

CHAPTER 1

Cambodia's Strategic and Security Situation and Prospects: Implications for Defense Policy

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Introduction

After three decades of civil war and international isolation and a two-year transition under the United Nations (UN) in 1993, Cambodia entered a new era of political stability and international recognition. The relative peace and stability in Cambodia since 1993 has allowed the Royal Government of Cambodia (RGC) to focus on its core national interests -national reconstruction and economic development. Cambodia has achieved significant progress since the 1990s; it is the first United Nations sponsored elected democratic government transitioning towards a multi-party democracy, reducing poverty and moving towards a market oriented economy model. With support from the international community, the RGC adopted a vision of a prosperous, diversified, dynamic, resilient society and economy with equitable distribution of opportunities. The overarching ambition of RGC is for Cambodia to reach upper-middle income country status by 2030 and high-income status by 2050.¹

In order to achieve its development goals, Cambodia advanced the 'open sky policy' that is reintegrating Cambodia politically and economically into the region and the world.² Within Cambodia, it is hoped that successful regional and international integration will improve the economy, and generate opportunities to attract investment and reduce poverty. Cambodia's commitment to enhanced regional cooperation is seen through its active engagement in a number of regional and international forums such as the Association of Southeast Asian Nations (ASEAN), the Greater Mekong Subregion (GMS), as well as ASEAN Regional Forum (ARF).

¹ 'Excerpts to address of Samdech Akka Moha Sena Padei Techo Hun Sen Prime Minister of the Royal Government of Cambodia on National Development Strategy, 'Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase III of the Royal Government of Cambodia of the Fifth Legislature of the National Assembly,' Phnom Penh, Cambodia, September 2013, <http://faolex.fao.org/docs/pdf/cam145560.pdf>.

² 'Excerpts to address of Samdech Akka Moha Sena Padei Techo Hun Sen Prime Minister of the Royal Government of Cambodia on National Development Strategy, 'Rectangular Strategy for Growth, Employment, Equity and Efficiency' Phase II at the First Cabinet Meeting of the Fourth Legislature of the National Assembly at the Office of the Council of Ministers,' Phnom Penh, 26 September 2008, http://www.aideffectiveness.org/media/k2/attachments/Rectangular_Strategy_Phase_II_1.pdf.

The RGC has made and continues to make great efforts to implement a comprehensive reform and development program to improve security, ensure stability and social order, rebuild civil society and reduce poverty. Prime Minister Hun Sen has reiterated the vital importance of reform by stating that ‘reform is a matter of life and death for Cambodia.’³ Although Cambodia has made positive political and economic improvements in recent years, the aspiration of the RGC to turn Cambodia into a liberal democracy and prosperous society has not yet become a reality as Cambodia has continued to face a wide range of political, economic, and security development challenges.

While there has been some recent successes in generating more impressive levels of economic growth, high levels of inequality leave a large proportion of the population in poverty. According to the World Bank, approximately 40% of the population remain living below or close to the poverty line.⁴ Cambodia also remains one of the poorest countries in ASEAN and is heavily dependent on assistance from the international community to sustain its economic development notably from the US and China.⁵ These countries are themselves involved in a competition for influence in South East Asia.

The practice of liberal democracy has also not come easily to Cambodia. Cambodian Prime Minister Hun Sen has continued to consolidate power since his Cambodian People’s Party (CPP) won a landslide victory in 1998. The CPP achieved a controversial victory in 2013 and appears likely to repeat its success in the future. This political dominance has had a negative effect on the political democratisation process within Cambodia. According to Carl Thayer, ‘The dominance of the CPP and Prime Minister Hun Sen raise serious questions about the future of economic reform and liberal democracy in Cambodia.’ This issue will be discussed in great detail in the following section.

Three key security factors have significantly underpinned Cambodia’s strategic challenges. The first strategic challenge is related to the current domestic political

³ Ibid.

⁴ World Bank Press Release on February 20, 2014, ‘Poverty has fallen, yet many Cambodians are still at risk of slipping back into poverty, new report finds,’ <http://www.worldbank.org/en/news/press-release/2014/02/20/poverty-has-fallen-yet-many-cambodians-are-still-at-risk-of-slipping-back-into-poverty>

⁵ C Ek and H Sok, ‘Aid Effectiveness in Cambodia,’ Wolfensohn Center for Development, Working Paper 7, *Brookings Institute*, December 2008, http://www.brookings.edu/~media/Files/rc/papers/2008/12_cambodia_aid_chanboreth/12_cambodia_aid_chanboreth.

deadlock between the two major political parties, the ruling Cambodian People's Party (CPP) led by Prime Minister Hun and the major opposition Cambodia National Rescue Party (CNRP). The current political contestation has significant challenges for Cambodia's national development as well as foreign policy.

The second major strategic challenge for Cambodia relates to economic security and the requirement to balance the strategic competition between China and the US to gain influence within Cambodia. This external power competition has a significant impact on Cambodia's political and economic circumstances as Cambodia remains heavily dependent on foreign aid for political and economic development as can be seen today. The key challenge is that while China and the US are the largest providers, they are competing for their own interests and influence in Cambodia and in the wider South East Asian region. The third challenge facing Cambodia is centered around managing its relationship with China and ASEAN claimants in the context of territorial disputed South China Sea. This environment presents itself as one of the most challenging difficulties for the kingdom's contemporary foreign policy.⁶

Cambodia also faces a range of geographical security issues which are a challenge to its national security and development. Land and maritime border disputes with the neighbouring states of Vietnam, Laos, and Thailand have been long standing challenges. While the border disputes with Vietnam and Laos are being resolved through improved bilateral arrangements, the recent border clashes with Thailand are much more hazardous for Cambodia's security. This situation is made worse by the maritime dispute known as the Overlapping Claims Areas (OCA) between Cambodia and Thailand following the discovery of oil and gas in the Gulf of Thailand. In 2009 Thailand unilaterally revoked the 2001 Memorandum of Understanding (MOU) regarding the area of their OCA to the Continental Shelf as a result of its frustration with the failure to resolve the land border dispute. Cambodia remains highly optimistic that offshore natural resources could significantly boost its economy by as much as US\$1.7 billion per year by 2021.⁷ This challenge will not be discussed in great detail in this paper. However, some implications with the country's defence policy will be briefly discussed.

⁶ Cheunboran Chanborey, 'The South China Sea and ASEAN Unity: A Cambodian Perspective,' *Cambodian Institute for Strategic Studies*, September 5, 2016.

⁷ International Monetary Fund (IMF), 'Cambodia: Selected Issues and Statistical Appendix,' *IMF Country Report*, 2007, <http://www.imf.org/external/pubs/ft/scr/2007/cr07291.pdf>.

Overview of Cambodia's Current Political Landscape

In what should represent a landmark year for the Cambodian people, free from the terror of the Khmer Rouge regime for more than 35 years, 2014-2016 instead began with stark reminders of a conflicted past. The 28th July 2013 national election was seen as a critical turning point to realise the process of democratisation. Unfortunately, it sparked a political crisis that caused a government deadlock and rising tensions between the ruling and the opposition parties. The crisis has shown that Cambodia continues to face the challenges of building both national unity and social stability among its citizens. The crisis also indicates the failure to find a compromise for the interest of the people and the nation. The contested and controversial election result has brought about political struggles between the ruling party - the Cambodian People's Party's (CPP) led by Prime Minister Hun Sen and the opposition Cambodian National Rescue Party (CNRP) led by Sam Rainsy. The election resulted in a tight victory for the ruling CPP (68 seats to 55).⁸

The victory should have ensured Prime Minister Hun Sen, who has been in power for more than 30 years, another five-year term. However, the opposition party strongly rejects the result, calling for an independent investigation into election irregularities and voter fraud, boycotting the Parliament and calling for the international community to intervene. At the same time, the opposition has triggered mass protests across the capital of Phnom Penh as leverage to force the ruling elites to relinquish more power. The political situation has been exacerbated by the government's deadly crackdown on tens of thousands of striking garment workers demanding an increased minimum wage. The simultaneous events culminated with the Cambodian Army accused of killing four protestors and jailing scores of others.⁹

Contemporary Cambodian politics have been marred by a pattern of quests for absolutism dependent on the people's submission. The recent demonstrations reflect a constituency historically dissatisfied with a political culture that has failed to unite the Khmer people, and rulers that have consistently resorted to militarized reactions to quell instability and maintain legitimacy. Unfortunately, this is not new in Cambodia.

⁸ Vannarith Chheang, 'Hun Sen Stands Firm on Election Results,' *East Asia Forum*, October 4, 2014.

⁹ Rick Valenzuela, 'Cambodian Tensions Escalate Amid Protest Ban,' *Voice of America*, January 08, 2014, <http://www.voanews.com/content/cambodia-tensions-escalate-amid-protest-ban-/1826071.html>.

The political struggle between the ruling and opposition parties and the nationwide strikes by union workers has led to significant economic challenges for the government. Cambodia is heavily dependent on the export earnings of the growing number of factories—mainly garment and textile industries—exporting to major European and American companies. This sector represents 80 percent of all exports, accounts for 18 percent of all economic activity, and is worth US\$5 billion annually.¹⁰

Cambodia's strategic challenge is that both ruling and opposition parties have used China, the US, and the West for their political objectives before and after the election. During the election campaign, the opposition party called on the US and the West for political support, accusing the ruling government of not respecting the democratic principle, violating human rights, as well as a flawed justice system and corruption. Some US lawmakers threatened to cut aid to Cambodia if the election was not 'credible and competitive.'¹¹ China endorsed the victory of the ruling party, stating that its success would ensure the continuation of a healthy relationship. In contrast, the US, UN, and other western countries criticized the government for using excessive and brutal measures in cracking down on striking workers and then banning demonstrations; seeing this as a significant setback in Cambodia's democratic, rule of law development. Both the US and European Union (EU) have not recognized the result and called for Cambodia to independently investigate the alleged election irregularities.

The international community has urged both sides to keep the situation under control and, as noted, reactions to the current crisis were mixed. While China remains silent, reactions from Western countries have been unsurprisingly critical as the country's democratic rule eroded and human rights have been violated upon. The US, as well as the EU, expressed their grave concern about 'the dangerous political escalation' in Cambodia in which the ruling government uses the juridical system to harass, intimidate and jail political, land and human right activists. According to EU statement, 'We urge the Cambodian authorities to resume as soon as possible a peaceful and constructive dialogue with the opposition, which we see as a prerequisite for the legitimacy of the forthcoming elections.'¹² As for the US, it

¹⁰ 'In Cambodia, Political Instability Threatens Economic Prosperity,' *Stratfor*, August 19, 2013.

¹¹ Matthew Pennington, 'Pressure Grows for US to Cut Aid to Cambodia,' *Associated Press News*, 4 July 2013, <http://news.yahoo.com/pressure-grows-us-cut-aid-cambodia-055818662.html>.

¹² 'No End in Sight as Cambodian Political Crisis Deepen,' *Radio Free Asia*, May 31, 2016

has tied political reform to its continued relations with Cambodia. Speaking at the Cambodian Institute for Cooperation and Peace (CICP) in Phnom Penh as part of his visit to the four countries—the Philippines, Malaysia, Thailand, and Cambodia in 2015, US Assistant Secretary Danila Russel stressed that ‘the agreement between ruling and opposition parties was an important first step for reform... And both major parties acknowledge the importance of delivering on the people’s call for meaningful reform.’ Russel made it clear that the ‘failure to implement democratic reforms could have an adverse impact on foreign investors and thus damage Cambodia’s economy.’¹³ In short, the international community and major powers such as China and the US still play an important role in breaking the political deadlock to facilitate the development of democracy.

Cambodia between the US and China’s Strategic Competition

Security and stability in the Asia Pacific in the 21st century is contingent upon strategic competition for influence over a wide range of vital interests in the region between China and the US. It is clear that China’s aspiration to predominance, as a strategic equal to the US, has created a rivalry in the relationship between the two great powers. This competition significantly impacts on Southeast Asia in general and Cambodia in particular. Southeast Asian countries, including Cambodia, face tough decisions regarding their involvement with the two superpowers; balancing their relationship with them so that their own interests are not compromised but advanced, and the greatest benefit gained.

Cambodia has undeniably come under China’s economic and political influence and has become one of China’s closest international partners and diplomatic allies. China and Cambodia reached agreement on a Comprehensive Partnership for Cooperation deal in April 2006 and raised this to a Comprehensive Strategic Partnership of Cooperation status in 2010, marked as milestones of deep and comprehensive cooperation. Prime Minister Hun Sen recently described China as a ‘most trustworthy friend’ for Cambodia. During an official visit by King Norodom Sihamoni to Beijing in early June last year, Chinese President Xi Jinping described Cambodia as a ‘good neighbour, like a brother’ and ‘a good friend with sincerity.’¹⁴

¹³ Carl Thayer, ‘The rebalance in Southeast Asia: not about containment,’ *The Diplomat*, February 27, 2015.

¹⁴ Veasna Var, ‘China’s Influence in Cambodia,’ *Khmer Times*, June 29, 2016.

Cambodia is also heavily dependent upon overseas development assistance (ODA) from Japan, the US, Australia, and Europe totalling around US\$500 million annually. The country is the fifth largest recipient of US foreign aid in Southeast Asia after Indonesia, the Philippines, Vietnam, and Myanmar. The US is the Cambodia's largest single country export market as well as a major source of private investment.

Cambodia consequently finds itself in a challenging strategic environment. US–China competition in Southeast Asia presents Cambodia both with dangers and opportunities. Given that both countries have played, and continue to play, an important role in boosting Cambodia's economic and security development, Cambodia should carefully balance relations between China and the US.

The US and China have different motivations, policy characteristics, and interests in relations with Cambodia, in particular in providing aid assistance. As such, they not only compete for but sometimes conflict in their influence. Whereas the US has been the strongest supporter of democratisation, social, economic, and political development, trade, investment, regional security, civil society, and most importantly human rights, China has taken the lead in developing infrastructure such as roads, bridges, and public buildings. The key strategic interest of the US in Cambodia is to strengthen democracy and the rule of law, whereas China places greater focus on the exploitation of natural resources, furthering business ties and gaining political advantage.

The two countries also have different approaches to achieve their goals in Cambodia. While US aid is tied to strict conditions, Chinese aid has a 'no strings attached' approach, leading to conflicting interests. The 'no strings attached' policy of China - meaning that China does not require documented proof of the appropriate use of funds—can have the consequence of the funds at times being implicated in corruption, poor governance or human rights issues. China's approach differs from the US policy of requiring proof of the use of funds, and conflicts with the value the US places on democratic accountability. At the same time, China's policy of non-interference in internal affairs, which differs from US interference, can, in contrast, be seen to promote Cambodia's own efforts for good governance and democracy.¹⁵

¹⁵ Veasna Var, 'Cambodia's Strategic Relationship with China and the United States: Implications for Cambodia's Development Aid,' *European Academic Research* 5, no. 2 (May 2016): 1721-1722.

Most American assistance to Cambodia has not been directly provided to the government. Rather, it has been made available through USAID to local and international NGOs operating in Cambodia and has focused on democracy and good governance. USAID has also provided for social, health care, education and economic development. The US has also provided support directly to the Cambodian government in a wide range of military cooperation areas, such as humanitarian assistance, promotion of peacekeeping, increasing maritime security and broadening Cambodia's counterterrorism strategy.¹⁶ However, assistance is subject to strict conditions and if it is assessed that democratic principles are violated, its provision could immediately cease. This was evident following the internal political turmoil in Cambodia in July 1997, when the US suspended all aid programs, including military assistance, because it considered the actions of the government to go against the principles of democracy and human rights. The relationship between the US and Cambodia subsequently declined.¹⁷

By comparison, China's policy of 'non-interference in domestic affairs' means that assistance is offered without conditions being placed on democratic reform, human rights, or environmental protection. China has never addressed or criticised human rights or electoral issues in Cambodia. For example, while the US and the international community overwhelmingly condemned Hun Sen's seizure of power in July 1997, China let the domestic process reach its own conclusion.¹⁸ While this gesture garnered appreciation from the Cambodian government, which regarded it as respectful of Cambodian sovereignty, it may also be considered to be potentially detrimental to 'ordinary people,' the farmers, and the workers, with the potential to result in unchecked oppression, leading to social unrest and violence, as can be seen today.¹⁹

It has been argued that Chinese aid is not transparent, and there is no standard operating procedure regarding its disbursement. In a country where the standards of

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ See for example, Kosal Long, 'Cambodia- China Relations,' *Cambodia Institute for Cooperation and Peace (CICP)*, Working Paper no. 28 (July 2009).

¹⁹ See for example, 'China-built dam in Cambodia set to destroy livelihoods of 45,000,' *South China Morning Post*, September 20, 2015, <http://www.scmp.com/magazines/post-magazine/article/1858974/china-built-dam-cambodia-set-destroy-livelihoods-45000>; Milton Osborne, 'The Mekong: River Under Threat,' *Lowy Institute for International Policy*, Lowy Institute Paper no. 27 (2009): 13-15, http://www.lowyinstitute.org/files/pubfiles/Osborne_The_Mekong_WEB.pdf.

government accountability are at times questionable, there may be inefficiencies or corruption with senior government officials siphoning these funds off for personal gain. While Chinese aid does not directly impact upon Cambodian internal affairs, it does have the potential to do so indirectly, either positively, by benefiting all people, or, negatively, by enriching the few.²⁰

China has become the largest donor and provider of foreign investment in Cambodia, greatly benefiting Cambodian development. However, China's national interests in Cambodia are extensive. China's cultivation of closer ties with Cambodia is primarily motivated by hard-nosed economic self-interest and the pursuit of wider strategic goals in Southeast Asia. Economically, China is thirsty for natural resources and China is heavily investing in Cambodia's natural resources such as timber, gas, oil, rubber, fertile cropland, and minerals (gold, silver, and iron ore). Aid provides enhanced security for the supply of vital natural commodities.²¹

In return for Chinese 'unconditional' aid (but with an expectation in return), one of China's most important strategies is to garner support for the One China policy, of which Cambodia is one of the most loyal proponents. As a result, the Cambodian government decided to expulse Taiwan's liaison office in 1997 and declined a request from Taiwan to re-establish an economic office in Cambodia in 1998, despite the incentive of millions of dollars of Taiwanese investment that were offered.²² Cambodia also provides support to China regarding regional issues. For example, the Cambodian government has supported China's opposition to multilateral negotiations regarding the South China Sea dispute. During its 2012 chairmanship of ASEAN, Cambodia backed the Chinese interest regarding the South China Sea dispute with some ASEAN member states, which resulted in the failure to issue a joint communiqué for the first time in ASEAN's 45-year history.²³ This has resulted in suspicion towards Cambodia by some ASEAN members. Similarly, Cambodia is reluctant to strongly criticise or protest environmental issues resulting from Chinese policies. This is best demonstrated by Chinese dam building on the Mekong, which

²⁰ See for example, John D. Ciorciari, 'China and Cambodia: Patron and Client,' *International Policy Center Working Paper No. 121*, Gerald R. Ford School of Public Policy University of Michigan, June 14, 2013: 11-17, <http://ipc.umich.edu/working-papers/pdfs/ipc-121-ciorciari-china-cambodia-patron-client.pdf>.

²¹ Sigfrido Burgos and Sopal Ear, 'China's Strategic Interests in Cambodia: Influence and Resources,' *Asian Survey* 50, no. 3 (May/June 2010): 615.

²² Marks Paul, 'China's Cambodia Strategy,' *Parameters* 30, no.3 (Autumn 2000): 95-6.

²³ Alvin Cheng-Hin Lim, 'Sino-Cambodian Relations: Recent Economic and Military Cooperation,' *Eurasia Review*, June 30, 2015.

is being tolerated despite potential environmental devastation affecting millions of Cambodians who depend on this water for drinking, irrigation, fishing, and sediments that naturally fertilise the land—in short for their food, their water, their sanitation and, in many instances, their income.²⁴

The recent US intervention in the Mekong River region, the Lower Mekong Initiative (L.M.I.) launched in 2009, has clearly shown that the US is counterbalancing China's rising influence in Southeast Asia.²⁵ Yet disagreement on democratic practice and human rights issues has posed significant challenges for the US in wishing to broaden its bilateral relationship with Cambodia. Cambodia–US relations, although considerably improved since 2007 when the US government lifted a ten-year ban on direct bilateral aid to Cambodia in response to Prime Minister Hun Sen's alleged unlawful seizure of power in 1997, are usually strained whenever there have been serious human rights violations or contested elections in Cambodia. Despite the US being committed to deepening relations with Cambodia as part of its 'pivot' strategy in the region, respecting human rights is still a condition of involvement.

This was evident during the 2012 meeting between US Secretary of Defense Leon E. Panetta and Cambodian Minister of National Defense General Tea Banh, when the US, though committing to military ties, strongly emphasised democracy and human rights protection. During President Obama's visit to Cambodia for the 2012 East Asian Summit, talks with Hun Sen on human rights, fundamental political freedoms, and elections in Cambodia were tense. According to then-US Ambassador to Cambodia William E. Todd, 'As President Obama made clear in his meeting with Prime Minister Hun Sen on the margins of the EAS, lack of progress on issues related to democracy and human rights is an impediment to the United States and Cambodia developing a deeper bilateral relationship.'²⁶

The Cambodian government faces a strategic dilemma in weighing the trade-off between the value of economic infrastructure and its impact on the ecology and the

²⁴ See for example, Evelyn Goh, 'China in the Mekong River Basin: The Regional Security Implications of Resources Development on the Lancang Jiang,' *Institute of Defence and Strategic Studies Singapore*, no. 69 (July 2004): 11, <https://www.rsis.edu.sg/wp-content/uploads/rsis-pubs/WP69.pdf>.

²⁵ Ernest Z. Bower, 'U.S. Moves to Strengthen ASEAN by Boosting the Lower Mekong Initiative,' *Center for Strategic and International Studies (CSIS)*, July 24, 2012, <https://www.csis.org/analysis/us-moves-strengthen-asean-boosting-lower-mekong-initiative>.

²⁶ William E. Todd, 'The US-Cambodia Relationship: A Work in Progress,' *The Ambassadors Review* (Spring 2013): 6, <http://www.ciaonet.org/attachments/23086/uploads>.

livelihood of the people; between unconditional Chinese aid and investment and between the US effort to promote a stable Cambodia by improving democracy, good governance, human rights and political freedoms. These are challenging issues, as both models contain clear benefits as well as evident limitations.

China's policy of non-interference is appreciated by the Cambodian government which regards it as respectful of Cambodian sovereignty. However, it can be seen to provide an opportunity for Cambodia to have a 'free ride' on the efforts of the international community, in particular the US, to get Cambodia on the right track for democracy, good governance, and human rights, since Cambodia can ultimately turn to China when it disagrees with these. As Sophal Ear, author of *Aid Dependence in Cambodia: How Foreign Assistance Undermines Democracy*, pointedly puts it: 'When Cambodia falls under pressure from international bodies to reform its human rights abuses, corruption, oppression of its people, or misuse of power, it turns to China for financial support.'²⁷ This dynamic was evident in 2011 when the World Bank suspended lending over mass forced eviction of villagers from Phnom Penh's Boueng Kak Lake development area and Cambodia simply turned to China for financial support.²⁸

It is good for Cambodia to have foreign investment to develop its economy independently and with ownership. However, the lack of transparency of Chinese investment can prove problematic. It seems that Chinese firms have pursued their own benefits and interests without considering the long-term environmental impact on local communities. For example, Chinese-built hydro-electric dams in Cambodia's Mekong mainstream and tributaries seriously affect the hydrological system and thereby the communities who heavily depend on the river for their livelihoods.²⁹

Like that of China, US assistance makes significant contributions to Cambodia's development in most fields. Since renewing relations with Cambodia in 1993, US involvement has focused on the upholding of democratic development, the

²⁷ Sophal Ear, 'Aid Dependence in Cambodia: How Foreign Assistance Undermines Democracy,' (New York: Columbia University Press, 2013), 29-30.

²⁸ Mark Tran, 'World Bank suspends new lending to Cambodia over eviction of landowners,' *The Guardian*, August 11, 2011, <http://www.theguardian.com/global-development/2011/aug/10/world-bank-suspends-cambodia-lending>.

²⁹ See for example, Mervyn Piesse, 'Livelihoods and Food Security on the Mekong River,' *Future Direction International*, Strategic Analysis Paper, May 26, 2016: 6, <http://www.futuredirections.org.au/wp-content/uploads/2016/05/Livelihoods-and-Food-Security-on-the-Mekong-River.pdf>.

protection of human rights, the practice of good governance, the rule of law, reducing the threat of terrorism, and bringing the country's former Khmer Rouge leaders to justice. Cambodia's democracy is still not yet mature. Therefore, the US has played an important role in building a sustainable democracy by supporting civic participation, human rights, the rule of law, and accountable governance. The US has actively supported Cambodia's political development through programs that foster democratisation and political accountability. However, the strict conditions attached to American aid have sometimes caused troubled relations.

Cambodia's Dilemma at Sea: Between China and ASEAN

The South China Sea has become a flashpoint for conflict between China and some of its ASEAN neighbours, particularly the Philippines and Vietnam. China's recent construction of facilities on man-made islands as well as the deployment of weapons including anti-aircraft and anti-missile systems has raised tensions and risked the militarisation of competing claims by other states.

The US claims considerable national interests to be at stake in the South China Sea, particularly with regards to freedom of navigation as well as respect for international law. The US is also asserting its role as protector of ASEAN partners and allied. This was evident during a regional meeting in Kuala Lumpur in August 2015. The US Secretary of State John Kerry asserted that the US will not accept any restrictions on freedom of navigation or overflight in the disputed South China Sea.³⁰

Since 2012, the South China Sea has re-emerged as the most significant challenging foreign policy dilemma for Cambodia. While as a non-claimant, the Sea is not of direct concern for Cambodia, it holds great relevance to Cambodia as a member of ASEAN. Cambodia has been accused of siding with China at the expense of ASEAN and therefore, the South China Sea disputes are damaging the unity of ASEAN.³¹ This accusation is primarily based on the fact that China has become Cambodia's largest foreign investor and biggest economic benefactor. The giant is also the biggest military assistance provider to Cambodia. Thus, it has led some analysts and

³⁰ 'South China Sea Dispute John Kerry says US will not Accept Restrictions on Movement in the Sea,' *ABC News*, August 7, 2015.

³¹ Sukmawani Bela Pertiwi, 'Is ASEAN Unity in Danger from the South China Sea?,' *The Diplomat*, August 3, 2016.

commentators to portray Cambodia as a Chinese 'client state.'³²

The level of Chinese influence was evident when Cambodia held the ASEAN Chairmanship the second time. Cambodia supported China's 'core interests' in South China Sea disputes which resulted in ASEAN's failure to produce a Joint Communiqué following its 45th Annual Ministerial Meeting in Phnom Penh in July 2012. It was the first time in the history of ASEAN there was no communiqué as arguably; Cambodia refused to play the customary role of seeking agreement among the ten ASEAN members. As a result, Cambodia has been criticised by its closest ally–Vietnam, and other ASEAN members and the international community for lacking an independent foreign policy. The failure discredited the Prime Minister Hun Sen's commitment to play a neutral leadership role in settling regional related issues–'Cambodia would fulfil its leadership role responsibly and would work to neutrally moderate and mediate all regional and international issues.'

Cambodia, however, insists the failure to issue the communiqué was caused not by intransigence on its part or any lack of effort to find common ground among all parties concerned. Desponding to this criticism, the Phnom Penh government claimed that 'Cambodia has, again and again, become a victim of the South China Sea issue because of unjust accusations.' Prime Hun Sen asserted that the failure of the bloc to have a unify communiqué, known as the 'Phnom Penh Fiasco,' was not from Cambodia but it was from the claimant states, referring to pressure from the Philippines and Vietnam to incorporate their strong wording in the joint communiqué. He also blamed some ASEAN claimant states for 'trying to drag Cambodia into the dispute' stating that 'they have a dispute, but they get Cambodia to be responsible.'³³

Similarly, the kingdom faced a significant challenge at the ASEAN Summit in Vientiane, Laos early September 2016 where Cambodia again was portrayed as a 'thorn' inside the regional bloc. Before the meeting, Prime Minister Hun Sen expressed his objection regarding the verdict by the Permanent Court of Arbitration (PCA) by stating that Cambodia 'will not make any joint declaration to support the decision of the court.' The Phnom Penh government's argument was that the

³² John D. Ciorciari, 'China and Cambodia: Patron and Client?,' *International Policy Center Working Paper No. 121*, Gerald R. Ford School of Public Policy, University of Michigan, June 14, 2013.

³³ Cheunboran Chanborey, 'The South China Sea and ASEAN Unity: A Cambodian Perspective,' *Cambodian Institute for Strategic Studies*, September 5, 2016.

Philippines government unilaterally brought the South China Sea case to the court which is seen as having serious implications on internal ASEAN and ASEAN–China relations. Prime Minister Hun Sen argued that ‘It is the Philippines who sues China. Let the Philippines deal with it, why call for ASEAN support.’ The kingdom has urged major powers - referring the US to refrain from what he called ‘pouring oil into the flame and try to keep détente in relations on the South China Sea.’

As for the government’s response, Cambodia’s foreign minister reaffirmed Cambodia position that ‘Cambodia maintained its rightful stance that it would side with any party’ and that Cambodia has contributed considerably to prevent the situation in the South China Sea ‘from falling into deteriorated atmosphere via the facilitation of all relevance parties.’ He also accused the Philippines itself which won an arbitration ruling in its dispute with China of having agreed to not include a phrase in the joint statement.

The official and political position of the Cambodian government on the South China Sea has been aimed at (1) continuing implementation of the 2002 Declaration on the Conduct of parties in the South China Sea (DOC) (2) urging ASEAN and China to make an utmost effort to finalise the code of conduct (COC), and (3) encouraging the claimant states and China to resolve their issue peacefully and bilaterally, not between ASEAN and China. Clearly, Cambodia has consistently maintained this stance since its first ASEAN chairmanship in 2002.³⁴ However, this stance has been interpreted as favouring China’s side which some critics claim, give China a substantially more advantage and leverages over its much smaller neighbours at the negotiation table.

However, to many critics, Cambodia is under China’s enormous political and economic influence, it has no choice but to side with China over the South China Sea disputes. This was more apparent when China announced a further US\$600 million aid package to Cambodia almost immediately after The Hague verdict. Moreover, a week after the meeting in Laos, China embarked its powerful economic diplomacy by expressing its commitment to finance a Cambodian request for a 12–story office building for the country’s National Assembly.

³⁴ Veasna Var, ‘Cambodia Looks for Middle Ground in the South China Sea,’ *East Asia Forum*, June 20, 2015.

Implications for the Defense Sector

Since 1993, military reform in Cambodia has been driven by the complete end of civil war. Moreover, the strength from the integration of all factions into a unified Cambodian military, the Royal Cambodian Armed Forces (RCAF), was considerably large and reached around 203,821. Under the UN, only 36,000 soldiers out of the planned 150,000 were demobilised. Another objective for the reform of the military has been to lower military spending as well as to transfer the savings made from demobilised soldiers to the development of priority sectors such as health, education and rural development.

In 2000, the RGC recognised the end of the civil war by releasing the first ever Cambodian defense strategy document, the Defense White Paper (DWP), titled *Defending the Kingdom of Cambodia 2000: Security and Development*. The White Paper advocates a significantly smaller and more effective military force in the future. To achieve this reform, DWP calls for the demobilisation of 55,000 troops from a total force of 160,000, and a restructuring of the defence organization. The government planned to downsize the RCAF organizations from over 20 divisions into 12 brigades. It also aimed at training more young officers, mainly abroad, and establishing more military bases and barracks.

The RGC has achieved some successes in this. In international cooperation, the RGC has sent its RCAF demining unit on a UN mission for the first time, participating in Sudan since 2006. Troops have been sent to other countries in Africa such as Chad and Central Africa, and Lebanon, where Cambodia led as a second leading military UN mission force among ASEAN nations. Troops were also sent to take part in military exercises in Mongolia, Bangladesh, and Indonesia. Two multinational military exercises were hosted, namely, the 'Angkor Sentinel' in 2010 and 2011 with support from the US government's Global Peace Operations Initiative (GPOI). The RGC, however, did not achieve its target to reduce RCAF personnel by 25 to 30 percent by 2010 as stated in DWP 2006. The delay in downsizing meant the RCAF plan to replenish ten percent of new recruits by the year 2010 (which was to be implemented under the compulsory service law or reserve system) could not be met. Consequently, restructuring of military organizations has not been fully achieved.

A consequence of rising tensions with Thailand since 2008 has meant the RGC has stalled the downsizing program. The 'deep reform' program has focused on the priority of border defense including maritime and land borders. Strategic roads, bases, communication facilities, and villages have been built along the border. The RGC has purchased new military equipment for the purpose of national defense. Military training exercises have been actively conducted at all levels. At the same time, more soldiers have been recruited.

As a result of rising border tension with its more powerful western neighbour, Cambodia's defense spending has also increased considerably. According to the Australian Defense Force's Defense Economic Trends 2015 report as seen in the figure below, the country's military expenditure increased yearly from just US\$100 million in 2008 to about US\$277 million in 2014.³⁵ The defense spending continued to rise in 2016 up to US\$383 million and US\$455 million for 2017, a total of US\$4.3 billion and US\$5 billion as the national budget respectively.³⁶ In defending its defense budget increase, the government asserts that the majority of the increase in defense expenditure allocated for ever-increasing pension and salary costs for military personnel.³⁷

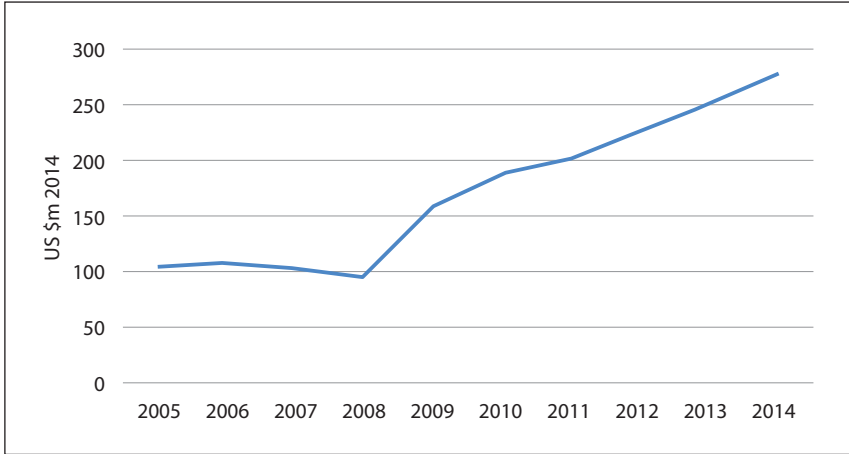
However, some analysts posit that apart from utilising the 'deep reform' to protect its sovereignty dispute with Thailand over the Preah Vihear temple, the budget could possibly be served by improving the force by the ruling government to curb the anti-government activists. As mentioned earlier, the military forces have been involved in cracking down on demonstrators and political activists in the context of country's current contesting domestic politics by the ruling government.

³⁵ Australian Department of Defence, 'Defence Economic Trends in the Asia Pacific 2015,' http://www.defence.gov.au/dio/documents/DET_15.pdf.

³⁶ Jon Grevatt, 'Cambodia boosts 2017 defence budget,' *IHS Jane's Defence Weekly*, November 18, 2016.

³⁷ Ibid.

Cambodia Defense Budget



Source: Australian Department of Defense, 'Defense Economic Trends in the Asia Pacific 2015,' http://www.defence.gov.au/dio/documents/DET_15.pdf.

This can be seen in a recent tension between the opposition and the ruling parties when the armed forces were used to threaten and attack opposition political activists. During the 2014 mass protests of garment workers across the capital Phnom Penh, demanding an increased minimum wage of US\$160, the Cambodian army accused of killing four protestors and jailing scores of others.³⁸

As far as the border dispute with Thailand is concerned, although there is no clash between the two countries at the time of writing, the situation is unpredictable as both forces are remaining stationed in the conflicting zone. As the main driver of the clash is from domestic politics from both sides but arguably, mainly from Thai, the situation could go wild anytime.³⁹ Prime Ministers from both sides, but especially from the Phnom Penh government, have sought cooperation to prevent future. As Paul Chambers, a professor of international relations at Chiang Mai University in Thailand was quoted by the local media, 'Hun Sen, despite displays of cooperation with the current military regime in Thailand, most assuredly does not fully trust it.'⁴⁰

³⁸ Rick Valenzuela, 'Cambodian Tensions Escalate Amid Protest Ban,' *Voice of America*, January 08, 2014, <http://www.voanews.com/content/cambodia-tensions-escalate-amid-protest-ban-/1826071.html>.

³⁹ See for example, Charnvit Kasetsiri, Pou Sothirak and Pavin Chachavalapongpum, 'Preah Vihear: A guide to the Thai-Cambodian Conflict and Its Solution,' (Bangkok: White Lotus Press, 2013).

⁴⁰ Ben Paviour, 'In Peacetime, Cambodia's Military Spending Soars,' *The Cambodia Daily*, November 24, 2016.

A further implication is that Cambodia is caught between China and US and between China and ASEAN claimant states. The current strategic competition for influence between the two superpowers and the ongoing tensions between China and ASEAN claimant states over the South China Sea have pushed Cambodia even closer the Chinese sphere of influence. China has emerged as Cambodia's most significant military partner. Recently, China has provided considerable military training. The giant also helped Cambodia's military to significantly expand its training capabilities. China has provided Chinese military instructors and Chinese language teachers. China provided Cambodia with US\$60 million in soft loans to buy nine patrol boats and financed Cambodia's upgraded naval base in Ream. China also lent Cambodia US\$195 million to purchase Chinese-made Zhishengji-9 twin-engine light utility helicopters and provided training for 25 pilots and mechanics.⁴¹ Beijing has actively engaged in military exercises with the kingdom's military in late February 2016 with a naval exercise and in mid-December with an army drill code-named 'Dragon Gold' 2016. This military exercise is seen as signaling the closest ties between the two militaries since the Khmer Rouge was in power.

Benefiting from their staunchest ties, Beijing and Phnom Penh have pursued the strategic construction of a deep-water port on Cambodia's which is now close to operation. The project suggests that China's growing military ties with a small but strategically important kingdom in the Southeast Asian bloc is overtaking the US' military assistance with Cambodia. Cambodia's strategic positions in both ASEAN and the Mekong region that borders the South China Sea have made the kingdom one of the most crucial elements for Chinese's strategic ambition in pursuit of regional domination in Asia, driven by President Xi Jinping's strategy for China to become a maritime superpower.⁴² It is strategically important to China because the new port on the Gulf of Thailand coast lies just a few hundred kilometres from the disputed territories in the South China Sea (see the map below). As Financial Times quoted Geoff Wade—an expert on Asia—as saying this port is part of Chinese port investments network in Asia, in particular in Sri Lanka, Pakistan, Myanmar, Bangladesh, Thailand, and Indonesia.

⁴¹ Thomas Lum, 'Cambodia: Background and the U.S. Relations in Brief,' *Congressional Research Service*, May 11, 2015.

⁴² See, Michael Peel, James Kyngge and Leila Haddou, 'China Draws Cambodia Closer in Diplomatic Embrace,' *Financial Times*, September 1, 2016.



Source: Michael Peel, James Kyngé and Leila Haddou, 'China Draws Cambodia Closer in Diplomatic Embrace,' *Financial Times*, September 1, 2016.

The new port, which is part of a US\$3.8 billion project on a 90 km stretch of the kingdom's coastline, will be extremely important in China's pursuit of regional domination in Asia. Financed and built by the Tianjin Union Development Group (UDG), a Chinese company with the support of the PLA and operating under a 99-year-lease from the Phnom Penh government, the port is deep enough to accommodate cruise ships, bulk carriers or naval vessels of up to 10,000 tonnes in weight. Some analysts explain that port facilities could handle a number of Chinese navy frigates and destroyers.⁴³

⁴³ Michael Peel, James Kyngé and Leila Haddou, 'China Draws Cambodia Closer in Diplomatic Embrace,' *Financial Times*, September 1, 2016.

China's assistance to the Cambodian navy can also be seen as improving its capacity and capability in order to protect China's interests in Cambodia, especially relevant ports that import and export Chinese goods and to protect interests such as sugar, tourists, and industries from Koh Kong province. Consequently, China has assisted Cambodia's naval capability by providing a number of patrol boats and warships. Although China argues that the purpose of this naval capability is to strengthen Cambodia's maritime security to deter pirates and drug smugglers, this assistance can be seen as an overt attempt to establish a military bulwark to counteract present and future threats in the region.

By comparison, as noted earlier, US military aid to Cambodia is relatively small and has often been held as a result of political tension. This was evident when Cambodia decided to suspend some military cooperation with the US in 2013 after the US congressmen criticised election irregularity and urged the country to have it investigated. The US provided military aid for military equipment and technical assistance worth US\$4.5 million. The US military has engaged with the Cambodia military in a number of areas such as naval port visits, military assistance, and joint exercises related to international peacekeeping, civic action, humanitarian activities, and maritime security.

The US provided support in a wide range of military cooperation areas to improve RCAF's capability in humanitarian assistance, peacekeeping, maritime security and to broaden Cambodia's counterterrorism strategy. Unlike the Chinese approach, all of this assistance is subject to strict conditions and if it is assessed that the principle of democracy is violated, its provisions could immediately cease. This was evident during the internal political turmoil in the Cambodian government in July 1997. The turmoil resulted in the US suspending all aid programs, including military assistance because the US considered the actions of the coalition government to be against the principles of democracy and human rights.

As noted earlier, RCAF has committed to a long-term process of reform and force structure review which appears to be aligned with the western defence policy. Cambodia has demonstrated its intention to enhance bilateral defence relations with the US with the expectation that the US will contribute to the RCAF's modernization process. The US and other major donors such as Australia are committed to helping the RCAF develop a new 'forward-looking' Cambodia DWP in 2006.

This DWP emphasizes the importance of the role the RCAF plays in promoting Cambodia's international prestige through participation in peace and humanitarian mission within the framework of the UN requests. It also addresses Cambodia's need to address major non-traditional security issues that threaten national security, and developments such as international terrorism and transnational crime, and called for international assistance to help build and strengthen the RCAF's capacity and capability to fully contribute to UN peacekeeping. The DWP states:

The RCAF must also consider developing a number of capabilities to contribute to international cooperation... in order to enhance these capabilities more effectively, cooperation and support from experienced friendly countries are needed. The coordinating committee for force deployment to UN peacekeeping missions was established as a national mechanism to coordinate and liaise with the UN as well as various national and international agencies.⁴⁴

Although there is still some frustration and concern with Cambodia's human rights record, the US has supported Cambodia with a wide range of assistance, notably, UN peacekeeping operations which align with Cambodia's strategic interest in promoting the country's prestige on the international stage through deploying its RCAF members. Since 2010, the US has sponsored the Cambodian military UN Peacekeeping exercises under the Global Peace Operation Initiative (GPOI) in Cambodia. 2016 marked the seventh iteration of the annual bilateral military exercise hosted by the RCAF and sponsored by US Pacific. The exercise has played an important role in not only strengthening RCAF's capability in the areas of UN Peacekeeping, humanitarian assistance, and disaster relief but also improving military-to-military cooperation between the two countries. Prime Minister Hun Sen regards the US sponsored regional humanitarian and peacekeeping exercises as 'a symbol of the strong military ties between the US and Cambodia.' In short, clearly, the US and China, as well as other countries, have been crucial players in contributing to the reform policy of the RCAF. It is also clear that China and the US have different policies toward the kingdom which could eventually lead to a strategic dilemma for Cambodia in managing this relationship without compromising.

⁴⁴ Cambodia's government Defence White Paper 2006.

Prospects for Regional Cooperation: Some Concluding Thoughts

As mentioned above, Cambodia faces both internal and external strategic and security challenges. These challenges are seen as a complex interaction in the context of a current great power heated competition. Cambodia's strategic environment continues to present a dilemma because of competition between China and the US, as well as China and ASEAN claimants, over the South China Sea for regional influence. Clearly, Cambodia has a tough choice regarding how and under what conditions to interact with the two superpowers, and with the South China Sea disputes between the giant and ASEAN claimants. This requires a thoughtful and careful response to balance them.

It seems the best option for Cambodia is to walk a tightrope - treading a clear and wisely crafted path, balancing China and the US and China and ASEAN simultaneously. This option arguably promises to deliver the best outcome for Cambodia. It is possible for Cambodia to benefit from both superpowers and ASEAN to create a better future for itself and its people. The US wants Cambodia to be democratic, a free market economy committed to the rule of law which supports international norms of human rights, good governance, etc. The assumption is that this will create a stable and secure Cambodia. The US would expect Cambodia's policies to be consistent with its national interests and those of other close US allies, such as South Korea and Japan, and also key players in boosting Cambodia's development.

It seems unwise to align only with China or the US. Taking sides with either of these two superpowers presents significant risks for Cambodia. Cambodia could be a friend to both China and the US and benefit from its relationship with both countries. The key strategic interest for Cambodia is that new infrastructure and the ensuring of human rights will lead to a prosperous and secure country. Both superpowers' approaches have their benefits, and Cambodia's task is therefore to balance the needs of both and to offend neither.

Cambodia must resolve its own domestic priorities, such as ending contesting political deadlock, the elimination of corruption, cronyism, forced evictions, land evictions, the protection of human rights, the integrity of elections, etc. Separately, Cambodia must determine whether it benefits or loses from Chinese and American investments and involvement in economic, military and political affairs. Cambodia

could introduce its own democratic and electoral reforms to satisfy US conditions. It will benefit from acting in accordance with international commercial norms in dealing with China.

Arguably, Cambodia can be in an effective position to play the role of an honest broker in reducing ongoing tensions between China and the United States, fulfilling the former Cambodian Foreign Minister Hor Namhong's recent aspiration to play a more active regional foreign policy role. The US is shifting its priorities to the Asia Pacific Region, making China nervous. This provides an ideal opportunity to upgrade the kingdom's influence. Cambodia has particularly good strategic relations with both giant as well as with ASEAN, and each have actively courted Cambodia in recent areas, especially in regards to economic and military relations.

It would be wise for Cambodia to use this opportunity to reduce tension between the two superpowers, as well as between China and the claimant states of ASEAN, and enhance international order. By fulfilling this important task, Cambodia would be seen as role model contributing to peace and stability in the region. At the same time, Cambodia could benefit from harmony and peaceful cooperation between the two superpowers. Cambodia's ambitious foreign policy would also play a more active role if Cambodia was to mediate regional disputes between China and ASEAN South China Sea claimant countries, mainly Vietnam. However, this may not come to pass unless Cambodia strictly adheres to the proposed option: to tread a clear line striking a balance between China and the US simultaneously.

An environment of mutual respect for independence and for common interests between Cambodia, the US, and China, and ASEAN member states will support reaching the very best outcome for all involved parties. Cambodia's best long term interests lie in regional initiatives, ASEAN, Mekong regional development, and working to harmonise foreign relations as far as possible with countries in the region. China and the US are both key players in the region and key observers of ASEAN. Thus, favouring the US or China to the exclusion of the other is not the best option for Cambodia. Cambodia's history has shown that choosing sides may lead to disaster.

It has been argued that the South China Sea is a region of considerable importance to most countries in the world because it is one of the busiest international sea lanes

in the world. It has been described by Robert Kaplan as 'the throat of global sea routes.'⁴⁵ As for China and ASEAN, the latter has made great effort to manage the dispute multilaterally through dialogue and consultation with China. However, ASEAN has not yet been successful in playing a mediating role because of a lack of consensus among its member states on how to address sovereignty disputes. Each ASEAN state has its own views and national interests and these prevailed. The problem is the practical reality that all disputants have a considerable economic dependency on China which is ASEAN's largest trading partner and consequently, economic considerations can be understood to influence the thinking of each member to varying degrees.⁴⁶ The majority of states are also anxious about the possible impact of taking a strong stance against China could have on their bilateral diplomatic relations. All ASEAN states backed the Chinese establishment of the Asian Infrastructure Investment Bank. As a result, it is unlikely that ASEAN itself could form the consensus or one voice to confront China's strategic interest in the region. Consequently, this issue will have significant impacts on ASEAN's aspirations for an integrated ASEAN Economic Community.

Therefore, Cambodia and other members need to find new ways to pursue a more inclusive approach and united stance on the South China Sea dispute with China in a peaceful and mutually beneficial manner or it will face increasing criticism from the international community. Options that remains open for ASEAN include ongoing consultation with China through the actualisation of a binding code of conduct. However, this option will be complicated since China considers that the dispute in the South China Sea is not a matter between China and ASEAN but a bilateral issue between China and concerned countries. However, it seems there are no better choices for ASEAN but to pursue political negotiation with China which can be seen as aligning with the bloc charter that ASEAN follows as the principle of peaceful settlement of disputes.

⁴⁵ Robert D. Kaplan, 'The South China Sea is the Future of Conflict,' *Foreign Policy*, September/October 2011.

⁴⁶ Nargiza Salidjanova, Iacob Koch-Weser and Jason Klanderma, 'China's Economic Ties with ASEAN: a country-by-country analysis,' *US-China Economic and Security Commission*, March 17 2015, <http://origin.www.uscc.gov/sites/default/files/Research/China's%20Economic%20Ties%20with%20ASEAN.pdf>.