financial risks are to be avoided as much as possible, such as in large scale projects that are politically volatile and financial risky. He thought capital borrowed from the AIIB should be able to provide stability and to ensure that Chinese companies, which will be obtaining projects through the AIIB, should stay true to the terms of the projects; i.e. accountability and durability or quality of project must be the results of any realization of the project so as to avoid local resentment.

PM Hun Sen and PM Li Keqiang signed a number of cooperation agreements during the BRI Summit in May 2017. Li pledged BRI alignment with Cambodian domestic development goals and the Lancang-Mekong cooperation mechanism. President Xi has said that China placed great importance to ties with Cambodia, called on both sides to enhance cooperation to promote the BRI.

- ❖ **Politic.** Ambassador Sothirak pointed out there are question marks over what is China's actual role in Cambodia? He was worried when observers said Cambodia was overly-dependent on China, which has caused Cambodia to change its international policies. He said unconditional assistance given by China to Cambodia has been seen to have aligned Cambodian foreign policy to Chinese foreign policy. He noted that there are observers expressed concerns over the 2012 lack of a Joint Communiqué at the ASEAN AMM, and the 9 July 2016 Cambodian statement on the South China Sea. For long term interests of Cambodia and the region, he thought China could provide more diplomatic space for Cambodia to interact with ASEAN and not to be seen as acting against the interests of the regional organization. He said a strong ASEAN will benefit China, showing that China and ASEAN can work together, and ASEAN

countries individually need not choose a balancing force against China. He ended his remarks that a quick resolution to the COC will bring about greater strength between ASEAN and China.

**Speaker: Dr. Chheang Vannarith, Board Member, CACP**

Dr. Vannarith thought the BRI was better seen as a framework rather than a concept. He thought China had always been practical in its approach towards governance since it began its reforms, therefore it would be a mistake to think that BRI was a Chinese ideology. The BRI was not rules-based but



cooperation based. He thought it was also trust-based. Everyone on the path of the BRI could be part of it, and the BRI after several years has managed to change skeptical minds. He thought the BRI was driven by China to create an extension of its domestic economy, and to maintain the momentum of reform and opening up through BRI. The angle of innovation began to be articulated only at the Beijing BRI Summit in May 2017, and before that, BRI was all about infrastructure. He urged all to think of “innovation” to also include affairs in the social and public sectors. Indeed, what was lacking now was social innovation, which meant to provide novel solutions to social problems.

Given China was a civilizational state, he thought it was inevitable that China also thought of using the BRI as a connector of civilizations. The principles of such connections enunciated including mutual learning, mutual benefit, openness, and inclusiveness. China was not willing to impose its own ideology on others through the BRI (thus mutual learning). While BRI has global coverage, he thought it would succeed if it responds to the needs of the localities.

Dr. Vannarith proposed the idea of a Belt and Road Community (BRC) as a prospect if the BRI becomes successful. The BRC would be:

- ❖ A Community of shared destiny
- ❖ A Community of shared prosperity
- ❖ Innovation driven Community, and a
- ❖ People-centered Community

He thought the BRC could be realized through leadership and raising the capacity of BRI implementing institutions. Every country regardless of size would have a role to play in the BRI leading into the BRC, but it was important that other countries had a reasonable expectation of China, since it alone cannot build this community.

The matter of capability, especially finance, brought Dr. Vannarith's point that Cambodia's participation in the BRI was perhaps a rebranding of the bilateral funding arrangements for Cambodia-China bilateral projects. Specifically, on Cambodia-China relations, he said there was a deep trust but nevertheless there was a lack of capacity and financial resources on the part of Cambodia. He therefore pointed out the importance of involving the private sector – perhaps the governments could build it and then leave the private sector to maintain the infrastructure. This led him to further point out that the Cambodian government should gain even further the societal trust by building institutions that can competently implement the BRI.

**Speaker: Prof. Song Guoyu, Director of Economic Diplomacy, Deputy Director for American Studies, Funan University in Shanghai, China**



Professor Song said he would provide the Chinese perspectives on BRI and regional connectivity issues. He said the essence of BRI is “connectivity” in the following areas:

- ❖ Policy coordination
- ❖ Facilities connectivity
- ❖ Unimpeded trade
- ❖ Financial integration
- ❖ People-people bond

He emphasized there would be different forms of financing arrangements – development finance, policy-based finance, commercial finance, and foreign aid.

He, however, returned to the Chinese belief that the connectivity being offered by the BRI would be economic development, political stability, and peace. The principles of work of the BRI would be extensive consultation, (共商) joint contribution (共建), and shared benefits (共享).

On China's side, Professor Song said efforts would be exerted by the entire government and society - all central level ministries, local governments, state and private enterprises, and financial institutions. The participation of local governments is significant because extensive consultation is a given and local government know their localities best and how to respond to the BRI. He gave the example of Shanghai, which is not involved in the BRI but the central government is persuading Shanghai to become involved, given Shanghai's important economic status. Shanghai now has 20% of all outgoing foreign investments from China, and now outgoing FDI is bigger than domestic SOE investments by as much as 50%. Wherever possible and appropriate, other provinces and cities would be similarly persuaded. The Professor said no doubt the economic activities inside and outside China would still carry on without the BRI, but the BRI served to focus attention.

The Professor further said the BRI was an opportunity to consolidate the currently peaceful situation in the world at large. This was a public good that China would like to provide, for with greater economic integration and attention given to peaceful development, there would be less conflict. He said the challenge that China had would be to better align its own policies with the facilities provided by other countries, source for the funds, ensure the security of the BRI, and persuade other countries to trust China, given soft power limits of China. The relationship that littoral (to the BRI) countries have with other great powers may persuade them not to cooperate with China. But that is a choice for the countries concerned to make.

**Speaker: Prof. Song Guoyu, Director of Economic Diplomacy, Deputy Director for American Studies Funan University**

On behalf of his Chinese colleagues, who could not be present due to the disruption of their flights, Professor Song presented shortly on the opportunities and challenges of Cambodia-China cooperation of the BRI.

In terms of the opportunities, he thought there were sufficient economic interest on both sides. There was economic complementarity and a shared ambition of development and prosperity, which are the priorities of national policy. Cambodia occupied a remarkable position with regards to China, as it had a double mechanism for bilateral cooperation: the BRI and the Lancang-Mekong River mechanism. Third, the political leadership of both sides have a close relationship, which was extremely important because of the trust engendered. The domestic constituencies of both countries also supported deep cooperation.



Security risks to investments in Cambodia were minimal. Because of the shared common values, Prof. Song described the Cambodia-China relationship as “comradeship”

(志同道合).

But there are challenges as well. China has domestic constraints as 70 million people are still living under the poverty line that requires substantial Chinese resources, which cannot be diverted to Cambodia appropriately without a domestic outcry. Second, the dominant currency in use in Cambodia now is the US dollar. If the RMB could be circulated more, it would be much easier than before for Chinese to do business in Cambodia. Third, third parties such as other major powers are negatively influencing some quarters in Cambodia to not cooperate well with China. He said this was not a fair approach – China welcomes fair competition through the market, but not political negativity. Fourth, he was worried that as a result of the negativity, there would be negative public reaction in partner countries, such as Cambodia.

### **Questions & Answers**

Q1 A senior official in his personal capacity asked: What are the challenges, constraints, and antagonisms arising from BRI in term of Cambodia’s commitment to other international frameworks? How can Cambodia continue to retain its independence and freedom to choose? Further, after the BRI has been advocated for several years, there is still sight of the money trickling in. He wondered how would the funds for BRI be obtained, given that this is governmental cooperation.

Q2 An official from the Ministry of Foreign Affairs and International Cooperation commented that it is surprising that the topic of BRI can be linked as far as to the South China Sea issues in 2012 and again the re-portray of Cambodia as being pro-China. He suggested that this was an old history and that the Royal Government of Cambodia has made its position clear for several times already. On the concern of Chinese economic influence over Cambodia and possible lack of independence, he raised that Cambodia’s current bilateral trade with China, which amounts to US\$ 5 billion, is minimal if compared to trade between Vietnam-China, Singapore-China and Thailand-China, which are US\$ 100 billion, US\$ 80+ billion and US\$ 40+ billion, respectively. Every nation tries hard to promote their respective national interest, so does Cambodia. Putting the BRI into context, Cambodia should think of how to take more benefits from the existing good political relations with China rather than holding back itself.

Q3 A person from the National Assembly asked H.E. Ms. Eat Sophea to elaborate on the work of the BRI Task Group.

In response to Q1, H.E. Eat Sophea said the frameworks were not in conflict with each other and therefore there is no need to choose one at the expense of another. The Cambodia-China understanding on the BRI is that future bilateral cooperation would be in line with existing frameworks or commitments that Cambodia has made. She said she understood that skepticism about the BRI was natural and the BRI should be expected to bring benefits to the country that initiated it. She said Cambodia was a small country and it could not make a big splash through its own initiatives. What Cambodia could do, however, was to catch the train of development when it presented an opportunity for boarding. Ambassador Sothirak said the BRI is a piece-by-piece collaboration rather than a rules-based regime. As such, there is no single set of regulation, and each country has to consider each and every project carefully to not conflict with their existing arrangements and obligations. He said he also understood that China is flexible and would not impose BRI terms on the partnered countries.

On procedural aspects of funds for BRI, Ambassador Sothirak said presumably some money would come from the AIIB, which has a capital of about US\$ 100-150 billion. Annually, about US\$ 10-15 billion would be lent out, according to expectations. However, so far only Myanmar and Indonesia have received funding for projects. He said the AIIB would gladly work with Cambodia, but Cambodians were not asking for funding from the AIIB given that Cambodia could obtain funding at better terms from the current group of donors. He stressed, however, that Cambodians should not go for the funding just because they are available, but to think about the necessity of projects needed to be done for the long term. Prof. Song also commented that based on the data released by the Cambodian government, there was more than US\$ 2 billion of FDI in Cambodia in 2016, of which China had contributed US\$ 500 million. This amount was one quarter of all funds, double that of second-placed Hong Kong, and triple the amount of the third-placed country. He said the Silk Road Fund, just launched two years ago, would be a very important vehicle to fund BRI activities. He said strictly speaking, the AIIB was not the financial platform for BRI, given that the AIIB operated only in Asia. Furthermore, AIIB experience is still new, having been in existence for only 18 months and have just launched 12-13 programs.

Professor Song said the BRI is not any form of union, nor is it any kind of free trade agreement. It was simply a Chinese proposal for international cooperation.

Extensive consultations would be conducted and if potential partners decided not to join, then there would be no BRI projects on the bilateral agenda. Furthermore, it was not as if China was paying for all costs and taking all benefits. Partner countries were expected to contribute jointly – “just do your best and China will also do its best”. The benefits will also be shared. In addition, China is also inviting international NGOs to participate so as to inculcate the value of inclusiveness. The BRI is cooperation-based, not rules-based.

On Q2, Ambassador Sothirak said he mentioned the South China Sea issue in the context of Cambodia needing more political space to maneuver. He said a quick check around the region would produce the perception that Cambodia was not neutral on the South China Sea. He said even Russian scholar, faraway and not core to the region, thought that the Cambodia position was too close to China. He agreed that Cambodia needed to act in its own national interests. But neutrality is as much perceived as what one does in action. Whether one is willing to have discussions on the subject, South China Sea and Lancang-Mekong issues will influence and shape regional perception of China as well as whether Cambodia was standing too much on China’s side. Ambassador Hor Nam Bora, Cambodia’s Ambassador to Indonesia, said that it was important to think about and to consider Cambodia’s image in the international arena.

On Q3, H.E. Ms. Eat Sophea said her Ministry was assigned the Outline Plan for cooperation only in May 2017. The Ministry is studying how best to implement it, especially on how to raise higher awareness within the government to coordinate policies from different sectors and sides. This process would take some time.

Q4 A representative from the private sector said he saw a gap between what was said about the BRI and what is happening on a daily basis. He said he received Chinese investors all the time, and they hardly knew anything about the BRI. They were in Cambodia only because President Xi had asked businessmen to invest in Cambodia. There were now 800 such Chinese private investors in Cambodia. He said bilateral economic activity has increased, with or without the BRI.

Ambassador Sothirak said that Cambodia would receive investments, with or without the BRI, but we had to think about how Chinese investments should and could benefit Cambodia. He also noted that BRI as the new term was evolved from “One Belt One Road” and he wondered whether the name change was because the global audience had perceived the original name to be too much about Chinese ownership.

Q5 A journalist from Radio Free Asia said that from his perspective, Chinese investments and aids did not take into serious consideration of the environmental impacts, and they had little respect for human rights. He cited the example of the Lower Sesan dam in electricity production. Thousands of residents who had lived there for generations were evicted without due regard for what they wanted or for adequate compensation. He said he had also asked the Embassy of China for an explanation but he did not receive a reply. He asked what could be done so that the benefits are more equitably shared, and the environment and human rights are conserved and protected?

Professor Song commented that Cambodia had been experiencing a severe shortage of electricity and therefore a bump up in energy supply was necessary. But it was ultimately up to Cambodia to decide how to balance between environmental and other social concerns, and the price and supply of electricity.

Q6 On the Belt and Road Community, David Koh, Senior Visiting Fellow of CICP, said it was a straw man meant to provoke thinking about how the BRI could ever become a community. He said the use of the word “community” evoked a sense of shared destiny and identity, which he said would be controversial. Many other regional groupings, such as ASEAN, have put community-building as their organizational goal but the reality was far from it and the journey will take generations.

Ambassador Sothirak said it was still too early to talk about a “community” given that even the BRI is not a completed project.

Q7 Ambassador Sothirak said the societal trust of China by ordinary Cambodians is low. He also questioned whether the BRI has strong domestic support in Cambodia. He also would like to have clarified the notion that China and Cambodia shared common values, given that one is largely Confucian, and the other Buddhist, in outlook. A journalist from the Voice of America asked whether there could be more transparency with regards to how much loans China was giving to Cambodia and how the money would be spent. He asked if the citizens are not the focus of the given aid, would they be happy with the BRI?

Professor Song said the strong domestic support he saw in Cambodia was for economic development, and on this, the BRI would be helpful to Cambodia. For shared values, he thought China and Cambodia shared values driven by development. He said NGOs tend to have slightly different priorities, but sometimes a national strategy is needed to generate national wealth and societal benefits through international cooperation. Therefore, the BRI is an external

initiative and if Cambodia wanted to implement it, it would have to consider adopting some of the values inherent in BRI activities. He, however, conceded that more attention needed to be paid to the social responsibility of enterprises, which he said was the lesson that China has drawn from its investments in Africa. Professor Song said more and more Chinese are travelling overseas, and the statistics have been an increase of 10% every year. In 2014, 10 million Chinese were on outbound trips. In general, Chinese individuals thought the BRI was a good initiative, but some others also espoused the view that China was still a developing country and it was not the duty or obligation of China at this stage to provide any public goods to the world. In doing so, China may overstretch itself.

Dr. Chheang Vannarith said he thought more thought and action are required to manage the loans and aid more effectively. There were questions about political will and capacity among local governments as well as how to strike partnership with stakeholders. The lack of transparency would lead to a trust deficit between the state and society in Cambodia. It is not fair to put all criticism on the Chinese investors and development agencies concerning corruption. We need to look into the performance of Cambodian public institutions and governance issues.

HRH Norodom Sirivudh remarked that there were always questions hanging more on the transparency of Chinese assistance to Cambodia. While China could always provide statistics, the responsibility for transparency and accountability stayed squarely with the Cambodian government. It was certainly correct to speak about the people's perception on this issue. He suggested to have public parliamentary debates on the development assistance and on foreign investments in Cambodia.

A Singapore Diplomat separately shared his perspective that there are multiple sources of developmental funding available for Cambodia to tap on, such as via AIIB, ADB or World Bank. The challenge, however, was to increase Cambodia's capacity to unlock these sources of developmental aid, given that many development agencies had a tedious approval process for proposals. Relevant proposals had to be fielded from the appropriate Cambodian Ministries/agencies, and also keep in mind the targeted audience as well as the mission and aim of the project. He added that there also needs to be synergy between different Cambodian and international stakeholders in conducting developmental projects in Cambodia. Everyone needs to bring their relevant expertise to the same table. Often, donors did not necessarily have all the technical expertise and ground knowledge. In this regard, quality expertise should be sourced from anywhere and everywhere, including Cambodian agencies/companies and regional partners who could have more contextual understanding and knowledge of the local needs.

Q8 The RFA journalist followed up the remarks of Professor Song to say that Cambodians did want to have both developments without sacrificing non-material benefits with regards to society and environment. He said, at the very least, such development projects, if they affected local people, should provide adequate compensation for people to have a livelihood. Professor Song said Cambodians were no different from Chinese, who also wanted to have both objectives achieved, if possible. He said the conceptual problem was to think that those two objectives were 100% in conflict with each other. He said his personal understanding was that the loans for projects given by China do have standards, but the question is whether China should compel Cambodian society to change.

On the matter of Cambodia's foreign relations and the impact of China on ASEAN, Ambassador Sothirak said observing through time, he thought the Chinese foreign policy of non-interference and applying it to its foreign aid, needed to be recalibrated. Chinese infrastructure quality at home was excellent, but he noted that roads built by Chinese projects within Cambodia were of inferior quality. Chinese investment projects in Cambodia had to be audited for quality. Therefore, transparency was insufficient; there has also to be accountability.

Dr. Chheang Vannarith said legitimacy as an applied concept in politics has now gone beyond economic performance or output legitimacy. The source of legitimacy of any regime also relies on good governance and the quality of public services. China has learned from the past mistakes of the USA, and now would not impose political conditions on other countries for the aid it has been giving. He thought the quality of infrastructure was important especially in the context of whether they could withstand climate changes and extreme weathers. BRI projects should adopt a "resilient infrastructure" approach. He believed that China had the political will to make adjustments and would demand for more quality without changing its basic principle of non-interference.

HRH Norodom Sirivudh added that he agreed that Cambodia always has a choice in choosing partners as well as to make sure its national interests are secured. He said the BRI was an instance where global, regional, and national interests met. It was important for Cambodia to take advantage of the BRI because it could further unlock economic development in Cambodia. At present, Cambodia has over-emphasized military and security issues, and the private sector is weak,



akin to a person that had a small head (intellectuals, innovation, economic development), a big stomach (public sector), and skinny legs (private sector). The legs and the head needed to be strengthened and the stomach reduced, to make Cambodia a better country.

Dr. David Koh remarked that at the global level, after the infrastructure and facilities on the BRI are completed, it would mean more access for Chinese goods to other countries' markets. With China being so competitive in manufacturing, the BRI could bring even more trade surpluses for China. BRI could become a one-way street of trade. Professor Song said time would tell, but he noted China had last year for the first time in its history organized an Import Fair within China, whereas before this, there were just Export Fairs. He said China knew it had to address the trade surplus issue and would be willing to import more from the outside world. He also noted the economic structure in China was changing. The service sector was now contributing more than 50% to GDP, and the trend over the last two years was a decline in trade surplus with respect to its share in the GNP.

## ANNEX

**Opening Remarks by HRH Samdech Norodom Sirivudh  
Founder and Chairman  
Cambodian Institute for Cooperation and Peace**

**At the Workshop on Overview and Outlook of Cooperation between China  
and Cambodia under Belt and Road Initiative  
22 June 2017, Phnom Penh**

Excellency,  
Distinguished Speakers,  
Ladies and Gentlemen,

On behalf of the East Asia Research Centre (EARC) of the Cambodian Institute for Cooperation and Peace (CICP), I would like to extend our warm welcome and sincere appreciation to your participation in our workshop today.

Belt and Road Initiative (BRI), initiated by China in 2013, has become a catalyst of the regional and global order. More than 60 countries have expressed their support and participated in the initiative. BRI is an emerging global force against re-emerging de-globalization sentiment taking place in different parts of the world.

BRI is a new global force of peace, stability, prosperity, and harmony. Cambodia is committed to doing its best to realize the initiative. Every country, regardless of size and power, has a role to play in BRI.

Southeast Asian countries have expressed their interest in joining the BRI to varying degrees. Cambodia is one of the most supportive of the initiative due to the perceived vast economic opportunities to be generated by BRI. Every country will benefit from BRI.

For Cambodia, infrastructure development and connectivity is our core national interest in joining BRI. We have high expectation that China will help Cambodia develop its infrastructure such as roads, rails, airports, seaports, hydropower plants, and special economic or industrial zones. Doing so would reduce logistics cost in the kingdom, enhance economic competitiveness, and diversify sources of growth.



BRI also strengthen the economic performance of the Royal Government of Cambodia, under the leadership of Prime Minister Hun Sen. Cambodia needs capital to invest in infrastructure. Annually, it is estimated that Cambodia needs about US\$ 600 million in infrastructure development.

Public funding alone is not adequate to meet huge infrastructure needs. Private investment in infrastructure is required. Therefore, we need to develop a reciprocally beneficial partnership between the public and private sector. Investment risk and slow return are the main constraints for the private investment in infrastructure. The public sector must develop a policy and legal framework that is conducive for private infrastructural investment.

Institutional capacity and governance define the success of BRI. Without good governance (transparency and accountability), the BRI projects will fail. Without institutional capacity, the BRI projects will be slow. BRI is not only about hard infrastructure but also soft infrastructure. Human resources development and production capacity constitute core components of the soft part of BRI.

Today we have distinguished speakers from China and Cambodia to share their perspectives on how to move BRI forward in a win-win cooperation. People-to-people bond is critical in deepening bilateral partnership in realizing BRI. I strongly believe through such intellectual dialogue, we can come up with innovative ideas to further enlighten BRI.

The workshop aims to address the following questions (as already stated in our concept note): Why does BRI matter for China and Cambodia? What are the opportunities? What are the obstacles and constraints? How to overcome these constraints? How to maximize the benefits, while minimize the costs? How should China and Cambodia work together to synergize BRI with Cambodian development objective?

I wish the workshop a great success!  
Thank you!

**Special Remarks by Mr. Li An  
Economic and Commercial Counsellor  
Embassy of the People's Republic of China in Cambodia**

**At the Workshop on Overview and Outlook of Cooperation between China  
and Cambodia under Belt and Road Initiative  
22 June 2017, Phnom Penh**

Respected Your Royal Highness Samdech Norodom Sirivudh, Founder & Chairman of the Cambodian Institute for Cooperation and Peace,

H.E. Mr. Lim Sidenin, Secretary of State, Ministry of Public Works and Transport of Cambodia,

H.E. Ms. Eat Sophea, Under Secretary of State, Ministry of Foreign Affairs and International Cooperation of Cambodia,

H.E. Ambassador Pou Sothirak, Executive Director, Cambodian Institute for Cooperation and Peace,

Distinguished guests,

It is my great pleasure to attend the Workshop on "Overview and Outlook of Cooperation between China and Cambodia under Belt and Road Initiative" organized by the East Asia Research Center (EARC) of the Cambodian Institute for Cooperation and Peace. Firstly, on behalf of the Chinese Embassy in Cambodia, please allow me to extend our congratulations to the Workshop.

Cambodia and China are neighbors with close friendship. In recent years, with the common concern and impetus of the leaders of both countries, the comprehensive strategic partnership between the two countries has been deepened, and significant progress has been made in various cooperation fields. Especially in the field of economic and trade cooperation, China is not only Cambodia's largest trading partner and the largest source of foreign investment, but also Cambodia's largest source of tourists. According to the Chinese statistics, bilateral trade between China and Cambodia in 2016 was US\$ 4.8 billion, up by 7.4% from the previous year. China is the largest rice export market of Cambodia. According to the Cambodian statistics, as of the end of 2016, China's total contracted investment in Cambodia accumulated to US\$ 11.8 billion, accounting for 34.3% of Cambodia's total foreign investment. The two countries have made important achievements in investment cooperation in the fields of electricity, agriculture, tourism, special economic zones, and information communication.

The Chinese power generation enterprises are the largest power supplier in Cambodia. The Sihanoukville Special Economic Zone has attracted 109 enterprises from China, Europe, the United States, Japan, Korea and other countries, and created 16,000 jobs for the locals. In addition, a Chinese enterprise has signed BOT agreement with Cambodian Government on the Siem Reap new airport project, and the cooperation agreement of expressway from Phnom Penh to Sihanoukville is being actively discussed. According to Cambodian statistics, China provided the biggest amount of aid and loans to Cambodia among all countries, built the largest amount of roads, bridges, water conservancy facilities and power grids in Cambodia, and a number of schools, hospitals, rural roads and water supply projects, and agricultural technological cooperation center. The above-mentioned projects have played a positive role in accelerating the development of Cambodia and improving people's livelihood.

Cambodian Government attaches great importance to the development of national economy, and continuously improve the investment environment. In 2004, Prime Minister Samdech Hun Sen formally put forward the Rectangular Strategy and currently in the 3rd Phase. In 2015, the Royal Government of Cambodia issued the Industrial Development Policy (IDP) 2015-2025. We are pleased to see that in the past 20 years, under the excellent leadership of Prime Minister Hun Sen, Cambodia has maintained peace and stability, and has rapid economic development. As one of the countries with fast economic growth, Cambodian GDP has maintained a high growth rate of about 7% over the years, GDP per capita increased from US\$ 295 in 1996 to US\$ 1,300 last year. Under the support of rapid economic growth, Cambodia's infrastructure construction has been accelerated, national income and people's livelihood have been improved, and economic development potential has become increasingly apparent. Cambodia is becoming an ideal investment destination for enterprises all over the world including Chinese enterprises. Chinese investors are optimistic about Cambodia's development prospects, willing to increase long-term investment in Cambodia. We are of great confidence in Cambodia's future development.

In 2013, Chinese President Xi Jinping proposed the Belt and Road Initiative, which has a profound impact on China and the world. Over the past four years, more than 100 countries and international organizations have actively supported and participated in the construction of the Belt and Road. The construction of the Belt and Road has gradually shifted from idea to action, from vision to reality. Cambodia is located at the center of the Indo-China Peninsula and the heart of Southeast Asia. It is an important partner for China to carry out the Belt and Road construction and international productivity Capacity cooperation. China

and Cambodia are at different stages of development, the economic complementarity is very strong and development strategies are highly compatible. The two countries have broad prospects for cooperation.

Last October, President Xi Jinping visited Cambodia with great success; the two sides signed total 31 documents including the promotion of the Belt and Road construction, productivity Capacity and investment cooperation and other important documents. Last month, Prime Minister Samdech Hun Sen visited China and attended the Belt and Road International Cooperation Summit, the two sides signed the *Outline of Bilateral Cooperation Plan to Jointly Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road*. The above-mentioned visits have strongly pushed the friendly and cooperative relations between the two countries to a new and higher level. China and Cambodia are closely linked to each other along the Belt and Road, the potential of future cooperation between the two countries is enormous in the areas of agriculture, tourism, airport, sea ports, expressways, hydropower stations, power transmission networks, information and communication, irrigation and other infrastructure constructions.

Distinguished guests,

The beginning of everything is always difficult. The Belt and Road construction has taken a solid pace, we shall follow the trend and keep the momentum, promote the Belt and Road to build a tighter cooperation towards a better future. This year is an important year for the Belt and Road construction, the Chinese Embassy in Cambodia is willing to make joint efforts with Cambodian side to comprehensively and thoroughly implement the important consensus of the leaders of the two countries to speed up the development of strategic areas of cooperation, so that the Belt and Road may benefit more people of the two countries.

I hope that all of you will take this opportunity to exchange views actively and make valuable suggestions for the Belt and Road construction.

Finally, I wish the Belt and Road Workshop to be a complete success.

Thank you.

**Keynote Address by H.E. Mr. Lim Sidenin,  
Secretary of State, Ministry of Public Works and Transport**

**At the Workshop on Overview and Outlook of Cooperation between China  
and Cambodia under Belt and Road Initiative  
22 June 2017, Phnom Penh**

Respected Venerables

HRH Samdech Norodom Sirivudh, Founder and Chairman of the Cambodian Institute for Cooperation and Peace

Excellencies and Distinguished Participants

University Students

First of all, on behalf of H.E. Sun Chanthol, Senior Minister and Minister of the Public Works and Transport, I would like to express my deepest gratitude to HRH Samdech Norodom Sirivudh, Founder and Chairman of the Cambodian Institute for Cooperation and Peace, for inviting me to deliver a keynote address at this workshop.

Under the initiative of the Chinese president Xi Jinping, One Belt One Road is indeed very beneficial for the land-based and maritime trade cooperation and development.

**I. Visions and Objectives**

The objective of the One Belt One Road strategy is to foster cooperation among countries along the belt and road initiative in Central Asia, West Asia, East Asia, Russia, Europe, Persian Gulf, Indian Ocean and to the rest of the world in the future, by connecting infrastructural roads and ports. The main components of the cooperation are:

- ❖ Political cooperation by developing communication mechanisms and intergovernmental macro-policies exchange in order to deepen mutual benefit and building trust. To connect hard and soft infrastructure, including roads and connectivity, by using common standard
- ❖ To facilitate trade and investment by eliminating investment barriers
- ❖ Financial cooperation by stabilizing currencies, investment, and credit system

❖ People-to-people connectivity

In the meantime, under the leadership of PM Samdech Techo Hun Sen, Cambodia also implement the “Rectangular Strategy” for socio-economic development of the country. The two strategies, i.e. the “Rectangular” and OBOR, share some common aspects that could possibly be merged. Therefore, the Royal Government of Cambodia and the People’s Republic of China have collaborated together to create the Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road called “One Belt, One Road Cooperation”.

Furthermore, in order to deepen our understanding and enhance beneficial cooperation between the two sides, we need to share results, increase and strengthen cooperation in all relevant sectors and at every level, promote new ideas for cooperative mechanisms, develop model and concept to make political interactions closer and tighten economic link, cultivate closer ties through cultural exchange as well as to create a modelling concept of bilateral cooperation between China and Indochina.

Under the OBOR framework, both parties will also expand regional cooperation to jointly develop China-Indochina economy and to build an open, equal and mutually beneficial economic cooperation.

In addition, with the need to further enhance comprehensive strategic partnership, both parties must strengthen cooperation in major areas such as: investment, industry, trade, finance and culture. Both parties agreed to the following guidelines:

1. Collaborative consultation to achieve the win-win development policies under the OBOR that is peaceful, open and mutual benefit cooperation. Both parties will reinforce common strategies, mutually beneficial development and cooperation requirements by adhering to the consultation process and benefit sharing.
2. Cooperation based on the factual results

Both parties will fully utilize the existing bilateral and multilateral cooperation mechanisms, implement the bilateral cooperation projects based on comparative advantage and development needs of each individual country by cooperating with the third countries or other countries at the appropriate time as well as to ensure sustainable development which should benefit the people of both countries.

### 3. Government intervention and market direction setting

Both parties will provide platform for information sharing at different levels and regions and to agree upon different forms of cooperation such as between government and government and the market mechanism. Both parties will comply with the international and professional guidelines and follow the market measurement when implementing major and important projects.

- ❖ The Royal Government of Cambodia pays serious attention to the effectiveness, indication and integration of transport sector and its linkage. People's Republic of China's new initiative "OBOR" is walking alongside with the ASEAN Masterplan 2015-2025 to continue developing ASEAN Economic Community until 2025 by connecting with the Cambodia's Industrial Development Policy 2015-2025.

These policies and strategies are the key roadmap for other countries to develop strategic policies of integration, competitive linkage, cooperation for regional integration and globalization. Based on the above emphasis, Cambodian government consistently implements policies on the infrastructural connectivity between and among neighboring countries including: Laos, Thailand, Vietnam, other ASEAN member states, Greater Mekong countries such as Mekong-Lancang, Mekong-Japan, Mekong-Korea, Mekong-Ayeyawady-Chao Phraya, Mekong-Ganga, etc.

There are six potential and primary sectors to be considered with regards to this connectivity:

- ❖ Improve the transport networks especially the highway to Sihanoukville, railroads, waterways and airways (e.g. direct flights from China to Cambodia) in order to attract more Chinese visitors. To push together the "OBOR" initiative which is very important and comprehensive to Cambodia-China partnership.
- ❖ Expedite the construction of Sihanoukville port, which is an important export and import international gateway, and to encourage the Chinese enterprises to develop the economic zones, especially to make Sihanoukville an important site for Chinese investment in Cambodia.
- ❖ Develop the masterplan for logistics, investment centers, and multi-purpose transport

- ❖ Energy sector: Develop plan for a more economical solar energy system and clean energy usage as well as to encourage the Chinese enterprises to contribute to the strengthening of electricity coverage in rural areas.
- ❖ Agricultural sector: Develop plan for modern agriculture and initiate cooperation in the natural production of rubber, rice, cassava, vegetable, corn, beans, fruits, etc. Strengthen cooperation on raising livestock and fishery in order to improve the technology used and the agr0-industry, in an attempt to exporting those goods to overseas.
- ❖ Cultural sector: Propose to encourage cultural connection and cooperation as to increase understanding and acknowledgement of ancient and contemporary cultural values of Cambodia and China.
- ❖ Tourism sector: Encourage comprehensive cooperation to achieve the goal of 2 million Chinese tourists to Cambodia by 2020.

All Chinese development assistance to Cambodia does not just aid in the country's development but also in respect to the political sovereignty and independence of Cambodia. China contributes tremendously to Cambodia's development to what it is today.

## **II. Cooperation on infrastructure under the "OBOR" framework**

In response to the above strategy, Cambodia creates the following development strategies:

- ❖ Human capital development plan, build technical and new technological capacity in transport sector.
- ❖ Management and development plan on roads, railroads, waterways, local and international ports in order to cater the agricultural, tourism and service sectors, linking the transport networks across the country as well as to neighboring countries, making border areas peaceful, cooperative and developed. The actual plan is to build infrastructure across the country. Develop plan to build infrastructure connecting the regions, sub-regions and neighboring countries. Develop plan to build roads, railroads connecting with the international ports, Sihanoukville and Phnom Penh Autonomous Port.
- ❖ Rehabilitate railroads on the east side between Phnom Penh and



Sihanoukville province.

- ❖ Propose plan to rehabilitate and repair the railroad from Phnom Penh to Poi Pet, connecting the link to Thailand
- ❖ Propose plan to build railroad from Phnom Penh to Snoul
- ❖ Propose plan to build railroad from Phnom Penh to Phnom Penh Autonomous Port
- ❖ Propose plan to build dry port, special economic zone, tourism port and commodity port in provinces bordering the seas.

Samdech, His and Her Excellencies, members and esteemed participants,  
Based on the observation on the cooperation between China and Cambodia under the “OBOR”, BRI is very important and beneficial for Cambodia and other countries in the region, sub-region and other countries across the world.

In conclusion, I want to wish esteemed participants the four Buddha blessings: longevity, nobility, health and strength, and wish the workshop a successful and fruitful.

## **CAMBODIA'S POLICY TOWARD THE BELT AND ROAD INITIATIVE**

### **Remarks by H.E. Ms. Eat Sophea, Undersecretary of State, Ministry of Foreign Affairs and International Cooperation of Cambodia**

Your Royal Highness Samdech Norodom Sirivudh, Chairman and Founder of CICP,

H.E. Lim Sidenin, Secretary of State for Public Works and Transport,

H.E. Ambassador Pou Sothirak, Executive Director of CICP and other distinguished speakers,

Excellencies, Members of the Diplomatic Corps, Distinguished participants,

I am very pleased to have this opportunity to share with you my views on Cambodia's policy towards the Belt and Road Initiative. I would like to express my high appreciation to CICP for organizing today's event. Cambodian Institute for Cooperation and Peace is indeed the right institution for the organization of today's discussion, because as I understand, the ultimate aims of the Belt and Road Initiative is to promote cooperation on all fronts within and across different regions and civilizations for mutual benefits, shared prosperity, and peace. I hope you could bear with me for the next 15 minutes.

In 2013, when President Xi Jinping of China first proposed to revive the ancient trade network that span thousands of kilometers from the Eastern Hemisphere Westward to Eastern Europe, it was greeted with much skepticism by many. But now this initiative has gained great support and interest as evident from the high-number and high-level participation in the BRI Forum for International Cooperation held in Beijing last May. 29 foreign Heads of State and Government, including Samdech Techo Prime Minister Hun Sen, gathered along with delegates from 130 countries, the United Nations Secretary General, WB President and Managing director of the IMF were also present.

There is no doubt that the BRI has the full support of the Royal Government of Cambodia. The support came from the very top and we are among those who had embraced the initiative enthusiastically from the start. Before I go further on our Government's perception and policy toward this grand scheme, I would like to touch on the context of Cambodia's political economy which engendered an inclination to the BRI.

In the 1980s and early 1990s, Cambodia was in a state of war and peace. We were able to concentrate on socio-economic development and promotion of our stature only in 1998, after the Win-Win policy of our Prime Minister was successfully implemented resulting in complete peace and a unified country. For the past 19 years Cambodia has been doing very well on its path of progress in all sectors. A stable economic growth at an average rate of 7.7% in the last two decades, making Cambodia the 6th fastest growing country in the world. Poverty has been reduced by more than 1% annually; rising GDP per capita from just US\$ 288 in the year 2000 to approximately US\$ 1,225 in 2015; we are better connected internally and with the rest of the world. We can contribute more proactively to international peace and development.

This achievement is possible because we have peace and stability, and the correct path of development that our government has chosen. I guess you all remember the Triangular strategy which was launched in 1998 emphasizes on consolidating peace and stability and Cambodia's regional and international integration as an indispensable condition for Cambodia's economic and social development. The Rectangular Strategy, launched in 2003 and now in its 3rd phase, has been successfully implemented building on the success of the Triangular Strategy. Most recently our Government introduced Industrial Development Strategy 2015-2025 in order to fulfil our aspiration to build sustainable, inclusive and high economic growth through diversifying our industries, strengthening competitiveness and improve productivity; and as a predominantly agricultural country, we also want to add values to our agricultural products and strive to build higher skilled industries.

Cambodia has supported and participated in many initiatives and frameworks, which has helped us to further our socio-economic progress, narrow our development gap and contribute to peace, stability and shared prosperity in the region and the world. This is done with our firm adherence to the policy of neutrality, peaceful co-existence and non-interference in the internal affairs of others. Our efforts and correct policy choice has produced fruits; and a lot has been achieved in Cambodia in the political, economic, social and cultural fronts, considering that we started rebuilding from ground zero in 1979.

However, Cambodia still face a lot of challenges. A lot more is needed to narrow development gap domestically and within the region. We have gap in physical infrastructure, gap in institutional capacity, gap in knowhow and technology, gap in energy, gap in social services such as healthcare and sanitation etc., and

we do need a huge investment and resources to maintain the momentum of our progress. We welcome and appreciate support from all quarters that come without disregard to our independence. We will support any initiatives that help us achieve our national goals.

Excellencies, Ladies and Gentlemen,

It is a fact that the political and economic weight has now shifted to Asia. The importance of China's role in the global trade, economic development, political and security is growing. As we witness growing sentiment towards trade and economic protectionism, slow global economic recovery and scores of non-traditional and cross boundary challenges such as environmental degradation and labor migration, China presented an ambitious plan - The Belt and Road Initiative, which presents great opportunities for creating synergies from the strength and wisdom of diverse civilizations and the potentials of nations along the Belt and Road to engendered shared prosperity, amicable interactions among the people and of course peaceful co-existence and peace.

As I said earlier, Cambodia is a strong proponent of the BRI because this Initiative seeks complementary with existing bilateral and multilateral cooperation frameworks, mechanisms and initiatives. We are not compelled to choose either of them. It premises on the principles of mutual respect for each other's sovereignty, equality, peaceful co-existence and mutual benefit. The BRI's objective runs parallel with the ASEAN's Vision to build an economically strong, socially vibrant and mutually caring community of Southeast Asian nations. It offers another avenue for Cambodia to move closer to narrowing its development gap.

Samdech Techo Prime Minister Hun Sen, in his remarks at the BRI Forum for International Cooperation in Beijing last May, called for this platform to be held regularly so as to take stock of the progress of BRI implementation. His statement reflects our government's positive perception of the BRI and great confidence in its future prospect. The initiative indeed has well-thought out long-term strategies and more importantly financing mechanisms to make it work. Nevertheless, it is necessary to have careful policy coordination for such a grand scheme to succeed.

Ties between Cambodia and China was already enhanced to the "Comprehensive Strategic Partnership" since 2010. Our support for the BRI has taken Cambodia-China cooperation to a greater height, and a significant ground has been covered. With regard to policy coordination, Cambodia and China agreed on an **Outline Cooperation Plan to Jointly Build the Silk Road**

**Economic Belt and the 21st Century Maritime Silk Road** which was signed, well ahead of schedule, at the opportune time when Samdech Techo Prime Minister Hun Sen participated the BRI Forum for International Cooperation in Beijing on 14-15 of May.

This plan seeks alignment of the two countries' development strategies, namely China's 13<sup>th</sup> Five-Year Plan for Economic and Social Development and Cambodia's National Strategic Development Plan and Industrial Development Policy 2015-2025. This Outline Plan focuses on 7 key areas for cooperation:

- ❖ **Infrastructure:** To strengthen land, air, maritime **transportation** connectivity between Cambodia and China and Cambodia with its neighbors. Bridge the **communication** gap within Cambodia and with the outside world and jointly promote Belt and Road Spatial Information Corridor construction. Bridge the **energy** gap.
- ❖ **Agriculture:** To improve production and quality of products, promote capacity to add product values through building agro-processing industry, Improve bilateral trade and investment in high-quality agricultural products.
- ❖ **Capacity Building:** To focus on key cooperation areas through training in various forms and jointly establish research laboratories, promote the transfer of advanced technology suitable for development in related areas.
- ❖ **Industrial Cluster:** Encourage development of SEZs, especially in Sihanoukville through private participation and experience sharing.
- ❖ **Culture and Tourism:** To encourage cooperation among cultural institutions, promote mutual recognition and understanding of each other's core values. Expand tourism cooperation and exchange.
- ❖ **Finance:** Facilitate local currency settlement and expand the use of Chinese Yuan in bilateral trade and investment. Exchanges in the banking sector. Encourage support for Chinese-funded banks in innovate financial products. Set up a mechanism for risk assessment and crisis management.
- ❖ **Eco-environment Protection:** Conduct exchanges on laws, regulations, policies and standard for eco-environment protection, speed up the establishment of Cambodia-China Environment Cooperation Center and

to jointly build Green Silk Road.

Cambodia and China have also set out guidelines for determining priority projects, agreed to establish a Belt and Road Working Group tasked with planning, coordination and implementation of the action plan. Encourage cooperation at provincial level and contacts among private sector communities and non-governmental organizations of the two countries.

On the BRI, Cambodia has not only expressed strong support, but also enthusiastic working with China to define cooperation areas and to set up relevant mechanism for promoting cooperation. We are very optimistic and have firm belief that the Belt and Road Initiative will offer great opportunities for Cambodia to realize its domestic development agenda and contribute to shared prosperity, amicable and beneficial interaction and exchange between different cultures and civilizations.

Thank you very much for your kind attention.

# THE SIGNIFICANCE OF CHINA'S BELT AND ROAD INITIATIVE IN THE CONTEXT OF ASEAN AND CAMBODIA

**Remarks by Ambassador Pou Sothirak**  
**Executive Director of the Cambodian Institute for Cooperation and Peace**

I am pleased to offer some of my thoughts on China's Belt and Road Cooperation with ASEAN and Cambodia at this workshop.

My presentation covers three aspects. First, I like to mention briefly about China's grand strategy with respect to the "Belt and Road Initiative" and address the issues of what drive China to come up with such grand scheme and what has been the outside world's response to this initiative. Then, I like to discuss China's Belt and Road Initiative in relation with ASEAN in general and Cambodia in particular, by giving my assessment on what conditions would have to be met to forge good cooperation for a win-win situation for all sides.

## **I. China's BRI Grand Strategic Strategy**

At the dawn of the 21st century, China, being the world's second largest economy with a GDP greater than US\$ 10 trillion and the world's largest trading nation in goods with over 120 countries, takes upon itself to resuscitate the current sluggish global economy deriving from the 2008 international financial crisis, the worsening sovereign debt crisis in Europe, along with slow economic recovery and mounting difficulties faced by many developing countries.

Another impetus for the BRI is for China to recalibrate domestic growth policy based on the overhaul of its economic structure, the shifting of its growth model and the readjustment of the government priorities and policies to counter the increased pressure, both at the domestic and international levels.

However, following Chinese President Xi Jinping's announcement in September 2013 of the concepts of the "Silk Road Economic Belt" in Kazakhstan and in October of the same year the "21st Century Maritime Silk Road" in Indonesia, international attention has turned to this new China Diplomacy with perplexing response.

During mid-May this year, China organized the Belt and Road Forum for International Cooperation with the intention to seize the opportunity to explain to other countries its grand vision to revive and expand the Silk Road trade

routes, and help fund developing countries' infrastructure projects.

In his speech to the BRI forum in Beijing on 15 May 2017, President Xi linked BRI to China's foreign policy goals of win-win and common development, believing that it would 'generate strong momentum for building a human community of shared future' where benefits are more than just the exchange of goods but the facilitation of healthy exchange of cultures which could make the world a better place for mankind.

IMF Managing Director Christine Lagarde subscribed to this comment at the Forum and stated that *"The Belt and Road Initiative is about connecting cultures, communities, economies, and people. It is about rejuvenating ancient trade routes and building new ones. It is also about adding new economic flavors by creating infrastructure projects that are based on 21st-century expertise and governance standards"*<sup>1</sup>

Likewise, Chinese State Councilor Yang Jiechi said after the Forum that China did not have selfish motives nor pursue selfish interests, and hosted the forum with an open, inclusive, democratic and transparent attitude.<sup>2</sup>

For those 29 foreign leaders and 1,200 delegates from over 100 countries who attend the Forum as well as for the domestic audience, the BRI is in many ways representing a resounding foreign policy success for President Xi, as the initiative promises a major economic recovery for not only China but also a great many states of Asia, Europe and Africa.

However, there are scholars who see the "Belt and Road" initiative as merely a core foreign policy under President Xi Jinping as China embarks on its global power projection. They believe that this initiative also helps build Chinese identity and their global image to realize the 'China Dream' and the 'rejuvenation of China'.<sup>3</sup>

Some Western scholars remain pessimistic over China ability in delivering efficient projects both at home and abroad and claim that although BRI initiative

---

<sup>1</sup> See "Belt and Road Initiative: Proven Policies and New Economic Links", by Christine Lagarde, IMF Managing Director, <<https://www.imf.org/en/News/Articles/2017/05/14/sp051417-belt-and-road-initiative-proven-policies-and-new-economic-links>>, accessed on 19 June 2017

<sup>2</sup> See "Belt and Road forum points clear way for future cooperation", Xinhua News, May 17, 2017, <[http://news.xinhuanet.com/english/2017-05/17/c\\_136292793.htm](http://news.xinhuanet.com/english/2017-05/17/c_136292793.htm)>, accessed on 19 June 2017

<sup>3</sup> See "One Belt One Road: China Global Strategy" by Rumi Aoyama, <<http://www.tandfonline.com/doi/pdf/10.1080/24761028.2016.11869094>>, accessed on 19 June 2017



aims to boost intra-regional and inter-regional economic integration, but China's geo-political ambition clearly embedded in it. A group of researchers from Oxford University found that over half of China's large scale infrastructure projects were poorly managed, featuring cost overruns, lack of real economic benefit in the areas where the projects are built, and little in the way of returns to investors. They are also not convinced that the initiative is a purely benevolence as China stresses the geopolitical value of the projects, rather than their economic value and also seeks to build its political influence in Africa and Asia through infrastructure development.<sup>4</sup>

However, there is other individual who see the BRI as a provider of global public good and urge the US to embrace BRI. Joseph S. Nye, Jr., Professor at Harvard University, states that *"Overall, the United States should welcome China's BRI. As Robert Zoellick, a former US Trade Representative and World Bank president, has argued, if a rising China contributes to the provision of global public goods, the US should encourage the Chinese to become a responsible stakeholder."*<sup>5</sup>

## **II. Belt and Road Initiative and ASEAN**

The BRI is expected to firmly support ASEAN countries in promoting sustainable economic growth, through infrastructure development.

At the China-ASEAN Expo in 2013, Premier Li Keqiang called for an ASEAN-oriented maritime silk road to serve as strategic propellers for hinterland development and economic prosperity of countries along the Belt and Road and regional economic cooperation in general.<sup>6</sup>

Unlike the TPP, which is a single framework connects different economies around common rules, common regulatory approaches, and common market access, BRI, in contrast, is a multi-component framework that connects diverse parts, piece by piece, via their common interest in national development. BRI pursues connectivity not through common economic rules and market

---

<sup>4</sup> See article "The Problem with China's One Belt, One Road Strategy" by Spencer Sheehan, published in the Diplomat on 24 May 2017, <<http://thediplomat.com/2017/05/the-problem-with-chinas-one-belt-one-road-strategy/>>, accessed 20 June 2017

<sup>5</sup> See "Xi Jinping's Marco Polo Strategy", Joseph S. Nye, <<https://www.project-syndicate.org/commentary/china-belt-and-road-grand-strategy-by-joseph-s-nye-2017-06>>, accessed 20 June 2017

<sup>6</sup> See article "Foster Synergy among MDBs, Advance the Belt and Road Initiative" by Yang Shaolin, available at <http://en.drc.gov.cn/YangShaolin.pdf>, accessed on 20 June 2017

liberalization, but instead through new infrastructure, trade and investment facilitation zones, and targeted development projects. As such, BRI scheme appears more suitable for ASEAN states, especially for the lesser-developed members.

In March 2015, a full-fledged planning document called “Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road”, was formally authorized by China’s State Council, emphasize on orienting the trade routes toward ASEAN countries to help the region upgrade its infrastructure and promote its connectivity.<sup>7</sup>

There have been consistent indications that China is willing to deepen the relations with ASEAN, especially with the five countries along the Greater Mekong River, by jointly planning and building extensive transportation networks. This intention was highlighted by Chinese Premier Li Keqiang, at the 5<sup>th</sup> leaders meeting on the Greater Mekong Sub-region (GMS) economic cooperation held in December 2014 in Bangkok, pledging infrastructure loans totaling US\$ 10 billion for Southeast Asian countries and proposing railway and production capacity cooperation.<sup>8</sup>

In addition, Foreign Minister Wang Yi of China in August 2015 during China-ASEAN Foreign Ministers’ Meeting in Kuala Lumpur mentioned that China is willing to align its BRI with ASEAN countries’ respective development strategies and the construction blueprint of ASEAN Community in order to provide new impetus and create new prospects for China-ASEAN cooperation and growth. This is a welcome sign for ASEAN to capitalize on the new Chinese initiative.

Therefore, Southeast Asia nations are poised to reap greater benefit from China’s Maritime Silk Road, if ASEAN states can expand their efforts to direct Beijing’s engagement so that the BRI can serve as a new model of nonwestern oriented international cooperative mechanisms to create new opportunities for mutual cooperation that would strengthen ASEAN’s own particular regional integration agendas as well as security and economic interests.

---

<sup>7</sup> See “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” National Development and Reform Commission of the People’s Republic of China, March 28, 2015, <[http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html)>, accessed 20 June 2017

<sup>8</sup> See “Economic community, Belt and Road initiative twin engines for ASEAN development”, Xinhua News, 22 November 2015, <<http://www.khmertimeskh.com/news/18074/news-analysis--economic-community--belt-and-road-initiative-twin-engines-for-asean-development/>>, accessed 20 June 2017

### III. The Significance of BRI for Cambodia

Turning the attention to Cambodia now, the country should capitalize on China's great emphasis with neighborhood diplomacy and China's preparedness to extend financial supports through the Asian Infrastructure Investment Bank (AIIB) or other form of financial supports for infrastructure projects as a way of winning the support and goodwill of neighboring developing countries.

With constructive engagement with Beijing, Cambodia will certainly benefit from the BRI initiative to meet the demand of much needed infrastructure projects to enhance national economic growth.

China has become one of Cambodia's main development and strategic partners. According to a report by the Council for the Development of Cambodia, from 1994 to 2015, the total amount of Chinese direct flow of investment to Cambodia was US\$ 10.3 billion mainly in garment production, agriculture, mining and infrastructure. In terms of development assistance and loans to Cambodia, China has provided about US\$ 3.4 billion from 1992 to 2015 according to a report from the Ministry of Economy and Finance. The bilateral trade between the two countries accounted for more than US\$ 3 billion in 2013. At the 11<sup>th</sup> Asia and Europe Meeting (ASEM) Summit held in July 15-16, 2016 in Ulaanbaatar, Mongolia, China has pledged a three-year grant and aid assistance of 3.6 billion Yuan (about US\$ 600 million) to Cambodia in the area of electoral process, health, education, and access to clean water, as reported by Khmer Times on 20 July 2016.<sup>9</sup>

In return, Cambodia has also been a vocal supporter of the BRI from the start. In June 2015, Cambodia also signed a Memorandum of Understanding regarding the Asian Infrastructure Investment Bank as a founding member. Due to this economic growth opportunity, the ever increasing cooperation with China along with the China-backed AIIB, we can expect the continuing strengthening and expansion of ties between the two countries.

There is a widespread optimism in Cambodia that BRI creates huge opportunities for country to develop and catch up with other countries in the Asia-Pacific region. However, in order for BRI to make greater stride and contribute significantly to Cambodia, appropriate considerations must be paid to the following important aspects:

---

<sup>9</sup> See article "PM Calls for More Connectivity", Khmer Times, 20 July 2016, <<http://www.khmertimeskh.com/news/27406/pm-calls-for-more-connectivity/>>, accessed 20 June 2017

## **Economic Consideration**

Financing infrastructure development remains the main development challenge for Cambodia. While BRI presents a great opportunity for Cambodia to access financial resources and technical expertise in developing and connecting its roads, rails, and ports with the region, long-term planning for its infrastructure development is necessary when engaging with the BRI and AIIB. This undertaking will have an economic logic and help prepare Cambodia to avoid any possible financial risk that might be of concerns. As a developing country, Cambodia should pay attention to large scale infrastructure projects that are politically volatile and economically vulnerable. Cambodia needs to properly assess the risk-benefit aspect of any large scale infrastructure project to ensure that capital acquired from the AIIB can indeed provide the stability or security necessary to see the project through, with guarantee from the Chinese counterparts holding on to their end of the bargain. This is simply because large scale infrastructure project tends to galvanize public opinion toward corrupt practice, lack of proper monitoring and accountability in making sure good quality and durability of the project which can become a source of local disgruntlement and resentment.

## **Political Consideration**

During an official visit to China to attend the Belt and Road Forum for International Cooperation in Beijing, Prime Minister Hun Sen and Premier Li Keqiang, on 16 May, signed a number of documents on cooperation in strategy coordination, infrastructure as well as economic and technological areas within the framework of the BRI. The Chinese Premier expressed willingness to align the BRI with Cambodia's development and improve bilateral trade, investment and education, as well as pay close attention to Cambodia's important role in promoting the Lancang-Mekong River cooperation. He also mentioned that China is ready to maintain high-level exchanges and strategic communication with Cambodia, promote people-to-people ties, and support Cambodia's role in regional and sub-regional platforms.<sup>10</sup>

On 17 May, President Xi Jinping told visiting Cambodian Prime Minister that China attaches great importance to ties with Cambodia and stands ready to enhance the comprehensive strategic cooperation and contribute to regional peace and prosperity. The Chinese President called on both sides to enhance

---

<sup>10</sup> See "China and Cambodia sign agreements under Belt and Road Initiative", <<http://www.ecns.cn/video/2017/05-17/257787.shtml>>, accessed on 20 June 2017

practical cooperation and implement plans and projects to promote Belt and Road Initiative construction, especially in capacity cooperation and investment.<sup>11</sup>

The BRI is expected to play greater role to further promote bilateral relations between Cambodia and China, as both countries will celebrate the 60<sup>th</sup> anniversary of diplomatic relations.

Notwithstanding this excellent tie, the far-reaching Sino–Cambodia relations over the past decade have heightened concern about China’s actual role in Cambodia. Some observers argued that Cambodia’s overdependence on China has been significant in shaping Cambodia’s foreign policy, current and future reform agendas, its political system and relations abroad.<sup>12</sup>

Although China’s unconditional assistance to Cambodia can help develop the economy while enabling the country to maintain sovereignty and pursue an independent foreign policy on the international stage. But, as some scholars have argued, the more Cambodia receive assistance from China, the more the country has to align its foreign policy stand in line with China’s opinion, especially with regard to the issues related to the South China Sea. The failure to issue a joint communiqué in 2012, followed by Cambodia with its statement on 9 July 2016 saying that it will not join in expressing any common position on the verdict of the Permanent Court of Arbitration in July 2016 regarding the case instituted by the Philippines against China on the South China Sea, served to highlight this concern.<sup>13</sup>

For long term interest and the need to maintain good relations between states, China, as a major power, should be mindful to this public perception and need to provide more space for Cambodia to engage with ASEAN as a source of cohesion, solidarity, support, unity, strength and of course, greater prosperity. A strong and united ASEAN could also benefit China as well because it shows that ASEAN and China can work together to manage the problem on their own,

---

<sup>11</sup> See “China, Cambodia vow to implement cooperation plans under Belt and Road Initiative”, Xinhua, 17 May 2017, <[http://news.xinhuanet.com/english/201705/17/c\\_136292171.htm?from=singlemessage&isappinstalled=1](http://news.xinhuanet.com/english/201705/17/c_136292171.htm?from=singlemessage&isappinstalled=1)>, accessed 20 June 2017

<sup>12</sup> See “Cambodia should be cautious when it comes to Chinese aid”, East Asia Forum, 9 July 2016 <<http://www.eastasiaforum.org/2016/07/09/cambodia-should-be-cautious-when-it-comes-to-chinese-aid/>>, accessed 20 June 2017

<sup>13</sup> See article “Cambodia as an Example of Chinese Influence in ASEAN” by Dmitry Bokarev, 20 January 2017, <<http://en.reseauternational.net/cambodia-as-an-example-of-chinese-influence-in-asean/>>, accessed 20 June 2017

especially with the positive momentum that has been created with agreement reach on the 'Framework of the COC' recently. And the sooner both sides can sign the politically bidding Code of Conduct, the better the guarantee against any foreign interference or meddling, something that China always wanted.

## **CAMBODIA-CHINA PARTNERSHIP IN REALISING BRI**

**Dr. Vannarith Chheang**  
**Member of the Board of Director**  
**Cambodian Institute for Cooperation and Peace**

### **Summary**

- The China-proposed Belt and Road Initiative (BRI) is a new driving force in shaping global economic order. BRI serves as China's grand strategy to project its global influence and leadership role through economic and cultural diplomacy.
- Cambodia is enthusiastically supportive of the initiative mainly for economic reasons especially infrastructure development and production capacity cooperation.
- BRI is compatible with and complementary to national development strategy as it strengthens Cambodia's economic competitiveness through diversifying the sources of growth and expanding its economic horizon.

### **Introduction**

Southeast Asian countries have expressed their interest in and support of China-proposed Belt and Road Initiative (BRI) at varying levels. Some countries are fully supportive of the initiative, while others are cautiously engaged. In overall, Southeast Asian countries perceive BRI as an economic opportunity. The paper discusses the perception of the Cambodian stakeholders with regard to BRI. The perception is structurally influenced by Cambodia's domestic economic condition that needs to diversify its sources of growth, invest in infrastructure and production capacity to stay competitive and catch up with other regional countries. It argues that Cambodia is enthusiastically engaged in BRI due to economic determinant, particularly in infrastructure development and connectivity, and the synergy between BRI and national development strategy. The risk, which is low at the moment, is that economic overdependence on China may limit Cambodia's foreign policy options. There is some concern with regard to the quality and standard of Chinese investments and development projects under the BRI.

## **What is BRI?**

Belt and Road Initiative (BRI), which was launched in 2013 to connect Asia, Europe and Africa, serves as China's grand strategy to project its larger global leadership role. The report of the Eighteenth National People's Congress set out the vision of BRI focusing on five measures (policy communication, infrastructure connectivity, unimpeded trade, currency circulation, and shared understanding between peoples) and five communities (a civilized community, a community with common interests, a community with shared responsibility, a security community, and a community with common destiny). BRI has three main objectives, namely promoting global economic growth, realizing global rebalancing, and creating a new model of regional cooperation in the 21<sup>st</sup> century.

The conceptual approaches and development plans of BRI are evolving from infrastructure development and connectivity to policy coordination, institutional capacity building, free flow of goods and capital, the promotion of cultural inclusiveness and people-to-people interactions. BRI, although it was spearheaded by China, has been linked with national development strategy of some participating countries, such as Cambodia, as BRI also stresses "strategic synergy and connection with local development plans" and strives to become a model of enabling and energizing "economic integration between China and its peripheral neighboring countries."<sup>1</sup>

The priority areas of cooperation under BRI are policy coordination, facilities connectivity, transport infrastructure construction and connections, energy cooperation, communication infrastructure construction, unimpeded trade and investment cooperation, financial integration, communication between political parties and parliaments, cultural exchanges, and exchanges between civil society groups. At the first Belt and Road Forum (BRF) in Beijing on 14 May 2017, President Xi Jinping highlighted five guiding principles of BRI, namely a road for peace, a road of prosperity, a road of opening up, a road of innovation, and a road connecting civilizations.<sup>2</sup>

---

<sup>1</sup> Zhao Hong (2016) Can China's OBOR Initiative Synergize with AEC Blueprint 2025? Perspective, 16 November 2016. Singapore: ISEAS-Yusof Ishak Institute.

<sup>2</sup> Xi Jinping (2017) Speech at the Opening Ceremony of the Belt and Road Forum for International Cooperation, 14 May 2017.



## Why Does BRI Matter?

BRI, mainly driven by China's domestic pressing economic concern<sup>3</sup>, is an emerging key factor in shaping global governance, international economic order, geopolitical landscape, and global ecosystem. BRI has received remarkable support from more than 60 countries and it has become an attractive global initiative, particularly amid rising economic protectionism and uncertainties in different parts of the world. There are no conditions attached to the countries that are interested in joining BRI, which covers 65 percent of the world's population, three-quarters of global energy resources and 40 percent of global GDP.

The countries located along the BRI are expected to greatly benefit from economic and cultural cooperation either bilaterally or multilaterally through policy coordination, institutional alignment, infrastructure development and connectivity, deepened trade and investment ties, production capacity cooperation, cultural and social cooperation, and information and media cooperation. Knowledge sharing and mutual learning on development experiences, innovation, governance, and leadership will be critical.

BRI is China's grand strategy for expanding global presence and leadership role, harnessing multilateral institutions, and enhancing partnership with neighbouring nations. China hopes to expand its influence in a geopolitical marketplace where global powers are competing for influence in emerging markets. To what extent China can deliver depending on the speed and effectiveness of implementation and support from the participating countries in BRI.<sup>4</sup>

BRI is believed to be a key shaping force of the new global economic order guided by an open and inclusive international system. Along with the growing Chinese investments, especially in physical or hard infrastructure, and surging trade flows along the Belt and Road, a new wave of labour migration, mobility of entrepreneurs and their family members, and student exchanges is going to take

---

<sup>3</sup> Peter Cai (2017) Understanding China's Belt and Road Initiative. Analysis, March 2017. Lowy Institute. [https://www.lowyinstitute.org/sites/default/files/documents/Understanding%20China%E2%80%99s%20Belt%20and%20Road%20Initiative\\_WEB\\_1.pdf](https://www.lowyinstitute.org/sites/default/files/documents/Understanding%20China%E2%80%99s%20Belt%20and%20Road%20Initiative_WEB_1.pdf), accessed May 17, 2017.

<sup>4</sup> PwC (2016) China's New Silk Road: The Long and Winding Road, <https://www.pwc.com/gx/en/growth-markets-center/assets/pdf/china-new-silk-route.pdf>, accessed May 17, 2017.

place as well<sup>5</sup>, which potentially lead to deepening cross-cultural dialogue and mutual learning.

The BRI, a conduit of the Chinese strategic access, also has significant impact on international geopolitics as China is trying to expand its strategic space for global power projection through harnessing economic power and international institutions.<sup>6</sup> Greater economic interdependence is believed to be the foundations to long-term and stability. BRI also aims to rejuvenate Chinese dream and a global order in which China provides resource legitimacy, maintains peace and stability, and connects civilizations. BRI assists China in leveraging economic advantage and interdependence to enlarge political and strategic space. Through economic diplomacy, China can effectively exercise its soft power, which is the key component for the realization of which a “Sino-centric order”<sup>7</sup>.

### **Cambodia-China Relations**

China-Cambodia relations date back to more than two thousand years. The Ming Dynasty navigator Zheng He (or Cheng Ho) stopped over Chenla (present-day Cambodia) several times during his voyages. Historical records show, “the Angkor Wat Dynasty in Cambodia had a flourishing civilization during the 9<sup>th</sup> century. Zheng He visited the Angkor Wat ruins and studied the architectural style and layout of the ancient temples, which he used as reference when he built Dabaoen Temple and Galazed Pagoda years later”.<sup>8</sup> In 13<sup>th</sup> century, Chinese envoy Zhou Daguan visited and stayed at Angkor for eleven months. He then wrote a book notes entitled “Costumes of Tchen La” which shed light on the local culture and daily life of the Khmer people.

In modern time, the bilateral relationship was built after the meeting between Premier Zhou Enlai and Prince Norodom Sihanouk at the Bandung Conference in 1955. At the invitation of Premier Zhou, Prince Sihanouk paid a state visit to Beijing the following year. Friendship between the gentlemen was “compelling

---

<sup>5</sup> Raya Muttarak (2017) Potential implications of China’s One Belt, One Road’s Strategies on Chinese International Migration. Working Paper 05/2017, Vienna Institute of Democracy. [http://pure.iiasa.ac.at/14556/1/WP2017\\_05.pdf](http://pure.iiasa.ac.at/14556/1/WP2017_05.pdf), accessed May 16, 2017.

<sup>6</sup> Padriag Murphy, One Belt One Road: The Silk Road, XXI Century, 24 March 2016, The Institute of International and European Studies, [http://www.iiea.com/ftp/Publications/2016/IIEA\\_Silk%20Road%20XXI%20Century\\_PMurphy.pdf](http://www.iiea.com/ftp/Publications/2016/IIEA_Silk%20Road%20XXI%20Century_PMurphy.pdf), accessed May 17, 2017.

<sup>7</sup> The Straits Times, “ China pledges \$174 billion for Belt and Road Initiative, Says open to everyone, 14 May 2017, <http://www.straitstimes.com/asia/east-asia/free-trade-important-engine-for-development-says-xi-jinping-at-opening-of-one-belt> , accessed May 17, 2017.

<sup>8</sup> Fu Chungjiang (2005) The Great Explorer Cheng Ho. Singapore: AsiaPac Books, p.65.

and unusual”<sup>9</sup>. Domestic political changes in Cambodia had disrupted the bilateral ties. After the end of the Cold War, both countries faced a new task in restoring their traditional ties. Prime Minister Hun Sen paid his first official visit to Beijing in 1999 to consolidate political trust and economic cooperation. During his trip, China offered an interest-free loan of US\$ 200 million and a pledge of US\$ 118.3 in grant (the largest package that China had ever provided by then).

In December 2010, the bilateral relations were advanced to a “Comprehensive Strategic Partnership of Cooperation”. Since then, the reciprocal high-level visits have been carried out and the inflow of Chinese investments and tourists has markedly increased. At the bilateral summit between President Xi Jinping and Prime Minister Hun Sen in October 2016 in Phnom Penh, “ironclad friends” were used to describe the friendship. At that time, President Xi said, “China-Cambodia friendship serves as a model of friendly treatment and sincere cooperation”. Prime Minister Hun Sen said, “China has treated Cambodia with equality, understanding and respect. China always walks the walk instead of talking the talk.”<sup>10</sup>

In the past decade, bilateral trade volume has increased on average of 26 percent per year. Bilateral trade volume in 2016 hit US\$ 4.8 billion. Cambodia’s export to China reached over US\$ 830 million. The main exported products to China are milled rice, dry rubber, cassava, fishery, and apparels. The main imported products from China are garment raw materials, machinery, vehicles, foodstuffs, electronics, medicines and cosmetics. Both countries committed to boosting the bilateral trade to US\$ 5 billion in 2017. From 2000 to 2016, the Council for the Development of Cambodia approved 2,284 projects from China, which worth more than US\$ 4.2 billion. The cumulative investment is over US\$ 14 billion from 1994 to 2016. Chinese investments concentrate on infrastructure development, labour and resource intensive industries. In 2016, Cambodia's Ly Yong Phat Group (LYP Group) and China Minsheng Investment Group (CMIG) signed a US\$ 1.5 billion deal to build a Cambodia-China Friendship City in Phnom Penh's northern suburb.

Chinese concessional loans and grants to Cambodia have topped over US\$ 4 billion, which mainly focus on road and bridge infrastructure and hydropower plants. China, under grant and loan programs, has built highways with an

---

<sup>9</sup> Julio A. Jeldres (2012) Cross-Currents: East Asian History and Culture Review, E-Journal No. 4, pp.52-63.

<sup>10</sup> Ministry of Foreign Affairs of China, [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1407054.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1407054.shtml), accessed April 10, 2017.

accumulated length of 2,669 km, accounting for 35 percent of the total length of national highways in Cambodia. China has built seven large-scale bridges over the Mekong River and other rivers, and constructed a number of hydropower stations (six completed and one under construction, with a total installed capacity of 133 MW) and three major power grid networks. In 2016, China provided grants to build a new modern international stadium for Cambodia to host SEA GAMES in 2023.

The number of Chinese tourists to Cambodia reached 700,000 in 2015. By 2020, it is predicted that the number will reach 2 million. Currently, there are 93 flights per week between China and Cambodia. Cambodia has 36 commercial banks and 11 specialized banks, of which two are the Chinese commercial banks and one is Chinese specialized bank with a combined investment capital of US\$ 223 million. With regard to people-to-people ties, China provides hundreds of scholarships annually to Cambodian students to pursue higher education at various universities in China. So far more than 700 Cambodians have graduated from China.

### **Cambodian Perceptions on BRI**

China is the most important strategic and economic partner of Cambodia. Political trust and personal relationship between the two leaders, transcending from generation to generation, are the foundations of the bilateral ties. Cambodia perceives the rise of China as a great opportunity for Cambodia to develop its economic and to strengthen its autonomy against the pressures from the West that keeps demanding for political and governance reforms in Cambodia. Such deep political trust and friendship shape Cambodian perceptions, particularly among the governing elites, towards China's foreign policy initiatives including the BRI. At the dinner reception organized by the Chinese-Cambodian Association on February 4, 2017, Prime Minister Hun Sen said, "The rise of China does not pose a threat to others. Through its policy of good neighborliness and the Belt and Road initiative, it brings benefits to developing countries in Asia and other regions, including Cambodia."<sup>11</sup>

BRI is strongly perceived as an important cooperation framework to assist Cambodia in catching up with other countries in the region through broadening

---

<sup>11</sup> Fresh News, Prime Minister Hun Sen's Excerpts at Dinner with Cambodian-Chinese Association, February 4, 2017, <http://en.freshnewsasia.com/index.php/3406-prime-minister-hun-sen-s-excerpts-at-dinner-with-cambodian-chinese-association.html>, accessed March 13, 2017.

and deepening economic linkages with China. BRI fits well with the Cambodia's Industrial Development Policy. There is a need to further link BRI with our Industrial Development Policy (IDP)<sup>12</sup> to diversify industrialization through investing more in agro-industry, light manufacturing, information technology, and innovation-driven service industry. BRI is expected to reducing transport and logistics cost while connecting the multimodal transport system through a vibrant national logistics system to increase Cambodia's economic efficiency and competitiveness. Another key area is to reduce electricity cost and improve irrigation systems.

BRI is also compatible with Cambodia's Rectangular Strategy<sup>13</sup>, which focuses on four strategic objectives, namely ensuring an average annual economic growth rate of 7%, creating jobs, reducing more than 1 percentage point of poverty, and strengthening institutional capacity and governance. The strategy continues to invest in roads, water, electricity, and people - the four focus areas since 1980s. Integrating and synergizing BRI with Cambodia's development initiatives would generate more concrete results. Moreover, BRI will assist Cambodia to better connect with the region, facilitate trade and investment cooperation, and deepen regional integration.

In its current form, BRI is compatible with and complementary to ASEAN connectivity projects and ASEAN Economic Community Blueprint 2025, which aims to further integrate regional economy. Zhao Hong argues, "China has the potential to transfer some of its high-quality production capacity to CLMV countries, while OBOR can complement and synergize with the AEC Blueprint for enhanced connectivity and sectoral cooperation."<sup>14</sup>

The governing elites, representatives of civil society groups, and representatives from the private sector share similar views that BRI brings more opportunities than risks to Cambodia. For the Cambodian elites, BRI is a new catalyst to sustain high economic growth and strengthen economic competitiveness through infrastructure development, trade and investment, and tourism. The civil society groups welcome BRI as a new source of socio-economic development but also raise certain concerns regarding the quality, accountability, and transparency of

---

<sup>12</sup> Hang Chuon Naron, Introductory Remarks at the Symposium on the Belt and Road Initiative and Its Implications for Cambodia. Phnom Penh, 21-22 December 2015.

<sup>13</sup> Personal communication on April 14, 2017.

<sup>14</sup> Zhao Hong, "Can China's OBOR Initiative Synergize with AEC Blueprint 2025?" Perspective No. 62, 16 November 2016, ISEAS Yusof Ishak Institute, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2016\\_62.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2016_62.pdf), accessed April 17, 2017.

the Chinese investments and infrastructure development projects. The private sector views BRI as a factor facilitating Cambodia's export to China and other countries along the Belt and Road, particularly in expanding the market access for Cambodia's agricultural products. Chinese investment flow is expected to increase together with the improvement of infrastructure and production capacity.<sup>15</sup>

The Cambodian perceptions of and approaches toward BRI are determined by national interests, which are defined mainly in terms of economic development and poverty reduction. BRI helps strengthen the material and resource legitimacy of the governing elites in Cambodia, who have greatly benefited from the influx of Chinese investment capital and development assistance. Although Chinese investments do not generate high economic impacts in both backward and forward linkages with local industries, they generate high employment effect for the local workforce.<sup>16</sup>

## **Opportunities**

### *Strengthening economic competitiveness*

After three decades of gradual economic reforms and international integration, Cambodia became a lower middle-income country in 2015, with an annual GDP growth rate of 7.5 percent from 1994 to 2016. The poverty rate dropped from 53.2 percent in 2004 to 11.5 percent in 2015. The per capita income increased from US\$ 417 in 2004 to US\$ 1,215 in 2015. The growth rate is estimated to be around 7 percent for 2017 and 2018.

However, the sources of economic growth are narrow, relying mainly on agriculture, tourism and textile industry. To stay competitive and to sustain high economic performance, Cambodia is thriving towards a skill-based and innovation-driven economy. Industrial development, economic diversification and enhancement of competitiveness and productivity to move up in the regional and global value chain. Participating in the global value chain attracts foreign direct investment, stimulate private sector development and job creation.<sup>17</sup>

---

<sup>15</sup> Based on informal interviews with relevant stakeholders on the sidelines of the World Economic Forum on ASEAN on May 13-15, 2017 in Phnom Penh.

<sup>16</sup> Chan, Sophal (2016) Inclusive Development and Chinese Direct Investments in Cambodia. Research Paper, November 2016. Phnom Penh: Center for Policy Study.

<sup>17</sup> Hun Sen, Speech at 2017 Cambodia Outlook Conference, March 2, 2017, <http://cnv.org.kh/2017-cambodia-outlook-conference/>, accessed March 10, 2017.

Some constraints to economic development are deficits in infrastructure provision (which raises the cost of production and significantly limits access to electricity, rural road transport, and water sanitation), weaknesses in human capital (the workforce remains insufficiently trained and skilled and limited access to education, healthcare, and nutrition hampers progress in improving the quality of human capital), weaknesses in governance (corruption and weak public sector management are persistent problems), and limited fiscal space (the government has insufficient funds to invest in the main growth-supporting factors and in social services).<sup>18</sup>

Logistics in Cambodia is less developed compared with other ASEAN member countries due to a lack of reliable network of transportation, telecommunications, warehousing, trucking services, and other related infrastructure. Based on the assessment by the World Bank in its annual Logistics Performance Index (LPI), Cambodia ranked 73<sup>rd</sup> with a score of 2.8 (5 being the perfect score). Infrastructure, logistics competence, and customs have the lowest performance.<sup>19</sup> Moreover, electricity cost in Cambodia is high compared with neighbouring countries (Thailand and Vietnam), making production less cost effective.

Infrastructure development is therefore the foundation of growth. It is estimated that Cambodia would need huge investment capital in infrastructure investment to maintain its economic growth and enhance its economic competitiveness.<sup>20</sup> Several infrastructure investment projects that have been executed under the BRI scheme such as the construction of Special Economic Zone in Sihanoukville and hydropower plants in Koh Kong province and Stung Treng province. Other projects that are going to be implemented include a new Siem Reap International Airport and Phnom Penh-Sihanoukville expressway. Cambodia plans to convert coast areas to be the core destination for Chinese investors.

### *Enhancing resource legitimacy or output-base legitimacy*

---

<sup>18</sup> Asian Development Bank (ADB) (2014) Cambodia: Diversifying beyond Garments and Tourism. Manila: Asian Development Bank, p.xv, <https://www.adb.org/sites/default/files/publication/149852/cambodia-diversifying-country-diagnostic-study.pdf>, accessed March 10, 2017.

<sup>19</sup> Chheang, V. (2017) FDI, Services Liberalization, and Logistics Development in Cambodia. ERIA Discussion Paper Series March 2017. Jakarta: Economic Research Institute for ASEAN and East Asia.

<sup>20</sup> Xinhua News, Cambodia to focus on infrastructure development at forthcoming B&R forum: PM, April 4, 2016, [http://news.xinhuanet.com/english/2017-04/06/c\\_136187164.htm](http://news.xinhuanet.com/english/2017-04/06/c_136187164.htm), accessed April 9, 2017.

Economic resources and performance are the key sources of regime legitimacy. The Cambodian government prioritizes output-based legitimacy (economic growth and infrastructure development) over input-based legitimacy (democratic participation in development and choosing political leadership). Infrastructure development is the core interest of Cambodia in joining BRI. Prime Minister Hun Sen said during the inauguration ceremony of a China-funded road on the eastern outskirts of Phnom Penh on April 4, 2017 that “Our main goal is to focus on infrastructure development.” Cambodia perceives that BRI will enhance its own infrastructure construction and economic development while enhancing its capacity to play more relevant role in regional integration and community.<sup>21</sup>

BRI provides tremendous opportunities for Cambodia and other participating countries.<sup>22</sup> Lack of capital is a main obstacle for countries in the development of infrastructure, so China’s initiatives for the AIIB and the Silk Road Fund are very useful.<sup>23</sup> Cambodia needs about US\$ 700 million per year to develop infrastructure such as roads, bridges, power grid, and irrigation system to maintain high economic growth.

To sustain its development, Cambodia needs to quickly and effectively grasp emerging opportunities deriving from ASEAN economic integration, BRICS development bank, the Asian Infrastructure Investment Bank (AIIB), BRI, and other projects and funds including the Silk Road Fund and China-ASEAN Maritime Cooperation Fund.<sup>24</sup> Cambodia is capitalizing on these opportunities to concretize its development priorities.<sup>25</sup> It hopes that it will be able to receive part of these loans for investing in its new infrastructure projects.<sup>26</sup> It is believed that

---

<sup>21</sup> Ministry of Foreign Affairs of the People’s Republic of China, Xi Jinping Meets with Prime Minister Hun Sen of Cambodia, 7 November 2014, [http://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/ytjhzdrsrcldrfzshyjxghd/t1208728.shtml](http://www.fmprc.gov.cn/mfa_eng/topics_665678/ytjhzdrsrcldrfzshyjxghd/t1208728.shtml), accessed March 2017.

<sup>22</sup> Xinhua News, Cambodia to focus on infrastructure development at forthcoming B&R forum: PM, April 4, 2016, [http://news.xinhuanet.com/english/2017-04/06/c\\_136187164.htm](http://news.xinhuanet.com/english/2017-04/06/c_136187164.htm), accessed April 9, 2017.

<sup>23</sup> Khmer Times, Cambodia and China’s “Belt and Road Initiative”, April 9, 2015.

<sup>24</sup> Agent Kampuchea Press (AKP), PM Hun Sen: Cambodia Grasping New Emerging Opportunities. October 15, 2016, <http://www.akp.gov.kh/?p=70133>, accessed on March 23, 2017.

<sup>25</sup> Khmer Times, Cambodia and China’s “Belt and Road Initiative”, April 9, 2015.

<sup>26</sup> Xinhua Finance, Cambodia to benefit from China’s Belt and Road Initiative: PM, 4 August 2015, <http://en.xfainance.com/html/OBAOR/International%20Cooperation/2015/125469.shtml>, accessed on March 20, 2017.



BRI will reinforce connectivity within the country and connect Cambodia with other countries as well.

Prime Minister Hun Sen has made frequent remarks relating to BRI. He perceives that BRI would “benefit Cambodia’s social and economic development”,<sup>27</sup> “help boost the development of Cambodia and the region”,<sup>28</sup> “facilitate the connectivity among the developing countries and contribute to the economic recovery and sustainable development of the region”<sup>29</sup>, “facilitate regional integration, maintaining stability, and improving people’s wellbeing”.<sup>30</sup>

Cambodia is interested in expanding maritime connectivity, especially ports development, and connecting it with land connectivity (roads and rails). There is a need to effectively link special economic zones in different parts of the country and with the Mekong sub-region. Further strengthen regional production networks under the framework of BRI by supporting, enabling and integrating SMEs into the regional and global value chains. Connecting Cambodian SMEs with Chinese SMEs in the field of agro-industry and clean energy would be a great starting point. Food security and energy security are the two main development issues in Cambodia.<sup>31</sup>

## **Political Risks**

The structural risk that Cambodia facing is the power asymmetry between Cambodia and China and the foreign policy options for Cambodia. On the one hand, deepened economic ties between the two countries significantly contribute to strengthening the resource and performance legitimacy of the Cambodian government. On the other hand, economic overdependence on China poses certain constraints on Cambodia’s foreign policy options.

---

<sup>27</sup> People’s Daily, Cambodian Prime Minister Hun Sen calls for closer strategic cooperation with China, October 14, 2016, <http://en.people.cn/n3/2016/1014/c90000-9126769.html>, accessed March 20, 2017.

<sup>28</sup> Hun Sen, Speech at 2017 Cambodia Outlook Conference, 2 March 2017, Phnom Penh: Cambodia. <http://cnv.org.kh/2017-cambodia-outlook-conference/>, accessed March 23 2017.

<sup>29</sup> Hun Sen, Comments at the 13<sup>th</sup> China-ASEAN Expo in Guangxi on 13 September 2016. <http://eng.caexpo.org/index.php?m=content&c=index&a=show&catid=10106&id=202358>, accessed March 20, 2017.

<sup>30</sup> Council of Ministers, Prime Minister Hun Sen Meets Chinese State Councilor Yang Jiechi, 28 April 2017. <http://pressocm.gov.kh/archives/4059>, accessed 28 April 2017.

<sup>31</sup> Based on informal interviews with relevant stakeholders on the sidelines of the World Economic Forum on ASEAN on May 13-15, 2017 in Phnom Penh.

Chinese economic presence may cause certain public discontent if the investment and infrastructure development projects are not inclusive-adversely affecting the local livelihood and environment.

Some civil society and grassroots organizations have raised concerns with regard to Chinese investment projects, particularly with regard to the issues of resettlement and compensation, environmental degradation, and land grabbing.

### **Ways Forward**

Being an active member of the BRI and AIIB, Cambodia has expanded its economic development horizon. BRI is a potential means helping Cambodia to diversify its sources of growth. However, it needs to strengthen its leadership and governance to maximize the opportunities.<sup>32</sup> The participation from the private sector in realizing infrastructure development projects remains limited. Therefore, public-private partnership in infrastructure development under the BRI needs to be strengthened.

In addition to hard infrastructure development, Cambodia has also requested support from China in developing soft infrastructure under the BRI cooperation framework. Deputy Prime Minister Sok An said, “Cambodia has the potential to be an economic hub and will become a very important player in the new Silk Road of the 21<sup>st</sup> century.” He suggested that China should also give special attention the least developed members of ASEAN by supporting also the “soft infrastructure” such as human resources development, technology transfers, and people-to-people ties.<sup>33</sup>

Another challenge in implementing BRI is a lack of transparency and local community participation. The local people have not been fully involved and benefitted from the development projects. Therefore, multi-stakeholder consultation is needed to have a more participatory development under BRI.

Shared responsibility, multi-stakeholder partnership, and collective leadership should be the guiding philosophy to realize the vision of the BRI. Although BRI was initiated by China, it has become regional and even global common public

---

<sup>32</sup> The Khmer Times, Cambodia’s role with China, September 28, 2016, <http://www.khmertimeskh.com/news/30246/cambodia---s-role-with-china/>, accessed March 15, 2017.

<sup>33</sup> Sok An (2015) Opening remarks at the Symposium on the Belt and Road Initiative and Its implications for Cambodia. Phnom Penh, 21-22 December 2015.

good. Therefore, the countries along the Belt and Road need to work together to concretize it for their common interests.

Ambassador Pou Sothirak, Executive Director at the Cambodian Institute for Cooperation and Peace (CICP), opined that BRI was not a “Chinese solo” but a “symphony played by all countries along the route”. BRI is compatible with Cambodian development vision and ASEAN community building.<sup>34</sup> Dr. Tan Khee Gia, Co-Director of Asian Competitiveness Institute at the Lee Kuan Yew School of Public Policy in Singapore shared the views that ASEAN would greatly potentially benefit from BRI in implementing its regional master plan of connectivity. However, the extent of impacts will depend of actual specific projects.<sup>35</sup>

Chan Sophal, Director of the Center for Policy Studies, said, “the issue with infrastructure is the quality, sustainability and cost – also the timeliness. For some donors they require a long procedure before we can get a loan and develop the infrastructure, so maybe there is a time/cost [decision] in there. But for other donors, like China, we get the funds quickly and can do it quickly, but there could be an issue with cost and quality.”<sup>36</sup>

More researches and studies are needed to assess the impacts of the BRI projects. In June 2016, the Cambodia Maritime Silk Road Research Centre was launched with the support from China. Mey Kalyan, Senior Advisor to the Cambodia’s Supreme National Economic Council, said, “If there is no information we are taking risks. What is more, it is a fundamental study to strengthen the relationship to get rid of misunderstandings between Cambodia and China.”<sup>37</sup>

## Conclusion

---

<sup>34</sup> Pou Sothirak (2015) Remarks at the Symposium on the Belt and Road Initiative and Its implications for Cambodia. Phnom Penh, 21-22 December 2015.

<sup>35</sup> Tan Khee Giap (2015) Remarks at the Symposium on the Belt and Road Initiative and Its implications for Cambodia. Phnom Penh, 21-22 December 2015.

<sup>36</sup> Voice of America (VOA), “Infrastructure Funding Puts Cambodia on Front Line of Global Politics”, May 20, 2016, <http://www.voanews.com/a/infrastructure-funding-puts-cambodia-on-front-line-of-international-politics/3338556.html>, accessed May 17, 2017.

<sup>37</sup> The Khmer Times, Cambodia’s Role in the Maritime Silk Road, June 27, 2016, <http://www.khmertimeskh.com/news/26526/cambodia---s-role-in-the-maritime-silk-road/>, accessed March 15, 2017.

BRI is a key shaping force of the new world economic order in which China stays at the helm through promoting an open and inclusive international economic system. Cambodia is enthusiastically supportive of the initiative due to a strong perception that BRI would benefit the country in terms of infrastructure development, socio-economic development, and regional integration and connectivity.

However, there are some concerns relating to the quality, transparency, and socio-economic and environmental impacts of China's infrastructure and investment projects. Cambodia-China partnership in implementing BRI needs to go along with institutional capacity building, good governance (transparency and accountability), and local community participation in order to ensure that the benefits generated from investments are fairly and sustainably distributed.

## CHINA'S PATHS OF BELT AND ROAD INITIATIVE

**Song Guoyou**  
**Fudan University**

In 2013, when Chinese President Xi Jinping visited Kazakhstan and Indonesia, he formally put forward the Belt and Road Initiative and outlined the basic connotation of connectivity, namely, policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bond. In May 2017, China held the Belt and Road Forum for International Cooperation, which can be seen as a symbol of the Belt and Road Initiative entering a new historical stage. In the area of construction, connectivity is always a priority area. Faced with the weak global economic growth in recent years, China's connectivity construction will provide a new impetus to the prosperity and progress of China, Asia, and the world, and will expand contacts in China and neighboring countries and regions, providing more choices for regional economic development and social progress and globalization.

### **1. The Essence of the Initiative Is “Connectivity”**

Contrary to the traditional viewpoint that the connectivity is mainly the road, the Belt and Road Initiative gives “connectivity” more meaning. From the perspective of China, “connectivity” is a systematic project, including five aspects.

**The first is policy coordination.** Prior to construction, countries will fully exchange economic development strategies and policies, formulate plans and measures to promote regional cooperation, and lay the legal and policy basis for the development of regional economic cooperation. The reason why the policy communication comes first, mainly because the policy communication is the premise to carry out all aspects of cooperation and an important guarantee to build the Belt and Road. Indeed, the outside world has been misunderstood the Belt and Road Initiative. For example, some people think that the Belt and Road Initiative is China's “Marshall Plan”, or that the Belt and Road Initiative is the proof of China's new colonialism. These misunderstandings are not conducive to the advancement of the Belt and Road Initiative, which need to be eliminated through the effective policy coordination.

**Followed by facilities connectivity.** At the outset, Chinese government put forward “road connectivity”, rather than “facilities connectivity”. However, in the later official documents, the statement of “road connectivity” was adjusted to

“facilities connectivity”. Compared with road connectivity, facilities connectivity's extension is greater, including not only road, but also information and power and so on. To strengthen infrastructure construction, promote cross-border, inter-regional interconnection is the priority of the Belt and Road Initiative.<sup>1</sup> Chinese government encourages enterprises with strong strength and good reputation to carry out infrastructure construction such as railways, highways, ports, electricity, and information and communication to promote regional interconnection. The construction of cross-border transport infrastructure will be conducive to the gradual formation of the transport network connecting East Asia, West Asia, and South Asia and facilitate economic development and personnel exchanges.

**Then unimpeded trade.** Total population of countries along the Belt and Road is nearly 3 billion. The market size and economic potential here is unique. Countries have great potential for cooperation in trade and investment. The Chinese government believes that the parties should explore the issue of trade and investment facilitation and make appropriate arrangements to eliminate trade barriers, reduce trade and investment costs, improve regional economic cycle, speed and quality, achieve mutual benefit and win-win situation. Unimpeded trade includes bilateral and multilateral cooperation among inspection and quarantine, certification and accreditation, standard measurement, statistical information and other aspects, as well as simplify customs clearance procedures, reduce tariff and non-tariff barriers to eliminate cross-border trade barriers.<sup>2</sup> The above initiatives are conducive to promoting trade policy coordination to achieve bilateral or multilateral trade and investment facilitation, improve the living standards of local people along the Belt and Road. In the context of anti-globalization and trade protectionism, unimpeded trade helps to strengthen the globalization and promote confidence in trade liberalism.

**Followed by financial integration.** Implementation of the Belt and Road Initiative requires funding. However, for the countries along the Belt and Road, capital is one of the biggest bottlenecks. Therefore, from the perspective of China,

---

<sup>1</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” accessed March 2015, <<https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>>

<sup>2</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” accessed March 2015, <<https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>>

we should pay attention to the issue of capital supply. China should take various measures to make full use of China's government official development assistance, developmental finance, policy finance, commercial finance, and other domestic capital resources, jointly promoting the financing mechanism. Countries should follow the market economy principle and international rules especially in the allocation of financial resources and make full use of various types of enterprises to achieve a good pattern of mutual participation of funds.

**Finally, people-to-people bond.** The strategic docking, institution construction, policy coordination, and physical connectivity in the Belt and Road Initiative are inseparable from the understanding, support and implementation of the people of all countries. The traditional friendship and mutual understanding between the peoples of each country are the social basis for carrying out regional connectivity. The construction of material dimensions alone is not enough to support the systematic project of connectivity. The establishment and maintenance of positive emotion among Chinese and foreign people is just as important. People-to-people bond includes communication and cooperation among education, culture, sports, health care, science and technology, tourism, social security and other aspects, aimed at deepening mutual understanding.<sup>3</sup> Through books, movies, television and other different kinds of mass media and art festivals, exhibitions, cooperative schools and other different forms of communication, people-to-people bond promotes understanding, awareness and recognition among various levels of countries and in various sectors of the industry, thus enhancing mutual friendship. At the same time, it will provide opportunities for mining new economic growth potential.

## **2. Regional Connectivity: Significance and China's Efforts**

The Belt and Road Initiative and regional connectivity are of great significance in terms of economy, politics and security. In order to achieve better regional interconnection, Chinese government and people have made great efforts.

### **(1) Significance**

---

<sup>3</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," accessed March 2015, <<https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>>

## The Economic Significance of Connectivity

China's Belt and Road Initiative and regional connectivity will facilitate economic development of the Asia-Pacific region.

First, the regional economies of scale have long been blocked by two obstacles, one for institutional barriers and two for natural barriers. Only by eliminating the above two obstacles, the economies of scale of regional cooperation can be formed.<sup>4</sup> Based on the two aspects, connectivity tries to establish institutions that break up the system barriers, while emphasizing the importance of infrastructure connectivity, both of which help to break infrastructure bottlenecks regional integration faced with, so that the economies of scale can be realized in larger areas.

Second, connectivity facilitates infrastructure construction in Asia and Europe and drives trade and investment among countries along the Belt and Road. Infrastructure construction has a positive impact on trade and investment in terms of reducing the cost and time of the transaction process, reducing the risk of damage to goods and insurance costs, and enhancing the access level of the enterprise and the market.<sup>5</sup> The infrastructure advocated by connectivity, including the upgrading of transportation routes and more freedom and convenience of related trade and investment policies, will shorten the intermediate links such as transportation, customs clearance and distribution, and reduce the cost of investment and trade to a certain extent, improve transaction efficiency, take the comparative advantages of various regions and expand the scale of trade.

Finally, with weak global economic growth and the weakening effect of the traditional growth engine on the economy, trade facilitation measures will improve transport efficiency and coordinate production standards. Connectivity construction will ease the "lack of infrastructure" in most countries, boost the development of economic integration of a large area, further improve the global trade and investment system, and gradually promote mutually beneficial win-win global value chain, and then solve the developmental bottlenecks faced by the region and sub-region.

---

<sup>4</sup> Wang Yuzhu, "The Connectivity Economics in Regional Integration," *FRONTIERS* (77) 2015: 21; Long Guoqiang, "Asian economies should accelerate Connectivity," *Boa Review* (6) 2013: 47

<sup>5</sup> Wu Zelin, "Connectivity of Regional Cooperation in Asia: A Preliminary Analytical Framework," *World Economics and Politics*, (430) 2016: 83



## **The Political Significance of Connectivity**

Connectivity includes policy coordination, which means to achieve policy coordination through Sino-foreign national policy communication.<sup>6</sup> Policy coordination underlines the political significance of the connectivity: First, building a multi-level intergovernmental macro-policy exchange and communication mechanism, and making full use of existing mechanisms such as the Shanghai Cooperation Organization (SCO), ASEAN Plus China (10+1), Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Asia Cooperation Dialogue (ACD), Conference on Interaction and Confidence-Building Measures in Asia (CICA), China-Arab States Cooperation Forum (CASCF), China-Gulf Cooperation Council Strategic Dialogue, Greater Mekong Sub-region (GMS) Economic Cooperation, and Central Asia Regional Economic Cooperation (CAREC) and other existing multilateral cooperation mechanism, are conducive to the full exchange of docking development strategy, clarify misunderstanding and reduce bias. Second, the policy coordination and resolution process follow the principle of seeking common ground that countries in their own development interests and regional interests communicate and coordinate to seek consensus and will on development. That process forms a quasi-consensus decision-making model, which is easier to promote policies to be accepted and implement. Third, policy coordination in macro-level helps eliminate institutional barriers to connectivity, takes into account the overall situation of regional development, and works together to face common problems, especially the negative regional problems such as cross-border environmental pollution, cross-border crime, etc.

## **The peaceful meaning of connectivity**

The implementation of connectivity construction will promote the integration of peoples and cultures and lead to peace.

First of all, with the rapid economic and social development, the bonds of interest between countries continue to promote the deeper regional economic interdependence. Building the Belt and Road with the spirit of equal inclusion and practice, reflects common interests of countries, conducive to work together to deal with the challenges and to shape international cooperation consensus.

---

<sup>6</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," accessed March 2015, <<https://eng.yidaiyilu.gov.cn/qwyw/qwfb/1084.htm>>

Secondly, based on the experience of economic construction since the opening-up, China has led the construction of connectivity, advocating the pursuit of new cooperative ideas and the new international norms that are complementary to the current international order, which is conducive to the formation of new security concept. Combined with the developmental will and comparative advantages of all countries, China views the Belt and Road Initiative as an important opportunity and cooperation platform to promote national economic policy coordination, improve connectivity, and cooperate larger, higher and deeper, and create an open, inclusive, balanced, general benefited cooperative structure. The development of connectivity provides an opportunity for big power relations to move from a traditional confrontational structure to a negotiated governance structure.<sup>7</sup>

Finally, the construction of connectivity reflects international morality of China as a responsible power. China will lead the new global economic order and new development norms, helping the contemporary international community to form new state relations. The Belt and Road Initiative is a Chinese program which aims to promote global peace, cooperation and common development. China advocates that all countries participate equally, open and transparently, regardless of size, rich or poor, and pursue mutual benefit and complementarity. We will build a new system of global economic governance, promote the efficient flow of elements and deepen the market, realize the diversity, autonomy, balance and sustainable development, and expand the dialogue and mutual understanding.<sup>8</sup> This is inheritance and development of the principle of international norms since the end of World War II, and conducive to promoting regional development and regional prosperity and stability.

## **(2) China's efforts for connectivity**

At the level of the central ministries and commissions, since the Belt and Road Initiative was proposed, relevant departments of the Central Committee have responded and acted positively. For example, China National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce have set up plans to implement the initiative and issue the promotion policies from their respective areas.

---

<sup>7</sup> Su Changhe, "Governance and order in the world of connectivity," *World Economics and Politics*, (438) 2017: 32.

<sup>8</sup> Leading Group on the Construction of the Belt and Road, "Building the Belt and Road: Concept, Practice and China's Contribution," accessed May 10, 2017, <<https://eng.yidaiyilu.gov.cn/zchj/qwfb/12731.htm>>

**China National Development and Reform Commission (NDRC).** Since 2013 the leading group to promote the Belt and Road Initiative was set up, situated within the NDRC. In the Belt and Road Initiative, the China NDRC is responsible for policy coordination and facilities connectivity. NDRC actively promotes research and development of the Belt and Road Initiative planning, with all-round support for interconnection. On January 6, 2017, the NDRC and the Ministry of Foreign Affairs, Ministry of Environmental Protection and other 10 departments and units establish “the Belt and Road” PPP work mechanism, with other countries in the infrastructure and other areas to strengthen cooperation and promote infrastructure projects’ landing.<sup>9</sup>

**Ministry of Commerce.** The Ministry of Commerce is responsible for the smooth flow of trade along the way. Since the introduction of “the Belt and Road Initiative”, the Ministry of Commerce set up a Eurasian Division to promote the construction of the Silk Road economic zone, signed memorandums with Moldova, Sri Lanka, Maldives and Nepal, completed negotiations with ASEAN’s free trade zone, with Georgia’s free trade negotiations, advanced negotiations with the Maldives Free Trade Area, started negotiations with the GCC, Israel and other free trade areas. Ministry of Commerce promotes communication and pragmatic cooperation of trade, investment and foreign aid.<sup>10</sup>

**Ministry of Foreign Affairs.** The Ministry of Foreign Affairs cooperates with various administrations to actively publicize the background and planning of the construction of the Silk Road, and dock with the countries along the Belt and Road to promote important projects. From the end of 2013 to April 2017, the Ministry of Foreign Affairs issued more than 100 copies of relevant statements and bulletins, got the positive response to participate from the majority of countries along the Belt and Road. Internally, the Ministry of Foreign Affairs has used the existing institutionalized platform to assist local provinces and municipalities to formulate local plans for convergence with the Silk Road economic zone and to support local special events.<sup>11</sup>

---

<sup>9</sup> “National Development and Reform Commission with 13 departments and units to establish ‘the Belt and Road’ PPP work mechanism,” National Development and Reform Commission of PRC, accessed January 6, 2017, <[http://tzs.ndrc.gov.cn/zftp/PPPxmkgzdt/201701/t20170106\\_834560.html](http://tzs.ndrc.gov.cn/zftp/PPPxmkgzdt/201701/t20170106_834560.html)>

<sup>10</sup> “The Belt and Road Initiative’s economic and trade cooperation to achieve positive progress,” Ministry of Commerce, accessed December 27, 2016, <<http://www.mofcom.gov.cn/article/difang/201612/20161202388848.shtml>>

<sup>11</sup> Yan Shanmin, Global Action Report of the Belt and Road Initiative (Beijing: Social Sciences Academic Press, 2015), 92

**International Department, Central Committee of CPC.** The department is mainly responsible for the people-to-people bond, which vigorously promote participation of parties, governments, non-governmental organizations, think tanks, enterprises, media and even ordinary people along the Belt and Road. Through strengthening the relationship between parties along the Belt and Road, International Department, Central Committee of CPC hopes to reach cooperation consensus, lead the people to communicate with each other, enhance mutual understanding and trust among peoples, cultivate the basis of public opinion and in-depth discussion on how to build a bridge of the people and develop an action plan to promote communication. On May 17, 2016, International Department, Central Committee of CPC hosted the Fifth China-EU Political Party High-level Forum. The Chinese Communist Party and the 30 European political parties discussed the Belt and Road Initiative to seek strategic docking path.<sup>12</sup>

**Ministry of Industry and Information Technology.** Ministry of Industry and Information Technology has been involved in the development of the “Digital Silk Road”, part of the “Peripheral Connectivity Infrastructure Planning”, to achieve the connectivity in the field of the data and information services, Internet and international communications business, planning for information superhighway construction in China and neighboring countries.<sup>13</sup>

**Ministry of Transport.** Ministry of Transport participates in the area of facilities connectivity. The Ministry of Transport focuses on improvement of the Belt and Road integrated transport system, takes various measures to promote the “Silk Road” traffic construction, help to form a new pattern of interconnection between China and neighboring countries and regions. The Ministry of Transport has focused on promoting the layout of land, water and land and water transport corridors, regional traffic cooperation, international transport, international logistics and support system.<sup>14</sup>

**Ministry of Culture.** “People-to-people bond” is an important part of the construction of the Silk Road economic belt. Ministry of Culture has proposed a

---

<sup>12</sup> “The CCP talks with more than 30 European political parties and explores the strategic ‘docking’ strategy,” International Department, Central Committee of CPC, accessed May 23, 2016, <[http://www.idcpc.gov.cn/ztl/jd95/ttx/xw/201606/t20160616\\_83948.html](http://www.idcpc.gov.cn/ztl/jd95/ttx/xw/201606/t20160616_83948.html)>

<sup>13</sup> “Create an online Silk Road, promote connectivity efficiency,” Guangming Online, accessed April 13, 2017, <[http://theory.gmw.cn/2017-04/13/content\\_24198662.htm](http://theory.gmw.cn/2017-04/13/content_24198662.htm)>

<sup>14</sup> “Ministry of Transport will promote the ‘Silk Road’ traffic construction from six aspects,” Xinhua News, accessed March 27, 2014, <[http://news.xinhuanet.com/politics/2014-03/27/c\\_119981612.htm](http://news.xinhuanet.com/politics/2014-03/27/c_119981612.htm)>

culture-oriented way to build a cultural belt of Silk Road, promote cultural dialogue and cooperation between China and the countries along the Belt and Road. Cultural years, arts festivals, book exhibitions, film festivals, tourism festivals and other exchange activities will be held by China and countries along the Belt and Road. The Chinese cultural center was established in Sri Lanka, Laos, Pakistan, Nepal and other countries. Government grants are provided along the relevant countries. In January 2017, “the Belt and Road Cultural Development Action Plan (2016-2020)” was published by Ministry of Culture, drawing a road map for culture construction. The plan of action includes the construction plan of the international exchange mechanism along the Belt and Road, domestic cooperation mechanism construction plan along the Belt and Road, the construction plan of Chinese Cultural Center along the Belt and Road, the construction plan of the cultural exchange and cooperation platform, Silk Road Cultural Tour program, Silk Road cultural industry belt construction plan and other programmes.<sup>15</sup>

**Local governments.** Since the autumn of 2013 when President Xi Jinping put forward “the Belt and Road Initiative”, the provinces has actively participated in “the Belt and Road” construction and play an important role. Local governments held forums, seminars, press conferences, emphasizing their advantages, such as “bridgehead”, “core area”, “hub”, and hoping to promote their own economic and social development with the help of the initiative. Local governments will play a key role in the final landing process.

**Enterprises.** Central enterprises took the first step. Central enterprises belonging to China’s state-owned assets management committee regard the Belt and Road Initiative as a “going-out” focus. With the technical advantages and development experience in the fields of high-speed rail, nuclear power, oil and gas, infrastructure, machinery, communication and port transportation, China Communications Construction Company Limited, China State Construction, POWERCHINA, China Railway Construction Corporation Limited, China Railway Group Limited, “China North Railway”, China National Nuclear Power Corporation Limited, State Grid, China Three Gorges Projects Development Co., Ltd, China National Petroleum Corporation, Sinopec, China National Offshore Oil Corporation, China Mobile, China Unicom become the main force of interconnection construction. For example, China Communications Construction Company Limited has built 10320 kilometers of roads, 152 bridges, 95 deep-water

---

<sup>15</sup> “The Belt and Road Cultural Development Action Plan (2016-2020),” Ministry of Culture, accessed December 28, 2016, [http://zwgk.mcprc.gov.cn/auto255/201701/t20170113\\_477591.html](http://zwgk.mcprc.gov.cn/auto255/201701/t20170113_477591.html)

berths and 10 airports along the Belt and Road.<sup>16</sup> Private enterprises have also been active in the construction. Shenzhen Huawei Technologies Co., Ltd., Lenovo Group Co., Ltd., Dalian Wanda Group Co., Ltd., Shanghai Greenland Construction Group Co., Ltd. and Sany Heavy Industry Co., Ltd. and other private enterprises effectively promote the implementation of interconnection construction.

**Financial institutions.** “The Belt and Road Initiative” construction is facing long-term, huge investment and financing needs. It is necessary to play the role of finance. Many areas of infrastructure construction are underdeveloped, where financial strength is relatively weak and infrastructure needs are huge. At present, the financial network to support the construction of “the Belt and Road” is taking shape. At the end of 2016, China Developmental Bank has accumulated more than 600 projects in the countries along the Belt and Road, the loan balance of more than US\$ 110 billion. The project covers infrastructure, production cooperation, financial cooperation and other fields. In 2016, the Import and Export Bank supported 603 international production capacity and equipment manufacturing cooperation projects. The balance of loans increased by 13% over the same period of last year, and the loan balance increased by 17% over the same period of last year.

Silk Road Fund plays an important role in the “the Belt and Road” financial cooperation network. In December 2014 when Silk Road Fund was established, its purpose is to serve the initiative to promote connectivity. Since its inception, the Silk Road Fund has advanced a number of key projects. In 2015, the newly established Silk Road Fund has done three “big things”: supported the Three Gorges Group in Pakistan and other South Asian countries to invest in the construction of hydropower stations and other clean energy, supported China Chemical Group acquisition of Italian Pirelli tire company, participated in the Russian Yarl liquefied natural gas investment and financing. Data shows that by the end of 2016, Silk Road Fund’s actual investment reached about US\$ 40 billion. Silk Road Fund Chairman Yang Zejun introduced Silk Road Fund focused on tracking more than 100 projects in Russia, Central Asia, Bangladesh, India and Southeast Asia and other regions. In 2017, the size of its investment is expected to maintain the momentum as the previous two years. China’s commercial banks have established more than 56 first-tier branches in nearly 30 countries and regions. They operate in various countries and regions, including electricity,

---

<sup>16</sup> China Communications Construction has build 10320 km highway in the Belt and Road, China Communications Construction , accessed May 12, 2017, <[http://www.ccccltd.cn/news/mtjj/201705/t20170512\\_88580.html](http://www.ccccltd.cn/news/mtjj/201705/t20170512_88580.html)>

transportation, oil and gas, mineral, telecommunications, machinery and park construction, Agriculture and other industries, basically realizing the coverage of key industry along the Belt and Road.

### 3. Regional connectivity: the path with Chinese characteristics

The construction of “the Belt and Road” and regional interconnection, show the path with Chinese characteristics. Specifically, there are three major characteristics.

**Government push.** The initiative and the coordination and promotion of governments at all levels provide a clearer market signal, guiding objectives and leading forces for overseas distribution of market actors. At the national level, the strategic docking is huge, meaningful and beneficial to the country. Obviously, only the government has the ability and the policy preference to promote the implementation. Chinese government has made great efforts to promote the “the Belt and Road Initiative”, not only in the domestic meetings and work arrangements at all levels, but also directly promote the initiative’s ideas and policies in important international occasions and external visits, to expand the international influence for the participation and support of the countries along the route. From the domestic point of view, the Chinese government promoting “the Belt and Road Initiative”, has built a full range at all levels, three-dimensional mode of work. First, at the central government level. In December 2014, the Politburo Economic Work Conference made it clear that “the Belt and Road Initiative” would be implemented as a key task.<sup>17</sup> In November 2014, President Xi Jinping presided over the eighth meeting of the Central Financial Leading Group, studying the Silk Road economic zone and the 21st century Maritime Silk Road planning.<sup>18</sup> The State Council executive meeting discussed how to develop characteristic industries and deepen international industry cooperation combined with the initiative construction. The relevant ministries and commissions are also actively docking to promote the initiative construction from their respective area. Ministry of Foreign Affairs, Ministry of Commerce, Development and Reform Commission, Ministry of Transport, the central bank and other central ministries also highlighted “the Belt and Road Initiative” in the work arrangements.

---

<sup>17</sup> “The Central Economic Work Conference was held in Beijing,” RENMIN RIBAO, accessed December 12, 2014

<sup>18</sup> “Xi Jinping presided over the eighth meeting of the Central Finance Leading Group,” Xinhua News, accessed November 6, 2014, <[http://news.xinhuanet.com/video/201411/06/c\\_127186401.htm](http://news.xinhuanet.com/video/201411/06/c_127186401.htm)>

At the local level, provinces along the route dock the initiative, seek breakthrough and help construct from the local point of view. Even those who are not directly linked into the initiative planning, participate in the construction in a variety of ways. Under the Chinese national conditions, the support of all levels of government is one of the key elements of the success of economic policy initiatives.

From an international point of view, in 2015, President Xi Jinping focused on the basic planning of “the Belt and Road Initiative” in the Asian Boao Forum. In November 2014, President Xi Jinping attended the APEC leaders’ informal meeting, the G20 meeting and the meeting of the leaders of the Pacific island countries, visited Central Asia and South Asia in September, attended the Sixth Ministerial Conference of the China-Arab Cooperation Forum in June, wherever he always referred to China's “Belt and Road initiative”. Premier Li Keqiang attended the Davos Forum, the meeting of leaders of the Shanghai Cooperation Organization (SCO) member states, the third meeting of leaders of China - Central and Eastern Europe, and the fifth meeting of leaders of the Greater Mekong Sub-region in 2015 and the Asia-Europe Summit in October 2014, also put “the Belt and Road Initiative” construction as a new important content. The Deputy Prime Minister Zhang Gaoli, who is responsible for working with “the Belt and Road Initiative”, also uses the opportunity of visiting and meeting foreign guests to promote the Belt and Road initiative. When the leaders of the central ministries and commissions and relevant local leaders visit abroad, they will introduce the initiative from the working level. This highlights the role of government in the interconnection. Based on the development status of Asian countries (large investment, long construction period, low yield, wide and likely negative effects), policy coordination requires sufficient communication between governments. Based on common development interests, two governments proceed with bilateral negotiations as the starting point, draft and formulate the docking document on the basis of development consensus, and finally sign and implement by the heads of the two countries. At this point, the bilateral cooperation will be officially launched. It can be said that it is inseparable from the relevant government team to lead, plan, operate and promote from the intention of cooperation to the drafting of the docking plan.

**Strategic docking.** In the process of building, China is focused on strategic docking with the countries along the route and the relevant international organizations. Talk one then mature one and develop one. China plays a great effort to promote the initiative docking with the national development strategy of



countries along the route, seeking cooperation in the largest common sense. Kazakhstan's "bright road", Saudi Arabia's "western planning", Mongolian's "grassland road", EU's "European investment plan", ASEAN interconnection plan 2025, Poland's "responsible development strategy", Indonesia's "global ocean", China's "Central Corridor" initiative, the "re-industrialization strategy" of Serbia, the Asia-Pacific OECD Interconnection Blueprint, the Asia-Europe Interconnection and Cooperation, and the United Nations 2030 Sustainability Agenda are highly aligned with "the Belt and Road Initiative".

China is willing to work with the countries and international organizations to promote the implementation. On the basis of mutual respect and mutual trust, China has established a relatively perfect cooperation mechanism with the countries along the route. Bilateral dialogue is the main channel of policy communication. China and the countries continue to strengthen the role of bilateral mechanisms, service interconnection, trade and investment, production cooperation, cultural exchanges, etc. Chinese government departments will also build a number of country cooperation promotion center, to promote the signing of the initiative cooperation agreement in order to speed up the implementation.

**Business participation.** Connectivity construction essentially is the market behavior. Business is the final operator and specifically implementing the construction of interconnection. Enterprises in accordance with the principles of the market participate in the construction of regional interconnection process. The key is to see whether there is market demand and market returns. Chinese-funded enterprises participate in the China - Laos railway, Yawan high-speed rail, oil and gas pipelines in Central and Central Asia, Gwadar port, the Karakoram Highway reconstruction project in China-Pakistan Economic Corridor with a clear market-oriented. From the main actors of the market, the central enterprises, local state-owned enterprises, private enterprises and foreign enterprises and other subjects are paying high attention to the initiative. At this stage, the central enterprises are the important actor of the Belt and Road Initiative. This is because infrastructure constructions are the main job at the initial stage of interconnection construction. In this case, the central enterprises have a prominent position in the railway, highway, electricity, building materials and infrastructure contractors and other fields. Financial central enterprises in the Belt and Road may play a more critical role.<sup>19</sup>

---

<sup>19</sup> For example, Bank of China will improve its institutional arrangements along the Belt and Road, focus on major projects, promote the development of structured financing business and strengthen domestic and foreign linkage and multilateral cooperation to achieve the relevant credit support not less than 20 billion US dollars for 2015, reaching \$ 100 billion in the next three years.

Local state-owned enterprises are also actively involved in the construction process. First, the states with strong state-owned enterprises such as Shanghai, Shandong, Jiangsu and other places. Second, state-owned enterprises along the route such as Xinjiang, Heilongjiang, Guangdong and Chongqing provinces and other state-owned enterprises. Private enterprises also seize the opportunity to trade and invest in areas of expertise. China's initiative has even offered new business opportunities to foreign-invested companies that have already invested in China, enabling them to better follow the Chinese government's plans to engage in trade and investment. In the long run, with the initiative layout becoming mature and perfect, all kinds of enterprises can find the right place. The actual operation of a business project, from point to surface, pave the grand blueprint of the Belt and Road. Enterprises in the specific operation process can find problems and timely feedback. For common problems, the Government can supplement and improve the planning accordingly.<sup>20</sup>

State-owned enterprises in general has been integrated with the market economy, both as the main market and a strong channel to promote the construction of interconnection. State-owned enterprises have significant economic advantages, organizational advantages and institutional advantages to better implement the national initiative. From the type of state-owned enterprises, the central enterprises managed by the SASAC are the most important carriers for the construction of interconnection, which is the largest provider of direct investment in neighboring countries, and also the main force in undertaking the contract. Sinopec and Petro China and other energy companies in the Central and Southeast Asian oil and gas investment, Shenhua's investment and trade in Mongolia, China Power Construction, China Energy Construction and China Water Construction's water and electricity investment in neighboring countries can be regarded as the typical assets in the regional interconnection construction.

China-financed financial enterprises directly expand financial cooperation with neighboring countries. Shanghai Cooperation Organization Development Bank proposed and promoted by China Development Bank, China-ASEAN Investment Cooperation Fund initiated by China Export-Import Bank, and the newly established Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund, have effectively promoted the financial influence of China in this region. In addition to central enterprises, the local state-owned enterprises also actively

---

<sup>20</sup> Song Guoyou, "The Strategic Conception of 'the Belt and Road' and the New Development of China's Economic Diplomacy," *International Review* (46) 2015: 29-30

participate in the construction of interconnection combined with their own characteristics and advantages. To Shanghai enterprises, for example, Shanghai Electric's state power station project in India, Shanghai Construction of bridge and other infrastructure projects in Cambodia, play an important role in promoting local economic development. The role of state-owned enterprises in the interconnection need to be further strengthened on the basis of respecting the rules of market in the future. While ensuring that the state-owned enterprises operate in accordance with the market logic, the government should pay more attention to encourage and promote the strength of non-public enterprises to participate in the connectivity construction.

#### **4. China 's Opportunities and Challenges in Regional Connectivity**

China's regional connectivity are faced with opportunities and challenges. China and other countries should seize the opportunity, cope with the challenges, and strive to make more progress in regional connectivity.

##### **(1) Opportunities**

**First, the international and regional situation is generally peaceful.** With the deepening of economic globalization and world multi-polarization, the interests of big countries are becoming more and more complex, and the multi-level competition and cooperation in politics, economy and culture are coexisting in many fields. This multi-dimensional pattern and multi-dimensional interests make the international community level to form relative equilibrium with mutual containment and the great states without war. In Asia, the situation has provided a basic international security guarantee for the implementation of China's initiative and the construction of regional interconnection, despite the turbulence in the situation on the Korean peninsula.

**Second, China has the ability and willingness to provide international public goods such as "the Belt and Road Initiative".** After the outbreak of the global financial crisis in 2008, the economic development of Western-developed countries has been hit hard, while China's economy has maintained a high-speed growth. China has become a veritable world economic developmental engine. In the context of deepening internal and external economic linkage, China has become a hub of interconnection in Asia by virtue of its strong comprehensive national strength and the increasing cooperation mechanism of neighboring countries and regional cooperation.<sup>21</sup>

---

<sup>21</sup> Hu Bin and Zheng Liansheng, "Asia Connectivity: China's Strategy, Policy and Action,"

China's reform and opening-up has accumulated a solid financial advantages, technical means, construction experience, development model for small and medium-sized countries along the route to provide a strong development support. As to high-speed rail technology, for example, China has the world's most advanced high-speed rail traction technology. China's Zhuzhou Electric Locomotive Research Institute Co., Ltd. captured the third generation of rail transit traction technology, mastering completely independent intellectual property rights. At the end of 2016, China's high-speed rail operating mileage exceeded 22,000 km. The number of flights in China and the EU has increased significantly, with a total of 1,702 flights, an increase of 109% over the same period, of which 572 are in the return row, an increase of 116%.<sup>22</sup> In overseas construction contracts, China has also accumulated a wealth of experience, can cope with the more complex construction needs. On November 1, 2016, China Construction and Malaysia Railway Link Company in Beijing signed the eastern coast of Malaysia railway project contract, the contract amount of about 74.5 billion Yuan. The 600-kilometer railway project will be linked to eight key cities, from Port Klang to Kelantan Road, and is expected to be completed in five to six years.<sup>23</sup>

**Third, countries want to deepen regional economic integration in the context of globalization.** With the rapid development of economy and society, the bonds of interest between countries are constantly close and the challenges are increasing. In the 21st century, the world political and economic situation has undergone a series of changes, especially since the international financial crisis in 2008. The global economic growth was weak and the traditional growth engine to stimulate the economy weakened; many countries falling into the economic downturn and weak dilemma. At the same time, globalization is faced with new difficulties and obstacles, trade protectionism, isolationism, populism and other anti-globalization trend has risen. The global economic governance system failed to

---

*FRONTIERS*, (95) 2015: 76

<sup>22</sup> The meeting of the China Railway Corporation was held in Beijing on January 3, 2017. Railway Corporation Party Secretary, General Manager Lu Dongfu made a report at the meeting which is "strong base standards, quality and efficiency, struggling to create a new situation in the development of railway reform", Xinhua News, accessed Jan 3, 2017, <[http://news.xinhuanet.com/politics/2017-01/03/c\\_129430109.htm](http://news.xinhuanet.com/politics/2017-01/03/c_129430109.htm)>

<sup>23</sup> China signed a Malaysian railway project contract for RMB745bn, People News, accessed November 4, 2016, <<http://world.people.com.cn/n1/2016/1104/c1002-28835322.html>>

reflect objective changes. Institutional mechanism innovation is slow. The global trade and investment system needs to be improved. Mutual benefit of the global value chain has not yet formed. A considerable number of national infrastructure is inadequate. Regional and sub-regional is facing bottlenecks which need to be dealt with by the regional integration. Facing the opportunities and challenges brought by economic globalization, it is the correct choice to solve the problems of the current world and regional economy by strengthening the policy communication and docking between countries.

**Fourth, the region's national demand for infrastructure construction.** Most of the country's infrastructure construction is bad, which largely inhibited the release of regional economic development potential. According to the Asian Development Bank's report recently released, it is estimated that "to meet the needs of infrastructure construction in Asia," and if Asia-Pacific region keep the existing growth momentum, its infrastructure needs will exceed 22.6 million (\$ 1.5 trillion per year) by 2030.<sup>24</sup> Moreover, in terms of infrastructure, Asian countries is facing an uneven development situation. The lagging infrastructure of some low-and middle-income developing countries in Asia has become a major bottleneck in economic development. In view of this, the vast majority of regional countries along the way welcome China's initiative. The demand of regional members has created a good background for regional interconnection, which is conducive for "the Belt and Road Initiative" to achieve greater progress in interconnection.

## **(2) Challenges**

**First, the relationship between China's connectivity and other great powers' connectivity.** To some extent, the implementation of the Belt and Road Initiative is restricted by international geopolitical game. The initiative goes across multi-country in Europe, Asia and Africa. Relative to the majority of small and medium-sized countries' positive expectations, the relevant powers' interests are complicated with complex state of mind. First of all, before China put forward the initiative, the great powers have put forward their own "Silk Road plan" based on their interests such as the United States "new Silk Road plan", the EU "Silk Road plan" and so on. The focus of different country programs has a certain degree of exclusion. The conflict of interest and competition of the great powers have hindered the construction of China initiative, especially among the United States and Japan, and India's resistance to the initiative. At the same time, the

---

<sup>24</sup> Meeting Asia's Infrastructure Needs, Asian Development Bank official website, accessed February 2017, <<https://www.adb.org/publications/asia-infrastructure-needs>>

major powers maintain greater influence on the small and medium-sized countries along the route such as the United States on Southeast Asia and the Middle East countries, Russia on Central Asian countries, India on South Asia and so on. The influence of the great powers contains the cognitive attitudes and policy choices of the countries concerned.

**Second, how China can better align with the facility initiatives of other countries.** First, within the region, there is a lack of deep political security and mutual trust between countries. The contradictory attitude of the relevant countries to Chinese initiative limits the achievement of the agreement on cooperation projects. This contradictory attitude is manifested in: on the one hand, they are eager to take the China's car to drive their own economic and social development, on the other hand, they are worried about proliferation of dependence caused by the deepening of economic ties. Second, the economic structure, the level of development and different demands of countries along the route and unstable political situation within some countries, hinder China and the relevant countries to promote the docking. Thirdly, the interconnection lacks a political and economic docking platform and mechanism with internal and external consistency, which greatly affects the efficiency of allocation of resources within the region.

**Third, the source and the recovery of interconnection funds.** First, the Asian interconnection lacks a relatively complete financing system and institutional arrangements, with a single kind of financing and a large funding gap. According to the Asian Development Bank, it is estimated that in 2010-2020, the Asian region needs to invest about US\$ 8 trillion for countries in energy, transportation, telecommunications, water supply and health infrastructure. China Silk Road alone, CDB, etc. cannot guarantee a huge gap in funding. Second, the Asian interconnection financing is mainly led by the government, lack of professional institutions and the involvement of the private sector. What is more, the infrastructure investment in the region is large, the cost and income are not equal, and the capital investment for the national infrastructure construction along the route is not short-term.<sup>25</sup> At the same time, transportation and other infrastructure investment period is long, the amount of investment are large, affected by exchange rate fluctuations. By the end of 2015 to early 2016, Central Asian countries generally devaluated, which bring a greater uncertainty to investment enterprises in the Central Asian.<sup>26</sup>

---

<sup>25</sup> Hu Bin and Zheng Liansheng, "Asia Connectivity: China's Strategy, Policy and Action," *FRONTIERS*, (95) 2015: 81

<sup>26</sup> Guo Huijun, "Investment Cooperation between China and Central Asia in the Context of 'the

**Fourth, security.** To different investment projects and different investment areas, political risk will have different forms. From the point of view of the host country, it can be divided into the general government and even the risk of political replacement, the conflict of national ethnic groups and even the risk of military conflict, the public discontent and even the collective protest risk, the lack of governance capacity of the host government and the risk of governance failure. In addition, there are risks of third-party factors, that is, companies of other countries, the media, non-governmental organizations to interfere with China's investment in these host countries. These political risks often do not exist alone, but will be induced by a certain risk or driven together. Each risk along the road can be found in the corresponding typical cases.

To better protect China's interests in the countries along the route, it is necessary for China to advance political, diplomatic and military capabilities. China's total investment will reach hundreds of billions or even trillion dollars through the unstable zone. In this process, how to prevent the political and security risks, and better protect Chinese overseas interests in countries along the route? For the market players, the political risk is the economic loss. It usually means that tens of millions or even more money is frozen, or is rapidly shrinking. In extreme cases, the cumulative loss may be higher. Even for the well-funded central enterprises, this loss is also unbearable in the short-term, not to mention those private enterprises with still relatively limited strength. This loss will not be confined to the economic level, but also spread to the diplomatic level. In many cases, some of the domestic political forces and international political forces in the investment countries tend to use and enlarge some of the problems in China's investment projects, attack China's foreign policy, combat the friendly forces of the target countries, and weaken its domestic positive public opinion and social basis towards China, thus bringing negative economic spillover. In other words, China's foreign investment has not only become a catalyst for promoting bilateral relations between China and the investment countries, but has become a hot potato in relations between the two countries. The two countries are bound to invest a lot of diplomatic resources to solve the relevant investment projects. If handled improperly, it will easily undermine the trust relationship between China and the host government. The prerequisite for avoiding political risk is to identify political risks.<sup>27</sup>

---

Belt and Road' - Based on the Perspective of Transportation Infrastructure Investment," *International economic cooperation*, (375) 2017: 74

<sup>27</sup> Song Guoyou, "The Strategic Conception of 'the Belt and Road' and the New Development of China's Economic Diplomacy," *International Review* (46) 2015: 33

**Fifth, environmental protection of connectivity.** To create a green Belt and Road, it is adapted to international environmental protection trends and fitted with the inherent requirements to promote the construction of ecological civilization, but also in line with the requirements of developing countries to develop green and environmental protection. The initiative covers the developing countries and emerging economies, the ecological environment is fragile, economic development highly depends on resources. The construction involves a lot of energy development and infrastructure construction projects with the potential risk of ecological environment. In recent years, environmental dispute cases led by China's foreign investment projects are common. A number of overseas projects were shelved due to environmental problems.<sup>28</sup>

**Sixth, China's soft power issue.** People-to-people bond is the cornerstone of the stable development of bilateral relations between China and foreign countries. The recognition of the people is the ultimate criterion for measuring the success of the interconnection. Policy coordination, facilities connectivity, unimpeded trade, financial integration are hard power areas, and people-to-people bond is soft power. Without the understanding, recognition and support of the people of the country along the way, the implementation of the interconnection initiative, planning and infrastructure construction projects will be constrained and fluctuated by the domestic political trends. It can be seen that the Chinese government has invested a lot of manpower, material and financial resources for regional interconnection. The starting point is to win the people of the country along the way in different forms, including the convening of various international conferences and forums, supporting foreign students to study and visit China and so on. But the soft power alone is not enough. Good soft power construction should clearly be the interaction between Chinese and foreign actors and the diversity of actors, rather than a government actor or non-governmental actors with official background.

---

<sup>28</sup> Xie Ran and Zhou Jun, "Environmental protection is the best background color of the Belt and Road," *Environmental Economy* 198 (2017): 55



## **CLOSING REMARKS BY AMBASSADOR POU SOTHIRAK EXECUTIVE DIRECTOR OF CICP**

Ambassador Pou Sothirak said he thought there are two take-away from this one-day conference. From the workshop, it is clear that the BRI would be beneficial to Cambodia and the region in the long run. Second, the BRI would have a lasting impact for both (Cambodia and China and ASEAN and China), if the following conditions are met.

- ❖ In collaboration, each side respected each other, built trust, which would be the basis for even more collaboration. He said it is important for China or any party to bear in mind that as far as possible, the benefits should be fairly and equitably shared, as otherwise resentment would arise.
- ❖ China could be more sensitive to the aspirations of the host country to its investments and to the region. ASEAN would be engaging with the BRI soon and the BRI could be appearing in the ASEAN Chairman statement in 2017. ASEAN also has a plan on connectivity, and the BRI should harmonize rather than compete with it. This is especially important given that the ADB, led by Japan, was driving the ASEAN Master Plan on Connectivity and the Initiative of ASEAN Integration.

Ambassador Pou Sothirak said small countries did not want to choose to side with any one major power. Cambodia saw China as the big brother, which could assist Cambodia to co-exist with other friends, both ASEAN and other major powers. It would be disastrous if Cambodia had to choose one major power over another.

CICP accepts no responsibility for facts presented and views expressed. Responsibility rests solely with individual contributor.

No part of this publication may be produced in any form without permission from CICP.

## **CAMBODIAN INSTITUTE FOR COOPERATION AND PEACE**

No. 204, Street 1966, Phum Paung Peay, Sangkat Phnom Penh Thmey, Khan Sen Sok,

Phnom Penh, Kingdom of Cambodia

P.O. Box 1007, Phnom Penh, Cambodia

Tel/Fax : (855) 12 819 953

Email : [cicp01@online.com.kh](mailto:cicp01@online.com.kh)

Web : [www.cicp.org.kh](http://www.cicp.org.kh)