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*China's Relations with Laos and
Cambodia*

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Laos and Cambodia are among Southeast Asia's least developed states. Their economies are miniscule when compared to Indonesia, Malaysia, Thailand, and Vietnam. Yet China has invested considerable political and economic capital in both states. This chapter focuses on why China has done so. It reviews how Laos and Cambodia interact with China bilaterally and multilaterally. Given the asymmetric nature of the relationship, this chapter explores how Laos and Cambodia attempt to constrain China's influence in order to maintain their own autonomy, while at the same time leveraging their bilateral relations with China for their own benefit. This chapter also considers whether Laos and Cambodia pursue a policy of bandwagoning with China and, if so, what are the future implications.

China's relations with Laos and Cambodia must be placed in their broader geostrategic geopolitical settings. Laos and Cambodia, as mainland Southeast Asian states, lie within China's immediate proximity. They therefore are important geostrategically as friendly buffer states. Laos borders China and both states share convergent interests in dealing with transnational security challenges. Further, Laos provides a crucial link in the North-South Corridor linking landlocked Yunnan province to the Mekong River and Thailand and states further to the south. Both Laos and Cambodia offer economic opportunities to China both as providers of natural resources and as markets for Chinese goods.

Laos and Cambodia are also important geopolitically. During the precolonial era both the Khmer Empire at Angkor and the Lao Kingdom of Lan Xang maintained tributary relations with the Middle Kingdom.²¹⁴ After the founding of the People's Republic of China (PRC), both Cambodia and Laos extended diplomatic relations, respectively, on July 19, 1958, and April 25, 1961. Laos and

Cambodia are important geopolitically because both are members of the Association of Southeast Asian Nations (ASEAN). Laos joined in 1997 and Cambodia followed suit two years later.

China, therefore, has to structure its relations with Laos and Cambodia both bilaterally as well as multilaterally. For example, between 1999 and 2000, China signed long-term cooperative framework agreements with all ten ASEAN members, including Laos and Cambodia.²¹⁵ China also forged a strategic partnership with ASEAN and in 2010 negotiated a China-ASEAN free trade agreement.

This chapter is divided into four parts. Part one provides an overview of China's relations with ASEAN. Parts two and three provide an analysis of China's bilateral relations with Laos and Cambodia, respectively. Part four offers conclusions.

ASEAN-China Relations: An Overview

Dialogue Partner

When Laos and Cambodia joined ASEAN in the late 1990s they had to subscribe to all existing arrangements, including those negotiated between ASEAN and China. As ASEAN members, Laos and Cambodia assumed the duty of ASEAN chair in 2004 and

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²¹⁴ Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," Elleman, Bruce A., Stephen Kotkin and Clive Schofield (eds.), *Beijing's Power and China's Borders: Twenty Neighbors in Asia* (Armonk: M.E. Sharpe, 2013), p. 145.

²¹⁵ Carlyle A. Thayer, "China's 'New Security Concept' and Southeast Asia," David W. Lovell (ed.), *Asia-Pacific Security: Policy Challenges* (Singapore: Institute of Southeast Asian Studies, 2003).

2010, respectively. This entailed hosting the annual meeting of ASEAN foreign ministers, ASEAN leaders' summit, and other ASEAN-related meetings such as ASEAN Plus One, ASEAN Plus Three (China, Japan and South Korea), and the East Asian Summit (EAS). Each of these meetings provided the ASEAN chair with an opportunity to host separate official visits by visiting leaders, including China.

During the first half of the 1990s, China's economic rise was viewed by Southeast Asian states as both a challenge and opportunity. Southeast Asian states initially feared that China's economic rise would be at their expense because it would result in the diversion of trade and investment. ASEAN states also feared being pulled into China's orbit in a dependent relationship as supplier of raw materials. These fears intensified as China began negotiations for entry into the World Trade Organization. Gradually, ASEAN states began to appreciate that China's economic rise was the main engine of regional growth and therefore an opportunity. ASEAN took steps to enhance its unity and cohesion by forming a viable ASEAN free trade area as a prelude to collectively bargaining with China.²¹⁶

In 1996, ASEAN upgraded China's status to official dialogue partner. In February the following year, ASEAN and China formalized their cooperation by establishing the ASEAN-China Joint Cooperation Committee "to act as the coordinator for all the ASEAN-China mechanisms at the working level."²¹⁷ As an ASEAN

²¹⁶ *Ibid.*, pp. 5-6.

²¹⁷ Association of Southeast Asian Nations, "The First ASEAN-China Joint Cooperation Committee Meeting," Joint Press Release, Beijing, February 26-28, 1997, <<http://www.aseansec.org/5880.htm>>.

dialogue partner, China regularly participates in the annual ASEAN Post-Ministerial Conference consultation process. This takes the form of a meeting between ASEAN and its ten dialogue partners (ASEAN Ten Plus Ten), and a separate meeting between ASEAN members and selected dialogue partners (ASEAN Ten Plus One). Since 1997 ASEAN and China have held annual summit meetings, the most recent, the sixteenth ASEAN-China Summit was held in October 2013.

Economic Relations

A major turning point in ASEAN-China economic relations was reached during the Asian financial crisis of 1997-98 when China not only refrained from devaluing its currency but also contributed to regional bailout packages. As will be discussed in part two, Laos was a major beneficiary of China's policy. China's policies were in contrast to those of the International Monetary Fund (supported by the United States) that imposed conditionality on its loans. As a result ASEAN members perceived China as Southeast Asia's indispensable—but not only—economic partner.²¹⁸

The process of enmeshing China advanced in late 2002 with the adoption of the Framework Agreement on Comprehensive Economic Cooperation. This agreement laid the foundations for what became the ASEAN-China Free Trade Area or ACFTA²¹⁹ (Also

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²¹⁸ Carlyle A. Thayer, "Deference/Defiance: Southeast Asia, China and the South China Sea," *Difference/Diffusion, Deference/Defiance: Unpacking China-Southeast Asia relations* (International Studies Association Annual Convention, April 5, 2013), pp. 4-5.

²¹⁹ Robert Sutter and Chin-Hao Huang, "Trade Agreement Registers China's Prominence," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 12, No. 1 (April 2010).

known as the China-ASEAN Free Trade Area or CAFTA). In 2003 and 2006, ASEAN and China further institutionalized their relationship by raising their relations to a strategic partnership and enhanced strategic partnership, respectively.²²⁰ ACFTA came into force in January 2010 for ASEAN's six developed economies and will come into effect for ASEAN's four least developed members in 2015, including Laos and Cambodia.

China's economic rise altered the region's political economy and absorbed regional states in a production network feeding into China's export-orientated manufacturing industries. China not only buys primary commodities and natural resources, particularly oil and gas, but electronic parts and components from Southeast Asia. China's economic rise also has resulted in the displacement of the United States as the major trading partner for most Southeast Asian states.

Security Relations

During the three decades following the formation of ASEAN most of its members viewed China as a threat to regional security because of its support for communist insurgencies. ASEAN members also became concerned about rising Sino-Vietnamese tensions in the South China Sea. In 1992, ASEAN issued its first statement on the South China Sea urging the parties concerned to exercise restraint. By the second half of the 1990s, however, Southeast Asian preoccupations with the "China threat" receded as China's

²²⁰ Carlyle A. Thayer, "Deference/Defiance: Southeast Asia, China and the South China Sea," *Difference/Diffusion, Deference/Defiance: Unpacking China-Southeast Asia relations* (International Studies Association Annual Convention, April 5, 2013), p. 4.

economic growth was viewed as an opportunity.

Cooperation between ASEAN and China on security issues takes place in a variety of forums. First, ASEAN and China hold an annual defense and security dialogue. Second, ASEAN and China conduct security cooperation under the auspices of the ASEAN Regional Forum (ARF) that was founded in 1994.²²¹ Third, ASEAN and Chinese ministers in charge of public security meet annually to discuss nontraditional security issues. Fourth, defense ministers from ASEAN and China meet under the umbrella of the ASEAN Defense Ministers' Meeting Plus (ADMM Plus). Two meetings have been held, in 2010 and 2013.

In 1997, in an effort to assuage Southeast Asian concerns over “the China threat,” Chinese strategists and policy makers propounded a “new security concept” that was first presented to a meeting of the ARF.²²² China’s new security concept signaled Beijing’s intention to pursue a policy of cooperative multilateralism with ASEAN and the ARF. Concerns about Chinese assertiveness in the South China Sea largely dissipated after the signing of the Declaration on Conduct of Parties in the South China Sea in November 2002. In 2003, China was the first external power to accede to the protocol endorsing ASEAN’s Treaty of Amity and Cooperation (TAC) and undertook in writing “faithfully to perform and carry out all the stipulations therein contained.”²²³

221_ Carlyle A. Thayer, “China and Southeast Asia: A Shifting Zone of Interaction,” James Clad, Sean M. McDonald and Bruce Vaughn (eds.), *The Borderlands of Southeast Asia: Geopolitics, Terrorism, and Globalization* (Washington, D.C.: National Defense University Press, 2011), pp. 244-247.

222_ Carlyle A. Thayer, “China’s ‘New Security Concept’ and Southeast Asia”; Carlyle A. Thayer, “China and Southeast Asia: A Shifting Zone of Interaction.”

223_ Association of Southeast Asian Nations, “Instrument of Accession to the Treaty of Amity and Cooperation in Southeast Asia,” October 8, 2003, <<http://www.asean.org>>

China, arguably has been socialized into ASEAN norms as a result of this experience. China, which was initially dismissive of multilateral arrangements, soon came to appreciate that it could benefit from engagement with ASEAN. China then assumed a proactive role in the ARF's intercessional work program related to confidence building measures. In 2003, China launched a major initiative to further its new concept of security by successfully proposing the creation of a security policy conference composed of senior military and civilian officials drawn from all ARF members. Finally, China has been a strong proponent of cooperative measures to address nontraditional security challenges.

In November 2002, ASEAN and China adopted a Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues. Two successive memoranda of understandings (MOU) were signed in 2004 and 2009 outlining agreed areas of cooperation in nontraditional security issues over successive five-year periods. In October 2011, China and ASEAN agreed to a plan of action to implement the MOU at the second ASEAN-China Ministerial Meeting on Combating Transnational Crime held in Bali. In 2011-12, China hosted a training workshop for ASEAN officials with a focus on combating trafficking in illegal drug and narcotics.

In October 2013, the sixteenth ASEAN-China Summit held in Brunei, commemorated the tenth anniversary of their strategic partnership. The joint statement issued after this meeting committed both parties to upgrade the ASEAN-China Free Trade Agreement to advance economic integration and noted China's support

asean.org/news/item/instrument-of-accession-to-the-treaty-of-amity-and-cooperation-in-southeast-asia-2>.

for ASEAN's initiative to promote regional connectivity. Also, the joint statement noted China's offer to host an informal meeting with ASEAN defense ministers.²²⁴

Strategic Partnership

In October 2003, ASEAN and China adopted the Joint Declaration of the Heads of State/Government on Strategic Partnership for Peace and Prosperity at the seventh ASEAN-China summit, in Bali. This was the first formal agreement of this type for both ASEAN and China.²²⁵ The joint declaration was wide-ranging and included eleven priority areas of cooperation: agriculture, information and communication technology, human resource development, Mekong Basin development, investment, energy, transport, culture, public health, tourism, and environment. Both parties also agreed to enhance general political cooperation and to inaugurate a new security dialogue. In 2004, ASEAN and China adopted a five-year plan of action (2005-10) to implement the strategic partnership. In October 2010, a new plan of action was adopted for 2011-15 at the thirteenth ASEAN-China summit in Hanoi.²²⁶ That same year China became a founding member of the ASEAN defense ministers' meeting with its eight dialogue partners

224_ Association of Southeast Asian Nations, "Joint Statement of the 16th ASEAN-China Summit on Commemoration of the 10th Anniversary of the ASEAN-China Strategic Partnership," October 9, 2013, <<http://www.asean.org/images/archive/23rdASEANSummit/7.%20joint%20statement%20of%20the%2016th%20asean-china%20summit%20final.pdf>>.

225_ Carlyle A. Thayer, "China and Southeast Asia: A Shifting Zone of Interaction," pp. 242-244.

226_ Association of Southeast Asian Nations, "ASEAN-China Dialogue Relations," <<http://www.asean.org/asean/external-relations/china/item/asean-china-dialogue-relations>> (accessed October 24, 2013).

known as ADMM Plus.²²⁷

Greater Mekong Sub-region

The Mekong River links China with the downstream states Laos, Thailand, Cambodia, and Vietnam. The four ASEAN states comprise the Mekong River Commission (MRC), an inter-governmental organization set up to promote sustainable management and development of water and related resources. China and Myanmar are MRC dialogue partners but not formal members.

The Asian Development Bank funds a development project known as the Greater Mekong Subregion (GMS), which includes the entire Mekong River basin. Members of the GMS include five downstream states (Cambodia, Laos, Myanmar, Thailand, and Vietnam) and China's Yunnan Province and Guangxi Zhuang Autonomous Region.

Both the MRC and GMS provide a multilateral venue for Laos and Cambodia to interact with Chinese officials. For example, Premier Wen Jiabao attended the Greater Mekong Subregion summit in 2008. He signed seven agreements on aid, trade, investment, infrastructure, communications, and power generation and offered an export credit facility of \$100 million.²²⁸ In December 2011, State Councilor Dai Bingguo attended the fourth GMS Economic Cooperation Summit. He called for closer transportation and infrastructure cooperation to promote business, trade, agricultural and

²²⁷ Canada and the European Union were not included as they had not acceded to the TAC at this time.

²²⁸ Martin Stuart-Fox, "Laos: The Chinese Connection," Daljit Singh (ed.), *Southeast Asian Affairs 2009* (Singapore: Institute of Southeast Asian Studies, 2009), p. 147.

economic relations.

China currently operates three dams along the Upper Mekong and has plans to construct five more.²²⁹ Laos and other mainland states are able to raise concerns about the downstream environmental impact of Chinese dam construction on the Upper Mekong. China's ministry of water resources provides the MRC secretariat with hydrological data from Yunnan province to facilitate drought relief in the Lower Mekong.

In March 2010, serious drought affected the watershed in the Upper Mekong and reduced the flow of water downstream. Downstream states harbored suspicions that the Chinese dams were responsible for the drop in water volume. In response to these concerns, China's Vice Minister Song Tao attended a meeting of the MRC in Hua Hin, Thailand, in April. The vice minister offered to increase cooperation with downstream states to mitigate the ongoing drought crisis.²³⁰

On October 5, 2011, the salience of transboundary security issues was raised when an armed criminal gang murdered thirteen Chinese crewmen on two cargo boats plying the Mekong River in the tri-border area when Thailand, Laos, and Myanmar meet. China responded by first suspending downstream traffic and then sent police vessels to escort cargo boats and their crew who were left stranded.²³¹

²²⁹ Robert Sutter and Chin-Hao Huang, "Senior Officials Visits; South China Sea Tensions," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 12, No. 2 (July 2010).

²³⁰ *Ibid.*

²³¹ Robert Sutter and Chin-Hao Huang, "Set Back in Bali, Challenges All Around," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 13, No. 3 (January 2011).

China's press blamed the murders on "chaotic border mismanagement." On October 13, China's foreign ministry pressed the governments of Laos, Myanmar, and Thailand to step up their investigations and to provide security for Chinese cargo ships.²³² At the end of the month, China's ministry of public security hosted a two-day conference in Beijing attended by high-ranking security officials from Thailand, Myanmar, and Laos. This meeting reached agreement to formally establish law enforcement cooperation along the Mekong River Mechanism to jointly address cross-border crime, share intelligence, and to ensure the safety of passengers and cargo vessels on the Mekong.²³³

On December 10, Chinese armed police joined with their counterparts from Laos, Myanmar, and Thailand to conduct the first security joint patrol along the Mekong River.²³⁴ Six joint patrols were carried out by September 2012.

China and Laos

This section reviews relations between China and Laos under five subheadings: background, political relations, economic relations, defense and security relations and issues in the bilateral relationship.

²³² Robert Sutter and Chin-Hao Huang, "Set Back in Bali, Challenges All Around"; Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 151.

²³³ Robert Sutter and Chin-Hao Huang, "Set Back in Bali, Challenges All Around." *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 13, No. 3 (January 2011).

²³⁴ *Ibid.*

Background

The Kingdom of Laos extended diplomatic recognition to the PRC in 1961 during the Cold War. An international settlement was reached in Geneva the following year, making Laos a neutral country. The Lao government reached agreement with China for a number of road building projects to link Yunnan province with the Mekong River ports of Muang Sing, Nam Tha, and Ban Houay. Another road was constructed to Phong Saly a province bordering southern China.²³⁵

An estimated fifteen thousand Chinese workers took part in the road construction. Many remained in Laos after their projects were completed. In 1979 Laos sided with Vietnam in the aftermath of Vietnam's invasion of Cambodia. Consequently, Lao-China relations deteriorated. Many of the road construction workers resided in Laos returned to China at this time. According to one specialist, China's involvement in road construction left an important legacy—China's appreciation of the geostrategic importance of Laos as a land bridge to mainland Southeast Asia.²³⁶

As the war in Cambodia drew down, Laos and China normalized their relations in 1989 following the October visit to China by President Kaysone Phomvihane, the first foreign head of state to visit Beijing since the Tienanmen incident.²³⁷ Since then, bilateral relations have been marked by three important milestones: China's assistance during the Asian financial crisis of 1997-98 (discussed

²³⁵ Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 150.

²³⁶ *Ibid.*, p. 150.

²³⁷ Ian Storey, *Southeast Asia and the Rise of China: The Search for Security* (London: Routledge, 2010), p. 168.

below), the signing of a long-term bilateral cooperation agreement in 2000, and the establishment of a comprehensive strategic partnership in 2009.

The gradual improvement in bilateral relations after 1989 facilitated the management of the Sino-Laos border established under the Sino-French Border Agreement of 1895. In 1991, the two sides signed a treaty and supplementary protocol that set up a joint border commission. A formal border treaty was adopted the following year, and the two sides proceeded successfully to place marker posts to demarcate the 425-km-long border. The tri-border junction between China, Laos, and Vietnam was established by an agreement reached in 2006.²³⁸

In 2000, Laos and China exchanged visits by their state presidents. Khamtay Siphandone journeyed to Beijing in July and Jiang Zemin came to Vientiane in November, the first visit by a Chinese head of state.²³⁹ Jiang Zemin's visit resulted in the adoption of a joint statement on bilateral cooperation between the People's Republic of China and the Lao People's Democratic Republic.

The long-term cooperation agreement included provisions for exchanges between high-level leaders as well as exchanges between party, government, military, and parliamentary officials. For example, President Khamtay Siphandone made an official visit to China in 2003. In 2006, after a leadership transition, Lao President Choummaly Sayasone and Prime Minister Bouasone Bouphavanh paid two visits to Beijing.²⁴⁰ President Hu Jintao visited Laos in

²³⁸_ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 147; Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 149.

²³⁹_ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 146.

November 2006, while Premier Wen Jiabao visited Laos three times in 2003 to attend the ASEAN Plus Three summit (2003), the ASEAN summit and related meetings (2006), and the GMS summit (2008).

The joint statement also included an obligatory One China policy clause. At that time Laos was one of three Southeast Asian countries that did not maintain informal links with Taiwan via a Taiwan economic and cultural office. In 2005 Laos supported the passage of China's Anti-Succession Law.

The following subsections review political, economic, security and defense, and foreign relations in the period after 2009.

Political Relations

In 2009 Laos and China raised their bilateral relations to a comprehensive strategic partnership. This agreement strengthened and raised existing bilateral cooperative arrangements such as the exchange of high-level party and state visits and exchange programs for lower-level party, government, and military officials as well as students. China also enhanced its economic footprint through loans, grants, foreign investment, increased trade, and high-profile infrastructure projects.²⁴¹

In June 2010, Vice President Xi Jinping visited Laos and met with President Choummaly Saygnasone. Xi pledged that China would maintain close contact, strengthen mutual trust, and expand

240_ *Ibid.*, pp. 148-149.

241_ Kristina Jönsson, "Laos in 2009: Recession and Southeast Asian Games," *Asian Survey*, Vol. 50, No. 1 (2010), p. 245; William Case, "Laos in 2010: Political Stasis, Rabid Development, and Regional Counter-weighting," *Asian Survey*, Vol. 5, No. 1 (2011), pp. 205-206.

economics relations, including trade and business. On April 25, 2011, China and Laos celebrated fifty years of diplomatic relations. In June that same year, China's ambassador to Laos, Bu Jianguo, announced the continuation of high-level exchange visits, further training for party cadres, and increased coordination on regional and international issues of importance. President Choummaly Saynasone visited Beijing in September 2011. In November 2012, Premier Wen Jiabao met with President Choummaly Sayasone on the sidelines of ninth Asia-Europe meeting held in Vientiane.

Exchange visits between officials of the Chinese Communist Party (CCP) and the Lao People's Revolutionary Party (LPRP) serve as another conduit for their bilateral relations. Between 2011 and 2013, for example, party-to-party exchanges included: a visit to China by a delegation from the LPRP Central Control Committee to discuss anti-corruption cooperation (September 2011), a visit by party officials from Shanxi Province (February 2012), a visit to Beijing by LPRP Politburo member Khamphieu Panemalaythong (March 2012), and a visit to Vientiane by He Guoqiang, member of the standing committee of the CCP Politburo (June 2012). In addition to these exchanges, China also offered ideological, educational, and vocational training courses for young Lao party cadres.

China and Laos also exchange visits by representative of their respective legislatures. For example, the heads of China's National People's Congress (NPC) standing committee and the Lao National Assembly met in Shanghai in October 2010 to discuss future exchanges.²⁴² In December 2012, Li Jianguo, vice chairman of the

²⁴² Robert Sutter and Chin-Hao Huang, "China Reassures Neighbors, Wary of US Intentions," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 12, No. 4 (January 2010).

NPC standing committee met with his counterpart in Laos; they agreed on a four-point proposal on increased cooperation in agriculture, trade, infrastructure, and high-level party-to-party exchanges. In June 2013, the president of the Lao National Assembly visited Beijing to discuss further cooperation under the comprehensive strategic partnership.²⁴³ In addition to these exchanges, China also sponsored exchange programs and tours for Lao government officials.

According to a leading Lao specialist, China's political influence in Laos is aimed primarily at obtaining economic opportunities because a strong Chinese presence in Laos also offers strategic benefits to China. China thus offers political support to Laos and expects Laos to reciprocate on matters of importance to China.²⁴⁴ For example, Bu Jianguo, China's ambassador to Laos, stated in a public lecture to the Lao National Institute for Politics and Administration in June 2011 that the two sides would increase coordination on regional and international issues of importance.²⁴⁵ For example, China's new foreign minister, Wang Yi, included Laos on his itinerary during an August 2013 trip to Malaysia and Vietnam.

Laos, however, is adept at balancing China, Vietnam, and Thailand, the three states with the most political and economic influence. Lao policy is to be as even-handed as possible among

²⁴³ Robert Sutter and Chin-Hao Huang, "China's Toughness on the South China Sea – Year II," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 15, No. 2 (September 2013).

²⁴⁴ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 151.

²⁴⁵ Robert Sutter and Chin-Hao Huang, "Managing Rising Tensions in the South China Sea," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 13, No. 2 (September 2011).

these three states. According to Martin Stuart-Fox, Vietnam has a greater interest in maintaining the cohesion and effectiveness of the LPRP as the ruling power in Laos than China. China does not have to compete for influence with Vietnam because Vietnam's role in supporting the LPRP serves China's long-term interests of a stable Lao state.²⁴⁶ In recent years Laos has become more receptive to the United States as counterweight to China.²⁴⁷

Economic Relations

Laos is one of Southeast Asia's least-developed countries. It has a gross domestic product (GDP) of US \$19.5 billion measured in purchasing power parity. With a population of 6.7 million this equates to an annual per capita income of US \$3,100.²⁴⁸ Laos possess considerable natural resources such as timber, gemstones, hydropower, and minerals (gold, copper, iron ore, potassium, and aluminum oxide). Laos seeks to promote economic development through both multilateral and bilateral relations. Laos is a member of the ASEAN free trade area; Cambodia, Laos, Vietnam Development Triangle; Cambodia-Lao-Myanmar-Vietnam [Mekong Subregion]; and the Greater Mekong Subregion.

Laos seeks to promote its development by turning its landlocked geographic position into an opportunity by serving as a communications and transport crossroads between mainland

²⁴⁶ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 151.

²⁴⁷ William Case, "Laos in 2010: Political Stasis, Rabid Development, and Regional Counter-weighting," pp. 205-206; Brendan M. Howe, "Laos in 2012: Growth, Challenges, and Human Insecurity," *Asian Survey*, Vol. 53, No. 1 (2013), p. 152.

²⁴⁸ U.S. Central Intelligence Agency, *The World Factbook* (2013), <<https://www.cia.gov/library/publications/the-world-factbook/geos/la.html>>.

Southeast Asia and southern China. In other words, Laos stresses that it is landlinked but not landlocked by a network of roads including the North-South and East-West corridors.

The following sub-sections review China-Laos economic relations under eight sub-headings: development assistance, showcase projects, communications infrastructure, investment, hydro-power, mining, plantation agriculture, and trade.

Development assistance. China played a major role in propping up the Lao economy during and after the Asian financial crisis. In 1997, for example, China provided Laos with a bailout package, export subsidies and preferential loans that stabilized the kip. China began to provide Laos with substantial economic assistance to weather the aftermath of the Asian financial crisis in 1999.²⁴⁹

Most specialists on the Lao economy agree that it is very difficult to determine accurately the extent of Chinese commercial and financial commitments to Laos. China provides financial assistance to support economic development in the form of cash grants, interest-free loans for projects that have the approval of the Lao government, other concessional loans, and credits for commercial ventures by Chinese companies.²⁵⁰ Chinese construction companies are also involved in Asian Development Bank-funded road construction that can be considered a form of aid. China reportedly cancelled repayment on its loans as another form of foreign aid. Precise figures remain elusive but one estimate places the total

²⁴⁹ Martin Stuart-Fox, "Laos: The Chinese Connection," Daljit Singh (ed.), *Southeast Asian Affairs 2009* (Singapore: Institute of Southeast Asian Studies, 2009), p. 146.

²⁵⁰ *Ibid.*, p. 146.

amount of loans forgiven by China at US \$1.7 billion up to 2008.²⁵¹

Since 1991 China has provided annual scholarships for Lao students to study in China. In 2008, China awarded a total of fifty-five scholarships. China also funds management and training courses for Lao government, party and military officials.²⁵² Chinese advisors are assigned to work with the Lao on specific aid programs. In addition, young Chinese volunteers spend six months in Laos teaching information technology and languages, coaching in sport, or performing medical service.²⁵³ In 2011, Soochow University opened the first foreign campus in Vientiane.²⁵⁴

Total Chinese development aid granted to Laos to over the decade 1997 to 2007 is estimated at US \$280 million.²⁵⁵ China provided another US \$330 million over the next three years, 1998-2001. In November 2011, Chinese and Lao officials agreed to cooperate more closely on poverty alleviation, economic development, increased trade, and agricultural training.

China expects three things in return for its development assistance: (1) Lao support for Chinese policy on a range of issues from Taiwan to Tibet; (2) access for Chinese companies to exploit Lao resources; and (3) transportation routes through Laos to Thailand. In return, the Lao government seeks aid and investment from China to support economic development in addition to political support to buffer Laos from Western pressures for political and economic reform. China provides development assistance under

251_ *Ibid.*, p. 146.

252_ *Ibid.*, p. 146.

253_ *Ibid.*, p. 146.

254_ Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 150.

255_ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 146.

the rubric of non-interference in Laotian internal affairs.²⁵⁶

Showcase projects. One hallmark of China's development assistance program is its funding for large showcase projects such as the Lao National Cultural Hall in Vientiane (completed in 2000), construction of the twenty-thousand-seat main stadium for the 2009 Southeast Asia Games, and reconstruction of Avenue Lan Xang and the gardens around the Patouxia monument in the capital.²⁵⁷

Communications infrastructure. Chinese assistance to Laos places major emphasis on developing its communications infrastructure to link Yunnan province to Laos, upgrading Laos's internal transportation system by road and river, and later extending the road network to the Mekong in order to link up with Thailand.

China's first communications project involved building a ground satellite reception center in 1990-91. China also financed the dredging of the Mekong River to link Luang Prabang with Yunnan province. In 2001, China joined Thailand and the Asian Development Bank to upgrade a 360-km stretch of National Route 3 from the China-Lao border at Boten to the Mekong River port of Huayxia opposite Thailand. This was completed in 2008. China has also undertaken major road projects in Udomxai province and contributed to building the Greater Mekong Information Superhighway that began service in late March 2008.²⁵⁸

In 2010, following the visit by then-Vice President Xi

²⁵⁶ *Ibid.*, p. 147.

²⁵⁷ *Ibid.*, p. 146.

²⁵⁸ *Ibid.*, p. 146.

Jinping, China agreed to finance the construction of two bridges across the Mekong and provided Laos with a loan of US \$50 million to finance one of the bridges. When the bridges are constructed this will complete the North-South Corridor Project linking Yunnan province with Thailand, thus making it possible to drive from Beijing to Singapore.²⁵⁹ Finally, China will finance a high-speed rail system.

Investment. Precise figures of Chinese foreign direct investment (FDI) in Laos are difficult to obtain due to the lack of accurate reports from commercial banks and information on projects that have been suspended. Between 2001 and August 2007, Laos approved a total of US \$1.2 billion in Chinese direct investment. In fiscal year 2006-07, Laos approved a total of 117 projects valued at US \$1.1 billion. China overtook Thailand as Laos' major source of foreign investment by committing US \$462 million to 45 projects or forty-two percent of the total.²⁶⁰ In 2009, the three largest providers of FDI in Laos were Vietnam, US \$1.4 billion; China, US \$932 million; and Thailand, US \$908 million.²⁶¹

Foreign direct investment is mainly concentrated in hydro-power and mining but also in rubber, the garment industry, and electrical equipment assembly.²⁶² Chinese FDI goes to projects that produce goods for export to China such as food and minerals. There has been a rapid increase in large-scale Chinese FDI partic-

²⁵⁹ *Ibid.*, p. 146; William Case, "Laos in 2010: Political Stasis, Rabid Development, and Regional Counter-weighting," pp. 205-206.

²⁶⁰ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 145.

²⁶¹ Kristina Jönsson, "Laos in 2009: Recession and Southeast Asian Games," p. 245.

²⁶² *Ibid.*, p. 245.

ularly in the mining and agriculture sectors after China and Laos raised their bilateral relations to a comprehensive strategic partnership. Chinese FDI has also flowed into the energy, telecommunications, and construction materials sectors.²⁶³ Chinese investment is mainly concentrated in the north of Laos along China border.²⁶⁴

Hydropower. Laos has ambitious plans to develop its hydro-power resources with the aim of becoming the battery of mainland Southeast Asia. Laos presently operates fourteen dams producing hydroelectricity and has plans to construct a further thirty more by 2020 with the ultimate aim of operating fifty-five hydropower stations.²⁶⁵

China plays a major role in developing Laos's hydropower potential by providing preferential loans to Laos with the expectation that Chinese companies are awarded construction contracts.²⁶⁶ Commercial credits provided by China have been used to construct three hydropower stations on rivers in northern Laos.²⁶⁷ During the 2000s approximately one-third of Chinese FDI was in Laos' hydropower sector. In 2011 it was reported that China was considering investing US \$6 billion in a 3.8 gigawatt hydropower

²⁶³ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 145.

²⁶⁴ Magnus Andersson, Anders Engvall and Ari Koko, "In the Shadow of China: Trade and Growth In Lao Pdr," *Stockholm School of Economics Working Paper Series*, No. 2009-4 (Stockholm: Stockholm School of Economics, 2009).

²⁶⁵ William Case, "Laos in 2010: Political Stasis, Rabid Development, and Regional Counter-weighting," pp. 205-206.

²⁶⁶ Kazuhiro Fujimura, "The Increasing Presence of China in Laos Today: A Report on Fixed Point Observation of Local Newspapers from March 2007 to February 2010," *Ritsumeikan Journal of Asia Pacific Studies*, Vol. 27 (2009), p. 71.

²⁶⁷ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 146.

plant.²⁶⁸

In addition to hydropower, China has also invested in building power transmission lines and a lignite-fired power station in Xainyaburi province.²⁶⁹

Mining. As noted above, Laos possess considerable mineral resources. Chinese investors have given priority to mineral exploration and related extractive industries. Chinese companies are involved in producing cement, limestone, potash, and alumina.²⁷⁰ Chinese companies also have been awarded concessions in aluminum oxide, copper, iron ore, and zinc. During 2011, the China-ASEAN Fund on Investment Cooperation invested US \$50 million in a potash salt ore mine. China not only invests in the mineral sector but is also a major consumer of minerals produced in foreign-owned mines in Laos.

Plantation agriculture. China's rapid economic growth has led to a strong demand for agricultural and forestry products grown in Laos. This has led to Chinese investment in agricultural plantations on land leased to Chinese companies in northern Laos. These plantations produce rubber, corn, cassava, sugar, bananas, sesame, soy beans, agarwood, and teak. In addition, Chinese buyers contract Lao small holders to sell their produce. According to Stuart-Fox,

²⁶⁸ Christopher B. Roberts, "Laos: A More Mature and Robust State?," Daljit Singh and Pushpa Thambipillai (eds.), *Southeast Asian Affairs 2012* (Singapore: Institute of Southeast Asian Studies, 2012), pp. 155-156.

²⁶⁹ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 146.

²⁷⁰ *Ibid.*, p. 144; Kazuhiro Fujimura, "The Increasing Presence of China in Laos Today: A Report on Fixed Point Observation of Local Newspapers from March 2007 to February 2010," p. 72.

substantial plantation land is involved. For example, between 1996 and 2006 the area used to grow corn increased from three thousand ha to thirteen thousand ha. By 2006, 7,341 hectares were devoted to rubber cultivation.²⁷¹ The Yunnan National Rubber Industrial Company hopes to develop 325,000 ha for rubber production by 2015.

China's demand for commodity goods from Laos has led to the rise of prices for agricultural goods and timber. And Chinese investment has resulted in the influx of large numbers of Chinese workers.²⁷²

Trade. Of Laos' three major trading partners, Thailand is more important to the Lao economy than China and Vietnam combined. Over half of Lao exports are shipped to Thailand and nearly seventy percent of goods imported into Laos originate in Thailand.²⁷³

In the 1990s Laos's bilateral trade volume was modest. Up until the Asian financial crisis of 1997, Thailand was the dominant economic actor in Laos. After 1997 both the Lao economy and economic relations with Thailand declined. China's intervention to prop up the Lao economy took the form of increased investment and lower tariffs and led to the revival of Lao trade.

Laos's trade has been heavily weighted in China's favor since the early 1990s. For example, in 2006 China exported US \$185.6 million to Laos while importing only US \$45.1 million, leaving

²⁷¹ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 145.

²⁷² William Case, "Laos in 2010: Political Stasis, Rabid Development, and Regional Counter-weighting," pp. 205-206.

²⁷³ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 153.

Laos with a trade deficit of US \$140.5 million.²⁷⁴ In 2007 the International Monetary Fund estimated that two-way trade between China and Laos totaled US \$262 million. This figure was dwarfed by US \$1.5 billion two-way trade between Thailand and Laos.

Defense and Security Relations

Defense relations. According to a recent survey Laos has one of the lowest levels of threat perception and distrust among the states of Southeast Asia. It also has the smallest defense budget among ASEAN members.²⁷⁵ After Laos and China normalized their relations in the early 1990s, China donated modest amounts of military supplies to Laos including small arms, ammunition, and spare parts.

Lao-China defense relations were codified in 2000 with the adoption of the Joint Statement on Bilateral Cooperation. This agreement included a defense clause that stated both sides would “further strengthen the friendly exchange and cooperation between the defense institutions and armed forces of the two countries through maintaining high-level exchange of visits and expanding exchanges of experts.”²⁷⁶ Between 2002 and 2008 China and Laos exchanged ten high-level defense delegations. In 2003 China provided US \$1.3 million of military equipment to the Lao People’s Army. And in 2008, Premier Wen Jiabao’s offer of an export credit facility included funding for the purchase of Z9 military helicopters.²⁷⁷

²⁷⁴ *Ibid.*, p.145.

²⁷⁵ Christopher B. Roberts, “Laos: A More Mature and Robust State?,” p. 160.

²⁷⁶ Carlyle A. Thayer, “China’s ‘New Security Concept’ and Southeast Asia,” pp. 92-95.

In 2009, after bilateral relations were raised to a comprehensive strategic partnership, Laos and China continued to exchange high-level defense delegations.²⁷⁸ For example, in July 2010 Deputy Prime Minister and Minister of Defense Douangchay Pichit travelled to Beijing to meet his counterpart Defense Minister Liang Guanglie. They reviewed recent defense cooperation and agreed to expand cooperation in the future.²⁷⁹ In December 2011, Cai Yingting, deputy chief of the People's Liberation Army (PLA) general staff, visited Laos to discuss expanding bilateral military exchanges.²⁸⁰ In September 2012, Defense Minister Liang Guanglie visited Vientiane where he and his counterpart agreed to continue bilateral exchange visits, personnel training and border patrols.²⁸¹

In May 2013, the ASEAN-China Consultative Meeting was held on the sidelines of the seventh ASEAN defense ministers meeting. China's Defense Minister Chang Wanquan discussed expanding military exchanges, personnel training, and joint exercises. This is an example of Laos' membership in ASEAN providing a multilateral structure for its relations with China.

277_ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 147; Kazuhiro Fujimura, "The Increasing Presence of China in Laos Today: A Report on Fixed Point Observation of Local Newspapers from March 2007 to February 2010," p. 68.

278_ Kazuhiro Fujimura, "The Increasing Presence of China in Laos Today: A Report on Fixed Point Observation of Local Newspapers from March 2007 to February 2010," p. 70.

279_ Robert Sutter and Chin-Hao Huang, "US Interventions Complicate China's Advances," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 12, No. 3 (October 2010).

280_ Robert Sutter and Chin-Hao Huang, "Set Back in Bali, Challenges All Around."

281_ Robert Sutter and Chin-Hao Huang, "China Gains and Advances in South China Sea," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 14, No. 3 (January 2012).

Security relations. Both Laos and China share concerns over transnational issues affecting their common border including drug smuggling, trafficking in people, and the spread of infectious disease such as HIV/AIDS and avian flu.²⁸² China and Laos manage border security on both a bilateral and multilateral basis.

The China-Laos Joint Border Commission (discussed above) meets annually to discuss border security, trade facilitation, and control of illegal activities such as the smuggling of people, drugs, and goods. In addition, Laos and China exchange regular visits by the ministers responsible for security. For example, in November 2010, China's minister of public security met with his Lao counterpart in Beijing and signed an agreement on security cooperation covering cross-border crimes and increased border patrols.²⁸³ China's minister of public security visited Vientiane in February 2011 for discussions on cross-border security, drug and human trafficking, and other transnational crime.²⁸⁴ And in July 2013 Lao Minister for Public Security Thongbanh Sengaphone met with his counterpart, China's new Minister of Public Security Guo Shengkun, in Beijing.

China and Laos both belong to the Coordinated Mekong Ministerial Initiative Against Trafficking that also includes Cambodia, Myanmar, Thailand, and Vietnam among its members. In January 2010, the seventh senior officials meeting met in Myanmar to dis-

²⁸² Martin Stuart-Fox, "Laos: The Chinese Connection," p. 147; Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 152.

²⁸³ Robert Sutter and Chin-Hao Huang, "US Interventions Complicate China's Advances."

²⁸⁴ Robert Sutter and Chin-Hao Huang, "China Reassures Neighbors, Deepens Engagement," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 13, No. 1 (May 2011).

cuss ways to strengthen law enforcement and counter human trafficking.²⁸⁵ In May 2013, China, Laos, along with Cambodia, Myanmar, Thailand, Vietnam, and United Nations Office on Drugs and Crime signed a memorandum to deepen regional and international cooperation on illicit drug trafficking in the greater Mekong Region and Golden Triangle.

Bilateral Issues

Stuart-Fox, writing about China-Lao relations in 2008, offered the assessment that there were no outstanding problems to resolve in their bilateral relationship.²⁸⁶ Nonetheless, China's rapid economic penetration of Laos in subsequent years has produced a number of concerns. China's aid program and the operation of Chinese companies have raised questions about the transparency of commercial decisions, bribery and corruption, environmental impact (deforestation, land degradation, and dam construction along Mekong), and fears of economic domination as Chinese goods flood local markets and push out locally produced goods. In addition there is growing Lao resentment at the forcible requisition of land for Chinese projects and the lack of suitable compensation. There is concern also that Chinese infrastructure projects are overpriced and that new transportation networks will facilitate the illegal trade in drugs, prostitution, and sexually transmitted diseases.

The subsections below will review three case studies to illustrate these concerns.

²⁸⁵ Robert Sutter and Chin-Hao Huang, "Trade Agreement Registers China's Prominence."

²⁸⁶ Martin Stuart-Fox, "Laos: The Chinese Connection," p. 147.

Ethnic Chinese community. Laos was home to a Sino-Lao community during the colonial and post-independence eras. Most of this ethnic community fled Laos after the LPRP took power in December 1975. As noted above, state-to-state relations deteriorated in 1979 and during the 1980s when Laos supported Vietnam's intervention in Cambodia.

The normalization of relations between China and Laos in the late 1980s and early 1990s led to the influx of a new generation of Chinese with little in common with the earlier Sino-Lao community. The number of ethnic Chinese residents in Laos was estimated at ten thousand in 1997 and thirty thousand in 2009. Outside observers believe that the real figure for ethnic Chinese could be as much as ten times higher.²⁸⁷

The majority of Chinese migrant workers have settled in northern Laos where most of the commerce in small towns is in Chinese hands. In Vientiane there is a shopping area known as the Chinese market where most of the shopkeepers are ethnic Chinese who sell consumer goods imported from China, employ exclusively Chinese labor, and form networks that exclude Lao counterparts.²⁸⁸ Elsewhere in Laos only ethnic Chinese security guards are hired to protect Chinese manufacturing factories.²⁸⁹ These developments have led to concern at the elite and popular levels that Chinese influence over Laos will become too strong.²⁹⁰

²⁸⁷ *Ibid.*, p. 143.

²⁸⁸ *Ibid.*, p. 143.

²⁸⁹ Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 150.

²⁹⁰ Kristina Jönsson, "Laos in 2009: Recession and Southeast Asian Games," p. 245.

Boten casino. Private Chinese business interests financed the development of Golden Boten City just south of the China border. While Boten City was touted as a tourist destination, its main attraction was a gambling casino that catered exclusively for a Chinese clientele. Chinese visitors could visit Boten without formally entering Laos because Boten was located north of the nearest Lao immigration and customs check point.

Boten quickly became a Chinese enclave with a high crime rate, unregulated casinos, and brothels.²⁹¹ All street signs were changed into Chinese characters. The Boten casino quickly acquired a reputation for prostitution, drug smuggling, and money laundering.²⁹² To all intents and purposes Laos appeared to have lost control over Boten and its surroundings. It was Chinese authorities, however, who closed down Boten City and its casino out of concerns over money laundering and narcotics smuggling. Chinese border guards even prevented Chinese nationals from crossing into Laos.²⁹³

New City Development Project. No Chinese project caused greater concern among the Lao than the proposed development of New City Development Project on a site on the outskirts of Vientiane. This project was to include upmarket housing, shops, hotels, and an industrial zone.

In September 2007 the Lao government announced that a consortium of Chinese companies led by the Suzhou Industrial

²⁹¹ Christopher B. Roberts, "Laos: A More Mature and Robust State?," p. 157.

²⁹² Martin Stuart-Fox, "Laos: The Chinese Connection," p. 147.

²⁹³ Ian Townsend-Gault, "The China-Laos Boundary: Lan Xang Meets the Middle Kingdom," p. 151.

Park Overseas Investment Company had been contracted to construct the main stadium to host the 2009 Southeast Asian Games. A Lao company was given a nominal five percent share in the project. This agreement was negotiated in secret through the China Development Bank which agreed to provide a concessional loan of US \$100 million to build the sports stadium on the surety of a land concession.

The Lao government gave the Chinese consortium a fifty-year concession to develop a 1,640 hectares marshland site near the That Luang Buddhist monument. The agreement included a provision to extend the concession for another twenty-five years. During the period of the concession the Chinese consortium could either sell or lease the buildings or shops. At the end of the concession ownership of the New City Development Project would revert to the Lao government.

About three thousand Chinese workers were brought to Vientiane to build the sports stadium. Rumors then flew that the New City Development Project was being built exclusively to house fifty thousand Chinese residents. Local Lao residents became anxious about the forced resumption of their land. There were reports that local landowners resisted relocation due to inadequate compensation.

In sum, the development of the That Luang development project brought to the surface simmering concerns by ordinary and elite Lao over Chinese domination of the Lao economy. This was the first occasion that China's presence in Laos had become a matter of popular concern and debate. The Lao government cancelled the agreement.²⁹⁴

China and Cambodia

This section reviews relations between China and Cambodia under five subheadings: background, political relations, economic relations, defense and security relations and bilateral relations.

Background

The Kingdom of Cambodia gained independence from France in 1953 and pursued a policy of neutrality and nonalignment during the Cold War. Cambodia recognized the PRC in 1958. Cambodia was gradually if not inevitably drawn into the Vietnam War. In 1970, Prince (later King) Norodom Sihanouk was overthrown in a coup and went into exile in China and North Korea. Under Chinese tutelage he joined a united front with the Khmer Rouge who seized power in April 1975. China was the first country to open a fully functioning embassy in Phnom Penh at this time.²⁹⁵

Prince Sihanouk returned to Cambodia. Chinese tutelage ensured his survival. Sihanouk fled Phnom Penh once again when Vietnam invaded and occupied Cambodia in late 1978-early 1979. For the next decade Sihanouk led an anti-Vietnamese coalition with Chinese backing. In 1989, Vietnam withdrew from Cambodia and internal conflict in Cambodia was largely brought to an end under the terms of an international settlement reached in Paris in October 1991.

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²⁹⁴ Martin Stuart-Fox, "Laos: The Chinese Connection," pp. 142-143.

²⁹⁵ Julio A. Jeldres, "Cambodia's Relations with China: A Steadfast Friendship," Sothirak, Pou, Geoffrey Wade and Mark Hong (eds.), *Cambodia: Progress and Challenges Since 1991* (Singapore: Institute of Southeast Asian Studies, 2012), p. 82.

Sihanouk returned to Cambodia in November 1991 to head the Supreme National Council (SNC) set up under the Paris peace accords. The SNC comprised all the warring factions including Cambodian royalists, republicans, the Khmer Rouge and the pro-Vietnamese Cambodian People's Party (CPP). Sihanouk was accompanied on his return journey by China's newly-appointed permanent representative to the SNC, Ambassador Fu Xuezhong.²⁹⁶

Almost immediately Cambodia confronted a crisis in relations with China. In late November 1991 Khmer Rouge leaders Khieu Samphan and Son Sen were attacked by a mob of Cambodians as they made their way to a meeting of the SNC. China's ambassador in Phnom Penh fled to the safety of Bangkok. This incident became the first major issue as China-Cambodia relations were being restored because China supported the Khmer Rouge and their inclusion in the SNC. The attack on the Khmer Rouge leaders led to the cancellation of a scheduled visit by China's Foreign Minister Qian Qichen. Sihanouk intervened and informed China that the invitation to its foreign minister was an open one and he could return at any time.²⁹⁷

From 1991 to 1993 Cambodia came under the transitional authority of the United Nations. It was left to the SNC to draw up a new constitution to restore full sovereignty and independence to Cambodia. During this period Chinese diplomats regularly attended all meetings of the SNC.²⁹⁸ Foreign Minister Qian Qichen's visit was rescheduled to February 1992. On arrival in Phnom Penh he urged the Cambodian members of the SNC to uphold national

²⁹⁶ *Ibid.*, p. 81.

²⁹⁷ *Ibid.*, p. 83.

²⁹⁸ *Ibid.*, p. 82.

reconciliation and he warned that China would not support any faction that resumed civil war.²⁹⁹

In July 1991, during the transition period, CPP leader Hun Sen made his first visit to Beijing to attend a meeting of the SNC. The following year China received the first visit of a CPP delegation led by its chairman Chea Sim. The CCP and CPP established party-to-party relations. At this time, as part of its policy of national reconciliation, China supported both the Khmer Rouge and Sihanouk.

This fifty-five year legacy of Sino-Cambodian relations led Sihanouk and many other Cambodian leaders to view China as a protector and friend of Cambodia in its relations with Thailand and Vietnam.³⁰⁰ In 1993, for example, Sihanouk stated that China is “the cause of our survival because of a balance of menaces between China and hostile Vietnam and Thai troops who wanted to kill Cambodia ... the influence of France and the United States may come and go, but China was a constant factor.”³⁰¹

Political Relations

This subsection reviews Cambodia’s relations with China during five separate periods during which China first abandoned the Khmer Rouge and then switched support from the royalist supporters of Norodom Sihanouk to the CPP led by Hun Sen. China-Cambodia relations were progressively strengthened through

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²⁹⁹ *Ibid.*, p. 84.

³⁰⁰ Long Kosal, “Sino-Cambodian Relations,” *CICP Working Paper*, No. 28 (Phnom Penh: Cambodian Institute for Cooperation and Peace, 2009), p. 13.

³⁰¹ Julio A. Jeldres, “Cambodia’s Relations with China: A Steadfast Friendship,” p. 82.

agreements on bilateral cooperation (2000), comprehensive partnership for cooperation (2006), and comprehensive strategic partnership.

Support for Sihanouk and the Royalists, 1993-97. In May 1993 the United Nations conducted elections in Cambodia that resulted in the adoption of a constitution, a coalition government, and the restoration of the monarchy. At this time China severed links with the Khmer Rouge and gave it to support to Norodom Sihanouk as king and head of state. China, still suspicious of Hun Sen and his links to Vietnam, found little difficulty in supporting the royalist Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique, et Coopératif (FUNCINPEC) party headed by Sihanouk's son Norodom Ranaridh.³⁰² In September 1993, China formalized its diplomatic relations with the Kingdom of Cambodia by appointing Ambassador Fu as its Ambassador Extraordinary and Plenipotentiary.³⁰³

The elevation of Sihanouk to king brought about a subtle change in China's relations towards Cambodia. In the past these relations had been based on special rapport between political leaders; increasingly China's relations with Cambodia became based on national interests. In other words, China no longer relied on Sihanouk and the royal family as its interlocutor with the Cambodian government.³⁰⁴

Three issues emerged that led to strains in China's relations

³⁰² Heng Pheakdey, "Cambodia-China Relations: A Positive-Sum Game?," *Journal of Current Southeast Asian Studies*, Vol. 2 (2012), p. 58.

³⁰³ Julio A. Jeldres, "Cambodia's Relations with China: A Steadfast Friendship," p. 84.

³⁰⁴ *Ibid.*, p. 85.

with FUNCINPEC. First, in July 1994 the Cambodian government banned the Khmer Rouge. China protested because it still supported their inclusion under the policy of national reconciliation set out in the Paris peace accord. China feared that outlawing the Khmer Rouge would lead to renewed armed conflict.³⁰⁵

No issue was more charged, however, than FUNCINPEC'S budding economic ties with Taiwan. In September 1994, Cambodia and Taiwan signed a MOU that led to establishment of a Taipei Economic and Cultural Representative Office (TECO) in Phnom Penh the following year. In March 1995, the deputy mayor of Phnom Penh, who was close to FUNCINPEC leader Prince Ranaridh, became the first Cambodian government official to visit Taipei since 1975.³⁰⁶ Finally, China was moved to lodge an official protest when Cambodian government officials attended a TECO reception to celebrate Taiwan's national day.

The third issue concerned a decision by Cambodia's Ministry of Industry to suddenly cancel a contract between Guangdong Engineering Industries Company and the Cambodian Cement Company to develop a state cement factory in Kampot province. The State Cement Factory was originally given as a gift to Cambodia and fell into disrepair during the Khmer Rouge period. In 1992 a contract was awarded to the Guangdong Engineering Industries Company and the Cambodian Cement Company to repair and upgrade the factory. The Cambodian Cement Company was owned by Sino-Khmer businessmen who had strong links to FUNCINPEC and the royal palace.

The Cambodian government cancelled the contract due to a

³⁰⁵ *Ibid.*, p. 84.

³⁰⁶ *Ibid.*, p. 86.

dispute between the contracted parties over finances. The Chinese Foreign Ministry responded by summoning the Cambodian ambassador in Beijing to convey China's displeasure over the termination of the contract. The Foreign Ministry warned that if Cambodia did not reverse its decision it would have "negative consequences on the relationship between the two countries." Cambodia ignored Chinese advice and proceeded to award a new contract to a Swiss firm. The Guangdong Engineering Industries Company suffered a loss of US \$10 million in capital that it had invested in the repair of the State Cement Factory.³⁰⁷

The State Cement Factory affair, and the other incidents described above, precipitated a review of China's political strategy towards Cambodia. Beijing decided to shift its support to Hun Sen and the CPP. By 1996 as China's relations with FUNCINPEC began to deteriorate, so too did FUNCINPEC's relations with the CCP.

Supporting the CPP, 1997-99. In July 1997 a clash between armed groups affiliated with FUNCINPEC and the CPP led to a violent upheaval that has been characterized somewhat misleadingly as a coup. The CPP seized power and its leader, Prime Minister Hun Sen, accused TECO of assisting FUNCINPEC to acquire arms. He ordered the closure of TECO and the expulsion of all Taiwanese diplomats.³⁰⁸

China was the first country to recognize the change of regime in Cambodia. China also opposed the imposition of international sanctions against Cambodia and criticized outside interference in Cambodia's internal affairs. China's diplomatic, financial, and mili-

³⁰⁷ *Ibid.*, p. 87.

³⁰⁸ Long Kosal, "Sino-Cambodian Relations," p. 8.

tary support assisted Hun Sen in consolidating power and resulted in considerable gain in Chinese political and economic influence.³⁰⁹ Over the next several years, China emerged as Cambodia's primary external benefactor.

After taking power Hun Sen and his CPP government became one of the strictest enforcers of the One China policy. Cambodian government officials were banned from visiting Taiwan, attending Taiwan sponsored events, and meeting their Taiwanese counterparts. In 2006, the Cambodian Ministry of Interior issued a regulation requiring all Taiwanese citizens wishing to marry a Cambodian citizen to receive a certificate of identity from the Chinese Embassy.³¹⁰

Hun Sen's CPP government quickly adopted a number of pro-China policies. Hun Sen granted approval to China to provide assistance to Chinese language schools in Cambodia. The Chinese Embassy then began to provide grants, assistance in teacher training, and sponsored educational visits to and from China. The Chinese government was permitted to repurchase Chinese schools that had been confiscated by previous regimes. As a result, the number of Chinese language schools increased from thirteen in 1995 to over sixty by 1999.³¹¹ Hun Sen's actions garnered Chinese approval and support.

As China's influence increased it began to make greater demands on the CPP government to restrict the operations of Taiwanese businesses operating in Cambodia and to support a vari-

309_ Julio A. Jeldres, "Cambodia's Relations with China: A Steadfast Friendship," p. 89; Zsuzsanna Biedermann, "Cambodia today or is China eating America's lunch in Southeast Asia?," *AARMS*, Vol. 9, No. 1, (June 2010), p. 144.

310_ Julio A. Jeldres, *Ibid.*, p. 89.

311_ *Ibid.*, p. 89.

ety of pro-China policies. For example, in 1999 Cambodia condemned NATO's accidental bombing of the Chinese Embassy in Belgrade. China handsomely rewarded Cambodia for its actions. At the same time, Chinese diplomats also complained to Cambodia's Ministry of Information when unfavorable reports were published in the local Chinese-language press.³¹²

Bilateral Cooperation Formalized, 2000-06. In 2000 Cambodia reached the first of three important milestones in its relations with China. In November, President Jiang Zemin became the first Chinese head state to visit Cambodia. At the conclusion of his trip the two sides adopted the Joint Statement on the Framework of Bilateral Cooperation between the People's Republic of China and the Kingdom of Cambodia. This agreement set out greater bilateral cooperation between the governments, parliaments, political parties, and armed forces of the two countries. The joint statement also made provision for diplomatic consultations and expanded trade and investment ties.

As noted above, China began to apply political pressure on Cambodia to support a number of policies. In 2001 Chinese diplomats unsuccessfully lobbied to prevent passage of legislation by the National Assembly setting up a tribunal to try Khmer Rouge leaders. Under pressure from the donor community Cambodia eventually approved the setting up of the Khmer Rouge Tribunal but then engaged in delaying tactics.³¹³

China was more successful on other policy matters. In 2001 Cambodia sided with China over the E-P3 incident off Hainan

³¹² *Ibid.*, p. 89.

³¹³ *Ibid.*, p. 90.

island. In 2002 Cambodia refused a visa for the Dalai Lama to attend the Third World Buddhist Summit in Phnom Penh. In 2005, Cambodia offered its support for China's anti-secession law and withdrew its support for Japan's bid for membership on the UN Security Council.³¹⁴

During this period there was a marked imbalance in high-level exchanges between Cambodia and China. Cambodia sent three times as many delegations as it received. Major high-level visits included Premier Zhu Rongji's visit to Phnom Penh, where he announced cancellation of all Cambodian debts; Prime Minister Hun Sen's visit to Beijing in April 2004 accompanied by a delegation of fifty government officials; and Hun Sen's return visit to China in 2005 during which China announced a US \$400 million package of grants, loans, and investments. In 2004, when Norodom Sihanouk abdicated, his successor and son Norodom Sihamoni visited China prior to his formal installation as king.

Comprehensive Partnership for Cooperation, 2006-2010. Cambodia's relations with China passed their second milestone in April 2006 during visit of Premier Wen Jiabao. At the end of Premier Wen's trip the two sides adopted an agreement on a comprehensive partnership for cooperation. This document contained provisions for stepped up party-to-party ties, legislative exchanges, and consultations on international and regional issues. Premier Wen pledged US \$600 million in financial support over the next four years. Cambodia and China also agreed to speed up China-ASEAN negotiations on a free trade agreement and to promote an ASEAN-China strategic dialogue.

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³¹⁴ *Ibid.*, p. 89.

In December 2008, in a further development in bilateral relations, China launched China-Cambodia Friendship Radio and opened its first Confucius Institute in Phnom Penh. These developments were part of a concerted push to promote Chinese studies, language, and cultural programs among Cambodians and were approved by the Cambodian government.³¹⁵

Cambodia continued to encourage Chinese businessmen to invest in Cambodia and supported policies favored by China. For example, in 2007 Cambodia opposed Taiwan's bid for membership in the United Nations. In 2008, Cambodia condemned rioting in Lhasa, clamped down on Falun Gong activities in Cambodia and continued to drag its feet over the setting up of the Khmer Rouge tribunal.³¹⁶ No act was more calculated to show deference to China than Cambodia's repatriation of twenty Uighur asylum seekers in December 2009 despite considerable pressure from the international community. Immediately after this decision Vice President Xi Jinping arrived in Phnom Penh and announced a US \$1.2 billion aid package.

Comprehensive Strategic Partnership of Cooperation 2010-13. In December 2010 Cambodia and China reached the third milestone in their bilateral relations when Prime Minister Hun Sen and President Hu Jintao met in Beijing and agreed to raise bilateral relations to a comprehensive strategic partnership. At the end of his visit Hun Sen witnessed the signing of agreements on strengthening cooperation in energy security, infrastructure development, finance, and consular affairs.³¹⁷

³¹⁵ *Ibid.*, p. 91.

³¹⁶ *Ibid.*, p. 89.

The year 2012 marks an important turning point in Cambodia-China relations under the comprehensive strategic partnership. In 2012 Cambodia assumed the role of ASEAN chair and hosted a number of ASEAN ministerial meetings, ASEAN summits and other ASEAN-related meetings such as the ASEAN Plus Three Summit and the East Asia Summit. During the year Cambodia hosted visits by President Hu Jintao and Premier Wen Jiabao. New agreements on aid and trade were made after each visit.³¹⁸ China used its special position of influence in Cambodia in an attempt to shape ASEAN policy on the South China Sea, and Cambodia was suitably rewarded for assisting this effort.

President Hu Jintao visited Cambodia in late March-early April on the eve of the twentieth ASEAN summit. This marked the first time in twelve years since a Chinese head of state visited Cambodia. The media reported that Hu asked Hun Sen as ASEAN chair not to “push” the South China Sea issue and received the pledge that Cambodia shared China’s view that the South China Sea should not be internationalized.³¹⁹ *China Daily* (March 31, 2012) quoted the Chinese ambassador to Cambodia as stating, “Cambodia, as chair country for the ASEAN meetings, will help coordinate ties between China and other ASEAN countries,” and further stated it would urge other involved ASEAN countries not to let South China Sea issues affect bilateral ties.

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 317_ Robert Sutter and Chin-Hao Huang, “China Reassures Neighbors, Wary of US Intentions.”

318_ Kheang Un, “Cambodia in 2012: Beyond the Crossroads?,” *Asian Survey*, Vol. 53, No. 1 (2013), p. 148.

319_ Robert Sutter and Chin-Hao Huang, “Hu Visits Cambodia as South China Sea Simmers,” *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 14, No. 1 (May 2012).

Hun Sen complied with China's wishes and Cambodia deleted references to the South China Sea from the formal ASEAN summit agenda. This did not stop other ASEAN members, such as the Philippines and Vietnam from raising South China Sea issues. Cambodia, as ASEAN chair, intervened twice to support China's position. First, Cambodia supported a Chinese proposal for an Expert Persons Group to be set up consisting of twenty members, ten each from ASEAN and ten from China. Cambodia also supported China's early inclusion in ASEAN discussions on a code of conduct for the South China Sea. Cambodia was rebuffed on both proposals due to a lack of consensus.³²⁰

Cambodia played the role of spoiler at the forty-fifth ASEAN Ministerial Meeting (AMM) held in Phnom Penh in July. Cambodia's Foreign Minister Hor Namhong, acting as chair, unilaterally prevented any mention of the South China Sea in the customary joint statement. For the first time in its forty-five year history ASEAN was unable to issue a joint statement.³²¹

In September, Prime Minister Hun Sen visited Beijing for discussions with Premier Wen Jiabao (see Economic Relations, below). He was rewarded by a large loan for helping China maintain "friendly relations with ASEAN."³²² In November, Cambodia hosted three high-level meetings: the China-ASEAN Summit, ASEAN Plus 3 Summit, and the East Asian Summit. China's Premier Wen Jiabao attended all three. Following the twenty-first ASEAN Summit, Hun Sen publicly announced that ASEAN

³²⁰ Carlyle A. Thayer, "ASEAN'S Code of Conduct in the South China Sea: A Litmus Test for Community-Building?," *The Asia-Pacific Journal*, Vol. 10, Issue 34, No. 4 (August 2012).

³²¹ *Ibid.*

³²² Kheang Un, "Cambodia in 2012: Beyond the Crossroads?," p. 148.

leaders had agreed not to internationalize the South China Sea issue. The Philippines and Vietnam immediately took exception and this reference was dropped from the chairman's statement.

Finally, in April 2013, Prime Minister Hun Sen made another of his regular visits to Beijing. He met with President Xi Jinping who pledged that China would strengthen bilateral relations with Cambodia by increasing support for infrastructure and economic development.³²³

Economic Relations

Cambodia has a GDP (ppp) of US \$37.3 billion. With a population of 15.2 million, its annual per capita income equates to US \$2,400.³²⁴ By the late 1990s China had emerged as Cambodia's most important partner. Chinese investors were attracted by low labor costs and Cambodia's natural resources. The subsections below consider China's development assistance, investment, and trade with Cambodia.

Development assistance. China's first foray into providing large-scale-development assistance was opportunistic. In the aftermath of the 1997 "coup" China extended a US \$10 million loan to Cambodia to replace aid suspended by traditional donors. Two years after China and Cambodia adopted an agreement on bilateral cooperation, Premier Zhu Rongji visited Phnom Penh and announced the cancellation of all Cambodian debts. Under the bi-

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³²³ Robert Sutter and Chin-Hao Huang, "China's Growing Resolve in the South China Sea," *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 15, No. 1 (May 2013).

³²⁴ U.S. Central Intelligence Agency, *The World Factbook* (2013).

lateral cooperation agreement China provided Cambodia with US \$39 million in grant aid and US \$95 million in soft loans during the period 2000-06.

A major turning point in China's provision of development assistance occurred in April 2006 when China and Cambodia reached agreement on the Comprehensive Partnership for Cooperation during the visit of Premier Wen Jiabao. Premier Wen pledged US \$600 million in financial support over four years. From 2006 to early 2010, China provided at least US \$2 billion in grant aid and loans.

In December the following year, in an important change of policy, China joined the Cambodian Development Cooperation Forum. The forum included all countries and international agencies providing aid to Cambodia. In 2007 international donors pledged a total of US \$689 million in development assistance. Of this amount China contributed US \$91 million or 13 percent of the total. Chinese development assistance was targeted at infrastructure, including roads, bridges, and government buildings. For example, China financed the upgrade of National Road 7 from Stung Treng/Kratie to Laos at a cost of US \$65 million. China quickly became Cambodia's largest donor.

In February 2008, China's foreign minister visited Cambodia and donated an additional US \$55 million in development assistance.³²⁵ At the December 2008 pledging session, China provided a package of US \$257 million out of a total pledged amount of US \$951.5 million or 27 per cent of the total.³²⁶

³²⁵ Carlyle A. Thayer, "Cambodia: The Cambodian People's Party Consolidates Power," Daljit Singh (ed.), *Southeast Asian Affairs 2009* (Singapore: Institute of Southeast Asian Studies, 2009), pp. 95-96.

In December 2009, immediately after Cambodia repatriated Uighur asylum seekers, Vice President Xi Jinping arrived in Phnom Penh and announced a US \$1.2 billion package of aid and grants. This included construction of government and legislative office buildings and the upgrade of Mao Zedong Boulevard in Phnom Penh. According to one political observer, this was a landmark in China's relations with Cambodia.³²⁷

In June 2010, Vice Minister of Transport Gao Hongfeng visited Phnom Penh, where he signed a MOU with his counterpart to deepen cooperation on infrastructure development. By 2011 China had contributed to the construction of up to 1,500 km of roads and bridges at a cost of US \$1 billion.³²⁸ In January 2012, China's ambassador to Cambodia, Pan Guangxue, joined Prime Minister Hun Sen to open a 127km road funded by China that connected existing highways to Cambodia's northeastern provinces to spur economic development and tourism.

Investment. Another major turning point with respect to Chinese foreign direct investment occurred in November 2000 when China and Cambodia adopted an agreement on bilateral cooperation. This agreement led to an expansion of Chinese investment in Cambodia. In 2005, for example, Hun Sen visited Beijing and secured a Chinese pledge of US \$400 million in investments, grants, and loans. By the end of 2007, it was estimated that Chinese investments in 3,016 business enterprises totaled US

³²⁶ Julio A. Jeldres, "Cambodia's Relations with China: A Steadfast Friendship," p. 90.

³²⁷ *Ibid.*, p. 90.

³²⁸ *Ibid.*, p. 91.

\$1.58 billion.

Chinese investment in Cambodia intensified after April 2006 with the adoption of the Comprehensive Partnership for Cooperation. In February 2008, for example, China's foreign minister visited Cambodia and announced a US \$1 billion investment package in the energy sector. These funds were to be used to construct several dams to generate electricity. In October, Prime Minister Hun Sen met Premier Wen Jiabao on sidelines of the seventh Asia Europe Meeting in Beijing. Premier Wen pledged an additional \$280 million in loans for infrastructure development including irrigation systems, power transmission lines, and road building.³²⁹

By the end of 2008 the Cambodian government had approved US \$4.3 billion in China-funded projects or 40 per cent of all approved foreign investment projects. China became Cambodia's largest investor with US \$892.9 million of approved projects. These projects were concentrated in the textile, mining, hydro-power, agribusiness, and retail sectors. The following year Chinese investment accounted for more than 15 per cent of all approved projects.³³⁰ Between 1997 and 2010, China offered over US \$10 billion in loans and grants to Cambodia while other donors provided US \$12 billion. Of this amount, US \$6 billion in Chinese investment was approved under the agreement on Comprehensive Partnership for Cooperation.³³¹

³²⁹ Carlyle A. Thayer, "Cambodia: The Cambodian People's Party Consolidates Power," p. 96.

³³⁰ Julio A. Jeldres, "Cambodia's Relations with China: A Steadfast Friendship," p. 90.

³³¹ Steve Heder, "Cambodia in 2010: Hun Sen's Further Consolidation," *Asian Survey*, Vol. 51, No. 1 (2011), p. 214; Kheang Un, "Cambodia in 2012: Beyond the Crossroads?," pp. 147-148.

Chinese investment continued to rise after December 2010 when bilateral relations were raised to a comprehensive strategic partnership. In February 2011, for example, China's Vice Fu Ziyang attended the second China-Cambodia Strategic Economic Dialogue in Phnom Penh. During a meeting with Hun Sen, Vice Minister Fu announced that his government would encourage more Chinese entrepreneurs to invest in Cambodia's agricultural, mining, and manufacturing sectors.³³² At that time, previous Chinese investments in garments, land, oil, hydroelectric dams, and infrastructure were nearing completion.

In 2011, according to one Cambodian specialist, economic cooperation between China and Cambodia was "qualitatively heightened."³³³ Chinese entrepreneurs made new investments in electricity generation and transmission, port construction, machine manufacturing, aluminum mining, bridge and road building, banking, and agricultural plantations. Chinese and Cambodian companies signed contracts to export rice, rubber, and palm oil to China. By mid-2011, China's cumulative direct investment in Cambodia stood at US \$1.181 billion while the accumulative contract value of projects amounted to US \$4.949 billion. In sum, Cambodia became one of China's favorite places to invest.³³⁴

In 2012, the visit by President Hu Jintao to Cambodia in late March-early April served to highlight China's leading role in Cambodia's economy. Cambodian data suggested that China was

³³² Robert Sutter and Chin-Hao Huang, "China Reassures Neighbors, Deepens Engagement."

³³³ Steve Heder, "Cambodia: Capitalist Transformation by Neither Liberal Democracy Nor Dictatorship," Daljit Singh (ed.), *Southeast Asian Affairs 2012* (Singapore: Institute of Southeast Asian Studies, 2012), p. 105.

³³⁴ *Ibid.*, p. 106.

the largest foreign investor in Cambodia. Cambodian officials reported that Chinese investment was nearly US \$2 billion in 2011, more than double the combined investment by ASEAN and ten times more than the United States.³³⁵ At the end of 2011, total accumulated Chinese investment was placed at US \$8.9 billion in 317 projects, including hydroelectric dams and coal-fired power plants.

Trade. China's intervention in Cambodia following the 2007 "coup" witnessed a marked rise in bilateral trade from US \$102 million in 1997 to over a \$1 billion by 2007. China became Cambodia's second largest trading partner after the United States, whose two-way trade with Cambodia was US \$2.5 billion.

In February 2008 Cambodia established a special economic zone in Sihanoukville to produce goods for duty-free export to China. That same month China's foreign minister visited Cambodia and waived import duties on four hundred Cambodian goods.³³⁶

The global financial crisis greatly affected Cambodia's economy in 2009 and 2010.³³⁷ China stepped up to assist Cambodia. In March 2010, for example, Vice Premier Hui Liangyu visited Phnom Penh for discussions with his counterpart. They agreed to deepen economic, trade, and business cooperation. At the end of 2010, Cambodian exports to China were valued at US \$56.68 million,

³³⁵ Robert Sutter and Chin-Hao Huang, "China Gains and Advances in South China Sea."

³³⁶ Carlyle A. Thayer, "Cambodia: The Cambodian People's Party Consolidates Power," pp. 95-96.

³³⁷ Kheang Un, "Cambodia in 2011: A Thin Veneer of Change," *Asian Survey*, Vol. 52, No. 1 (2012), p. 208.

while imports from China totaled US \$1.07 billion, leaving Cambodia with a massive trade deficit.

In May 2011, China and Cambodia set the goal of expanding two-way trade to US \$2.5 billion by 2012.³³⁸ Official figures on annual trade between China and Cambodia in the first half of 2011 showed that bilateral trade had reached US \$1.58 billion. This was a 68.7 percent increase over the previous year but trade was still heavily weighted toward China.³³⁹ By the end of 2011, bilateral trade was reported to have reached US \$2.49 billion. In April 2012, during the course of President Hu Jintao's visit to Cambodia, the two sides agreed to double current trade to US \$5 billion in five years.

Defense and Security Relations

Defense Cooperation. China began providing military assistance to Cambodia prior to the signing of the April 2006 Comprehensive Partnership for Cooperation agreement. The earlier agreement on bilateral cooperation (November 2000) did not include a clause on defense and security cooperation.³⁴⁰ In April 1996, for example, General Zhang Wan-Nian, PLA chief of the general staff, led a delegation to Phnom Penh. There he signed an a military assistance package valued at US \$1 million, under which China offered to provide training and equipment to the Royal

338_ Robert Sutter and Chin-Hao Huang, "Managing Rising Tensions in the South China Sea."

339_ Steve Heder, Cambodia: Capitalist Transformation by Neither Liberal Democracy Nor Dictatorship," pp. 195-196.

340_ Ministry of Foreign Affairs of the People's Republic of China, "Joint Statement by the People's Republic of China and the Kingdom of Cambodia on the Framework of Their Bilateral Cooperation," November 17, 2000, <<http://www.fmprc.gov.cn/eng/wjdt/2649/t15776.htm>>.

Cambodian Armed Forces (RCAF). As a result, the size of the defense attache's office in the Chinese Embassy increased to more than thirty.

As noted above, the July 1997 "coup" marked a turning point in China's relations with the Hun Sen government. In response to the "coup" the United States and other Western countries cut their military aid programs. In December that year China opportunistically stepped into the breach and offered Cambodia a loan of US \$10 million for the purchase of 116 military trucks and 70 jeeps valued at US \$2.8 million.

In 2003 China and Cambodia signed a MOU under which China agreed to provide financial aid for demobilization; construction materials for barracks, officers' quarters, and military schools and hospitals; upgrading of Chhnang air field; and professional military education and training courses in China for RCAF personnel.³⁴¹

The 2006 China and Cambodia Comprehensive Partnership for Cooperation agreement led to a marked increase in bilateral defense cooperation. The agreement made provision for increased military exchanges and stepping up of cooperation in combating nontraditional security threats. In October 2006, China agreed to provide Cambodia with assistance for military training and equipment repair.³⁴² In 2007, China donated nine patrol boats valued at US \$60 million to the Cambodian navy. China also financed the upgrading of the port at Ream. In November 2008, Cambodia

³⁴¹ Carlyle A. Thayer, "China and Southeast Asia: A Shifting Zone of Interaction," p. 252.

³⁴² Zsuzsanna Biedermann, "Cambodia today or is China eating America's lunch in Southeast Asia?" p. 145.

hosted a goodwill visits by a PLA Navy ship at the port of Sihanoukville.

In April 2010, in response to Cambodia's repatriation of Uighur asylum seekers back to China, the United States suspended its offer to provide Cambodia with two hundred military vehicles. The following month Prime Minister Hun Sen held discussions with President Hu Jintao on the sidelines of the Shanghai World Expo. President Hu pledged to provide 255 military trucks and fifty thousand military uniforms in a package valued at US \$14 million.³⁴³

China capitalized on the downturn in Cambodia-US defense relations by stepping up high-level engagement with Cambodia. In May 2010, for example, General Pol Saroeun, RCAF commander-in-chief met with General Chen Bingde, PLA chief of the general staff. General Chen promised that China would continue to provide personnel training and financial assistance for the construction of military schools, training centers, and medical facilities. In September 2010, Defense Minister Liang Guanglie hosted Deputy Prime Minister and Defense Minister Tea Banh in Beijing. They agreed to increase high-level contacts and the scope of security cooperation.³⁴⁴

In December 2010, China and Cambodia raised their bilateral relations to a cooperative strategic partnership. The previous pattern of high-level exchanges continued under this agreement. For example, in June 2011 Deputy Prime Minister and Minister of

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³⁴³ "China pledges military aid to Cambodia," *Press Trust of India*, May 3, 2010, <http://zeenews.india.com/news/world/china-pledges-military-aid-to-cambodia_623825.html>.

³⁴⁴ Robert Sutter and Chin-Hao Huang, "US Interventions Complicate China's Advances."

National Defense Tea Banh visited Beijing and met with Vice President Xi Jinping. They agreed to expand security cooperation.³⁴⁵ In May 2012, Defense Minister Liang Guanglie visited Phnom Penh where he signed an agreement on military cooperation with his counterpart Defense Minister Tea Banh.³⁴⁶ This agreement called for the continuation of joint training of military personnel and for China to continue to finance the construction of military training schools and medical facilities. In 2011, China provided uniforms and utility helicopters to Cambodia.³⁴⁷ And in January 2013, China and Cambodia signed a MOU to coordinate military human resources development.³⁴⁸

Security cooperation. China and Cambodia also cooperated to address non-traditional security issues on both a bilateral basis and under the auspices of ASEAN (discussed above). For example, China provided soft loans to Cambodia to enable it to purchase patrol boats for use by the Ministry of Interior. Between 2005 and 2007, Cambodia took delivery of nine patrol boats for use in maritime security.³⁴⁹

In February 2010, China and Cambodia signed a treaty on legal cooperation to address illegal immigration and transnational

345_ Robert Sutter and Chin-Hao Huang, "Managing Rising Tensions in the South China Sea."

346_ Robert Sutter and Chin-Hao Huang, "China Muscles Opponents on South China Sea."

347_ Steve Heder, *Cambodia: Capitalist Transformation by Neither Liberal Democracy Nor Dictatorship*, p. 106.

348_ Robert Sutter and Chin-Hao Huang, "China's Growing Resolve in the South China Sea."

349_ Sigfrido Burgos and Sophal Ear, "China's Strategic Interests in Cambodia: Influences and Resources," *Asian Survey*, Vol. 50, No. 3, (2010), p. 620.

crime.³⁵⁰ In November the same year, China's Minister of Public Security Meng Jianzhu and his Cambodian counterpart, Minister of the Interior Sar Kheng, meet and agreed to expand bilateral cooperation in law enforcement, counter-terrorism, drug control, and other transnational crimes.³⁵¹

In May 2010, Cambodia hosted the thirtieth ASEANPOL (ASEAN Police) Conference in Phnom Penh. China's vice minister for public security, Zhang Xinfeng, attended. Zhang pressed the participants to increase dialogue and information exchanges to address terrorism, illicit arms smuggling, human and drug trafficking, white-collar financial crime, and cyber crime.

Bilateral Relations

Cambodia's relations with China may be characterized as a patron-client relationship.³⁵² This relationship is highly asymmetrical due to China's size and economic power. But as one specialist argues, "Cambodia is far from powerless in this dyad. Cambodia's natural resources, its roles in multilateral forums, and its geographic position in the heart of Southeast Asia all give it the potential to help advance China's pursuit of economic development and a larger diplomatic and strategic footprint."³⁵³ In sum, Cambodia accrues considerable political, economic and commercial benefits as China's client. As noted by one Cambodia specialist,

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³⁵⁰_ Robert Sutter and Chin-Hao Huang, "Trade Agreement Registers China's Prominence."

³⁵¹_ Robert Sutter and Chin-Hao Huang, "China Reassures Neighbors, Wary of US Intentions."

³⁵²_ John D. Ciorciari, "China and Cambodia: Patron and Client?," *IPC Working Papers Series*, No. 121 (International Policy Center, University of Michigan, 2013).

³⁵³_ *Ibid.*, p. 6.

“Chinese financial assistance is critical not only for Cambodian economic development but also for the CPP’s legitimacy. Infrastructural projects, made possible largely by Chinese loans and grants, have earned the CPP credibility.”³⁵⁴

In return for the benefits received, Cambodia provides Chinese commercial interests with preferential access to its economy, land, and natural resources and also offers China political support on a number of regional and international issues, including the South China Sea dispute. One Cambodian specialist summed up relations this way, “In short, Cambodia depends on China economically, while China needs Cambodia politically and strategically.”³⁵⁵

China’s massive economic presence has its downside. Both the Cambodian elite and ordinary citizens have expressed concern over backroom deals and the lack of transparency in the award of contacts, corruption, illegal logging, unregulated mining, and forcible eviction from land turned over for Chinese concessions. More significantly, over time the patron-client relationship “has taken on an increasingly clientelistic character” as Cambodia’s elite have become ever-more dependent on Chinese aid and the Cambodian government ever-more “beholden to the PRC’s policy concerns.”³⁵⁶

Conclusion

China has invested much political and economic capital in

³⁵⁴– Un Kheang, “Cambodia in 2012: Beyond the Crossroads?,” p. 148.

³⁵⁵– Heng Pheakdey, “Cambodia-China Relations: A Positive-Sum Game?,” p. 79.

³⁵⁶– John D. Ciorciari, “China and Cambodia: Patron and Client?,” pp. 5-6.

Laos and Cambodia. China has done so primarily for economic reasons: it seeks access to agricultural produce and natural resources needed by its fast growing economy, and it seeks to develop a market for Chinese goods and services. Much of China's development assistance and investment is directed at building up the transportation and energy infrastructure and extractive industries in both states. China also promotes the integration of its southern provinces, Yunnan in particular, with mainland Southeast Asia. Chinese development assistance and investment is also aimed at creating a transportation network from southern China to mainland Southeast Asia. Thus, Laos's geo-strategic location as a transportation hub is of crucial importance. China has a special interest in cooperating with Laos to maintain border security.

China is also motivated by political interests. China seeks to develop friendly relations with Laos and Cambodia in order to solicit support for a range of policy issues of importance of Beijing. For example, all of the long-term bilateral cooperation agreements that China signed with ASEAN members in 1999-2000 contain a clause supporting the One China policy. This was particularly important in the case of Cambodia under the FUNCINPEC-led government that developed commercial ties with Taiwan.

ASEAN plays a critical role in China's foreign policy. This factor elevates the importance of Laos and Cambodia in a multilateral setting. It is in China's interests to have good relations with these states (and other ASEAN members as well) as a conduit for Chinese political and economic influence. In 2012, for example, when Cambodia was ASEAN chair, China used its influence in Phnom Penh to shape ASEAN discussions on the South China Sea. Cambodia was rewarded for its cooperative behavior. Laos assumes the ASEAN Chair in 2015.

Both Laos and Cambodia pursue a policy of bandwagoning with China primarily in order to accrue economic benefits.³⁵⁷ Both states maintain good political relations with China in the expectation of favorable political treatment. Policy makers in Vientiane and Phnom Penh pursue policies that minimize points of possible friction. Laos appears to have been more successful in maintaining its autonomy than Cambodia because of the strong economic role of Thailand and Vietnam. Laos pursues an evenhanded policy in its external relations by carefully balancing its external relations. Cambodia has been less successful because its relations with Thailand are troubled by a border dispute and because its relations with Vietnam are a contentious domestic political issue. The Hun Sen-led CPP regime has not pursued a balancing policy but has become dependent on China.

Nevertheless China's bilateral relations with Laos and Cambodia are not trouble-free. There are similar concerns in both countries about the domestic impact of China. As noted in the discussion above, both countries share concerns about the transparency of commercial contracts, bribery and corruption, environmental degradation (illegal logging, land grabbing, dam construction), Chinese domination of the market place, and illegal settlement of ethnic Chinese.

There are two major forces at work that will shape China's relations with Laos and Cambodia. First, Laos and Cambodia will be able to shore up their autonomy through the process of ASEAN community-building now underway. Second, China's massive in-

³⁵⁷ for a discussion on bandwagoning see Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia*, Vol. 27, No. 2 (2005).

vestment of economic and political capital in Laos and Cambodia will create a self-sustaining momentum in their bilateral relations. This momentum will be reinforced by closer economic integration between China and ASEAN as they work to enhance the ASEAN-China Free Trade Agreement.