

國立政治大學亞太研究英語碩士學位學程
International Master's Program in Asia-Pacific Studies
College of Social Sciences
National Chengchi University

碩士論文
Master's Thesis

中國對柬埔寨的影響：新現實主義的看法
China's Influences in Cambodia: The Neorealist Point of View

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中華民國 105 年 8 月

August 2016

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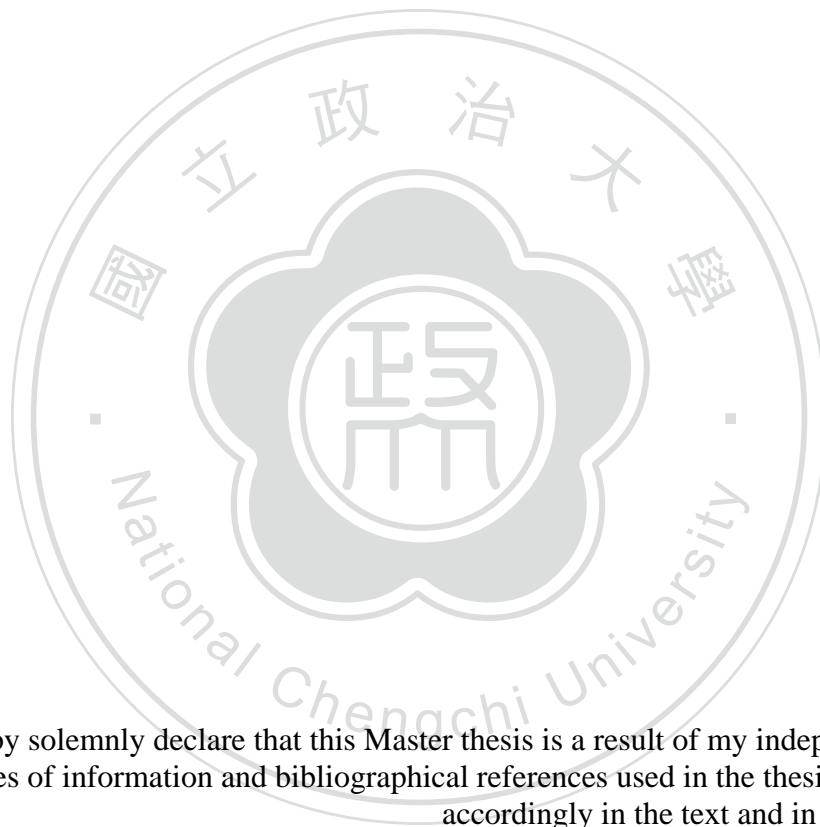
A Thesis

Submitted to International Master's Program in Asia-Pacific Studies

National Chengchi University

In partial fulfillment of the Requirement

For the degree of Master in China Studies



I do hereby solemnly declare that this Master thesis is a result of my independent work. All sources of information and bibliographical references used in the thesis have been cited accordingly in the text and in the bibliography.

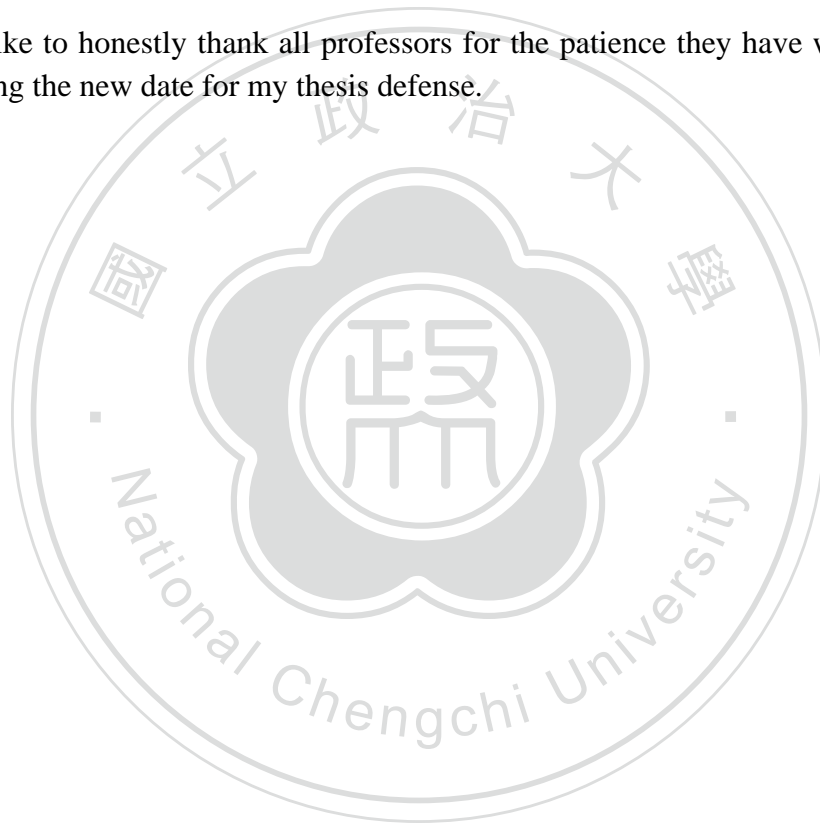
Boris Freso

Acknowledgments

First and foremost I would like to express my deepest sense of gratitude to my thesis advisor Professor Chien-min Chao, who assisted me during the course of writing. He offered me new perspectives and showed a deep knowledge of the subject matter.

I would also like to express gratitude to my thesis committee members Professor Calvin Lin and Professor Alan Hao Yang, who gave me relevant and valuable remarks during my thesis proposal defense.

Also, I would like to honestly thank all professors for the patience they have with me and kind attitude in finding the new date for my thesis defense.



Abbreviations:

ACC	- Association of Chinese in Cambodia
ACFTA	- ASEAN-China Free Trade Agreement
ADB	- Asian Development Bank
AIIB	- Asian Infrastructure Investment Bank
ASEAN	- Association of Southeast Asian Nations
BOT	- Build-Operate-Transfer
ELC	- Economic Land Concessions
CC	- Confucius Classroom
CCCC	- Cambodian Chinese Chamber of Commerce
CI	- Confucius Institute
DAC	- Development Assistance Committee
DOC	- Council for the Development of Cambodia
GMS	- Greater Mekong Sub-region
GOC	- Government of Cambodia
EIA	- Energy Information Administration
FDI	- Foreign Direct Investment
FTA	- Free Trade Agreement
ICJ	- International Court of Justice
IMF	- International Monetary Fund
JICA	- Japanese International Cooperation Agency
LMC	- Laos, Myanmar, Cambodia
LMR	- Lower Mekong Region
LS2	- Lower Sesan II
MOU	- Memorandum of Understanding
MRC	- Mekong River Commission
NGO	- Non Government Organizations
OBOR	- One Belt One Road
OECD	- Organization for Economic Co-operation and Development
OFDI	- Outward Foreign Direct Investment
PRC	- People's Republic of China
RMB	- Chinese Yuan
SEA	- Southeast Asia
SCS	- South China Sea
SOE	- State-owned Enterprises
UNDP	- United Nations Development Program
WB	- World Bank
WTO	- World Trade Organization

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August 2016

Abstract

The thesis seeks to evaluate China's influences in Cambodia by relying on the neorealist account. The first goal is to examine the China's foreign policy of 'Peaceful Rise 2.0.', as the tool of gaining political power. The second target is to find out whether China is capable of transferring such power into actual influence by adopting the theory of influence by Emily Goh. Research on such ability is tested in the case study of China's involvement in construction of hydro-power facilities in Cambodia. In addition, findings are examined through the optics of several neorealist theories, to find out the relevancy of this discourse on this topic. The results prove the existence of China's effective leverage on Cambodia, and also the capability to yield this kind of impact from the outcomes of the China's foreign policy. Also, realist accounts proved their merits; however, also their shortcomings regarding the dynamics of Chinese-Cambodian interaction.

Key Words:

China, Cambodia, Influence, Peaceful Rise 2.0., Goh, Neorealism, Economic Statecraft, Territorialization, Hydro-energy

摘要:

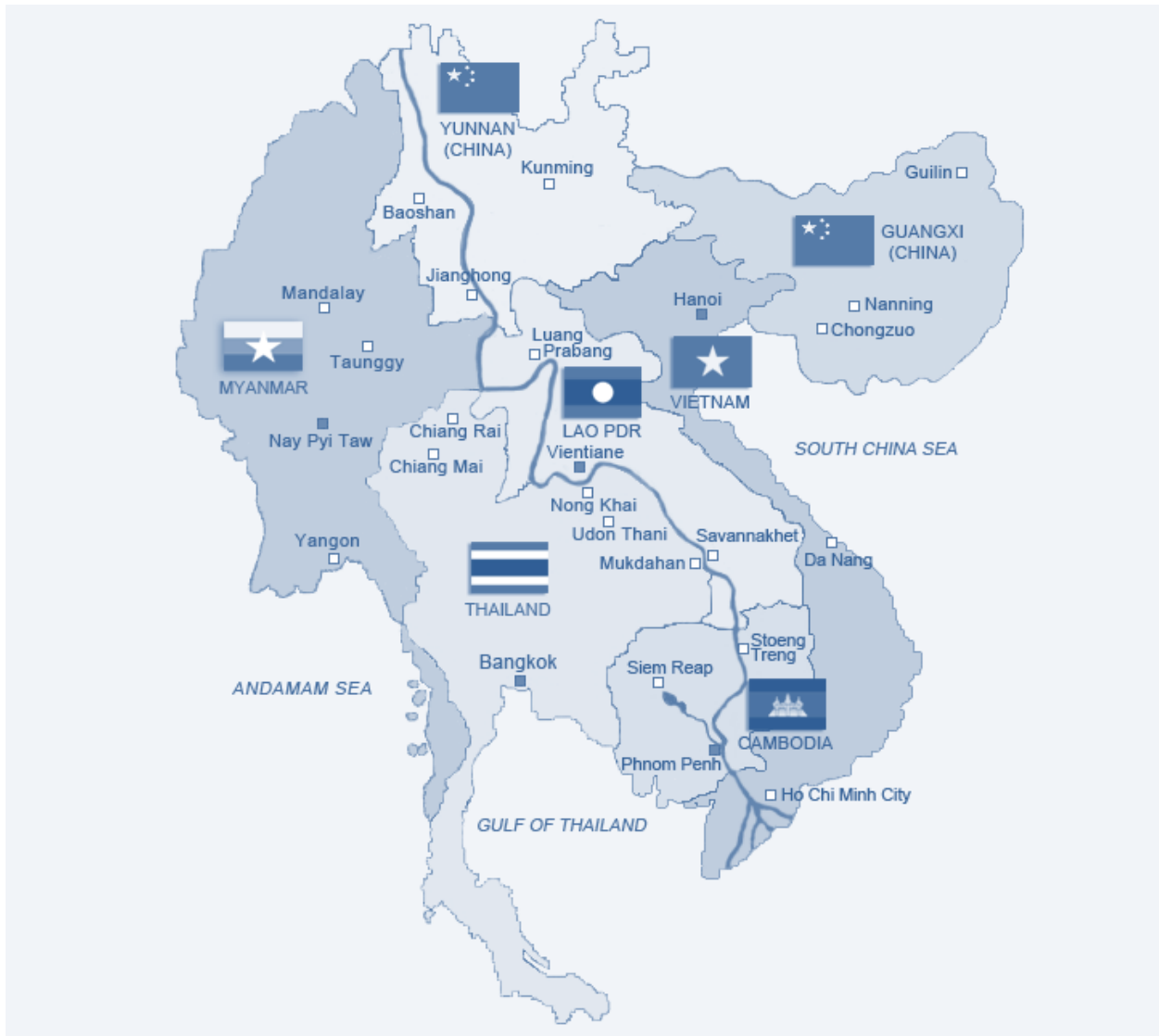
第一個目標是檢視中國為了增強政治實力而建立對外政策—和平發展計畫 2.0。第二個目標是試圖釐清中國是否可以藉由『Emily Goh』的理論轉化成實質影響。以中國於柬埔寨建設的水力工程為考察目標。除此之外，調查結果是以一些新現實主義的論點來找出兩者之間的相關性。結論證明了中國對柬埔寨確實有相當的影響力，且此樣的外交政策是有效用的。此外，現實主義者也藉此證明了自己的價值；然而，也彰顯了中國與柬埔寨雙方互動的缺點。

關鍵詞:

中國, 柬埔寨, 影響, 和平發展計畫 2.0, Goh, 新現實主義, 經濟治國綱領, 領域化, 水力能源



Figure 1: Map of Greater Mekong Sub-region



Source: Available online: https://sovanmonni.files.wordpress.com/2013/08/mekong_region_map.png, [Accessed 31st-Aug-2016].

Chapter one

Introduction

Despite the economic slowdown, the world has been continuously foreseeing that China might eventually become another important player, who will pull the strings on global matters. After the British Empire of 19th century, the American hegemony in the 20th, 21st century is supposed to belong to Asia and its emerging markets lead by the Chinese dragon. In fact, the process of China's rise has already begun. For instance, we could take into account its assertive behavior in South China Sea (SCS), establishing the Asia Infrastructure Investment Bank (AIIB), plans to rebuild the Silk Road both on land and sea (strategy also called One Belt One Road)¹, or even IMF approval of RMB to become a new world reserve currency. All of these matters are part of the dynamics, where, according to Beijing, China is retaking its rightful place in the world. To achieve this goal China has adopted a new proactive policy which still promotes the peaceful rise, however, at the same time it has started to demonstrate the increasing China's influence.² This thesis intends to track the road of China's strategy, and aims to understand the given development from the perspective of one of the most significant theories of International Relations – theory of neorealism. To frame this plan it is necessary to observe all the accompaniments of this course of events. In my research I would like to look into the Chinese active engagement in emerging markets of Southeast Asia region, and observe the effects of such strategy in terms of Beijing's accumulated influence.

Among many reasons why to study China's presence in South East Asia (SEA), the most tangible one is that China simply needs SEA. In recent decades the situation has proven an enormous Beijing's interest in that region. In fact, with rising economic power, China has been in a certain way present in all of the countries, which belong to SEA. China is heavily reliant on energy, but its own natural resources are not sufficient, therefore it needs to import it. The maritime domain of South China Sea is one of the busiest sea lines of communication, which is among other things also used for shipment of crude oil. According to EIA, China is the largest importer of oil in the world. SEA is also one of the fastest growing regions, which accounts the population of about 620 million. This fact makes it an attractive destination for expansion of its commodities, not to mention the largest free trade zone in the world between China and ASEAN (ACFTA). Hence, naturally it is in China's geopolitical and national interest to spread its influence upon this area, mainly if we take into account that China is not the only power paying

¹ Officially it is the development strategy consisting of Silk Road Economic Belt and Maritime Silk Road, which are supposed to create the transfer corridors in order to connect Asia, Africa and Europe by developing and modernizing infrastructure, and also by improving political and economic relations between countries in these regions.

² So-called China's 'Peaceful Rise No 2.0.', which will be introduced in the next chapter.

attention to SEA. The same as China, Japan also expresses serious concerns about the security of its sea lines through the SCS to feed its hunger for natural resources. Likewise, we all know that Japan is always backed by the US, which has also voiced its intentions to rebalance Asia in so-called 'Asian Pivot'.

However, examining the whole region would definitely overcome the boundaries of Master thesis; therefore I tried to find one good case, which would speak for all. The choice was given to Cambodia. It is the special position of Cambodia in the SEA, which has gained my attention. It is the state, which throughout the history has always had problems with its neighbors and often found itself in the clash between Thailand and Vietnam. For instance, the recent border disputes with Thailand over the Preah Vihear temple area actually escalated in 2008 and caused casualties on both sides.³ Therefore, Cambodia has always had to rely on strong powers such as China in order to secure its sovereignty. On the other hand, closer ties to Beijing are also a double-edged sword. First of all, from historical perspective there is a huge, and perhaps in some way still unhealed wound in Cambodia's trust to China, because of the Beijing's support of the Khmer Rouge regime some 40 years ago⁴. That is actually more complicated if we consider the involvement of Vietnam, which helped to overturn the cruel regime against China's will, but at the same time it did not pull out from the country for another decade. On the top of that, current Cambodian PM – Hun Sen – has been ruling since 1985, as the Vietnamese puppet. However, last two decades have also brought him closer to China's door thanks to enormous sums of money, which are flowing from Beijing.

Secondly, being dependent on Chinese aid and foreign investments pushes Cambodia into the dangerous relation, where its freedom might be absolutely contained by China. If we borrow some figures collected by Mr. Heng Pheakdey, we can clearly see that the economic involvement of China is tremendous.⁵ Based on those numbers China invested USD 9.17 billion between 1994 and 2012 to Cambodia, and in the same year China's loans and grants, estimating USD 2.7 billion, reached the second place after Japan. Cambodia is one of the poorest countries in the world with terrible freedom, corruption and governance record. It seems that such conditions, for the record, same as in African countries, pose the best requirements for China to enter this area. Some experts are already suspicious that Phnom Penh does not act independently, mainly in ASEAN⁶, where serious doubts about the Cambodia's servility to Beijing have been raised. For example, the ASEAN meeting hosted in Phnom Penh in 2012 was quite controversial. At that time Cambodia refused to support a strong stance against China's demonstration of power in

³ According to International Court of Justice judgment from 1962 the temple belongs to Cambodia, but the surrounding area is still claimed by Thailand. After the conflict in 2008-2011 the ICJ revised the sentence in 2013, where it claims that the territory (except Phnom Trap) also belongs to Cambodia.

⁴ Maoist regime supported by North Vietnam and China, ruled the country in 1975-1979, which caused life of 2 million people, notably almost the whole intelligence. The relations between these two countries were restored in 1997.

⁵ Available online from: <https://dinmerican.wordpress.com/2015/07/18/cambodia-and-china-chinese-investment-and-aid/>. [Accessed:15st-Mar-2016]

⁶ Cambodia has entered the ASEAN group in 1999.

South China Sea (SCS) proposed by Vietnam and Philippines. This situation made other members of this group skeptic about Cambodia's independent vote. All in all, considering the fact that China is Cambodia's top foreign investor, a major donor and strategic trading partner, one cannot be so surprised that Cambodia seems to be lured so deeply into China's cave.

Nevertheless, since my main motivation is to investigate the China's influence on Cambodia's decision-making from the perspective of neorealism, we also have to look closer to reasons why I decided to study the situation in this particular country. I have chosen these two states mainly in order to examine how smaller countries put up with the pressure of regional power, which is expected to grow even further in the international hierarchy. Cambodia is located on the lower Mekong basin, which flows through the closest periphery, right from the Chinese borders. It is geopolitically very important area, because it connects Indian Ocean to inner China and SCS. China needs to strengthen its presence in this region to protect its military access to those waters, including Gulf of Thailand and Malacca Strait. Moreover, this region has been always important for China historically. During the Chinese empire the former state-structures used to be in a tributary relation under the Chinese influence. Secondly, China needs Cambodia as its opened door towards ASEAN. China has territorial disputes with most of the ASEAN countries, therefore getting somebody, who would support China's claims and provide a little sabotage within the ASEAN community is beneficial. Last but not least, it is also for China's sake to invest into development of this region and link it to Yunnan and Guangxi provinces, which are part of the poorer western Chinese region, given their landlocked position. Therefore, there is no wonder that the new reemerging China puts this region as one of its main priority, and Cambodia has become a benchmark of China's foreign strategy.

This process has already begun in the previous decade, when China has kicked off its Peaceful Development Strategy. The goal of this thesis is to look into the efficiency of soft tools of China's influence, which are supposed to carry small states back to China's orbit. Has China gained enough political clout to shape the direction of Cambodia? The crucial effort of this paper will lie in the quest of finding the correlation between China and Cambodia mutual development relations as the result of Beijing's foreign policies in terms of its bilateral and multilateral behavior. Also, it aims to prove that China's engagement in this area carries side interests and has serious implications on smaller states like Cambodia. The main premise of this work is that by building of infrastructure, providing the necessary aid, and by increasing the trade relations China accumulates its political power in Cambodia. Main reason to think that this kind of engagement is in line with the Beijing's strategy is that majority of any constructing projects coming from China are persuaded by state-lead enterprises, or private companies, which have direct connection to the top Chinese leadership. Therefore, we could address it as the outwards development with Chinese characteristics. The second aim of this thesis is to examine, whether China's power has raised enough to achieve the real influence and shape Cambodia's decisions. All in all, if we intend to discuss the China's foreign policy, according to Professor Goldstain (In

Hanami 2003, 4), “[...] the question is not ‘whether’ neorealism explains China’s foreign policy, but rather ‘how much’.”

1.2. Hypothesis:

The recent Chinese engagement in Cambodia proves the unequal nature of their mutual relation. While China, as a regional power, tries to increase its political influence by adopting its strategy of Peaceful Rise 2.0., Cambodia loses the ground under its feet, and progressively has been lured back on the China’s orbit. Such dynamics is a proof that the Beijing’s policy is successful in accumulating its influence.

1.3. Research questions:

1. How is China’s strategy projecting its regional power towards Cambodia?
2. Does this strategy threaten Cambodia’s security/ sovereignty?
3. Is china capable of influencing Cambodia’s preference and behavior?
4. What are the challenges to China’s ‘Peaceful rise 2.0.’ in Cambodia?
5. Is the Chinese activity on Mekong river part of the Chinese political strategy?

Chapter Two

Theoretical Framework

2.1. Relevant Theories:

2.1.1. China's strategy – Peaceful Rise 2.0.

In order to understand the Beijing's actions in the given region, one must firstly get familiar with the current strategy of China's foreign relations. This thesis will work with the strategy introduced by Jian Zhang⁷, who tries to address the present shift in China's foreign policy. This shift could be noticed after Xi Jinping has taken the office. As I stated above, China has obviously adjusted the lower-profile attitude, which was very significant for its interaction with other countries. Before China's position used to be described as 'hiding's one's' capabilities and biding one's time' (*taoguang yanghui*). However now it seems that China has accumulated enough political clout to start to demonstrate its national interests and to shape the international politics in order to regain its rightful position. Zhang calls this strategy a new phase of a Peaceful Rise – Peaceful Rise 2.0. The main difference between the two versions lies in the, "[...] more purposeful and even assertive pursuit of China's national interests whilst vigorously seeking to maintain a peaceful external environment" (6-7). This means that China still promotes the mutual development interaction, because China needs peaceful and stable external environment. However, it also asserts that times, when China would band on a knee under any circumstances are long gone, albeit China's strategic and economic power has not reached the top level.

Zhang divides the China's main objectives into two parts. Firstly, it is the China's strategy towards USA called a 'new type of great power relationship' (*xinxing daguo guanxi*), which implies that until now the negotiations with the world strongest country lacked any specific tactics of mutual approach. It has always been the US, which has been initiative in the mutual relations. Zhang assumes that in order to assure the new China's position, it is necessary to draft its own policy towards Washington. In theory, it means that Beijing is aware of the fact that stable mutual cooperation is the main priority in managing the Sino-US relationship. Hence, Beijing will promote the following features in mutual engagement: 'non-conflict and non-confrontation', 'mutual respect of each other's different political systems and core interests', and finally 'win-win cooperation' (Yang in Zhang 2015, 14). In fact, this approach is still more in a theoretical level, but what is for sure, by this strategy China definitely seeks for more equal treatment from the US.

⁷ The following chapter is a brief summary of Zhang's analysis.

Second notable objective of the new China's strategy is the concept called 'community of a common destiny' (*mingyun gongtongti*). The goal of this initiative is to promote the mutual development, and strengthen ties with neighbors and other countries, which support the One China Policy. This is also supposed to be the answer to the current globalized world, where economic interdependency phenomena does not take preferences on the nature of political systems of countries or their level of development. This is not anything new, and we can recognize such China's position since Hu Jintao leadership. Although Xi Jinping adopted this idea, he has incorporated certain changes, which are mainly visible in facilitation of relations in SEA. According to Xi, it is necessary to build a closer economic community between China and ASEAN in order to achieve a stable and favorable external environment. In other words, Beijing seeks to create a China-centric regional order, where it would play the role of leader. Unlike the previous objective, this one has been already taking shape by establishing initiative of the AIIB and ODOR.

The process of regional integration is not as simple, quite contrary; it offers a whole new dynamics into the demonstration of China's foreign policy. Some scholars even assume that the national-building is actually to the high degree connected with transnationalization strategy of Chinese politics, which aims to foster a positive national sentiment towards China on its borders and create a strategic buffer zone of support by nationalizing the periphery areas. Through this policy China "[...] not only effectively influences local (and national) economies of the host countries, but also actively asserts its symbolic and ideological presence in the region" (Santasombat 2015, 5-6). To create such supportive environment China mobilizes the old Chinese communities, which have been living there for centuries, and also it encourages new waves of migration (*xin yimin*) to these countries. The truth is that such process is much more effective in poor countries of Mekong region, where are signs of insufficient governance, corruption, nepotism, wealth gap, inequality under law and other flaws of a weak state. Santasombat (2015, 7) further elaborates that this mechanism consists of free interconnected phases:

1. The expansion of trade, investment, and foreign aid
2. Increasing territorialization through large-scale concessions and megaprojects
3. The expansion of Chinese economic and political influence that goes hand in hand with the increasing flows of new Chinese migrants

All of these steps can be observed in Cambodia, which will be later supported in the main body of the thesis.

2.1.2. Tools

For the sake of this thesis, the second part of the ‘Peaceful Rise 2.0.’ strategy is crucial. China wants to shape this region as the center, but in order to achieve such strong influence it needs to adopt certain techniques. Firstly, if we are to discuss the effect of China’s techniques in Cambodia, we have to understand the true motives behind attempts to gain the influence. According to Song (In Santasombat 2015, 27), China’s strategy has these general objectives:

1. Territorial integrity: restore lost territories and maintain current territories
2. Prevent external powers from dominating Asia; increase Chinese influence in the region
3. Encourage economic growth
4. Shape the global order toward Chinese preferences

Further, how exactly is China planning to do that, since there are many tools in international relations to achieve one’s goals? Since the last decade Beijing has been adopting the so-called charm strategy, which resembles the famous soft power theory by J. Nye. Nathan and Scobell (2012, 318) observe that soft power is “[the] ability to exert influence beyond what a country wields through the use of force and money because of the appeal of its cultural values, its ideas, and perceived success of its way of doing things.” However, these means are not the only tools for Beijing to regain its historical position in the region. Charm strategy consists of many categories, for instance, according to Kurlantzick⁸, based on China’s experience we firstly recognize the tools of Culture, which includes: new public diplomacy, expansion of Chinese media, scholarships, language programs and mobilizing the Chinese diaspora. Second set of tools are under the category of tools of Business. Those include outward investments, aid, low interests loans and grants.

This leads us to another question: How is the charm strategy related to China Peaceful Rise 2.0? In fact, Xi Jinping has not abandoned these techniques; he has just adjusted them so they do not symbolize harmonious relationship as much as it used to be in times of his predecessor. China still tries to win the hearts of its weaker neighbors, but this time it does not say that it will be for free. Even Cambodia’s PM used to calm the situation by saying that the Chinese help comes with no strings attached, which was rather doubtful. Zhang observes that China does not hesitate anymore to emphasize that Chinese help comes with expectation of reciprocity (2015, 10, 14). That means that China still intends to promote the mutual development, but by saying mutual it literally means that there are expectations that the host countries will assure their commitments and support the ‘common destiny’ with Beijing. This shift sheds the whole new light on the nature of relations with countries of Mekong Region. To my understanding, before it was just in a way of suspicions, allegations and predictions of Beijing’s lure-effects; now, even Beijing admits that in order to reassure its rightful position it needs the countries on its orbit to cooperate.

⁸ Look for more in Kurlantzick, J. (2008) China’s Growing Influence in Southeast Asia.

Notwithstanding, I will refer to another categorization of China's tools of strategy, because there are certain important pieces of puzzle missing in Kurlantzick's definition. I would divide these techniques into two main categories, according to Santasombat procedure mentioned above: china's economic statecraft, and China's territorialization. The economic statecraft is defined by China's money, which is continuously flowing into Cambodia. The category of territoriality includes the process of trans-nationalization, which is spreading the Chinese values in terms of culture, language, diaspora and controlled migration. Additionally, this category will also discuss diplomacy, which will further elaborate on 'Peaceful Rise 2.0.' in practice, and also it will tackle the China's balance between unilateralism, bilateralism and multilateralism. All these subcategories will be further introduced in analytical framework. Collected data will be crucial in order to prove the rising involvement of China in Cambodia's matters, because the trend will reflect the higher or lower power that China has already gained. To test China's ability to translate power into influence, I will use the theory of Professor Goh, who introduced her own framework, which studies to what degree a certain country can control another one.

2.1.3. Introduction to Neorealism

In this thesis I will rely mostly on the theories that help to expand the main source of the school of neo-realism. In my viewpoint, the current international system is based on the material motivation, which is the true essence of the mutual engagement between various actors in the international arena. I am inclining to the ideas of realism, in which state, as the main actor in the international relations, seeks for the power in order to project its influence. Based on the classical realism, the international dynamics does not come from actions of individuals, or other organizations. It is the hunger of states for power which keeps the wheel spinning. Moreover, power is the tool which helps to keep the state's population secure. With security comes the ability to survive, because, given the premise of realism from the beginning of the 20th century, human nature is rather egocentric and men never act in accordance with moral and ethical priorities. The international system is driven by anarchy, because there is no real authority above states. However, their actions are rational, since they act so as to accumulate more power. Therefore, realism absolutely objects any sources of moral behavior elements in international politics, in contrary to the former school of idealism.⁹

However, in this work we will pay attention to the more recent theories of realism. The key foundation of the realist revival is the book by the author Kenneth Waltz called *Theory of International Politics* (1979), which introduces the so-called structural realism, which is an interchangeable term with neorealism. The new way of realism rather builds on premise of international system than on the human nature itself. The core of this theory is the relation

⁹ The main works of classical realism as the opposition to school of idealism are by the authors of Carl von Clausewitz, Hans Morgenthau, E.H. Carr, and Reinhold Niebuhr. The foundation of realism was built upon works of Niccolo Machiavelli, Thomas Hobbes.

between international system and the dominant structure (anarchy), “[...] defined by the interplay between its component units (states seeking survival) which are characterized by particular distributions of power (the capabilities of units)” (Booth 2011, 5). Therefore, other factors that shape the foreign policies are neglected at the expense of the real significance of the international system and its anarchic nature. In other words, the structural constraints of the system are decisive upon the state’s behavior. States have to face the pressure of international system which is self-led by its anarchic structure. Waltz in his work builds upon the classical realism, but also contributes to the theory with whole new motives such as polarity, balancing, alliances, security dilemma relative and absolute gains, and the grand strategy (2011, 17).

Similarly, another significant author from the school of realism is Stephan M. Walt with his theory of Balance of Threat. Professor Walt enlarges the discussion of neorealism into its defensive merits, and explains the position of countries that have to carefully react on the threat from a larger and more powerful entity. That is in my opinion very important tool in order to understand the nature of interaction between China, as a regional power, and Cambodia as a small state. In that case, it is important to clarify and define the terms of regional power and a small state.¹⁰ As for the small state, according to Handel (1990, 10), “[The] main characteristic of weak states is, indeed, their lack of power or strength, and hence they are continuously preoccupied with the question of survival.” He further elaborates that the question of size of the state should not be decisive, unlike its relative strength. However, the best criteria for a small state should be the small territory and lack of strength. Small state should be interchangeable with the term of a weak state, because weak states do not possess the necessary capacity to protect, maintain, or further their national interests (11). Furthermore, the definition of a small state is in a negative correlation towards to definition of the powers. That means what does not meet the criteria of a great power, for instance, goes lower in the hierarchy.

As for the definition of regional power – which at that time was not sufficiently introduced in Handel’s research yet – we will adopt the formulation from the viewpoint of Stefan Schirm. Before, however, it is firstly necessary to distinguish the meaning between ‘middle powers’ and ‘regional powers’, since these two concepts are easily misinterpreted. According to Keohane (1969, 293), “[A] great power is a state whose leaders consider that it can alone exercise a large, perhaps decisive impact on the international system.” The weaker the state is, the less capacity for projecting its influence on the international system it has, and simultaneously the greater impact of the great powers has to be confronted. That means the middle power does not achieve such an influence on the global matters, because it lacks the political, economic and military resources. Despite their position, they are considered to stand right by the side of great powers and super powers, since they have certain abilities to impact the international system on the

¹⁰ According to distribution of international power hierarchy we recognize super powers, great powers, middle powers, weak states, and mini-states. For further elaboration see more in HANDEL (1990), *The Inequality of States: a Study of Small Power in International Relations*.

ground of international institutions.

On the other hand, the 'regional powers' concept plays its part on the whole new playground, because it is incorporated in the different context. The determinant in this case is a certain geographic region and interaction between the states within this region. A status of regional power belongs to the state, which is capable of projecting its influence in regional affairs the most in comparison with other states, which geographically belongs to the given region. Likewise, such a state is able to defend its position against any coalition of states in the region. Last but not least, it belongs to a state which, unlike 'middle power', might be able to occupy higher ranks on the hierarchic scale in addition to its regional standing (Osterud in Neumann in Nolte 2010, 889). Therefore, regional power also can be at the same time a super power, or a great power, because then we are talking about different level of analysis. For the regional power the main goal is to keep the region in stability, which also goes in line with responsibilities towards this region.

To draw the better picture of such power I will introduce the definition by Professor Schirm (In Nolte 2010, 892), who helps us to recognize the regional power in general by combination of power resources with the perception of the regional power by other states. Regional power has:

- The articulated claim for leadership as rule maker, which is part of the state's own role definition and is communicated to other actors/states.
- The material and organizational resources for regional and international power projection (power over resources).
- Activities to honor the claim of leadership and to mobilize power resources.
- The recognition and acceptance of leadership status by other actors/states in the region and outside of the region.
- Real political influence in the region (power over outcomes).

To put it simply, "[...] any distinctiveness in small state behavior arises not from any qualitative difference between small states and others, but from the limitations their smallness places upon their capacity to implement significant decisions in foreign policy" (Handle 1990, 38). Though, being weak does not necessarily mean to give up of any attempts to shape the global order, and it is in these countries national interest to adopt such foreign policies, which eventually lead to improvement of their global position.

That is why Professor Walt's defensive theory of balance of threat is so significant. Mr. Walt studies the reaction of smaller countries on the rising regional power. These countries in order to secure their self-existence either chose to balance this threat, or they cooperate with obedience – so called 'bandwagoning'. Moreover, Walt brings up new definition of threat to the neorealist discourse. We distinguish between four factors, which determine the level of threat to a certain weaker state. Those factors are aggregate power (total resources of a state like population, technological advance, and military), proximity (nearby states pose a greater threat than states far away), offensive power (large offensive capabilities are more likely to provoke opposition), and offensive intentions (the state's ambitions might also provoke an alliance). For instance, if we take the case of Cambodia, the nearest threat might be posed by Thailand or Vietnam, since it is clashed between them and the historical experience suggests that Cambodia must be cautious in the future. Hence, it bends to China. Problem with such explanation might be the power capability of China, since according to Walt's theory; the weaker states should align against the bigger power. Though, China in this case cannot be taken as a weaker state, since it is considered to be the regional power.

Therefore, as for the situation in Asia security, the theory of balancing threat is not sufficient enough. According to Kai, neorealism is often criticized for its intentional neglecting of the role of multilateral institutions. Moreover, the balancing is explained in its hard nature, or military terms. For neorealist institutions represent a secondary phenomenon, out of the main discourse. National security in Asia is the case of "configuration" in the larger regional and global system (2009, 4). To challenge this notion, Kai He introduces the whole new framework called institutional realism. This theory suggests that (9):

- High economic interdependence makes states choose a new realist balancing strategy – institutional balancing – rather than traditional military alliances to cope with threats or pressures from the system,
- The distribution of capabilities in the regional system indicates how states conduct institutional balancing, either inclusively or exclusively.

If we look on the case of Sino-Cambodia relations, questions would stand how Cambodia chooses institutions to seek security. The good example is ASEAN, which is the primary choice of countries in this region. It can be understood either as inclusive balancing, where Cambodia deals with the pressure against Thailand and Vietnam, who also are the members, or it can be exclusive where Cambodia deals with the pressure from outer threat, for instance, from China or USA. What is good about this theory is that it takes into account the economic interdependence variable, which reflects the plan for SEA according to China's strategy. In such set up the hard power is the least possible way of handling security issues, therefore it must seek for influence by adopting different means. According to Kai, the distribution of power and economic interdependence are the main guidelines policies of China in Asia Pacific to gain the influence at

the expense of other regional powers.

2.1.4. Goh

In the previous part I have already discussed the Nye's soft policy, and China's charm strategy as the tool of gaining influence. However, if we want to approach the distribution of power sufficiently, we might encounter a problem with analyzing the efficiency of China's influence. E. Goh tries to solve this problem in her research about *The Modes of China's Influence: Cases from SEA*. In fact, this is a concrete case study, where Ms. Goh tackles the question whether China is, or it is not capable to persuade other nations to take actions against their will. According to Goh, this ability is decisive in measuring the country's influence. This work will help me in the final examination, whether China's influence on Cambodia even exists or not.

Professor Goh in her case study analyses the real capabilities of China today.¹¹ The purpose of this paper is to discuss whether Beijing really possesses sufficient amount of power to get what it wants. Firstly, it is necessary to distinguish between the term 'power' and 'influence'. Goh defines power as "[...] resources and latent capability, and influence, defined as the effective exercise of this power" (826). As for the influence, it is divided into three innovative categories: 'preference multiplier', which basically means the coherence of preferences among states; 'persuasion', which guarantees that preferences will be negotiated; and 'ability to prevail', which is actually the real evidence of influence, because with this ability countries can make others to do what they normally would not. Mode of persuasion was further expanded in another work by Goh, where she distinguishes between shaping the decisions by founding or getting influence over institutions – Institutional Shaping; and creating aligned preferences through promotion and emphasis on superior or advanced nature of certain agenda – Discursive Persuasion. So, is China's political clout efficient enough to shape international relations? Professor Goh observes, that first the levels of influence have been already achieved by China, however, the last one is still lacking. For the purpose of this thesis the most valuable part is the phase of 'preference multiplier', which will help us to examine the current capabilities of China to shape the Cambodia's decision-making.

Naturally, influence has been subject of numerous studies in various scientific approaches. For instance, there are other three commonly known categories: coercion – threat of costly consequences in case of other person disobedience; inducement – enforcement by a reward, and persuasion – make the other person to believe that what we want is for his own good as well (Martin in Goh 2014, 828). At this point Goh criticizes the current academic discourse for focusing just on certain parts of the theory of influence in China's case, and hence introduces her

¹¹ The following part is a brief summary of GOH, E. (2014), *The Modes of China's Influence: Cases from Southeast Asia*.

own analytical framework. As Goh puts it, the goal of this framework is to find the distinction between power, understood as the rising economic resources, and influence, which is supposed to be defined as the effective exercise of power. If we seek to distinct between these two aspects, how can we investigate the efficiency of China’s influence to shape other states’ preference and behavior? Goh aims to answer this question using the following framework:

Table 1: Framework of Theory of Influence

<i>Mode of Influence</i>	<i>Extant Preferences</i>	<i>Aim</i>	<i>Tools of Influence</i>	<i>Potential for Goal Attainment</i>	<i>Cases</i> ¹²	<i>Peaceful Rise 2.0.</i>
<i>Preference Multiplier</i>	Aligned	To exploit structural position for mutual benefit using policies to generate deliberate collective outcomes	(Structural) intensification, inducement, persuasion	Ideal	Economic regionalism	Trade, tourism, foreign aid, indebtedness, OFDI, land concessions
<i>Discursive Persuasion</i>	Debated/ Undecided	To tell the better story, to assure and convince	Argumentation, inducement, demonstration, persuasion	Mixed	Countering the ‘China Threat’ discourse, joint development	Foreign aid, Education, Migration, Strategic Partnership diplomacy
<i>Institutional Shaping</i>	Mixed/ either	To set the agenda, make or change norms to constrain others	Structural positioning, inducement, persuasion, bargaining	Diffused	Economic Institutions, United Nations	ACFTA, AIIB, ASEAN, GMS,
<i>Ability to Prevail</i>	Opposed	To ensure that self-interest and preferences are protected by altering other actors’ preferences and behavior	Coercion, inducement, persuasion	Unpredictable	South China Sea territorial disputes	Strategic partnership diplomacy, core national interests

Source: adopted from GOH, E (2016), 12 expanded with ‘Peaceful Rise 2.0.’ implications..

In order to analyze the accumulated influence in Cambodia from Chinese perspective, we have to examine the target actor’s reactions and decisions in order to find out to what extent this

¹² Goh applies her framework on situation in South-China Sea. That part of her research is a good example of correct procedure of the research.

behavior is enforced by China. Secondly, it is necessary to study the range of contexts, which connect divergent and convergent preferences (2014, 830). To put it simply, the best situation for China is, when the goals of all sides are aligned, since then it does not have to step to the more complicated tools of influence. However, to prove that China has accumulated a complete set of powers, it will be necessary to show the ability to force other actors into such actions that absolutely do not go in line with their preferences. According to Goh, this kind of influence is yet not possessed by Beijing. In my opinion China has already reached this level, when it can prevail and change the divergent direction of a certain country, but this country must be weak. For instance, it could be the case of Cambodia's sabotage in ASEAN meeting against the joint communiqué regarding the South China Sea. If we agree on the point that ASEAN, as an institution, is crucial for Cambodia's survival, then one must definitely wonder, what made Cambodia to go against its allies and support the stance of an outer element – China. The huge injection of money from Beijing coming after this meeting only supports the idea that Cambodia had done something, which without China's pressure wouldn't have done.

On the other hand, I agree with Goh, that China's ability of influence is most of the time in a mode of finding the 'Multiplier Preference'. That implies taking advantage of structural power (economic means, etc.) to make the other side believe for the common good. That is the room, where I could implement the 'Peaceful Rise 2.0.' discourse into the Goh's framework. As I said, this work will approach the discourse in two categories – economic statecraft and territorialization. These tools bear the signs of influence projection across the whole spectrum of Gog's study. The former one generates power thanks to the rising mutual economic involvement, which most likely works out as the platform for aligned preferences between wielder and its target. The latter one is more sophisticated, and mainly in weaker countries, besides the first mode of influence, it also reaches out to other categories like persuasion and ability to prevail. To my notion, the case of China's engagement in Mekong region is a perfect opportunity to study the China's influencing capabilities, since there it has succeeded to promote the regional integration as the win-win situation. In other words, it has been projecting its influence in a non-compulsive way. For instance, building of the infrastructure helps China to develop its poorer western regions and connects them with new markets, and at the same time it helps to develop these countries as well, because without the solid infrastructure network they will never be able to stand up from the ground of poverty. This goes in line with the Goh's perspective, which says that Beijing only has to identify the common goals, initiate the action and provide the necessary resources.

2.2. Methodology:

In order to find the direct coherence between increasing investments and China's influence in Cambodia, the thesis will use the descriptive analysis based on available data, and an explanatory case study to examine China's effectiveness to influence Cambodia's decision-making. According to Odell (2004), the case study uses the theory as a guideline for a qualitative research, and then it tests this theory in a specific phenomenon, which it has not been applied before. In this case, it will be the phenomena of China's increasing involvement in Cambodia by projecting its full variety of tools in order to shape the environment. The data will be collected in particular period of time from 2003 to 2015. The year 2003 was chosen mainly as the beginning of the new China's strategy of the Peaceful Rise, which was announced by Zhen Bijian. As I have already mentioned, the new policy of 'Peaceful Rise 2.0.' is following the former strategy and adheres it to China's new position, when it can stand for its national interests.

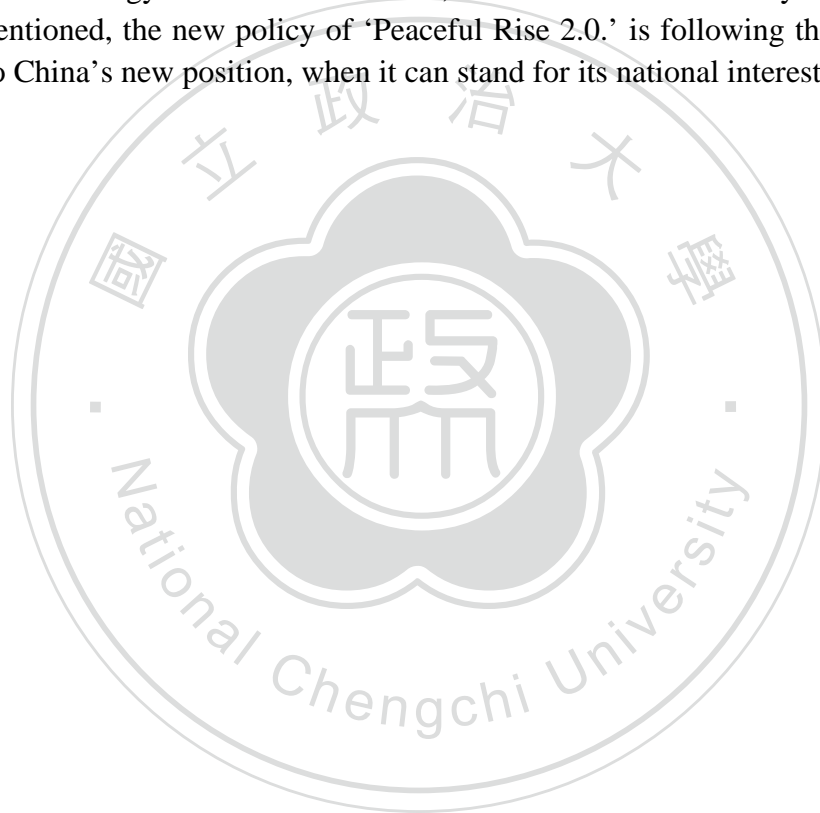
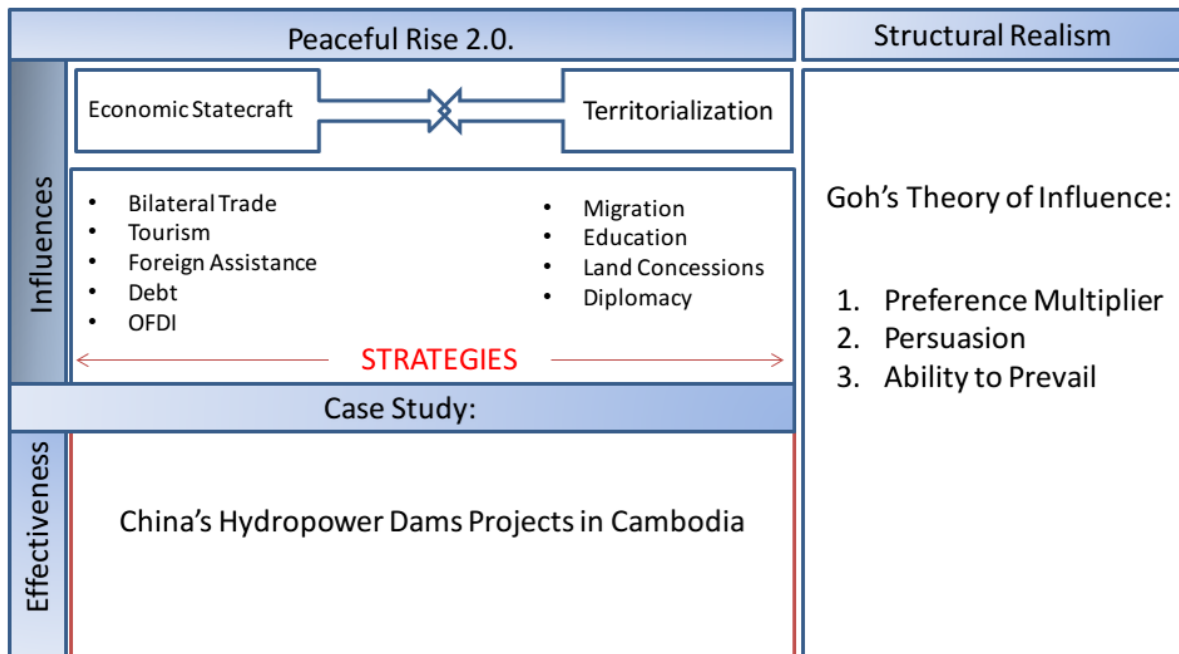


Figure 2 Framework



Source: By author.

The thesis is thus divided into two parts. The first part intends to collect the data of territoriality and economic statecraft, as the means of China's strategy to project its power on Cambodia. This is the core of the China's foreign strategy of 'Peaceful Rise 2.0.'; so, throughout the text the thesis will further elaborate on this strategy. The data will be collected from the primary and secondary sources from Chinese, Cambodian, ASEAN and other statistics, depending on the availability. Mostly the work will attempt to compare China's engagement in Cambodia with other GMS countries, in order to emphasize the notable aspects. Usually, this is the point, where most of the studies come to the end, and do not offer any further discussion on correlation between power and influence, or even worse, they mistakenly unify the power with influence. That is why this thesis here adapts the Professor Goh's framework, who does not think that the factual economic values automatically equal the influence abilities. To put it simply, escalation of economic and diplomatic engagement helps to produce the power. However, to use the power, as the tool to shape the decisions, that is the whole new playground. That is why the work will attempt to find some intersections with Goh's theory of influences. The data are also crucial for the thesis, so as to draw the whole picture of the grand China's strategy in Cambodia, where the goal of interdependence and regional integration is significant from the perspective of the 'Peaceful Raise 2.0.'

The second part of the thesis consists of the case study, where I will be testing the effectiveness

of the Goh's tools of influence in Cambodia. By the simple relation suggesting that with rising structural power the ability to shape the environment rises as well. Such correlation might meet with problems, since for instance; the rising amount of dollar reserves held by China does not bring about the ability to control the USA. However, China adopts different techniques to deal with its stronger counterpart. This is the specific case, where regional power lures the small developing state back into its orbit, which means that here the proposed cohesion might work. To test this hypothesis, I will specifically describe the case of China's involvement in hydro-power projects development in Cambodia. In my opinion this is the perfect case, where Goh's framework is useful in order to prove the efficiency of China's influence. These projects are often encountered with huge negative consequences towards population, living conditions, and natural protection. However, unlike in Myanmar, Cambodia's leadership ignores the voice of its people and cooperates with China's state-owned enterprises. Therefore, it will be very informative to observe the Beijing's ability to create the common goods objective, despite the negative moods among Cambodia's society.

2.2.1. Thesis Outline

The outline of the thesis will follow the order of framework stated above. The third chapter will introduce the adaptation of China's strategy of 'Peaceful Rise 2.0.' and its tools of influence in the region. It will try to find out how China has managed to win the heart of leadership, and why the business conditions pose often as an advantage for entrepreneurs coming from China. I will look into the current situation around the China's economic statecraft and its strategy of forming the regional economic interdependence. I will explain the forms of China's aid, trade, and foreign direct investments in Cambodia. Secondly, I will introduce the term of territorialization, as the soft tool of cultural influence, political interaction, and pulsing migration in the context of China's foreign strategy. In other words, in this chapter I will evaluate the regional integration phase of 'Peaceful Rise 2.0.' strategy from theory to practice. The fourth chapter will bring up the construction of dam-infrastructure in Cambodia committed by Chinese firms. I will explain the background of hydropower projects in Mekong basin, the motivation of Beijing to build them, and the positive and negative consequences behind such construction. Last but not least, I will demonstrate the China's influence efficiency according to Goh's theory in terms of hydro-power energy involvement. In conclusion I will offer the brief summary by addressing the research questions.

2.3. Literature Review

According to thesis's guideline, the first part will be the quantitative research conducted on the data of China's engagement in Cambodia. Primary data will be collected from websites of commonly known global organizations such as *OECD*, *World Bank*, *Asian Development Bank*, *UNCTAD*. These associations regularly issue publications and analysis of investments, and also track the amounts of ODA to various countries, including Cambodia. Secondly, we will search in the official government statements on strategic partnership provided by official news agencies such as *Xinhua*. As for Cambodian sources, we will use the published articles and monographs by *Council for the Development for Cambodia*, *Open Development of Cambodia*, *Cambodian Institute of Cooperation and Peace*, and *Cooperation Committee of Cambodia*.

As for the secondary literature, the review is divided into two blocks. First of all, we need to look into the background of China's rise, its politics, including its strategy in SEA and its motives. Secondly, we will need to approach the comprehensive situation in the region as a whole.

Publication *China's Quiet Rise: Peace Through Integration*, edited by Baogang Guo and Chungchian Teng sheds the light on the recent rapidly changing environment of the People's Republic of China from the backward weak socialist economy towards the regional leader, which has accumulated enough leverage to pull the strings in Asia, and also in the world. For the purpose of this thesis the most interesting chapter of this Book is 'China's Rising Military Power and Its Impacts' by Tieh-shang Lee. Besides the hard power, it is not a secret that Beijing has been tremendously investing in its image policy, also referred as the soft power. This is discussed in the article by Yu-nu Lu 'The representation of the 2008 Beijing Olympic Games: The Rise of China's Soft Power.' The third article in the publication, which deserves our attention is the 'China's FTA Negotiations and Its Regional Implication for Asia' by Wei Lang. The rising popularity of FTA throughout the last decade does not need to be introduced; however, this article tackles the situation around FTA in East and Southeast Asia, discussing the China's approach.

The topic rising attempts of Beijing's engagement in Asia in terms of power balance vs. integration is studied in *China's Rise and Regional Integration in East Asia*, edited by Yong Wook Lee and Key-young Son. For our research the most essential article in this collection talks about the historical perspective of China's behavior with its neighbors. This might have serious implications in the present course of events, as it was already mentioned in the introduction. Secondly, the book offers the insight into the undergoing competition between the two hegemonies of Asia – China and USA. Although the work aims to focus primarily on East Asia, we believe that understanding the rivalry between these two powers will be also very helpful in studying the Cambodia's foreign policy. The interaction of these two powers is also the main topic in the *China, the United States, and Southeast Asia* edited by Evelyn Goh and Sheldon W. Simon. This publication's main advantage is that it studies the implication of China's rise on the region of SEA from three different perspectives – Economics, Politics and Military. The book includes

articles which illustrate the Beijing's commitments in ASEAN in contrast of the Washington's Asian Pivot.

To better understand the tools of soft power it is necessary to look closer into the mechanisms of Official Development Assistance (ODA) and Foreign Direct Foreign Investments (FDI). Iain Watson from Department of International Development and Cooperation at Ajou University introduces the tool of Foreign Aid in relation with Emerging Powers. *Foreign Aid and Emerging Powers* will lead us on the right track of general understanding of the agenda of foreign aid in Asia, and its implications on geopolitics. As we know, throughout the last decades the biggest donor title has always belonged to Japan. However, in recent years China has also entered the prestigious club and tries to gain the reputation of charity sponsor. This trend is observed in another publication named *A Study of China's Foreign Aid* edited by Yasutami Shimomura and Hideo Ohashi. This book presents a new point of view of China's ODA as the strategic tool of gaining the influence in Asia, using the recent data which are eventually compared with other donors. Importantly, authors also focus on the Mekong region, which is the core area for this thesis regarding the situation in Cambodia.

As for the FDI mechanisms, the general picture along with current trends in Asia will be drawn according to study of *Expansion of Trade and FDI in Asia*, by editors Julien Chaisse and Philippe Gugler. This book firstly approaches new trade perspectives as the strategy of emerging Asian firms. Secondly, it describes initiatives affecting investment in Asia, where it does not omit the rising China's influence as the result of adopting the FDI strategy. There is also a chapter dedicated to economic impact of investment provisions in Asian Regional Trade Agreements. Moreover, it also provides a closer look on the multilateral rules on trade and investment with regards to Asia. Another compilation paying attention to China's emergence is called *The Rise of China: The Impact on Semi-Periphery and Periphery Countries* edited by team of authors Li Xing and Steen F. Christensen. This work broadens the notion about the rapid advancing position of China in its region. Although to book demonstrate the Beijing's impact in Africa and Latin America, we might be able to adopt these incentives to SEA to certain level, mainly because all of these stories inform about China's economic might in the global economy.

The aspect that economies of SEA are mutually interdependent is proposed by Kai He in his research called *Institutional Balancing in Asia Pacific*. The main goal of this book is to apply the new theory of institutional realism on the Asian environment, bringing up ASEAN and other institutions in order to understand the implications of institutional balancing policy projected by China, Japan and USA. According to author, connections by multilateral organizations prevent the major powers to adopt the harder profile on weaker actors. The same area, however, from different approach is explored in *Assessing China's Impact on Poverty in the Greater Mekong Subregion* by Hossein Jalilian. Among other discussed issues author also pays attention to benefits of poverty reduction support in the GMS in form of gaining the political leverage in these poor countries. The main protagonist in this case is, not surprisingly, PRC and its capital outlaws detailed in one of the chapters. The third publication attempting to get under the surface

of situation in GMS is *Hydropower Development in the Mekong Region* by Nathaniel Matthews and Kim Geheb. The book follows the track of political, socio-economic and ecologic consequences of hydropower policies among countries in this region. This book will be essential, since huge parts of China's investments belong to dam construction projects.

2.4. Thesis Limits:

I estimate that the main limits to be encountered might be in dealing with China's OFDI in terms of difference between the private capital and state-owned capital. The matter with China's investment, in my opinion, primarily lies in the grey area between the privatized firms and state controlled business. For instance, the recently announced deals in Central Europe, where supposedly private Chinese firm is bailing out numerous properties has met with controversy, since it was revealed that the top ranks of the firm maintain close connection to the high officials of Chinese military circles.¹³ Therefore, if we aim to examine the development investments in Cambodia, determining the extent of state involvement as a part of the complex foreign strategy will not be an easy task. Secondly, it will be the ongoing reform and privatization in China's market economy transition, which might also cause certain misconception. Last but not least, I might meet with difficulties in availability of sources on China's foreign aid, since those are still more or less classified. There are sufficient amounts of analysis on official government's websites, however question is that to what extent these sources are complete, disclosed and translated.

¹³ Issue was cover among most of the relevant press in Czech Republic during the official state visit of Chinese president Xi Jinping in Prague. [Online] Available from: <http://hlidacipes.org/cefc-stahla-z-webu-informaci-potvrzujici-napojeni-sveho-sefa-na-politicke-oddeleni-cinske-armady>. [Accessed: 3rd March 2016]

Chapter Three

China's Strategies to Project its Power

3.1. Chinese Economic Statecraft

According to Santosombat (2015, 7), the rising presence of China in the Mekong region has been facilitated mainly through three channels: 1.expansion of trade, investment and aid; 2.increasing territorialization through land concessions, and megaprojects; and 3.the increasing encouragement of temporary migration, and building connections with the Chinese diaspora. In the following paragraphs I will present the data from Cambodia and discuss the first channel – also called the Chinese Economic Statecraft. During the second half of the 20th century China was perceived as the major threat due to the rivalry between eastern and western block, and the political isolation of China caused by Beijing's international isolation after Tiananmen events. However, the new millennia (the first sparkle of change occurred in 1997 in the wake of the Asian Crisis)¹⁴ has brought about the new peaceful China, promoting the friendship and peaceful neighborhood. Therefore, the main goal of this part is to bring a closer look into this shift and describe the increasing trend of Chinese economic presence in Cambodia which subsequently results in rising power of Beijing in this country. To follow the logical order, at first I will look into the mutual trade and tourism. Further, I will tackle another important tool which helps accumulating the China's influence in Cambodia – the development foreign assistance, along with consequent public debt. Lastly, I will evaluate on inflows of rising Chinese outward FDI.

However, before we move on, we should firstly take into account why it is necessary to include economic statecraft as the tool of China's rising power in the first place. Hideo Ohashi (2013, 98) in his study introduces a so-called 'Quaternity Model' of China's foreign development aid. Such model consists of following elements: trade; investment; assistance, and foreign economic cooperation. Most importantly, these are elements directly or indirectly linked to the China's foreign strategy, including components, which at the first glance might not belong there. This conception might be also addressed as a state capitalism – “[...] an economic system in which commercial (i.e., for profit) economic activity is undertaken by state” (Santosombat 2015, 26). This manifests that Chinese government has a direct impact over commercial structures and therefore it is capable of adjusting these structures in accordance to its goals and strategies. This is possible within the state, but also in engagement with other countries. In China the government is solely linked with the Party and furthermore with SOE. These strategic companies deploy the economic statecraft; therefore, everything is interconnected. The biggest SOEs then

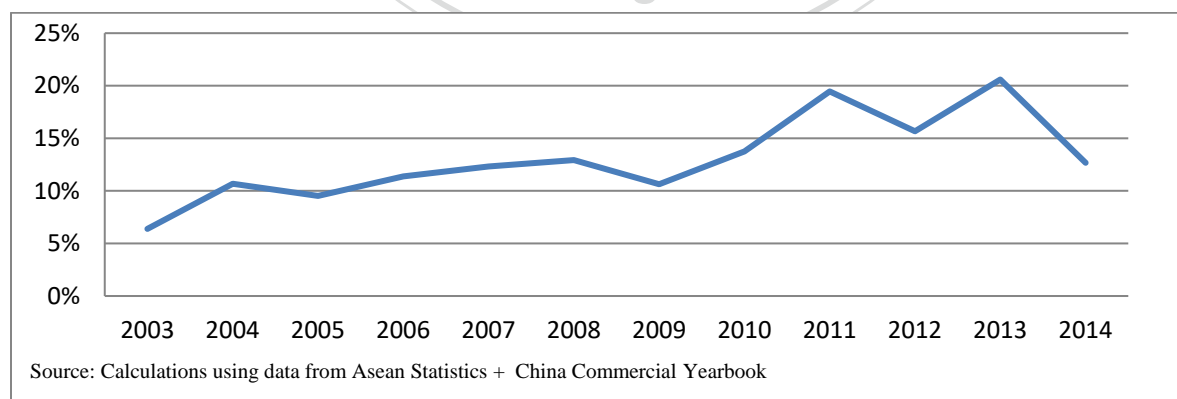
¹⁴ China rejects to devalue its currency to protect the South Asian countries facing the tremendous economic turmoil.

play a significant role in further outward expansion to meet the most important goal of Beijing's grand strategy – to secure and encourage the economic growth which leads to further modernization (2015, 28). For example, in 2001 China introduced the 'Go Out' strategy, which was supposed to open the door of international market for local businessmen. Such move was subsequently adopted through mobilization of all levels of China's society. From official diplomatic agreements; through government deployment of SOE that took part in the infrastructure projects; to small distributors, who provide the Chinese goods and supplies for Chinese migrant workers, constructing the necessary facilities for further economic expansion (2015, 46). Wen and Tan (2013, 131) further elaborate that with improving infrastructure, the inflow of FDI brings about Chinese companies that are encouraged to secure commodity assets, often with government help in overbidding the competition. Consequently, such environment is even more fueling Chinese exports and political presence. Overall, it has been always acknowledged that Chinese foreign aid is the tool of Beijing's foreign policy, but even though political essence is obvious, economic factor also plays a very important role (ibid).

3.1.1. Trade

Throughout the last decade China has been encouraging trade expansion to almost every part of the world, which resulted in becoming the world assembly and number one exporter. Trading engagement with countries of SEA is also a part of Beijing's strategy to embrace the countries on its periphery, and Cambodia is naturally not exclusion. Although it still belongs to low-income basket-case, Cambodia is running one of the fastest growing economies in the region. According to Cambodia Economic Update¹⁵, the average GDP growth between 2011 and 2014 estimated 7.2 percent. Based on the ASEAN figures, the GDP in current prices has increased by 262% from US\$ roughly 4.6 billion in 2003 up to almost US\$ 17 billion in 2014. Though, that is the second lowest raise among GMS countries right after Thailand, the numbers are still positively looking. Indeed, China certainly takes a significant credit for these results as well.

Figure 3: China's share in total trade in goods of Cambodia (%)



¹⁵ Cambodia Economic Update 2015, available online: <http://www.eurocham-cambodia.org/uploads/a7b60-wb-cambodia-economic-update-oct-2015.pdf>, [Accessed 7th-July-2016].

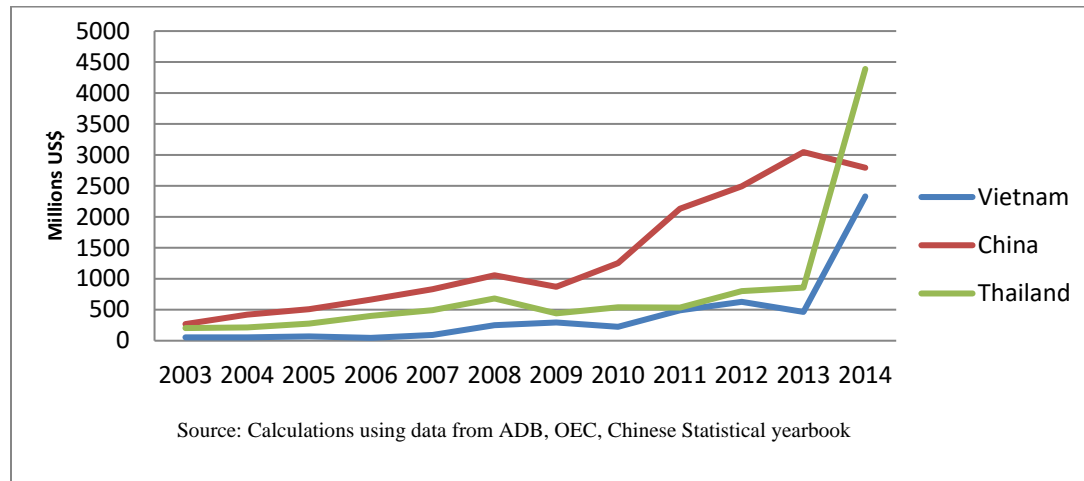
The figure above stands for the rising share of China's presence in the Cambodia's trade relations throughout roughly the last decade. The total trade volume of Cambodia has been growing consistently from US\$5.9 billion in 2003 up to almost US\$ 30 billion in 2014, which is almost a fivefold increase. The biggest shift for Cambodia was in 2014, when the total trade in goods jumped 62 percent higher. However, this happened in the exact same year, when China's share in the total trade proved the lowering tendency. As we can see, while in 2003 China represented just 6 percent of the total Cambodia's trade volume, and in 2013 reached the peak at 21 percent, the very next year the China's share significantly decreased to 13 percent in 2014. This might be caused by various reasons, appearing both in China and Cambodia. Since PM Xi has taken office one of his main agendas has been cracking down on corruption among Chinese business and political elites. Such action, for instance, severely hurts Macao gambling industry. Bilateral trade with Cambodia might have faced the same destiny. Second reason might be the attempts of Cambodia to balance the presence of Beijing in its trade, which will be discussed in the following paragraph. The last reason might be the marginal role of Cambodia in terms of trade from China's perspective. If we look closer on the numbers from ASEAN statistic and China Commercial Yearbook, the total trade volume between China and Cambodia in the same period barely shows any change.¹⁶ Both years estimate roughly US\$ 3.7 billion. In comparison with other members of GMS, Thailand and Vietnam have always accumulated the biggest amounts of mutual trade with China. In 2014 Vietnam overpassed Thailand and became the biggest trading partner among GMS with estimated trade reaching US\$ 8.4 billion. Laos and Cambodia have been always at the bottom over the time, perhaps, given the lower population. All in all, it is obvious that despite the raising tendency of mutual trade, Cambodia plays a little role in comparison with other states of GMS. In addition, from the Beijing's point of view, Cambodia did not reach even a 1 percent of the total China's trade share in Asia.

Regardless of this, the data of imports and exports might draw a clearer picture of Cambodia's economic dependency on China. According to ADB, Cambodia accumulates a trade deficit almost every year. The main destination for Cambodia's export is USA, followed by Hong Kong and United Kingdom. On the contrary, among the country's biggest suppliers are China, as the number one, followed by Thailand and Vietnam. Trade deficit, or trade surplus, sheds the light on the mutual economic dependence of given countries. The figure number three shows the trend of China's trade surplus with Cambodia over time, and also the comparison with other marginal trade partners. At the beginning of Beijing's Peaceful Rise policy in 2003, trade balance accounted just a very little amount – almost US\$ 270 million. From then on the figure was growing rather steadily exceeding US\$ 1 billion in 2008, falling below just the year after. However the real boom began in 2010, when the trade surplus started to increase significantly up

¹⁶ The whole table is available online: <http://www.stats.gov.cn/english/statisticaldata/AnnualData/>, and ASEAN stat: <http://www.asean.org/storage/images/2015/July/ASEAN-Yearbook/July%202015%20-%20ASEAN%20Statistical%20Yearbook%202014.pdf>. [Accessed 7th-July-2016].

to the peak overcoming US\$ 3 billion in 2013, which accounts almost for a 250% increase in just 4 years. If we take into account the whole studied period of time from 2003 to 2014, we will come to sum of money more than 10 times bigger than it was at the beginning. In other words, the trend proves a rising engagement of China's businesses in Cambodia, which subsequently led to the situation, when China might hold a huge amount of Cambodian currency, and therefore, an advantageous position towards Phnom Penh.

Figure 4: Trade surplus with Cambodia over year (US\$ millions)



In order to explore the real economic power clout of China, we need to compare the trade balance statistics between China, Vietnam, and Thailand, since China is not the only country which holds the favorable trade balance with Cambodia. These four countries represented 64% of the total Cambodia's imported goods in 2014. Both Thailand and Vietnam also succeeded to facilitate higher and higher amounts of goods by each year in 2003-2014. Though, they never managed to catch up with China, not at least until 2014. For instance, in 2011 China's export to Cambodia exceeded the US\$ 2.3 billion in value of goods, which was 72% more than in the previous year. At the same time Thailand and Vietnam both sold goods just about for US\$ 800 million. China continued to export more up to 2013, when it reached the maximum at US\$3.4 billion, while Thailand barely crossed over US\$ 1 billion, respectively Vietnam did not reach even that in that particular year. As I have already noted, China's position declined in 2014, although the trade volume barely proved any change. The reason behind this result is Cambodia's skyrocketing trade relations with Thailand and Vietnam. In 2014 Vietnam's export almost reached US\$ 3 billion. That is three times more than the year before. Thailand's grew by more than four times in one year attacking the US\$ 5 billion in total export value of goods. That indicates that while China in the same year fell down by US\$ 2 million, Thailand accelerated its export by 350% increase. This could mean that Phnom Penh decided to buy more from its neighbors in order not to rely solely on China. In terms of foreign policy, it represents a counterbalancing against the Chinese dragon. What all of these three countries have in common is that they have hold a relatively low export value with Cambodia over years, resulting in the positive

trade balance for all of them. That is also reflected in the figure number three, where we can clearly observe rising tendency of positive balance trade of all mentioned countries. Years 2003-2009 represent a steady increase period of time with a slight reverse after 2008, which might be caused by Global Economic Crisis during that time. Afterwards China apparently was not influenced by economic stagnation as heavily as other countries and facilitated a significant boost which lasted until 2013, as I already pointed out. Whatsoever, then China slowed down and that might have given space to other competitors. As for the future predictions, the implementation of ACTFA in 2015 will be definitely an important driver for mutual trade.

All in all, trade represents an important part of mutual relations between China and Cambodia, and in the last decade these two countries enjoyed a significant mutual economic interaction, mostly at the expense of Cambodia, given the value of China's surpluses. However, in terms of total economic statecraft, trade might not be considered to be the main source of China's leverage in Cambodia. If we take into account the most recent development, Thailand and Vietnam have much more to offer as trading partners, surely, mainly due to the close proximity of these countries, and also by long historical mutual engagement, when Cambodia had always found itself clashed between its two neighbors. If we look at this trend from the perspective of China's foreign strategy, the mutual trade slow-down might have been also caused by transformation of power in China. I do not think that trade might be influenced so rapidly as a deliberate tool of foreign policy, intending to achieve some certain goals.

3.1.2. Tourism

Tourism and garments are two of the most important sectors of Cambodia's export, mainly because of the undiversified nature of its economy. Therefore, it is crucial for Cambodia to sustain the flows of tourists and perhaps attract even more visitors in the years to follow in order to balance its trade surplus. Cambodia Trade Integration Strategy for 2014-2018 explores that tourism is the leading source of employment and economic growth. For instance, in 2012 9.6% of GDP came from tourism revenues, which accounted roughly a 20% of total export earnings (ibid, 355). While in 2003 the tourists receipts estimated around US\$ 347 million, in 2015 it brought about US\$ 3 billion to the state's economy. In terms of numbers of visitors, the tourism sector grew by 537% in 2003-2015. Since the income from tourism is so important, it is worth to look into the place of origin of the visitors, and to figure how many of them are actually coming from China. According to Cambodian annual tourism statistical report, in 2015 almost 78% visitors were coming from Asia and the Pacific. With constantly rising Chinese middle class, the preference of leisure and tourism follows as well. If we look into GMS region (table number two), of course Cambodia cannot compete with touristic resorts in Thailand and Vietnam. In 2013 more than 4.6 million Chinese tourists chose Thailand as their destination for travels. That is almost ten times more than number of visitors to Cambodia. Second most popular country among Chinese tourists was Vietnam – roughly 2 million visitors – five times of those coming to

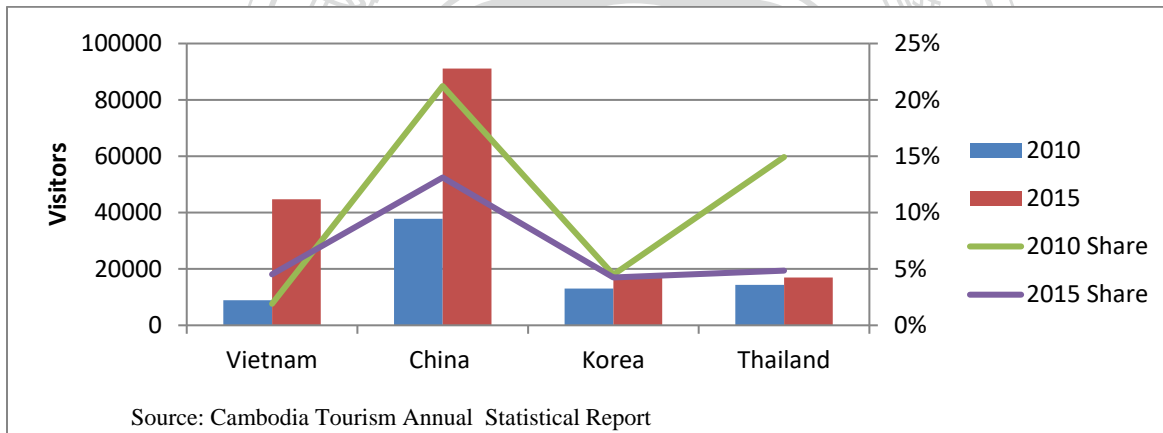
Cambodia. However, Phnom Penh should not be too sad, because sceneries like Angkor Wat also gaining on attraction each year. In 2003 only 39 thousand Chinese citizens paid their visit to Cambodia, while 12 years later it was 695 thousand visitors, which is increase by 1682%, making Chinese tourism the second largest market estimating almost 15% of total number of visitors. Right after Vietnam which produced 1 million tourists in 2015, who visited Cambodia, crossing the 20% share.

Table 2: Number of Chinese Visitors in GMS (number of visitors in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013
Cambodia	81	118	130	128	178	247	334	463
Thailand	1033	1003	937	816	1122	1761	2761	4610
Laos	50	55	106	128	162	151	200	245
Myanmar	25	30	98	102	114	62	71	91
Vietnam	516	550	650	528	905	1417	1429	1908

Source: ASEAN Statistical Yearbook

Figure 5: Number of visitors to Cambodia for purpose of business (number of visitors, share of visitors with business motives)



Besides the progressive raising tendency of Chinese visitors we should also look at the purpose of their visit. This aspect is drawn on the figure number five. There we can clearly see that most people going to Cambodia for business purposes were actually from China. This number was almost doubled in five years up to 91 thousand in 2015. However, if look at it from the perspective of all Chinese visitors, we will find out that share of businessmen actually declined in comparison with 2010. In that particular year almost every fifth Chinese tourist went to Cambodia with commercial intentions. Five years later only 13% of all Chinese visitors stated the same reasons of visit, although the number still held the first position comparing to other countries. Explanation is very simple. Although there is each year more and more entrepreneurs making business trips to Cambodia, it cannot stand against the leisure, which has become popular even more. Thailand is a very similar story, since their number of businessmen also slightly increased, however to the total number of visitors, share of such people heavily declined

from 15 to 5 percent in 2010-2015. On the other hand, let's look at Vietnam. As we know this country is the biggest source of tourists for Cambodia. In addition to that, Vietnam recorded almost fivefold increase from around 9 thousand businessmen in 2010 to 45 thousand in 2015. That is still twice less than China, however it was enough to become the only country, which share of business community visiting Cambodia rose, though difference makes just 3%. To conclude, in my opinion regarding the Cambodia's dependence on tourism sector, the most important fact is that China is the second most significant source of tourists, not to mention that considerably big part of these people does not hesitate to come also for business, which is certainly beneficial for both sides.

To sum up, China has been an extraordinary source of human capital and tourists, who can, in comparison with trade relations, possibly challenge the better position of Vietnam and Thailand. Unlike China's export to Cambodia, the inflow of tourists positively influences the Cambodia's current account, which has been negative throughout the last decade and even longer. That definitely rings the Cambodia's bell with regards to the common urban stories of Chinese tourists with their pockets full of money, which they are very keen to spend wherever they go. In my point of view, China is obviously trying to find its way to get more involved in Cambodia's trade, however it is a difficult task to compete with Thailand and Vietnam, and as we will see in the following part, China rather focuses on different ways of economic involvement. Question is to what extent Beijing can deploy the state propaganda in order to control the destination trends among Chinese population. Hypothetically speaking, if it was possible, China would be able to use tourism as an important leverage on Cambodia, since tourism revenues are essential for Phnom Penh.

3.1.3. Chinese Foreign Assistance

Chinese foreign aid is the very important first step in building the foundations of the future economic cooperation. China's official aid represents the direct induction, leading to the outflow of foreign direct investments (OFDI) from China to other countries. Therefore, OFDI is often presented as cohesive outcome of the Chinese form of foreign economic assistance. Yoshimatsu (2010, 77) states that despite of liberal-oriented objective to enhance socio-economic conditions, foreign development assistance is an essential diplomatic tool to influence the decision-making process of targeted countries. China's foreign aid is an essential tool in 'Peaceful Raise 2.0.' to achieve the aligned preferences with Chinese partners. Unfortunately, it is almost impossible to find the official data from Beijing regarding the foreign help, which would directly say how much aid Beijing deploys by time, where it ends up, and in what form. On the other hand, China publishes annual OFDI yearbook, and for two times Beijing released the White Paper, which describes the system of China's official assistance, though, without any concrete figures. In the following part I will firstly introduce the foreign assistance system, then I will have look into

project data connected to Cambodia. Afterwards, I will present the unpleasant situation around of rising Cambodia's indebtedness toward China, and last but not least, the situation around OFDI will be also tackled.

In order to comprehend the China's system of assistance, it is good to note that Official Development Assistance (ODA) does not equal the Chinese one. China has its own regulations and prefers to stay out of the club of OECD's Development Assistance Committee (DAC)¹⁷. As I mentioned above, China follows its own agenda and own interests in providing aid to other countries, like any other donor in the world. The difference is that China does not reveal these interests and sells pigs in a poke by saying that their aid is without any strings attached. Looking at the DAC club rules, the conditions of getting such assistance are pretty clear. Given state must comply to follow the path of liberal democracy, transparency, rule of law, human rights, regulation, and privatization etc. (Trinidad 2013, 24), or at least to pretend that it tries to improve those qualities of the good governance. For instance, budget is also regularly provided information, since it is the matter of seconds to find out how much, where and how the money was allocated. As for China, countries' leaders must certainly feel that the Chinese 'Eight Principles of Aid'¹⁸ will not be the whole part of the story. Rule of mutual non-interference into each other's concerns, or non-conditionality sounds good indeed, especially for countries like Cambodia; however, does it really reflect the reality? Inada (2013, 106) in his work points out that "[...] Chinese aid is called tied aid, since it is conditional on orders being placed with Chinese companies and are furnished for Chinese own benefit, rather than for purposes of the developing countries." Taiwan-issue might be a very good example. It is a public secret that Chinese assistance cannot be even considered without signing an official acknowledgment which denies any political support of R.O.C.

According to definition used in Ear's book (2013, 10), foreign aid means "[...] a voluntary transfer of resources from one country to another, given at least partly with objective of benefiting the recipient country." In addition, ODA has to include also a grant element at least 25% (Trinidad 2013, 25). Albeit, Ear (2013) questions the real benefits of any kind of aid for Cambodia, since to his observation aid actually sabotages any hopes of improving its living conditions and quality of life of ordinary citizens. However, in this thesis the purpose is more important than efficiency. So, where do these two systems of foreign help differ? In the table below we can see the main differences in approach of providing the foreign aid, as it was defined in Trinidad's (2013, 36-42) study. In the term of purpose of aid itself, China focuses more on laying down the foundations of future development in the given country, which is supposed to be achieved in providing loans mainly for infrastructure, resulting in future self-reliance of that

¹⁷ Those are the official group of world donors, who follow the OECD regulations about foreign aid. One of these regulations is also a requirement to provide detailed data about on each country's developmental activities. China does not have to follow these obligations, since it is not a member of this club.

¹⁸ Principles introduced by Zhou Enlai in 1964, which are the backbone of China's aid even today after several reforms. The main idea is the concept of non-interference, respect for sovereignty, equality, non-aggression, etc. These rules were supposed to stand in contrast with western dogma of development assistance (Official Chinese document in Trinidad 2013, 27).

country. On the contrary, DAC club pays more attention to good governance, social problems of the country's population and its improvement into the mature social capital. In the case of the preferred framework, China does not consider itself as being a donor. Instead, Beijing is portrayed as developing partner for third world countries, which builds the mutual trust by emphasizing on the similar background of developing countries. Such countries should treat each other respectfully, and help each other to achieve the win-win situation without any preconditions that have nothing to do with their path to development. Such attitude often easily wins the hearts of African or poor Asian countries, which are tired of constant criticism of western donors towards the way they run their countries. Another distinguishing element could be found within the initiative institutions which are source of the foreign aid. Western aid flow relies on various NGOs and other groups that indeed have their agenda and goals toward the recipient country; however, it has very little to do with the government's official foreign policy. China, in contrast, runs their aid campaigns directly from the center to melt all the ingredients together in order to achieve the core-interests as efficiently as possible. In other words, decisions about foreign aid remain under the authority of CCP. As for geographical preference, countries with low record of human rights and good governance are usually on the Beijing's radars. It is much easier from the angle of establishing donors-recipient relations, since in such countries China especially does not care about any authoritarian practices carried out by local leadership.

Table 3: Aid from DAC donors and China

Areas	DAC aid	Chinese aid
1. Development focus/ purpose	Social and institutional underpinnings of development Social Capital Poverty Reduction	Self-reliance Win-win Physical capital Growth in income
2. Framework	North-South cooperation Participatory	South-South cooperation Mainly state-centered
3. Priority Regions	Strategic, historical importance	Strategic, diplomatic, and commercial importance
4. Priority Sector	Social sector/ infrastructure	Hard infrastructure

Source: A Study of China's Foreign Aid (2013, 36)

Chinese White Paper about Foreign Aid (2014) states that the aid is provided in three forms: grants; interest-free loans and concessional loans. Grants are gratis funds for small or medium-sized social welfare projects. Interest-free loans are, according to this official document,

supposed to help to build the countries' social facilities and improve people's live-hood. Concessional loan is a special mode of help, which should guarantee long-terms payment, very low interest, and grant element of at least 25%. Official rules also state that military aid and inflows from private funds do not qualify for concessional loan mode (ibid). All of these modes are used world-widely by most of the donors including DAC club and Chinese side. But if we look on Chinese concessional loans more in the detail, we will find several contrasts with the ones offered by DAC club. In case of China, the Export-Import Bank (EXIM Bank) is the only institution which is supposed to provide concessional loans to abroad at interests sticking with the official benchmark interest rate regularly updated by Bank of China (Wang 2013, 133). The difference between such rate and 2.5% limit of concessional loans rate is subsidized by Chinese government (Kobayashi and Shimomura 2013, 47-48). However, this money are raised from market, and not covered by government funds. In addition, Chinese foreign aid is called tied aid. That entails that country that is receiving the funding commit itself to numerous conditions of how to spend it in order to fuel the tighter cooperation between the sides, which intends to result in win-win situation – promise of development of recipient country on the one hand, and benefit of rising demand for Chinese services, goods, and creating an investor-friendly environment, on the other. For instance, such conditions could include Chinese technology, machinery, materials, equipment, qualified and unqualified labor, preference in land concessions, or certain advantage in future operation (Watanabe 2013, 70). Facilitating of such an economic interconnection proves the Quaternity Model in the real practice.

As it was already mentioned in the thesis limits, discussing the Chinese foreign aid brings about an issue of data availability. Kobayashi and Shimomura (2013, 48) observe that official Chinese statistics about foreign aid from Finance Yearbook of China do not include concessional loans, only grants and interest-free loans, which makes it almost impossible to make any conclusions about real volume of deployed Chinese assistance. Chinese White Paper (2014) states that “[In] the last three years, the concessional loans China provided to other countries amounted to CNY 46.76 billion, or 55.7% of its total assistance volume in the same period.” Therefore, even though there have been attempts to make some calculations of the actual amount of the aid, those are just inaccurate estimations. For instance, Kobayashi and Shimomura (2013, 49) estimated China's gross bilateral disbursement in 2012 at US\$ 7.8 billion. In this estimation authors decided that government subsidy to EXIM bank along with supply of military material should not be eligible in the total amount, because former one is an internal financial transfer within China, and the latter one belongs to the category of military purposes officially rejected in accordance with DAC rules. Kitano and Harada (2014, 5) from Japan International Cooperation Agency (JICA) Research Institute point out that the previous estimations, including the one made by Kobayashi and Shimomura, do not include multilateral foreign aid, scholarships provided by Chinese Ministry of Education, and, in addition, do not distinguish between net and gross

disbursements.¹⁹ Their estimation accounts US\$ 7.4 billion of total gross foreign aid was deployed by China in 2012. In, addition, it was found out that only 7% of total foreign aid was provided for multilateral institutions in past 5 years (2014, 10), 46% of gross aid was in the form of concessional loans, and that the amount of Chinese aid is increasing sharply each year, soon to be overpassing DAC donors such as France, Germany or UK (2014, 13).

This thesis tries to prove the trend of rising Chinese foreign aid allocated to Cambodia. According to Santosombat (2015, 10) China is the biggest source of concessional loans in the GMS in form of megaprojects. These projects mostly include Chinese firms, which use the money from concessional loans borrowed by the Mekong governments to build the lacking infrastructure. For instance, in 2009 61% of all concessional loans provided by China were allocated for economic infrastructure development (Trinidad 2013, 35). Fortunately, Cambodia publishes the official data of development assistance projects with almost all necessary information to make the comparison between China and other DAC donors.²⁰ The thesis makes the case based on data provided by Council for the Development of Cambodia (DOC), since I could not get to any detailed information from the Chinese side. Although such case cannot draw the whole picture regarding the real amount of aid flows from China to Cambodia, it is resourceful enough to understand the current trend of engagement of various players in this country. After all, overseas contracted projects are part of the China's Quaternity Model, particularly addressed as the specific form of Chinese foreign economic cooperation (Ohashi 2013, 85). According to DOC, based on the date of approval in years 2000-2016 Cambodia received total aid of US\$ 17 billion in form of various projects from bilateral and multilateral agreements. Following the Table number four, the biggest share of this assistance, estimated at 20%, came from Japan, which also supervised the largest amount of projects. China has been the second largest donor right after Japan with 17% of total share of aid for Cambodia, being ahead of multilateral organizations' aid programs such as ADB, EU and UNDP. In total, China helped Cambodia with sum exceeding US\$ 3 billion, which is almost three times more than help offered by USA with comparable amount of projects. China obviously focuses on large-scale schemes, since the second largest amount of money had to be allocated between second least amounts of projects. Hypothetically speaking, if every project had the same budget, Japan would have to raise US\$ 7 million per one, while China would have to raise seven times more of that sum.

Table 4: ODA to Cambodia by source in 2000 -2016 (total budget in US\$ millions)

Donor	Number of projects	Share of Cambodia's ODA	Total budget
EU	283	4%	773

¹⁹ Gross volume is estimation without any further adjustments, unlike the net one, where, for instance, repayments from recipient countries are already included. Because China implanted concessional loans since early 90's, it has received very little repayments from borrowers yet; therefore the difference is not as large.

²⁰ Data of some projects are incomplete.

ADB	207	13%	2324
UNDP	68	2%	377
Japan	468	20%	3463
Republic of Korea	198	5%	806
China	57	17%	3022
USA	56	7%	1169

Source: The Cambodia ODA database

If we dig more into detail of Chinese projects, we will find out that huge part of Chinese aid flows into Cambodian infrastructure²¹, which was already addressed above. Investing into infrastructure is a win-win situation. Cambodia desperately needs it in order to attract investors, Chinese firms profit from building it, and better options of transport means more businessmen coming from China. Figure number six shows that with almost 70% of money spent on infrastructure China overtakes all other donors. This share is roughly comparable with amount of infrastructure plans which also accounts more than 60%. In total numbers, China invested more than US\$ 2 billion in this sector, while Japan as the second largest infrastructure donor landed money worth of US\$ 1.2 billion – that is 41% less than China. In fact, Japan is the main China’s rival in terms of the infrastructure construction. China’s main goal is to connect the SEA with two of its underdeveloped provinces with motive of stimulating their economic performance. It is also called North-South economic corridor, which links Kunming with Bangkok and Kunming with Vietnamese city called Haiphong (Yoshimatsu 2010, 99). Japan has come up with its own draft linking the whole Indochina from east to west to challenge the China’s political influence (ibid). For example, Japan announced the new railway connection between Bangkok and east coast of India, and also proposed the highway connecting Bangkok with Phnom Penh and Ho Chi Minh City (2010, 97). Competition between these two regional powers is beneficial for Cambodia, which profits of both plans, despite obviously both of them have hidden agenda. While Chinese motives also include developmental needs, Japan has been purely seeking for improving its geopolitical position in SEA (Yoshimatsu 2010, 103). Another difference between these two donors is that while China focus only on hard infrastructure, Japan finds its way also in different sector by developing the soft infrastructure, such as “[...] a program for supporting human resources with the logistics management qualification system and the establishment of the ASEAN single window system” (2010, 99). Lack of diversification might pose a challenge for China in terms of efficiency of its influence. The third largest donor into Cambodia’s infrastructure is ADB with estimated value of US\$ 910 million, though still almost three times less than China’s interest in this sector. For instance, in sub-category of transportation China funded the biggest project three times in a row from 2013 to 2015 in terms of disbursement. That means that despite the fact that Cambodia is trying to balance the Chinese infrastructure activities, if we look into table number five, it is pretty clear that China absolutely takes the lead

²¹ According to DOC Infrastructure projects consist of four subcategories: 1) Technology, Information, and Communication; 2) Energy, Power, and Electricity; 3) Transportation; 4) Water and Sanitation.

in the transportation development. Very interesting is the case of South Korea, which landed funds for only 28 projects out of 198 into infrastructure. However, these 28 projects required almost 50% of the whole Korean budget, which estimated US\$ 800 million. Other indicators also follow the line of Chinese aid theory in Cambodian practice. 98% of all Chinese projects for Cambodia are addressed as a tied-aid.²² In comparison with others, China naturally overcomes other donors, but that is also given by small amount of projects as such. Using the same indicator, Japan framed 24% of its projects as tied-aid, which makes it around 112 of the total amount. As for the form of the foreign aid, China again heavily outnumbers other top donors in terms of share of concessional loans of all projects, providing 84% of concessional loans and 16% of grants. That proves the reciprocal nature of China’s foreign policy. China indeed wants to push the development in Cambodia forward, but it brings about certain cost. Japan, as the biggest donor and Chinese rival, does not cause almost any larger burden for Cambodia in terms of its debt. Only 14 projects out of 468 were shaped in the form of concessional loan. The closest to China is ADB with 30% of its 207 projects being signed as concessional loan.

Figure 6: Share of Infrastructure Projects in Cambodia (%)

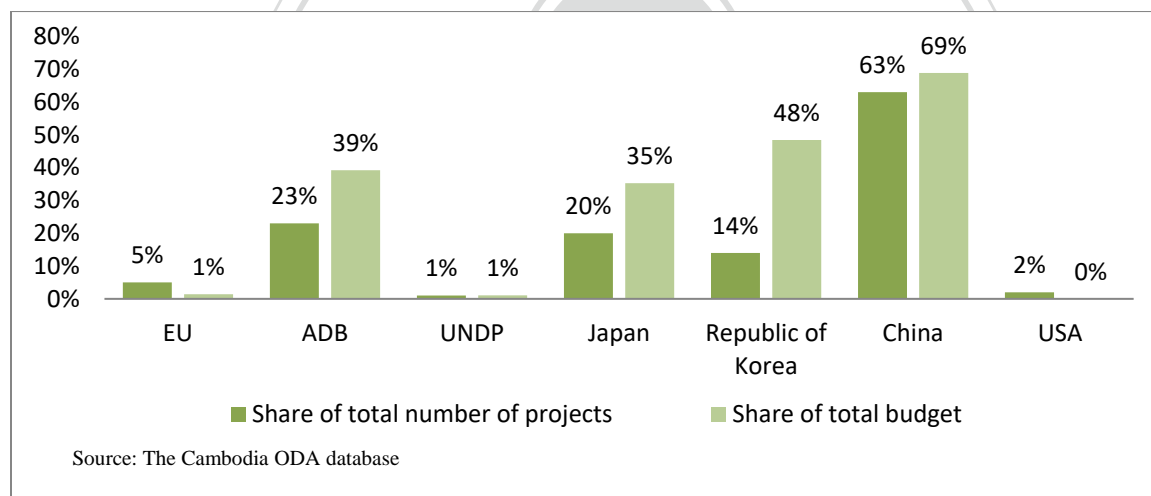


Table 5: Top 10 biggest projects in transportation (Disbursement)

	2013	2014	2015
1	China	China	China
2	China	ADB	China
3	Japan	China	ADB
4	China	China	China
5	China	Japan	China
6	China	China	China
7	China	China	ROK

²² According to Cambodia ODA database tied-aid stands for : “[Official] or officially supported Loans, credits or Associated Financing packages (qq.v.) where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries [...]”

8	ADB	China	China
9	China	ROK	Japan
10	China	ROK	Japan

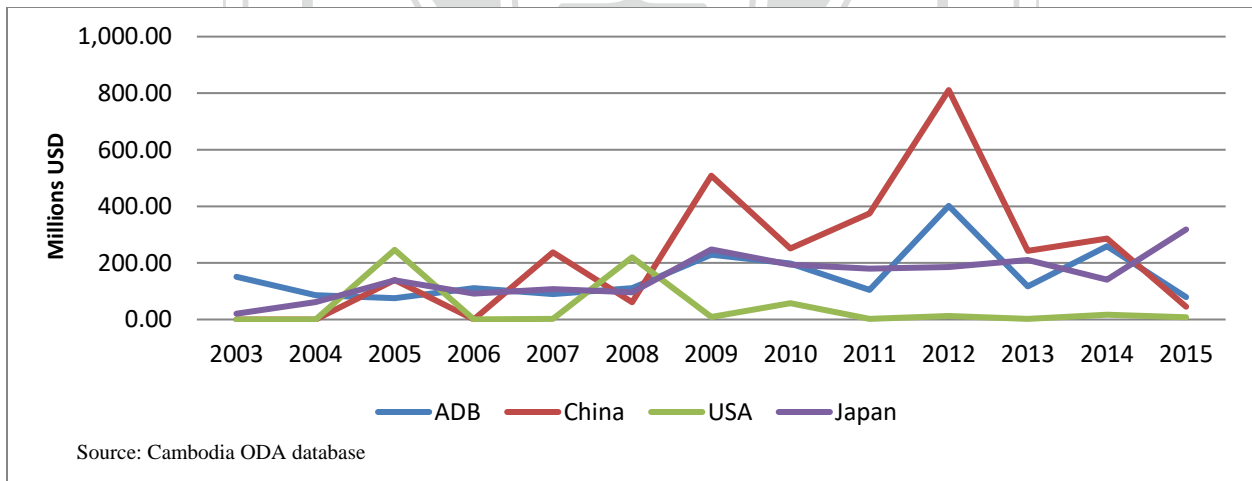
Source: The Cambodia ODA database

Deployment of foreign aid in terms of time-series is also very valuable indicator, which reveals certain dynamics in the last 12 years. First thing which comes to mi mind when I look onto Figure number seven is the unbalanced and turbulent foreign aid approvals provided by Beijing. The red line itself shows an increasing trend over the years with sudden significant drops and rises in certain years. Out of these years the sharpest change was recorded in 2008-2009 and 2011-2012. If we connect these periods with the real events which occurred in those years, it might give us the whole new idea of how Chinese foreign aid works. In 2008 Beijing's aid to Cambodia fell down notably by 118%. Reasons behind this shortage might be several, from economic crisis (less likely, given the rapid increase of USA aid in the same year) to tighter budget, as the result of the 08 Olympic games in Beijing. More importantly, the following year China's approved foreign aid skyrocketed by 747%, accounting projects worth of roughly US\$ 508 million, and overpassing all other donors. It might be just a coincidence that China's aid jumped up so suddenly, but 2009 was the exact same year when Cambodia rejected to give an asylum for 20 Uighurs, who were trying to escape from China, and subsequently returned them back despite international pressures mainly coming from Washington. Many journalists and political commentators were suspicious towards free will of Cambodia to act in this matter without any pressure from Beijing. The following year Chinese aid dropped down back to approximately same value as in 2007. Very similar story happened in 2012, when ASEAN meeting being held in Phnom Penh failed to deliver the joint communiqué regarding the attempts of Philippines and Vietnam to address the common stance condemning the China's presence in SCS. Cambodia was again criticized for sabotaging the meeting in favor of Beijing. In that particular year China signed contracts worth of US\$ 811 million – jump by 116% from previous year, and double that amount which was provided by ADB, as the second biggest donor in that year. Such dynamic might suggest that Chinese aid is closely linked to political situation in given country and actively reflect the receiving country preferences in terms of how close they are to the Chinese ones. In comparison with other donors, Japan shows a relatively steady line of aid inflows throughout the whole period, reaching its peak in 2015 with US\$ 318 million, which is an increase by 1450% since 2003. Yoshimatsu (2010, 100) explains that during 00's Japan lost its economic and political momentum in SEA, which made Tokyo to reconsider its approach in foreign policy. As the result, despite being DOC donor and the closest ally of the US, Cambodia's political actions did not reflect on Japan's foreign delivery. Quite contrary, in 2009 we can observe a significant raise crossing US\$ 200 million, and in 2015 also eminent increase over US\$ 300 million, surpassing China. Chinese aid shrunk in the same year to its lowest value since 2003 to only US\$ 45 million worth of signed contracts. However, I would not pay too much attention to this result, since data from 2015 might not be complete yet. Even though they were complete, such a sharp drop is nothing unusual in case of China, given the previous

records. Besides China and Japan, aid flows from USA are also worth of noting, mainly because they bear the same signs of behavior as aid from China. Until 2009 it was in the same sense of ups and downs; however, since the issue over Uighurs deportation it seems that USA has given up of any further aid to Phnom Penh. That just proves that foreign aid volume is in some sort of way interconnected with the political situation and not only when the money comes from China.

To conclude the foreign aid playground in Cambodia, China and Japan are the most important players in terms of total deployed amount of money. While Japan pumps the money more steadily, China's aid is unbalanced and shows the sign of conditionality, despite Beijing claims the opposite. In addition, Japan divides the funds between hundreds of projects in various sectors, and does not ask almost any money back. China focuses on a small number of expensive megaprojects in infrastructure segment, where the conditions of mutual benefit must be met through the tied nature of the 'Quaternity Model' adopted by Beijing. In terms of Goh's framework, Beijing carries on with its tied-aid loans as the tool of aligned preferences, where along with Cambodia focuses primarily on hard infrastructure to stimulate the economic growth of its western provinces. On the other hand, Cambodia can also rely on Japan, which has also puts high geopolitical stakes in this area. In addition, money from Japan is mostly un-tied and flows evenly into various sectors of Cambodia's development. That is good in terms of Phnom Penh's counterbalance, and equally challenging for Beijing's foreign strategy.

Figure 7: Flows of ODA to Cambodia by year of approval (US\$ millions)

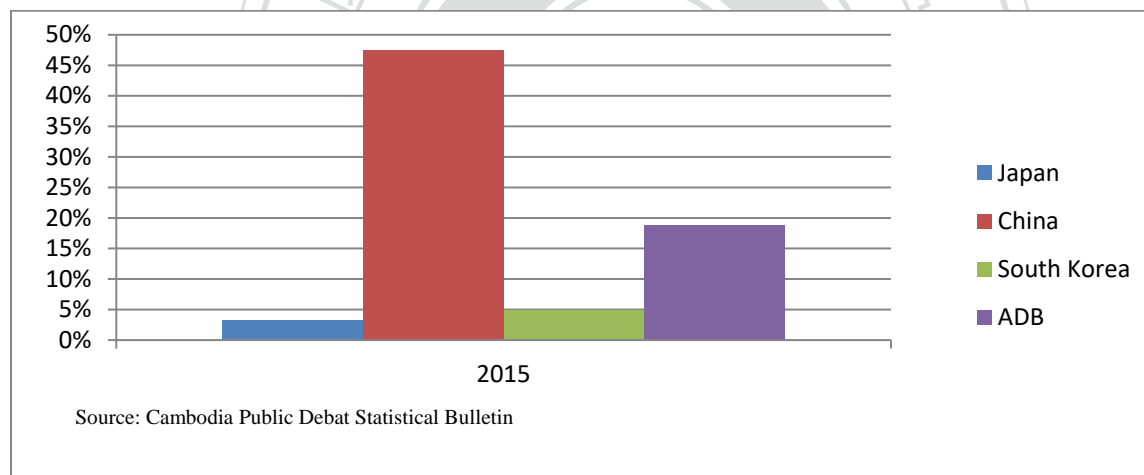


3.1.4. Public Debt

Due to the heavy dependency of Cambodia on foreign aid, the country's public debt is also a very useful indicator in the China-Cambodia mutual engagement puzzle. According to Cambodia Public Debt Statistical Bulletin, Cambodia's public external debt currently consists only from concessional loans from multilateral and bilateral foreign creditors; therefore, it is very simple to

find out who is the largest one. The data reveals that as of 2015 Cambodia accumulated net concessional loans worth of US\$ 7.6 billion, among 88% were loans for infrastructure purposes. China represents a 44% share of these borrowings, which is higher than any value achieved by bilateral or multilateral agreements. Only in 2014 Cambodia had to pay US\$ 432 million of disbursements to China, which is six times more than to ADB, Cambodia's second largest creditor, and 95% more than Cambodia had to pay to Japan. It is interesting that Japan is the biggest provider of foreign aid and at the same time the lowest creditor. That is given mainly by the grant form of these financial flows. Cambodia not only had to pay the biggest amount of money to China, it also still owes the biggest amount of money to China. Looking at the figure number eight, 47% of all unpaid debt of Cambodia belongs to China, and this sum is rising every year. While in 2013 Cambodia owed approximately US\$ 1.9 billion to China, in 2015 it was US\$ 2.68 billion – that is increase by 100%. Among compared countries that is the fastest rising debt in the last three years. For instance, unpaid debt to ADB in the same period of time holds steady, slightly under US\$ 1 billion. Yet in 2015 it actually decreased by US\$ 8 million. All in all, China is the largest Cambodia's creditor, and most important provider of concessional loans, which surely brings about certain level of economic leverage and influence.

Figure 8: Share of Cambodia's actual amount of unpaid debt by creditors (%)



3.1.5. Outward Foreign Direct Investments

Even though the OFDI are implicitly bounded to the China's assistance, as the part of the official strategy, it is good to distinguish between the foreign aid itself and OFDI operations. In general understanding of foreign aid, Ohashi (2013, 84-85) divides these operations into three categories based on the nature of their source: 1. Official Development Assistance; 2. Other Official Flows; 3. and Private Flows. China has naturally also played the card of OOF, which consists of export credits, direct investments and contribution to multilateral institutions. However merging the foreign aid with foreign investment might not be such a good solution, mainly because what

China considers of being a foreign aid is exclusively internal affair of the central government – concretely Ministry of Finance, Commerce, Foreign Affairs and EXIM²³ bank. In contrast, the direct investments do not have to be necessarily carried out by SOE, which practically handles the business in the name of Beijing. Although since 2003 Beijing has adopted several reforms, which allow private companies to engage in business in other countries, the share of such private companies has been relatively minimal. In 2006 83% of outward large scale projects were taken care by SOE (Gugler and Boie 2009, 30). The rest was split between SOE under regional administration, non-SOE that are owned collectively and minimally by private companies (ibid). In addition, the expansion is often encouraged by government with massive media campaigns such as ‘Going Global’ or ‘Going South’ campaigns (Nie 2009, 103), and as Gugler and Boie point out, “[...] FDI by any Chinese firm requires the approval of the Chinese authorities” (2009, 30). In fact, Chinese transnational enterprises that expand abroad have to make sure that their plans and operations go strictly in-line with the Chinese government foreign policy (2009, 54). That is also the main difference between Chinese and western approach toward OFDI. The distinguishing line is not defined in terms of SOE’s motivations. Those are more or less similar with companies from other capitalist market background – it could be either market-seeking, resource-seeking, strategic asset-seeking or efficiency-seeking incentives that make people to invest overseas (ibid). The distinguishing line lies in the fact that outward investments with Chinese characteristic could also be called state-policy-driven, since the government involvement in these investments is tremendous. Such a relationship is mutually beneficial both for companies and for government. For instance, even company revenue goals might be achieved with influence of the right people – in this case the right government. According to Gugler and Boie, Chinese government has a positive effect on companies internationalization (2009, 52). In general, Chinese government can support companies by providing preferential tax treatment, low interest bank loans, and foreign exchange access (Ohashi 2013, 34). In many cases companies coming to new environment can take advantage of connections and political influence of Chinese authorities. Naturally, this works more in less developed poor countries with weak rule of law, high level of corruption and nepotism. According to statistical bulletin of China OFDI, in 2014 almost 80% of all OFDI flew into developing economies. Cambodia is indeed a perfect example, and one cannot be surprised that China has been the biggest investor in Cambodia since 2004 (Solingen 2008, 28).

Cambodia has had the negative current account for more than a decade. However, at the same time, ADB²⁴ data reveal that Cambodia has been running a balance of payment surplus during the last five years. How does Phnom Penh balance the negative record of trade? Simply said, Phnom Penh is open to basically any sort of FDI, grants, and concessional loans. For example, in 2009-2012 the share of grants in total revenue reached 25.4% of GDP. Between 2003 and 2014 FDI was the main source of financial account in Cambodia, and it was rising significantly from

²³ Export Import Bank of China – government policy bank that is exclusively managed by the State Council, and embodies a sole administration over concessional loans and its financing operations (Wen and Tu 2013, 139).

²⁴ ADB report (2014): *Cambodia Diversifying Beyond Garments And Tourism Country Diagnostic Study*.

US\$ 74 million to eventually US\$ 1.67 billion, that is 78% share of the financial account and increase by more than 2000% since 2003.²⁵ FDI can actually create perfect conditions for win-win situation. Zhou Baogen (in Wang 2013, 127) in his point of view stresses out that “[...] it is the trade and investment, not foreign aid that is the key to developing countries’ economic emancipation and development.” That indicates that we have the reasonable hunger for FDI by developing countries such as Cambodia. On the flip side of the coin, we have the ‘Quaternity Model’ of Chinese assistance, where practically everything leads to gradual demand for Chinese goods, labor, and political presence. Aid to infrastructure causes indebtedness of given country, which is forced to balance this debt by attracting investors, and that along with better infrastructure is the perfect incentive for growing FDI. Growing FDI then leads to accumulation of investing countries’ assets and expansion of Chinese market, which eventually results in bigger economic power in the particular host country. That is the link to the top China’s priority – modernization by stimulating its own growth and rapid economic development.

Looking at the table number six, China obviously did not miss this opportunity to take advantage of an open window. Data provided by ASEAN²⁶ show a big jump of China’s OFDI in 2013-2014 from US\$ 287 million to US\$ 554 million, up by 93%. In the former year, Chinese OFDI represented 22% of total investment inflow in Cambodia, the following year it rose to 32%. While in 2013 the second biggest investor, South Korea, pumped roughly 47% less, next year the difference between top two was 68% with the second Vietnam. On the other hand, Vietnam recorded the biggest progress among other countries, improving from the end almost to the top just in one year, accounting a raise by 230%. It is interesting to note the Japan’s performance as a biggest Cambodia’s donor. However, in terms of OFDI Japan did not make it to top five in last two years, accounting only 3% of total Cambodia’s investments in 2013, respectively 5% in 2014. Vannarith (2009, 16) points out that Japan lacks the necessary investment background in Cambodia unlike Chinese investors. I have already mentioned that Tokyo’s foreign policy somehow missed the train, while Beijing has been building its business contacts in Cambodia for decade. Chinese diaspora (discussed later) is one of the reasons why other countries cannot compete with China in terms of the OFDI. In addition, Japanese investors are concerned about the political situation in Cambodia, underlining the poor rule of law, corruption and other indicators of good governance (ibid). Japanese investors are much more interested in Vietnam, where its investments overcome the ones from China (Yoshimatsu 2010, 101). With raising foreign aid, Tokyo hopes to attract more investors to Cambodia; however, the effect cannot be seen yet, definitely not in comparison with China. Second interesting thing is that USA, as the biggest investor in the world, did not make it even into the top 10. ASEAN data also observes that the strongest sector for Chinese investors was the manufacturing industry, attracting US\$ 166 million in 2013, and US\$ 244 million in the next year. Chinese official statistics state that manufacturing is in total the second most popular sector, right after mining industry, which absorbs 31.4% of all Chinese OFDI carried out in 69 countries in the whole world.

²⁵ ADB (2015): *Key Indicators for Asia and the Pacific*.

²⁶ Data from ASEAN slightly differs from ADB and Chinese statistics.

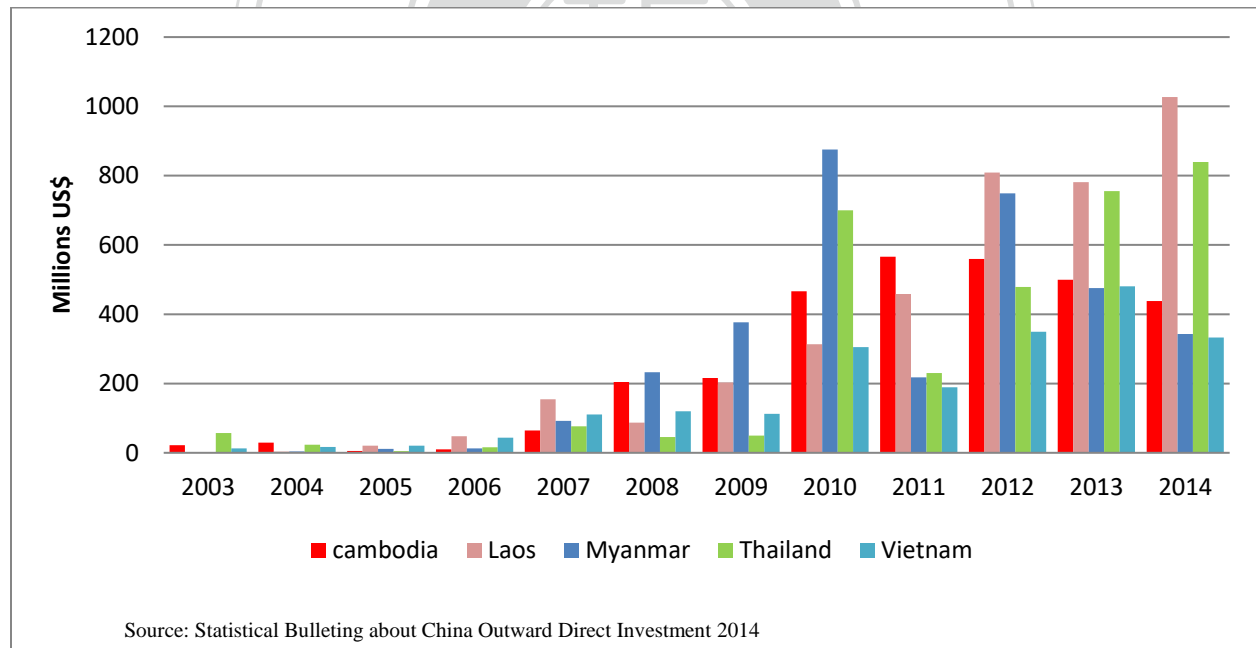
However, here occurs the issue of different data throughout the various sources. That can be seen in the figure number nine, which uses the data from official Chinese source. Comparison with Chinese official sources is necessary in order to offer the complete picture of the current situation over Chinese investments as the part of its foreign strategy. First of all, it demonstrates that Chinese OFDI has begun to fuel in GMS mostly from 2007. Before China did not invest as much as one would expect, given that all campaigns like “Going Out” had started five years earlier. Wen and Tan (2013, 108) suggest that this might be due to the political instability in lower Mekong countries, and also as a result of soaring oil prices at that time, which negatively influenced the trade and economic development. The great shift occurred in 2007, when USA and EU imposed trade restrictions on China. China had to avoid a catastrophic influence on their export and South East Asia suddenly rang the bell. Lower labor and transport costs; culturally close environment, where people listen when money talks; advantage in exporting regulations to USA and EU – all of these things made Cambodia attractive for Chinese investors to set up factories (ibid). On the other hand, this figure also reveals that although Cambodia enjoys the attention of Chinese investors, it is definitely not the most attractive country in GMS on this matter. That only happened once, particularly in 2011, when inflow of investments reached its peak at US\$ 566 million. Since then it was slightly decreasing by 22%, and eventually Cambodia was surpassed by Laos, Thailand and Myanmar. Laos probably estimated the most significant change over the years from barely US\$ 1 million in 2003 to more than US\$ 1 billion in 2014. If we take into account the total amount of Chinese investments in those years, all countries of GMS except Vietnam crossed the line of US\$ 3 billion, with Laos almost attacking US\$ 4 billion of Chinese OFDI. That proves that more or less China tries to project its economic means equally into almost all GMS countries. For instance, Cambodia accounts for 20% of all investments between the five countries – that is certainly fair enough. Surely, this is a slightly different picture than in the previous table, however studying the Cambodia’s dependency on China’s OFDI, the other neighbors do not play such a heavy role. The most important fact is that China is the biggest investor in Cambodia, and its overall investments in last decade demonstrated rise approximately by 1897%, and that is crucial from the Cambodia’s perspective. Among other things, Cambodia definitely has to do something about its negative current account; it has to do something about its poverty, undeveloped infrastructure, insufficiency of qualified human resources, sophisticated equipment, and lacking know-how and modern technologies. That is why regardless of political or economic intentions; China will be always welcomed in Cambodia.

Table 6: The top 10 investors in Cambodia (US\$ millions)

2013		2014	
China	286.8	China	553.9
Republic of Korea	178.2	Viet Nam	179.7
Taiwan	173.3	Hong Kong	136.2
United Kingdom	116.0	Taiwan	122.2
Malaysia	97.9	Republic of Korea	106.3
Singapore	83.7	Malaysia	85.2
Hong Kong	82.8	Japan	84.9
Thailand	61.8	Singapore	60.8
Viet Nam	54.3	USA	50.3
Japan	38.5	United Kingdom	46.7
Top 10 Total	1,173.2	Top 10 Total	1,426.2
Total FDI	1,274.9	Total FDI	1,726.5
Top 10 Share of Total FDI (%)	92.0	Top 10 Share of Total FDI (%)	82.6

Source: ASEAN Investment Report 2015 (10).

Figure 9: Chinese OFDI in GMS region over time (US\$ millions)



3.2. Territorialization

The following part will describe the process of territorialization as the part of the China's 'Peaceful Rise 2.0.' foreign strategy. Simply said, what distinguishes this set of tools from the first one is that it is not as necessarily about flowing money, as the economic statecraft means of accumulating power. The process of territorialization is more about the shaping the society and how exactly is China capable of penetrating into Cambodia's territory, population, public opinions, culture, values and decision-making process. Indeed, exerting of such a wide-spectrum appeal also costs money, and it is definitely not cheap; however, at this point the outcome and side-effects of the process itself is more meaningful in order to get under the surface of China's foreign strategy. 'Soft power' could also be the right term to address this part of the strategy, but to my understanding, soft power is about generation of widely accepted goodwill in targeted country, which would make masses to unconsciously incline towards the superior entity. Territorialization might set up the same goals, though, it also combines tools, which definitely belong to different category, since they more likely create a negative public sentiment, and that stands right on the opposite pole of the 'Soft power'. Term of territorialization also fits better to the dynamics of 'Peaceful Rise 2.0.', since besides 'good neighborhood' it also puts weight on the increasing assertiveness of Chinese foreign policy. In practice, this process goes hand-in-hand with various effects of development, and it is the direct result of Chinese economic engagement in the country. It begins with land purchasing for the new projects in terms of long-term land concessions, followed by influx of workers and Chinese goods. That brings about opportunity for local people, who are not qualified enough to handle these projects by themselves. In order to secure the smooth interaction Chinese language is a must. That is secured with new schools and courses to improve the level of education, which is again supported by influx of skilled tutors from China, or by Cambodian tutors who gained their education through various Chinese scholarships. More settlers again results in a higher demand for imported products. Chinese government helps with its web of contacts reaching to the top levels of Cambodian society, sets up Chinese organizations which unify old migrants with new ones, establishes radios, newspapers, etc. Therefore, new comers find a friendly environment, which even encourages such migration to upper scales. According to Lyttleton and Nyiri (in Laungaramasri 2015, 118), such process might also resemble a new form of colonization through "[...] expansion of Chinese economic power into the region through large-scale development schemes", in order to gain "[...] the control over resources and people that is exempt from the jurisdiction from the local laws." There is no doubt anymore, that this development in spite being natural, also bears the sign of extensive involvement of Beijing's policy approach. To put it simply, Cambodia sacrifices a part of its own territorial sovereignty for Chinese money in order to upheave the fast modernization. In terms of Goh's framework, this part of China's influence is special, because it helps to pull the strings upon areas, where the Cambodia's preferences have not been determined yet, or have been even divergent. Step by step I will firstly talk about

Chinese migration, then about education, land concessions, and last but not least, about Chinese diplomacy engagement with Cambodia.

3.2.1. Migration

Chinese diaspora is one of the biggest in the world, estimating over 50 million ethnic Chinese spread throughout the world, and 30 to 40 million out of this figure reside only in SEA (Sung 2015, 40). Although these masses cannot be regarded as one homogenous group, where all are striving for the Party's success, it represents a considerably important cultural clout, which can be of help under certain circumstances in certain countries, especially when it is deliberately projected as a tool of foreign policy. Also here it follows the equation that the poorer country is, the easier for Chinese government to play the card of national sentiment upon the old descendants, and it is even easier to spread this word by taking advantage of the new comers. Cambodia perfectly fits the example, considering that even Cambodian PM Hun Sen himself publically admits that his family has Chinese roots, and the Chinese cultural influence is hard to stop.²⁷ In general, Chinese diaspora in SEA is divided into old Chinese migrants and new Chinese migrants. Old Chinese, or Khmer-Chinese (Chen in Khmer) refers to people who moved to Cambodia centuries ago, decided to settle for good and currently they are Khmer citizens.²⁸ These people have "[...] strong links with Chinese ancestors and traditions, especially in the use of their language." They generally used to be "[...] poor farmers, who came primarily from poor rural areas of China looking for their livelihood outside China; they were poorly educated and spoke only regional dialects" (Touch 2015, 209). According to Cambodia's Social Economic Survey, in 2013 the population acknowledging such Chinese origin estimated only 14 000 (Table number seven). At the first glance this estimation might seem insignificant in comparison with 97.6% of ethnic Khmer population. But, this number might not be as accurate, given the process of integration and assimilation, which has taken place throughout the centuries, when several waves of Chinese migration reached SEA. Key part might also be played by Khmer Rouge and subsequent Vietnamese occupation in 80's, when ethnic Chinese did not have a favorable position in the society. William Willmott (1967, 15) estimated that 420 thousand of Chinese-Cambodians were living in Cambodia by the end of 1966. Current account of 0.1% of total population is probably what is left after the decades of heavy turmoil and bloodshed in Cambodia. Or a mistake in data collection by Cambodian authorities, since some sources suggest that Khmer-Chinese population is much bigger. For instance, according to article in The Phnom

²⁷ Quotation from nationalistic anti-Cambodian-government blog, more sources regarding this public claim are available probably just in Khmer language: "Cambodia is under Chinese cultural influence: Hun Xen's confession", Online: <https://sokheounpang.wordpress.com/2012/02/01/cambodia-is-under-chinese-cultural-influence-hun-xens-confession/>, [accessed 3rd-Aug-2016].

²⁸ Three large waves of Chinese emigration see more in: Zhuang and Wang, 2010, *Migration and Trade: The Role of Overseas Chinese in Economic Relations between China and Southeast Asia*, 175-176.

Penh Post, there is around 700 thousand ethnic Chinese living in Cambodia.²⁹ In 2012 Chinese owned Khmer Economy Magazine went even further in its estimations of 1 million ethnic Chinese (Touch 2015, 202). Vannarith (2009, 14) claims that population with Chinese ethnicity estimates 350 thousand or 3-4% of total.

More notable is the second group of Chinese currently residing in Cambodia, also called new migrants. They are the result of Deng Xiaoping's reforms in 70's, as the new approach of CCP of economic opening. In case of Cambodia, the real boom has started in 90's following the restoration of kingdom and withdrawal of Vietnamese army. In contrast with old migrants, these people are mostly well-educated, and their primary motivation is to seek the business opportunities and engagement in commercial sector (Sung 2015, 41). Again in terms of real time numbers the estimations of new Chinese migrants differ. Inaccuracy might be caused by the floating system of new incomers, who often come and return back to China in handling their business affairs. Another aspect is the high proportion of illegal workers crossing the borders as the result of vast corruption environment both in China and Cambodia, but also thanks to the improving diplomatic ties between these two countries (Touch 2015, 198). That is reflected in the very wide-range calculation in Touch's (ibid) study – somewhere between 50 and 300 thousand of new Chinese migrants to Cambodia. This proportion has been constantly changing as it is shown in the figure number ten, which draws the trend of number of dispatched temporary labor in the period of four years, comparing the countries of GMS region. There we can see that the number of Chinese labor is more or less steady with a slight growth by 13.7%. In 2014 approximately 7 thousand Chinese citizens worked in contracted projects and labor services in Cambodia. In comparison, only one GMS country estimated higher growth. It is Laos with 86.6% increase over four years from 8 thousand to almost 15. That is partially given by geographic proximity, where Laos locates right at the border with China; but there is no doubt that it also a reflection of priority in contracted projects, which are given to Laos, if we take into account that 35% of Chinese labor power in GMS was dispatched to its poor neighbor. Either way, these figures represent just the drop in the ocean of new migrants.

Table 7: Distribution of Ethnicity in population of Cambodia in 2004-2013 (%)

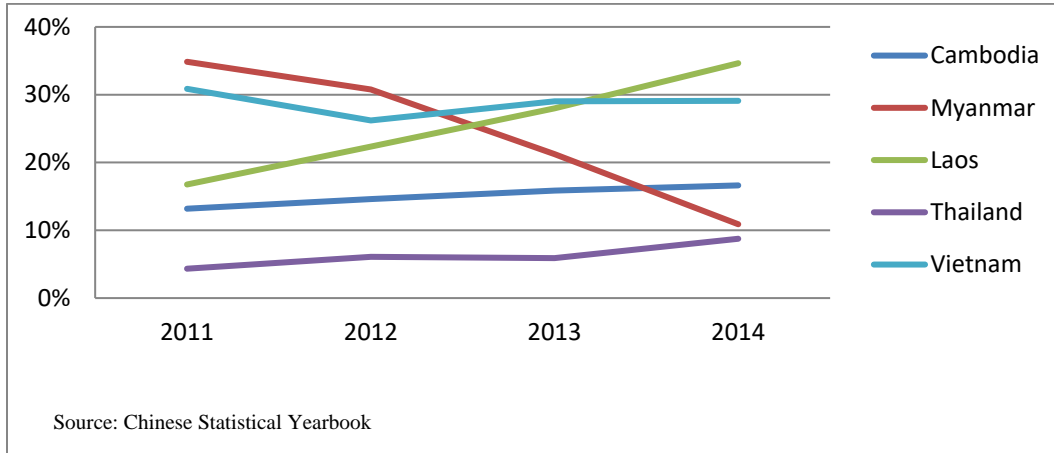
Ethnicity	2004	2007	2008	2009	2010	2011	2012	2013
Khmer	96.0	97.7	97.8	95.8	96.2	97.4	97.2	97.6
Cham	2.0	1.2	1.1	2.5	1.6	1.5	1.6	1.2
Chinese	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.1
Vietnamese	0.4	0.3	0.5	0.4	0.4	0.1	0.4	0.1
Thai	0.0	0.0	0.0	0.0	0.0	-	-	0.0
Lao	0.2	0.0	0.0	0.0	-	-	-	-

²⁹ “Chinese New Year: family, food and prosperity for the year ahead”, Available Online: <http://www.phnompenhpost.com/post-plus/chinese-new-year-family-food-and-prosperity-year-ahead>, [Accessed 4th-Aug-2016].

Other	1.4	0.6	0.5	1.1	1.5	0.8	0.7	0.9
Not stated	0.0	0.1	0.0	0.1	0.2	0.1	0.1	-
Population (000')	12,657	-	13,396	13,729	13,958	14,155	14,376	14,678

Source: Cambodia Social Economic Survey

Figure 10: Share of all China's temporary labor migrants among GMS 2011-2014 (%)



The total estimations of new Chinese migrants are not as important as the context beyond the process itself. Sung (2015, 43-44) recognizes three main reasons for the current drive of new Chinese migration to SEA: first one being the diplomatic transformation of China's image in SEA as the result of 'Peaceful Rise' strategy from a threat to the friendly neighbor, who stands for the common good; secondly, it is the accelerating mutual trade expansion between ASEAN and China; and lastly, it is the China's commitment in construction projects further fueling labor and skilled technicians. Naturally, the first reason is the most crucial for the cause of this thesis. This context is part of the shift in China's interests from domestic to international aspects of China's modernization, and Chinese identity has played a very important role in this transformation (Barabantseva 2011, 101-111). In order to plant the seed of Chinese sentiments even among the old Chinese descants, it is necessary to define the right ideological formula, which would create the real connection unifying the old and new diaspora basing on its 'Chineseness', and which would be diminishing the territorial aspect of the Chinese nation. Such process is called 'transnationaliation', and basically it employs a deliberate utilization of the Chinese diaspora as the "[...] ethnic and cultural extension of the territorial Chinese nation through popularizing Chinese sentiment, and through introducing practices associated with modernity and advanced capitalism in China" (ibid). It is also often referred as the 'decentralized nationalism', which gives legitimacy to sort of delusion of Beijing's self-accepted right to incorporate all Chinese people to the notion of the Greater China. Barabantseva (ibid) describes this approach as sophisticated institutionalization with both economic and political intentions. In order to reach the diaspora, spread throughout the world, Beijing has established five

governmental bodies – five bridges – that are responsible for the outreach.³⁰ Secondly, China does not approach overseas people only from within; it also mobilizes them in the countries they are currently residing. The PRC adapts so-called three pillars to revive the ‘Chinese consciousness’, namely: overseas Chinese organizations, schools, and periodicals (Liu Hong in Barabatsenva, 125). These should bring the migrants back home in their minds, and arouse the feeling of belonging to the Chinese culture represented by CCP.

In the case of Cambodia, the proposed situation has been already achieved, and it was not that difficult. Nyiri (2012, 99) describes the current commercial environment as heavily controlled by wealthy Chinese-Cambodian tycoons, who “[...] cultivate clientelistic relations with the party-state elite and have privileged access to natural resources.” Further, such groups of people consist of the highest-rank-titled men in Cambodian society – *oknha* (lords) – and even of senators with connections reaching right to the PM Hun Sen, and other top military leaders (ibid). The Khmer-Chinese activities are backed up by Association of Chinese in Cambodia (ACC), organization formed in 90’s which has absorbed all other organizations across the country, and also being recognized as the highest leadership organ of ethnic Chinese in Cambodia with commonly known connections to the leading party (Qiu in Nyiri 2012, 103). While ACC unifies the old migrants, investments coming from mainland made by newcomers are upheld by the Cambodian Chinese Chamber of commerce, which is “[...] seen as speaking for the investors from mainland China, including state-owned as well as private companies” (ibid). Speaking of which, new migrants do not need any further indoctrination as much as old ones. Their sense of belonging is still very strong, therefore, there are encouraged to make the contact with local Chinese, spread the Chinese spirit and unify them through the organizations under the promise of some sort of advantage in chasing their success. As Christiansen points out (in Barabatsenva 2011, 126), “[The] PRC reaches out to the overseas Chinese communities through the leaders of the overseas Chinese organizations, who are incorporated into the political institutions in the mainland, and influences the ways their identities are shaped.” In other words, Beijing is presented as the main entity which promotes the reunification of the Chinese nation, mainly addressing to the Taiwan issue. In fact, although overseas Chinese have literally become the stable part of the plan of rejuvenation (ibid), it is necessary to emphasize that Beijing does not intend to create this national clout in a sense of a PRC citizenship, and even more enlarge its already huge population. Rather it goes beyond the territorial integrity limits of PRC, and treats these people as notional members of the greater Chinese nation (123).

To sum up, migration is an intentional tool of China to exert its influence by taking advantage of the Chinese diaspora. It promotes the interaction between old and new Chinese migrants, and subsequently enhances the cooperation between these unified communities and China. Such process could be addressed as successful in the case of Cambodia, where Chinese associations

³⁰ These are: The Overseas Chinese Affairs Office, All-China’s Federation of Returned Overseas Chinese, National People’s Congress Overseas Chinese Commission, Overseas Chinese Affairs Commission, and a special party *Zhigongdang* (Barabantsseva 2011, 113).

actively engage in the transnationalization, and “[...] maintain close relations with the Chinese embassy, and deploy references to a Chineseness infused with the state symbols of the contemporary PRC” (Nyiri 2012, 104). Deliberate expansion of sense belonging to Greater China might also be dangerous for Cambodia’s sovereignty in terms of inclination of taking decisions in China’s favor and at the expense of Khmer population due to mushrooming spider-web of influence among Cambodian business elites with direct connections to CCP.

3.2.2. Education

We already know that China mainly uses three pillars to create the sense of patriotism among Cambodia’s society, education being one of them. Though, it might not be clear enough that this tool does not serve only for the needs of ethnic Chinese population; contrary, it helps to spread the Chinese culture, especially language, among the whole Khmer population. In overall, China’s aid to education is divided into five domains: 1. scholarships and university partnerships; 2. vocational training, including teacher training; 3. Chinese-language instruction in developing countries through institutional support and volunteer teachers; 4. school construction and educational materials; 5. collaboration with multilateral organizations on education and training (Reilly 2015, 5-7). The system is constituted along with Chinese cultural promotion as the one tool with the same policies carried out across several Chinese ministries and government bodies and coordination institutions (ibid). That is also why it is a difficult task to track the accurate statistics of scholarship distribution by host countries; and also because most likely they are not available for public, except the total annual volume of government scholarship published by China Scholarship Council. According to CSC report (in Reilly 2015, 14), between 2000 and 2013 China provided almost 198 thousand government scholarships, which estimates approximately 7 folded increase from roughly 5000 to 35000 just in thirteen years. As for Cambodia’s share in this volume, only relevant information was found in Xinhua news, praising the skillful Cambodian students who took advantage of these funds, and only roughly touching upon the factual number of distributed scholarships. Based on this data, the number oscillates between 50 and 70 students per year.³¹ Although China cooperates with Cambodia on the DOC dataset, it mainly contains the construction projects; simply because China does not include scholarships, training programs and other educational assistance, as the part of the foreign aid in the sense like other donors do (2015, 25). Fortunately, Reilly (2015, 20) managed to calculate at least the annual cost of such foreign aid. Table number eight draws the picture of rising tendency of the Chinese expenditures in the Cambodia’s education throughout four years. While expenditures for the training programs increased only slightly, the real jump occurred in scholarships area, where funds rose by 250% from US\$ 118 million to almost US\$ 416 million in

³¹ According to Xinhua article since 1998 China provided 557 scholarships to Cambodian students and officials, “China awards university-level scholarships to Cambodian students” available online: http://news.xinhuanet.com/english/china/2014-08/08/c_133542134.htm, [Accessed 4th-Aug-2016].

this particular period. All together Beijing distributed over US\$ 1.18 billion to Cambodian schooling just in four years. In addition, there were 75 Chinese language schools counting 40 000 mostly ethnic Chinese students. This number has been increasing by every year (Touch 2015, 199). On the other hand, we still do not know how much funding China deployed to construction of facilities, educational materials, how many Chinese teachers and volunteers operate in Cambodia, or how many Cambodian students pursue their degree in China without scholarship.³²

Table 8: China's Education Aid Expenses 2009-2012 (US\$ million)

Year	Training Program Expenses	Government Scholarship Expenses
2009	61.308	118.65
2010	63.173	144.27
2011	64.153	247.65
2012	67.78	415.99

Source: Based on the table in Reilly, 2015, 20.

Again, as it was in the case of migration, the factual data are not as important as the context in which the Chinese engagement in Cambodia's education takes place. In fact, even in China education is one of the most important tools in terms of cultivation the CCP-loyal population. Nothing is more effective than influence children right from the beginning to shape their minds in favor of the current regime's doctrine. And why not using the very same mechanism even abroad in countries, which are not capable of doing this work by themselves. Cambodia has indeed a very weak record in terms of developing sufficiently educated society. Table number nine manifests a comparison of GMS countries based on the quality of education. Cambodia certainly does not do very well in this competition. Firstly, between 2005 and 2013 it had some of the least educated population, where even Myanmar and Laos stood better in terms of share of population, which passed at least some kind of secondary school. Secondly, Cambodian teachers have to deal with extremely busy classes, taking care of 47 pupils in average, again heavily falling behind other GMS countries. The trend in South Asia is 13 students less per teacher. Less than half of the Cambodian population enrolls in secondary schools, and as for the tertiary enrolment not even every 20% of students have the opportunity to go to college, though in this measure Myanmar recorded worse results. All in all, people in Cambodia encounter enormous problems in securing a better life for the future generations. That gives China a perfect opportunity to step in, and offer a better quality facilities than Cambodian schools, and for cheaper price than English schools or in some cases even for free (Nyiri 2012, 106).

³² According to Cambodia Herald news citing Xinhua in 2015 there were 2000 Cambodian students who either graduated or at that time were pursuing degree in China. "China offers scholarships to 62 Cambodian students" Available online: <http://thecambodiaherald.com/cambodia/china-offers-scholarships-to-62-cambodian-students-8789>, [Accessed 4th-Aug-2016].

Having a Chinese education and knowledge of Mandarin is widely considered as a better choice for children than Khmer-language education, mainly due the whole new range of opportunities in Chinese construction projects waiting for young people (ibid). However, if we use the optic of Chinese foreign strategy, providing cheap knowledge also has its hidden agenda in a shape of cultivation of the pro-Chinese attitude. In such schools school curriculum is drafted by ACC with, as we already know, high-level connections to ruling party and China. Kids in school learn about Chinese-Cambodian friendship and other narratives, which go directly in-line with the teaching discourse in China. Schools are supported by donations of textbooks in simplified characters and volunteer teachers coming from China (2012, 107). Consequently, students are exposed to the reflection of the Chinese modernity and attracted by the successful story of their ancestral home – the success of Chinese nation which is offered on the silver plate to wake up the deeply buried feelings of patriotism and Chineseness (ibid). The same as the education works for kids, Chinese-language media spread the voice of Chinese culture for adults. Through ACC and CCCC China finances several newspapers and magazines such as Commercial News, Phnom Penh Evening News and others, which all have traceable connections leading to China (2012, 108). On the top of that, Nyiri (2012, 109-110) states, that these media are more and more reluctant to provide news which are negative towards the China’s interests. That is possible due to “[...] growing number of mainland Chinese journalists and editors, trainings in China offered to local journalists, and a rising share of content from mainland Chinese sources that are accelerating a shift away from a distinctive local Chinese usage toward that of the People’s Republic.”

Table 9: Education indicators in GMS region (units in table)

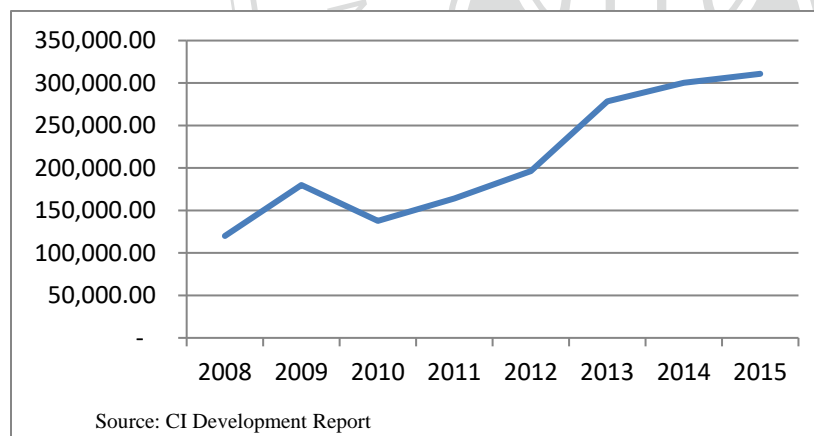
	Population with at least some secondary education	Number of pupils per teacher	Gross Secondary Enrolment	Gross Tertiary Enrolment
Notes	(% ages 25 and older)		(% of secondary school-age population)	(% of tertiary school-age population)
	2005-2013	2008-2014	2008-2014	2008-2014
Cambodia	16%	47	45%	16%
Laos	30%	26	50%	18%
Myanmar	19%	28	50%	13%
Thailand	38%	16	87%	51%
Vietnam	65%	19	-	25%
South Asia	42%	35	111%	64%

Source: UNDP Human Developments Report

Besides Chinese educational foreign aid, there is one more institution, which should definitely not be omitted in the discussion of promotion of Chinese culture and transnationalization as the part of the Beijing’s foreign policy. Confucius Institute (CI) is at the first glance non-governmental organization providing the opportunity mainly to get in touch with Chinese language and other aspects of the culture sphere. However, the non-governmental nature as it is

often presented is more than doubtful. Officially, CI is responsible for “[...] promoting cultural exchange through Chinese language instruction and cultural activities”, through establishing connections between Chinese and host countries universities, and primary or secondary schools (Reilly 2015, 16).³³ There are 446 CI and 646 Confucius Classrooms in the world, which have managed to organize mobility programs for 18 000 volunteer Chinese teachers to 101 countries (ibid). According to CI Development Report, in last 7 years (Figure number eleven) the budget of CI rose by 159% from US\$ 119 million to US\$ 311 million. The similar positive trend goes for CI scholarship students, since from 2009 the number almost doubled from around 4000 students to 7836 in 2014. As for CI operation in Cambodia, the first institute was open in 2009, and first three classrooms established in 2013. To date Cambodia has one CI and three Confucius classrooms providing courses for 14 180 students. In comparison with other GMS countries, only Thailand has more Confucius branches, though difference is significant (15 CI and 18 CC). Laos and Vietnam have only one CI, and Myanmar does not have even one, which is subsidized with three classrooms. The least opportunities of enrolment in CI are in Laos, where barely 4000 students took courses in 2015. Recently, CI also adopts the new design of its branches in form of the ‘Chinese teaching rooms’, thus it is difficult to estimate the real amount of institutions connected to CI project. Overall, Touch (2015, 202) concludes that nearly half of the Cambodian students in 2011 had the chance to study Mandarin without any fees, and that “[The] popularization of the Chinese language in Cambodia far exceeds that in any other Southeast Asian country.”

Figure 11: CI budget over time (US\$ thousands)



On the other hand, Yang and Hsiao in their study offer a different perspective on the CI apart from the official discourse, as the deliberate part of the China’s ‘Peaceful Rise’. It is the link between China’s Ministry of Education and the Hanban office – the head body supervising the budget of CI – that raises the doubt of the unconstrained nature of CI (2014, 18). Yang and Hsiao further observe that Hanban brings together wide variety of Chinese communist officials from

³³ Confucius Institutes make partnership with tertiary institutions, while Confucius Classrooms partner with primary and secondary ones, though range of their services and procedures is very similar.

the government, including Ministry of Foreign Affairs, Commerce, and the Overseas Chinese Affairs Council, etc. (2014, 19). In Cambodia these people have managed to infiltrate the local political elite. Yang and Hsiao (2014, 32) observe that CI enjoys vast support from Cambodia's political elite, which proves the political dependency on Beijing. In addition, support also comes from local Khmer-Chinese leaders, who are essential in terms of promoting the Chinese culture and values. Therefore, one of the main goals of CI is, yet again, to cultivate the national sense of belonging to Chinese culture and unconscious inclination towards political decisions made by Beijing. To achieve this goal, CI tries to establish firm connections with educational institutions in the host country via generous promises of funding, scholarships, teaching materials, cheap courses of Mandarin language and other cultural support (2014, 20). In return, host schools have to prove the right attitude towards cooperation on many matters, including some request that might raise controversy regarding the academic freedom as it is known in the western world. In Europe and USA there have been cases, where universities decided not to prolong the contracts with CI on the campuses due to suspicions of self-censorship and other forms of intervention projected by CI in favor of China's image.³⁴ Yang and Hsiao (2014, 25) point out, that CI operates under CCP as the tool, which is supposed to generate the condition of dependency on China in host countries' schools. Summarizing the situation in Cambodia, it was found out that CI involvement is not only highly supported by Cambodian leadership, but it also "[...] reflects Cambodia's dependence on the Chinese government and Chinese investment", since to local people "[...]China represents commercial opportunities and interests that could enhance their lives and increase their incomes" (Yang and Hsiao 2014, 32). All in all, it is obvious that China successfully pulls the strings of knowledge within the Cambodian society in order to create the favorable and supportive pro-Chinese environment in this strategically important country. Creating such environment is beneficial for China's influence in sense of cultivating the China-friendly Khmer population right from the bottom. Even though such engagement comes with side-agenda, Cambodia cordially welcomes any demonstration of help, since the leadership is incapable of any significant progress in education; and after all, promise of brighter prospects for future embraced in the perspective of Chinese modernization is appealing both among the common population and authorities.

3.2.3. Land Concessions

The matter of land concessions as the part of China's strategy is the reason why we should distinguish between projection of territorialization and soft power; since unlike previous examples of increasing China's commitment in Cambodia, land grabbing is a serious problem which undermines China's accumulated goodwill among the Cambodian lower class. Economic

³⁴ "About-face", Available online: <http://www.economist.com/blogs/analects/2014/09/confucius-institutes>, [Accessed 5th-Aug-2016].

land concession (ELC) is “[...] a mechanism implemented in order to allow special permission to use the land for (industrial) agricultural exploitation” (Mills 2015, 16). Simply said, it is the legal transform of state-public-land to the private hands with intention of economic development of the given area; creating a state-private-land, since the allocation contract is temporary, usually in the range of decades (99 years in Cambodia). ELC go hand-in-hand with FDI, and under the right set-up they generate employment, profit, improve food security, and stimulate the exchange in technologies (Deninger and Byerlee in McInnes 2015, 7). In practice, governments support the inflow of foreign investments in form of implementing legal land reforms in order to smooth the process and make the country attractive for possible entrepreneurs, in spite they might risk the growing dependency on the country of origin (Goetz 2015, 13-14). In exchange, investors gain the access to cheap labor, opportunities to expand distribution, and other advantages like tax holidays, for instance. At this moment it is however important to note that some studies consider that land concessions are much more complex issue to take it solely as the intentional activity lead by Chinese government. As Goetz points out (2015, 10), “[It] remains crucial to acknowledge the diversity of actors and interests at play in Chinese land-consuming investments [...], and to admit the oftentimes contingent nature of events that such investment projects can be part of (rather than a long-term plan).” On the other hand, Mills (2015, 8) looks into the real distribution of Chinese land investments, pointing out that majority of land deals are purchased by Chinese SOE with exclusive connections to the central or provincial leadership, which brings about advantage in making the deals with Cambodia; since, as we are about to find out, this country is something like a huge Christmas tree with stocks of lands hanging instead of decoration. Thus, before I tackle this issue in detail, it might be helpful to firstly introduce the Cambodia from its darker side of governance, because that is relevant in understanding the context of injustice which is present in daily life in this country. Table number ten compares two indicators of quality of governance, first being corruption and second being rule of law. In fact, Cambodia records terribly in both. Respectively, if we take into account only year 2015, Cambodia ended up last in both categories in comparison with other GMS countries.³⁵ The fact that corruption and bribery is tightly related to land concession is exposed in MacInnes (2015, 7), who observes that:

The negative consequences of these interactions between land grabbing and corruption are multiple, transformative and reinforcing. They range from lost or perverted revenue streams, the consolidation of power and influence of the elites, the further disenfranchisement from state functions of the victims of such land grabs, all of which ultimately undermines state accountability.

³⁵ Worldwide Cambodia ranks 160th out of 177 countries.

Table 10: Corruption Index in GMS countries and Rule of Law score comparison³⁶

Corruption	2012	2013	2014	2015	Rule of Law:	2015
Cambodia	22	20	21	21	Singapore	0.81
Thailand	37	35	38	38	HK	0.76
Myanmar	15	21	21	22	Malaysia	0.57
Vietnam	31	31	31	31	Mongolia	0.53
Laos	21	26	25	25	Philippines	0.53
					Indonesia	0.52
					Thailand	0.52
					Vietnam	0.5
					China	0.48
					Myanmar	0.42
					Cambodia	0.37

Source: Transparency International World Justice Project

Therefore, this issue offers various perspectives. One is the angle of win-win situation, where both China and Cambodia benefit from cultivating the land for the purpose of development. The second one is the perspective of the process itself that bears sign of injustice and serious lack of transparency, resulting in concerns about who really profits from such development – authorities with connection to China or ordinary population of Cambodia? Since this thesis discusses the fruits of Chinese foreign strategy of influence, I reckon two of these perspectives are equally important. In that case, the first crucial question would be how these land concessions are beneficial for China, and second one asking for the implications of Cambodian shadow state³⁷ practices on the China’s promotion leverage. Introducing the first option, the conjunction between Chinese OFDI and its foreign policy was already mentioned in the previous chapter. China encourages the economic expansion in order to secure its hunger for resources, sustain its economic growth, and achieve the promised modernization of the Chinese society. In fact, from the point of view of energy and food security, it is essential for China to gain the access to the foreign lands, because for China it is simply impossible not only to keep up with the local demand in those sectors, but also facing the environmental impact is a huge challenge for Chinese authorities. For instance, considering the massive Chinese population, 40 percent of the world’s farmers cultivate only 9 percent of the world’s farmland (Mills 2015, 1). China is also the biggest consumer of energy in the world, according to International Energy Agency. Thus, although the commercial drivers for land investments are significant, the role of Chinese foreign policy in this issue should not be underestimated, because in terms of territorialization, focusing on land concessions is inevitable in order to secure the economic expansion. Li (in Laungaramasri 2015, 118) describes the clear causality between all side-effects of China’s quest for modernization:

³⁶ Corruption index- higher value goes for smaller corruption. Rule of law index – higher value goes for better condition.

³⁷ “[A] state where political power is wielded as a means to personal self-enrichment and state institutions are subverted to support those need [...]” (Country for Sale, 2009, Global Witness definition,).

Massive flows of Chinese capital into this region and other places have been made possible by land concession policies in many countries that are designed for fast-track economic change. The control of vast areas of land in the national territory, the influx of Chinese workers and entrepreneurs, the privileging of Chinese currency and language over those available locally and nationally, and the unclear enforcement of legal jurisdiction have all been carried out in the name of modernization or “the will to improve” the marginal population of the country.

This all means that due to existential challenges, Beijing simply has to underline its dream for modernization by facilitating expansion of mining, manufacturing, and agricultural production through encouragement of OFDI, and deployment of SOE to abroad. In addition, Chinese foreign policy is embedded with the promises of win-win situation in order to promote the reasons for such regional cooperation. So, naturally mutual benefit must be achieved also in the case of ELC in Cambodia. Actually, it is very unlikely that China would encounter any sort of obstacles in dealing with the local leadership over the control of those lands. Quite contrary, several studies suggest that situation in Cambodia is so critical that probably most of important political figures are deeply in the pockets of Chinese businessmen; and therefore, the cooperation really meets the requirement of satisfaction on the both sides.³⁸ For instance, Nyiri (2012, 99) describes the process of wide web of rich Chinese-Cambodian tycoons, who hold a title of ‘oknha’ that literally opens the door to the right business connections. Such people “[...] are great demand by investors from China, particularly those who wish to acquire land concessions, since such concessions, by law, require a majority stake of a Cambodian company.”

The real challenge comes with the masses in terms of delivering the message of inevitability of taking their lands³⁹ for the agricultural and infrastructure purposes in the name of technological progress with Chinese characteristics. Firstly, that is achieved by the cultural propaganda, already described in the previous chapter. In doing so, China frames itself as a superior technological giant, who brings the development, innovation, efficiency to poorly cultivated farms in Cambodia; in contrast with other investors, who can offer only commodities (Goetz 2015, 15). Secondly, buying out Cambodian soil also brings real advantages in terms of making of living for the labor force. According to ADB⁴⁰, agriculture sector is the largest source of employment in Cambodia, culminating in 2013 with 5.2 million people working there, making 33.5% of Cambodia’s GDP. Manufacturing sector ranks the second most important with 657 000 people making their living mostly at garment assembles; however, enough to contribute

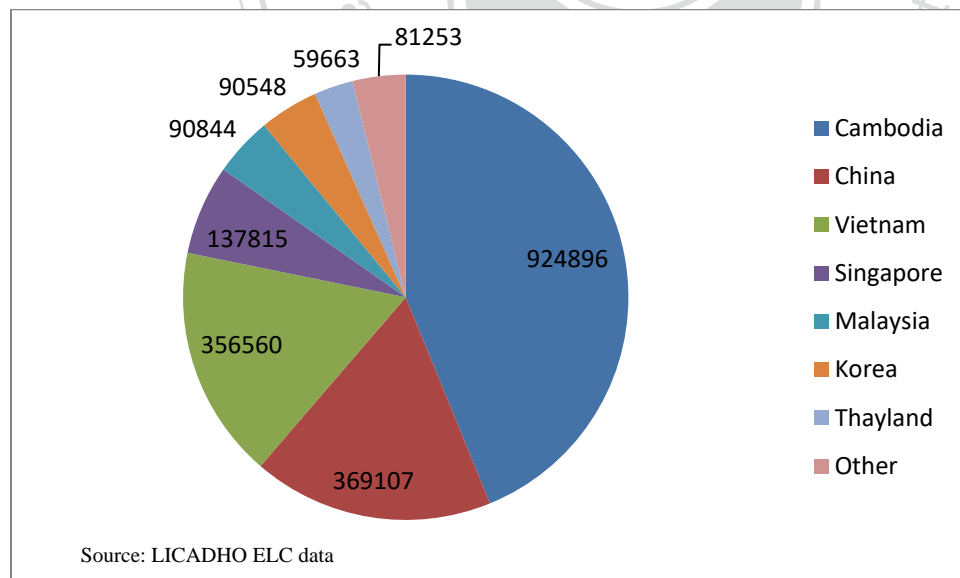
³⁸ Report made by Global Witness ‘Country for Sale’ (2009) describes the vast corruption among Cambodian elites with strong connections to Chinese sphere.

³⁹ Technically speaking, the land is mostly owned by Cambodian state due to unclear ownership rights in the decades of chaos and lack of any land reform before 90’s. Chienthong (2013, 1086) states that “[The] Royal Government of Cambodia (RGC) holds about 75–80 % of the country’s territory under the status of state land”, and local people are not considered being legal landholders.

⁴⁰ Key Indicators for Asia-Pacific 2015

approximately US\$ 2.5 billion to GDP. Looking at interactive map mad by LICADHO⁴¹, ELC⁴² in Cambodia mostly consist of plantations of rubber, sugar, paper pulp, cassava and palm oil. As to 2012, authorities leased land overcoming 2 million hectares in 274 concession contracts, which is more than 50% of Cambodia’s arable land. Figure number twelve reveals the estimated share of ownership of Khmer lands. China, closely followed by Vietnam, is the largest foreign investor in ELC. Both countries have purchased, in overall, more than 350 000 Ha. In detail, China leased 17% of all ELC. The biggest holder share is represented by Cambodia citizens, accounting for 43% of all ELC. In this case it is good to be aware of two things. First one – ELC in this figure do not cover the contracts in mining, military sector and energy sector. Second one – even though it looks like that most ELC in Cambodia preferably go to its citizens, there is a tricky catch in it, because in many cases companies set up by white horses with connections to China or Hong Kong, who run the business. According to legal framework, ELC are limited by 10 000 Ha per one investor; however, as Hofman and Ho observe (in Mills 2015, 13), investors take advantage by “[...] using multiple identities allows a company to attain several separate tracts of land and operate them under different names, while still being controlled by a larger umbrella corporation.” In addition, many new Chinese migrants take the role of middlemen between Chinese capital and Cambodian authorities, and between Chinese management and Khmer labor (Nyiri 2012, 94). Consequently, there have been concerns that Chinese companies managed to cut the deals under much more favorable circumstances than other companies. Such argument is supported by Cambodian Centre for Human Rights, estimating that since 1994 more than 50% of all land concessions were allocated to Chinese hands (Touch 2015, 296, 214).

Figure 12: ELC by ownership in 2012 (Ha)



⁴¹ Cambodian League for the Promotion and Defense of Human Rights investigated the real ELC data, raising doubts about the official data published by government of Cambodia.

⁴² ELC does not include Social Land Concessions, Military, Hydro-dam and Mining licenses.

To sum up, it is obvious that Chinese strategy of economic expansion has met with success in the case of Cambodia, which brings us to the second perspective of rise of Chinese power in this country in terms of ELC. On the one hand, there is no doubt that Chinese companies contribute to improvement of living standards of Cambodian poor labor. On the other hand, China also contributes to exclusion of local habitants from their natural way of living, and to widening wealth inequality. Although Beijing stresses out the factor of mutual benefit, it is often the notorious 1% of population who really profit from these transactions. That means that political ties might be at the peak, but at the expense of China's image among certain share of rural population. McInnes (2015, 1) claims that more than 400 000 people were negatively affected by granting concessions, since the government usually does not take into account the needs of local communities and takes decisions regardless of any environment or other impacts on living conditions of these people (2015, 2). Do such activities affect China's cause? Probably to certain extent, in terms of projected goodwill; however, in my opinion under the patronage of current Cambodian regime China does not have to be worried that it will not get what it wants. Most likely, the old migrant communities consist of upper ranks of the society and with the China's support they are probably well-off; therefore, I do not think that it hurts the geopolitical plans of territorialization and promotion of further regionalization. Most importantly, land concessions are inseparable part of China's foreign policy, promoted in the good neighborhood rhetoric to fuel "[...]national ambitions that factor in other countries land to meet the interest of key actors of that particular political economy of development (e.g. bureaucrats, industry) in resources, exports markets, international economic integration, and political alliances" (Goetz 2015, 15).

3.2.3. Diplomacy

According to theory of offensive realism (Mearsheimer 2001, 179-185), China's ultimate goal is to become the hegemon, if not the world one, at least the regional one. The motivation behind such behavior is the security of its own existence. World order is just the playground, where every state struggles for sustaining its own existence. Before, China was bidding for hegemony through projecting the goodwill and soft power, and this attitude persists even after Xi Jinping has taken the office; however now it has become more obvious, that if it comes to the topic of China's core interests, China will put even its image at stake to protect it. Not necessarily in the military way though. Looking at the historical records, only hegemon who bade for hegemony and actually made it was the USA. Japan, Germany, Soviet Union – those are the failures of 20th century. Kirshner (2012, 471) points out that bidding for hegemony differs from being a hegemon. If the security is the ultimate goal of realists' world, why would country deliberately choose the path of self-destruction? In fact, China has decided to follow the different path, more resembling the strategy of balancing the carrots and sticks. Neoclassical realist suggest that security is not the sole motivation for states, rather, states "[...] use their power to direct the international system toward their own goals and preferences", so as they could shape and control

their environment (Rose in Santosombat 2015, 25). In case of China, the main drivers for influencing the surrounding area are the ‘vulnerability to threats’ and historical experience of the ‘century of Chinese humiliation’ (Nathan and Scobell in Santosombat 2015, 27). Such culture of victimization encourages China to rational political pragmatism and obligation to learn from its mistakes, because who does not influence others will be influenced by others. In fact, China’s foreign engagement is linked with foreign aid, which by using the optics of realism could be understood as a sufficient instrument of persuasion to exert its influence; however, aid is just the one category of the much more sophisticated strategy that intends to create the interdependent environment – the community of a common destiny.

The ‘Quaternity Model’ of Chinese foreign aid was already discussed above, but here I need to put the emphasis on the last element of this system – the element of economic cooperation, because creating the situation of regional interdependency, that is in my opinion the real nature of China’s strategy. Such interdependency could be easily cultivated by economic expansion; but there must be something else, some kind of platform, where leaders would be able to voice their message, to prepare the background for the opportunity to sell Beijing’s ideas – institutions and cross-national frameworks. That is the reason why the institutional realism has its place in this work. According to Kai He (2009, 1-10), the expansion of multilateralism is the weak point of realists’ account, because it is not clear why regional powers would voluntarily bind themselves to institutions, where they have to limit themselves by obeying the common rules suggested by weaker countries. First of all, weaker countries have just two options in dealing with hegemony, either hard balancing – military alliances – or soft balancing, by seeking the security under the institutions with clear set of rules. With regards to policy of ‘Peaceful Development 2.0’, it is not surprising that for Beijing the institutional balancing is much more favorable. And what happens if a country can establish its own institutions with its own rules? Goh (2016, 14) calls it ‘institutional shaping’, which means that China can influence others by setting up its own institutional positions, agendas, and norms. Through these institutions China is able to translate its development expansion into economic regionalism, which eventually helps to accumulate the interdependence in the region and influence leverage (ibid). Kai He (2009, 9) adds that “high economic interdependence makes states choose an institutional balancing rather than traditional military alliances to cope with threats or pressures from the system.”

Since the end of the Cold War we have been witnessing the expansion of multilateral institutions in the Asian sphere, mainly led by ASEAN initiative. At the beginning China played the role of outsider, primarily given by outcomes of Tiananmen issue, but also by lack of reforms in the China’s foreign policy, which at that time was still mainly driven by ideological ballast from the Mao’s era. That has dramatically changed after the Asian Crisis, when Beijing understood that friendly sugar-coated approach might bear its fruit, and eventually has started to carry on the image of a good neighbor, who does not only wish to participate in the multilateral relations, it would also like to set up its own institutions in the region to make sure that the future bid for hegemony will be executed in the most peaceful way. Although two-side meetings and dialogues

have been much preferable, Beijing did not hesitate to also become the co-founder and initiator of multilateral frameworks, such as ASEAN Regional Forum, ASEAN plus three, East Asia Summit, BAO Forum for Asia, or Shanghai Cooperation Organization and BRICS. Under Xi Jinping's leadership Beijing has kicked off so far the most ambitious project called 'One Road, One Belt', which is supposed to create the transfer corridors in order to connect Asia, Africa and Europe by developing and modernizing the infrastructure, and also by improving political and economic relations between countries in these regions. The goal of this framework is to facilitate the trade and investments, to promote the settlements in local currencies and enhance the interpersonal contacts. In other words, it promotes the further regionalization and interdependency in the global system. Such a huge project demonstrates the China's future geopolitical vision on its position within the global world, and proves the shift from the low-profile to the more pro-active stance, where China would be able to declare its rightful superior position. Most importantly, it will be in the peaceful way, through the institutions. OBOR is still in a form of a draft, and most likely it will not progress in the nearest future. However the AIIB, as the side-project supporting this plan, has already become the real institution, with real members, with real budget and real set of rules drafted by China. In my point of view, I consider AIIB being the first challenge for Western institutionalism in the context of the Peaceful Rise 2.0.

In order to make this challenge successful, China should make sure that it can rely on the foundations from its regional position utilized by its economic statecraft and territorialization. Goh (2016, 11) observes that Beijing has managed to gain its power level in two ways: 1. promotion of Beijing's way of modernization in the least developed countries of Mekong Region; 2. mobilizing the developed parts of ASEAN through boosting investments to close trade relations with China. Naturally, creating the economic leverage in the Asian region is indeed much easier in underdeveloped countries, so Beijing drew the plan of a free trade agreement between China and ASEAN which was implemented in 2010, eventually in 2015.⁴³ ACTFA is thus another recent example of China's multilateral approach. It intends to eliminate the tariffs and achieve the easier flow of commodities, labor, and traders by creating the largest free trade zone of 1.7 billion people (Zhuang and Wang 2010, 182). China needs two approaches in ASEAN, because despite to proclaimed unity, it is not a cohesive community of countries; on the contrary, they with different preferences and goals. Goh and Simon (2008, 12) describe the cultural, political and economic diversity in ASEAN. These differences divide ASEAN into two parts, the continental one - CLMV⁴⁴; and the maritime one – BPMIS⁴⁵, with Thailand occupying the position in between. China has to maneuver between these blocks in order to shape the regional politics, and achieve the secure sea lines of resources import, which is besides the factor of actual proximity the most tangible reason of China's high-level commitment in this area; but also let's not forget about the SCS – the source of escalating tensions in this area (2008, 70).

⁴³ The implementation of agreement in Cambodia, Myanmar, Laos and Vietnam were scheduled to 5 years later term.

⁴⁴ Cambodia, Vietnam, Laos, Myanmar.

⁴⁵ Brunei, Philippines, Malaysia, Indonesia, Singapore

In my opinion, since China has already jumped into wagon of more progressive and assertive policy of sticks and carrots, the most difficult part is to estimate, when will be the right moment to finally use those sticks. For example, although Beijing has been patiently pumping money into ASEAN countries for a decade to make them believe that peace is the one and only motivation of China's raise, as soon as concerned countries hear the song of the 'core interests' they immediately brace themselves and not only ally together, they also balance against Beijing by knocking on the USA door. Using the strong nationalistic rhetoric does not help the China's credit; quite contrary, it undermines the achievements of 'Good Neighborhood' and 'Peaceful Development 1.0.', such as results in Taiwan issue, where all of the ASEAN countries strictly stick to the One China Policy. Therefore, issues over territorial claims require more patience, more bilateral meetings, and more money, because so far the accumulated economic power is not enough in terms of the real influence.

Getting under the surface of Cambodia political direction, situation might not be as negative as it seems. From multilateral perspective, there are three notable mechanisms crucial for the local dynamic: ASEAN Mekong Basin program; ADB GMS pregame; and Mekong River Commission. The GMS⁴⁶ is the program established by ADB, which brings about whole new set of mechanisms supporting the cooperation, such as GMS Summit, GMS Ministerial Conference, GMS Economic Corridors Forum, GMS Business Forum (Vannarith 2013, 4). China, mainly through Yunnan and Guangxi regions, plays a significant role in this initiative and also contributes by relevant sum of money and other technical and training support⁴⁷, mainly because the development goals are perfectly aligned with the goals of China's foreign policy. According to ADB strategic plan (in Vannarith 2013, 3) for 2012-2022, those are:

1. Developing the major GMS corridors as economic corridors;
2. strengthening transport linkages, developing an integrated approach to deliver sustainable, secure, and competitive energy;
3. improving telecommunication linkages and information and communication technology applications among the GMS countries;
4. developing and promoting tourism in the Mekong as a single destination;
5. promoting competitive, climate-friendly, and sustainable agriculture;
6. enhancing environmental performance in the GMS;
7. and supporting human resources development and initiatives that facilitate the process of GMS integration.

All these goals support China's drive for more economic interdependency and regionalization. In addition, it is beneficial for economic development of western part of China, which has always been behind the eastern provinces. Similarly, very important regional initiative is the Mekong

⁴⁶ The GMS countries are Cambodia, the People's Republic of China (PRC, specifically Yunnan Province and Guangxi Zhuang Autonomous Region), Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam (ADB website available online: <http://www.adb.org/countries/gms/main>, [accessed 11th-Aug-2016]).

⁴⁷ More about China's involvement in GMS: in Zhu 2010, 8-9.

River Commission (MRC), consisting of Cambodia, Vietnam, Thailand and Laos. However, China is represented only as a dialogue partner, mainly due to MRC's fundamental purpose, which is to establish the effective framework of management to limit the chaotic development on the Mekong River⁴⁸. No wonder China does not want fully commit itself to this institution, given its own internal set of developmental strategies on this river. That might pose as a little setback in terms of China-Cambodia relations, since mainly downstream countries have been concerned about Chinese dam construction on the river handled just by unilaterally or bilaterally means. Goh (2004, 10) states that as for the river development "[There] are no formal or regular multilateral meetings to exchange information, to consult, or to coordinate projects."

In terms of Chinese national interests it is reasonable that in certain issues Beijing prefers the bilateral talks. Dealing with a weaker country without support of other is much easier in terms of reaching the consensus. The bilateral approach is by Feng and Huang called China's strategic partnership diplomacy. To put it simply, it is the China's answer to the world 'multidimensional diplomacy' in 'multipolar and globalized' world (2014, 7). It is the sort of diplomatic label for countries, which are usually important for China's interests, and also the other way around. The motivation to establish such partnership varies based on the role of the second country in eyes of the China's foreign interest. Overall, partnership with more powerful countries reflects the defensive motivation to protect China's core interests, and partnership with weaker states reflects the intention of shaping the favorable environment to facilitate China's rise (2014, 12-14). Defensive logic brings about assurance of continuity of the peaceful development as long as its core interests will be respected; on the other hand, the assertive logic brings about the long-term plan of Beijing to achieve the capacity to declare the rightful superior position in the world – in other words this is the Peaceful Rise 2.0. Strategic partnerships are supposed to introduce the new school in the international relations, which would prove that China is adapting to international community, but at the same time it tries to change the world order from within (2014, 12). Cambodia is more likely the first case of China's assertive strategic engagement; however, very important one as the table number eleven suggests. Among the GMS countries it is only Cambodia who has made it to the Strategic Partnership level.

⁴⁸ According to official website, available online: <http://www.mrcmekong.org/about-mrc/vision-and-mission/>, [accessed 11th-Aug-2016].

Table 11: China Strategic Partnership Diplomacy and China's interests in Cambodia

	comprehensive cooperative strategic partnership	Strategic Partnership	Interests	Priority
Thailand	2012	-	Economic Secure Natural Resources	Medium
			Expand Export Market	Low
			Enhance Regional Security	High
Vietnam	2008	-	Political Seek Support for One China Policy	High
Cambodia	2006	2010	Strategic Seek support at Global Arena	Medium
Laos	2009	-	Balance The US Influence	High
Myanmar	2011	-	Ideological Spread Chinese Culture	High

Source: table adopted from Feng & Huang 2014, 18, and Heng 2012, 72.

That is not as surprising if we consider the China's national interests in Cambodia. The second part of the table number eleven implies the level of priority of China's policy goals in Cambodia. Having examined almost all tools of this mutual engagement, it could be concluded that 'Peaceful Rise 2.0.' is rather effective. Cambodia does not have such a huge amount of natural resources, and if it does, they have not been discovered yet. Although in 2008 there was estimation of 400 million barrels of crude oil 3 trillion cubic feet of gas (EIC in Heng 202, 73), import of energy and minerals from Africa and Middle East is more important. Cambodia also does not have such an enormous market as Thailand or Vietnam, so Chinese OFDI and trade flows mainly focus on those countries. What makes Cambodia a strategic partner are the political and ideological means. As for political ones, Cambodia sticks with China in terms of security. Cambodia is located in the heart of ASEAN region⁴⁹, so it is reasonable that extensive military connections are undergoing. According to Phnom Penh Post article⁵⁰, in 2013 China funded a military institute in Kampong Speu for Cambodian army, which even more underlines the China's military cooperation with Cambodia. For example, there are many military officers obtaining the training at China's defenses university, and Phnom Penh asks for even more military assistance and training opportunities.⁵¹ China also cooperates with Mekong countries in terms of cracking down on the crime such as drugs and human trafficking. Further, Cambodia is one of the strongest followers of One China Policy among ASEAN. For instance, the recent news tackles the problem of 21 Taiwanese criminals being deported to PRC despite protests of R.O.C. government, which did not meet with success, since Cambodia strictly recognizes Taiwan as the province of one China.⁵² From the strategic perspective, Cambodia has been deeper and deeper embraced by China's economic assistance, mainly because help from the USA is constantly conditioning the PM Hun Sen regime. To draw the more detailed picture, Ear (2013, 18) concludes that whenever "[...]Cambodia falls under pressure from international

⁴⁹ Look for 'String of Pearls' geopolitical strategy in Heng, 2012, 73-74.

⁵⁰ "China steps up military aid", Available online: <http://www.phnompenhpost.com/national/china-steps-military-aid>, [Accessed 11th-Aug-2016].

⁵¹ More about military involvement in Heng 2013, 66-67.

⁵² China Daily: "Cambodia to deport Taiwan fraud suspects to mainland", Available online: http://www.chinadaily.com.cn/cndy/2016-06/21/content_25782344.htm, [Accessed 11th-aug- 2016].

bodies to reform its human rights abuses, corruption, oppression of its own people, or misuse of power, it turns to china for financial support.” Therefore, given the nature of its leadership, Cambodia does not really have enough maneuvering space in terms of balancing China by leaning to the USA.

The last point dashed down the nature of interdependency between these two countries. Because Beijing needs the back up of Phnom Penh in political matters, mainly as supportive voice within ASEAN; Cambodia in exchange desperately longs for China’s capital. According to UNDP Poverty Indicator⁵³, 16.4 of population live in severe multidimensional poverty, and 10.1% of population lives from less than US\$ 1.25 per day. To improve the living conditions of its people, Cambodia also must improve its infrastructure. Estimations by ADB⁵⁴ suggest that in 2010-2020 Cambodia will need a total amount of investment into infrastructure valued at US\$ 13 billion. Further, net ODA received by government of Cambodia between 2002 and 2010 estimated 94.3% of central government spending (Ear 2013, 16). To put it together, Cambodia “[...] has a poor industrial and infrastructure foundation, low capacity technologies, poor pool of talented people and no enterprises with independent research development and innovation capability” (Wen and Tan 2013, 125). In other words, Cambodia is dependent on foreign economic assistance; however, due to bad records of governance the options of donors might be very limited in future.

In exchange for political support, Phnom Penh gets this assistance from China, but this might put the government into risky position. Because the ‘Peaceful Rise 2.0’ brings about more and more reciprocal approach towards China’s client states, the diplomatic costs for Cambodia could escalate. For instance, Cambodia has already lost its reputation among other ASEAN states after the 2012 scandal, being cold a China’s puppet. From this point of view, China’s help seems to be effective in a sense that Beijing meets the objectives and goals of deploying the assistance, which were set up in the first place. However, such efficiency might turn into the Beijing’s diplomatic nightmare. First of all, I already mentioned that Chinese sticks might have come too early, and that ASEAN countries seem to not buy the China’s pure intentions anymore. For instance, Mahbubhani (in Ciorciari 2013, 35) assumes that Chinese decision to prevail on Cambodia over ASEAN communiqué was a “Pyrrhic victory”, because it has underlined the Chinese intentions to present itself as a peaceful neighbor. Second of all, Beijing’s ignorance towards the injustice and mushrooming corruption and inclination towards Hun Sen’s clientelistic ways of governance might result in harming of China’s image among the grassroots. This might get even worse, as Ear (2013, 15-18) in his study tries to prove that the more aid country receives, the more likely it is that quality of governance will diminish. CCP is often portrayed as inclusively interconnected with ACC, which plays the role of mediators between Chinese representatives and Cambodian ruling party CPP. To my point of view, that makes China especially reliant on the current

⁵³ UNDP Human Development Indicators, Available online: <http://hdr.undp.org/en/countries/profiles/KHM>, [Accessed 11th-Aug-2016].

⁵⁴ ADBI working paper series: Estimated Demand for Infrastructure in Asia and Pacific, available online: <http://www.adb.org/sites/default/files/publication/156103/adbi-wp248.pdf>, [accessed 11th-Aug-2016].

Cambodia's regime and political stability, which could eventually turn against the donor himself. After all, it seems that the two parties rely on each other.

If Cambodia does not only be 'bandwagoning' with China and regain its reputation it must carefully soft-balance this situation by turning into other countries' initiatives such as Thailand, Vietnam and Japan, and must rely on the regional integration. Such counterbalancing has actually taken place. As I noted before, Japan tries to challenge China in SEA by deploying its foreign assistance in form of grants into various sectors. From the diplomatic point of view, Tokyo has been setting up several communication channels with countries of Mekong region. In 2007 Japan proposed the Japan-Mekong Region Partnership Program in order to promote the integration process with local economies, the expansion of trade and investment, and engagement with states over shared problems in the region such as China's political expansion (Yoshimatsu 2010, 97). This was followed by large package of Japanese investments in Laos and Cambodia (ibid). Another example is the already mentioned cooperation in East-West transit economic corridors. Thailand also tries to improve its position in the MRC by promoting its own idea of regional cooperation strategy with LMC. The joint declaration is called the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy after the name of the main rivers running through the region (2010, 81). This strategy intends to cooperate in areas of trade, investments, agriculture, industry, transport, tourism and human resources development (ibid). Thailand's rival is Vietnam, which has come up with very similar strategies, just under different names. Cambodia also takes advantage of cooperation with its other poor neighbors within ASEAN and put their strength together to balance all powerful players in the region, namely China, Vietnam and Thailand. ASEAN has to listen to these voices, since Mekong development belongs to its main agenda (2010, 103). However, the main problem with leaning to ASEAN might be in its weak institutional force, and almost no guarantee that it will stand up to protect its small members against bigger power. Cambodia already has the experience during the clash on borders with Thailand – ASEAN did nothing to prevent it.

To sum up this chapter, in study of China-Cambodia mutual interaction there have been adopted all the tools of influence from the Goh's framework. Preference multiplier is represented in economic engagement, where both China and Cambodia profit from creditor-debtor relationship, since it is in benefit of both countries to develop the hard infrastructure in Cambodia. China needs to stimulate its growth and upheave the situation in its western provinces, and Cambodia is hungry for any source of investments which would bring any improvement into its destroyed and underdeveloped infrastructure. Secondly, 'Institutional shaping' can be seen mainly in China's cooperative approach in ASEAN, but also in its engagement in GMS, or establishment of AIIB, where Cambodia is the member. Taking advantage of Chinese diaspora and influencing the Cambodia's youth has been fruitful in 'Discursive persuasion', where Beijing's connections to local business and political elites can shape the decisions of leadership in Phnom Penh; for instance, over land concessions, where Chinese firms along with Khmer-Chinese entrepreneurs record huge success at the expense of ordinary people. The 'ability to prevail' is the easiest-to-

prove form of influence due to obvious causality. In Cambodia such example could be found in situation with Uighurs deportation, Taiwanese nationals' deportation, or bending over to Beijing's interests during ASEAN meeting.



Chapter Four

Effectiveness of China's strategy: The Case Study of Chinese Hydro-energy Dams Construction in Cambodia

The main goal of this chapter is to find out how China translates its accumulated power leverage into the real influence on Cambodia's decision-making process. As I have elaborated in the previous chapter, China definitely possess the power resources; however, is China capable to make Cambodia to do, what otherwise Cambodia would not? As we are soon to realize, in case of this particular country, China perhaps does not need the highest level of influence, as it is described in Goh's theory. The case study of hydropower relationship between these two actors primarily seeks to elaborate on the political aspects. Attention to the discussion over the environmental factors of the hydropower energy will be marginalized as much as possible, since that topic has been described in large amount of working papers already, and besides the environmental implications, the dam building also reflects the regional politics, economics and social aspects. Firstly, we will look into the overall Chinese hydropower policies; secondly, I will introduce the current situation and implications of Chinese dam construction in Cambodia with regards to the policy of 'Peaceful Rise 2.0.'; and last but not least, I will tackle the theoretical approaches regarding the Chinese influence.

4.1. China's hydropower strategy: modernization trough hydro-politics

In order to sustain the economic growth, it is in China's interests to secure the sufficient and reliable source of energy. According to China Statistical Yearbook (2015), China consumed around 4 billion tons of SCE⁵⁵ in 2013, estimating increase by 184% since 2000. China is capable of meeting the consumption and has the capabilities to put up with the growing demand. However, the same data shows that it is neck on neck, since the primary energy output increased only by 159% throughout the same period. That means that China has to balance the energy demand with import, or invest more to renewable resources. Second problem is that to date, China still heavily depends on the coal-fired fueled source of electricity, which accounts for 80% of China's power generation (Zha 2015, 32). Coal fueling produces vast amount of greenhouse gas emissions and heavily damages the natural environment, and not only in China, since implications reach the whole world. Chinese government indeed attempts to deal with this tangible situation and investments in hydropower are one of the most available options, considering the geographical factors of China's location. China is the upstream superpower of

⁵⁵ Standard Coal Equivalent = 1kWh = 0.1229 kg SCE

Asia, as Ho points out, less than 1% of water in China originates from outside the country, and its water outflows are 40 times as great as its inflows (2014, 4). More importantly, some of the largest rivers in Asia originate in Qinghai-Tibet Plateau, where almost the largest freshwater resources flow down from the mountains, including the Mekong River. China's location covers 19 international river basins, which brings about huge power and economic possibilities (Biba 2014, 23).

China takes advantage of this position and heavily invests into hydropower dams, which produce clean and renewable source of energy with fewer emissions. For example, in 2012 hydropower energy accounted for 16% of China's electricity production, and 7% of total energy consumption (Zha 2015, 32). That would be absolutely all right, if the cost would not include such heavy negative impact on the surrounding environment. To name just some of them, given areas have to cope with environment issues such as "[...] degradation of water, soil and river erosion, and increasingly expensive and contentious population resettlements", first of all (2015, 33). And second of all, if the dam is built for private money, not to mention the private money from companies connected to foreign government; or if the dam is built on the transnational river, hydropower constructions also bring about serious economic and political consequences.⁵⁶ On the other hand, it is generally acknowledged that hydropower energy is a clean source of energy, and with current technological progress, it is up to each country to choose between, for instance, nuclear power or hydro power in order to fight with the worldwide increasing demand for energy. In case of china, hydro-dams construction has become the question of national pride, which represents a significant tool in quest for national modernization (Xing 2015, 64). Hydropower is not only the mean to deal with power supply, it is also the important message. Firstly, to the world that China is aware of its share on the climate change, and that it takes this issue seriously on the massive scale. Secondly, it is also the message for its own population, expressing the successful path of China's grand strategy of modernization, which resulted in technologic capabilities to build its own sources of clean renewable energy. As Zha (2015, 35) also emphasizes, "[...] the official Chinese discourse demonstrates a determination to pursue sustainable strategies of development that are consistent with the preservation of the environment." This dynamics has consequently made China to become the world largest hydro-energy producer, with estimated capacity of tits dams about 170 000 megawatts (Urban et al 2012, 303).

Mekong River is the life vein of the SEA region. Two thirds of the basin population makes their living from fishing activities, estimating 2.6 million tons of caught fish (Matthews and Geheb 2015, 1-5). That is naturally a vital source of proteins, concretely 47-80% of rural diet outside of China. Mekong River is shared by 6 countries, and China holds the most advantageous position among them, because of the up-stream location and by the historically proved role of regional leader with the biggest economy and political power. Yunnan, on the table number twelve, is with the 21% of the Mekong drainage (river plus tributaries) the key province for Chinese hydro-

⁵⁶ Much more detailed look into direct and indirect environmental and social consequences is discussed in Urban et al 2012.

development. To date Yunnan represents already 10% of China’s hydropower energy output – 8 dams are already put in operation, and it is estimated that the real potential might be 10 times more, which would overcome the current values up to 20% of country’s hydro-energy (Ho 2014, 8). Urban *et al* (2012, 303) concludes that these 8 dams generate more than 100kWh annually, which is be more than enough to “[...] power the regions of Guangzhou, Shenzhen, Dongguan and Kunming combined.” Although Yunnan is landlocked by Guangxi AR and SEA countries, this province plays the key role in the ‘go west’ expansion strategy. Hydro-dam construction thus is one of the ways to bring the economic development to the poorer western area of China.

Table 12: Mekong River drainage share by countries (sq. km, %)

Country	Drainage area (sq. km)	Share of whole river (%)
China (Yunnan)	165,200	21
Myanmar	24,000	3
Laos	202,300	25
Thailand	184,000	23
Cambodia	155,000	20
Vietnam	65,500	8

Source: adopted by Impact of China’s rise on Mekong Region (2015, 30)

However, it should not be at the expense of cooperation with other states, which is actually one of the risks of hydro-dam development. In fact, hydro-dams on Chinese part of Mekong River heavily impact down-stream riparian states. From the environmental perspective, Chinese constructions are built at massive-scale, creating cascades of dams with length often overcoming 100 meters. Although it is estimated that the whole river gains only 16% of the water-flow in Yunnan Province (Matthews and Geheb 2015, 9), riparian states’ voice concerns about the impacts on the river ecology. For example, Cambodia and Thailand express panic due to reportedly decreasing fishery amounts, suggesting that this might have been caused by inconsistent changes in temperature of water from up-stream reservoirs (Yeophantong 2014, 711). Actually, this does not have to necessarily mean that Chinese dams are to blame, since the complex research on this issue is not complete yet. Problem is somewhere else. Besides environmental damage, the main controversy is the lack of coordination and consultation from the China’s side. According to some observes, China’s behavior bears the signs of hydro-hegemony.⁵⁷ Although it is in the foundation of ‘Peaceful Rise 2.0.’ to raise the China’s commitment clout in multilateral institutions, the story of China’s hydro-development does not quite follow this trend. In fact, China does not coordinate its hydropower plans with any Mekong riparian state, and everything is decided behind the closed door. That does not mean that regionalism is totally forgotten; however, if it comes to national interests, China is pursuing the

⁵⁷ “Hydro-Power and Hydro-Hegemony: China’s Prolific Dam-Building”, Available online: www.chinafolio.com/hydro-power-and-hydro-hegemony/, [Accessed 10th-Aug-2016].

up-stream unilateral approach. Ho (2014, 3) clarifies that signing for the multilateral channels' rules would weaken the Beijing's sovereignty over the Mekong development decision rights, and limit the maneuvering room. For example, China is one of the three countries who rejected to UN Convention on the Law of the Non-Navigational Use of International Water sources. Likewise, as stated in the previous chapter, China rejected to join the MRC, which is the key institution dealing with the coordination of development of the Mekong River. Ho (2014, 7-10) further elaborates that China's policies on Mekong matters could be described as:

1. Limited multilateral cooperation – e.g. mainly GSM group and FDI, but also matters over area navigation in order to accelerate trade, joint patrols to crack down on criminals involved in piracy and trafficking, and tourism support;
2. Preference for bilateral engagement – foreign assistance, memorandums of understandings, strategic partnerships over the investments on hydro-dam constructions and its consequences in riparian states;
3. Unilateral approach in Yunnan (and other provinces) dam building

Such approach is the direct challenge for the China's peaceful strategy, and also it might underline Beijing's huge investments into the generation of goodwill. However, China has adopted the idea which killed several birds with one stone. Escalating promotion of a successful story of modernization and innovation in terms of hydro-energy reaped its fruit. As Goh (2016, 13) explains, Beijing does not have to change other's preferences if they manage to meet the common ground. The preference of economic and development growth is shared among all riparian states, mainly in countries like Laos, Myanmar and Cambodia. In the case of hydro-dam construction, China might have used so-called 'discursive persuasion', which is type of influence used in the cases, when targeted state is not determined about something, but wielder can use its power to promote its cause as a win-win situation, making the target to agree. In this scenario, the hydro-dams construction has become the national goal for modernization in most of the riparian countries. Of course, it is hard to prove whether there was firstly the egg or the chicken – wielder or target. However, what is for sure, with huge contribution of World Bank and ADB, the promoting and funding of hydro-energy facilities in abroad have brought about the situation that riparian states want to 'dam' their part of Mekong as well, and do not pay as much attention to the up-stream part. Thanks to the fact that hydro-dams have been largely pushed forward also "[...] as a tool for poverty reduction, locale economic development and the development of infrastructure" (Xing 2015, 64), China is able to carry on hand-in-hand with its transnational expansion to the states on its periphery. In order to make it to the top level of hydro-dam technology, Beijing have financed research, innovation, support for engineering companies, loans, subsidies, even the countries specifics research (Leet and Griffin, 2014). Simply said, China did everything in order to facilitate the best position for its companies' success. Urban *et al* (2012, 305-315) recognizes 4 actual motives of China's hydro-energy projects expansion:

1. To increase the energy security, fuel economic growth and development;
2. To spare China's own rivers and avoid re-settlement;

3. To foster regional cooperation among neighboring countries;
4. To use low-carbon energy for mitigating greenhouse gas emissions leading to climate change.

To this set of motivations I would also add one more – To silence the concerns of riparian states over China’s development on its share of Mekong River by creating the align preferences for all states, in terms of taking advantage of criticized hydro-dams, and to avoid the participation in multilateral institutions, which undermine China’s hegemony position in this area. Needless to say, it is a paradox that such commercial engagement is actually facilitated by the only relevant multilateral initiative – GMS. Zha (2015, 44) points out that “[Without] GMS as a diplomatic cover, it would be unimaginable for a hydropower company from China to engage in either cross-border electricity connectivity projects or obtain central government approval for loans to a project in LMR.” Therefore, despite the success of China’s hydro-dam strategy, the lack of institutional channeling should be considered as the weakness point of China’s foreign policy on Mekong development. In the discourse of influence, I suggest that the accumulated power might not be enough to adopt the ‘institutionalize shaping’ according to China’s rules.

4.2. Situation in Cambodia

Cambodia belongs to countries which are not capable of financing its own public infrastructure, and of providing the comparable living standards for its population without outside help. In such scenario, World Bank and other western institutions have promoted the growing economic liberalism, which resulted in one of the most important shifts of local development, also significantly influencing the energy sector. The Build-Operate-Transfer (BOT) model is supposed to make the private investor handle the financing, design, construction, and operation of, under normal circumstances, public infrastructure project. In exchange, investors profit from running this project during a concessionary period about 20-50 years, after which the site is handed to the government (Middleton et al 2015, 129). However, promotion and implementation is not the same, and in case of energy infrastructure construction, western plan has encountered with serious problem – there were no investors who would commit themselves to take such risk of losing their money in a country, where business environment requires such a wide set of connections and political patronage. To put it more accurately, no investors would take the risk except Chinese ones. When WB and ADB pushed for the private investments into public infrastructure they probably did not foresee that such investments would come mainly from China, where the state capitalism and trade expansion spins the economic wheel, and national strategy mobilizes the masses to engage in transnational commercial activities, resulting in sufficient political connections abroad. Given the fruits of ‘Peaceful Rise’ strategy, Chinese SOE have found more than favorable investment conditions in Cambodia, and the area of hydro-infrastructure is not the exception.

Following the drivers from previous part, China has become the biggest hydro-energy dam developer in Cambodia. Chinese investments in this sector bring about the very same pros and cons, resulting from the dominant monopoly position in the country, which simply does not have other option but to welcome the help. In fact, Cambodia desperately needs energy development as the consequence of decades of instability, civil wars and occupation. In 2012 the total electricity supply estimated 2.2 million kWh, from which 58% was provided by country's own capacity, and 42% of capacity was imported from Vietnam (67%), Thailand (32%) and Laos (1%) (Kimkong et al 2015, 153). In 2015 this number lowered to 31.59% of imported net energy (WB).⁵⁸ Besides insufficient local sources of energy, Cambodia has to deal with rapidly increasing demand and high prices. Power consumption is estimated to increase annually by 9.4%, forecasted to reach 3.4 tWh by the end of 2020, respectively the demand for electric energy will overcome 3045 MW in 2024. According to WB, as of 2015 only 31.1 % of population has access to electricity, mainly because of lacking infrastructure and unaffordable prices. These are caused by high dependence on imported fossil fuels to feed the generators (Middleton et al 2015, 141-144). Electricite du Cambodge (in Middleton et al 2015) data reveals that only 5% of electricity is generated by state company, the rest comes from independent power producers (92%) and consolidated license holders (3%). No wonder that hydro-energy plants are considered to be the way out of the misery. Cambodia's hydro-power potential estimates 10000 MW, out of 50 % would be generated from main Mekong River stream, 40% from tributaries, and rest from the coastal area (2015, 143). With such natural resources it was a matter of time when hydro-power became the 'cornerstone' of Cambodia's energy policy. All in all, Cambodia needs investors to deal with this unpleasant and critical situation, and as we can see on the table number thirteen, China has managed to successfully respond to these needs.

Table 13: BOT hydropower projects in Cambodia in operation and under construction

Dam	Province	M W	Lead Developer	Status	Contract	Financing (US\$ millions)
Kamchay Dam	Kampot Province	193	Synohydro Corporation (China)	Inaugurated in 2011	BOT, 44 years	280 by China EXIM Bank
Kirirom III	Koh Kong Province	18	China Electric Power Technology Import-Export Corporation	Inaugurated in 2012	BOT, 30 years	unknown cost, EXIM Bank
Stung Atai	Pursat Province	100	Joint Venture including Datang Corporation (China)	inaugurated in 2013	BOT, 34 years	255, unknown
Lower Stung Russei Chrum	Koh Kong Province	338	Subsidiary of China Huadian Corporation	to be commissioned 2015	-	500, partly financed by EXIM Bank
Stung Tatai	Koh Kong Province	246	China National Heavy machinery Corporation	to be commissioned 2015	BOT, 42 years	540, partly financed by EXIM Bank

⁵⁸ In Energypedia, Available online: https://energypedia.info/wiki/Cambodia_Energy_Situation, [Accessed 15th-Aug-2016].

Lower Sesan 2 ⁵⁹	Stung Treng Province	400	Royal Group (Cambodia - 39%)	to be commissioned 2017	BOT, 30/45 years	781/816, unknown
			Hydrolancang International energy Co (China - 51%)			
			EVN International Stock Company (Vietnam - 10%)			

Source: adopted from Middleton Matthews, Mirumachi 2015, 144.

The largest BOT hydro-energy facilities are financed by Chinese companies. The business plan is coherent with the ‘Peaceful Rise 2.0.’ strategy. Chinese SOE with connections to the government signs the deal with Cambodia to build the project for money from EXIM bank. They design the project, bring their own labor and engineers, machines, material, and other supplies, which stimulates the Chinese export – economic statecraft. Land concessions are granted, and after the dam is built, Chinese firms make profits from supplying the energy either to Cambodian households or they import it abroad. Sullivan (2015, 135) explains that hydro-dam investments followed by other development projects, including mining, agri-business, further logging are to certain scale causally interconnected – territorialization. This is the standard procedure in all KLM countries, however in case of Cambodia there is a little catch. Under the normal circumstances, the advantage of BOT model for host country is that the investor carries the risk on his shoulders. If the market demand bubble burst, the investment might simply go wrong; but not in Cambodia, where government bound itself to guarantee the risk. Middleton *et al* (2015, 144) describes how Chinese SOEs manage to negotiate such favorable conditions that government of Cambodia agree to pay for the electricity for the whole period of the concession, no matter what happens in the market, which makes of such deal a very good leverage in the hands of China – another tool of power. The reasons behind these suspicious contracts are of course to be found in the weak level of Cambodia’s governance and institutionalism. For instance, only Electicite du Cambodge as such is described as highly corrupted, ineffective, easy-to-be-manipulated institution, which lacks the responsibility for mistakes in the payments records (2015, 145). It is not surprising that no other companies go into such highly risky business. Chinese entrepreneurs are able to mitigate this risk thanks to Beijing’s support, subsidies, self-financing capability and fast dealing.

Commonly asked question thus stands, who really benefits from Chinese hydro-dams investments in Cambodia? There is no doubt that they are closely linked to Beijing interests, despite the commercial intentions. For example, the largest hydro-dam built so far in Cambodia – Kamchay Dam – is run by Sinohydro, the largest China’s state-owned dam constructor, followed by China Power Grid Company, China Power Investment Corporation and Hydrolancang (Yeophantung, 2013). In another study Yeophantung (2013, 6) concludes that “[...]growing involvement on the part of Chinese SOEs and policy banks in the region’s hydropower initiatives has also been informed by geostrategic considerations, corresponding to China’s broader strategy

⁵⁹ BOT contract length and financing values differ across sources.

of enhancing its soft-power appeal and promoting ‘South-South cooperation’, resulting in the situation, when “[...] the Chinese government has become (indirectly) associated with the financing and construction of hydropower projects not just in the Mekong River Basin, but also in other parts of the developing world.” This kind of set up often prioritizes personal interest outcomes over the economic, environmental, social and political impacts on the country. For example, Kamchay Dam is also notorious for controversies connected to incompetency, corruption and elitism; which resulted in heavy environmental damage in Cambodia’s Bokor National Park (Middleton 2015, 145-147). Environmental impact assessments are often vague and lead to misconception across artificially structured scales that often present just the surface of the problem, often caused by conflict of interests, because these assessments are contracted by developers (Xing 2015, 67). In the Mekong River development benefits and costs of hydro-power construction often define the energy security interests – national scales, at the expense of undermined regional costs on society and environment (Metthews and Geheb 2015, 26). The important decisions are thus made with little compromise with local grassroots, since if I exaggerate a bit, almost everything could be presented as a national interest. As Zha (2015, 36) suggests, in Cambodia all the actors from institutional levels of governance support the hydro-dam development, including CPP bureaucrats, state-owned banks and private companies. Likewise, the economical perspective also brings about negative implications. Due to unequal treaties with Chinese SOE, the feasibility of hydro-power contracts is guaranteed by government, which means that it will also come from the tax-payers’ pockets, transferring the risk from investors to its citizens. Problem is also the sustainability of these construction regarding the heavy extraction of natural resources and length of BOT model concessions. While in the USA they reconsider the positive impacts of its hydro-dams and put some of them out of operation, GOC plans to build more dams than the local situation demand in order to sell the energy abroad (Kimkong et al 2015, 158). All these aspects might draw a picture of a fallen state, where the authorities sacrifice the part of sovereignty for the promise of common good for its people, however it seems that so far only small percentage of the society really upheave their living standards.

Moreover, Goh (2016, 15) points out that in case of hydro-energy development, the main variable is the contrast in resistance between local communities and business or political elites. In Cambodia the elites share the same preferences with China’s agenda, leaving the helpless communities muted without any chance to take part in the decisions taken over their lands. That does not necessarily have to be truth. One example, when local communities won against interests of China’s and Cambodia’s elites was already mentioned above. Indeed, although Cambodia might seem to fall deeply into China’s lodge, in comparison with the past the local resistance is now strong enough to drive a relevant Chinese SOE away. Ten years ago the situation over first large hydro-dam made by Chinese SOE – Kamchay dam – has not only negatively impacted the local communities, but also resulted in serious damage of national park Touk Chhu, and concerns about the contract between the Government of Cambodia and Sinohydro occurred (Middleton *et al* 2015, 145-147). Altogether 190 families had to relocate,

being left without any compensation. The construction has badly influenced the profits from tourism and polluted the water resources. In addition, in 2006 Cambodia passed the vote about taking the risk guarantees on its shoulders. That means that in next 40 years Synohydro will fully operate the facility, but does not have to be worried about long-term return of its investment at the expense of Cambodian tax payers. Another problem was that during the whole process from approval of the project, through construction, to the finalization in 2011 local communities had almost no insight into plans, projects and situation at the construction site. According to Middleton (*ibid*), up to date no alternatives to improve the local people's livelihood have been suggested or implemented. So far the biggest hydro-energy dam project in Cambodia Lower Sesan II is encountering almost identical issues. Again, Phnom Penh does not find it necessary to provide adequate compensation for all local communities, which will face the impact of the dam. Compensated are only families who lived on the construction site, other communities, particularly 159 villages located on downstream are again put aside, despite the hydro-dam impact will reach them as well (Kimkong *et al* 2015, 159). In addition, the transparency of the whole project is put at risk thanks to the suspicious transfers of local lands and resources among few powerful stakeholders with connections to ruling party primarily for their benefit and not for the sake of national development as it has been often presented (*ibid*). Such dealings are certainly dangerous for China's reputation and threat for its peaceful image.

As the result of lack of attention to ordinary people's needs, it is along with Cambodian elites also Beijing, which fuels the foundation of regional activism. Yeophantung (2013, 9) states that "[Not] only does public perception impinge directly on the reputation of Chinese government and, by extension, the country itself, but it can also contribute to stoking discontent among the local population, as is reflected in intensified anti-dam activism within the region." There have already been several cases, where local resistance caused wrinkles on the planners' faces, such as the protests against the Sambor and Stung Cheay Areng dams, which were mainly targeted against the Chinese investors (*ibid*). The worst nightmare is, when the local communities decide to unify together across the borders and establish regional NGOs, which stand up against the local or central governments. In Cambodia there are commonly known River Coalition, and also the NGO Forum on Cambodia, which try to escalate the pressure on the leadership to protect the local livelihoods, and also try to outreach the hidden information about the dam-projects (2013, 13). These organizations not only appeal on the central governments but also cooperate with international organizations such as the International Rivers, World Commission on Dams, World Wide Fund for Nature and other institutions to face the Chinese governments and its companies in order to transform "[...] these localized problems into matters of regional and global concern by linking them to broader questions regarding the potentially destabilizing implications of China's rise" (*ibid*). The main objectives of such escalating resistance could be summarized into three categories (Yeophantung 2014, 717):

1. Condemning the lack of transparency on Chinese dam building;
2. Questioning the China's dialogue partner status in the MRC;

3. Halting upstream Mekong dam construction in favor of more sustainable dam building.

Question is how the leadership reacts on such disobedience. In case of Cambodia, Yang and Hsiao (2014) conclude that in comparison with Myanmar, the reaction towards the local resistance is the key to understanding the Cambodia submissive position towards China. Myanmar, despite its poor development level, is still capable of halting the Chinese backed project under the pressure of its people; whereas the Cambodia has decided to silence these voices to comply the contracts under risk of violence and further escalation. As for Chinese reaction, there was a case, when the investors were forced to back up against the public anger, which means that the ultimate goal of the peaceful image is still present, and certain sacrifices could be made in order to calm down the situation with locals. However, as for dealings with the Cambodian political elites, some researchers reckon that China has accomplished indeed very favorable conditions of mutual engagement. For example, Saullivan (2015, 122) points out that political and business leadership in Cambodia has reciprocally exchanged its loyalty for personal interests at the expense of national ones.

On the other hand, it cannot be said that Cambodia is not trying to somehow counterbalance China's presence in hydro-power industry. The initial problem was the lack of other investors who would be eager to take the risk and engage in such a problematic business in Cambodia's conditions. In case of Lower Sesan II (LS2) Cambodia formerly counted on consortium of investors from Vietnam, however due to the financial problems Vietnamese investors were forced to step out from the project. Initially, 51% of LS2 were supposed to be held by Vietnamese side (Vietnam Electricity International Joint Stock Company), but in the result this share was reduced to only 10% probably in favor of Chinese *Hydrolancang* SOE (Kimkong *et al* 2015, 160). That was in 2012. Today's the situation has slightly changed, because it seems that incentives to attract other investors have reaped the fruit. From the bilateral perspective, new countries and institutions have started to conduct feasibility researches in Cambodia and signed the Memorandums of Understanding. For instance, out of 11 new hydro-energy projects there are 6 projects allocated to companies from South Korea, and one for subjects from Russia (Middleton *et al* 2015, 143). Cambodia also participates on the GSM power grid, which seeks to sustainably interconnect the region from the energetic perspective, and to provide the supplies of electricity to all areas at low economic and environmental cost (Matthews and Geheb 2015, 7). Cambodia also has power cooperation agreements with Laos, Vietnam and Thailand (Middleton *et al* 2015, 141). Though, expects that yet again such cooperation grid would again go against the Cambodia's national interests, especially against the interests of its population, since it will not help to improve the uneven distribution of energy. Instead, the hydro-power will be commercialized primarily for Thai, Chinese and Vietnamese market as the vision of business opportunity, not as a way to solve the tremendous energy situation in the country. For example, Yeophantong (2013) brings up Tasang and Hatgyi dams on the Salween river as the cases, where the electricity is supposed to be generated mainly for China and Thailand power grids.

In conclusion, Cambodia tries to apply the bilateral and multilateral institutional balancing; however by doing so, it is facing several obstacles. One problem is divergence in goals, and competition among riparian states. Ho (2014, 20) stresses out that “[The] lower Mekong riparian states have not presented a united front towards China, due to the disagreements between upstream and downstream users throughout the Mekong and conflicts among them over one another’s dam building activities.” GMS countries should let the mutual conflicts aside and unify in the question of Mekong development to compel China to change its attitude and compromise. However, it might be easier said than done, given the Cambodia’s experience of being under control either of Thailand, or Vietnam. However, times might change and if the actors were under the one roof with other ASEAN countries participating in the platform of ASEAN’s Mekong Basin Development, the situation might turn to be more balanced. Besides that, Cambodia can also rely on ADB GMS cooperation, and rising interest of the USA and Japan. Second problem in terms of counterbalancing the Chinese presence in hydro-dam construction sector is the corruptive environment, which scares out relevant percentage of the potential investors from bringing their money to Cambodia. I think that Cambodia has plenty of options to balance the Chinese presence, however, the elites are definitely dealing with the dilemma, whether they should cut the ground from under their feet and adopt reforms to improve the rule of law in their own country in order to diversify the investments, or they should just keep going on with the status quo. The trend shows that certain improvement in diversification has taken place. Last but not least, even if the cooperation between countries of GMS worked out well, the main argument against the unilateral and unconditional hydro-dam construction on the Chinese part of the Mekong river would be terribly weakened, since these countries cannot criticize a country for something what they intend to do as well. The only way how to deal with this issue is further soft balancing through luring China more into intricate relations of ASEAN in order to make Beijing to compromise at least on some of the issues regarding the Mekong development.

4.3. Discussion on power, influence, and realism

To begin with the last one, the hunger for security and influence is considered as the main motivation of states in the discourse of realism. In terms of China’s unilateral and hegemonic river strategy in Yunnan, this would perfectly fit. However, how should we formulate the certain trends in cooperation in China’s policy as the main subjective of the ‘friendly neighbor image’? The theory of institutional realism introduced in previous chapters might also not be sufficient, because the truth is that China inclines to cooperate on several matters with ASEAN, for instance; however, on the particular matter of hydro-dam investments, China’s engagement carries more sophisticated signs of balancing between cooperation and conflict. Biba (2014, 22-29) in his study states, that considering the China’s river-politics, there are certain disjunctions with realistic approach detected. First of all, it is the already mentioned partnership attitude,

either bilateral or multilateral with its neighbors. Realist accounts, in general, show skepticism towards any prospects of cooperation, because there always should be an actor, who is primarily binding for regional hegemony, given the possessed material resources. China with its geographical location obviously holds this position; however, as I noted before, binding for hegemony or having this position creates unfavorable conditions for further expansions or even a threat that the periphery will unify to balance. Therefore, China has to adapt and send the signal that concerns of up-stream hegemony is not necessary. Such adaptation implies the second defect of realism, which is the dynamic nature of China's policy. Beijing seems not to be reflecting the consistent and static picture of international relations based on realist paradigm. The strategy of 'Peaceful Rise' was created to show the China's cooperative mask, which is consistently taken on and off, depending on who is China dealing with, and on what particular matter are the sides to be negotiating. For instance, the core interests will definitely not do, but cooperation on tourism, financial aid and economic development – that rings the bell. To label such process, Biba (ibid) suggests using the theory of desecuritization, which brings together the aspects of realism and structuralism. Realism-factor is represented by the existential security-driven objective, while the structuralism-factor is reflected in the dynamism of adjusting the existential agenda based on the other actors' responses. To put it in other words, "[Desecuritization] is therefore about turning threats into challenges and security into politics" (Biba 2014, 28).

From neorealist point of view, Chinese actions and rhetoric has made the issue over Mekong River a security issue. China built the dam cascades without any prior discussion or coordination, which was negatively influencing the riparian states. That means unilateral actions protecting the national interests have affected multilateral community. Securitization is a common tool in international relations in order to move the national interest matters to the arena, where in the name of protection the tools of force are legitimately applicable (ibid). However, such action creates the sense of insecurity among other states, and that is in case of China essential, because wearing the mask of a hegemon has negative impact on its quest for economic expansion and modernization. Therefore, China had two options how to balance this threat and create the environment, where riparian states would not consider the Yunnan hydro-dams development as a sign of raising hegemony. According to Goh's (2016, 13-14) theory of influence, in that particular situation, first option is the 'discursive persuasion', where wielder provides "[...] evidences that its own beliefs are more accurate and desirable – propagation of dominant beliefs, which once accepted, constrain and align the preferences of the subjects." Second option was to influence the indeterminate target through institutions by 'institutional shaping'. Since China is reluctant to discuss its dams-policies on any multilateral channel, it seems that the accumulated power has not yielded the necessary state to shape other actors' preferences, or China simply does not need to use the institutional approach. Goh (2016, 11) claims that actors can mobilize similar preferences into collective action by enabling "[...] similar-minded regimes to carry out preferred strategic projects, which these other actors otherwise could not achieve." Cambodia's originally could not find any other investors to its hydro-dams projects, who would be eager to take the risk of doing business under such corruptive and patron-driven environment. China took

advantage of that and killed two birds with one stone, by desecuritizing its own Mekong development and profiting from new projects in Cambodia at the expense of local population. In result, the promotion of hydro-dam development as the source of clean energy and symbol of progress has successfully created the 'Preference Multiplier' situation, which comes along with temporal desecuritization of Mekong River dynamics. In order to achieve that, China took advantage of tools of territorialization, where it promoted the successful story of China's hydro-development as the solution to Cambodia's energy shortage. Problem is that such propaganda has appealed only among Cambodia's political and business elites, whereas local river population was excluded from economic benefits; moreover their livelihood was destroyed and degenerated.

According to Goh (2016, 15), in order to understand the efficiency of the influence wielder it is firstly necessary to study the strategic areas of bilateral relations. Diplomatic situation was described in the previous chapter. To review, Cambodian political elite's main goal is to develop the infrastructure, but not at the expense of regime turbulences. Beijing offers this kind of package with declaration of non-intervention into target's state affairs. In addition, Cambodia's business and political class is tightly bounded with CCP as the result of territorialization. The only problem arises among local communities and ordinary population, who are often excluded from the projects' outcome. Secondly, it is necessary to determine the preferences of both actors. Preferences are divergent, mixed or convergent. In case of Cambodia, I reckon that preferences were mixed, or not particularly determined, mainly from the Cambodia's side. The first issue is the China's unilateral development on its part of the Mekong River, which was not acknowledged positively by riparian states, including Cambodia. However, the hydro-energy potential is widely considered to be a good idea to deal with energy insufficiency, mainly in Cambodia's situation, since it has to import expensive energy from abroad. Such solution has been promoted both by western institutions and by Beijing, which realized that the best way to relieve the tensions is to 'identifying common imperatives'. Last but not least, states' main objectives also should be explored. Both China and Cambodia need the cheap and clean energy to satisfy its hunger for economic development. Consequently, Hydro-dam development has also become the Cambodia's core interest, despite the heavy impact on its population's livelihood, and economic burden given by unequal treaties with China's SOE. The process of wielding the influence on certain target consists of causality, intentionality, and goal attainment (Goh 2016, 6). The casual relationship over the hydro-dam construction in Cambodia might be understood from different perspectives. I interpret the events as following: 1) Unilateral hydro-dam development in Yunnan; 2) Bad environmental impact on downstream countries; 3) Condemning the Beijing's action by riparian states; 4) Promotion of hydro-development by China along with western institutions; 5) Cambodia accept the common imperative with promise of China's foreign assistance in form of concessional loan and tied-aid; 6) Hydro-dam becomes the core national strategy – achievement of aligned preferences; 7) issue no longer poses as security threat. The intentionality by wielder – China – is shown in purposive promotion of successful clean energy by using the tool of territorialization, mainly given by the business connections

between CCP and CPP. And finally, the matter of goal attainment, which means that effect must be in favor of the influence wielder. In this case China not only silenced the official concerns of Cambodia's elite, it also controls almost the whole hydrology energy sector in Cambodia for next couple of decades, while Cambodia bounded itself to carry the risk of the investments on its shoulders.

To sum up, it seems that China's influence has shown its efficiency. The current situation only proves it, since in 2010 PM Hun Sen (in Ciorciari 2013, 28) himself "[...] denied charges that the hydroelectric dams China had built on the Mekong River in PRC territory had disrupted the river's flow and caused harm to the riparian communities in the lower Mekong" In addition, he assured that "[...] dams posed "no problems," he said, instructing his diplomats not to complain about the issue in regional forums despite assertions from NGOs that Chinese dams were partly responsible for depressed water levels that endangered downstream species and the livelihoods of local fishermen" (ibid). Moreover, other Chinese neighbors' governments also have throughout the last decade remained most likely subtle towards the hydro-power dam construction in Yunnan province (Ho 2014, 20), or they were simply 'stripped' from any moral right to condemn the China's activities (Biba 2012, 617). Based on the new course of events, condemning the China development in Yunnan would be hypocritical, since riparian states not only have engaged in the same plan; they also sign the check with Chinese money. On the other hand, winning the heart of target's leadership does not mean also winning the heart of local public voice. To complete the picture of China's leverage, it is again very useful to bear in mind who benefits and who pays. Cambodian authorities obviously bend over for the sake of personal gain, among other reasons; however, civic society who has the face the environmental and other impacts keeps voicing its disobedience. Especially, Yepohantong (2013) portrays an increasing influence of civil actors, who challenge the authorities by establishing various NGOs to express protest against the course of events around the dam-construction in Cambodia. Such NGO mobilization gives place to a significant source of anti-china sentiment. The problem for China is that even if it improved its attitude towards better compensation of the local communities, it is often jeopardized by corruption and incompetence of Cambodian authorities, and lack of communication between Chinese actors and relevant representatives from local population. It is therefore challenge for China, to promote the sustainable growth and modernization through hydropower without degradation of livelihoods and ecosystems (Yepohantong 2014, 723). For instance, in 2011 the things got so far that Chinese investor – China Southern Power Grid – did not manage to face the localized escalating resistance anymore and backed off from all proposed hydropower dams (Yeophantong 2013). Such result is a sign that civil organizations are not absolutely silenced and have the weight to challenge the state or a foreign investor. Wen and Tan suggest (2013, 147) that if Beijing wants to continue in creating the positive goodwill, the engagement with locals and civic society groups, along with better communication is inevitable; because working just on the premise of government-to-government linkage might result in contrary effect. However, from the perspective of efficiency, it is evident that China is able to achieve maximum benefits by carrying out the coherent strategy, which connects the positive

outcomes in terms of economic development, trade expansion, resource security and increasing position in SEA.



Conclusion

To sum up the thesis, I will approach the research questions one by one accordingly to the order. First of all, I was studying the China's power projecting strategy towards Cambodia. In its path to fulfill the new objective of China's 'Peaceful Rise 2.0.' strategy, Beijing is promoting the ideas of regionalism and cooperation to fuel to the economic growth; because if the neighbors do well, China accelerates its economic performance too. By selling the story of successful modernization, Beijing attempts to create a political environment, where countries would be interdependent on each other; however, preferably in the way as China wants – the concept is called 'Community of a shared destiny'. The first tool of Chinese strategy is the expansion of economic statecraft, which uses the premise of China's state capitalism to achieve the economic expansion and create the conditions for China to shape the international order in a peaceful way. Second tool, addressed as territorialization, consists of social, cultural and national penetration into the targeted country in order to further generate the positive goodwill and power yield. This kind of expansion is the most effective in the weaker underdeveloped states, which desperately need investments and foreign aid. Cambodia is a perfect example of such country. China's operates on the base of mutual benefit with no strings attached. Such engagement certainly appeals to Cambodia's authoritarian regime, which finds itself constrained by conditionality approach of western countries.

In the mutual engagement China employs the so-called 'Quaternity Model' that brings together trade, investments, and foreign assistance wrapped in the plastic bag of foreign economic cooperation. That part actually underlines the hidden conditional nature of partnership with China, for example in the matter of One China policy. Such partnership is like a cycle, where one aspect is subsequent to another, and everything is equally interconnected. Once has Cambodia became the partner, the aid has started flowing in form of the large-scale infrastructure projects carried out by Chinese SOE and financed by concessional loans provided by EXIM bank. These projects fuel the mutual trade and demand for Chinese products. Better infrastructure attracts more investments and more tourists visiting the Cambodian top sights, where they keep spending their money. Since Chinese foreign aid is deployed mostly in a form of concessional loans, the debt raises as well; however, the negative current account could be balanced by commodification of the country's assets, including the Cambodian land. More Chinese investors buying out the land to build the garment factories result in raising importance of Chinese language, as the job opportunities at Chinese businesses grow. Mobilizing of the old Chinese diaspora plays a significant role in terms of mediating the contact with new Chinese migrants, who are encouraged to go to Cambodia to teach Chinese, establish CI, or take the more sophisticated jobs, since Cambodian labor does not qualify. That is the story of mutually escalating modernization, where both countries need each other. China needs to sustain its growth, and Cambodia needs to get a chance to create one – the win-win situation.

On the other hand, such approach may be a threat for Cambodia from the perspective of its sovereignty. Based on the collected data, China is the Cambodia's biggest investor, goods and services importer, source of tourists, creditor, land purchaser, and diplomatic partner. On the other hand, in terms of the economic statecraft, it is not true that there are no other actors having

good relations with Phnom Penh. For example, Japan is the biggest and most generous donor, given the fact that most of the help comes un-tied in form of grants. Likewise, the neighbors like Vietnam and Thailand also play a significant role in Cambodia's trade. USA is the largest importer of Cambodia's goods. All of these countries are also source of FDI, and tourism. In addition, Cambodia is the member of ASEAN, which is supposed to guarantee the peaceful development of SEA. Actually, even though Chinese aid definitely comes with attached strings and side-agenda, whose financial aid does not? From the perspective of ruling Cambodia's elite, who primarily deal with China, they can choose between restraining the power by improving the rule of law, and other good-governance indicators; or they can sacrifice this free will (meaning sovereignty) in political matters like Taiwan, South China Sea, Tibet or other prevalent topics from the current discourse. In my opinion, in a position of one of the poorest countries in the world, Cambodia will always have to give up a certain part of its freedom to make things better, at least on the surface.

However, when it comes to relations with China, there are certain aspects of China's policy, which other countries might find at least controversial, especially in the part of territorialization, where accelerating involvement has real impacts on the China's position in Cambodia. Process of decentralized nationalism intends to cultivate the deeply embedded feeling of leaning the Greater China, where Beijing would grant it-self an implicit notion of control over such dynamics. This kind of legitimization of Chinese identity, in my opinion, definitely poses a serious risk for any country's security. All the tools of territorialization of China's foreign policy contain this threat, through boosting the China's presence in culture, society, language, and ideas of modernity. For example, deliberate stimulation of new waves of migration refresh the old feeling of belonging to Chinese culture, by institutionalizing the official channels of interaction between these communities. Education indoctrinates children with the premises of China-Cambodia mutual friendship already from the young age. Chinese language becomes the most preferable driver if one seeks for a good career at companies built on leased lands owned by Chinese and Khmer-Chinese tycoons with connections to ruling elites of Cambodian society. Newspapers report stories which go in-line just with the Chinese way of modernization. Under such circumstances, sooner or later the economic statecraft will not be necessary, because banding to the big neighbor, whose identity is so appealing the Cambodians, will be an automatic choice.

When it comes to capability of China to influence Cambodia's preferences and behavior, the best way to recognize it is to get familiar with Chinese motives. Those are mainly political and strategic. Of course, it is also good news that Cambodia has some amount of natural resources, or that Chinese distributors can provide helmets for Chinese engineers designing the new highway. Notwithstanding, the main reason why China cares about Cambodia is to enhance the region security; to create obstacles for interaction with Taiwan, to penetrate to the ASEAN internal affairs, or also to challenge the Washington's 'Asian Pivot'. From this perspective, I think that argument that China's influence is present in Cambodia is surely not far from the truth, because all these goals met with success as the direct outcomes of current mutual interaction. Deportation of Taiwanese nationals to PRC in the same way as deportation of Uighurs couple of years ago might be even a better example, than the notorious sabotage of ASEAN joint communiqué.

Regarding the results of this thesis, perhaps the more interesting question would be how is the China's involvement in hydro-power construction connected to the ability of wielding the influence on Cambodia. From my point of view, the first significant sign of China's influence was the capability of creating the conditions, where originally criticized topic has become the Cambodia's cornerstone of national strategy. In other words, China has succeeded to take the edge of the concerns of riparian countries about the Chinese way of modernization, by selling them the same idea of this modernization hidden behind the mask of volunteer assistance, which actually generates profit for Chinese citizens. Therefore, China has created the conditions of aligned preferences by adopting the tool of 'discursive persuasion', which is on the Goh's scale more sophisticated level of influence. Second significant sign of large ability of influence is specific in the case of Cambodia hydro-dam construction. Unlike in other undeveloped countries, Cambodia not only supports the development of hydro-energy on Mekong, it also do not hesitate to bound itself in unequal treaties with Chinese investors, where it guarantees the investment risk at the expense of its own citizens. Such influence has probably also something to do with incompetence and poor governance of Cambodia's authorities.

Although it seems that China has successfully wielded its influence on Cambodia, the thesis identified several challenges of China's new foreign policy. On the international scale, the most challenging aspect is the shift from the low-profiled China to China, which does not hesitate to stand for its core interests. In my opinion, the current situation implies that China decided to use the sticks too soon. Not only China cannot make other countries to obey its calls on national interests; on contrary, it makes them balance together against this existential threat posed by China. Theoretically speaking, China securitized certain matters, however at the expense of losing its decades-long investments into its peaceful mask of a good neighbor, who supports the regional development. Thus, securitizing of certain issues might pose a challenge, since interconnected regional development is essential for China's grand strategy of modernization. Even though this threat is more likely gone, in case of Cambodia, the main issue was the case of China's unilateral hydro-development on the Mekong River. Cambodia has had several options to counterbalance the Chinese presence. Bilaterally speaking, it can count on Japan, which has certain geopolitical goals in this part of the world, mainly to slow down the Chinese expansion. Japan is the biggest donor, and unlike China, its investments are diversified among all sectors. Secondly, Cambodia could also take advantage of Washington's Asian Pivot; however, that is

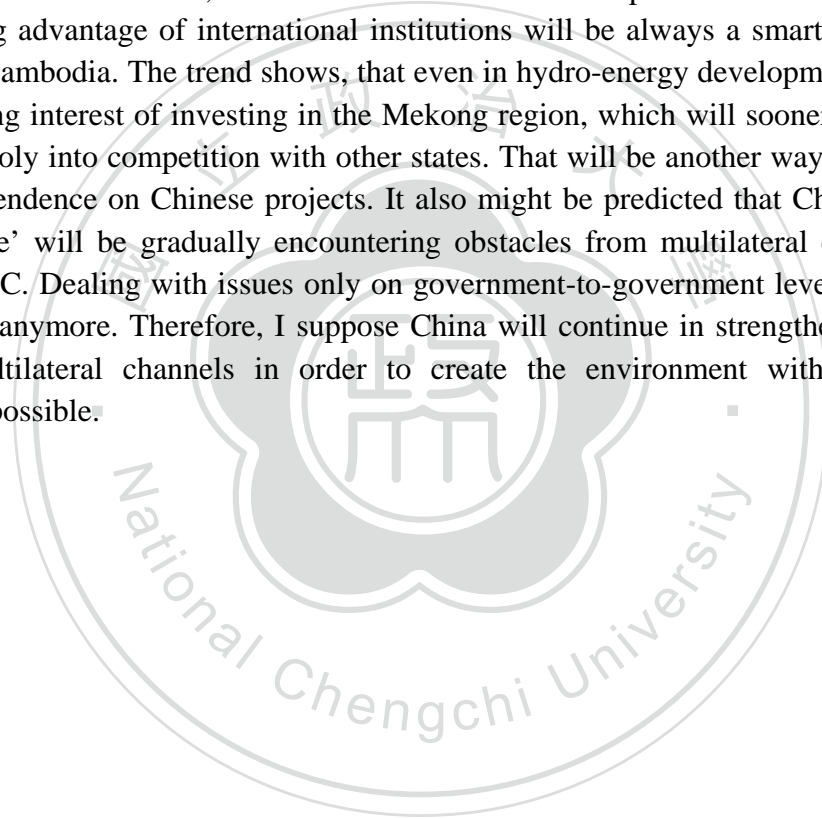
more problematic thanks to the bad reputation of the current ruling regime in Cambodia. Institutional balancing is another option for Cambodia, since for China it is very difficult to stand solely against the international pressure. In the case of hydro-development, the most significant channels are MRC and ADB GMS. ASEAN might also pose as a very strong voice in balancing against China; however, Cambodia does not really have a good record there after the scandal in 2012. On the other hand, Cambodia has experienced negative situation, when ASEAN turned a blind eye on the border conflict with Thailand. So, this institution has certainly a lot to improve.

Another significant challenge works on the premise of the contrast between Cambodia's elite and ordinary population. China exclusively communicates its engagements with the Cambodia's leadership – government-to-government. However, because of catastrophic outcomes of some projects, which originally also intended to benefit to better standards of life of ordinary people, China's reputation is again shaken. These doubts are dangerous for the positive sentiment toward China's 'Peaceful Raise', mainly because they are publically voiced by new wave of NGOs and other community groups, who decided to protest against bad impact of hydro-dams on their livelihood. These groups cooperate transnationally across the whole peninsula, and that is the worst possible scenario for Beijing, because negative publicity is not very helpful for Beijing's peaceful image. To avoid the transferring this issue into the bigger scale, China prevents the multilateral engagement on Mekong River as much as possible; however, it cannot go against the regional trends forever, even if it is the case of the core national interests. All in all, the lack of communication and institutional channels is what costs China the good points.

In my opinion Chinese activity on Mekong River is part of the Chinese political strategy. First of all, in a sense that Beijing adopts all the well-known previously discussed tools of accumulating the power by promoting the regional development and win-win situation in order to sustain its own growth. Hydro-dam construction belongs to the basket-case of infrastructure, and that is the most preferable Chinese industry, where it can perfectly spin the wheel of economic statecraft and territorialization. Therefore, the business plan was coherent with the 'Peaceful Rise 2.0.' strategy. Plus, the main goal of the 'Community of a Common Destiny' was also achieved, by growing energy interdependence. It does not look like Cambodia will stop using the services of Chinese SOE in dam-construction in the nearest future, because meanwhile this clean energy has become the cornerstone of Cambodia's economic development. Second of all, according to new Beijing's foreign strategy, China takes much more stance on its core interests, including the development on its share of the Mekong River. The thesis suggested that the original hidden motive of engagement into hydro-business was to silence the concerns of riparian states about the heavy construction of hydro-dams in Yunnan Province. Consequently, China's strategy was effective by modeling the environment of align preferences. That means that one of the 4 general objectives of China's strategy – shaping the global order toward Chinese preferences – met with success.

From the theoretical perspective, the account of structural neorealism perfectly fits to the case of engagement between China and Cambodia. From the Beijing's point of view, the process of

deseuritization helps to shed the light on the Mekong river dynamics. Chinese capability of sending the signal to down-stream countries, which transfers a threat into the opportunity, is a perfect example. Such behavior is not static, quite contrary, it is dynamic. Therefore, the theories of former realism would not be sufficient. In fact, China is constantly balancing between the role of hegemon, who will do no compromises regarding its core interests; and the peaceful neighbor, who has tried to convince other countries that mutual development is the best way to coexist in today's world. From Phnom Penh's point of view, the theory of institutional realism also proved its grounds. From the first glance, Cambodia might seem to be bandwagoning to the all Beijing's requests. However it is not that simple. Cambodia also takes advantage of multilateral institutions, because no leader would deliberately lead its country toward absolute dependence on another hegemon. Therefore, besides old school bilateral cooperation with other powers such as Japan, taking advantage of international institutions will be always a smart choice for weak countries like Cambodia. The trend shows, that even in hydro-energy development there are new actors expressing interest of investing in the Mekong region, which will sooner or later turn the Chinese monopoly into competition with other states. That will be another way for Cambodia to balance its dependence on Chinese projects. It also might be predicted that Chinese strategy of 'divide and rule' will be gradually encountering obstacles from multilateral channels such as ASEAN or MRC. Dealing with issues only on government-to-government level will simply not be as effective anymore. Therefore, I suppose China will continue in strengthening its position mostly on multilateral channels in order to create the environment with as many align preferences as possible.



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