

NAVIGATING DANGEROUS SHOALS: FINDING EQUILIBRIUM IN
CAMBODIA'S RELATIONSHIPS WITH CHINA
AND THE UNITED STATES

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General Studies

by

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ABSTRACT

NAVIGATING DANGEROUS SHOALS: FINDING EQUILLIBRIUM IN CAMBODIA'S RELATIONSHIPS WITH CHINA AND THE UNITED STATES, by MAJ. Borey Chhon, 140 pages.

China's increasing geopolitical, military, economic, and social sphere of influence, both regionally and globally, imposes a challenge for Cambodia whether or not to become pro-China, pro-U.S, or remain neutral. While the U.S's foreign policy of pivot to Asia appears to establish reassurance for some allied nations, it, nevertheless, further complicates the geopolitics of Asia Pacific. Despite the claim of the so-called "Five Principles of Peaceful Coexistence," China's rise is increasingly pressuring these regional countries to choose side. As an independent state and a member of ASEAN, Cambodia is struggling to define its own identity and best safeguard its national interests under the pressures of both sides, given its past history with these two powers. This paper uses qualitative methodology research with the three main assessing criteria, feasibility, acceptability, and suitability, to assess the relationship between China and Cambodia. The paper will scrutinize how China's utilization of economic instrument of national power to shape Cambodia's developmental path.

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ACRONYMS

ASEAN	Association of Southeast Asian Nations
EU	European Union
FDI	Foreign Direct Investment
BRI	Belt Road Initiative
PRC	People's Republic of China
RGC	Royal Government of Cambodia
RS	Rectangular Strategy
SCS	South China Sea
SEA	Southeast Asia
USD	United States Dollar
USSR	Union of Soviet Socialist Republics

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CHAPTER 1

INTRODUCTION

China will never adopt expansionist policies and will continue to safeguard international fairness and justice. Only those who are used to threatening others will see others as a threat to them. China will keep providing unselfish help to war-torn nations, as well as to people in developing countries suffering from hunger, unrest or poverty.

— Xi Jinping, *South China Morning Post: Politics*

We reject globalism and embrace the doctrine of patriotism. We will take a hard look at U.S. foreign assistance, particularly to nations that do not act in U.S. interests. We are only going to give foreign aid to those who respect us and, frankly, are our friends.

— Donald Trump, *Time News*

The two quotes above provide an interesting lens into how states all over the world should interpret the current foreign policy direction of the two major powers in the Indo-Pacific region, the United States and China. President Xi's China appears to be seeking an ever-expanding economic leadership in the global arena with some media members labeling China's rise as "the linchpin of global economic stability."¹ In contrast, President Trump's America appears headed towards an "America First" centric foreign policy with global emphasis and more bilateral engagement in order to realize the campaign ideal of "Making America Great Again."² Thus, the two public proclamations and the subsequent political directions differ from previous foreign policy tendencies, and they leave smaller states in the international system uncertain about the intentions of the two central powers. Navigating this treacherous path of opportunity and challenge in the coming years will require political savvy and geostrategic acumen.

Throughout history, Southeast Asia kingdoms navigated the challenging waters of geostrategic competition with both success and failure as trade routes converged in the region, kingdoms expanded and shrank, tribute was paid internally and externally, and colonialization from Europe emerged. World War II and the formation of the modern nation-states in Southeast Asia became a seminal event as the Cold War power game came to the region. First, communism in the 1950s and 1960s triumphed in Laos, Vietnam, and Cambodia, potentially slowing their political and socio-economic dynamism.³ Other pro-U.S. nations in the region shifted to embrace a market-oriented attitude and more open political systems. This political reality made Southeast Asia, particularly mainland Southeast Asia, the forefront of great power competition as the “dominoes” could not fall for the West, and the Soviet Union sought to expand regional influence.

Then, in 1967, Thailand, Singapore, Malaysia, Indonesia, and the Philippines gathered together to establish the Association of Southeast Asian Nations (ASEAN). These nations sought political unity and the ability to transition from “dominoes to dynamos,” shifting from an import-substituting industrial strategy in the 1960s to become more globally connected, export-oriented economies in the 1970s.⁴ The subsequent economic growth of these countries promoted a sense of optimism about the benefits of a pro-U.S. affiliation in the region. As a consequence, it prompted other regional authoritarian nations to lean towards capitalism, initiate open economies, and join ASEAN.

Shattering the optimism of the 1990s, the 1997 financial crisis stunted the growth an advancing Asia. ASEAN had just approved the entry of Cambodia, Laos, and

Myanmar into ASEAN. Now, the promised economic growth and prosperity of open market capitalism and global connectivity appeared illusory. At this point, the future of ASEAN remained uncertain and fragile due to the differences of the members. The crisis exposed that market capitalism was not an automatic guarantee of prosperity. More importantly, due to the harsh austerity measures recommended by the IMF and World Bank, many Asian nations concluded that the international system benefitted founding nations more than developing nations, and Asian nations might need to seek an alternative source of development funding. At the conclusion of this pessimistic episode, advocates of ASEAN expansion still asserted that the health of ASEAN nations resided in forming a cohesive team similar to the European Union, and the countries would benefit from each other in the long run.⁵

As Asian dynamism entered the 21st century, great power competition slowly returned more prominently to the region. The People's Republic of China (PRC)'s rising assertiveness on security and territorial problems added geostrategic complexity to fragile ASEAN governments, pushing them to navigate pro-China or pro-U.S. policies. Each country provided narratives of a world, or at least an Asian order, that offered prosperity and growth despite the costs. The PRC projected its benign image in the Southeast Asian region by leading the China-ASEAN Free Trade Agreement and requiring no immediate low trade tariffs. Low trade tariffs allowed ASEAN states to enter a giant booming market with zero tariffs for their exported products, while simultaneously protecting their domestic goods.⁶ The Trump administration offers uncertain policies, mixing global market capitalism and bilateral economic protectionism. As both policies march forward, small states are searching to develop a national interests based strategic framework that

allows for flexibility, prosperity, and sovereignty. Cambodia is one of many countries navigating these dangerous shoals, and this thesis will use Cambodia as a qualitative case study to illustrate this dynamic.

The Purpose of the Research

There are three main goals for this research. First, over the past two decades and particularly since 2012 with Xi Jinping's economic and political vision such as the Belt and Road Initiative, PRC regional influence grew and expanded in the realms of diplomacy, development, and security. President Xi, stressing the importance of China's contributions in terms of world change stated "The Chinese people's sincere wish and practical action to contribute to the peace and development of humanity should not be misinterpreted, nor should it be distorted."⁷ The first purpose is, therefore, to understand the intentions of Beijing's strategic postures.

Secondly, the project aims to understand the strategic advantage that Cambodia affords a rising power like China and how Cambodia can leverage this reality in its strategic planning. Geographically, it is located in the centre of the ASEAN region. It offers easy access to the Gulf of Thailand which allows for alternate ways to transfer resources to/from China, conduct trading activities with ASEAN members, and an alternate inland route if South China Sea traffic is disrupted. Politically, Cambodia is a member of ASEAN and offers political influence as a consensus body. From a resource perspective, Cambodia offers both labor and natural resources along with international support. Sino-Cambodia relationships have become increasingly closer for the last two decades across all spectrums: diplomatic, security, and economic aspects. Cambodia will

utilize this opportunity to benefit its own development, and at the same time, assess and respond accordingly in order to best guard its national interests.

The third goal is to provide a recommended option to best benefit Cambodia's national interest and how can Cambodia maximize its influence and strategic advantage in the current world. The initial research thesis proposes that Cambodia must develop a sustainable foreign policy of hedging to maximize both economic benefits and political independence to enhance national security.

Chapter one will outline several key introductory aspects of this project. First, it will examine the history of Sino-Cambodian relations. Second, it will analyze the history of U.S.-Cambodian relations. Then, it will turn to a short summary of Cambodia's publically stated national objectives and strategy. Finally, the author will outline some potential limitations and ethical issues in relationship to this thesis.

Sino-Cambodia History

While Cambodia has had relations with China since the 12th century, according to Zhou Daguan's memoir, a Chinese diplomat in the 12th century, the modern relationship emerged only in the last sixty to seventy years. With the emergence of the modern nation-state of Cambodia, China and Cambodia established diplomatic relations in 1958 following King Norodom Sihanouk's meetings with the Chinese first premier Zhou Enlai during the 1955 Bandung Conference, Indonesia.⁸ This personal relationship between the two states' leaders laid a firm foundation for the modern relationship, grounded on economic prosperity and a sense of non-alignment with the West.⁹ This early honeymoon period of warm bilateral relations did not last long due to domestic turmoil in Cambodia. In the 1970s-80s, China supported the communist Khmer Rouge through logistical,

financial, diplomatic, and troops supplies.¹⁰ Mao's revolutionist ideology and the global communist struggle inspired the PRC's patronage of the notorious Khmer Rouge. The Khmer Rouge regime slaughtered a quarter of the total population, approximately 1.7 to 2 million people.¹¹ This marked the worst point in modern Sino-Cambodia bilateral relations.

In the 1990s, bilateral relations shifted to a more cooperative period. The 1997 political crisis in Cambodia and broader Asian financial crisis was a key catalyst in the warming of relations. With the temporary suspension of Western donors, Cambodia turned to China for three main interests. First, Beijing assisted Phnom Penh by supporting the ruling government of Cambodia. Second, Chinese economic strength assisted Cambodia's economic challenges in the wake of the crisis. China provided foreign aid, trade and investment, entrepreneurship, technological know-how, as well as other skills and knowledge.¹² Third, Phnom Penh perceived Beijing as a benevolent regional power who could support its international legitimacy.

Simultaneously during this crisis, the Cambodian government rejected outside influences which sought to "discredit" the regime over issues of democratic process, freedom of speech, and human rights. Beijing expressed its stance toward Phnom Penh with a different public tone, proposing a "non-interference assurance" and exhorting all rivaling Khmer leaders to seek peaceful resolution.¹³ Of equal significance, no-string attached foreign aid from Beijing offered a great economic option without political requirements. China provided 600 million USD in aid and loans to Cambodia for hydroelectric dams and other infrastructure projects.¹⁴ Chinese government investment also encouraged increased private foreign direct investment from Chinese companies. For

example, Chinese investment soared from 80 million USD in 2004 to 442 million USD in 2005.¹⁵ These political and economic offerings established the modern partnership with Beijing based on political legitimacy, economic growth, and regional cooperation. Today, China and Cambodia remain close strategic partners, and China provides the primary external engine for Cambodia's economic growth.

U.S.- Cambodia Relations

As another major power in the Indo-Pacific, it is essential to understand the historical background of the U.S.-Cambodia bilateral relationship. The relationship between the U.S. and Cambodia has been through a series of ups and downs since World War II. After the Indochina War, on 29 June 1950, the U.S. State Department officially recognized the new Cambodian government, with King Norodom Sihanouk as the head of state. A bilateral friendship emerged, signified by the official visit of President Eisenhower in 1958 to Phnom Penh.¹⁶ In 1955, the U.S. offered Cambodia a \$50 million assistance package per year aimed to enhance independence, improve social and economic development, increase free public education, enhance agriculture foster a better healthcare system, and improve infrastructure and security projects.¹⁷ In 1963, the U.S. offered 493 million USD, as an economic grant aid and 84 million USD in military aid.¹⁸ This foreign aid package primarily concentrated upon internal security forces and infrastructure projects which supported the republic government, not the monarchy. This turned popular support and bilateral relations from friendly to strained. In support of the U.S.-backed Khmer Republic government, led by Lon Nol. During the 1970-1975, the U.S. offered 1.2 billion USD in military aid to the Nol Administration to combat against the Khmer Rouge, led by Pol Pot. Additionally, Washington also provided 500 million

USD in economic assistance. The communist Khmer Rouge subsequently toppled the Nol Administration in 1975. After this period of domestic turmoil and great power competition, Cambodia sought to rebuild its country while benefitting from a lack of major power competition in the region as the Soviet Union fell and communism lost momentum.

In the early 1990s, full diplomatic partnership was reestablished after the 1993 U.N led free election in Cambodia.¹⁹ Washington assisted Cambodia's democratic institutions, advocated respect for human rights, and promoted fair and free trade. Over the last twenty years, the U.S. also supported Cambodia in other areas including: HIV/AIDS prevention, reducing corruption and human trafficking, enhancing nutrition for children, combating environmental issues, and promoting economic advancement.²⁰ In 2016, for example, the U.S. provided 84 million dollars in foreign assistance for education, health, environment, food security, governance, and other programs.²¹

For the last five years, U.S.-Cambodia relations have not been as positive as in the past. Political changes within Cambodia, such as the dissolution of opposition party—the Cambodia National Rescue Party, and the increasing Chinese presence in Cambodia added friction to the bilateral relationship.²² As of early 2019, both sides have maintained diplomatic relations and some levels of cooperation. For example, U.S. Department of Defense Deputy Assistant Secretary for South and Southeast Asia Joseph H. Felter attended a meeting with Cambodian military officials in Phnom Penh to discuss the bilateral cooperation and regional security challenges.²³ Additionally, in terms of economic relations, the U.S remains the biggest single nation buyer of Cambodian

exports, mainly textiles. Thus, the relations between the two nations remain important and relevant, despite the political hiccups.

Cambodia's Strategic Objectives

Having reviewed Cambodia's relationship with two major powers in the region, it is important to review modern-day Cambodia's strategic objectives to understand the current vision for navigating this dynamic environment. The Royal Government of Cambodia (RGC) periodically produces a strategic objectives document, known as the Rectangular Strategy (RS), in order to guide the developmental path of Cambodia. Similar to the U.S.'s National Security Strategy (NSS), the RS is a policy guideline for the Cambodian government to "transform, rehabilitate, and develop" the country into a fully peaceful and stable nation after the termination of civil war.²⁴ Based upon the RS 2018, the RGC has specifically identified four strategic goals and four priorities. The four strategic objectives include: preserving sustainable economic growth, generating job opportunities, reducing poverty, and improving public institutions and governance. Of note, for economic growth, Cambodia seeks seven percent growth while seeking a 10 percent reduction in poverty. Additionally, job growth focuses on both quality and quantity by promoting business opportunities internally and externally. Finally, the governance objective focuses on improving the efficiency and efficacy of public services in order to better serve the people and the business environment.

The RS phase IV is the most important roadmap to direct and coordinate all activities of the stakeholders to further advance and strive for long-run sustainable development of Cambodia. It aims to promote economic advancement, establish jobs, equitably distribute the profits of development, ensure effectiveness and efficiency of

public services, and better manage the natural resources. In a broad sense, Cambodia's core national objectives are sovereignty, peace, stability, and prosperity, and these core objectives must guide political decisions and geostrategic planning.

Scope and Limitations

With respect to the period of examination, the thesis will focus on Sino-Cambodia and U.S.-Cambodia relations with respect to diplomatic, security, and economics, with a major focus on economic development from 1997 onwards as it signified the recommencement of diplomacy between Cambodia and China. With regards to the analysis of the states' domestic context and content analysis, the thesis employs primarily English versions of documents written by Cambodian authors to make the research accessible to the widest audience possible.

Ethical Issues

It is crucially important to ascertain the impartiality in the process of collecting and interpreting information or data in accordance with scholastic manner in order steer clear of prejudices to the maximum extent possible. Of equal significance, the researcher will guarantee that information interpretation from both primary and secondary sources is appropriately acknowledged through thorough validation to assure consistency. In addition, it is crucial to ensure that there is no distortion or alteration on the collected data to attain desired outcome.

¹ Bessma Momani, "Xi Jinping's Davos Speech Showed the World has Turned Upside Down," *Newsweek*, 18 January 2017, accessed 20 October 2018, <http://www>.

newsweek.com/davos-2017-xi-jinping-economy-globalization-protectionism-donald-trump-543993.

² Rebecca Lissner, and Mira Rapp-Hooper, “The Day After Trump: American Strategy for a New International Order,” *The Washington Quarterly* 41, no. 1 (Spring 2018): 7-25, accessed 01 January 2019, https://twq.elliott.gwu.edu/sites/g/files/zaxdzs2121/f/downloads/TWQ_Spring2018_LissnerRappHooper_0.pdf.

³ David Denoon, *China, The United States, and the Future of Southeast Asia: U.S.-China Relations* (New York: NYU Press, 2017), 1.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid., 2.

⁷ Minnie Chan, “Six Points From Xi Jinping’s Speech Wrapping Up China’s National Congress,” *South China Morning Post*, 20 March 2018, accessed 20 September 2018, <https://www.scmp.com/news/china/policies-politics/article/2137981/six-key-points-xi-jinpings-speech-wrapping-chinas>.

⁸ Siem Pichnorak, “How has China’s Aid Influence Cambodia’s Foreign Policy?” (master’s thesis, Royal University of Phnom Penh, Phnom Penh, 2014); Kosal Long, “Sino-Cambodia Relations” (master’s thesis, Cambodian Institute for Cooperation and Peace, International Foundation for Arts and Culture, Phnom Penh), 5-6.

⁹ Long, “Sino-Cambodia Relations,” 6.

¹⁰ Pichnorak, “How has China’s Aid Influence Cambodia’s Foreign Policy?” 1-3; Long, “Sino-Cambodia Relations,” 6-7.

¹¹ Long, “Sino-Cambodia Relations,” 6-7.

¹² Cham Pradish, Minister of Commerce, “Effects of China’s Entry into WTO and Implications for Cambodia Exports” (Speech, Phnom Penh, 13 December 2003), accessed 12 November 2018, <https://www.adb.org/sites/default/files/publication/159380/adbi-lessons-cambodia-wto.pdf>.

¹³ Long, “Sino-Cambodia Relations,” 7.

¹⁴ Ibid., 6.

¹⁵ Ibid.

¹⁶ The U.S. Embassy in Phnom Penh, *60th Anniversary of Diplomatic Relations* (Phnom Penh, Cambodia: Public Affairs Section, U.S. Embassy, 11 July 2010), accessed 05 March 2019, https://kh.usembassy.gov/wp-content/uploads/sites/80/2016/06/book_us_cambodia_relations.pdf.

¹⁷ Ibid., 11.

¹⁸ Ibid.

¹⁹ Department of State, “U.S Relations with Cambodia,” Bureau of East Asian and Pacific Affairs Fact Sheet, 12 February 2019, accessed 04 March 2019, <https://www.state.gov/r/pa/ei/bgn/2732.htm>.

²⁰ Ibid.

²¹ Ibid.

²² Congressional Research Service, Cambodia: Background and U.S Relations, FAS Reports, 28 January 2019, accessed 04 March 2019, <https://fas.org/sgp/crs/row/R44037.pdf>.

²³ Joseph Felter, Interview by VOA Cambodia: Narin Sun, Chhengpor Aun, Khan Sokummonon, and Mengly Key, “Interview: Senior Pentagon Official Visits Cambodia, Talks Phnom Penh Ties, Indo-Pacific Strategy,” Phnom Penh, Cambodia, 19 January 2019.

²⁴ Royal Government of Cambodia, *Rectangular Strategy for Growth, Employment, Equity and Efficiency: Building the Foundation Toward Realizing the Cambodia Vision 2050, Phase IV* (Phnom Penh: National Assembly, 2018), 2.

CHAPTER 2

LITERATURE REVIEW

The literature review is divided into two main sections. Section one reviews scholarship about the characteristics and security strategies of small nation-states. Small states maneuver diplomatically and strategically with concepts like bandwagoning, balancing, and hedging to preserve national sovereignty while maximizing strategic advantage. This section provides the context for the second and third research questions. Section two assesses the contemporary literature on perceptions and viewpoints on China's rise and intentions from representative works across a spectrum of international relations theories. The section also reviews literature on how regional nations deal with the rising power, China. Section two provides the foundation for the first research goal, and it informs how Cambodian policymakers can view current Chinese actions and anticipated intentions.

Section I: Discussion about Small States' Security Strategies

This part of the chapter discusses the characteristics of small states and how they formulate their strategies. It will subsequently assess the existing international relations theories, such as bandwagoning, balancing, and hedging. This section will set a context for further discussion in Chapters 4 and 5.

A Study of Small Nation-States

Before proceeding to assess the strategic options left open to small states, it is important to provide a definition of small states, as this term has various meanings for different statesmen and scholars. Not surprisingly, the notion of small states is intimately

linked to the conception of small powers. The differentiation between the small and great powers surfaced at the commencement of the 19th century or the end of the Napoleonic Wars.¹ From the great powers' perception, small states were militarily too fragile to uphold the obligation as a guardian of peace and international orders that they wished to maintain. Through time, this perception has transformed, remarkably after the creation of the League of Nations. This international institution provided a safe platform for those small powers' voices to be heard, and therefore, they were able to contribute to the maintenance of international peace, as asserted by some international-relations scholars, such as Robert Rothstein, Iver Neumann, and Sieglinde Gstöhl.² Hedley Bull, an Australian scholar and one of the leading international-relations experts, stressed in a book, *The Inequality of States: A Study of the Smaller Power in International Relations*, about the significance and viability of small states in the international relations studies.³ They are a vital variable in the international-relations equation, which should be studied, not ignored. Annette Baker Fox, on the contrary, argued that the study or categorization of small states is "as meaningless as category as the international system, which can vary through time."⁴

Defining what constitutes a small state is a challenging prospect, but the literature focuses on three areas. First, the definition of small states can be centered on quantifiable characteristics; namely, territorial size, economy, population, military capabilities.⁵ David Vital argued the mixture of economy, territorial size, location, military capability, and material resources dictates the magnitude of how much a small state is able to act as "an active rather than passive and a resistant rather than receptive" subscriber to the international community.⁶ An issue with this approach is its cut off line. Smallness is a

relative conception and any categorization centered upon an exact chosen number, such as the size of territory, population, economy or even power resources to differentiate levels of states, is invariably arbitrary.⁷ For example, Mongolia is a territorially large nation when compared to Cambodia, but a small state when compared to Russia or China. Also, relative concept of power can be associated with a nation's self-image. For example, Australia is a 'medium' power economically and is the sixth largest nation in terms of territorial size, yet in spite of these advantages, often feels dwarfed by China. As a result, although this method provides a more tangible and quantifiable ground to define small states, it still possesses challenges in not having clear delineating lines.

A second group of scholars analyzes small states by utilizing qualitative characteristics; namely, influence, relevance, and leadership. Objective yardsticks of size or numbers are not vital for the categorization of "smallness."⁸ Based on Robert Rothstein's argument, "small powers are nations which acknowledge they are not able to gain security principally by the utilization of its own capabilities, but the reliance on other states or international institutions to do so."⁹ This explains why small states depend on the alliance system to strengthen their security. Rothstein also based his argument on the psychological domain. Political leaders of small nations must be cognizant of both their limited capabilities and the other relevant states' capabilities and intentions.¹⁰ This is crucial because small states generally have scarce resources; therefore, they must best allocate those resources in the right direction rather than wasting them. He also suggests that small nations generally incorporate a hedging strategy by diversifying their options among external actors to achieve national interests; whereas, large powers depend on their own power resources to expand their interests. One of America's leading political-

scientists, Robert Keohane, further added, “A great power is a state whose commander-in-chief considers that it can alone exercise a large, perhaps decisive, impact on the international system; ...while a small state is a state whose leaders consider that it can never, acting alone or in a small group, make a significant impact on the system.”¹¹ As a consequence, this method, despite no tangible data, covers additional qualities of influence, relevance, and leadership.

The third group of scholars defines small states by differentiating them from the great powers or middle power groups. According to Iver Neumann and Sieglinde Gstöhl, political scientists, small nations are those that do not belong to the great power or middle power groups, they simply belong to the residual category.¹² They emphasized that those small powers should not be assumed as weak states. The differentiation between strong and weak is more on quality, while the difference between small and great powers is on their quantity.¹³ Another scholar Professor Michael Handel states, small states are “by no means an impotent, helpless victim of the system.”¹⁴ On the contrary, some of them are rapid to exploit any given opportunity from the nature of any provided international system.¹⁵ This way of categorization’s issue is its vagueness. It seems to place attention of the great powers more than the small ones. It also provides no concrete measures to define them.

Analyzing Small State Characteristics: Cambodia

First, if applying the quantitative method, according to CIA Factbook, Cambodia is ranked the 91st country in terms of territory, 113th in terms of GDP, 69th in terms of population, and 57th in terms of military spending.¹⁶ Based on these facts, Cambodia is a small state, as it possesses limited advantages in terms of territorial, economic, and

military size. Cambodia, however, is territorially bigger than most of the countries in Europe, such as Austria (115th), Portugal (112th), and Switzerland (136th). Does it make Cambodia stronger than these countries? The size in this equation, as previously discussed, is only a variable, not a determining factor. Second, if applying the qualitative method, provided limited resources, Cambodia cannot obtain security purely by the use of its own capabilities, but the dependence upon the international institutions to do so. This is indicated by being a member of ASEAN, WTO, and the UN to maintain its legitimacy and sovereignty. As a state, it is well aware that Cambodia will need to be a part of the bigger course in order to project its voice and exercise its influence. Third, if applying the third method, Cambodia does not belong to the great power or middle power groups. It, therefore, is the small power. Through the three methods, Cambodia is categorized as a small state.

Small States' Strategies Formulation

The question of what strategies small states should adopt to navigate the international system has been broadly discussed, especially after the end of the Cold War. The collapse of the USSR led to the birth of many independent small states, which had to rapidly adjust to the evolving security and geographical landscape to survive and thrive. They face numerous challenges, some of which are vital to their existence. A Danish political scientist, Erling Bjøl, distinguishes the security concerns between the small and great powers. He states, great powers place the security importance on preserving their territory and their client nations' against potential enemy, while small powers have wider security concerns, which are divided into two aspects. The first aspect is with regards to their survival and existential threats. The second aspect concerns resisting and

counteracting political intrusion to preserve autonomy and sovereignty.¹⁷ These challenges are both traditional and non-traditional.

Cambodian history provides a historical example of a small state's foreign policy formulation. Under King Norodom Sihanouk, Cambodia sought to protect its security and sovereignty. Not long after gaining independence from France in the 1953, Cambodia faced an acute sense of national vulnerability as the Vietnam War just erupted at the backyard. Prince Sihanouk's foreign policy embarked upon the unconventional protean shifts, veiled under the form of neutralism. He was very cognizant of Cambodia's future and security predicament. He perceived the West presence was short-lived at the time, and the victory would eventually turn to favor the communist.¹⁸ He was also well aware of Cambodia's limited capabilities and what communist victory would mean for Cambodia, particularly after having shared prolonged enmity and bitterness between the two countries as well as Vietnam's expansionist ambition. In short, the Kingdom existence might be wiped off the map. As the King claimed, "I must concede again that after the withdrawal of the U.S. presence from our peripheries and the victory of the Communist Camp, I myself and the People's Socialist Community that I have established would ultimately vanish from the scene."¹⁹ The King, therefore, chose a policy of neutralism with an attempt to retain an equal balance between the blocs.²⁰ The King viewed this policy as a dynamic not a static concept. There were many instances of him having adjusted the balance to benefit one or other blocs. With the West, essentially the U.S., the king preserved a stable flow of assistance to the kingdom until the mid-1960s. The U.S. and the Western bloc, however, declined to maintain the security of the kingdom afterwards, in particular after the Viet Cong and North Vietnamese Army

established and occupied the Ho Chi Minh trail. The King subsequently negotiated directly with the North Vietnamese leaders and the NLF to assure the autonomy, integrity, and sovereignty of Cambodia.²¹ Both leaders gave the king an assurance that his request would be respected. The same assurance was also given by the Soviet and Chinese leaders at the time. The king, with the fear of the Vietnamese guerrillas' intrusion, reestablished the relations with the U.S. The king's skillful maneuver and counter-maneuver at least had helped the kingdom to preserve its political independence for 16 years and to stay out of the inferno happening nearby its periphery. This example provides a context for how a small state reacts to the changing security environment.

Based on a lack of resources, limited military and economic capabilities, and limited diplomatic influence, small states have less means for engaging with more powerful nations. Goetschel argues that small states deal with this security dilemmas by seeking alternate strategies to maintain influence and autonomy.²² While great power states are typically more active in foreign policy, smaller states may feel compelled to opt for passive or even neutral strategies to preserve their autonomy.²³ For example, Cambodia can maintain a passive role in ASEAN without taking a stance in exchange for diplomatic or economic benefits.

Due to limited influence, small states do not have equal opportunity in international or regional decision-making process or are coerced to partake in some global activities, which do not align with their desired goals or values, leading a further loss of their freedom or influence. Economic insecurities are another challenge. Owing to small populations and the influence to negotiate with more powerful nations, they tend to be affected by diseconomies of scale in production and distribution.²⁴ Furthermore, they

have a limited potential to develop and diversify their supply sources, or sometimes are victimized by economic sanctions and international pressures due to their rigid structures, leaving them more impotent and reliant upon external players.²⁵ As a result, to adjust to the changing security environment, these small powers need access to a peaceful international system, security guarantees from more powerful nations, and access to an open global economy and free trade to survive and thrive.²⁶ Reflecting on the complexity of navigating the dangerous shoals of influence and autonomy informs how small states achieve their desired objectives and compensate for their limitations.

Ultimately, there are several strategies that small nations can utilize to accomplish greater security and stability, as well as obtain more influence in the international arena. The thesis will only focus on three main strategies, namely, aligning or bandwagoning, balancing against emerging threats, and hedging strategies.

Alignment Strategy

When faced with a significant external threat, two of the options small states can choose is to align or bandwagon. There are different definitions concerning the term *Alignment* or *Bandwagoning*. The terms are used interchangeably. A professor of international relations at the John F. Kennedy School of Government at Harvard, Stephen Walt simply defines this strategy as an “alignment with the source of danger” and asserts that it is not a prominent tendency in international politics.²⁷ In line with Walt, Steven David, agrees that it generally occurs only “when states are very weak, when the spoils of war about to be split, and when allies are not available.”²⁸ Randall Schweller, a Professor of Political Science at the Ohio State University, provides a different definition. Bandwagoning, as he claims, is an “alignment with the most powerful or promising

power in the global politics with an attempt to gain advantages to preserve revisionist profits rather than protection.”²⁹ It can be offensive, as nations gain advantages from aligning with the emerging power, or it can be defensive if nations align to stay away from conflicts and obtain a better security advantage.³⁰ Building around Walt’s definition of bandwagoning, Cheng-Chwee Kuik, a Professor of strategic studies at University of Malaysia, defines it as a state’s behavior to “crouch under—rather than balance against—a rising power.”³¹ According to Scott Thompson, nothing triumphs or is more attractive like success in international system.³² As a powerful state gains successes and momentum, the impression of irrevocability in his achievements incapacitates one side and encourages others to align with its course.³³ Bandwagoning thinking was also a recurrent motif all through the Cold War. For instance, the USSR focused its endeavors to menace Turkey and Norway in order to prevent them from joining NATO, which reflects the Soviet belief that nations were likely to accommodate to a powerful threat to avoid conflict.³⁴ These endeavors, however, only pushed them to align with the West instead. In similar mindset, John F. Kennedy once stated, “If the U.S were to falter, the entire world ... would inevitably begin to move toward the Communist bloc.”³⁵ Aligning with President Kennedy, President Henry Kissinger claimed, “American allies were likely to bandwagon with the USSR if the other world leaders ... assume that the U.S lacked either the forces or the will.”³⁶ These speeches show the rationale derived from the bandwagoning logic.

There are two main reasons, as claimed by Walt, motivating states to opt for an alignment strategy - appeasement and sharing spoils of success. Appeasement is a defense-oriented mindset that protects the state’s autonomy and sovereignty when

confronted by an emerging threat, with the anticipation that the threat can be diverted to elsewhere.³⁷ Weak states particularly are cognizant of their limited capabilities and contribution to the defensive coalition, and have minor effect on the outcome. Therefore, membership in a powerful coalition helps escape subjugation, or they may ultimately vanish. The second reason concerns the shared portion of success.³⁸ This offense-oriented incentive reveals a state's expectation of obtaining profits by bandwagoning with the winning side. For example, after World War II broke out, Germany was on the rise. Italy's leader, Mussolini, subsequently decided to align with Hitler by the late 1930s with an anticipation to obtain some profits from this alliance pact.

Balancing Strategy

Walt defines balancing as “allying with others against the prevailing threat.”³⁹ There are two main motivations for countries to choose a balancing strategy. First, he believes the establishment of alliance with other smaller states can prevent a more powerful power from having an absolute control. In other words, nations form a coalition to conglomerate their capabilities against the greatest aggressor when they are not able to defend on their own.⁴⁰ An American political scientist, Kenneth Waltz, asserts that provided the anarchic nature of the world political system, countries, regardless of sizes, are encouraged to “flock to the weaker side” to balance against the most dominant aggressor in the system.⁴¹

Second, weaker nations, according to Stephen Walt, choose to balance in order to increase their influence within the coalition. On the other hand, stronger states join the weaker side to gain greater influences, as the weaker states have larger demand for assistance and thus tend to value more powerful states' voices.⁴² In contrast, he also

acknowledged that entering an alliance might make those small powers vulnerable. As they contribute little to the system, larger powers may, consequently, undermine their voices.⁴³

To provide more strategic clarity, Stephen Walt describes bandwagoning and balancing as two distinctive political worlds. Determining which political world, either bandwagoning-dominated or balancing-dominated, facilitates answering which strategy should be adopted. For example, in the balancing-dominated system, threatening or aggressive behaviors of a powerful state will not convince small states to bandwagon; instead, it will encourage them to balance because small powers fear the absolute dominance of the power.⁴⁴ Acting out of small powers' own interests, they will resist the aggression. As a consequence, policies of benevolence, not aggression, are excellent for the balancing political system.

In a bandwagoning-dominated world, on the contrary, the appearance of dominance and aggression of the great powers motivates small powers to align, as they wish to avoid conflict and gain profit.⁴⁵ A success obtained by one side or the fall of the other side can send a strong signal and incentive for the rest to join the winning side.

Seborah Welch Larson, Steven David, and other international-relations scientists also consider other different internal factors contributing to determining how a state formulates their policy. These factors are economics, internal political structure, and ideational aspects.⁴⁶ Rather than relying upon power and military dominance as the only factor, other aspects can also determine whether or not small powers align with other powers. For example, incompatibility of a state's ideological belief, communism and democracy, can discourage them from entering alliance.

Hedging Strategy

Another strategic option a state can employ to navigate through the security environment is hedging. Evelyn Goh, a Professor of Strategic Policy at the Australian National University, defines hedging as a series of “contingency-planning strategies of a state when it cannot choose a more straightforward policy,” like either alignment or balancing, in a given complex international system.⁴⁷ Instead, the state formulates a strategy to avoid choosing a side. Sharing the same view, Cheng-Chwee Kuik and Øystein Tunsjø, a Norwegian Senior International-Relations Scholar, assert that when operating in an uncertain security environment, a state can employ a hedging strategy to seek to offset risks by adopting multiple policy choices to “reconcile conciliation and confrontation” in order to remain flexibly postured.⁴⁸ In theory, this strategy allows a small power to optimize security by exploiting the gap from the superpowers competition, generating incentive for them to compete for popularity in the international system, and avoiding a direct and high-level confrontation with those powers.⁴⁹ To put it differently, being aware of the security dilemma of the old African proverb that states, “When elephants fight, the grass gets hurt; when elephants make love, the grass also suffers.”⁵⁰ Hedging can provide a smart alternative for statesmen. The grass does not have to suffer every time the elephants fight or make love. Instead, it can benefit from it. This strategy is ubiquitous in the contemporary international political dimension. For example, Richard Samuels and Eric Heginbotham perceive Japan’s strategic behaviour as hedging, because it has maintained its alliance with the U.S. while expanding its trading engagement with China.⁵¹ With similar motif, Rosemary Foot argues Beijing is implementing hedging strategy with Washington, as it seeks to broaden economic and

political relations with the U.S. while simultaneously shaping its security environment through bilateral and multilateral ties with other states, just in case of a gloomy day.⁵²

According to Kuik, there are three major conditions motivating states to hedge. First, the absence of an all-out power competition can motivate small powers to opt side.⁵³ Second, the absence of an imminent threat can encourage a nation to balance or bandwagon for protection purpose. Third, the absence of ideological fault-lines can also divide countries.

Kuik also observes nations, particularly in Southeast Asia, employ a multi-component hedging strategy, placing it on the bandwagoning-balancing spectrum. He divides it into five elements: indirect-balancing, dominance-denial, economic-pragmatism, binding-engagement, and limited-bandwagoning.⁵⁴ He asserts that these “counteracting” strategy instruments guide small states to minimize threats and optimize profits.⁵⁵

Using this similar framing concept, Le Hong Hiep scrutinizes Hanoi’s strategic behaviour toward Beijing by classifying hedging into four components—soft balancing, hard balancing, direct engagement, and economic pragmatism.⁵⁶ Also, every component of these categories includes multiple policies.

With the intent to clarify the hedging concept, two mediating factors must be discussed. To begin with, the notion of hedging in some of the contemporary literature is too broad, making an analysis too vague or “unfalsifiable.”⁵⁷ For instance, based on Kuik’s rationale, Malaysia is implementing hedging strategy, although it chooses indirect balancing, engagement, and limited bandwagoning. If this rationale is a truism, then Laos

and the Philippines too are hedgers. An issue with the definition is that it is too broad that it does not clearly differentiate non-hedgers and hedgers.⁵⁸

The second issue of some contemporary studies is the misperception of hedging. Some argue that a mixture of balancing and bandwagoning is a hedging strategy.⁵⁹ This is not always true. The coexistence of coercive and cooperative behaviours in international political realm is a common occurrence, which does not necessarily equate to hedging. One of the required characteristics of hedging lies in the state's ability to divert risks.⁶⁰ For instance, some Southeast Asian states are able to divert their security threats and responsibilities to the U.S, as it has played the main role in providing security assurance via alliance system and keeping Beijing in check. Similarly, William Wohlforth claims that hedging has been the common theme with Russia's peripheral states since the collapse of Berlin Wall, because they wish to have outright autonomy and sovereignty.⁶¹ Therefore, these small powers are able to hedge on some specific aspects and avoid direct confrontation with China.

The other two significant required characteristics are the diversification of targets/partners and the separation of specific issue aspects.⁶² First, hedgers seek to diversify their partners or options in order to increase strategic manoeuvring space.⁶³ States select their targeting partners by basing upon characteristics and strengths. For instance, countries in Southeast Asia view China and the U.S. as their prime targets, while others may view the EU, India, or Japan as the secondary partners.⁶⁴ As Beijing is a strong economic influencer, some nations can turn to engage with China economically, while maintaining its security aspect with the U.S. or vice versa. In addition, the separation of sector optimization is another important characteristic of hedging. Hedgers

understand and effectively engage with other nations through various dimensions with different tools: political, social, cultural, economic, information, military, and even leadership and infrastructure. When engaging with dominant players in the system, hedgers are able brilliantly utilize those tools to best benefit their interests. For example, a study conducted by Ryan Yu-Lin Liou and Philip Szue-Chin Hsu, PhD students at University of Georgia, indicates that Singapore is a hedger, as it successfully employs different tools when dealing with the U.S. and China.⁶⁵ Singapore relies on the U.S. for security aspect (diverting risks to the U.S.), separates issue areas (traditional and non-traditional security and economic engagement with China), and diversifying partners (relying on the U.S., China, but also many other partners).⁶⁶

To summarize, the three main strategies—alignment/bandwagoning, balancing, and hedging—are options for small states to employ to accomplish greater security and stability, as well as obtain more influence in the international arena. While there are other strategies available to small states, these three strategies provide clear attributes and explanatory power to evaluate small states strategies. As previously discussed, states tend to align with the most dominant aggressor in order to best benefit its interests and avoid conflict. Second, states tend balance against the most dominant aggressor, as they fear absolute control and loss of autonomy. Third, states can instead become a hedger by employing appropriate tools when interesting with those powers. By understanding when and what to use, it can minimize risk and optimize interests. Thus, this grid will enable a strong evaluation of how Cambodia can maximize its influence and strategic advantage in the current world.

Section II: China's Rise and Intentions

David Kang, in *China Rising*, represents two important concepts in the breadth of academic literature and articles about the rise of China. First, the rise of China has been peaceful, and there is no requirement for China to automatically induce conflict. Second, regional nations display accommodating, not balancing, behaviors. By contrast, other theorists such as John Mearsheimer and Graham Allison disagree with these assertions based on the assumptions of structural realists.

The rise and fall of powers and causes and effects of that have invariably been a contentious predicament in the discussion of international relations studies. According to traditional international relations theories of realism, rising powers trigger instability by menacing regional nations.⁶⁷ Structural realist theorists such as John Mearsheimer and Graham Allison believe that the structure of the political system likely destines the declining power and the rising power to conflict.⁶⁸ Both of these realists warn that a rising power's increasing sphere of influence can make an established power to feel threatened, and thus, become determined to defend its status quo.⁶⁹ If the realist claim is true, like the muscle-flexing cases of imperial Japan and Kaiser Wilhelm's Germany, then Beijing should cause instability in the region.⁷⁰ However, in looking at the world in 2007, stability and increased cooperation in the region offered an alternative to the realist international relations theories, as Kang claims.⁷¹

First, Kang firmly believes that the rise of China has been peaceful, compared to the cycle of aggressions experienced by the West since the Middle Ages.⁷² Kang's assessment of the East Asian history, drawing from thirteenth to nineteenth centuries, leads him to claim that China's predominant power "never caused balancing behavior,"

yet China's fall led to epochs of generalized turmoil and confusion in the region.⁷³ Chinese episodes of rules and stability led to regional peace and stability, not instability.⁷⁴ In addition, in terms of compatibility, he claims that certain beliefs and preferences are accountable for preserving peace and stability in Asia.⁷⁵ If a rising power is intrinsically menacing and expansionist, small neighboring states will subsequently have the propensity to balance against it. However, his research counters the previous argument and illustrates that there is a shared expectation and understanding between China and the surrounding states, predicated on diplomatic and economic ties. Through understanding and respect, China's peripheral states, as Kang states, have a tendency to perceive China as a more benign power, who is willing to work to improve the relations.⁷⁶

Second, Kang asserts that regional states are indeed accommodating rather than balancing against China.⁷⁷ Southeast Asian states demonstrate both an "an absence of fear toward China" and accommodation of its rising power.⁷⁸ As Kang finds, regional countries gain more economic and political advantages by accommodating rather than confronting its rising phenomenon.⁷⁹ Kang notes, with respect to the role of the United States, China's neighboring countries still favor the reassurance of U.S. military presence in the region.⁸⁰ The author emphasizes the significance of Chinese investment in active engagements in multilateral activities within the region both governmental and non-governmental levels, which portrays China as a benevolent rising power.⁸¹ He goes further to argue that the development of multilateral institutions in the region is largely shaped by increased Chinese trading power, such as the Asia-Pacific Economic

Cooperation Forum.⁸² Kang argues there is scant evidence of a containment of China or counter-alliance comprised of Beijing's local neighbors.

One major weakness in Kang's arguments and the wider literature about peaceful rise and accommodation is the changing nature of regional geostrategic strategies. For example, Kang does not consider other relevant actors, such as Russia and India and their responses to China's rise. These actors play an immense role in influencing China's strategic outlooks, and vice versa. For example, despite being friendly on the surface, India is juggling between accommodation and assertion.⁸³ Additionally, Kang's research analysis is now almost a decade old, and it is difficult to conclude whether this accommodation still exists amidst growing aggressive militarization of the South China Sea and the rise in military expenditures. China's actions changed over this period and it will be important in the research to examine these current actions with respect to China's intentions. In summary, while this approach is a plausible interpretative grid, smaller states, like Cambodia, must navigate the challenges of discerning strategic intentions like a peaceful rise with incongruent actions such as South China Sea militarization.

Josh Kurlantzick in his book *Charm Offensive* presents another lens of Beijing's peaceful rise through the utilization of soft power to understand China's appeal in the region. The term soft power, which was coined by Harvard professor Joseph Nye, rests upon how a state shapes or influences other states to behave a certain way in which favors the influencer's interests via example or attraction.⁸⁴ Joshua Kurlantzick identifies that, Soft power, for Beijing strategists, means anything outside of the security and military domain, consisting of not only public diplomacy and popular culture, yet also

more coercive political, social, and economic levers, such as foreign assistance, investments, and involvement in multilateral community.⁸⁵

To Kurlantzick's credit, he points out some significant changes in Beijing's foreign policy. First, the 1989 crackdown at Tiananmen Square peculiarly cemented the notion of China rise as a potential world power.⁸⁶ He mentions, "Memories of the event were buried under the avalanche of nationalism and growing pragmatism by the Chinese population, which essentially seemed to accept their authoritarian government."⁸⁷ As a consequence, both the Chinese people and government appeared to obtain significant confidence, allowing them to claim the right to become a global power.⁸⁸ Chinese leadership viewed this as a return of its greatness, rather than ascending to become one.

Second, Kurlantzick notices another turning point for Chinese foreign policy, which was marked by the 1997 Asian Financial Crisis.⁸⁹ Unlike Western powers, Beijing made a rapid symbolic response to the financial crisis by openly declaring that it would not decrease its monetary value—through this response it prevented further devaluation across the region and reduced Thailand's financial predicament. Even though Japan, the U.S., and the IMF—International Monetary Fund—came to assist at the end, Thailand was more grateful for Beijing's initial response.⁹⁰ In addition, Beijing has reinforced its charm via the injection and proliferation of cultural institutes, development assistance, student-scholar exchange programs, its influence at multilateral community, and state-owned foreign investment. These attractive outlooks are lending a helping hand to China for accomplishing its objective of "maintaining peace and stability" beyond its borders, projecting the image of a benevolent and constructive state, perhaps representing a new model of development for others, gaining resources required to fuel its rising economic

engine, segregating Taiwan from the world, and showing its potential of becoming a great power.⁹¹

There are other two main areas of concern for Cambodia Kurlantzick accentuates in the *Charm Offensive*. First, he highlights that Beijing's rising soft power will lead to a confrontation with Washington, as Beijing could wield its influence in a "growing clash over resources."⁹² Both superpowers are required to maintain the flow of natural resources, mainly oil and gas. As they are becoming scarcer, West African, Latin American, and Asian oil are still among the most low-priced for the U.S.⁹³ Therefore, if there is a confrontation over energy reserves, any nations with energy demands will become a rival to the U.S., and China is no exception. Kurlantzick conjectures that not only Beijing will most certainly utilize its soft power to exploit natural resources to fuel its growth, but that such energy concerns will also embolden China to employ its military might.⁹⁴ Therefore, countries with natural resources or access to energy reserves like Cambodia should be aware of this potential challenge and the Belt and Road Initiative is a potential example of opportunity and concern.

The second area of concern addresses China's challenge to the U.S. pre-established status quo within the region. The author hypothesizes that Beijing could intent to leverage its influence to dwindle or even completely supersede the U.S. partnership with countries like Thailand, the Philippines, or even Australia. The rational concern here is that compelling these nations to opt between the U.S. and China is precisely the kind of heavy-handed approach that would defy the soft-power strategy the author states is so victorious.⁹⁵ Via its political moves, China could diminish its soft power gains. For example, territorial conflicts in South China Sea and Taiwan will

unleash regional instability and damage its built-up relations within ASEAN members. Cambodia must navigate this strategic reality and whether it is a signal to bandwagon with other countries in aligning with China or whether Cambodia should seek a hedging strategy like other regional nations.

Steve Chan, a college professor of Distinction at the University of Colorado, was born in China and grew up in Hong Kong. His book, *Looking for Balance*, provides a representative work on alternative viewpoints of China's rise with respect to common historical narratives. Cambodian policymakers would be interested particularly in his research about whether Beijing's growth has induced local states to countervail against it and whether an alternative future is possible. Unlike *China Rising* or *Charm Offensive*, *Looking for Balance* assesses the topic from a more theoretical analysis, primarily rooted in balance of power theories and roots of conflict theories.⁹⁶

Chan carefully challenges historical parallels between Beijing's rise and other power transitions asserting "not all cases determined war or defeated hegemonic bids."⁹⁷ By looking at a few dramatic cases, such as of Hitler's Germany and Napoleon's France, he states that most people's opinions are pre-deposited with hindsight biases and failed to consider the cases of "the dog did not bark," or many other instances which the unanticipated occurred—particularly when Mikhail Gorbachev terminated his antecedents' policy of countervailing against the U.S.⁹⁸ History informs more than dictates.

Chan also notes international political theories like the balance of power were formulated centrally based upon Western experiences and may not translate across different cultures or geographies, or vice versa.⁹⁹ Neither Washington's exceptionalism

nor Beijing's uniqueness offers an insightful basis for engaging policy or scholarship discussions. Structural conditions do not predetermine the outcomes. Neighboring states' reaction to the Beijing's ascension to become a global power will depend upon China's actions in wielding this power. As Chan argues, there are historical cases where hierarchy reigned over anarchy or when balancing against an ambitious superpower did not work.¹⁰⁰ While structural theorists like Mearshemier and Alison would disagree, it is important for pragmatic policymakers, particularly in small states, to account for the realm of possibilities in strategy formulation.

With respect to regional dynamics, Chan concludes that local states are not countervailing against China's rise, as predicted by the realist balance-of-power theories.¹⁰¹ Why? First, strategists are not myopic. They apprehend that balancing or counterweighting policies—via reinforcing their state's military capabilities or bandwagoning with other superpowers—are shortsighted remedies and potentially a self-destructing approach.¹⁰² In the long term, the most indispensable driver of a nation's economic advancement—and hence its national power—is situated within it, and outer endeavor to alter its developmental trajectory are potentially having only a minor and temporary effect.¹⁰³ It is self-destructing because it offers significant opportunity costs and causes responses that provoke “cycles of escalating recrimination.”¹⁰⁴ Rather than gaining benefits from the opportunity of interacting with Beijing and expanding their economic development, local states can entail forfeiting potential profits, which could accrue from collaboration.

Second, Chan's analysis also rationalizes for why the balance-of-power theories underappreciate the behavior of regional Asian countries. With close scrutiny of regional

states' decreasing defense expenditures (except North Korea), the decline in the deployment of American troops in those nations for the past 20 years, and the increase in business engagements with China, Chan states that there is scant proof to back up the argument that China's neighbors are gearing up against it.¹⁰⁵ Moreover, in the globalized economic world, ruling elites in those nations have consciously sought economic engagements rather than military focus—or simply put, they prefer “butter to gun” in the trade-off.¹⁰⁶ These ruling elites are very influential in lobbying policymakers and steering the direction of national developments, and they are not willing to squander their economic gains. Hence, they are most certainly adopting a broader definition of security that integrates economic advancement as the foundation of political legitimacy and steering toward a cooperative direction.¹⁰⁷

Third, Chan's book suggests that Washington can also gain profits from economic interactions with Beijing than from strategic adversary. The author utilizes historical assessment and international theory to illustrate that peaceful transitions in the relative power are not uncommon. For instance, there was not significant resistance toward the historical rise of American power in the international system. As a variable of the equation, Beijing's self-contain will be at utmost important for permitting this optimistic scenario to unfold. If Beijing overacts, Chan believes, balance-of-power dynamics will come into effect. This is critical in understanding the modern day evaluation of China's intentions versus its actions.

Finally, he argues that Asia's stability can be built upon carefully calculated multilateral interactions and greater economic and political interdependence between nation-states.¹⁰⁸ Then, less protection or assurance will be needed from the U.S. Thus, the

stability in the Asia-Pacific will not be based on China, but on how the U.S manages its diminishing influence from Asia. Chan's claims contradict and defy many Western-based perceptions about the rise of China and how it affects Asia's regional security, and he contradicts more traditional balance of power theorists like Mearshemier and Alison.

The summation of the literature presents a wide variety of lens to understand China's rise and its intentions. While the academic debate will continue on which theory will prove explanatory about China's rise, policymakers must navigate these dangerous shoals in the real decisions of national strategy determination whether to balance, hedge, or bandwagon. Accepting Kang's basic premise makes alignment a potentially viable strategy due to China's likely peaceful rise. Kurlantzick's primary argument about the role of soft power is key for policymakers to realize, but he carefully cautions that policymakers need to observe if China's actions change as a sign of changing dynamics. Chan's argument about the dynamics of East Asian history and politics offers an alternative to the traditional balancing arguments of Mearsheimer and Alison. However, his insights about the self-destructive nature of balancing might also apply to alignment thinking. If a nation seeks to align with China or another major power only, they could miss the benefits of competition and diversifying partners. Overall, the research will require an updated analysis of China's Five Principles of Peaceful Co-Existence and how they apply today.

¹ Håkan Edström, Dennis Gyllensporre, and Jacob Westberg, *Military Strategy of Small States: Responding to External Shocks of the 21st Century* (New York: Routledge, 2018).

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CHAPTER 3

RESEARCH METHODOLOGY

How should Cambodia's strategic policymakers determine how to maximize economic benefits and political independence to enhance national security? Using a qualitative case study, Cambodia serves as the representative example of small state strategy formulation. Per the literature review, the thesis will examine policy options such as bandwagoning and hedging as potential courses of action for Cambodia to navigate China's rise and U.S. influence in the region (see note at the end of Chapter 3 about balancing). The paper will utilize three assessment criteria (feasibility, suitability, and acceptability) to analyze these policy options for Cambodia, weighing the advantages and disadvantages of each option. Economic development, security assistance, and political interactions will help determine the motivations and reactions toward China's increasing sphere of influence and how it benefits or affects Cambodia's national interests. The analysis will include a mix of economic and security assistance data, domestic case studies, and academic commentary.

After Deng Xiaoping's "reform and opening up" policy in 1978, China's rise increasingly requires regional states to assess the strategic intentions of its largest regional power. Particularly since Xi Jinping's presidency began in 2012 and his vision for the Belt and Road Initiative (BRI), the PRC has implemented vigorous trade, communication, and transportation related infrastructure development projects across the region. ASEAN members' attitudes towards China continue to vacillate depending on their orientation, and Cambodia is a member assessing their national strategy in light of China's vision for regional development and influence. For example, the Philippines

shifted to a more open engagement of Chinese presence in the region; while, to balance against China's perceived aggression in SCS, Vietnam opened to more engagement with respect to U.S presence in the region. The research will employ regional references to assist in understanding China and U.S. interactions with smaller states throughout the region and how they impact their interaction with Cambodia.

Courses of Action (COA) Evaluation

Strategists and policymakers should evaluate each COA or policy option in depth to determine its ability to accomplish the desired end-state. The aim of using these three criteria is to develop a logical and pragmatic evaluation about the feasibility, acceptability, and suitability of strategic policy options for Cambodia. The analysis offers strategists, researchers, military personnel, and policymakers with insights about Cambodia-China relations and understanding the factors impacting Cambodia's strategy formulation. It is also a valuable case study for smaller states to understand how to navigate the treacherous waters of great power competition in Southeast Asia and beyond. The criteria provide an interpretative grid to identify which policy option maximizes economic benefit and political independence to enhance national security. The interpretative grid will generally compare costs and benefits of each COA. However, if the COA does not meet the standards of feasibility, acceptability, and suitability, then, the COA should be discarded. Below is the table illustrating the assessing criteria:

Table 1. COA Evaluation Grid

	Alignment with China		Hedging	
Feasibility: 1. Available Resources 2. Political stability	Pass / Fail		Pass / Fail	
Acceptability: 1. Economic outlook and RS 18 goals 2. Political independence and national reputation 3. Security threats, support and social stability	+	-	+	-
Suitability: 1. RS18 core national interests of prosperity (economic); sovereignty (political); and peace and stability (security).	+	-	+	-

Source: Created by author.

Feasibility

As defined by the Harvard and Merriam-Webster Dictionary, feasibility is a state that causes something “capable of being done, used, effected, or accomplished.”¹ Joint Doctrine Note 1-18 and Joint Publication 5-0 define feasibility as an assessing criteria used to “examine whether the nation can afford the proposed strategy given means or resources, time, and space.”² It normally answers questions like:

1. Are there adequate means available (or attainable) to attain the strategic end-state objectives?

2. Can the necessary resources and popular support be sustained long enough to accomplish strategic ends?

This criteria is also determined by whether it is within the ability and capacity of the strategists or planners to accomplish the desired end-state objectives if there is a change in given means, resources, time and space.³ The successful execution of any COA or policy will demand the employment and availability of identified means or resources acquired from the state elements of power.⁴ Thus, a selected COA must have sufficient resources available or attainable in order to meet the standard of feasibility.

When applied to Cambodia's courses of action, the research will assess the Cambodia's economic outlook based on projected GDP growth, natural resources, strategic location, and economic diversification to assess whether Cambodia has the adequate economic means to attain its objectives. With respect to politics and security, instead of popular support only, this thesis will examine Cambodia's political stability as the primary indicator that combines popular support, legitimacy of the government, and overall security of the nation. Finally, to determine COA feasibility, the research will examine whether Cambodia meets the three criteria for a small state to maintain independence; namely, an absence of polarizing ideological fault-lines, an absence of an immediate threat, and an absence of all-out great power competition.

Acceptability

Joint Doctrine Note 1-18 and Joint Publications 5-0 define acceptability as an assessing criteria which "examines a COA or strategy's practicality and rationality, whether or not it is proportional, worth the cost, compliant with domestic or international laws, and military and politically supportable."⁵ It normally answers questions like:

1. Will the expected benefits of achieving attaining the strategic end outweigh the anticipated costs?⁶
2. Is the course of action consistent with the state's values, the national mood, domestic concerns, and partners' interests and the personal goals of political national leaders?⁷
3. Will the national economy absorb the overall costs of the strategic effort without putting in jeopardy other, higher priority strategic ends?

There are three main kinds of cost related to the acceptability criteria, material (economic), political-social, and security costs. The first cost is the material cost required to conduct the COA. With respect to Cambodia's options, this criteria aligns with the RS18 goals of sustainable economic growth that preserves economic independence and facilitates economic resiliency through diversification. Thus, the strategy should enhance competitiveness, create a stable macro-economic system, ensure low inflation rates, and avoid significant debt concerns. Additionally, a component of economic competitiveness is increased trade transparency and accountability to compete on the global stage. Finally, the benefits and costs of the options will be assessed on how much support they provide in generating job opportunities.

The second cost refers to the political consequences of a policy. It is often explained in terms of domestic, regional, or international impact of the COA.⁸ If a small state has a lot of domestic support or international support, then the policy costs less politically to enact and carry out. However, if the COA or policy fails to attract support, the cost of executing it increases. With respect to Cambodia, implicit to the RS18, Cambodia seeks to maximize its domestic support and legitimacy. To maximize domestic

support and political independence, per Kuik's small state strategy discussion in Chapter 2, dominance denial and indirect-balancing are means by which a small state can diversify and promote its independence. Additionally, an acceptable strategy will also enhance Cambodia's regional and international reputation. Finally, explicit in the RS18, Cambodia is seeking to improve the governance of its political institutions.

The last variable for an acceptable strategy is the security of the nation. At the foundation of RS18 and all national strategies is the idea that the state must defend and secure the nation. With respect to Cambodia, an acceptable strategy does not antagonize regional or domestic threats while seeking to maximize external security support and assistance. An acceptable strategy would result in internal security and avoid social instability.

Suitability

An assessment of suitability, according to Joint Doctrine Notes 1-18, determines whether or not the strategy will attain the desired ends.⁹ It evaluates the total ability of the COA to accomplish its identified end-state goal. It normally asks question like: Will the policy or COA protect or advance the national interests?

If the evaluation of a COA meets all the required criteria, and the available ways and means are assessed to be executable, then the COA should be suitable for execution. On the other hand, if the COA does not meet all of the requirements, or the elements of the ways and means are not sufficient for execution, then it is assessed to be not suitable as a COA. For this case study, the evaluation criteria will assess the overall costs and benefits based on previous categories including: economic, political, and security. This is in line with the RS18 National strategy which describes Cambodia's core national

interests as sovereignty (political), peace (security), stability (security), and prosperity (economic).

Assessing Validity

Throughout the policy and COA development process, policymakers must constantly evaluate and re-evaluate their strategy's rationalization and validity. Various contributing factors are able to influence a policy's prospects for successful execution. Planners should stick to these criteria in order to allow them to assess the policy from multiple vantage angles. If the COA does not meet with the requirements of the tests of validity throughout the process, then the planners should alter or change the COA in order to best attain the interests. The paper will thus seek a COA that will best meet all the three criteria, or it will not be qualified for the recommendation, discussed in detail in Chapter 5. It is, however, important to acknowledge that no COA is infallible. It is formulated based upon a basis of assumptions and current data. As variables in the equation change, the COA will as well change to accommodate the new or emerging strategic environment.

Balancing Strategy

There are three main reasons why a balancing strategy will not be discussed in chapter 4. The first reason concerns its proximity. As the U.S. is not geographically located in Asia, it is not feasible for Cambodia to rely on the U.S. in an immediate need. The second reason concerns the shared history. Throughout history, western powers, particularly the U.S., have not been the major strategic security partners for Cambodia. The kingdom will find it challenging to coordinate with these western powers, as they

may not share the same interests. The third reason is that there is no indication that Cambodia will likely be able to implement a balancing strategy. Given the current strategic posture and means, it is increasingly challenging for Cambodia to balance against its giant neighbor, China. Thus, a balancing strategy is not in Cambodia's consideration.

CHAPTER 4

ANALYSIS

There are two main courses of action that will be assessed in this chapter. The first course of action is Cambodia aligning with China. The second course of action is Cambodia chooses to implement a hedging strategy with the two superpowers as well as works with other regional and international community. The first part of the chapter will define briefly key characteristics of each strategy. Next, the second part of the chapter will focus on the analysis of each strategy and be divided into three main parts. The first part of Section Two will assess the feasibility of an aligning and a hedging strategy. The second part of Section Two will assess the acceptability of the strategies, while part three will assess the suitability of strategies. Finally, the chapter will conclude with a summary of the overall analysis of the strategies based on feasibility, acceptability, and suitability.

Section I: Alignment and Hedging Strategies

Both Beijing and Washington are competing for influence and interests in Southeast Asia. Phnom Penh thus confronts with complex decisions in aligning or hedging between the two giants in order to best benefit Cambodia's national interests. Like other nations, Cambodia could use this superpower competition as an opportunity to obtain the most advantage, but it also presents major challenges in navigating these dangerous shoals. Cambodia will need to assess the situation. This leads to the assessment of feasibility of the two COAs.

The Alignment Strategy

Referring back to the literature review from Walt in Chapter 2, small states choose an alignment strategy from two perspectives depending on their national posture and strategic environment – a defensive oriented mindset or an offensive oriented mindset. From a defensive oriented mindset, an alignment strategy for Cambodia would seek to avoid subjugation and protect from being left out of a strong regional coalition. From an offensive oriented mindset, an alignment strategy for Cambodia would seek to maximize the shared portion of success and increase defense capabilities.

A partial alignment strategy would include: gaining economic benefits from China and cooperating bilaterally in politics and security matters with China. Characteristics of a partial alignment strategy include: bilateral free trade agreement, port access, bilateral memorandums of understanding to facilitate economic and political cooperation, port access, and bilateral military exercises. A full alignment strategy would include the following: all the elements of a partial strategy and assisting China in spreading its economic interests, supporting its political objectives multilaterally, and realizing regional security objectives. Characteristics of this strategy include: full support regionally for the Belt and Road Initiative, Cambodia's advocacy for Chinese political objectives at regional forums, providing ports/bases for Chinese military and security personnel.

The Hedging Strategy

Based on the literature review from Chapter 2, hedging strategies can be complicated and complex to execute. Motivating states choose a hedging strategy for three key reasons. First, they choose to divert risk in order to not confront any one power

in a major power competition. Second, they choose to diversify risk to maximize economic, political, and security benefits from the competition. Third, they seek sector optimization by picking the best deal from each country with respect to economics, political, and security. Ultimately, this results in maximum strategic maneuver space for the small state, but it requires political savvy and coordination to execute.

Applied to Cambodia, a hedging strategy covers several characteristics and indicators. For economics, Cambodia supports bilateral and multilateral free trade agreements with multiple countries and seek to increase foreign direct investment from regional partners like Japan, EU, and the United States. For politics, Cambodia seeks indirect balancing by participating in regional multilateral institutions and sharing common agreement frameworks on regional issues. For example, an indicator of a hedging strategy would be if ASEAN is able to establish a code of conduct in the South China Sea and Cambodia. Bilaterally, Cambodia engages with the United States, Japan, and India in political consultations. With respect to security, Cambodia participates in regional multilateral exercises, accepts foreign aid from partners other than China, and purchases military equipment from multiple partners.

Part I: Feasibility

Feasibility must assess Cambodia's current position and national means and resources. Will Cambodia be able to achieve the desired end state (previously discussed in the RS 18), given available or attainable means or resources? As once said by the former Singaporean Prime Minister, Lee Kuan Yew, "We must make ourselves pertinent so that other nations have an interest in our continued survival and prosperity as a sovereign and independent state."¹⁰ This section will assess how Cambodia is interesting

across the three categories defined in Chapter 3 including: Cambodia’s economic considerations, political stability, and absence of key challenges for small states to maintain independence.

Economic Considerations

Positive Economic Outlook

According to the studies of World Bank, as shown in Figure 1-3, Cambodia’s overall economic performance for last twenty years and near-term growth remained strong in the region, notably driven by increased domestic consumption and exports.¹¹ (The chart below is a trend line summary of both GDP and PPP for Cambodia).

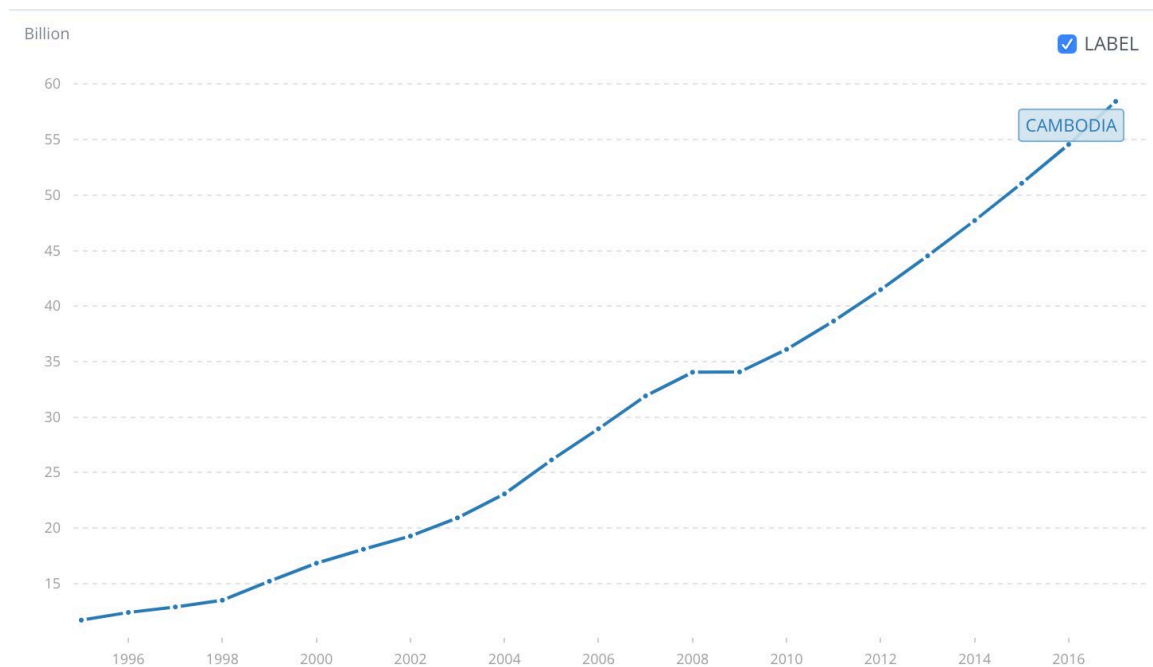


Figure 1. Cambodia’s GDP and PPP for the Last Three Decades

Source: The World Bank, “GDP Per Capita (Current US\$),” 29 October 2018, accessed 14 February 2019, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

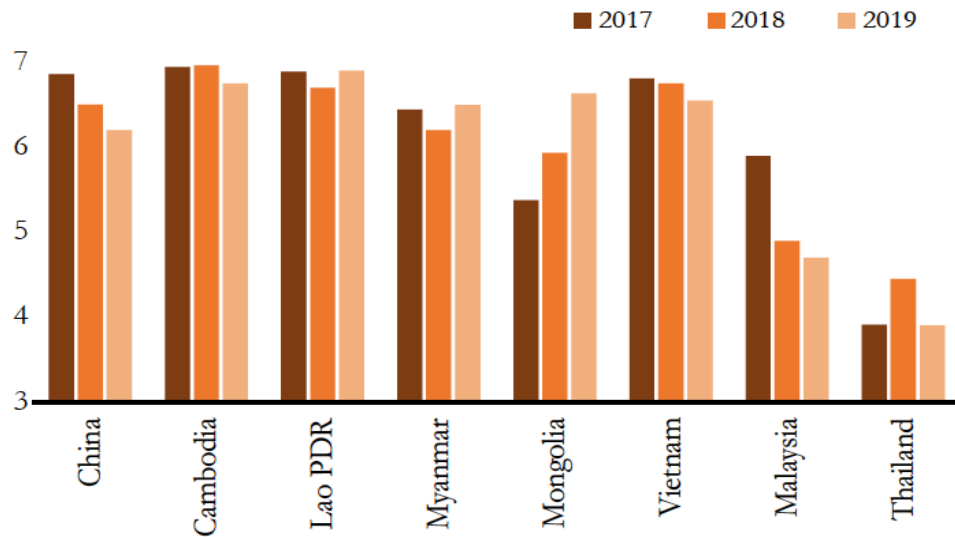


Figure 2. Cambodia's Real GDP Growth in the Region

Source: The World Bank, “Cambodia Economic Update: Recent Economic Developments and Outlook,” 01 October 2018, 10, accessed 28 February 2019, <http://documents.worldbank.org/curated/en/888141543247252447/Cambodia-Economic-Update-Recent-Economic-Developments-and-Outlook>.

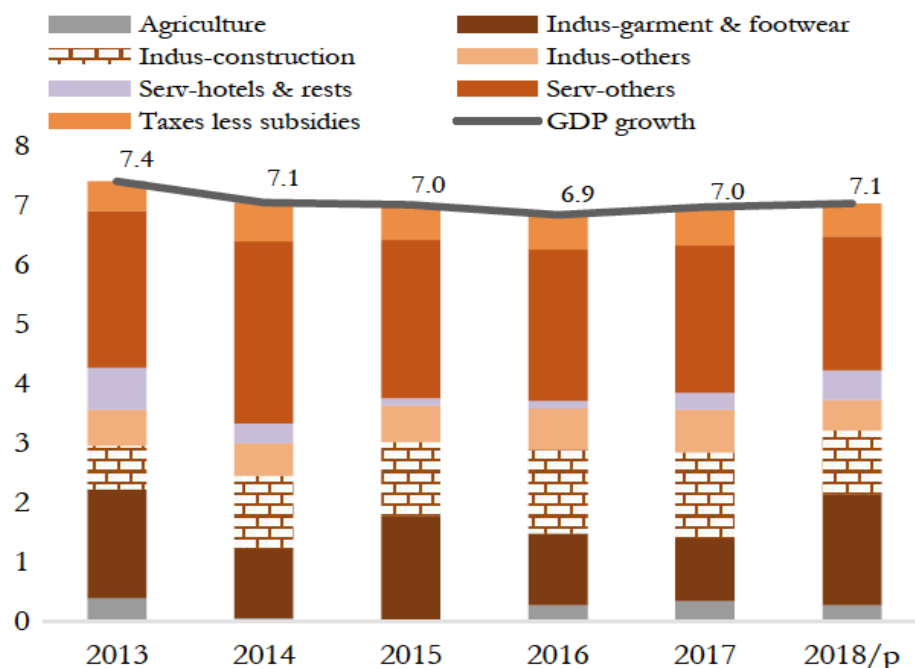


Figure 3. Contribution to Real Growth in Cambodia

Source: The World Bank, “Cambodia Economic Update: Recent Economic Developments and Outlook,” 01 October 2018, 09-10, accessed 28 February 2019, <http://documents.worldbank.org/curated/en/888141543247252447/Cambodia-Economic-Update-Recent-Economic-Developments-and-Outlook>.

The kingdom has demonstrated indicators of growth and development for more than two decades (Figure 1). It is among the fastest growing economies in Asia-Pacific region, maintaining annual GDP growth at around seven percent, and there is no sign of slowing down in the near term based (Figure 2). It also has diversification across multiple economic sectors which helps create a stable economic outlook (Figure 3). Finally, it is among the few nations in the Asia-Pacific region that are assessed to gain marginal improvements in growth, showing a positive sign of economic development posture.¹² As a result of this economic development, in 2017, Cambodia graduated to become lower

middle-income status and it has lifted many Cambodians over the poverty line in alignment with one of the key economic goals of the RS18.¹³

In addition, in the last decade, the kingdom is highly ranked among nations of similar economic scale in terms of Foreign Development Investments (FDI). According to the 2018 annual study by fDi Intelligence, Cambodia has received a relatively large sum of net FDI inflows, making it the leading Asian nation for greenfield investments, followed by Singapore and Vietnam as the second and third respectively.¹⁴ This indicates the increasing trust and confidence of the foreign firms investing in Cambodia. The growing trend helps further engrave and enlarge trust and confidence in the Cambodia's economic development outlook, which subsequently attracts more investments to the country. Furthermore, according to the World Bank and IMF Debt Sustainability Analysis, Cambodia's debt distress remains low, while growth is expected to remain strong.¹⁵ The low-level debt distress, as reported by the analysis, is largely due to the decisive principle of taking loans only on concessional terms. This allows Cambodia to remain flexible and resilient in the debt management, which is crucial for the sustainable economic development. Based on the overall economic outlook, diversified FDI, and low debt distress, Cambodia has the means and resources to execute the aligning or hedging strategy.

Labor Forces

Cambodia has enjoyed two main advantages: young and competitive labor forces. First, Cambodia's demography was significantly shaped by the result of the 1970s civil war. A quarter of the population was eliminated by the war.¹⁶ This, however, gave Cambodia a young demographic and growing population which is often seen as

beneficial in economic terms. Presently, the country's working-age population is on the rise, growing faster than its total population, amounting to 2.4 percent.¹⁷ With the total population of 16 million, Cambodia adds on average 164 thousands people to its labor force annually, a necessary driving force for economic growth.¹⁸ As seen below, this young work force is heavily engaged compared across the region.

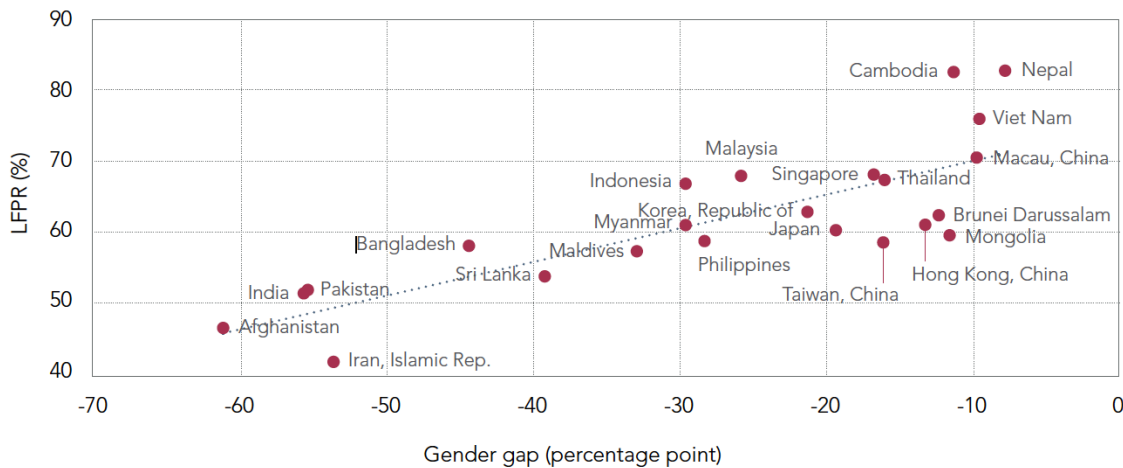


Figure 4. Labor Force Participation Rates and Gender Gaps in the Asia-Pacific Region in 2018

Source: International Labour Organization (ILO), *Asia-Pacific Employment and Social Outlook 2018: Advancing Decent Work for Sustainable Development* (Bangkok: ILO Office, 16 November 2018), 09-10, accessed 10 April 2019, https://ilo.org/asia/publications/WCMS_649885/lang-en/in-dex.htm.

Figure 4 shows that Cambodia's labor force participation is among the top nations on the graph with approximately 82 percent of the labor forces aged between 16-64 are being employed.¹⁹ Cambodian population remains young, which allows the country's growth to continue for many years to come.

Of equal importance, the country's productivity should not be understated. It shows the efficiency with which a nation can absorb the resources and transform into more outputs. Greater productivity allows a nation to afford better living standard.²⁰ Based on the data from Cambodia socio-economic surveys, Cambodia's annual growth per capita value-added from 2007-2014 shows a positive and healthy posture. If Cambodia continues to maintain the rising trend of productivity, it will be able to further experience healthy growth, which steadily raises the Cambodian people's income and living standard.

In addition to the high productivity, Cambodia's low-cost labor, which is an integral component of the export-oriented development model, also helps attract foreign firms to invest in the country. Statistically, in 2018, the minimum monthly wage was only 170 USD, relatively low compared to the other regional nations.²¹ This makes it attractive for foreign firms to invest in Cambodia, per the FDI numbers previously noted.

Foreign investment and internal economic growth also support a changing trend in Cambodia's economy from an agriculture-focused economy to a more industrial and export-oriented one. As the economy grows, Cambodians are moving to work in the industrial, construction, and services sectors (Figure 3 above). Cambodia possesses the ability to move-up the value-added chain, diversifying Cambodia's economic development.

Another key indicator is the education level of the citizens, which is one of the key components of a nation's development and prosperity. The RGC and policymakers focused on efforts and resources to combat illiteracy in Cambodia, which collapsed owing to the civil war. High-level literacy rates provide advantages to both individuals

and the society. With greater education, Cambodian people have access to better job opportunities, which not only contributes to the poverty reduction, but also pushes Cambodia to achieve its desired strategic objective by becoming an upper middle-income economy by 2030 and a high-income nation by 2050.²² Provided an increasingly complex and globalized environment, literacy should not only be defined by the ability to read and write, yet it should broaden to ICT and digital skills, according to Dr. Hang Chuon Naron, Minister of Education, Youth and Sport.²³ The kingdom has achieved a considerable progress in terms of boosting education and quality education, particularly for the young generations aged 15 and above. According to a 2015 survey conducted by Cambodia Socio-Economic group, literacy for adults increased from 67.3 percent in 1998 to 80.5 percent.²⁴ Youth literacy (aged 15-24) has a more astounding result, moving from 76 percent in 1998 to 92 percent, with increasingly smaller disparity between the two genders.²⁵ As a result, with young and competitive labor forces, Cambodia has advantages and flexibility to conduct these two COAs.

Natural Resources

Cambodia's land offers abundant natural resources, including fertile soils, forests, water sources, wildlife, energy, minerals, as well as extractives (gas, oil, gold, etc.).²⁶ Since the giants' economies are enormous, they require and compete for resources, such as oil, gas, gold, silver, iron, aluminum, platinum, valuable wood, and others. For example, China's investments in Cambodia are mainly in sectors of textile, garment, agriculture, and most importantly in mining natural resources.²⁷ Cambodia Iron & Steel Mining Industry Group, a Chinese mining company in Cambodia, invested 11.2 billion USD project on constructing a steel plant in conjunction with infrastructure projects (rail,

port, and roads) in the northern province of Cambodia, Preah Vihear.²⁸ Furthermore, Beijing is also a main buyer of timber or luxury woods owing to the upsurge of luxury wooden products. According to the 2014 Environment Investigation Agency reports, Beijing in 2014 alone imported an aggregate of 3.5 million cubic meters of timber, approximately half of which (2.4 billion USD worth) came from the Mekong nations, comprising of Thailand, Laos, Cambodia, and Vietnam.²⁹ The increasing demand of timber or luxury wood has contributed significantly to the deforestation of these nations, (this topic is beyond the discussion of this paper). In addition, Cambodia's oil reserve of 700 million to two billion barrels is also another resource the two superpowers need to fulfill their energy-thirsty demand.³⁰ These are just the glance at Cambodia's abundant natural resources. They are a means available for Cambodia to execute its strategies and develop the country. If it is not carefully planned, however, the resources will certainly be exploited without any benefits to the population.

Strategic Location

Another important aspect is Cambodia's geographical location. The kingdom can leverage the qualities of its favorable location in order to create international network, integrating itself to the globe. Cambodia resides in the middle of several mainland ASEAN members. For example, if China needs to ensure energy inflows into the country without disruption, Cambodia offers an alternative strategic entrance for its energy inflows, accessing from Gulf of Thailand through to Laos and China.³¹ This can be an alternative route if South China Sea conflicts break out. Additionally, regional development currently forecasts, including BRI development, putting railways through Cambodia to connect Thailand, Vietnam, Laos, and Southern China's economies. Thus, it

has an advantage, making it more convenient and low-cost to connect to them via land or sea. With the right allocation and utilization of resources on infrastructure and services, Cambodia has the potential to become an important node of economic integration.

Diversified Economic Partnerships

In the late 1980s, Cambodia embarked on an economic liberalization program to reestablish its regional trade networks. To further this goal, it later joined ASEAN and the WTO in 1999 and 2004 respectively.³² Since then, Cambodia has expanded its bilateral trading partners to 147 countries across the globe. Its trade values reached 25 billion in 2018, five percent increase compared to 2017.³³ It has modernized the economy by shifting its focus from agriculture-based to a more industrial export-oriented market. For instance, in 2017, its yearly real growth rates on value added were seven percent for services and close to 10 percent for industry, yet only 1.7 percent came from agricultural sector.³⁴ On October 2018, at the World Investment Forum Premier Hun Sen spoke in defense of globalized market that, “Cambodia believes globalization promotes economic growth, reduces poverty, and enhances global interconnectedness...I fully support international policy that advocates regional and international global investment...”³⁵ This statement shows Cambodia’s stance in supporting its integration into the global market. Given resources, by diversifying trading partners and shifting its focus to a more export-oriented practice allows Cambodia to swiftly move from low-income to lower middle-income nation.

Political Considerations

Like many states, Cambodia is navigating the pressures of globalization and domestic political pressures. Globalization, for instance, is perhaps one of the most crucial developments within the international orders, posing profound impacts for sovereign nation's capability to govern. While globalization offers opportunities, its cost should not be ignored. In weak and failing states, particularly, growing fragmentation and eroding sovereignty become a common dilemma, leaving them more vulnerable to external pressures. Provided constrained capacities and strategies to respond to the rapidly changing environment, they become the victim of this global phenomenon. Therefore, to effectively implement the strategic courses of action, it requires a stable political institution to manage the state's affairs. The government must have political stability with legitimate authority. Cambodia, in this sense, has a stable and legitimate government and firm political institutions. The RGC is able to exercise its authority within and on behalf of the country.

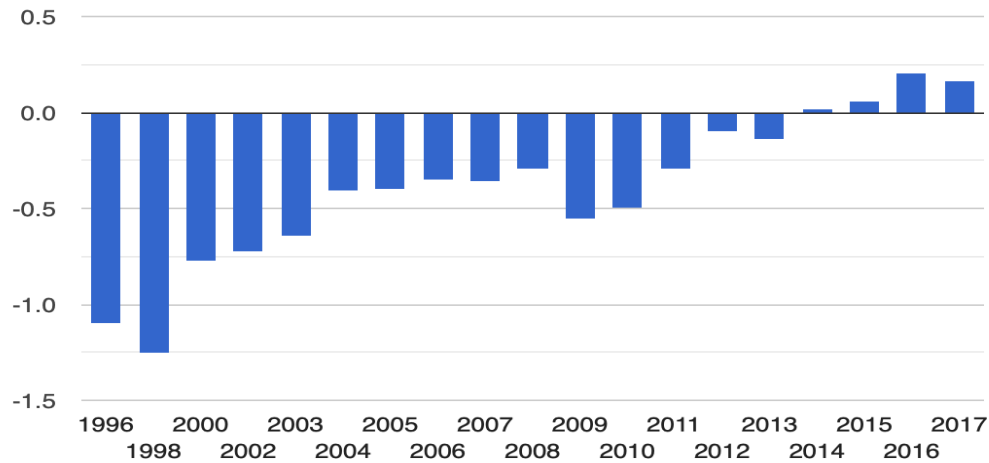


Figure 5. Cambodia Political Stability in 2017

Source: The Global Economy, “Political Stability: Country Rankings,” December 2017, accessed 27 March 2019, https://www.theglobaleconomy.com/rankings/wb_political_stability.

Per figure 5, the political stability of Cambodia has been on a generally upward trajectory since 1998, ranking 87 out of 195 countries. Cambodia’s stability originates from a RGC which is elected by the people. Through the advent of modern social media and the stability of its electoral system, the citizens, as a collective, have increased power to influence and shape the decisions of policymakers.

The Three Absences for Hedging

For a small state to conduct hedging strategy specifically, it requires three main conditions, identified by Kuik in Chapter 2: an absence of polarizing ideological fault-lines, an absence of an immediate threat, and an absence of all-out great power competition, which forces small nations choose sides. The assessment of the strategic environment demonstrates currently that these conditions exist. However, due to rising tensions, the future remains uncertain. For example, there is currently no clear ideological

fault-lines such as in the past between capitalism and communism. Per Steve Chan's assessment from Chapter 2, China and the United States both practice forms of market-based economies, albeit different in practice in terms of more state managed versus more privately managed. However, these differences are not distinct ideological fault lines, and it does not lead to opposing ideologies like the Cold War. Beijing is not an immediate threat to Cambodia, and the possibility of an all-out great power war remains unlikely.³⁶ A hedging strategy is thus feasible for Cambodia. It is, nonetheless, can be very grueling to execute, as it is an abstract strategic conceptualization that is subjective.³⁷ As a result, the kingdom has the ability to navigate these treacherous waters with a foreign policy aligned with national core interests which seeks to avoid leaning toward one country or the other.

Part Two: Acceptability

This section examines whether a COA is acceptable based on economic, political, and security considerations. Per the methodology from Chapter 3, economic considerations will focus around Cambodia's stated RS18 goals: enhance competitiveness; create a stable macro-economic system; ensure low inflation rates; and avoid significant debt concerns; creating job opportunities; and increased trade transparency and accountability. Political consequences will focus on domestic support, political independence, and regional/international reputation. Finally, with respect to security, it focuses on reducing regional and domestic threats while maximizing external security support and assistance. In order to clearly evaluate the strategies, this section again focuses on the traits and attributes of an aligning and hedging strategy noted earlier

in Chapter 4. The paper will evaluate each strategy independently unless the factor applies to both strategies.

Aligning with China

The main question of this section is whether or not the strategy of aligning with China is acceptable for Cambodia. For acceptability, it is necessary to review China's stated foreign policy principles and its relative actions to help interpret its intentions. Beijing's foreign policy has been predominantly built upon the Five Principles of the Peaceful Rise which include: (1) mutual respect for each other's sovereignty and territorial integrity; (2) mutual non-aggression; (3) non-interference in each other's internal affairs; (4) equality and mutual benefits; and (5) peaceful co-existence.³⁸ The PRC claims that these principles are not an alternative to the imposition of the Westphalia-based norms, but in fact, align with the UN's Charter.³⁹ China seeks to promulgate these five principles for two reasons. First, the PRC seeks diplomatic support in engaging with the regional and international community. By projecting its image as a benevolent power, there will be more nations aligning with its course. Sophie Meunier, a researcher from Princeton University, cautioned that these moves would become a "Trojan horse," a policy that conceals its true intention.⁴⁰ The second reason is the PRC endeavors to avoid any unnecessary criticisms and interventions from the international citizens on its domestic and international issues. If what Chinese leaders claim about the Five Principles is valid and beneficial, then Cambodia's strategic alignment with China will benefit Cambodia in the areas of economics, politics, and security.

A Holistic View: Economics, Politics and Security in Alignment

Over half a century, China has been involved in numerous territorial disputes with its neighboring countries. To name a few, Sino-Indian territorial conflicts erupted in 1962, while Sino-Soviet and Sino-Vietnamese border conflicts broke out in 1969 and 1979 respectively.⁴¹ One of recent intense territorial conflicts that affects ASEAN members' sovereignty is the South China Sea conflict. Beijing's nine-dash lines claims more than 80 percent of the South China territory, which argument is based on the 1940s map, whose legitimacy is proven by the ancient account of Admiral Zheng He's expeditionary voyages to the islands.⁴² Historical disagreement exists between Vietnam, Brunei, the Philippines, Taiwan, Malaysia, and the PRC over sovereignty claims in the South China Sea. President Xi's stance on the issue has been divergent from the first principle of the mutual respect for sovereignty and territorial integrity in dealing with these disagreements. He states, "We are strongly committed to safeguarding the country's sovereignty and security, and defending our territorial integrity."⁴³ The Chinese's militarization of the islands in the conflicted zone has worsened the already intense situation. The PRC has constructed artificial islands and infrastructure, including loading piers, logistical support facilities, runways, satellite communication equipment, as well as the deployment of warships and destroyers.⁴⁴ When the Philippines sought a peaceful resolution by bringing these disputes to the International Court of Justice in July 2013, the court ruled in favor of the Philippines.⁴⁵ Despite being legally defeated, China disregards this legality and claims, "the award is null and void and has no binding force."⁴⁶ The clashes of military ships between these countries and China continue and peace is nowhere in sight.

What are the motivations behind these disputes? For political motive, some authors argue that it is a sign of China's political ambition, the assertion of its power, the challenge of the established status quo, or the non-compliance with international laws and norms.⁴⁷ For economic motive, according to the U.S. Energy Information Agency's estimation, there are 11 billion barrels of oil and approximately 190 trillion cubic feet of natural gas reserved under this conflicted water zone as well as other lucrative fisheries (10 percent of the world total), which are important means for Chinese food and energy security.⁴⁸ Of equal importance, it is one of the world most important trade routes, accounting for 5.3 trillion USD worth of products (30 percent of international maritime trade) navigating through annually.⁴⁹ Having controlled this trade route means controlling a strategic location that can serve military, economic, and political purposes. For example, it can restrict the freedom of movement, or with the worst scenario, threaten the livelihood of those relying on this trade route. This shows that Chinese leadership, whether the conflict is driven by diplomatic, economic, or military benefits, does not set a good example for other international citizens in terms of seeking a peaceful resolution. Instead, Beijing avoided the peaceful talks during international meetings.

From a partial alignment perspective, since Cambodia is not a claimant in the South China Sea and does not have territorial disputes with China, the nine-dash line claim does not have a significant impact on Cambodia's political independence or challenge issues of domestic support. However, from a full alignment perspective, if Cambodia chooses to support China's actions in the South China Sea, it could impact Cambodia's regional and international reputation.

For example, it has already been a challenge for Cambodia's reputation. In the 2012 ASEAN Regional Forum, ASEAN failed to produce the customary Joint Communiqué concerning the emerging tension of the four ASEAN member nations—Vietnam, the Philippines, Brunei, and Malaysia—involving in the conflicts with China over the islands and reefs in the SCS. Phnom Penh, as the 2012 summit Chairman, announced a statement, which was apparently aligned with Beijing's goals and interests, "not to internalize the SCS from now on."⁵⁰ Beijing insisted that all SCS maritime-related conflicts were to be settled bilaterally, rather than multilaterally or with the involvement of the U.S. ASEAN's failure under Cambodia's chairmanship impacted Cambodia's reputation, trust, and confidence from not only the ASEAN members but also the international community, who view Cambodia as the China's interest-keeper. Since 2012, the International Court of Justice ruled in favor of the Philippines over China's claim of territory in the South China Sea. If Cambodia supports China's Nine-dash line claim, then it conflicts with a current international ruling which has a direct impact on Cambodia's regional and international reputation.

It is important to also review Beijing's third principle of non-interference in each other's internal affairs. Beijing has interfered in Cambodia for its own interests. Three cases will be highlighted to support the argument. First, in 1956, the kingdom was the first of many Chinese foreign aid recipient states with the purpose of isolating and discrediting Taiwan's sovereignty.⁵¹ Second, in 1970s, Beijing financially, logistically, and militarily supported Pol Pot's Communist Party of Kampuchea, which terminated at least 1.7 to 2 million people (approximately a quarter of the total population).⁵² This

action promoted Communist ideologies in the region and undermined the Lun Nol regime, backed by the United States and other western powers.

Then, in 2012, with the intent to keep external players like the U.S. and other ASEAN members out of the South China Sea dispute, many authors believe that China sought Cambodia's full support in the ASEAN meeting. Prior to Cambodia's ASEAN chairmanship, Chinese Premier Hu Jintao made an official trip to Phnom Penh and promised to offer 30 million USD in loans and 40 million USD in grants.⁵³ During this trip, Beijing also pledged to annually offer 300 to 500 million USD in loans to Phnom Penh for the advancement of irrigation, infrastructure, and electricity projects.⁵⁴ Furthermore, both governments concurred with the proposed goals of expanding bilateral trade investments by two folds, totaling five billion USD by the year 2017.⁵⁵ Moreover, Beijing also pledged to give Cambodia necessary support to be a rotating member of the United Nations Security Council. By the mid-2012, the PRC further offered a 20 million USD establishment of a military institute and hospital, committed to increase military training courses for military officers, and gave a loan of 430 million USD to Cambodia.⁵⁶ Following these investment packages, Phnom Penh agreed to avoid the discussions over the regional territorial conflicts in the SCS during the upcoming ASEAN annual conference in 2012.

The fourth principle is equality and mutual benefits. If these principles are true, through bilateral relations, both Cambodia and China should equally benefit from the bilateral cooperation. Other than geopolitical interests, Beijing views Sino-Cambodia relations as another opportunity or source of guaranteeing its energy security. The PRC's foreign policy is shaped by its domestic growing thirst for energy and food. According to

the United Nations analysis, the global population is projected to reach nine billion by 2050, of which approximately 1.3 billion (20 percent of global population) will reside in China.⁵⁷ Its massive population is annually increasing at a rate of 0.63 percent or is equivalent to approximately 8.5 million people.⁵⁸ More concerning, China's population is getting more affluent, which further requires more food and energy to sustain. In addition, based on the U.S. Energy Information Administration data, Beijing became the biggest world energy consumer in 2010 and is currently the second biggest oil consumer in the world, after the U.S.⁵⁹ The giant consumes a significant amount oil, LNG, and coal, which are mostly imported from Africa and the Middle East transported through the South China Sea. In order to avoid disruption in the South China Sea, Cambodia offers an alternative strategic entrance for its energy inflows, accessing from Gulf of Thailand through to Laos and China.⁶⁰ Thus, Cambodia receives economic development of ports and infrastructure, and China receives an alternative strategic entrance.

However, there is a growing concern regionally about the potential challenges with debt-trap diplomacy which is not in alignment with the RS18's goal to avoid debt. Indian strategic analyst, Brahma Chellaney, refers to the Chinese generous funding disbursements to smaller states for expensive and untenable infrastructure and energy projects designed to safeguard the giant's access to local markets and resources, instead of assisting local economies, and as a consequence, these states fall into the heavy debt traps, which make them susceptible to Beijing's influence.⁶¹ This has become a focal point of criticism from most scholars and policymakers. Sophie Meunier, a researcher from Princeton University, refers this move to a "Trojan horse," while others refer it to "China-wins-twice proposition," which through the use of economic tool allows China to

gain geopolitical and economic interests.⁶² Washington-based Center for Global Development cautioned that 23 of 68 states gaining interests from the BRI-related investments were “significantly or highly susceptible to debt distress.”⁶³ Eight out of those 23 states—including Tajikistan, Djibouti, Pakistan, Laos, Kyrgyzstan, Mongolia, the Maldives, and Montenegro—were particularly at high stake.⁶⁴ For instance, Djibouti’s foreign debt to China is at 82 percent while Kyrgyzstan debt to Beijing is anticipated to increase to 72 percent.⁶⁵ The U.S. former Secretary of State, Rex Tillerson, expressed his concerns that Beijing stimulates dependency by utilizing “predatory loan debts, opaque contracts, and corrupt deals that push these states in inescapable debts, undermine their sovereignty, prevent their long-term and sustainable development,” and make them vulnerable to China’s influence.⁶⁶ Sri Lanka and Djibouti, as a result of debt-traps, already handed over their seaports, which were once financed by the Chinese firm, to Chinese state-run firm on a 99-year contract.⁶⁷ By June 2018, Cambodia’s national debt to China is 2.9 billion USD or nearly half of its total foreign debt, which according to the International Monetary Fund is still low.⁶⁸ Despite having low debt distress, Cambodia should have preventative measures and be cognizant of the concept of Chinese debt-traps, which will likely to affect Cambodia’s sovereignty and economic posture.

Being aware of its energy vulnerability, Beijing focused its efforts to sustain this massive population and energy needs by diversifying and investing heavily in all energy sources like hydroelectricity. For example, China constructed 28 hydroelectric dams on the Mekong River, 7 are under construction, and 11 more are in the planned projects aimed to provide energy to the country.⁶⁹ However, this infrastructure development comes with costs, not just benefits. In Cambodia, the China-backed Mekong-Lancang

Cooperation (MLC), as observers are concerned, has caused many issues, such as devastating environmental damages, reduction of fisheries, deforestation, and displacement of thousands of indigenous community whose lives are intrinsically connected to their traditional lands.⁷⁰ The consequences were also affecting the people living near the Lower Sesan II Dam in Stung Treng province, which was established by the Chinese company. The dam construction displaced thousands of indigenous people, disrupted their way of life, and raised major concerns about irreversible effects to Cambodia's most important and the biggest lake, Tonle Sap, which sustains millions.⁷¹ This has the potential to cause social unrest and long term instability for Cambodia which is not beneficial for Cambodia from a security perspective.

What is more concerning for Cambodia, these projects are non-transparent and non-accountable, as claimed by Alejandro Gonzalez-Davidson, an environmental observer who worked in Cambodia for 15 years.⁷² As a developing nation, Cambodia continues to try to improve in areas such as: labor abuses, illegal logging, illicit natural resources exploitation, environmental damages, and others.⁷³ In many cases, owing to the lack of structured law enforcements and fragility of Cambodia's democracy, some officials are behind these abuses.⁷⁴ Hence, the full benefits of the projects are not equally realized for the local population and do not enhance government institutions per the goals of the RS18.

The last principle refers to the co-existence and how this principle impacts the role of regional security, Cambodia's internal security, and social stability. Beijing's actions could disrupt the peace and stability in the region. Its border and territorial conflicts with its neighboring nations have a potential for a large-scale conflict. Its

growing military capabilities can further worsen regional tensions, especially the militarization of the South China Sea islands and the deployment of military ships.

The port city of Sihanoukville is an excellent case for analysis due to the Chinese influence. It was once home to 160,000 Cambodian people in 2010. It recently transformed to a Chinese dominant city, with 20 percent of the total population being Chinese.⁷⁵ Once known as “an idyllic enclave” in Cambodia, it transformed in less than two years into a city of Chinese casinos, towering skyscrapers, restaurants, hotels, factories, pubs, and even brothels.⁷⁶ As part of China’s BRI, Sihanoukville, Cambodia’s deep-water port city, has become a vital center for Chinese companies. It is now the center of 4.2 billion USD worth of offshore oil operations, power plants, and investments all held by the Chinese corporates.⁷⁷ These investments give Chinese investors economic influence. This influence, accompanied with the inadequacy of laws and regulations, allow them to establish an economic empire within the kingdom. From cultural standing, Yong Heng, a founder of the ASEAN Young Political Leaders Network, argues that, recently there is a growing anti-Chinese sentiment, which is mainly caused by the recent unethical, discriminating, scornful manners of some Chinese gangs—the so-called “investors,” who repeatedly utilize brutal violence against innocent Khmer people, particularly women.⁷⁸ He also asserts that these behaviors coupled with the increasing crime and prostitution, are an emerging threat to the state’s culture, core values, moral ethics, and attributes.⁷⁹ To provide another example, in early 2018, the regional governor announced that there has been a rise in the crime rate, partially owing to an increasing influx of “Chinese mafia” who appear as the investors in order to commit numerous crimes, even kidnap those Chinese entrepreneurs, which leads to further insecurity in the

region.⁸⁰ As a consequence, many local Cambodian, as well as other Western visitors, are now avoiding going to Sihanoukville for their holidays.

This rising sentiment, however, is not an indication of “anti-foreigner” attitude or behavior, but rather a widespread concern over territorial integrity or perceived threat to Cambodian core values and culture, said Sophal Ear, an association professor of diplomacy and world affairs at Occidental College in Los Angeles.⁸¹ It is crucially important to point out the Chinese influence on Cambodia, as long as this anti-Chinese sentiment is not transformed into xenophobia or racial discrimination. This tension could impact social stability and internal security, and it will require effective measures to prevent violent provocations.

In terms of security aspect, alignment with China provides a great deal of security benefits to Cambodia. Throughout history, in strategic and geopolitical terms, the kingdom faced challenges from two relatively powerful and antagonistic neighbors, Thailand and Vietnam. Over the last six centuries or after the collapse of Khmer Empire, Cambodia’s territories have been repeatedly attacked by the two neighbors through the territorial annexations and the imposition of their suzerainty over Cambodia.⁸² The kingdom, nonetheless, escaped from the foreign suzerainty and survived by its willingness to accept the French protectorate in the mid-19th century. The Vietnamese invasion by the end of 1970s accompanied with the recent border disputes with Thailand and Vietnam evoked unpleasant memories of the kingdom’s historical problems, reminding Cambodia that its powerful neighbors still pose a security threat to its survival.

Since it does not share a land border with China, historically, Cambodia did not perceive the kingdoms of China as an immediate threat. This perception exists still today

as many scholars and policymakers do not fear China as a direct military threat. In fact, Beijing is the largest military supporter to Cambodia. Following the 2008 Cambodia-
Thailand border conflicts, Beijing immediately stepped in to sign a bilateral military
cooperation agreement in which it offered 17 million USD to construct military hospitals
and training schools for the kingdom’s armed forces.⁸³ Since the official reconnection
with China, Cambodia has been provided with a great deal of military assistance from
China, which has increased notably over time. According to Trading Economics analysis,
Cambodia’s military expenditure was only 446 million USD in 2017, which is relatively
low compared to its neighbors’ military expenditure—Thailand spends 6,075 million
USD and Vietnam spends 4,962 million USD.⁸⁴ Notably, most of Cambodian military
expenditure is spent on personnel, not military equipment or capability advancement,
which makes it more difficult to compete with these neighbors’ militaries.

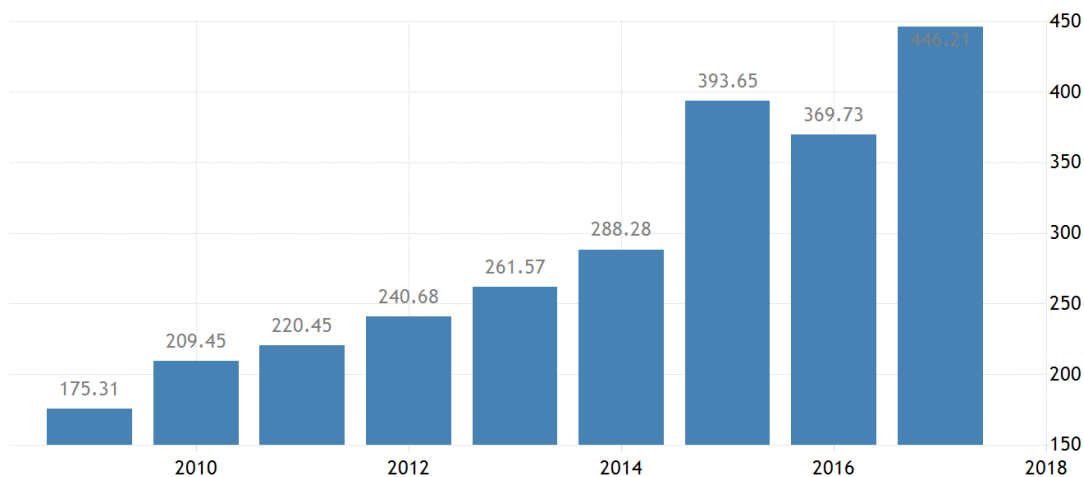


Figure 6. Cambodia’s Military Expenditure in 2017

Source: Trading Economics, “Cambodia Military Expenditure,” June 2018, accessed 14 February 2019, <https://tradingeconomics.com/cambodia/military-expenditure>.

According to Cambodian Defense Minister, General Tea Banh, China is a “great contribution to improving the Cambodian army’s capacity in national defense.”⁸⁵ On June 2018, Beijing agreed to grant more than 100 million USD in military assistance to the kingdom to further strengthen the military cooperation, capabilities, and the relations with Cambodia.⁸⁶ This relatively large amount of assistance significantly contributes to Cambodia’s security reinforcement. In addition, China also spends millions of dollars training Cambodian military officers in order to enhance their capabilities and interoperability. This shows Beijing’s strong stance in assisting Cambodia’s security aspect against external threats. By building sufficient defense capabilities, it permits Cambodia to deter its perceived threats from utilizing forces against it or, if deterrence was unsuccessful, to defend itself.

Hedging Strategy

This section of the research investigates whether or not hedging strategy is politically and economically acceptable for Cambodia. It will also assess if this strategy will optimize Cambodia’s security capabilities. Hedging seeks to enable Cambodia to divert risk from an alignment strategy, diversify risk across many countries, and optimize the benefits from multiple partners. As discussed in Chapter 2, small nations’ main concern is its survival of the nation and the prevention of political intrusion from external threats. Cambodia is not an exception and thus the kingdom’s survival means the perpetual existence of both independence and sovereignty. Therefore, the ultimate aims of the employment of this strategy are to optimize benefits, reduce risks and uncertainties, and avoid intensifying tension or prompting confrontations with either China, the U.S., or other large regional powers by preserving a cooperative posture.

Cheang Vannarith, a Cambodian lecturer in Asia-Pacific Studies at Leeds University, summarizes this strategy, “If we can maintain a neutral stance and balance, we can gain from both sides.”⁸⁷ To evaluate this strategy, the assessment will look at political, economic and security dimensions respectively per Chapter 3’s methodology.

Political Dimension – Diversifying Partners and Risk

Like every ASEAN member, Cambodia recognizes that the importance of peaceful coexistence with the rising power, China, and the long-standing superpower, the U.S. In general, most ASEAN members have traditionally kept away from both confrontation and extreme commitment with any specific great powers, with a hedging strategic attitude of broadening rather than deepening.⁸⁸ Although currently the PRC has made a progressive resurgence, Cambodia should also diversify its partners in order to remain flexible for sustained development. With this in mind, hedging results in Cambodia strengthening multilateral cooperation with ASEAN while diversifying bilateral partnerships with important powers, such as the U.S., Japan, India, and Australia.

If Cambodia employs a hedging strategy, Cambodia can participate in the broader hedging strategies employed by other countries, particularly in ASEAN. This policy refers to the process of including or enmeshing all powers, both great powers (China and the U.S.) and major regional powers (like Japan, Australia, and India), to a deep engagement with a regional community shaped and structured by multilateralism, and integrate them in a multi-layered network of partnerships.⁸⁹ The aims of this integration are to (1) establish an overlapping area of influence that encourages interdependence (2) hold any power accountable for its actions, and (3) contribute to promoting peace and

stability in the region. By establishing this framework, it encourages major powers or great powers to keep each other in check and act as deterrence against any aggressor. Evelyn Goh argues that with time, interdependence and mutual respect with each other will bring about a realization of shared interests and that it is not a zero-sum game.⁹⁰ The frameworks, for example, like ASEAN Plus Eight, which include India, Australia, New Zealand, the U.S., and Russia, can be viewed as an effective platform for institutional checks and balances and dominance-denial.⁹¹ Cambodia can benefit more by facilitating the incorporation of Beijing and Washington as well as other major powers into ASEAN. Cambodia can provide or posture as a node for Beijing to expand into ASEAN markets. Beijing will find Cambodia a valuable and trustworthy partner, which further strengthen economic ties between the two nations. Also, by integrating China into the multilateral platform, Cambodia's interests can be more certainly protected, compared to the bilateral platform. ASEAN system and processes reduce Cambodia's susceptibility to China's debt-trap diplomacy or dependency.

Moreover, after being accepted as a member of ASEAN in 1997, Cambodia employed some diplomatic hedging via partial alignment with other ASEAN members. It is partial due to the limited capabilities of ASEAN to counteract or oppose any regional powers.⁹² Multilaterally, ASEAN offers forums for state members to engage with each other and strengthen confidence-building measures (CBMs).⁹³ Thus, despite limited capabilities, participating in ASEAN multilateral cooperation results in the benefit of increasing Cambodia's strategic maneuverability. In addition, Cambodia can also benefit from this regional cooperative forum by engaging in value-based diplomacy, which embeds the principles of open regionalism, rule of law, democracy, human rights, and

good governance.⁹⁴ Multilaterally, this like-minded coalition can help shape not only Cambodia's interests and policies, but also China's. It is also another means of indirectly balancing regional power dynamics as well as upholding regional values and norms.

The potential risk associated with this hedging approach is that superpowers may utilize their influence to divide and conquer in order to further advance with their influence. This can undercut the spirit and neutrality of multilateralism. For instance, Beijing may want to work bilaterally with members of ASEAN and offer them with more benefits in order to gain their trust, so that eventually China can reshape and influence the community in its own interests. Another possible risk is that major powers may choose less inclusive frameworks, where they possess relatively greater influence allowing them to control and reshape the agenda. This risk defeats the purpose of omni-enmeshment. To mitigate, clear agendas of the forum must be set and maintained. In addition, it requires strong and unified structured institution to monitor progress of the forums and is neutral in holding members accountable.

Outside of ASEAN, a hedging strategy incorporates diversifying partnerships bilaterally with other major powers. Like the Sino-Cambodia ties, U.S.-Cambodia relations went through peaks and valleys throughout history as noted in Chapter 1. The partnership between Cambodia and the U.S. was reestablished after the 1993 U.N led free election in Cambodia.⁹⁵ To implement a hedging strategy, Cambodia should employ the stratagem of dominance denial and indirect-balancing, as identified by Kuik in chapter 2, to support American presence in Asia as a counterbalance to Beijing's rise. Presently, Washington assists Cambodia's governance development in alignment with the RS18, while advocating often contentiously for human rights in the country. Fair & free trade

and regional security issues are also points of bilateral convergence and divergence. Despite these challenges, Cambodia still preserves its diplomatic and economic ties with the U.S. This demonstrates a willingness to diversify partners and divert risk despite political pressures. Due to distant proximity, it is confident that the U.S. has no ambition for territorial expansion in Asia.⁹⁶ Additionally, the U.S. is a key component of long-term regional stability. According to *Khmer Times*, during the meeting between President Trump and Cambodian newly appointed Ambassador Chum Sounry at the White House on September 2018, President Trump expressed admiration for Cambodia's development. He asserts, "The economic development your country has achieved during this time is astounding, and we are proud to be a partner in growth."⁹⁷ He further states, "We know Cambodia has the potential for much greater development in the future, and we are excited to work together on challenges and opportunities."⁹⁸ The event represents the two states' cooperation and it also demonstrates that the U.S. and Cambodia are determined to work together in partnerships to assist Cambodia in development and governance.

Other important diplomatic partners for Cambodia are Japan, Australia, and India. For decades, Japan, Australia, and India have been very important aid donors, foreign investors, and advisors for Cambodia.⁹⁹ Since the 1980s and 1990s, Tokyo, Canberra, and New Delhi have been a main actor in the 1991 Paris Peace Agreements, which facilitated the democratization process in the kingdom after the civil war. Through bilateral and multilateral platforms, Japan, Australia, and India have offered guidance and assistance to promote universal values, like democracy, freedom, respect for the rule of law and human rights.¹⁰⁰ Indeed, Tokyo, Canberra, and New Delhi have, on many occasions, confronted with Beijing on various aspects. India's Look East policy, for

example, is an endeavor to recalibrate its comprehensive strategic and economic ties with the Southeast Asian countries to fortify its posture as a regional power as well as a counterbalance to the rising China.¹⁰¹ This Look East policy is an opportunity to enhance Cambodia's regional reputation and diversify its risk among another emerging power.

In summary for the political aspects of hedging, the establishment and cultivation of bilateral and multilateral relations between Cambodia and multiple strategic partners diversifies Cambodia's strategic posture for long-term development. By coordinating with multiple partners like ASEAN, the U.S, Japan, India, and Australia on regional matters, Cambodia enhances its regional reputation in multilateral institutions and potentially improves its own political independence. In fact, it has always been in the Cambodian leadership's mindset that Cambodia must defend itself against all odds. Prime Minister Hun Sen recently stated in Tokyo seminar that, "No matter what measures they want to take against Cambodia, in whatever way, Cambodia must be strong in its defense of its sovereignty . . . [Cambodia] doesn't exchange national sovereignty and peace with aid."¹⁰² This protection of sovereignty is a core concern as the government maintains internal political and domestic support. Throughout history, it is proven that Cambodia cannot only depend on one superpower. Superpower interference in the country's affairs has destabilized the country on countless occasions. Whatever the risk, whether it is China's rise or U.S. hegemonic influence, Cambodia receives political benefit by hedging to divert risk and diversify its partners.

The potential risk of this policy, however, is that Beijing could get offended by Cambodia's attempt to support the U.S. and other regional powers. As a consequence, the kingdom must manoeuvre vigilantly and remains flexible and adaptive to Beijing's

attitude and behavior. Cambodia should also avoid any actions that can be perceived as choosing side, focusing on broadening rather than committing.

Economic Dimension

Economically, hedging offers an alternative route to promoting RS 18 goals by diversifying economic partners from across the region while sustaining China as a major economic partner. First, Cambodia can seek economic-pragmatism by separating and compartmentalizing its political and economic ties with Beijing such that both states can sustain their interests.¹⁰³ Meaning, even if political tensions between the two nations break out, they can still engage in economic cooperation. Cambodia gains value from expanding its economic partnership with China; however, these relations should be decentralized to the strengthening of people-to-people and business-to-business relations. By doing this, it becomes more resilient and flexible, and reduces higher risk of state-controlled trade relations, which are mostly inseparable from political domain.¹⁰⁴ Therefore, even if the two states face political issues, individuals and businesses sustain economic engagement. Ultimately, reducing instances of economic statecraft support a more stable macro- economic environment per the RS18 goals.

Cambodia must also ensure that its economic dependence on a rising power does not render it economically vulnerable to the imposition of economic and political sanctions by that superpower. According to the 2018 economic development updates conducted by the World Bank Group, for the last decade, the kingdom has been successful in attracting a relatively large sum of net FDI inflows, averaging at around 10 percent of GDP, which ranks it among the top 20 in the world in terms of net FDI inflows vis-à-vis the GDP.¹⁰⁵

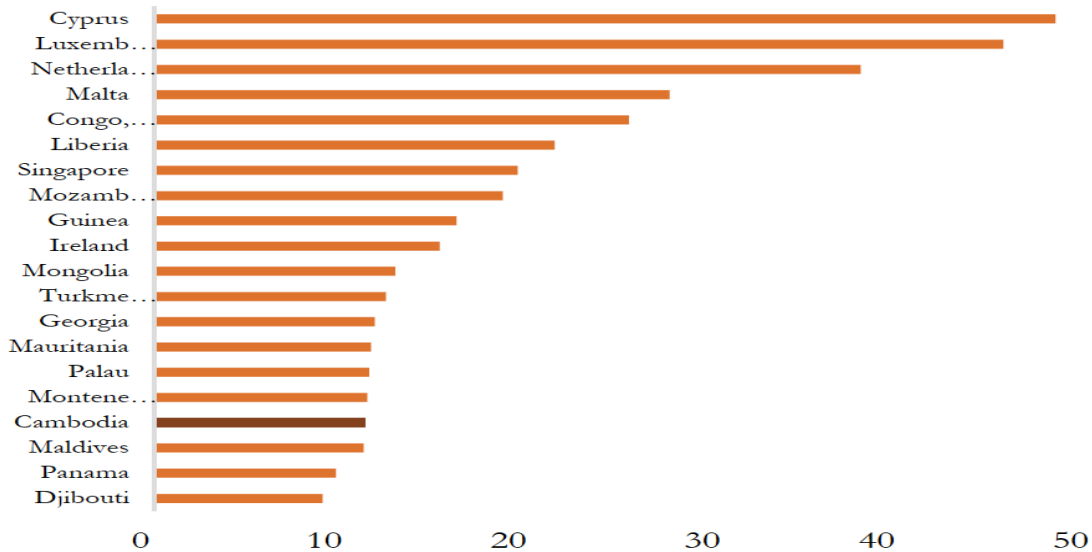


Figure 7. Cambodia is among Top 20 Countries Receiving Largest Net Inflows of FDI as Percent of GDP in 2017

Source: The World Bank, “Cambodia Economic Update: Recent Economic Developments and Outlook,” 01 October 2018, 22, accessed 28 February 2019, <http://documents.worldbank.org/curated/en/888141543247252447/Cambodia-Economic-Update-Recent-Economic-Developments-and-Outlook>.

Figure 7 shows the increase of trust and confidence of foreign investments into Cambodia, which it should take the advantage by further diversifying the economic partners. This offers an opportunity for Cambodia to interact economically with different partners, reduce economic vulnerability, improve investment climate, and bolster strong consumer confidence to advocate small, medium, and large-sized businesses in order to capture and harvest FDI spillovers and benefit Cambodia’s long-term economic growth.

Furthermore, it is important to assess the degree to which Cambodia has become reliant on China for economic prosperity since the 1990s. Although an important part of FDI inflows come from China, Cambodia has sought to diversify its foreign economic partners. This results in Cambodia’s expansion of trade partners to 146 countries across

the world. Moreover, Cambodia has successfully diversified its exporting partners. For example, in 2017, while Cambodia's exports to China only account for 6.3 percent, others are higher, such as the U.S. (19 percent), Germany (11 percent), Japan (8 percent), France (6.5 percent), and Canada (6.1 percent).¹⁰⁶ Thus, Cambodia needs these markets to have outlets for manufacturing and agricultural goods to maintain economic competitiveness and macro stability.

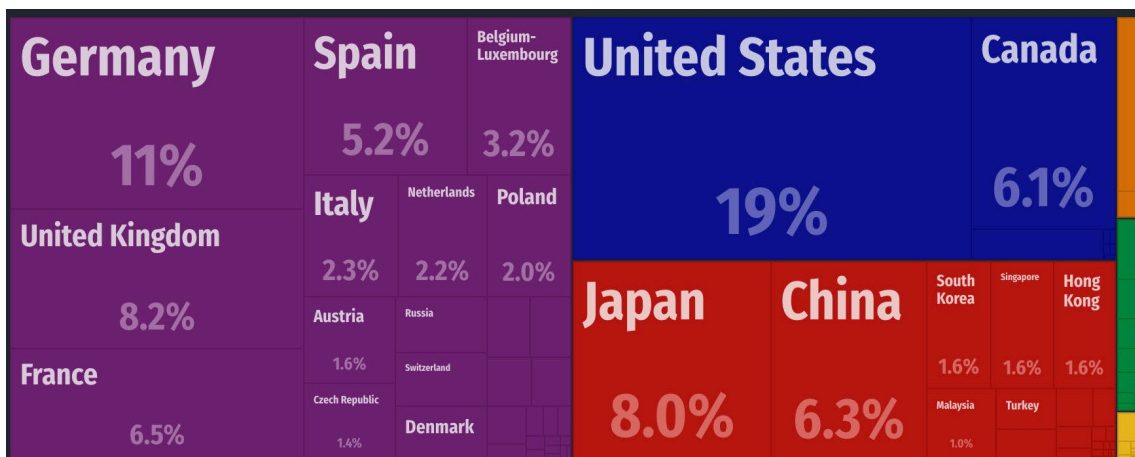


Figure 8. Cambodia's Exporting Destinations in 2017

Source: The Observatory of Economic Complexity, "Cambodia Importer and Exporter," December 2017, accessed 17 March 2019, <https://atlas.media.mit.edu/en/profile/country/khm>.

On the other hand, Cambodia is a big market for China, accounting for 40 percent of Cambodia's imports or 4.8 billion USD.¹⁰⁷

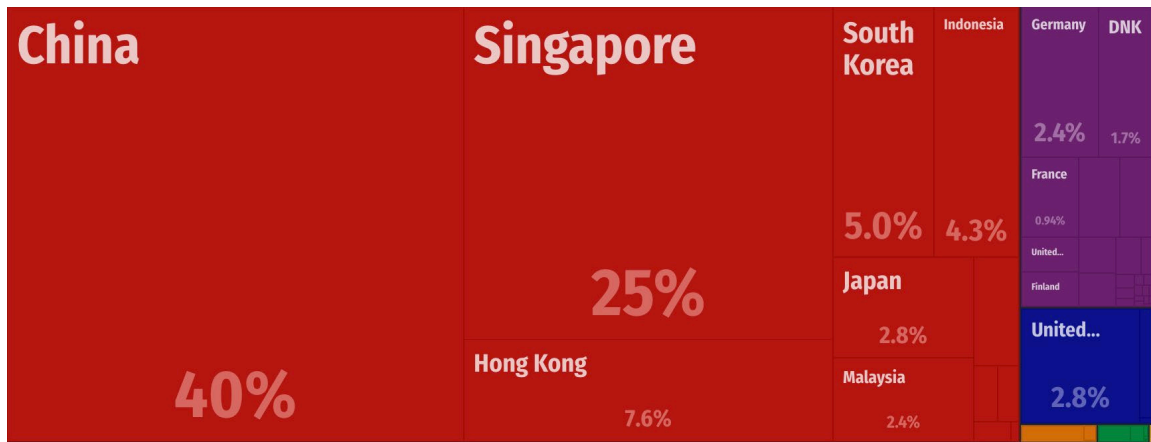


Figure 9. Cambodia's Exporting Destinations in 2017

Source: The Observatory of Economic Complexity, "Cambodia Importer and Exporter," December 2017, accessed 17 March 2019, <https://atlas.media.mit.edu/en/profile/country/khm>.

As figure 9 shows, China is Cambodia's number one import country for goods, which makes Cambodia a valuable market for China, but it also results in dependency on Chinese products for Cambodia. By diversifying trading markets, Cambodia seeks to reduce economic risk, particularly with relying solely on China. Otherwise, Cambodia's dependency on China would place Cambodia in a difficult position strategically with limited leverage.

If Cambodia successfully navigates a hedging strategy, it can optimize its economic interests through bilateral and multilateral engagement with China, the U.S., and other major powers. The main benefits Cambodia will experience are: first, Cambodia will achieve its strategic objective of economic competitiveness by maintaining its annual economic growth at seven percent, or even more. These great and regional powers are big markets for Cambodia. For example, the trading cooperation between Cambodia and China alone has been boosted from the 2018 trading value of 5.6

billion USD to 10 billion USD in 2023, as promised by President Xi Jinping.¹⁰⁸ Second, the rising trend of Chinese tourist arrival, numbering at three million for the first semester in 2018 or is equal to 13.6 percent increase, ranks Chinese tourists the first in the list (followed by Vietnamese and Laos).¹⁰⁹ Tourism remains one of the most important industries in Cambodia, earning four billion USD or equal to 18 percent of total GDP in 2017.¹¹⁰ Therefore, these Chinese investments allow Cambodia to grow economically.

Cambodia-U.S. trade, on the other hand, also contributes even significantly to Cambodia's economic growth. In fact, according to a World City analysis, the U.S. has been Cambodia's largest single exporting destination, with a total trade value of 4.27 billion USD by the end of 2018.¹¹¹ That is 24 percent increase compared to 2017 (3.46 billion USD) and 12 percent increase in exports to the U.S. As Cambodia remains considerably relying upon basic products, such as garments, accessories, and footwear, constituting about 75 percent of Cambodia's U.S. trade, the U.S. is one of the most important trading partners for Cambodia. Therefore, according to the trading values Cambodia can gain by conducting economic engagements with these two great powers enables Cambodia to expand its economic development. Cambodia, however, would face high risks if it only chooses to align with one side. What is more important, by aligning with only one side, Cambodia will likely lose its flexibility in the international market. Hedging, on the other hand, widens the opportunities for Cambodia to interact with not only great powers, but also its partners.

Another economic benefit of hedging is increased job opportunities and technological advancement per the RS18. First, Cambodia will be able to increase domestic job opportunities by increasing foreign investment opportunities from multiple

economic partners. One of the issues that Cambodia has faced for decades is brain drain—losing skilled workers to other countries. By establishing new jobs, Cambodia will be able to retain more skilled workers to work within the country and prevent tens of thousands of people—including children, women, and senior citizens—from finding jobs overseas. Cambodian overseas workers are generally facing with many exploitative issues, such as human trafficking, rape, assaults, and slavery.¹¹² Therefore, by having more jobs available within the country, Cambodia is able to grow economically and prevent its own citizens from those exploitative situations overseas.

Second, hedging optimizes the competition, allowing Cambodia to gain technical advancement from foreign investment. Washington, Beijing, and Tokyo, for example, have assisted and provided expertise as well as technological support to Cambodia in major fields, such as education, health, agriculture, and environment. These technological provisions and support help foster the development of Cambodia. More importantly, 80 percent of Cambodian people's livelihood is dependent upon agricultural sector, which in 2018, agriculture earned about 5.65 billion USD, amounting 25 percent of Cambodia's gross domestic product (GDP).¹¹³ As investors establish manufacturing and logistics centers based on the greenfield investment data noted previously, they bring new management techniques and industrial technologies, which contribute significantly to Cambodia's innovation-led model.

Hedging strategy maximizes opportunities and benefits for Cambodia, which allows it to realize its economic potential, competitiveness, and growth. Unfortunately, if major powers react negatively to this strategy, there are economic risks if the major powers seek alternative markets or other countries for investment. Overall, the strategy

positions Cambodia in a good and flexible posture for future economic prosperity. It also enables Cambodia to optimize sector cooperation. For example, Cambodia could optimize economic cooperation in certain areas with China, while maximizing the economic gains in the garment industry with the United States. A hedging strategy also enables competition for sector influence. For example, it could enable Cambodia to compete its manufacturing or infrastructure development projects among several superpowers, maximizing its overall gain. Therefore, it is assessed that the potential benefits gained from hedging outweighs the benefits from alignment strategy, and it is acceptable economically for Cambodia to hedge.

Security Domain

Cambodia will be able to shape its security environment by diverting risks, diversifying its partners, and optimizing certain areas of security cooperation with certain partners. First, based on Kuik's rationale, one of the required characteristics of hedging lies in the Cambodia's ability to divert risks.¹¹⁴ In a potential confrontation with China, Cambodia could divert its security risks to the U.S., acting as the counterbalance to Beijing. Other Asian-Pacific states also pursued a similar strategy including: Singapore, Philippines, Thailand, Japan, and South Korea. When it comes to dealing with a rising China, they tend to defer the responsibility to the U.S., which can come in the forms of bilateral engagements, military trainings and exercises, and security agreements and understanding. A hedging strategy could afford these same opportunities for Cambodia, but it does run some risks with antagonizing China in the short-term.

For example, recently, Cambodia's neighbor, Vietnam, has sought to normalize and strengthen its security cooperation with its former foe, the U.S. By advancing

relations with the U.S., it can take more burden off of Vietnam's shoulders. It sends a signal to China that Vietnam is not standing alone in countering Chinese aggression. Michael O'Hanlon, an influential foreign policy expert at Brookings Institution, claims this is an appropriate move for Vietnam and it shows, "We don't need to fight, but we make it clear we aren't leaving."¹¹⁵

Finally, while hedging holds a great deal of promise, there are risks for this strategy. Cambodia will be forced to adhere to international caveats for military assistance or address external powers concerns over political issues. For example, due to some political issues, in 2019, the Trump administration has significantly reduced its budget for International Military Education (IMET) by nearly 75 percent compared to the 2017 budget.¹¹⁶ Other countries may also limit their sales of equipment or participation in exercises. However, Cambodia could seek to work in areas of security assistance that are less problematic to develop its own forces and increase interoperability. The engagement areas can range from humanitarian assistance, counter-terrorism, maritime security, transnational crimes, and others. Therefore, through diversion of threats, diversification of strategic partners, a hedging strategy allows Cambodia to shape its security environment and develop its forces in order to address its posing security challenges.

Part 3: Suitability of the COAs

Alignment with China

Aligning with China, Cambodia receives two main benefits—economic and security—that will help Cambodia advance. Particularly, partial alignment that is primarily focused on bilateral benefit, not full alignment focused on Cambodia's regional support for China's initiatives, will promote Cambodian prosperity and peace.

Economic Aspect

First, Cambodia will gain economic benefits by aligning with China. Infrastructure demands are expensive, and China is seeking to invest in infrastructure projects. Also, as previously discussed, Cambodia's debt distress remains low, which is an indicator that Cambodia is still able to engage economically with China in order to advance its growth. Based upon the RS 2018, one of the RGC's strategic objectives is to protect sustainable growth of around seven percent per year through via the enhancement of competitiveness, stable macro-economic, low inflation rate, increasing international reserve, and stable exchange rate and public debt.¹¹⁷ China and Cambodia will seek to preserve cultural ties because of the considerable amount of ethnic Chinese-Cambodians in the country.¹¹⁸ Personal and existing business relationships, particularly in the arena of senior leaders, are a vital part of this cooperation. Sophal Ear claims that Beijing's large investment in the kingdom comes not only from Chinese strategic interests in the region yet also results from the individual sector initiatives to find a business favorable environment to develop and grow.¹¹⁹ As there are a large number of ethnic Chinese people living in Cambodia, they are most likely to conduct trades with those Chinese people in Mainland China.

China is one of the biggest foreign investors in Cambodia. According to the Council for Development of Cambodia, of the cumulative FDI in 2019, the biggest share was from China, accounting for 24 percent.¹²⁰ More importantly, President Xi promises that the bilateral trading cooperation will be boosted from the 2018 trading value of 5.6 billion USD to 10 billion USD in 2023.¹²¹ The remarkably increased FDI from China will

certainly contribute to the economic development of Cambodia and achieve its desired objectives.

In addition, another benefit is the Chinese investment in infrastructure projects. After the 1970s civil war, the infrastructure systems in Cambodia were completely destroyed. Chinese investments have focused significantly on the reestablishment and development new infrastructures, which enable Cambodia to conduct and accelerate its production processes. For example, the PRC has invested 1.3 billion USD to assist Cambodia in constructing 2,300 kilometers of roads, bridges, power transmission facilities, and irrigation systems.¹²² The infrastructure development has enabled Cambodia to sell its products more efficiently and reach out to more economic partners within and without the region. Without these projects, Cambodia would find it difficult and slow to develop its own infrastructure, provided limited budget and resources.

Finally, according to Walt's theory, aligning with China allows Cambodia to share in a portion of China's economic rise.¹²³ Cambodia would expect to obtain profits by bandwagoning with the winning side. If China's rise turns out to be a peaceful one, China will gain increasing support from the regional and international community. For example, in Europe, China's BRI has attracted many European members, especially the U.S.'s age-long ally, the United Kingdom (UK). The UK has applied to become a founding member of the new Asian Infrastructure Investment Bank (AIIB), which was established as the financial engine of BRI.¹²⁴ This move by the UK has also attracted other 16 EU members to join afterwards. China has the potential to become an important role in leading the global economic environment. By bandwagoning with China, Cambodia could reap the benefits of a longer term relationship.

Security Aspect

Bandwagoning with China provides Cambodia with benefits and risks. First, as discussed in Chapter 2, Cambodia receives the benefits of a defense-oriented mindset by protecting the state's interests when confronted by an emerging threat, with the anticipation that the threat can be diverted to elsewhere.¹²⁵ This sort of strategy is a common strategy for small states. Alignment for security is frequently the only good option for small states, owing to their limited capability to counter a super power or their desire not to attract external allies to assist them.

China can also provide military assistance to strengthen Cambodia defense capabilities. China has assisted Cambodia by providing military equipment, constructing logistic facilities, hospitals, trainings facilities, and offering courses for Cambodian military officers in order to develop the capabilities of Cambodia's armed forces. These have significantly strengthened Cambodia's defense capability and ensure that its security is maintained against external invasions.

As previously noted, social instability from increased Chinese investment is possible, but the Cambodian government must seek ways to mitigate the impacts to local Cambodian communities while balancing the need for increased development. Overall, security is a net benefit for Cambodia even with some potential social costs.

Political Aspect

Political suitability is a mixture of benefits and costs. As previously noted in the acceptability section, recent Chinese actions affected Cambodia's international reputation and perceived political independence. However, this is not the only path possible in the bilateral relationship as history demonstrates. Immediately after the 1997 political crisis

in Cambodia, there was an increasing pressure from international community. While the U.S.'s response to the crisis appeared to intensify the already existing pressure from international campaign by passing Resolution 195 on 28 July 1997, pronouncing the state of emergency caused by military coup, China's stance toward the political plight, on the other hand, was more sympathetic.¹²⁶ After the U.S-led international campaign against the Hun administration, financial aid as well as other programs was also discontinued. Thereafter, the United Nations condemned this plight as acts of violence and left the Cambodian seat at the UN vacant.¹²⁷ In addition to the dis-recognition of the Hun Sen's administration, ASEAN also discredited Cambodia's legitimacy by delaying the admission date, which was originally set on July 10, 1997, as an official member. These two examples illustrate the defamation of Cambodian government on the international stage. Beijing's responses, nonetheless, were more sympathetic, respectful, and understanding.¹²⁸ At personal level, Beijing opened the door and welcomed King Norodom Sihanouk for official visits, regular health treatments, and other diplomatic supports as required. At state level, it sought to provide a favourable environment for all clashing parties to reach a peaceful agreement. It also supported all parties by offering financial assistances and diplomatic discussions. This assistance enabled Cambodia to gain recognition on the international stage and further developed its governance.

Alignment Challenges

Although Cambodia will receive economic and security benefits from alignment with China, the alignment strategy, particularly full alignment and strong regional and international support for China, will extract significant costs. The highest cost is the political risk of balancing potential loss of sovereignty. Cambodian leadership will need

to craft its policy carefully or risk losing its own political autonomy and independence. If Cambodia can balance the two elements effectively, however, it will provide Cambodia great security, enhancing its chances of surviving the rapidly changing environment. To mitigate, Cambodia will have to regularly monitor its progress with China, identifying some indicators of the bilateral relations and measures to address the issues. The second challenge is with regards to its diplomatic aspect. While being cognizant that the bilateral relations can advance Cambodia's economic and security aspects, Cambodia should not over-commit, as it risks being isolated by the U.S. and its allies. Cambodia should be sensitive to the reactions of the regional and international community. Cambodia must maintain its flexibility and adaptability. Third, in terms of social aspect, as there is a considerable number of ethnic Chinese-Cambodian in the country, Cambodia can introduce various cultural and social approaches to resolve the tensions. These approaches will need time and encouragement from all levels.

Hedging Suitability

It is assessed that a hedging strategy is suitable to achieve Cambodia's core national interests. Per the RS18, we will assess these core national interests as sovereignty (political), peace (security), stability (security), and prosperity (economic).

Economic/Prosperity

The strategy allows Cambodia to gain more benefits from the superpower competition. According to a study conducted by Cambodian Institute for Cooperation and Peace (CICP), the recent trade war between the U.S. and China helps boost Cambodia's exports.¹²⁹ As the U.S. increases tariff on Chinese products, it makes Chinese goods less

competitive compared to Cambodians. For example, Cambodian exports to the U.S. for the first semester in 2018 rose 27 percent or equivalent to 2.86 billion USD compared to the same semester in 2017.¹³⁰ Director of CICP, Chap Sotharith, reflects this growth of exported goods to the U.S. as a positive signal on Cambodia's export capability and increased bilateral trade relations between the two states.¹³¹ In addition, Cambodia can also increase its economic benefits due to the regional stability and peace. Under the prolonged peace and the established status quo, Cambodia can continue to advance its national interests and hedge against the unpredictability linked with Beijing's future intents and the likelihood that its rise may not be peaceful. The strategy allows Cambodia to enjoy its development through the American-led security positioning and to preserve positive economic ties with both superpowers. As the kingdom implements hedging strategy, it can seek to engage economically with China and simultaneously optimize its security by supporting the U.S. presence in the region. In addition, as previously mentioned, it is not uncommon for the two powers to seek to convince smaller states through different benefits in order to attract and get them in line with it. Hedging provides an option for small state like Cambodia to exploit this opportunity by widening and diversifying economic interactions with Beijing and Washington, incentivizing them to sustain economic engagements, omni-enmeshing them and other major actors to keep them in check, and utilizing regionalism or multilateralism to hold them accountable and deny their dominance.

Political/Sovereignty Conservation

This strategy ensures that Cambodia does not become over-dependent on either China or the U.S. that may potentially lead Cambodia to lose its sovereignty if it does not

craft its policies carefully. This strategy optimizes Cambodia's autonomy by ensuring that it is actively in control of its own faith and destiny. To reiterate, Cambodia could further advance such a strategic partnerships with other powers without requiring a formal treaty alliance, yet rather only grounding upon shared interests—hedging against a dominant aggressor that could destabilize the region. By not entering into multilateral and bilateral partnerships, Cambodia still retains its full right to operate the country and act on its own interests. Moreover, by seeking to diversify its partners, such as the U.S., Japan, Australia, India, and ASEAN, Cambodia can always turn to them in the case that China wishes to encroach and restrain Cambodia's sovereignty. Hence, hedging prioritizes maximizing strategic maneuverability, allowing for Cambodia to leverage its attractiveness to maintain its political independence.

Peace and Stability

As Goh outlines, a hedging strategy does not encourage confrontations. It is the small states' strategy to focus major powers on the benefits of cooperation, not conflict. Instead of states allying with each other in particular orbits or spheres of influence, hedging encourages major states to seek a broad common interest rather than a zero-sum game.¹³² Cambodia will benefit the most in the security environment if Cambodia aligns more closely with similar strategies with other regional countries. Thailand, Philippines, Singapore, Vietnam, and others are generally employing some variations of indirect balancing, economic pragmatism, and hedging. If Cambodia employs a similar strategy, it will support the shared purpose of avoiding the ramifications of a security dilemma situation and encouraging peace and stability in the region. For example, in an anarchic and capricious security environment like the South China Sea, Cambodian support for a

general ASEAN hedging strategy makes it difficult for China to risk an all-out confrontation with the ASEAN states that would then involve the U.S. and other regional major powers. Rather, it stimulates cooperation.

From another security viewpoint, hedging maximizes benefits by creating the conditions for major powers to compete for popularity. This competition encourages major powers to compete through security assistance and security support which maximizes Cambodia's security benefits. For example, in 2010, the U.S. promised security assistance trucks for Cambodia, but they later withdrew the offer due to political considerations. China stepped in to provide these trucks as a means of pursuing influence.¹³³ More recently, Japan provided 90 million dollars in economic and security funding as the regional competition for influence increases.¹³⁴ These examples demonstrate the benefits Cambodia can gain from hegemonic competitions. Furthermore, as the world becomes increasingly integrated, Cambodia's security is linked to regional stability. As the old African proverb states, "When elephants fight, the grass will suffer." Cambodia should act as a hedger to maximize its own security benefits and promote the broader regional peace and stability.

Hedging Challenges

There are three main challenges that Cambodia will face. First, in practice, great powers like China can get offended if it views that Cambodia is not picking sides or still chooses to engage with the U.S. Second, Beijing may utilize its economic influence to accomplish its political intentions. If Cambodia miscalculates, it will likely owe debts to China and it cannot repay. Thus, Cambodia should avoid borrowing debts only from China. It should also diversify its debt providers. Third, Beijing may better utilize

multilateral forums like BRI and AIIB to advance and secure its interests without any advantages for other nations. To mitigate this, Cambodia might be required to collectively hold China accountable through multilateral mechanisms which would be diplomatically awkward for Cambodia.

Overall, based on the assessment above, hedging is suitable for Cambodia to implement, as it better helps Cambodia realize the desired ends of Cambodia. It better preserves Cambodia's sovereignty, maintains peace and stability, advances prosperity, and upholds domestic, regional, and international values and norms.

Conclusion and Summary

Feasibility

With respect to feasibility, Cambodia could pursue either an aligning or hedging strategy. For the means of an alignment strategy, Cambodia has the economic factors, political stability, and geostrategic environment to avoid subjugation and protect from being left out of a strong regional coalition while maximizing their shared portion of success. For hedging, Cambodia has the means to divert risks with multiple partners, diversify economically and politically with regional institutions, and it has multiple sectors that are attractive for foreign partners. In general economic terms for both strategies, Cambodia maintains a positive economic outlook with a seven percent annual growth rate, young competitive labor force, rich natural resources, central strategic location, and diverse economic partnerships with an attractive economy for foreign investors. In general terms of political considerations for both strategies, Cambodia has a stable and legitimate government, elected by the people, which is capable of converting the country's potential into a national development strategy. Finally, in terms of hedging

strategy, the three absences, per Kuik's argument, provide current conditions to allow Cambodia the flexibility to implement hedging to align with core national interests; although, rising tensions in the region could reduce this flexibility in the future. Therefore, it is feasible for Cambodia to execute either an aligning or hedging strategy.

Acceptability

With respect to acceptability, the research first sought to answer whether Cambodia's strategic alignment with China undoubtedly benefits Cambodia in the areas of economics, politics, and security and is in line with national interests. Economically, while development investments enhance Cambodia's economic competitiveness and increase the stability of its macro economy, it does not enhance Cambodia's regional reputation and reduces Cambodia's strategic maneuverability. Additionally, while Cambodia offers an alternative source of energy supplier for China and China brings economic development capital to Cambodia, the environmental costs, social costs, and lack of transparency and accountability outweigh the benefits of these investments. China receives the majority of the benefits while Cambodia bears the majority of the actual and potential costs.

Beijing also clearly understands the power of attractive monetary funds and economic statecraft, and it has effectively leveraged this economic tool for political influence in Cambodia in order to gain what it desires. As previously discussed in chapter 2, alignment insinuates a level of subordination and Cambodia will have to potentially accept limited decision-making freedom if it chooses to implement this strategy.¹³⁵ Of equal importance, ASEAN members, who involved in the South China Sea territorial conflicts, would treat Cambodia more mistrustfully, even inferiorly. Particularly if

Cambodia chooses to actively advocate or assist China with regional positions, these actions could negatively affect ASEAN's dynamics and solidarity and lessen Cambodia's ability to influence its economic and regional security environment. Full alignment will risk being alienated by the U.S and its partners. It will squander its strategic long-term security position as well as other related interests gained from the trust and confidence of diversified regional and global powers, like the U.S., Japan, India, and others.

With respect to security, there is a rising anti-Chinese sentiment in Cambodian society due to some Chinese investors' unacceptable behaviors, although it is not a big issue for now. However, it has potential to create social instability if there is no measure to prevent it. Nonetheless, by aligning with China, it provides Cambodia with a great deal of security benefits against external threats. Finally, there is a large benefit to alignment with China in terms of security assistance and support to build defense capabilities in Cambodia.

Therefore, based on the total assessment, partial alignment with China is more acceptable than full alignment which brings high costs and risks to key aspects of Cambodia's core national interests based on the RS18. Cambodia and China do not share the full mutual economic, political, and social benefits of this relationship, with China receiving the greater benefits, and Cambodia bearing the greater costs. The implications of this strategy will be further discussed in Chapter Five.

With respect to the acceptability of a hedging strategy, it rates higher than alignment strategy. Politically, it achieves more political independence and regional reputation for Cambodia, while ideally garnering domestic support for the government based on the perception that the government is savvy and wise in protecting Cambodia's

sovereignty. It is overall more compliant with the national, regional, and international values and laws. In terms of peace, hedging does not encourage confrontation, but competition for popularity, which allows peace and stability within the region.

It enables economic competitiveness by diversifying economic partners and creates a more stable macroeconomic environment to optimize the benefits and reduces the risks. It allows Cambodia to compete among foreign investors, reducing potential impacts of debt-trap projects and economic dependency. Additionally, through competition, it maximizes job opportunities, technological advancement, and ideally keeps inflation low by giving maximum access to cheap products. Finally, for security, hedging diverts risk, especially in a confrontation with China, but it raises some short term risks of antagonizing China. It also creates some potential issues if regional partners do not seek to fill the void of security assistance if China chooses to reduce its security assistance and support. However, it could promote more long-term security in Cambodia if the regional and international community are responsive to Cambodia's security concerns about more historic threats such as Thailand and Vietnam. Overall, the economic and political benefits of hedging outweigh some of the security concerns, and it rates high for acceptability.

Suitability

Both hedging and partial alignment are suitable for Cambodia based on the analysis. One implication, which the paper will elaborate on in Chapter 5, is that hedging is generally more suitable and desirable for Cambodia in the long term. For alignment, given that the security and economic benefits outweigh the political, economic, and security costs, it is assessed that alignment, particularly partial alignment, is currently

suitable for Cambodia. Additionally, hedging is also suitable for Cambodia to implement as it helps Cambodia realize the desired ends of the RS18 and achieve core national interests to preserve Cambodia's sovereignty, maintains peace and stability, advances prosperity, and upholds domestic, regional, and international values and norms. A hedging strategy preserves and optimizes Cambodia's economic, political, and security aspects. It also reduces the risks or uncertainties of losing its autonomy and sovereignty.

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CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

Conclusion

This research paper commenced by identifying the emerging geostrategic dilemmas in Cambodia as well as the region, which are prompted by the two great powers—the rising power China and the U.S.’s presence in Asia. The thesis subsequently looked at the bilateral relationships between Sino-Cambodia and the U.S.-Cambodia, which have been through waxes and wanes throughout the history. Notably, in the modern history, since 1997, China and Cambodia have sought to strengthen their relationship, which offers Cambodia economic and security benefits necessary for developing the nation. Relations with western powers, most notably the U.S., have not as significant an impact over the last two decades; however, these relationships are still important to Cambodia as it navigates the regional and international community. Cambodia’s relationship with ASEAN is still developing as Cambodia seeks to define its role and participation in this multilateral institution. As the research demonstrated, Cambodia sits as a small state navigating the dangerous shoals of major power competition.

Chapter Five will apply the research from Chapter four that describes the feasibility, acceptability, and suitability of either alignment or hedging to this strategic environment. It will describe which strategy maximizes Cambodia’s core interests from the RS18, address the challenges of implementing these strategies, and discuss the implications for strategic policymakers in Cambodia. Most notably, as the analysis demonstrated, this is a choice for Cambodia’s policymakers because both strategies were

feasible, acceptable, and suitable to varying degrees, but hedging optimizes the overall economic, political, and security capacity and potential of Cambodia.

Recommendations

Alignment Strategy

Although bandwagoning or aligning with China provides Cambodia with two main advantages, economic and security benefits, the analysis suggests that this is a less desirable option for Cambodia to implement. Based on my first research question, the analysis demonstrates that present Chinese policy actions do not match China's policy proclamations found in the Five Principles of Coexistence. Although President Xi repeatedly stated, "China is determined to live in harmony with peoples of the world... China will never adopt expansionist policies and will continue to safeguard international fairness and justice."¹ Its assertive attitudes and behaviors have proven otherwise, which not only contributed to regional instability, but also detrimental to small states like Cambodia's national and strategic interests. In the long term, this reality potentially exposes Cambodia to a loss of political independence, erosion of economic development partners, and limits its strategic maneuverability bilaterally, regionally, and internationally.

It also forces Cambodia's policymakers into difficult geostrategic trade-offs, economic growth versus the loss of autonomy or security assistance versus the loss of sovereignty. Particularly, full alignment equates to becoming a client state of Beijing, which would make the country irrelevant on the regional and global stage because it would lose its trustworthiness as a sovereign nation. Partial alignment, while seeking not to advocate on behalf of China regionally and internationally and only work bilaterally

with China, appears tenuous as China seeks to expand throughout region and expects concessions for its favor.

Overreliance only on one great power increases Cambodia's vulnerability which might lead Cambodia to fall into the so-called debt-trap diplomacy or predatory economic situations. Throughout the bilateral history, China valued its own benefits over others', particularly during the 1970s. Cambodia's short term win might not account for long term repercussions, already experienced by some of China's debt recipients like Sri Lanka and Djibouti, significantly costing Cambodia's future. In the a scenario that Beijing's rise is turning into an aggressive one, Cambodia, as a small nation, would not have sufficient capabilities to counterweigh against it or is already too committed to escape for China's claws. More importantly, another serious cost is not only in Cambodia but the region as the whole. Failing to adjust to China's rise has the potential to cause strategic imbalance in Asia, which might change the entire course of the regional structural architecture. Therefore, it is not recommended to embrace one factor or approach entirely and neglect the others.

While an aligning strategy in the short term still maintains economic macro stability, some levels of competitiveness, provides security assistance, and generates short term job opportunities, long term alignment misses the full growth ability and national power potential of Cambodia. The indispensable driver of a nation's economic advancement—and hence its national power—is situated within it, and outer endeavor to alter its developmental trajectory are have only a minor and temporary effect.² Cambodia will need multiple partners, strong regional relationships, and a wide variety of opportunities to truly achieve economic competitiveness, macro econ stability, low

inflation, job opportunities, and low debt distress while preserving political independence, stability, and strategic maneuver space. Like most ASEAN members' reactions to China's rise, Cambodia's policymakers will be forced to consistently reassess the value of alignment and might have limited future choices once they choose this path.

Hedging Strategy

The analysis demonstrates that it is more feasible, acceptable, and suitable for Cambodia to implement a hedging strategy. It is feasible because Cambodia has the required aspects—economic, political, and security—allowing it to develop and advance its national interests. A hedging strategy is more acceptable for Cambodia because it supports Cambodia's national value of political independence and regional peace and stability. Also, by diversifying partners such as Japan, Australia, India, and ASEAN, Cambodia does not become over-dependent on any major power for its economic or security, either the U.S. or China. Hedging seeks to increase interdependence, which discourages confrontations and stimulates growth via a cooperative climate. Hence, it gives the country with more flexibility, agility, and freedom to make unrestricted policy options, broaden its geostrategic manoeuvre space, and better navigate through this capricious security environment. Furthermore, hedging is more suitable for Cambodia to implement, as it better helps Cambodia realize the desired ends of Cambodia. It better preserves Cambodia's sovereignty, maintains peace and stability, advances prosperity, and upholds domestic, regional, and international values and norms. To execute this strategy, Cambodia will have to leverage its capacity to influence the security environment through the regional and multilateral frameworks, like ASEAN as well as its other strategic partners. Cambodian leadership can ensure the country's survivability by

making it more relevant, proactive, and inspiring, regardless of its limited capabilities and resources. The kingdom can craft its hedging policies using Kuik's theories, which involve the policies of limited –bandwagoning, binding-engagement, economic-pragmatism, and dominance-denial. By understanding the main questions of when, where, who, and how to utilize these strategies, Cambodia can best optimize its interests.

It should acknowledge that hedging is possible due to the three main conditions, as noted by Kuik. First, Beijing is not an immediate threat to Phnom Penh due to the absence of territorial conflicts and the presence of positive bilateral engagements. The second condition is the absence of an all-out super power rivalry, as both Beijing and Washington have committed to avoiding direct confrontations, in spite of increasing tension in the South China Sea. The possibility of all-out war between the two is assessed to remain low in the near term. The last condition is the absence of polarizing ideological fault-lines between Beijing and Washington. Despite the structural differences, neither of these two is seeking to explicitly coerce others to implement its ideologies or values, like the Communist USSR against the democratic U.S. during the Cold War.

Implications for Policymakers

This strategy is possible due to the three main assumptions in the strategic environment. First, the U.S. is opposed to the China's rise and that is why the U.S. competes and counters China by strengthening relations with the regional states and offering security against China. Second, the two great powers are competing and collaborating at the same time in terms of economic, security, and geopolitical dimensions. Third, there is a reciprocal distrust for long-term intentions between the two

superpowers due to the structural (ideological, cultural, economic, and social) differences.

As noted in Chapter Four, hedging strategies can be complicated and complex to execute. For economics, Cambodia will want to seek increased bilateral free trade agreements with major powers and/or multilateral free trade agreements throughout the region. Cultivating these free trade agreements ensures that Cambodia is a country worth competing for in the region. Cambodia needs to continue gradual economic reforms and competitive labor policies to attract foreign direct investment from regional partners like Japan, EU, and the United States. As a result, as the RS18 notes, it will require key national strategies to maintain low inflation to keep labor costs low while maximizing opportunities for greenfield investments that increase indigenous manufacturing capacity. It will also require difficult internal balancing between policies that benefit political stability and policies that create more open, transparent markets.

For politics, Cambodia will have to seek indirect balancing by participating in regional multilateral institutions and sharing common agreement frameworks on regional issues. For example, Cambodia does not have to lead, but should review its support of ASEAN neighbors as they seek to establish a code of conduct in the South China Sea as a signal of regional solidarity. Cambodia should also remain open to engage in political consultations, despite tensions, with the United States, Japan, Russia, and India to diversify its diplomatic relations. Bilateral consultations would focus on how to support strengthening governance institutions per the RS18.

With respect to security, Cambodia should seek to participate in regional multilateral exercises, seek to increase foreign aid from a range of military partners other

than China, and purchases military equipment from multiple partners. Cambodia should encourage regional and global powers to visit the kingdom on ship visits and prioritize regional meetings and senior leader exchanges with other countries. Additionally, Cambodia should maintain a robust military educational exchange with regional and international countries to expose security officials to opportunities from around the world. Finally, Cambodia could seek to expand current bilateral China-Cambodia military to military exercises to include foreign observers or other participating countries to add multilateral interoperability for regional stability and peace.

Areas for Future Research

This research thesis did not expand to analyze balancing strategies with the United States. Although discussed in the literature, Cambodia has not executed a balancing strategy with the United States, so the author was not confident in obtaining credible research to evaluate a balancing strategy. However, it might be a good theoretical project or an opportunity for comparative research with other countries who have used a balancing strategy. For instance, a comparative case study with small states like Singapore, Thailand, Vietnam, and Indonesia and the two great powers will add value to the broader literature.

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