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Abstract:

The strategic competition between the United States (U.S.) and China in the region has significant impact on Southeast Asia in general and Cambodia in particular. Cambodia faces tough decisions in choosing between the two superpowers: balancing their relationship with China and the U.S. so that Cambodia's interests are not compromised and striving to gain the most out of the superpowers so that Cambodia's interests will be advanced. The U.S. and China have different motivations, policy characteristics and interests to influence in Cambodia. The U.S. seeks to strengthen democracy and the rule of law, whereas China places greater focus on natural resources, business and political advantage. Cambodia desperately needs a liberal democratic society to facilitate security, stability and sustainable development. Cambodia also needs to develop its infrastructure, and to pursue economic development. China and the U.S. are vitally important to Cambodia's economic and security development. This paper will focus on the characteristics of the U.S. and Chinese assistance to Cambodia, and will critically analyse just how Cambodia can best maximise this aid to ensure the future of Cambodia's economic and security development.

Key words: Cambodia, Strategic Relationship, China, the United States, Development Aid

INTRODUCTION

Cambodia has recently recovered from decades of civil conflict, and remains one of the poorest countries in the Association of South East Asian Nations (ASEAN). Since the United Nations (UN) sponsored liberal democratic elections in 1993, the international donor community has been providing aid to Cambodia for national reconstruction. China and the United States (U.S.) are competing for their own interests and influence in Cambodia, and the wider South East Asian region, whilst Cambodia is only seeking economic and security assistance. Recently, China and the U.S. have been taking different approaches to providing aid to Cambodia. U.S. aid is subject to specific conditions regarding democracy, human rights and good governance. In contrast, China's aid has no direct conditions attached.

This paper will focus on the characteristics of the U.S. and Chinese assistance to Cambodia, and will critically analyse just how Cambodia can best maximise this aid to ensure the future of Cambodia's economic and security development. The paper will also argue that Cambodia will need to carefully balance its relationship with China to ensure that historically good Cambodia-U.S. relations are not compromised. Both China and the U.S. are vitally important to Cambodia's economic and security development, and a collaborative approach seems to deliver the best outcome for Cambodia. The paper firstly highlights Cambodia's current development situation and its need for foreign assistance for development. It then discusses China and the U.S. aid and their significant differences in aid Finally. the provides programmes. paper some recommendations for Cambodia to manage its strategic relations with both superpowers in the future.

BRIEF OVERVIEW OF CAMBODIA'S CURRENT DEVELOPMENT

Cambodia a period of political stability entered and international recognition after the UN intervention of 1992-93 which occurred after more than three decades of protracted civil war. Cambodia is a constitutional monarchy with an elected democratic government. However, the legacy of the long period of civil war, especially during the Pol Pot era, has created grave challenges for Cambodian development which are magnified due to the country's physical, social and human capital infrastructure being almost completely destroyed. This critical situation has meant that without assistance from the international community. Cambodia would be unable to achieve economic development.

Although Cambodia has experienced positive economic growth since the elections in 1993, growth is still considered to be low because around 35 percent of the population live below the poverty line, earning less than \$1 a day.¹ Cambodia ranks 137 out of 182 countries on the United Nations Human Development Index.² It is also challenged by a foreign debt totalling US\$2.25 billion,³ which amounts to 65.6 percent of

¹ U.S. Department of State, United States Agency for International Development (USAID), "Cambodia: US Foreign Assistance Performance Publication Fiscal Year 2009," Accessed May 11, 2016. <u>http://www.state.gov/documents/organization/159175.pdf</u>.

² United Nations Development Programs (UNDP), Assessment Office, "Assessment of Development Results: Cambodia," Accessed March 15, 2015. http://www.undp.org/evaluation/documents/ADR/ADR_Reports/Cambodia/AD R_Cambodia.pdf.

³ Lum Thomas, "Cambodia: Background and U.S. Relations," (Congressional Research Service for Congress, Washington, 30 April 2009).

GDP.⁴ When considering all social indicators, Cambodia continues to be the poorest country in the region, as around half of Cambodia's children under the age of five years of age suffer from malnutrition.⁵ The infant mortality rate is still the highest in Asia at 55.49 per 1000 live births, against a regional average of 27 per 1000 live births.⁶ Similarly, the maternal mortality rate is the highest in South East Asia with 540 per 100,000 live births. UNICEF estimates that, only 16 percent of rural Cambodians have access to adequate sanitation and only 64 percent have access to safe water.⁷ According to Australian Agency for International Development (AusAID) reporting, the commitment of the Cambodian government to meeting the Cambodia Millennium Development Goals (CMDG) ⁸ of the

⁴ "United States Agency for International Development (USAID) Mission in Cambodia," Accessed March 16, 2015. http://www.usaid.gov/kh/Annual_Report.htm.

⁵ Australian Government, Australian Aid (AusAID), "Australia's Strategic Approach to aid in Cambodia 2010-2015," Accessed April 3, 2016. <u>https://dfat.gov.au/about-us/publications/Documents/australia-cambodia-joint-strategy.pdf.</u>

⁶ "CIA – The World Fact Book," Accessed March 26, 2015. <u>https://www.cia.gov/library/publications/the-world-factbook/geos/cb.html</u>.

⁷ Degan Guy, "Lack of adequate sanitation triggers child health concerns in Cambodia," *UNICEF*, May 4, 2007. Accessed March 12, 2016. http://www.unicef.org/infobycountry/cambodia_39558.html.

⁸ The Millennium Development Goals (MDGs) adopted by world leaders in the year 2000 and set to be achieved by 2015, providing concrete, numerical benchmarks for tackling extreme poverty in its many dimensions. The Royal Government of Cambodia (RGC), as one member state of the United Nations General Assembly (UNGA), is firmly committed to bridging the gap between global commitments and national progress, and between aggregate national and local development outcomes. In 2003, the Royal Government of Cambodia (RGC) adapted the 8 universally agreed Millennium Development Goals (MDGs): Eradicate extreme poverty and hunger; Achieve universal primary education; Promote gender equality and empowerment of women; Reduce child mortality; Improve maternal health; Combat HIV/AIDS, malaria and other diseases; Ensure environmental sustainability and Development of a global partnership for development to better suit the realities of the country. Recognizing that one major constraint to development is the continued contamination of mines and Explosive Remnants of War (ERW), the RGC

UNDP cannot be achieved.⁹ Similarly, the UN has stated that "meeting the CMDG target of halving the population in poverty by 2015 will require considerably faster economic growth", and choosing types of development with a specific pro-poor focus.¹⁰ At the same time, good governance related reforms are also crucial to be able to contribute to poverty reduction.¹¹ As such, if Cambodia is to adopt policies and programs to address the gap between its capacity and its desired future, it must concentrate its efforts on a number of specific issues. With support from the international community, the RGC has adopted a number of government reform programs, including legal, judicial, military and administrative reforms. The RGC is committed to implementing a comprehensive reform and development program to improve security, ensure stability, strengthen social order, rebuild civil society, and reduce poverty. Prime Minister Hun Sen has strongly reiterated the vital importance of reform by stating that "reform is a matter of life and death for Cambodia."12

http://www.undp.org/execbrd/pdf/cambodia%20undaf%202006-

added de-mining, ERW and victim assistance as the ninth major development goal. Accessed March 17, 2016.

http://www.un.org.kh/undp/mdgs/cambodian-mdgs/what-are-the-cambodiamillennium-development-goals.

⁹ Australian Government, AusAID, "Cambodia Development Cooperation Report 2009." Accessed March 14, 2016.

http://www.ausaid.gov.au/publications/pubout.cfm?ID=4137_2623_3908_479_5508.

¹⁰ Ibid.

¹¹ United Nations (UN) Country Team in Cambodia, "United Nations Development Assistance Framework: 2006-2010: The Kingdom of Cambodia," Accessed March 18, 2016.

<u>10%20%20final.pdf</u>.

¹² Address by Samdech Akka Moha Sena Padei Techo Hun Sen Prime Minister of the Kingdom of Cambodia on "Rectangular Strategy for Growth, Employment, Equity and Efficiency Phase II." At the First Cabinet Meeting of the Fourth Legislature of the National Assembly at the Office of the Council of Ministers in Phnom Penh, Cambodia on 26 September 2008. Accessed March 12, 2015. <u>http://www.cdccrdb.gov.kh/cdc/aid_management/Rectangular%20Strategy%20-%20Phase%20II.pdf</u>.

CAMBODIA'S DEVELOPMENT ISSUES

Cambodia's capacity to address what is arguably its main challenge of achieving its poverty reduction target by 2015, will be impossible without assistance from the international community. Since the 1992 UN intervention, Cambodia has been heavily reliant on official development assistance (ODA) and humanitarian assistance from UN members. Cambodia is one of the most heavily aid dependent countries within Asia, with US\$5.5 billion provided by external foreign aid donors between 1998 and 2007, including an increase from US\$434 million in 1998 to US\$720 million in 2007 (see figure 1). ¹³ In his recent study about the new aid landscape in Cambodia, Romilly Greenhill found that in 2009, Cambodia received a formidable amount of development aid from both Non-Traditional Development Assistance (NYDA) and Traditional Development Assistance (TDA) of more than US\$800 million.¹⁴



Figure 1: Trends in development aid to Cambodia (US\$ million)¹⁵

¹³ Ek Chanboreth and Sok Hach, "Aid Effectiveness in Cambodia," Wolfensohn Center for Development, Working Paper 7 (Brookings Institute, December 2008). Accessed March, 15, 2016. http://www.brookings.edu/~/media/research/files/papers/2008/12/cambodiaaid-chanboreth/12_cambodia_aid_chanboreth.pdf 008.

¹⁴ Greenhil Romilly, "The Age of Choice: Cambodia in the New Aid Landscape," (Research Report, Overseas Development Institute, London 2013): 4-6.

¹⁵ Ek and Hach, "Aid Effectiveness in Cambodia,"

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The Consultative Group Meeting for Cambodia (CG) has formalised its commitment to support Cambodia's development; mainly in the areas of physical infrastructure, health and education, and macro-economic reform programs such as governance and social sector issues (see figure 2).¹⁶



Figure 2: Development aid to Cambodia by sector (1998-2007)¹⁷

CHINA AND THE U.S. AS KEY EXTERNAL AID PLAYERS FOR CAMBODIA

ODA disbursements to Cambodia comprise 28 percent from multilateral donors, 64 percent from bilateral donors and 8 percent from Non-Governmental Organisations (NGOs).¹⁸ In recent years, China and the U.S. have emerged as the major

http://siteresources.worldbank.org/INTCAMBODIA/Resources/Index.pdf.

¹⁶ Japan International Cooperation Agency (JICA)'s ODA. "Japan's Official Development Assistance to The Kingdom of Cambodia: From Reconstruction to Sustainable Development," (Institute for International Cooperation, Tokyo, March 2002). Accessed March 23, 2015. <u>http://www.jica.go.jp/english/publications/reports/study/country/pdf/cambodia.</u> <u>pdf</u>.

¹⁷ Ek and Sok, "Aid Effectiveness in Cambodia," 8.

¹⁸ Southeast Asia Country Unit, East Asia and Pacific Region, "International Development Association and the International Finance Corporation, Country Assistance Strategy for the Kingdom of Cambodia," (World Bank, Washington, April 2005). Accessed March 25, 2015.

bilateral aid donors to Cambodia.¹⁹ While Japan, the U.S., France, Australia, and Germany have been the largest providers of ODA contributions to Cambodia since 1992, China has not historically been involved with ODA except for the provision of minor aid.²⁰ Since 2007 however, China has increasingly provided ODA to Cambodia, through the CG mechanism. Of the US\$689 million pledged through CG to Cambodia, US\$91.5 million was from China, making it the largest aid donor to Cambodia.²¹ The majority of Chinese aid is expended in support of infrastructure projects such as roads, public buildings and investments in harvesting natural resources.²²

USA aid assistance to Cambodia has also significantly increased in the past decade. Bilateral relations between the U.S. and Cambodia have significantly deepened and broadened since the ten-year U.S. Congressional ban on direct bilateral aid to the government of Cambodia was lifted in 2007. This lifting has provided an opportunity for the U.S. to engage in a more direct approach with the Cambodian government. Amongst ASEAN countries, Cambodia is ranked as the fourth largest recipient of U.S. aid after Indonesia, the Philippines and Vietnam (See figure 3).²³

http://www.fas.org/sgp/crs/row/RL34310.pdf.

¹⁹ Lum Thomas, Morrison Wayne & Vaughn Bruce, "China's "Soft Power" in Southeast Asia," (Congressional Research Service for Congress, Washington, 4 January 2008). Accessed March 25, 2016.

²⁰Ibid, 6.

²¹Lum, "Cambodia: Background and U.S. Relations 2009," 10.

²² Chap Sotharith, "Trade, FDI, and ODA between Cambodia and China/Japan/Korea," in *Economic Relations of China, Japan and Korea with the Mekong River Basin Countries*, ed K Mitsuhiro, BRC Research Report, no.3, (Bangkok Research Center, Bangkok, 2010), 10-44. Accessed March 27, 2016.

http://www.ide.go.jp/English/Publish/Download/Brc/pdf/03_chapter1.pdf. ²³ Lum, "Cambodia: Background and U.S. Relations 2009," 10.



Figure 3: U.S. Foreign Aid (Non-food) to East Asian Countries, FY 2007est. (USA \$ million)²⁴

SIGNIFICANT DIFFERENCES BETWEEN THE U.S. AND CHINESE AID PROGRAMS

Different countries have different views regarding the provision of aid. Aid is acknowledged as being an instrument of foreign policy, (soft power) for donors' national interests. During the U.S. President Bush's address to the UN Conference on ODA's financing in March 2002, he stated that "we must tie greater aid to political and legal and economic reforms..."²⁵, and aid "will be devoted to projects in nations that govern justly".²⁶ The U.S. has a mixture of national interests in Cambodia, they generally revolve around the upholding of democracy, equal rights, law and order, fighting terrorism, and trade.²⁷ These foci are best summed up by Lum, who stated that:

> "Major U.S. goals in the Kingdom of Cambodia, a small but strategically important country, include promoting good governance, democracy, and human rights, reducing the

²⁴ Lum Thomas, "U.S. Foreign Aid to East and South Asia: Selected Recipients," (Congressional Research Service for Congress, Washington, 8 October 2008). Accessed March 23, 2015. http://www.fas.org/sgp/crs/row/RL31362.pdf.

²⁵ Rich Roland, "Applying Conditionality to Development Assistance," Agenda, 11 (4) (2004): 327. Accessed May 13, 2016.

http://press-files.anu.edu.au/downloads/press/p85271/pdf/11-4-A-3.pdf. ²⁶ Ibid.

²⁷ Ibid.

threat of terrorism, facilitating trade, and bringing the country's former Khmer Rouge leaders to justice". 28

U.S. aid is subject to strict conditions and if it is assessed that the principle of democracy is violated, its provisions could immediately cease. This was evident during the internal political turmoil in the Cambodian government in July 1997. The turmoil resulted in the U.S. suspending all aid programs and freezing existing aid programs, including military assistance, because the U.S. government considered the actions of the coalition government to be against the principles of democracy and human rights. For obvious reasons, the diplomatic relationship between the U.S. and Cambodia subsequently declined.²⁹ Even though relations between the U.S. and Cambodia have since improved significantly, Cambodia's expulsion of the 20 anti-Chinese Muslim Uyghur asylum seekers in 2009 made the U.S. again suspend military aid to Cambodia.³⁰ Believing the expulsion of Chinese asylum seekers to be unlawful, some American congressmen proposed that the U.S. should not reduce or forgive any of the more than US\$ 440 million Cambodian debt.³¹

From the perspective of the provision of aid, China takes a completely different approach towards Cambodia. China's policy of 'non-interference in domestic affairs' means that China offers assistance without conditions being placed on democratic reform, human rights, or environmental protection.³² According to Long, "China provided breathing space for Cambodia, while

²⁸ Lum Thomas, "Cambodia: Background and U.S. Relations," (Congressional Research Service for Congress, Washington, 8 October 2007). Accessed March 15, 2015. http://www.fas.org/sgp/crs/row/RL32986.pdf.

²⁹ Thayer Carl, "US Rapprochement with Lao and Cambodia," *Journal of International and Strategic Affairs* 32 (3) (2010): 442-459.

³⁰ "The US Loses Out to China in Cambodia," *Asia Sentinel Online*, November 10, 2010. Accessed March 25, 2015.

http://www.asiasentinel.com/index.php?option=com_content&task=view&id=2 814&Itemid=367.

³¹ Thayer, "US Rapprochement with Lao and Cambodia," 456.

³² Lum, Morrison & Bruce, "China's "Soft Power" in Southeast Asia," 4-5.

it faced diplomatic and financial difficulties".³³ China has never talked about, or been critical of human rights issues or elections in Cambodia.³⁴ This gesture has garnered appreciation from Cambodia as it is regarded as respectful of Cambodian sovereignty.³⁵ Unlike the U.S. Chinese aid is primarily allocated directly to the Cambodian government and usually does not impose requirements to report development results.³⁶ However, it has been argued that Chinese aid is not transparent and there is no standard operating procedure regarding its disbursement.³⁷ In a country where standards of government and accountability are questionable, there may be inefficiencies of aid disbursement.

Although Chinese aid does not directly impact upon Cambodian internal affairs, and does not seek to promote democracy as the U.S. does, China's national interests in Cambodia are extensive. 'China's cultivation of closer ties with Cambodia is primarily motivated by hard-nosed economic selfinterest and the pursuit of wider strategic goals in South-East Asia'.³⁸ Economically, according to Burgos and Ear, 'China is thirsty for natural resources', by China heavily investing in Cambodia's natural resources such as timber, gas, oil, water, rubber, fertile cropland, and minerals (gold, silver, and iron ore) it provides enhanced security for the supply of vital natural

³³ Long Kosal, "Sino-Cambodia Relation," (Working Paper, no.28, Cambodia Institute for Cooperation and Peace (CICP) July 2009): 4-18. Accessed April 12, 2015.

http://www.cicp.org.kh/download/CICP%20Working%20series/CICP%20Working%20Paper%20No%2028_%20Sino%20Cambodia%20Relations%20by%20Long%20Kosal.pdf.

³⁴ Biedermann Zsuzsanna, "Cambodia today or is China eating American's lunch in Southeast Asia?," *International Journal of Security, Strategic, Defence Studies and Military Technology*, 9 (1) (2010): 139-152. Accessed March 16, 2015. http://www.zmne.hu/aarms/docs/Volume9/Issue1/pdf/13.pdf. ³⁵ Ibid.

³⁶ Ek and Hach, "Aid Effectiveness in Cambodia." 14.

³⁷ Ibid.

³⁸ "China's Cambodian Hegemony," *The Diplomat*, May 7, 2009. Accessed April 15, 2016.

http://the-diplomat.com/2009/05/07/chinas-cambodian-hegemony/.

commodities.³⁹ One of China's most important strategies is to garner Cambodia's support for the One China policy. As a result, the Cambodian government declined a request from Taiwan to re-establish an economic office in Cambodia, despite the incentive of millions of dollars of Taiwanese investment.⁴⁰ In return for Chinese aid, Cambodia provides support to China regarding regional issues as well. For example, the Cambodian government supported China's opposition to multilateral negotiations regarding the South China Sea issue.⁴¹ In relation to China's environmental issues, Cambodia is reluctant to strongly criticise or protest either individually or with other nations. This situation is best demonstrated by Chinese dam building on the Mekong, despite the potential affect on millions of Cambodians who depend heavily on this water for drinking, irrigation and fishing.⁴²

HOW CAN CAMBODIA MAXIMISE THE BENEFIT OF AID FROM BOTH CHINA AND THE U.S.

As Cambodia is one of the poorest countries in the region, its primary national interest is generally understood to be related to economic development and reducing poverty. The U.S. and China have significantly contributed to Cambodian national reconstruction since the first UN sponsored democratic elections in 1993. Whereas the USA has been the strongest supporter of democratisation and development, China has been the strongest supporter for developing infrastructure such as roads, bridges and public buildings, without attaching conditions. It is however important to note that it is in China's

³⁹ Burgos Sigfrido and Ear Sophal, "China's Strategic Interests in Cambodia: Influence and Resources," *Asian Survey*, 30 (3) (2010): 615-639.

⁴⁰ Pomfret John, "China's billion reap rewards in Cambodia," Washington Post, November 20, 2010. Accessed May 12, 2016. http://www.washingtonpost.com/wp-

dyn/content/article/2010/11/20/AR2010112003850.html.

⁴¹ Ibid.

⁴² Ibid.

national interests to secure the supply of Cambodia's natural resources and access its commercial markets. In contrast to this, the U.S. seeks the development of democracy and justice for the Cambodian people.

Therefore, in order to maximise and make use of aid from both superpowers. Cambodia needs a pragmatic and balanced policy. Cambodia should not be too dependent on one single country. During her visit to Cambodia in 2010, U.S. Secretary of State Hillary Clinton asked Cambodians to seek good multilateral-cooperation beyond China.⁴³ She argued that "it is smart for Cambodia to be friends with many countries and to look for opportunities to cooperate with many countries".⁴⁴ Cambodia's decision to forcibly deport anti-Chinese government Uyghur, despite the U.S. protests, gives an indication that the U.S. and China are competing for influence in Cambodia.⁴⁵ The Uyghur deportation was strongly criticised by the U.S. and other human rights groups, and the U.S. responded by suspending military aid to Cambodia. China took this opportunity to intervene by giving military assistance worth US\$14 million and cancelling Cambodia's debt worth US\$4 million.⁴⁶ According to Ernest Bower, director of the Southeast Asia program at the Centre for Strategic and International Studies, a policy group in Washington, "there has been a real battle between China and the U.S. for the hearts and minds of Cambodians".47

seek-asian-partners-avoid-dependence-on-china.html.

⁴³ Gauette Nicole, "Clinton Urges Cambodians to Seek Partners Beyond China in Asia-Pacific," *Bloomberg*, November 1, 2010. Accessed March 14, 2015. http://www.bloomberg.com/news/2010-11-01/clinton-urges-cambodians-to-

⁴⁴ Narin Sun and Koam Tivea, "Choosing between superpower supporters," *Phnom Penh Post*, November 24, 2010. Accessed May 13, 2016. http://www.phnompenhpost.com/lift/choosing-between-superpowersupporters.

⁴⁵ Nicole, "Clinton Urges Cambodians to Seek Partners Beyond China in Asia-Pacific,"

⁴⁶ Narin and Koam, "Choosing between superpower supporters,"

⁴⁷ Nicole, "Clinton Urges Cambodians to Seek Partners Beyond China in Asia-Pacific,"

In this context, Cambodia needs to adopt a win-win strategy to maintain good relations with both countries. Cambodia cannot afford to lose either side in this competition because both countries are playing a crucial role in assisting Cambodian development. According to the Cambodian historian, Professor Sambo, China is helping to improve economic growth and infrastructure, whereas America is enhancing education, health, human rights, good governance and democracy. The competition between the U.S. and China benefits Cambodia.⁴⁸ Therefore, in order to achieve a win-win outcome, Cambodia must actively apply a politically neutral policy as stated in the Cambodian Constitution.⁴⁹

CONCLUSION

It can be seen that since 1992, external assistance has played a vital role in developing Cambodia, from Ground Zero, after experiencing the killing fields. Besides monetary aid institutions and other countries giving external assistance, the U.S. and China are two of the major aid contributors to Cambodia. These nations have different motivations, policy characteristics and interests in terms of providing aid assistance to Cambodia. The U.S. seeks to strengthen democracy and the rule of law, whereas China places greater focus on natural resources, business and political advantage; in return for support of the One China policy.

Because the U.S. and China have different perspectives and expectations in relation to the provision of aid; they both compete with each other for influence in Cambodia. Cambodia

⁴⁸ Narin and Koam, "Choosing between superpower supporters,"

⁴⁹ The Constitution of the Kingdom of Cambodia 1993, the Article 53 states that "The Kingdom of Cambodia adopts a policy of permanent neutrality and non-alignment. The Kingdom of Cambodia follows a policy of peaceful co-existence with its neighbours and with all other countries throughout the world". Accessed March 18, 2016.

http://cambodia.ohchr.org/klc_pages/KLC_files/section_001/section_01_01_EN G.pdf.

desperately needs a liberal democratic society to facilitate security, stability and sustainable development. At the same time, Cambodia also needs to develop its infrastructure, and to pursue economic development. Therefore, to gain sustainable aid from the U.S. and China without conflict, the Cambodian government must reconsider its foreign policy towards both countries.

It is suggested that a win-win policy is fundamentally important to maximise aid from both countries. Strictly abiding by a neutral foreign policy would help achieve a win-win result. Cambodia must clearly demonstrate that both the U.S. and China will be treated fairly and not take sides. In this globalised world, Cambodia would only harm itself if it took sides between China and the U.S.