



**Politico-economic shifts in Cambodia:
democracy no longer a norm in Southeast Asia?**

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Executive Summary

The incumbent Cambodian People's Party (CPP) helmed by Prime Minister Hun Sen reportedly won every Senate seat, the upper chamber of the country's legislative body, in elections that were held on February 25. While the results itself were no more than just a formal announcement of the CPP completely taking over the country's legislature, it has been perceived as a significant step toward Prime Minister Sen's consolidation of power. These developments come in the backdrop of the dissolution of the primary opposition party and the systematic crackdown on independent media.

For a country that is ostensibly dependent on its export economy, as well as foreign development assistance, how can the country's leader conspicuously adopt steps that would attract economic sanctions? Similar to the Maldives, is Beijing's unrelenting economic support for an authoritarian leader a significant factor in the Cambodian leadership's confidence to undermine democratic institutions? Can one of the least developed countries from among the Association for the Southeast Asian Nations (ASEAN) afford to undertake a path that would alienate it from its neighbouring partners and be indebted to Beijing? Furthermore, are the West's economic sanctions and suspension of development aid to Cambodia fair in the face of the US and EU's more tolerant attitude towards other southeast nations' such as Myanmar and the Philippines actions toward their own population?

The following report will be an attempt to address the aforesaid questions while also understanding the geopolitical underpinnings of the developments in Cambodia and the short- and long-term implications for the region. At a time when Beijing is seeking to extend its strategic partnerships with nations across the world through its Belt and Road Initiative (BRI), the significant reliance of a seemingly Democratic country singularly on Beijing for economic assistance will likely make the country grossly indebted. Given that such a position is likely to give Beijing a commanding stance to dictate political terms to a nation such as Cambodia in the future, global trends suggest the potential emergence of an era of Neo Imperialism dominated by economic dependence that will shape the region's geopolitics.

Hun Sen and the consolidation of power: solidifying authoritarianism?

General elections in Cambodia are slated to be held in the country on July 29 amid a crackdown on primary opposition party Cambodia National Rescue Party (CNRP) and independent media and civil society organisations in the country. On February 27, a local court ordered the seizure of the CNRP headquarters over the payment of charges on a defamation case to Prime Minister Hun Sen. This development follows the formal dissolution of the CNRP by the country's Supreme Court in November 2017 and a five-year political ban on 118 the opposition party's members. Meanwhile, Kem Sokha, is serving a prison sentence over alleged treason charges for colluding with the US to overthrow the Hun Sen regime since September 2017.

Incidentally, the dissolution of CNRP, the arrest of Sokha and ban of media affiliated with the United States followed commune elections in June 2017 that saw the CNRP make inroads into traditional CPP strongholds. The elections were not perceived to shift the national political sphere, but definitely as a bellwether for the 2018 general elections. In that light, the recent crackdown on the primary opposition party, which gained relevant prominence among the Cambodian electorate during the local elections, can be perceived as a preemptive measure by PM Hun Sen to ensure the CPP's majority victory in the July elections.

The above assessment can be further understood when taking into account the outcome of the 2013 general elections and the consequent protests. In an election that was ostensibly characterised to be fraudulent, the CPP only managed to secure a slim majority while the CNRP gained popularity among the Cambodian electorate as a relevant opposition under the aegis of President Sam Rainsy and Kem Sokha. The accusations of fraud against the elections led to nearly-unprecedented protests in the country, with the population unanimously calling for the resignation of Prime Minister Hun Sen. However, the protests were abruptly culminated after the police shot dead five garment workers who had been participating in the protest.

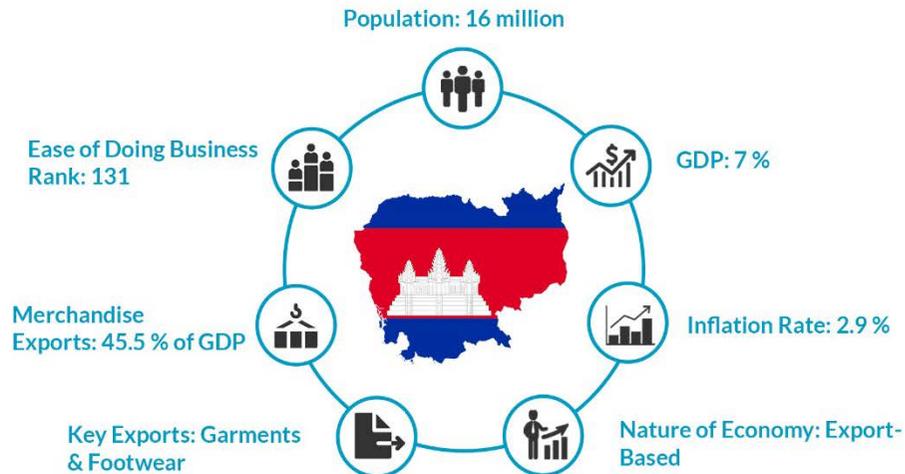
Keeping the aforesaid pattern of events in mind, coupled with the CNRP's recent gains in the commune elections, Prime Minister Hun Sen's crackdown for effectively eliminating his political opposition was an attempt to facilitate a smooth CPP victory in the impending elections. Furthermore, the Supreme Court's role in the suspension of the opposition party and the National Election Committee's deferral to the government line with regard to the recent Senate elections point toward the institutional support that Prime Minister Sen enjoys within the domestic political sphere. The absence of institutional independence can further be cited and observed in the Cambodian military's conspicuous support for Prime Minister Sen and his CPP. In 2015, the Commander-in-Chief of the Royal Cambodian Armed Forces claimed loyalty of the country's armed forces to the CPP because of the party's role in envisaging the armed forces in 1979. One of the aspects under consideration in the sustained institutional loyalty to CPP has been the constant assurance of relevant party roles for leaders of these institutions. This assures leverage for the CPP and Prime Minister Sen to command loyalty from institutions that are expected to be independent of the Executive for the able functioning of a democracy.

Overall, it can be understood that while the perceived repression of any opposition by the incumbent government assumed a more pronounced role in the past years, Prime Minister Sen's attempt to consolidate power by making the governance branches interdependent have been a pattern over a period of time. Furthermore, an observation of Phnom Penh's attempt to seek international support also highlights the incumbent government's strategy to exploit traditional geopolitical and ideological rivalries for its gains. By denouncing the US' role in the country and allowing Chinese investment expansion in the country, while also seeking support from Russia and Vietnam, the country is allowing itself to bandwagon with countries that are unlikely to demand democracy as a precondition for aid.

In such a scenario, for a developing economy that is among the most impoverished nations of ASEAN, can geopolitical machinations allow the country to renounce economic support from the West, especially as the current political climate has invited serious condemnation and revocation of economic privileges from the US and EU?

PIVOTAL INDICATORS OF CAMBODIAN POLITICAL ECONOMY (2015 - 2016)

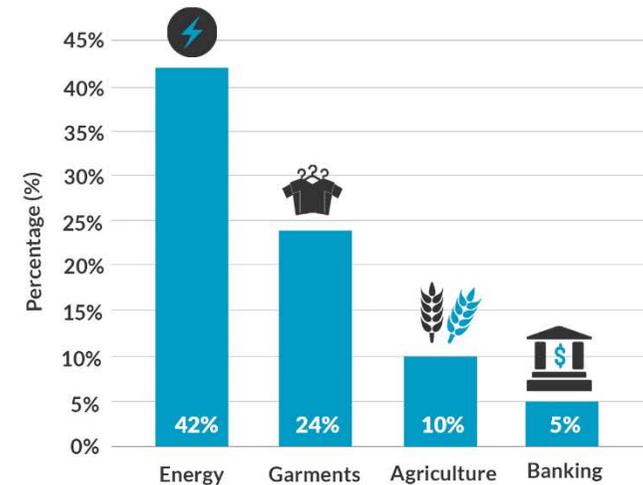
Key Economic Statistics of Cambodia



Largest Foreign Investor: China

Investment: 4.6 billion USD (31.2 % of total FDI)

Key Sectors of Chinese Investment:
(in relation to total FDI)



Foreign Direct Investment Inflows (figures in million USD)



Source: National Bank of Cambodia

Geopolitical reactions and Beijing's sustained economic support

Since the decade of 1990s and the establishment of a democratic regime in Cambodia, the country has been heavily reliant on foreign economic assistance for its sustenance. While a lot of its infrastructural projects are dependent on the Official development assistance received from countries such as China, Japan and South Korea, the country is also heavily reliant for its core revenue from exports to regions such as the EU and other countries in the West. In such a scenario, an attempt by the US and the EU to impose trade barriers and sanctions is predicted to significantly impact the Cambodian economy. However, in light of continued assistance from China, how significant are any economic sanctions for Phnom Penh?

The EU is the largest market destination for Cambodian commodities, with exports amounting to over 4 billion USD in 2016. Textiles and footwear constituted most of the exported commodities, which constitute over 40 percent of the total exports of the country. Currently, Cambodia enjoys the benefits of being under the US and the EU's preferential tax-free and quota-free trade agreements. The ouster of the country from these preferential trade practices will reportedly lead to Cambodia paying upto 676 million USD in taxes on its Europe exports. The US State Department has issued a visa ban on senior Cambodian government officials following the dissolution of the CNRP. However, an impending bill in the US Congress calls for a blanket ban of American funding for the Cambodian government, thus suspending loans and aids that seek to finance anything but those that are prerequisites to meet 'basic human needs'.

On the other hand, while Germany independently suspended preferential visas for members of the Cambodian government, both the US and the EU have suspended funding for the July national elections. However, while the EU is said to have been contemplating targeted economic measures, including the preferential trade measures, the larger perception is that these measures will not witness implementation. This is especially the case due to the larger perception of the absence of any sanctions against other Southeast Asian nations perceived to be undertaking repressive measures against

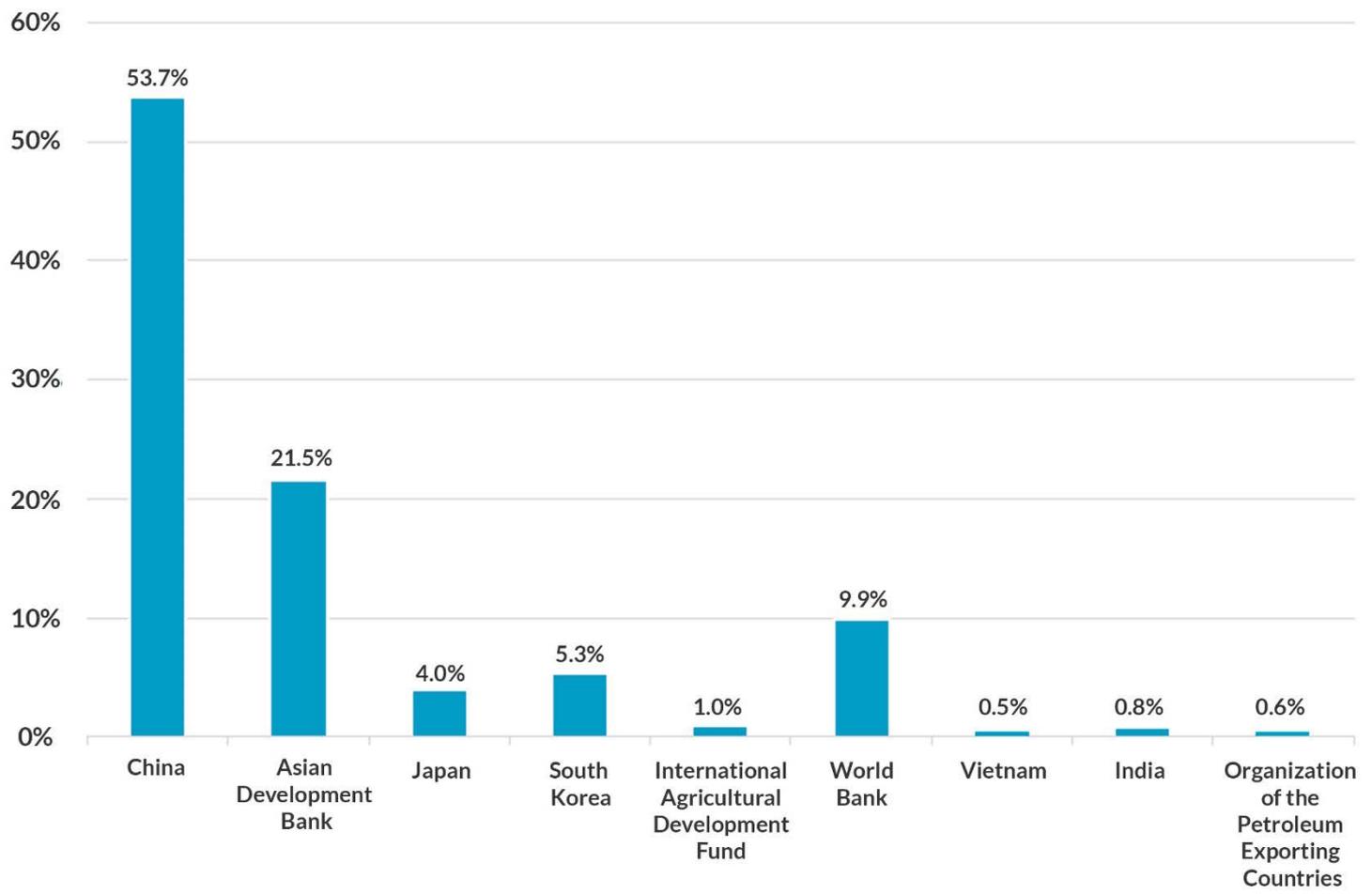
their population. The Filipino extra-judicial killings under incumbent President Rodrigo Duterte and the Myanmar government's alleged human rights violations in regard to the Rohingyas in the country's Rakhine state while have attracted widespread condemnations, have not resulted in economic sanctions per se by the EU.

Furthermore, countries such as Japan, Australia and South Korea although have raised concerns regarding the questionable political climate in Cambodia, have stopped short of suspending or leveraging their ODA to Cambodia in return for 'restoration' of democracy. Apart from the geopolitical considerations, one of the most important reasons that are likely to have had a role in preventing the imposition of wide-ranging economic sanctions for undermining democracy is because of Beijing's overwhelming economic support for Cambodia at this time.

One-time rivals during Beijing's support for the Pol Pot regime in Cambodia, Prime Minister Sen has become increasingly reliant on China's tacit political support and economic aid to increasingly be vocal with his anti-US rhetoric in the country. The two countries signed 19 bilateral Memorandums of Understanding (MoUs) during Chinese Premier Le Keqiang's visit to Cambodia earlier this year. The investments from China are significant for infrastructure development in Cambodia, with the pledged Sihanoukville Special Economic Zone and the Phnom Penh-Sihanoukville Expressway under the One Belt, One Road programme of China. Beijing's reluctance to intervene in the political developments has allowed Prime Minister Sen to exploit the US-China rivalry in order to optimise the country's national interests.

An additional factor that favours increased Chinese role is ASEAN's sustained trade with China, with the latter being the region's largest trading partner. Beijing's bilateral engagements with the Philippines, Indonesia, Thailand, and Vietnam makes Cambodia's economic relations with China in line with the the region's growing reliance on the latter, particularly in the face of a diminished US role in the Asia-Pacific. In such a scenario, Beijing's role in strengthening an alliance with Cambodia can be chalked up to envisaging an alliance structure in the region that would with time grant Beijing the status of a regional hegemon.

Source of Cambodian Government Debt in 2016



Source: National Bank of Cambodia

Asean's limited role and economic reliance on China: signs of Neo Imperialism?

Considering the aforesaid factors, one of the most prominent questions have been regarding Beijing's attempt to manoeuvre geopolitical influence by ensuring economic dependence, particularly from developing and impoverished economies. In this case, Beijing's extension of economic support for a very low-income economy such as Cambodia can also be attributed to China's strategic calculations. With an ally in Cambodia and possible influence over Laos, Beijing would be in an authoritative position on the Southeast Asian nations' foreign policy negotiation table.

Furthermore, ASEAN's rule of non-interference in internal political matters effectively renders a significant role by the multilateral group in dictating the political designs of the country unlikely. Beijing's role becomes all the more significant due to the possibility of China's economic aid replacing revenue from the EU as well as the US aid. While an export-driven economy is unlikely to remain insulated in the face of sanctions, which may result from predetermined election results in the absence of any opposition, vast sanctions also do not appear to be a possibility. This may particularly be the case as the largely rural population engaged in the manufacturing of commodities for exports are likely to be severely impacted due to sanctions on such commodities.

The characteristic of similar political, economic or social ideology no longer remains a factor that dictates alliance structures in international relations. Beijing, with its flagship BRI plan under President Xi Jinping, has facilitated an era of economic dependence that also in a way has redefined the idea of Neo Imperialism. With economic debt a significant factor and cultural assimilation due to the setup of Chinese enterprises in host nations, there is likely to be a simmering tension among the resident population leading to targeting the Chinese. These sentiments are likely to crystallise in the face of the perception of Chinese manufacturing units in Cambodia or Chinese enterprises that would undermine the success of local business. This makes the issue a potential catalyst for instability in a country that may already be a political tinderbox. That said, given that the current regime is likely to continue to secure support from a significant section of

the population due to the historical sentimentality of Hun Sen's fight against the repressive Pol Pot regime, a complete rejection of the current government is unlikely. However, the CNRP enjoyed a strong support base from among the younger generations which never encountered the repressions of the Khmer Rouge regime.

With a considerable unskilled young population that may be antagonistic toward Chinese masters, it remains upon young leaders who may be able to revive an able political opposition against the incumbent Hun Sen regime in Cambodia. While political instability may not be a distinct possibility in the immediate future of the country, increasing reverence for Chinese role and aid may not be positively perceived by the local population.



Image depicting protests by dissolved CNRP amid bolstered security

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