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The impact of China's economic activities in Cambodia: an equal partnership?

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List of abbreviations

WTO	World Trade Organisation
U.S.	United States of America
EU	European Union
ASEAN	Association of South-East Asian Nations
OECD	Organization for Economic Co-operation and Development
DAC	Development Assistance Committee
LDC	Less Developed Countries
FDI	Foreign Direct Investment
OFDI	Outward Foreign Direct Investment
ODI	Outward Direct Investment
SOE	State Owned Enterprise
CPP	Cambodian People' s Party
GDP	Gross Domestic Product
NGO	Non Governmental Organization
GNI	Gross National Income

1. Introduction

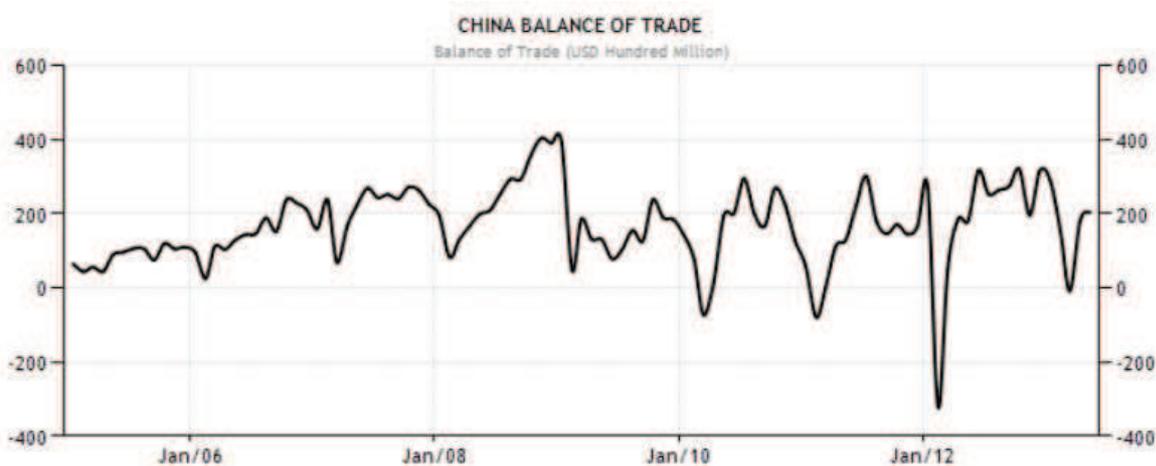
During the past decades, we have been able to witness great changes in the global economic power structure. The United States and the European Union have been firmly established commercial leaders and have pushed and led world wide business. Financial crises however came hard on those countries and shifted economic power. China, with its new open concept of communism mixing with capitalism, has become one of the largest economies in the world and was able to increase its global influence. Nowadays, China does not only need to focus on development within own borders but can also expand its activities into other regions. One current centre of China's attention is Cambodia, a small South-East Asian country with only 15 million inhabitants. This thesis will try to analyse why this economic giant is concentrating on a partnership with such a small developing country, about half the size of Germany, and will evaluate the profits for both participating sides. In order to do so, some of China's economic activities and their procedures in South-East Asia will be inspected first. While doing so, the focus lies on China's search for new sales markets including their behaviour as an exporting country, Chinese development assistance and Foreign Direct Investments. After this impression on China's general activities in Asia, the Kingdom of Cambodia will be introduced by regarding the political, social and economic situation. With this background knowledge, we will then proceed to the main part of the thesis. In order to evaluate China's incentives, special and exceptional conditions which are only given in Cambodia and are therefore making a major contribution to China's activities, will be revealed. The last three chapters will analyse the implementation of those earlier described activities of China as an exporter, donor and investor in Cambodia and will evaluate their impact on the Cambodian economy and population. In addition, further conclusions on the balance of this partnership will be drawn. Are both countries profiting? Can this partnership be describes as *equal*? Subject literature, dissertations, current articles and stats have been used for the research.

2. China as an economic protagonist in South-East Asia

2.1. Searching for new export markets

Together with the European Union, China is one of the world's largest exporters. Despite small fluctuations, exports have been mostly rising and the trade balance has been positive. However, as the following figure shows, the balance of trade experienced a significant drop in Spring 2012.

Figure 1: China Balance of Trade from 2005-2013



Source: (Trading Economics 2013, internet source).

The figure repeatedly shows a downward development of the trade balance during the months of January and February. An explanation for this phenomenon is the Chinese Spring Festival, one of China's most important holidays. During these two-week holiday, production and exports almost came to a stand still as the entire nation celebrates with their families. Nevertheless, the drop in 2012 is noteworthy as it had been the largest deficit in more than two decades (Censky 2013, internet source). International voices interpreted these figures as a first sign of the end of China's economic rise. In order to draw conclusions on the current economic development of China and its trade, one can not only focus on monthly results but needs to compare the overall development of the exports and imports. Results prove that the growth of exports has indeed slowed down compared to the previous years. This can be traced back to the European Crisis and the weak condition of the United States. (Censky 2013, internet source) Both nations have

been the biggest customers and purchasers of Chinese exports, followed by Hong Kong, Japan and South Korea (WTO 2013, internet source). As Chinese companies observe this shrinking demand, they have reacted by expanding their trade to other countries. Jacob (2012, internet source) published in the Financial Times, that exports to countries other than the U.S., EU and Japan have increased by 17% from May 2011 to May 2012. Especially markets in emerging and developing countries offer various capacities for Chinese products. China's efforts in seeking new markets has been concentrated on Latin America, Russia, Africa and South-East Asia. Literature mainly focuses on China's activities in Africa because this area awakened China's interest quite a while ago. (Jacob 2012, internet source) China's *go global* -campaign however, also included the promotion of closer relations to neighbouring South-East Asian countries in order to pursue a market diversification (Wang/Wu/Yao 2008, 15). Linked through their membership in ASEAN and a Free Trade Agreement, these countries offer perfect conditions for Chinese companies. Free trade, cultural proximity and political relations might have a positive effect and encourage the success of China's activities. To which extent Cambodia represents such a new market will be analysed later during this thesis. The next chapter will introduce an entirely different area of China's economic activity in South-East Asia, namely their provision of development assistance.

2.2. Providing Development Assistance

Many countries that donate development aid follow the international concept of the Organisation for Economic Co-operation and Development (OECD). Most of the experienced donors are part of the Development Assistance Committee (DAC) which has arranged a set of rules and goals that every member state must pursue. Countries like Germany, Japan, Canada and the United States devote their help to support peace building, the fight against poverty, system reforms and good governance in less developed countries (LDC). (OECD 2013, internet source) Throughout the last years, emerging countries like China and Thailand have begun to be noticed as donors of development aid as well. Even though China has been an active provider of aid to Africa since the 1950s, it never attempted to

become a member of the DAC. Since China was trading aid in return for resources other more *traditional* donors observed China's actions with scepticism. China's lack of interest in the DAC development assistance rules and the fear of communist influence after the Cold War caused criticism and worries. Due to its differences in strategy and values, China belongs to the group of so called *emerging donors*. In contrast to the DAC, these countries are trying to combine development aid with their own interests. China pursued goals include economic, geopolitical and political interests: The Chinese government reasons that the exchange of aid for resources leads to a mutual beneficial partnership. State-owned and private companies who invest and lead development projects are of great importance in the assistance strategy. As a result, the line between Chinese development aid and Chinese investments is quite indistinct. Nevertheless, China is certain that projects primarily trying to improve the host countries infrastructure, mining and energy supply will be more effective than traditional help because they lead to a more attractive investment environment which can attract more inflow of foreign money. This commitment to the host country also serves other purposes such as searching for new markets, promoting trade and political cooperation with the neighbouring countries, expenditures in the Chinese sphere of influence and the strengthened control of the borders in order to prevent smuggling or illegal immigrants. (Stato/Shiga/Kobayashi/Kondoh 2011, 2092-2096)

China is also very eager to provide military support. The donations of weapons, training and other military resources, however, contradict with the principles of the DAC which allows only a limited military assistance. Some critics describe China's aid as *toxic* and refer to the lack of responsibility. China is accused of ignoring environmental problems caused by its actions and was blamed for making its own interest the priority. Experts warn of negative effects for the recipients: Emerging donors will advertise and provide a broad variety of help but an excess of granted loans and unnecessary projects will burden the developing country and increase the long-term debt. Western governments also worry that non-democratic donors will influence the political development in recipient countries. (ibid. 2011, 2092-2099)

Again, literature concerning China's aid has been primarily focused on Africa. In chapter 4.3. we will try to evaluate China's commitment in Cambodia in order to estimate whether China's poor reputation as a donor of development aid is justified or simply a product of western thinking.

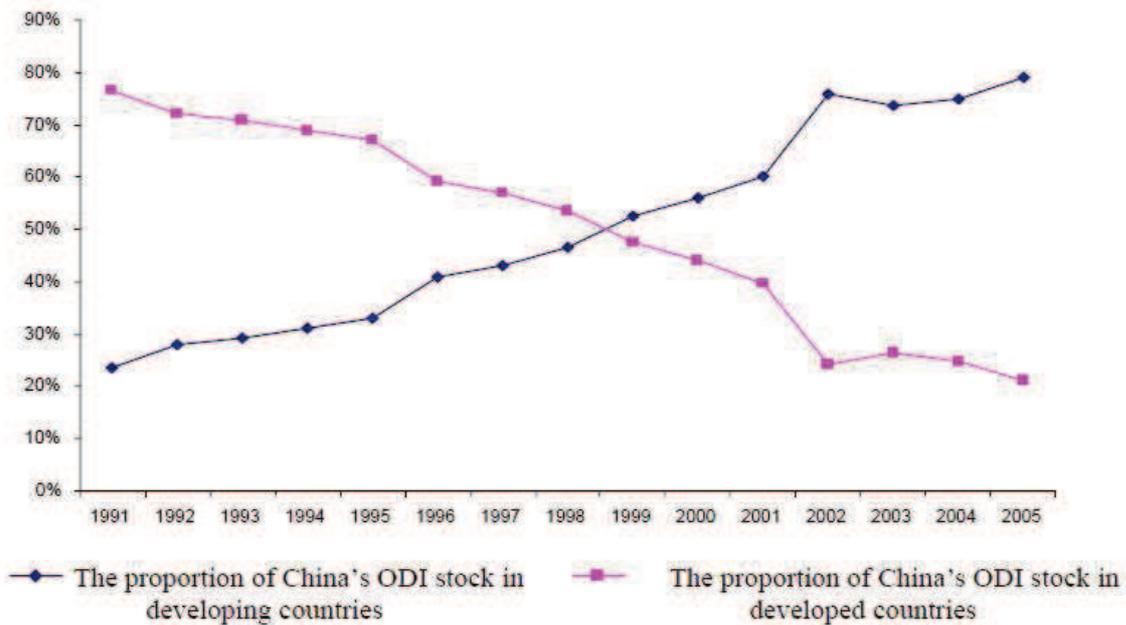
2.3. Redirecting Foreign Direct Investment

Through the search for new markets and the support of other countries through development aid, China has increased its investment activity. Compared to the huge amount of literature concerning Foreign Direct Investment (FDI) flows into China, its role as an investor has been largely neglected. In the last decades, China has attracted investments from countries all over the world and experts are worried that the concentration on China could have negative effects on other Asian LDC who also need foreign aid and investments. Yet numbers show, that China itself ranked 27th of all investors in 2005 and ranked 4th important investors in LDC in 2006 (Cheung/Qian 2009, 28). Between 2002 and 2004 about 96% of the Asian FDI stayed in Asia and mostly flowed into LDC with China being the most important investor in small ASEAN states. (Buckley/Cross/Tan/Xin/Voss 2008, 719; Kubny/Mölders/Nunnenkamp 2008, 16). This is a result of a shift in China's Outward Foreign Direct Investment (OFDI) strategy:

During the 1980s and 1990s, new technology was of highest interest to China. The investment was directed to already developed and industrialized countries that offered opportunities for new insights concerning technology, strategy and methods in order to promote economical success. At that time ASEAN countries only received 5% of China's investments while the major part of the money flowed into Europe or the United States (Kubny/Voss 2010, 2). In addition, China was trying to expand its exports by entering new, developed markets and was attempting to gain access to natural resources which were rare in the People's Republic (Buckley et al. 2008, 722).

The following figure illustrates the change in China's investment behaviour.

Figure 2: The Distribution of China's ODI among Developing and Developed countries 1991-2005



Source: (Cheung/Qian 2009, internet source).

Cheung and Qian used data from various issues of the *Almanac of China's Foreign Economics and Trade* to create this overview which compares the proportion of OFDI stock flowing into developing countries with those of developed countries from 1991 until 2005. The proportion of OFDI to developed countries in 1991 had a share of almost 80% which left less than 20% for the developing countries. However, the OFDI proportion for developing countries had been growing steadily throughout the years until the distribution of China's investments reached an equilibrium between 1998 and 1999. Since then developing countries have received the majority of China's OFDI which has been growing steadily and reached a percentage of 80% in 2005. (Cheung/Qian 2009, 5) This proves that China's investment strategy has shifted and new incentives must have replaced those of gaining knowledge and technology. The general incentives of OFDI are divided into the following sections and can also be used to evaluate China's goals:

Market-seeking

China's search for new markets, as mentioned in chapter 2.1., is not only an emerging necessity now, but has also been an OFDI incentive for many years. The expansion of Chinese products through the promotion of exports, avoidance of trade quotas and the search for new markets became of highest importance and was supported by China's membership of the WTO in 2001 and the ASEAN Free Trade Agreement.

Efficiency-seeking

Even though sources from 2008 could not see China's need for more efficiency, current developments have proven them wrong (cf. Buckley et al. 2008, 741). As a result of China's fast growing economy and its history, the seemingly endless supply of cheap work force has reached a bottleneck. Foreign investments and the relocation of labour-intensive production to cheaper countries has started to become very attractive.

Natural-resource seeking

China's rapid growth claims a high expenditure of natural resources and materials. Energy supplies need to be acquired and as fossil fuels and gas sources are very rare, the international competition is very strong. Thus China is interested in entering countries that have not attracted many other investors yet.

Strategic assets-seeking

While China's primary strategic asset incentive used to be the acquisition of knowledge, China is now very interested in expanding and establishing its brands. Chinese companies started to merge or to absorb internationally successful brands. The Chinese company *Lenovo* is an example of such a merger and has been cooperating with the American company *IBM* since 2005. Together they produce *ThinkPad* computers which are very popular. (Buckley et al. 2008, 735-741)

The Chinese government has always been the highest decision maker and controls the pursuit of these incentives. During the starting period of Chinese OFDI, only state owned enterprises (SOE) were allowed to expand abroad. Since the 90s these

restrictions have been lifted during the *go global campaign* and privatised companies can invest almost freely. Yet the applications for projects still have to be examined and permitted by the government. The Government's control is focused on the direction of the investment because certain economic sectors are prioritised. They are trying to prevent capital flight and wants to protect state owned assets. (Buckley et al. 2008, 720-724)

Overall, the Chinese government still seems to be the engine and the supervisor of OFDI and pursues a strategy which always focuses on its own economic benefits through cooperation with other countries. Just like the voice of criticism concerning China's development aid, the literature on Chinese investment is very negative as well. Especially China's commitments in Africa are estimated to be more of an exploitation than a mutually beneficial partnership (Kubny/Voss 2010, 1). This background knowledge of the Chinese approach towards Foreign Direct Investment will help to understand and interpret China's activities in different countries. The following chapters will introduce Cambodia as an example of a South-East Asian developing country that enjoys investments and development aid from China. Furthermore, China's reasons and activities in this country will be analysed.

3. Cambodia- an example of an LDC

3.1. Political background

The Kingdom of Cambodia has experienced foreign rules, war, riots and different political systems throughout the last centuries. During the 19th century, Vietnam and Thailand were both occupying parts of Cambodia. In contrast to the Thai occupation, Vietnamese troops were highly aggressive and did not hesitate to kill innocent people. In the year 1854 the Cambodian king asked France for protection and French troops successfully drove back Vietnamese invaders. In addition to the established French protectorate, other parts of the country were lost and controlled by Thailand. During World War II, Japan attacked Cambodia and more provinces were lost. Although France protected the remaining parts of Cambodia and introduced modern changes like the prohibition of slavery and tried to improve the

legislative-executive balance, Cambodia's new king tried to regain the country's self-government. In 1953, France withdrew their power and granted independence. However, subsequent power struggles burdened the country. Once again, Vietnam occupied parts of the country and Cambodia was unintentionally involved in the Vietnam war. At that time, King Sihanouk tried to establish foreign relations with many countries, regardless of their political systems. After the war, external relations were comparatively strong but the economy and political unity in Cambodia had suffered greatly. In 1970, Cambodia's prime minister Lon Nol sent King Sihanouk into exile in China and wanted to lead the country without communist influence. Nevertheless, this action caused many people to become a member of a communist guerrilla group, the so called Khmer Rouge. Without considering further consequences, the Khmer Rouge raged against every western influence and destroyed vast areas of the country and executed thousands of civilians. At that time, Vietnam supported Hun Sen, a former Khmer Rouge who now formed a new opposition and fought against the communist guerrilla fighters. (Schipper 1987, 7-43) In 1987, foreign countries tried to end the civil war peacefully and forced the three political oppositions (the monarchy, communist Khmer Rouge, Vietnamese- backed Hun Sen) to work together. After elections, King Sihanouk once again ascended the throne and Hun Sen became the prime minister of the country. In 1997, Hun Sen revolted against Sihanouk's son, the leader of the opposition party FUNCINPEC and the prime minister in order to illustrate his solitary power. Since then, Hun Sen and his Cambodian People's Party (CPP) have won every election but had to form different coalitions for example with FUNCINPEC. The Cambodian kingdom is still intact but the King has lost all of his political influence and the prime minister Hun Sen is the political leader of the country. (BBC 2013, internet source)

Compared to the terrors of the Khmer Rouge regime, Hun Sen's leadership is an improvement but corruptive procedures and dominance of the military arouse criticism (Schrey/Breitbach 2012, internet source). The government is trying to diminish criticism of social deficits by praising economic progress. Negative statistics which do not always support the government's statements are blamed on biased and corrupt data sources. (The Economist 2012, internet source; Meyer 2009, internet source) Oppositional politicians hope that social problems and the

economic crisis will put more pressure on the current government. In their eyes, Cambodia's leaders are letting foreign investors exploit the country without ensuring benefits for their own population (Meyer 2009, internet source). The new election of government in July 2013 will be of high importance to the Cambodian future and might involve a major change in the political climate.

3.2. Social conditions

The Cambodian people have suffered greatly during decades of political riots, governmental changes and violent oppression. The repercussions of 30 years of civil war can still be seen today. Cambodia ranked 138th of 186 evaluated countries in the Human Development Report with an Human Development Index of 0.543¹. This result places Cambodia within the *medium developed countries* and implies that living standards for the population are in need of improvement. (United Nations Development Programme 2013, 145)

With the agricultural sector being the highest contributor to the Cambodian GDP, 80% of the people live in rural areas (CIA 2013, internet source). However, due to the low price of vegetables or other food, farmers seldom earn enough to repay their debts and therefore lose their property (Meyer 2009, internet source). The Human Development Report 2013 estimated that in 2010, 30.1% of the population (14 million people at that time) earned an income below the national poverty line² (United Nations Development Programme 2013, 160). Many poor families depend on their children to work in order to provide an extra income. This leads to massive numbers of children dropping out of school and a high level of child labour. In 2009, the number of child labourers reached 300000 (Meyer 2009, internet source). Statistics revealed that from 2007-2011 85% of children attended primary school but that numbers dropped to 45% by secondary school. (Unicef 2011, internet source). This lack of education influences the overall development of human capital in Cambodia and leads to an uneducated work force. Further, Meyer (2009, internet source) also states that the Cambodian

¹ 1.0 is the highest possible value of the HDI and represents a very high level of education, a long life-expectancy and a raised standard of living. Original data is given in Appendix A.

² Original data is given in Appendix B.

population lacks a deeper understanding of international business and global economic processes. Slow bureaucracy and high corruption hinder the growth of an economic conscience. As a result, leading positions are often taken by foreign employees (Meyer 2009, internet source).

Additionally, Cambodia struggles with social wrongs such as discrimination of women and a lack of social and political rights which cause strikes and protests. The high possibility of social riots became obvious when Cambodia was ranked 4th in socially instable and dangerous countries by the Economist Intelligence Unit in 2009. The United Nations cautioned that the financial crisis would have a strong impact on Cambodia's social conditions, as it might increase poverty which would subsequently extend other problems such as a high mortality rate of children and the accumulation of debt in the long run. (Meyer 2009, internet source)

3.3. Economic conditions

Compared to other ASEAN countries, Cambodia's economic situation is lagging. The Global Competitiveness Report which compares the countries' infrastructure, macroeconomic development, technology, innovation, market development, education and health systems, ranked Cambodia 85th out of 144 countries in 2012/13³ (Schwab 2012, 8 and 13). This is a positive development compared to the year 2008/09 where Cambodia only ranked 109th out of 134 evaluated countries (Meyer 2009, internet source). Nonetheless, South-East Asian countries like Singapore (Rank 2), Malaysia (Rank 25) and Thailand (Rank 38) are far more economically developed (Schwab 2012, 13).

Tourism is a very important economic sector for Cambodia as it includes many business divisions which together account for 20% of the country's economic activity and generates important jobs. Due to the comparatively weak diversification of Cambodia's tourism industry, its full potential is not being

³ Original data is given in Appendix C.

exploited. In addition, tourists are being discouraged by persistent border disputes with Thailand. (Meyer 2009, internet source)

The agricultural sector provides the largest contribution to the economy. It produces 32% of the country's GDP and employs more than 50% of the available Cambodian work force (Meyer 2009, internet source). Due to the low level of technology and the inefficient handling of natural resources, agricultural productivity is still lower than the Asian average. In some cases, this lack of technology forces Cambodia to export goods in order to re-import them after they have been further processed in neighbouring countries. While most of the country's imports come from China and other ASEAN countries, Cambodia is unable to create trade agreements or to use these countries as a sales market due to its limited supply of product. (Schrey/Breitbach 2012, internet source; Meyer 2009, internet source)

The garment and textile industry, which employs 4% of the Cambodian working population, takes the lion's share of total exports with 70%. Profit though, is still very low and only accounts for 10% of the national GDP. The garment industry attracted many investors because of fewer quotas and taxes for imports into the United States or the European Union. Almost 90% of Cambodian textile companies are owned by foreign investors but with the deregulation of these trade barriers, China and other investing countries no longer depend on Cambodia's trade advantage. Due to the last financial crisis, export numbers dropped in 2009. Cambodia's strong dependence on foreign investments makes them highly sensitive towards economic changes in the investing countries: When investments were withdrawn during the crisis, all of Cambodia's economic sectors and their employees suffered from the consequences and the growth rate dropped. (Meyer 2009, internet source)

Weggel praises the liberal advances the Cambodian government has introduced since 1995. In his eyes, Cambodia has developed into a free market economy and has tried to attract investors by minimizing investment barriers (Weggel 2007, 78). A newly introduced law which allows foreigners to buy their own property is one attempt to attract more investors. 60 % of Cambodia's investments come from

abroad, with China being the most important investor followed by South Korea and Malaysia (Meyer 2009, internet source). Both FDI and development aid have been booming since 2005 and support the development of infrastructure, agriculture, energy and education. Foreign companies are attracted to cheap work force, a stable currency and natural resources such as oil and gas. Along with its fair and welcoming treatment of these companies, Cambodia might be able to pull more money into the country and establish a sustainable economy. In contrast, infrastructure problems, weak trade ports and the high level of corruption could hinder this process (Weggel 2007, 81).

Although Cambodia is cooperating with many countries around the world, China's growing presence and influence is remarkable. The following chapters will explain possible reasons for China's growing interest and increasing commitments to such a small country.

4. China's economic activities in Cambodia

4.1. Reasons for choosing Cambodia as a partner

4.1.1. Access to factors of production and economic advantages

As mentioned in the introductory chapters, the fast development and growth of China's economy has led to many negative side effects which the government now has to face: factors of production are beginning to become more expensive, the Chinese currency Renminbi (Yuan) is continually appreciating and demand for natural resources has exploded (Wang et al. 2008, 18; Cheung/Qian 2009, 21). In addition, the repercussions of the one-child policy which was established in the 1970s has also influenced the Chinese labour market. The Chinese population is beginning to age and a lack of children has diminished the number of people who are of working age. In 2012, the working population dropped by 3,5 million people. At the same time, labour costs are rising faster than productivity. The lack of labour force puts employees in a new position where they can demand a raise in salary. A new labour contract law from 2008 forces employers to pay social security contributions, overtime work and expensive health care for their employees. Furthermore, the last 5-year plan included a planned increase of the

minimum wage and has been put into effect by many provinces. (Geinitz 2013, internet source). This increase is necessary as living expenses in the big cities continue to rise. Simultaneously, Chinese industry, which has been focused on labour-intensive production, is now confronted with exploding costs. The labour force is not the only driver of costs though: China's need for natural resources and energy sources is immense which has increased China's interest in other countries and has been an incentive for Chinese OFDI since the 1970s (Buckley et al. 2008, 736). As an emerging LDC searching for resources, China has had to cope with strong international competition and to focus on investments in other LDC although they provide less infrastructure or an instable investment environment (Cheung/Qian 2009, 21; Wang et al. 2008, 19).

The new emerging favourite for OFDI and for the construction of a production base is Cambodia. Cambodian wages are comparatively low and underbid China, Vietnam or Indonesia (The Economist 2012, internet source). With their supply of cheap labour, various resources, attractive policies that support foreign investments, and no export quotas or tariffs into the U.S. and European Union, Cambodia has been able to attract many foreign companies from the garment industry. Interviews with Chinese companies revealed that the Chinese profit margin in this industry has suffered under the growing expenses for factors of production. In Cambodia, the profit margin is 2-3% higher than in China. Cheaper production and the possibility to circumvent tariffs and quotas was a very strong incentive. Cambodia's membership in ASEAN and the included participation at the Regional Free Trade Agreement matched China's interest in strengthening its relationships with neighbouring countries. (Wang et al. 2008, 18-20)

From a technological point of view, China's expansion of the textile production in Cambodia is strategically advantageous. The garment industry is very labour-intensive and technology is not evolving fast enough (ibid. 2008, 15). China is able to provide old technology to Cambodia and to exploit it to the highest potential. (Buckley et al. 2008, 718) Together with cheap labour and fewer quotas, there is a return on investment even though Cambodia's infrastructure and the efficiency of workers are not as highly developed as in China.

Officially China has not tried to inappropriately gain access to natural resources from Cambodia but both China and Thailand are very eager to advance into the off-shore oil production (Schrey/Breitbach 2012, internet source). Other sources claim that more than 2 oil blocks already belong to the Chinese sphere of influence (Bader 2011, 186f). International voices criticise the lack of transparency and inconsideration of environmental consequences of China's actions and accuse them of 'economical colonialism' (Buckley et al. 2008, 22).

Whether this accusation is justified will be analysed in chapter 4.4. where current examples of China's activity as an investor and Cambodia's profits or losses will be further evaluated.

4.1.2. Cultural advantage

As mentioned in chapter 2.3., China's attitude and strategy concerning investments and FDI has changed greatly. During the 1990's, the acquisition of new technology and knowledge was of particular interest to China and was pursued by the concentration of OFDI flow towards industrialized countries. While the concept of geographical and cultural proximity had not been seen as an advantage at that time, China's interests have now shifted and investments tend to target markets close to China and its cultural sphere. The knowledge gained during their own economic development from an LDC towards an emerging performer in the global economy has helped China to understand the needs of neighbouring LDC. In this way China can then adjust products, project and aid according to the needs and demands of the other LDC. Due to the cultural proximity, China seems willing to invest in countries which appear unattractive or risky to others (Buckley et al. 2008, 718-729).

Cambodia, as a country with civil war, political and social shortcomings and an uncertain economic development, is an example of one such *risky* country. China, however, started helping and investing in Cambodia very quickly after the coup of Hun Sen in 1997, while other countries hesitated or stopped their financial support completely (Bader 2011, 173). One important reason for China's openness is the enduring relationship between both nations (Xinhua 2013, internet source). A long

partnership between the Chinese government and Prince Sihanouk and the support they gave him during the riots is the root of this political friendship. Through fast economic help for reconstruction after the war, this relationship was maintained despite a major change in government. Agreements of trade and investment promotion were quickly established and generated a stable environment for economic trade and aid. (Wang et al. 2011, 17) The high risk of economic activity in Cambodia seemed to decline to a minimum. Nowadays, an increasing number of Sino-Cambodian Business Associations continue to support the economic cooperation (Xinhua 2013, internet source).

In addition to the stable relationship of the governments, China draws an advantage from many contacts and key persons in Cambodia, who can promote and support China's interests. A Chinese minority has been a constant part of the Cambodian population for many centuries and has had a strong influence on economic and political activities through their work as merchants. This minority was persecuted during the Khmer Rouge regime but has been able to regain its influence. The Chinese government is now trying to promote the Chinese culture in Cambodia by offering Chinese classes for the political elite and by building schools that are less expensive than local educational institutions. (Bader 2011,168)

Today, about 350000 to 700000 people are of Chinese descent and most of them are in very powerful political positions (Schrey/Breitbach 2012, internet source). These high-ranking Sino-Khmer are very important *power brokers* and a main pillar in China's aid and investment strategy. In order to understand China's strategy and the position of these so called *Tycoons*, we first need to comprehend some common procedures within the Cambodian business environment.

In Cambodia, political and economic influence strongly correlate with each other and are characterised by personal networks and patron-client relationships. The CPP highly depends on financial donations and aid. Among Non-Governmental Organizations (NGO) and other donors, rich members of the Cambodian party support their government generously and receive economic benefits in return. Complete political support ensures the success of the donor's economic activities:

rules will be bent or broken, strong networks and corruption will be used to simplify and guarantee the establishment of the donor's business empire. In return, they can further support the party with money. As a consequence, many economic sectors are dominated and controlled by single families or *Tycoons*. Most of these *Tycoons* belong to the Sino-Khmer minority. As important negotiations and business deals are often arranged by Tycoons, China retains very close relationships with them. Tycoons promote and present China's interests and projects to the Cambodian government and profit from a successful collaboration. (Bader 2001, 167-173) Buckley claims that this cultural advantage through a backing and highly-influential Chinese minority minimizes risks and costs for new investors and enables China to adapt to Cambodia's economic developmental problems more easily than other countries (2008, 718-734). In this case, cultural proximity equals a competitive advantage and strongly influences China's interest in Cambodia.

4.1.3. Mutual political support

Due to China's regional strategy, they are willing to cooperate with their neighbours. As mentioned in the previous chapter, the Chinese government was one of the first nations to support the new Cambodian leader Hun Sen. When other nations and organisations became highly concerned with the lack of democracy and the relentless take-over of power, China quickly engaged in meetings with the highest Cambodian authorities. Trade contracts were negotiated and China started to send investments and development aid to Cambodia. Both parties, the Chinese Communist Party and the CPP, established a mutually beneficial relationship. During this long period of cooperation, the protagonists have been able to combine and share their interests effectively. China's development aid only supports the troops loyal to Hun Sen and hence contributes to maintaining his power. (Bader 2011, 173-183) In return, Chinese companies can invest freely with assured patronage through the Cambodian authorities. One example of the mutual benefits is the construction of the new House of Cabinet: Chinese banks are providers of the necessary loans, a Chinese company will carry out the construction and the Cambodian Government will gain a prestigious new

governmental building (Schrey/Breitbach 2012, internet source). The exact profits China receives within this partnership are not easily estimated because of the lack of transparency of business processes, a high level of corruption and the liberty of breaking Cambodian business laws through political authorisation. The preference of China can nevertheless be seen: Through Tycoons, who arrange profitable business deals for both sides, China has been assigned projects like the off-shore fuel production even though other more experienced companies applied for this project as well. (Bader 2011, 190)

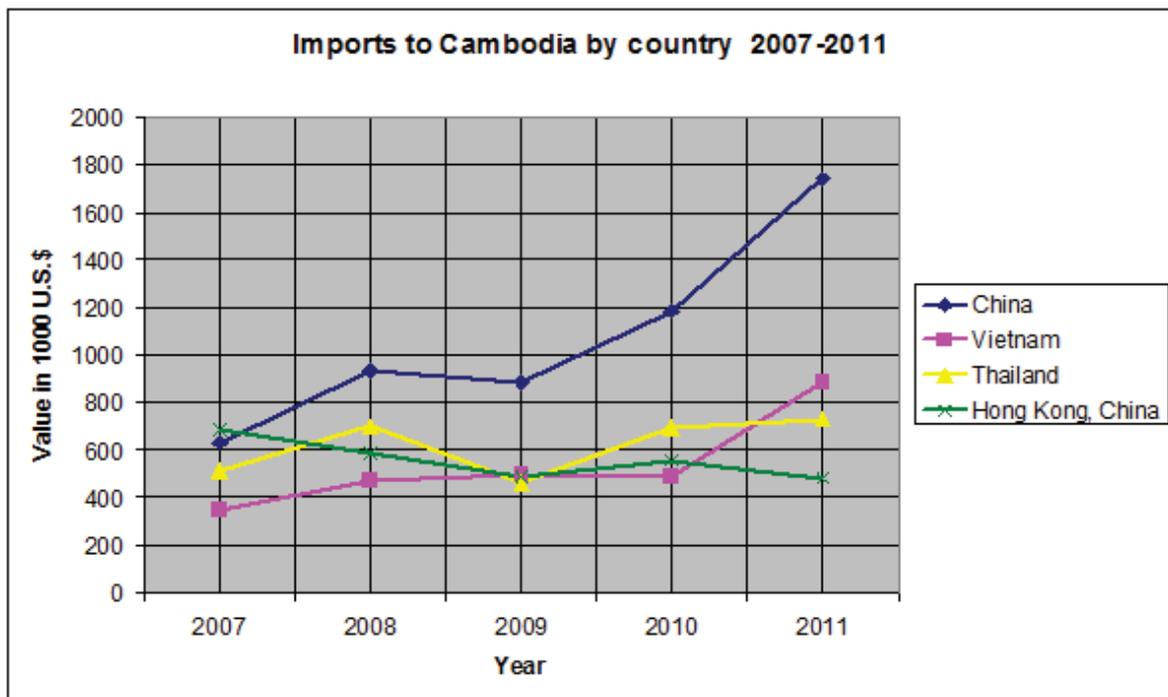
On an international level, China and Cambodia are building a strong coalition within ASEAN. During a sea border conflict between member states, concerning China's claims for natural resources, Cambodia dropped its charges and hence cancelled the investigation of this matter. Cambodia has been accused of being biased as other member states are under the impression that Cambodia's decisions are targeted at pleasing China. These events need to be observed carefully as they might give an outlook on ASEAN's future and its internal power relations. (Schrey/Breitbach 2012, internet source) In addition, Cambodia supports China's *One China*-strategy and does not accept Taiwan or Tibet as autonomous states and has declined the admission of Taiwan to the United Nations. Further, they refused a visit of the Dalai Lama. (Bader 2011, 183-186; Schmidt 2012, internet source) As a quid pro quo, China is a strong political and economic partner even during changeable times like the last financial crisis and promises continued aid and FDI flows without demands that concern social or political changes. In contrast to NGOs or other providers of aid, China has no interest in more democracy, political or social rights or less corruption in Cambodia which would then weaken Hun Sen's position. On the one hand, maintaining Hun Sen's leadership ensures a perfect investment environment and a partner within ASEAN for China. On the other hand, financial aid and investments from China without further demands support Hun Sen's leadership. So far this partnership seems to promote the interest of both governments and is therefore an important element of China's strategy. Nevertheless, interviews have revealed that China is not fixated on the current leaders but tries to observe political developments and is very eager to contact and court new, emergent politicians who might gain more power in the future. (Bader 2011, 178)

In order to estimate whether interests of the Cambodian people fade into the background and only the governments profit from this partnership, we will take a closer look at China's actual behaviour as an investor or contributor of aid in Cambodia.

4.2. China as an exporter

Currently, China is a main importer of goods for Cambodia. The following figure shows the four major importing countries and the development of their imports from 2007 to 2011. In 2007, differences in the share of imports of all four countries were comparatively small. Hong Kong was the strongest importer and exceeded the imports of China by only 55000 U.S. Dollars. In 2008, China overtook Hong Kong and won the position of the biggest importer. During 2008 and 2009, all imports stagnated or fell slightly. Since 2009 China's imports rose sharply and reached a value of 1739000 U.S. Dollars in 2011. The imports of other countries have not developed to such an extent and remained below the value of 900000 U.S. Dollars.

Figure 3: Imports to Cambodia by country 2007-2011

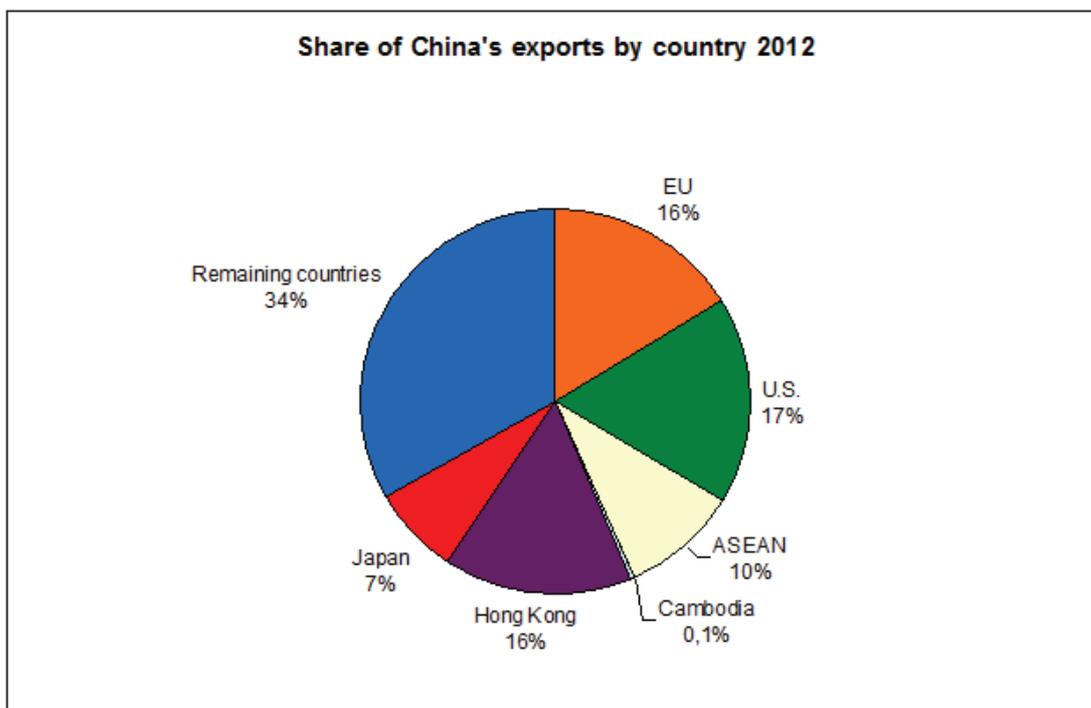


Source: Own figure using Data from: (International Trade Centre 2013, internet source).

China however, was responsible for 28,3% of Cambodia's imported goods in 2011 which were mainly groceries, machinery, electronics or materials for further processing in Cambodia (International Trade Centre 2013, internet source; Luo 2011, internet source). Cambodia is therefore highly dependent on trade with China, although China only receives 2,5% of Cambodia's exported goods and does not belong to their most important export partners.

On the other hand, even though China is trying to expand it's exports in South-East Asia, Cambodia certainly does not belong to the most promising countries within this area. The overall trade volume is comparatively low and even though the trade flow between both countries is rising, Cambodia's share in China's trade is fractional. Figure 3 shows the distribution of China's exports by country in 2012. Cambodia only received 0,1% of China's Exports.

Figure 4: Share of China's exports by country 2012



Source: Own figure using Data from: (International Trade Centre 2013, internet source).

This proves that Cambodia does not belong to the major sales markets for Chinese products. So far, the United States, European Union and Hong Kong are still the biggest markets by receiving 16-17% of Chinese exports. During the search for new markets, Chinese exporters are primarily interested in markets of a bigger

size than Cambodia. With its small population, Cambodia does not offer as many export opportunities as other countries do. (Amighini/Rabellotti/Sanfilippo 2011, 32) The connection to ASEAN however, is highly interesting. The previous figure showed that 10% of China's exports are heading for countries which belong to ASEAN, numbers rising. Since the establishment of the China ASEAN Free Trade Agreement in 2010, the dismissal of trade barriers has made trade with South-East Asian countries far more attractive. In addition, most of the ASEAN countries are still LDC and are likely to develop and grow stronger during the next years. China is eager to fill niches in the market with new products and to establish its brands in such an evolving area.

All in all, Cambodia alone does not play an important role in China's search for new promising markets. Nevertheless, a high market share of Chinese products in Cambodia also helps establishing brands and to promote their success in the whole ASEAN region. Winning new market niches in these countries would have a very positive effect on China's economic success. Cambodia however, has become quite dependent on Chinese imports. Therefore, the trade partnership between both countries is not very balanced. Whether China's activities in investment and development aid improve this balance of partnership will be evaluated in the following.

4.3. China as a donor of development assistance

The development of Cambodia is being supported by many NGOs or donating countries. Most of the industrialised countries and members of the DAC transfer their money to the Cambodia Development Cooperation Forum and an amount of approximately 500 Million U.S. Dollars per year is accumulated. In comparison, China has announced they would help to develop Cambodia's infrastructure with 600 Million U.S. Dollars in 2006 (Schrey/Breitbach 2012, internet source). Together with Japan, whose donations are beginning to drop, China is one of the most important donors for Cambodia. Their aid is concentrated on infrastructure, financial aid through loans, military and education. While other donors and especially NGOs promised more than one billion U.S. Dollars in aid, they have

suffered from the financial crisis. Only China has been a reliable donor. (Meyer 2009, internet source)

In Cambodia, China's aid mostly consists of strict loans which support development projects. By focusing on the extension of the infrastructure, China is trying to improve the country's investment environment (Sato et al. 2011, 2095). The establishment of business and trade zones has been initiated through China and Chinese companies are eager to take the advantages that follow the emerging regional and economical integration of Cambodia (Wang et al. 2008, 16).

The only Chinese aid aimed at the social development and the population is the construction of cheap schools that also offer Chinese courses. As mentioned earlier, Cambodia lacks educated human capital and many children leave school early. Cheap schools might be a possibility to increase the number of children attending schools and therefore help stabilising the quality of the human capital. Critics claim that China is trying to influence Cambodian students with their ideology and culture and thus increase its political influence. (Bader 2011, 182)

The criticism also looks at China's military aid. While military aid in the traditional sense of development assistance is only a limited tool, China is openly supporting Hun Sen's troops. Both countries are deeply connected through their military and their cooperation is being praised by the highest politicians (Schrey/Breitbach 2012, internet source). China is helping Cambodia with weapons and training and Bader states that even social aid such as the construction of schools, hospitals and accommodations seem to support the military (2011, 175). Nevertheless, the fact that other nations are providing military equipment and training as well, should not be neglected. Since 2005 however, China has started focussing on special support of the Cambodian Navy which protects attractive oil sites that are of high interest and suitable for China's need for resources (Bader 2011, 175). First sea border conflicts with neighbouring countries have occurred as natural resources are very appealing to many nations. In addition, China's access to strategically placed and important ports all over Asia is seen as a threat to other countries. In Cambodia, China is trying to expand the country's only deepwater port which can be used as a military advantage.

Therefore, by promoting the development of countries like Cambodia, China is trying to calm those negative opinions and wants to improve its image. This has been successful to some extent. Especially ASEAN members are gaining more trust and are trying to receive support from China themselves (Kubny et al. 2008, 16). Together with China's willingness to engage in closer political and economic relationships with these countries, a mutual convergence became possible. Additionally, Thailand is very open to cooperating with China in terms of providing development aid, as it is aware of China's dominant position as Cambodia's biggest supporter. The Thai government has suggested cross-cutting projects for the development of infrastructure and energy supplies (Tumcharoen 2013, internet source).

ASEAN members are not the only critics of China's development assistance though. The criticism of NGOs and DAC is persistent. The approach of traditional and emerging donors seems to differ to such an extent, that an entirely peaceful coexistence in Cambodia is almost impossible. While NGOs accuse China of selfish, exploiting projects, intransparent practices and not having a real interest in the social development of Cambodia, China refuses to adapt to traditional concepts of development assistance and is reducing communication with traditional donors to a minimum (Bader 2011, 181; Sato et al. 2011, 2097-2100).

Much more important than the disagreements between the donors is the perspective of the recipient though. There must be reasons why Cambodia is welcoming China as a donor despite NGOs forecast of negative effects.

Firstly, the mutual political support described in chapter 4.1.3., is of great importance to the leader Hun Sen. For him, China offers the perfect combination of development assistance and political support. While the Cambodian people are demanding social improvements, China's commitments and projects are leading towards a recognizable progress in sectors such as infrastructure and this soothes the population. Traditional donors might indeed focus on social problems but Hun Sen's power would suffer greatly from an improvement of democracy and the establishment of a civil society with new political and social policies. In contrast, China supports Hun Sen maintaining his power and is a stronger partner in

development assistance than all traditional partners combined. (Schrey, Breitbach 2012, internet source; The Economist 2012, internet source)

Secondly, Cambodia's strategy while receiving donations might be underestimated. The country does not wildly accept every offered donation but differentiates between necessary and unnecessary ones in order to create a healthy balance of the supported sectors. Interviews revealed that the Cambodian government was disappointed that DAC mainly concentrate on aid in the social sector without considering long-term economic growth. The Cambodian government demanded more flexibility and more efforts of traditional donors to meet the country's needs. As an emergent donor, China was able to consider and fulfil Cambodia's demand for economic development instead of being forced into mandatory assistance rules. Again, the partnership between both countries appeared very attractive and Cambodia welcomed China's projects. Cambodian officials described China's aid as very effective, fast and inexpensive and praised the ease of negotiations. Meanwhile negotiations between leading politicians and NGOs have become increasingly unpleasant. In order to prevent new criticism, Hun Sen postponed a policy which was designed to limit the activities of NGOs in Cambodia. This policy is only possible if Hun Sen is assured of being supported by a strong partner such as China. (Sato et al. 2011, 2099-2100)

To sum up, China's development aid fell victim to international criticism and does indeed neglect social development assistance. However, it is difficult to estimate the quality of development aid by comparing it to traditional approaches. Political backgrounds and the history of China's own development might have put China in the position to provide more suitable aid for LDC. Whether this aid is sustainable and profitable, not only for the leaders but also for the whole population of Cambodia, is still difficult to estimate. Because Chinese development aid and investments blend into each other, it is necessary to analyse the impact of China's investments before drawing further conclusions.

4.4. China as an investor

Cambodia continues to receive FDI from various countries around the world. In 2012, Cambodia received more FDI per capita than inhabitants of the former investment *magnet* China. Changing labour and investment conditions are one reason for this new concentration on Cambodia. Countries like Japan or the U.S., who have invested greatly in China, are now trying to gain independence from the Chinese market as conditions are no longer as advantageous as before. The reduced labour force due to the one-child policy and the increasing standard of living force foreign employers to raise the worker's wages and thereby minimize the profit margin. (Bradsher 2013, internet source) Not only foreign companies are searching for a *plan B*. Especially Chinese textile companies, who highly depend on cheap labour force, have begun transferring parts of their production to cheaper countries in Asia while keeping their fully developed value chain intact in the home country (Wang et al. 2008, 17). Foreign firms are also only expanding their production without actually leaving China, as this country is still very attractive because of its newly gained influence and power, rapid growth and market size. However, the flow of FDI into China has declined for the first time in 30 years while Cambodia's rose about 70% from 2011 to 2012. (Bradsher 2013, internet source) Cambodia's participation in the ASEAN Free Trade Agreement further supports these positive developments.

In the context of China's changing investment strategy, which was introduced in chapter 2.3., China started to focus on Southeast Asian developing countries during the 1990s. For Cambodia, China quickly became one of the most important investors. Between 1994 and 2009, China invested 5,56 billion U.S. Dollars FDI, compared to just 144,57 million U.S. Dollars from Japan. China's investments concentrated mainly on textile and garment production, tourism and energy supply. (Schrey/Breitbach 2012, internet source) The first Chinese textile company in Cambodia opened in 1994. Ten years later, China has increased its empire to 107 Chinese textile and clothing companies in Cambodia (Wang et al. 2008, 10). In 2012, around 70% of Cambodia's textile companies were under Chinese control (Schmidt 2012, internet source). The establishment of those Chinese companies in Cambodia always follow the same procedure. While the

Chinese government used to prefer FDI in the form of state owned enterprises, entirely or partially privatised companies are the widespread shape now. Nevertheless, wholly-owned subsidiaries or Joint Ventures in which the Chinese party holds the majority of shares are the common entry mode. A majority of shares from 40-70% is very typical and benefits the investor as profits and experiences will primarily flow back and the control of operations can be maintained (Buckley et al. 2008, 720-734). In order to warrant the quality of production, the middle and higher management consists are generally Chinese. The results from interviews with 27 Chinese garment companies who have expanded to Cambodia, show that almost 98% of the workers were Cambodian but occupy less than 30% of the middle management. Therefore, more than 70% of the middle management and most of the higher management positions are taken by Chinese expatriates. The interviewed representatives explained that the Cambodian population lacks the skills and education and need to be supervised by Chinese production managers in order to achieve good quality in the product. (Kubny/Voss 2010, 9-11) The Chinese government strongly influences these processes through the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) which supports and controls every Chinese company that invests abroad (SASAC 2013, internet source).

The companies' interviewed explained that Cambodian people are interested in working for Chinese textile companies as they receive a wage slightly higher than the average salary. They also promoted their great working environment and training schemes for Cambodian workers in which technical skills, efficiency and the quality of work is improved. This training is only aimed at the production workers though and can not foster the leadership or managerial skills of the Cambodian employees, or eventually, the overall development of Cambodia's human capital. Especially in the textile industry, which is labour but not technology (or skill) intensive, China's profit margin depends on a cheap labour force. The investing companies have no interest in providing extensive or expensive training. (Wang et al. 2008, 20-21; Kubny/Voss 2010, 9-10)

During the economic crisis, the Cambodian textile industry suffered and China's commitments in other sectors came to the fore. In contrast to other foreign investors, China specialised its investments as well as its development aid on the improvement of transportation and infrastructure. China has taken on the task of building two new ports, container terminals, bridges, water energy power plants. They were often the leading investor during the establishment of Special Economic Zones (The Economist 2011, internet source; Schmidt 2012, internet source).

Concerning its partnership with Cambodia, China is very satisfied and can enjoy considerable advantages. As explained in chapter 4.1., there are multiple reasons why Cambodia is such an ideal cooperation partner for China. Besides the *normal* profits such as access to a cheaper labour force and a circumvention of export quotas, China can enjoy the support of the Sino-Khmer minority and the Cambodian government. Both provide access to networks and enable China to bend business rules according to their needs. At the same time, China can pursue its *go global* policy, deepen relations and political networks and try to establish a better image among the ASEAN members by supporting less developed countries. China can gain access to natural resources and economically, politically and military important areas and increase its influence in South East Asia. Other positive effects of China's investments in Cambodia are new opportunities for Chinese companies. Within the newly established Special Economic Zones they can find a safe investment environment, gain new experiences and still support the home economy where the market competition will be positively accelerated.

The question arises whether this partnership is equally beneficial to Cambodia. The huge amount of Chinese investments have direct and positive effects. Through its FDI, new jobs are being created. Inflowing Chinese capital is providing and strengthening income. As salaries in foreign companies are slightly higher than average which leads to a gradual increase in the general income. At the same time, Chinese investing companies will introduce new technology and production procedures to Cambodia. In combination with training, the productivity of the Cambodian work force will be improved. This so called *spill-over effect*, the transfer of knowledge from the investing company to the

Cambodian workers, is not bound to the enterprise but can be spread. (Kubny/Voss 2010, 5-6) Employees of a Chinese owned company can change their jobs and work at a local enterprise, taking their new knowledge and skills along with them. In the long term, this can improve Cambodia's efficiency and productivity. (Cuyvers /Soeng/Van den Bulke 2008, 21) China as a former LDC, might be especially suitable for pushing Cambodia's development as technology spill-over always flows from developed to less developed technology. Experts presume that the effect is most successful if the technology gap between both participating countries is not too wide. Only then, will the host country be able to absorb the new input and to use it profitably. (Buckley et al. 2008, 719; Kubny/Voss 2010, 9) As mentioned earlier, the training praised by Chinese investors does not aim at improving of the worker's technological, managerial or administrative knowledge and is therefore keeping the spill-over effect at a relatively low level. Other foreign investors are also improving working conditions as they introduce new concepts such as insurance and other social benefits for workers, whereas China's contribution in this sector is rather limited (Bradsher 2013, internet source).

The development of Cambodia's infrastructure and energy supply management is beneficial to the whole country as it is a contribution to the living standard of the population as well as an improvement of the Cambodian investment environment. In addition, China's investments are creating new plants which increase Cambodia's general economic potential. Special economic zones that have been created with the help of Chinese investors attract new international companies and form a basis for new investments from the whole world. These zones minimize the investments risk due to special business laws and by providing consulting and trade services (Wang et al. 2008, 32). Further, this new development creates a need for an even larger labour force and an expansion of the surrounding businesses such as suppliers, distributors and supporting services. The creation of such networks and a capable business society is necessary for the development of Cambodia's future because Chinese investments can only be seen as a stimulating support (Kubny/Voss 2010, 12; Cuyvers et al. 2008, 24). Thanks to China's FDI in the sector of manufacturing and especially the textile industry, Cambodian exports have enjoyed a significant upturn. Between 1994 and 2001, the share of garment

exports rose from 12% to 83% of total exports (Cuyvers et al. 2008, 23). As indicated by this positive influence on the volume of trade, FDI is known to be an important supporter of economic growth. Yet, its contribution to the fight against poverty is still mostly unexplained. Data from the World Bank show that the poverty level in Cambodia has declined by 17% where it reached 30,1% of the population in 2007 (2013a, internet source). Whether this development traces back to Chinese FDI is difficult to say. Experts state, that even though FDI is promoting economic growth, this process is not extensive or fast enough to reduce poverty (Cuyvers et al. 2008, 25).

It is therefore the task of the Cambodian Government to further nurture the growth of their economy without relying solely on strong investment partners like China. Critical voices forecast negative effects of Cambodia's prioritised partnership with China. They caution against the acceptance of unnecessary loans or projects which could hinder more important achievements and increase Cambodia's debts to China. Chinese banks set the conditions for such long-term tied loans that support their interests, not Cambodia's. The financial dependence on China is growing unobtrusively but steadily and is increasing Cambodia's national debt (Schrey/Breitbach 2012, internet source). Current numbers however, can not prove this development as they show different trends: Even though the external debt stock has been growing from 2,648 million U.S.\$ in 2000 up to 4,336 million U.S.\$ in 2011, the external debt stocks compared to the Gross National Income has stabilised around 35% since 2009⁴. This implies, that the Cambodian GNI is growing and that the debts are comparatively low. As an example, countries who are trying to join the EU have to prove a debt level of less than 60%. (World Bank 2013b, 90) Despite possible debts, economists advise Cambodia to evaluate it's competitive advantage in order to lead the country into sustainable economic growth. The government has to understand that a cheap labour force might be useful for low-skill production but in order to support other economic sectors (especially services) a higher educated human capital is needed. Cambodia should demand closer cooperation between Chinese companies and the local population and should promote local entrepreneurship in order to ensure its benefits from this partnership. A fight against corruption and unfair competition

⁴ Original Data is given in Appendix D.

could ensure a safe business environment not only for foreign investors but primarily for the Cambodian population. (Kubny/Voss 2010, 13; Cuyvers et al. 2008, 26-29) These factors are of no interest to China but are very important for Cambodia's independent future and its population. Politically however, incentives in Cambodia do not always go hand in hand with what is best for the population. Chapter 4.1.3. already revealed political incentives for the Chinese-Cambodian partnership. With China, Hun Sen has been able to find a powerful investor who also supports his regime. Corruption and the prioritisation of Chinese companies are an important part of this cooperation and contradict recommended measures.

5. Conclusion

Summarising, the partnership between China and Cambodia achieves positive effects for both countries. The benefits however, are not equally distributed. China is reacting on current changes of conditions and in business environment around the world and is trying to find new sources for further growth and success. While China was once known for copying western concepts, they seem to have overcome this strategy and are now in the position to pursue own concepts and projects. China has started to become an economic protagonist in Asia and is trying to improve its relations to South-East Asian countries, which have been neglected in the past. China's main goals are the search of new potential for cheap production and the economic integration of neighbouring LDC in order to support and stabilise their economic performance. This will have a positive impact on the business and investment environment and will create new sales markets for Chinese companies. In addition, political relations might improve and China's access to needed resources will be enlarged. Cambodia is a supreme partner for this strategy, as it offers all of the mentioned benefits and some additional ones.

In the context of promising sales markets, Cambodia's market size itself is too small and therefore rather unattractive. Nevertheless, Cambodia is a gate to the other ASEAN countries and can simplify the spreading of Chinese products in Asia.

China uses Foreign Direct Investment to establish Chinese companies and projects. At the same time, these instruments improve China's image and increase its presence in Cambodia. Companies have started to move to Cambodia and now control whole sectors like the textile industry. The lower development level of this country is the perfect base for old Chinese technology to be exploited to the fullest, while it is outdated and inefficient in China; low wages guarantee cheap production. In addition, the success of Cambodia's economic integration could prove criticisms wrong and could demonstrate the effectiveness of China's activities.

Not only China's main objectives are achieved though. Many hidden advantageous are attached: China has created a new concept of development assistance which differs from the traditional approach. In return for assistance, China demands own benefits. Thanks to the advantage of a backing Chinese minority with big political influence and a strong connection to important business networks, China's benefits in Cambodia are especially high. Chinese companies are granted economic liberties and preferential treatment, access to raw materials and natural resources like natural oil and gas is being facilitated. Strategically important military bases are easily accessible for China now and Cambodia is a faithful political partner in ASEAN and other international committees. Cambodia is accumulating China's economic and political interests and offers additional convenient benefits. This partnership is therefore very helpful for China.

Compared to this, Cambodia's advantages appear sparse. China's activities supply Cambodia with more inflowing money, new jobs, more income and a huge development of the infrastructure. Spill-over effects will increase the basic skills and knowledge of Cambodian workers and new special economic zones might attract new investors and pull even more money into the country which in the end supports the economic growth of the country. New cheap schools are being build through Chinese development assistance and might support the strengthening of the human capital. This process however, will take a long time and will be a fundamental necessity for Cambodia's success. The country's economy can only grow in a sustainable way, if the population is being integrated into the process.

Whether China's support itself reduces poverty is doubtful and even its long-term consequences do not necessarily have to be positive. The dependence on China's exports is increasing while debts to China grow with every accepted loan or project. The development of a fair market with healthy competition is being disturbed by Chinese companies, which enjoy different treatment.

China's activities are often characterised as exploitive and selfish because projects are mainly aiming at own profits and do not consider harmful side effects e.g. to the environment. It is difficult to estimate China's intentions but criticism should be levelled carefully as Asian approaches and perceptions differ greatly from Western ones. Whether China's activities are indeed helpful to other nations can only be observed in the long term.

However, Cambodia should not forget that China is acting on its own intentions and does not primarily focus on the support of the Cambodian population. China can therefore only be a supporter but not the driving force of sustainable development. It is the task of the Cambodian government to ensure that China is not only exploiting the country and its advantages, but in return helps to create useful foundations for the growth of an independent and economically successful nation. This however, might be the crucial point. The political advantage of a cooperation between China and Cambodia is very important to the Cambodian government. Unlike other investors and donors, China is offering financial support without demanding new social policies and more rights for the Cambodian population. China thereby offers a circumvention of necessary changes in the social sector or changes in the governance and protects Hun Sen's leadership indirectly, as well as directly through military assistance. As a result, so far the Cambodian leaders and China have benefited far more than the Cambodian population. The future will show whether Hun Sen focuses on the ensuring his power in Cambodia or whether he is willing to risk his position as a leader for the sake of the Cambodian population and the sustainable growth of social and economic conditions. On the other hand, new elections in July 2013 might transfer this responsibility to a new government and change the balance of the Sino-Cambodian partnership in a positive way.

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Annex

Annex A

Table 1: Human Development Index (Ranks 125-175) 2012

HDI rank	Human Development Index (HDI)								HDI rank		Average annual HDI growth				
	Index								Change		%				
	1990	1994	2000	2005	2007	2010	2011	2012	2007-2012*	2011-2012*	1989/1990	1994/2000	2000/2010	2009/2012	
125	Tajikistan	..	0.615	0.529	0.582	0.587	0.612	0.618	0.622	3	1	..	-1.50	1.47	1.36
127	Viet Nam	..	0.438	0.534	0.573	0.590	0.611	0.614	0.617	0	0	..	1.98	1.57	1.22
128	Namibia	..	0.589	0.564	0.579	0.592	0.604	0.606	0.606	-2	0	..	-0.10	0.69	0.64
129	Nicaragua	0.461	0.479	0.529	0.572	0.583	0.593	0.597	0.599	0	0	0.37	1.01	1.15	1.04
130	Morocco	0.371	0.440	0.512	0.568	0.571	0.586	0.589	0.591	0	0	1.71	1.54	1.36	1.20
131	Iraq	..	..	..	0.564	0.567	0.578	0.583	0.590	1	1	..	..	..	..
132	Cape Verde	..	..	0.532	..	..	0.581	0.584	0.586	..	-1	..	..	0.86	0.81
133	Guatemala	0.432	0.484	0.523	0.551	0.570	0.579	0.580	0.581	-1	0	0.72	1.20	1.02	0.89
134	Timor-Leste	..	..	0.418	0.461	0.519	0.565	0.571	0.576	5	0	..	..	3.05	2.71
135	Ghana	0.391	0.427	0.481	0.491	0.506	0.540	0.553	0.568	7	0	0.90	0.77	1.58	1.60
136	Equatorial Guinea	..	..	0.498	0.523	0.533	0.547	0.551	0.554	-2	0	..	..	0.96	0.90
136	India	0.345	0.410	0.493	0.507	0.525	0.547	0.551	0.554	-1	0	1.25	1.21	1.67	1.50
138	Cambodia	..	..	0.444	0.501	0.520	0.532	0.538	0.543	-1	0	..	..	1.82	1.68
139	Lao People's Democratic Republic	..	0.378	0.453	0.494	0.510	0.534	0.538	0.543	3	0	..	1.86	1.66	1.53
140	Bhutan	..	..	..	..	0.525	0.532	0.536	..	..	1	..	..	..	..
141	Swaziland	..	0.533	0.502	0.504	0.520	0.532	0.536	0.536	-3	-1	..	-0.59	0.58	0.55
LOW HUMAN DEVELOPMENT															
142	Congo	0.470	0.510	0.482	0.506	0.511	0.529	0.531	0.534	-1	0	0.92	-0.56	0.94	0.86
143	Solomon Islands	..	..	0.486	0.510	0.522	0.522	0.526	0.530	-6	0	..	..	0.70	0.71
144	Sao Tome and Principe	..	..	..	0.488	0.503	0.520	0.522	0.525	0	0	..	..	..	..
145	Kenya	0.424	0.463	0.447	0.472	0.491	0.511	0.516	0.519	1	0	0.88	-0.33	1.34	1.24
146	Bangladesh	0.312	0.361	0.433	0.472	0.488	0.508	0.511	0.515	1	1	1.49	1.83	1.61	1.46
146	Pakistan	0.337	0.383	0.419	0.485	0.498	0.512	0.513	0.515	-1	0	1.29	0.89	2.03	1.74
148	Angola	..	..	0.375	0.406	0.472	0.502	0.504	0.508	1	0	..	..	2.97	2.68
149	Myanmar	0.261	0.306	0.382	0.435	0.464	0.490	0.494	0.498	1	0	0.83	2.27	2.52	2.23
150	Cameroon	0.373	0.431	0.429	0.453	0.459	0.488	0.492	0.495	1	0	1.46	-0.05	1.29	1.20
151	Madagascar	..	..	0.426	0.407	0.478	0.494	0.483	0.483	-3	0	..	..	1.24	1.02
152	Tanzania, United Republic of	..	0.353	0.369	0.395	0.408	0.466	0.470	0.476	15	1	..	0.43	2.36	2.15
153	Nigeria	..	..	..	0.434	0.448	0.462	0.467	0.471	1	1	..	..	..	..
154	Senegal	0.322	0.368	0.405	0.441	0.454	0.470	0.471	0.470	-2	-2	1.32	0.97	1.50	1.25
155	Montania	0.340	0.357	0.418	0.441	0.454	0.464	0.464	0.467	-3	0	0.48	1.61	1.94	0.92
156	Papua New Guinea	0.324	0.368	0.415	0.429	..	0.458	0.462	0.466	1	0	1.29	1.22	0.98	0.96
157	Nepal	0.234	0.341	0.401	0.428	0.440	0.458	0.460	0.463	2	0	3.85	1.62	1.36	1.21
158	Lesotho	0.422	0.474	0.429	0.425	0.431	0.452	0.454	0.461	-2	1	1.18	-0.99	0.53	0.61
159	Togo	0.367	0.382	0.426	0.436	0.442	0.452	0.455	0.458	-2	1	0.67	1.11	0.60	0.62
160	Yemen	..	0.286	0.376	0.428	0.444	0.466	0.458	0.458	-4	-2	..	2.78	2.16	1.66
161	Haiti	0.335	0.399	0.422	0.437	..	0.450	0.453	0.456	-6	1	1.77	0.54	0.64	0.65
161	Uganda	..	0.306	0.375	0.408	0.427	0.450	0.454	0.456	0	0	..	2.06	1.84	1.65
163	Zambia	0.405	0.398	0.376	0.398	0.411	0.438	0.443	0.446	3	0	-0.18	-0.58	1.52	1.46
164	Djibouti	..	..	..	0.405	0.419	0.431	0.442	0.445	0	0	..	..	..	..
165	Gambia	0.279	0.323	0.380	0.375	0.380	0.437	0.440	0.439	-5	0	1.47	1.09	1.95	1.65
166	Benin	0.253	0.314	0.380	0.414	0.420	0.432	0.434	0.436	-3	0	2.16	1.95	1.28	1.14
167	Rwanda	0.277	0.253	0.314	0.377	0.400	0.425	0.429	0.434	2	0	-1.74	3.05	3.07	2.73
168	Côte d'Ivoire	0.368	0.360	0.392	0.405	0.412	0.427	0.426	0.432	-3	1	0.34	0.85	0.86	0.81
168	Comoros	..	..	..	0.425	0.425	0.426	0.428	0.429	-7	-1	..	..	..	..
170	Malawi	0.272	0.295	0.352	0.363	0.361	0.413	0.415	0.418	1	1	0.83	1.78	1.61	1.44
171	Sudan	0.269	0.301	0.364	0.390	0.401	0.411	0.419	0.414	-3	-1	1.16	1.89	1.22	1.06
172	Zimbabwe	0.367	0.427	0.376	0.352	0.355	0.374	0.367	0.367	0	1	1.53	-1.26	-0.94	0.46
173	Ethiopia	..	..	0.275	0.316	0.350	0.387	0.392	0.396	1	-1	..	..	3.49	3.08
174	Liberia	0.298	..	0.304	0.301	0.334	0.367	0.361	0.368	3	0	..	..	1.88	2.04
175	Afghanistan	0.208	0.246	0.296	0.322	0.340	0.368	0.371	0.374	0	0	1.63	-0.41	4.54	3.91

Source: (United Nations Development Programme 2013, internet source).

Annex B

Table 2: Multidimensional Poverty Index 2012

	Year ^a	Multidimensional Poverty Index	Population in multidimensional poverty ^a				Population vulnerable to poverty	Population in severe poverty	Contribution of deprivation to overall poverty (%)			Population below income poverty line (%)	
			Value ^b	Headcount		Intensity of deprivation			Education	Health	Living standards	PPP \$1.25 a day	National poverty line
				(%)	(thousands)								
ESTIMATES BASED ON SURVEYS FOR 2007–2011													
Albania	2009/2009 (D)	0.005	1.4	45	37.7	7.4	0.1	32.0	44.9	23.0	0.6	12.4	
Armenia	2010 (D)	0.001	0.3	6	35.2	3.0	0.0	25.8	64.8	9.4	1.3	35.8	
Bangladesh	2007 (D)	0.292	57.8	83,207	50.4	21.2	26.2	18.7	34.5	46.8	43.3	31.5	
Bhutan	2010 (M)	0.119	27.2	198	43.9	17.2	8.5	40.4	21.2	38.4	10.2	23.2	
Bolivia, Plurinational State of	2008 (D)	0.089	20.5	1,972	43.7	18.7	5.8	19.8	27.5	52.6	15.6	60.1	
Burkina Faso	2010 (D)	0.535	84.0	13,834	63.7	7.1	65.7	36.2	27.0	35.0	44.6	...	
Cambodia	2010 (D)	0.212	45.9	6,415	46.1	21.4	17.0	22.1	32.7	45.1	22.8	30.1	
Colombia	2010 (D)	0.022	5.4	2,500	40.9	6.4	1.1	31.8	33.5	34.7	6.2	37.2	
Congo	2009 (D)	0.208	40.6	1,600	51.2	17.7	22.9	10.4	45.6	44.0	54.1	50.1	
Congo, Democratic Republic of the	2010 (M)	0.392	74.0	48,815	53.0	15.1	45.9	16.0	25.1	56.9	87.7	71.3	
Dominican Republic	2007 (D)	0.018	4.6	439	39.4	8.6	0.7	39.1	22.6	38.2	2.2	34.4	
Egypt	2008 (D)	0.024	6.0	4,699	40.7	7.2	1.0	48.1	37.3	14.5	1.7	22.0	
Ethiopia	2011 (D)	0.564	87.3	72,415	64.6	6.8	71.1	25.9	27.6	46.5	39.0	38.9	
Ghana	2008 (D)	0.144	31.2	7,258	46.2	21.6	11.4	32.1	19.5	48.4	28.6	28.5	
Guyana	2009 (D)	0.030	7.7	58	39.2	12.3	1.0	17.4	50.4	32.2	...	...
Indonesia	2007 (D)	0.095	20.8	48,352	45.9	12.2	7.6	15.7	50.6	33.8	18.1	12.5	
Jordan	2009 (D)	0.008	2.4	145	34.4	1.3	0.1	49.6	47.4	3.1	0.1	13.3	
Kenya	2008/2009 (D)	0.229	47.8	18,863	48.0	27.4	19.8	12.7	30.1	57.2	43.4	45.9	
Lesotho	2009 (D)	0.156	35.3	759	44.1	26.7	11.1	21.9	18.9	59.2	43.4	56.6	
Liberia	2007 (D)	0.485	83.9	3,218	57.7	9.7	57.5	29.7	25.0	45.3	83.8	63.8	
Madagascar	2009/2009 (D)	0.357	66.9	13,463	53.3	17.9	35.4	34.3	16.7	49.1	81.3	69.7	
Malawi	2010 (D)	0.334	66.7	9,633	50.1	23.4	31.4	19.5	27.1	53.3	73.9	52.4	
Maldives	2009 (D)	0.018	5.2	16	35.6	4.8	0.3	13.6	81.1	5.3	...	...
Mauritania	2007 (M)	0.352 ^d	61.7 ^d	1,982 ^d	57.1 ^d	15.1 ^d	40.7 ^d	32.0	21.6	46.5	23.4	42.0	
Morocco	2007 (N)	0.048 ^d	10.6 ^d	3,287 ^d	45.3 ^d	12.3 ^d	3.3 ^d	35.5	27.5	37.0	2.5	9.0	
Mozambique	2009 (D)	0.512	79.3	18,127	64.6	9.5	60.7	23.9	36.2	39.9	59.6	54.7	
Namibia	2006/2007 (D)	0.187	39.6	855	47.2	23.6	14.7	15.1	31.0	53.9	31.9	39.0	
Nepal	2011 (D)	0.217	44.2	13,242	49.0	17.4	20.8	21.8	33.7	44.4	24.8	25.2	
Nigeria	2008 (D)	0.310	54.1	83,578	57.3	17.8	33.9	27.0	32.2	40.8	68.0	54.7	
Pakistan	2006/2007 (D)	0.264 ^d	49.4 ^d	81,236 ^d	53.4 ^d	11.0 ^d	27.4 ^d	30.8	37.9	31.2	21.0	22.3	
Palestine, State of	2006/2007 (N)	0.005	1.4	52	37.3	8.9	0.1	33.9	55.3	10.8	0.0	21.9	
Peru	2008 (D)	0.066	15.7	4,422	42.2	14.9	3.9	18.6	20.8	60.6	4.9	31.3	
Philippines	2008 (D)	0.064	13.4	12,083	47.4	9.1	5.7	15.8	56.5	27.7	18.4	26.5	
Rwanda	2010 (D)	0.350	69.0	6,900	50.8	19.4	34.7	19.5	30.9	49.6	63.2	44.9	
Sao Tome and Principe	2009/2009 (D)	0.154	34.5	56	44.7	24.3	10.7	28.8	27.5	43.6	...	66.2	
Senegal	2010/2011 (D)	0.439	74.4	7,642	58.9	11.7	50.6	31.8	40.6	27.6	33.5	50.8	
Sierra Leone	2008 (D)	0.439	77.0	4,321	57.0	13.1	53.2	31.5	19.3	49.2	53.4	66.4	
South Africa	2008 (N)	0.057	13.4	6,609	42.3	22.2	2.4	7.5	50.5	42.0	13.8	23.0	
Swaziland	2010 (M)	0.086	20.4	242	41.9	23.1	3.3	16.7	29.9	53.4	40.6	69.2	
Tanzania, United Republic of	2010 (D)	0.332	65.6	28,552	50.7	21.0	33.4	18.3	26.4	55.3	67.9	33.4	
Timor-Leste	2009/2010 (D)	0.360	68.1	749	52.9	18.2	38.7	21.3	31.0	47.7	37.4	49.9	
Ukraine	2007 (D)	0.008	2.2	1,018	35.5	1.0	0.2	4.7	91.1	4.2	0.1	2.9	
Uganda	2011 (D)	0.367	69.9	24,122	52.5	19.0	31.2	15.6	34.1	50.4	51.5	31.1	
Vanuatu	2007 (M)	0.129	30.1	67	42.7	33.5	6.5	29.7	17.3	53.0	...	...
Viet Nam	2010/2011 (M)	0.017	4.2	3,690	39.5	7.9	0.7	32.8	25.1	42.1	40.1	28.9	
Zambia	2007 (D)	0.328	64.2	7,740	51.2	17.2	34.8	17.5	27.9	54.7	68.5	59.3	
Zimbabwe	2010/2011 (D)	0.172	39.1	4,877	44.0	25.1	11.5	10.2	33.6	56.3	...	72.0	
ESTIMATES BASED ON SURVEYS FOR 2002–2006													
Argentina	2005 (N)	0.011 ^f	2.9 ^f	1,160 ^f	37.6 ^f	5.8 ^f	0.2 ^f	41.9	12.9	45.2	0.9	...	
Azerbaijan	2006 (D)	0.021	5.3	461	39.4	12.5	0.6	24.4	49.4	26.2	0.4	15.8	
Belarus	2005 (M)	0.000	0.0	0	35.1	0.8	0.0	16.6	61.8	21.7	0.1	5.4	
Belize	2006 (M)	0.024	5.6	16	42.6	7.6	1.1	22.8	35.8	41.4	...	33.5	
Benin	2006 (D)	0.412	71.8	5,652	57.4	13.2	47.2	33.6	25.1	41.3	47.3	39.0	
Bosnia and Herzegovina	2006 (M)	0.003	0.8	30	37.2	7.0	0.1	29.2	51.8	19.0	0.0	14.0	
Brazil	2006 (N)	0.011	2.7	5,075	39.3	7.0	0.2	39.0	40.2	20.7	6.1	21.4	
Burundi	2005 (M)	0.530	84.5	6,128	62.7	12.2	61.9	31.5	22.4	46.1	81.3	66.9	
Cameroon	2004 (D)	0.287	53.3	9,149	53.9	19.3	30.4	25.7	24.5	49.8	9.6	39.9	
Chad	2003 (W)	0.344	62.9	5,758	54.7	28.2	44.1	40.9	4.6	54.5	61.9	55.0	
China	2002 (W)	0.056	12.5	161,675	44.9	6.3	4.5	64.8	9.9	25.2	13.1	2.8	
Croatia	2003 (W)	0.016	4.4	196	36.3	0.1	0.3	45.0	46.7	8.3	0.1	11.1	
Czech Republic	2002/2003 (W)	0.010	3.1	318	33.4	0.0	0.0	0.0	99.9	0.1	...	...

Source: (United Nations Development Programme 2013, internet source).

Annex C

Table 3: The Global Competitive Index 2012-2013 rankings and 2011-2012 comparisons

GCI 2012-2013					GCI 2012-2013				
Country/Economy	Rank/144	Score (1-7)	Rank among GCI 2011-2012 sample	GCI 2011-2012 rank	Country/Economy	Rank/144	Score (1-7)	Rank among GCI 2011-2012 sample	GCI 2011-2012 rank
Switzerland	1	5.72	1	1	Ukraine	73	4.14	73	82
Singapore	2	5.67	2	2	Uruguay	74	4.13	74	83
Finland	3	5.55	3	4	Vietnam	75	4.11	75	65
Sweden	4	5.53	4	3	Seychelles	76	4.10	n/a	n/a
Netherlands	5	5.50	5	7	Georgia	77	4.07	76	88
Germany	6	5.48	6	6	Romania	78	4.07	77	77
United States	7	5.47	7	5	Botswana	79	4.06	78	80
United Kingdom	8	5.45	8	10	Macedonia, FYR	80	4.04	79	79
Hong Kong SAR	9	5.41	9	11	Croatia	81	4.04	80	76
Japan	10	5.40	10	9	Armenia	82	4.02	81	92
Qatar	11	5.38	11	14	Guatemala	83	4.01	82	84
Denmark	12	5.29	12	8	Trinidad and Tobago	84	4.01	83	81
Taiwan, China	13	5.28	13	13	Cambodia	85	4.01	84	97
Canada	14	5.27	14	12	Ecuador	86	3.94	85	101
Norway	15	5.27	15	16	Moldova	87	3.94	86	93
Austria	16	5.22	16	19	Bosnia and Herzegovina	88	3.93	87	100
Belgium	17	5.21	17	15	Albania	89	3.91	88	78
Saudi Arabia	18	5.19	18	17	Honduras	90	3.88	89	86
Korea, Rep.	19	5.12	19	24	Lebanon	91	3.88	90	89
Australia	20	5.12	20	20	Namibia	92	3.88	91	83
France	21	5.11	21	18	Mongolia	93	3.87	92	96
Luxembourg	22	5.09	22	23	Argentina	94	3.87	93	85
New Zealand	23	5.09	23	25	Serbia	95	3.87	94	95
United Arab Emirates	24	5.07	24	27	Greece	96	3.86	95	90
Malaysia	25	5.06	25	21	Jamaica	97	3.84	96	107
Israel	26	5.02	26	22	Gambia, The	98	3.83	97	99
Ireland	27	4.91	27	29	Gabon	99	3.82	n/a	n/a
Brunei Darussalam	28	4.87	28	28	Tajikistan	100	3.80	98	105
China	29	4.83	29	26	El Salvador	101	3.80	99	91
Iceland	30	4.74	30	30	Zambia	102	3.80	100	113
Puerto Rico	31	4.67	31	35	Ghana	103	3.79	101	114
Oman	32	4.65	32	32	Bolivia	104	3.78	102	103
Chile	33	4.65	33	31	Dominican Republic	105	3.77	103	110
Estonia	34	4.64	34	33	Kenya	106	3.75	104	102
Bahrain	35	4.63	35	37	Egypt	107	3.73	105	94
Spain	36	4.60	36	36	Nicaragua	108	3.73	106	115
Kuwait	37	4.56	37	34	Guyana	109	3.73	107	109
Thailand	38	4.52	38	39	Algeria	110	3.72	108	87
Czech Republic	39	4.51	39	38	Liberia	111	3.71	n/a	n/a
Panama	40	4.49	40	49	Cameroon	112	3.69	109	116
Poland	41	4.46	41	41	Libya	113	3.68	n/a	n/a
Italy	42	4.46	42	43	Suriname	114	3.68	110	112
Turkey	43	4.45	43	59	Nigeria	115	3.67	111	127
Barbados	44	4.42	44	42	Paraguay	116	3.67	112	122
Lithuania	45	4.41	45	44	Senegal	117	3.66	113	111
Azerbaijan	46	4.41	46	55	Bangladesh	118	3.65	114	108
Malta	47	4.41	47	51	Benin	119	3.61	115	104
Brazil	48	4.40	48	53	Tanzania	120	3.60	116	120
Portugal	49	4.40	49	45	Ethiopia	121	3.55	117	106
Indonesia	50	4.40	50	46	Cape Verde	122	3.55	118	119
Kazakhstan	51	4.38	51	72	Uganda	123	3.53	119	121
South Africa	52	4.37	52	50	Pakistan	124	3.52	120	118
Mexico	53	4.36	53	58	Nepal	125	3.49	121	125
Mauritius	54	4.35	54	54	Venezuela	126	3.46	122	124
Latvia	55	4.35	55	64	Kyrgyz Republic	127	3.44	123	126
Slovenia	56	4.34	56	57	Mali	128	3.43	124	128
Costa Rica	57	4.34	57	61	Malawi	129	3.38	125	117
Cyprus	58	4.32	58	47	Madagascar	130	3.38	126	130
India	59	4.32	59	56	Côte d'Ivoire	131	3.36	127	129
Hungary	60	4.30	60	48	Zimbabwe	132	3.34	128	132
Peru	61	4.28	61	67	Burkina Faso	133	3.34	129	136
Bulgaria	62	4.27	62	74	Mauritania	134	3.32	130	137
Rwanda	63	4.24	63	70	Swaziland	135	3.28	131	134
Jordan	64	4.23	64	71	Timor-Leste	136	3.27	132	131
Philippines	65	4.23	65	75	Lesotho	137	3.19	133	135
Iran, Islamic Rep.	66	4.22	66	62	Mozambique	138	3.17	134	133
Russian Federation	67	4.20	67	66	Chad	139	3.05	135	142
Sri Lanka	68	4.19	68	52	Yemen	140	2.97	136	138
Colombia	69	4.18	69	68	Guinea	141	2.90	n/a	n/a
Morocco	70	4.15	70	73	Haiti	142	2.90	137	141
Slovak Republic	71	4.14	71	69	Sierra Leone	143	2.82	n/a	n/a
Montenegro	72	4.14	72	60	Burundi	144	2.78	138	140

Source: (Schwab 2013, internet source).

Annex D

Table 4: Multidimensional Poverty Index 2012

CAMBODIA								
<i>(US\$ million, unless otherwise indicated)</i>								
	2000	2003	2006	2007	2008	2009	2010	2011
1. Summary external debt data								
External debt stocks	2,648	3,537	3,660	2,813	3,267	3,523	3,833	4,336
Long-term external debt	2,328	3,155	3,318	2,565	2,920	3,127	3,442	3,815
Public and publicly guaranteed	2,328	3,155	3,318	2,565	2,920	3,127	3,442	3,815
Private nonguaranteed	0	0	0	0	0	0	0	0
Use of IMF credit	93	103	23	24	24	132	129	129
Short-term external debt	227	279	209	224	323	265	262	392
interest arrears on long-term	131	243	173	164	197	208	215	221
Memorandum items								
Principal arrears on long-term	1,275	1,485	1,508	180	192	204	216	236
Long-term public sector debt	2,328	3,155	3,318	2,565	2,920	3,127	3,442	3,815
Long-term private sector debt	0	0	0	0	0	0	0	0
Public & publicly guaranteed commitments	185	208	149	390	305	727	488	545
External debt flows								
Disbursements	90	168	153	154	383	211	347	401
Long-term external debt	79	168	153	154	383	211	347	401
IMF purchases	11	0	0	0	0	0	0	0
Principal repayments	14	16	15	13	19	26	33	41
Long-term external debt	7	8	15	13	19	26	33	41
IMF repurchases	7	9	0	0	0	0	0	0
Net flows	128	154	138	165	430	116	303	485
Long-term external debt	72	160	138	141	364	185	313	361
Short-term external debt	52	2	0	24	66	-69	-10	124
Interest payments	19	15	16	18	23	24	29	36
Long-term external debt	12	12	13	15	21	22	28	34
IMF charges	1	1	1	1	0	0	0	0
Short-term external debt	5	2	2	3	2	1	1	2
2. Other non-debt resource inflows								
Foreign direct investment	149	379	483	867	815	539	783	892
Portfolio equity	0	0	0	0	0	0	0	0
3. Currency composition of public and publicly guaranteed debt (%)								
Euro	0.0	0.8	0.8	1.2	1.1	1.2	1.1	1.0
Japanese yen	0.3	1.1	1.2	2.1	2.7	3.1	3.6	3.9
Pound sterling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Swiss franc	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
U.S. dollars	36.9	48.5	48.6	86.2	84.8	84.2	82.2	77.9
4. Average terms of new commitments								
Official creditors								
Interest (%)	1.4	1.4	1.0	1.5	1.2	1.3	1.5	1.2
Maturity (years)	30.2	26.8	26.1	23.6	29.4	25.4	25.1	25.6
Grace period (years)	8.1	9.2	9.7	7.7	8.5	8.5	8.3	9.7
Private creditors								
Interest (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maturity (years)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grace period (years)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Major economic aggregates								
Gross national income (GNI)	3,534	6,006	6,969	8,263	9,844	9,918	10,664	12,297
Exports of goods, services & prim. income	1,893	4,096	5,079	5,748	6,462	5,877	6,943	7,493
Personal transfers & comp. of employees	121	200	297	353	325	338	321	354
Imports of goods, services & prim. income	2,453	4,923	5,971	6,823	8,127	7,382	8,467	8,789
Primary income on FDI	123	227	270	353	403	358	399	0
Current account balance	-136	-307	-262	-481	-1,051	-931	-879	-712
International reserves	502	953	1,157	1,807	2,292	2,851	3,255	3,450
6. Ratios								
External debt stocks to exports (%)	139.9	86.4	69.9	48.9	50.6	60.0	55.2	57.9
External debt stocks to GNI (%)	74.9	58.9	50.9	34.0	33.2	35.5	35.9	35.3
Debt service to exports (%)	1.7	0.8	0.6	0.5	0.7	0.8	0.9	1.0
Short-term to external debt stocks (%)	8.6	7.9	5.9	8.0	9.9	7.5	6.8	9.0
Multilateral to external debt stocks (%)	14.4	29.9	32.9	46.1	43.5	42.6	39.9	36.6
Reserves to external debt stocks (%)	18.9	26.9	32.6	64.2	70.2	80.9	84.9	79.6
Reserves to imports (months)	2.5	2.3	2.3	3.2	3.4	4.6	4.6	4.7

Source: (World Bank 2013, 90).

Affidavit

I hereby declare that this bachelor thesis has been composed by myself autonomously. I have marked every single part in which thoughts of others have been taken out of published or unpublished work, either directly or indirectly, through a quotation.

This thesis has not been handed in or published at other universities before in the same or similar form.

Anna Räder

Zwickau, 25.06.2013