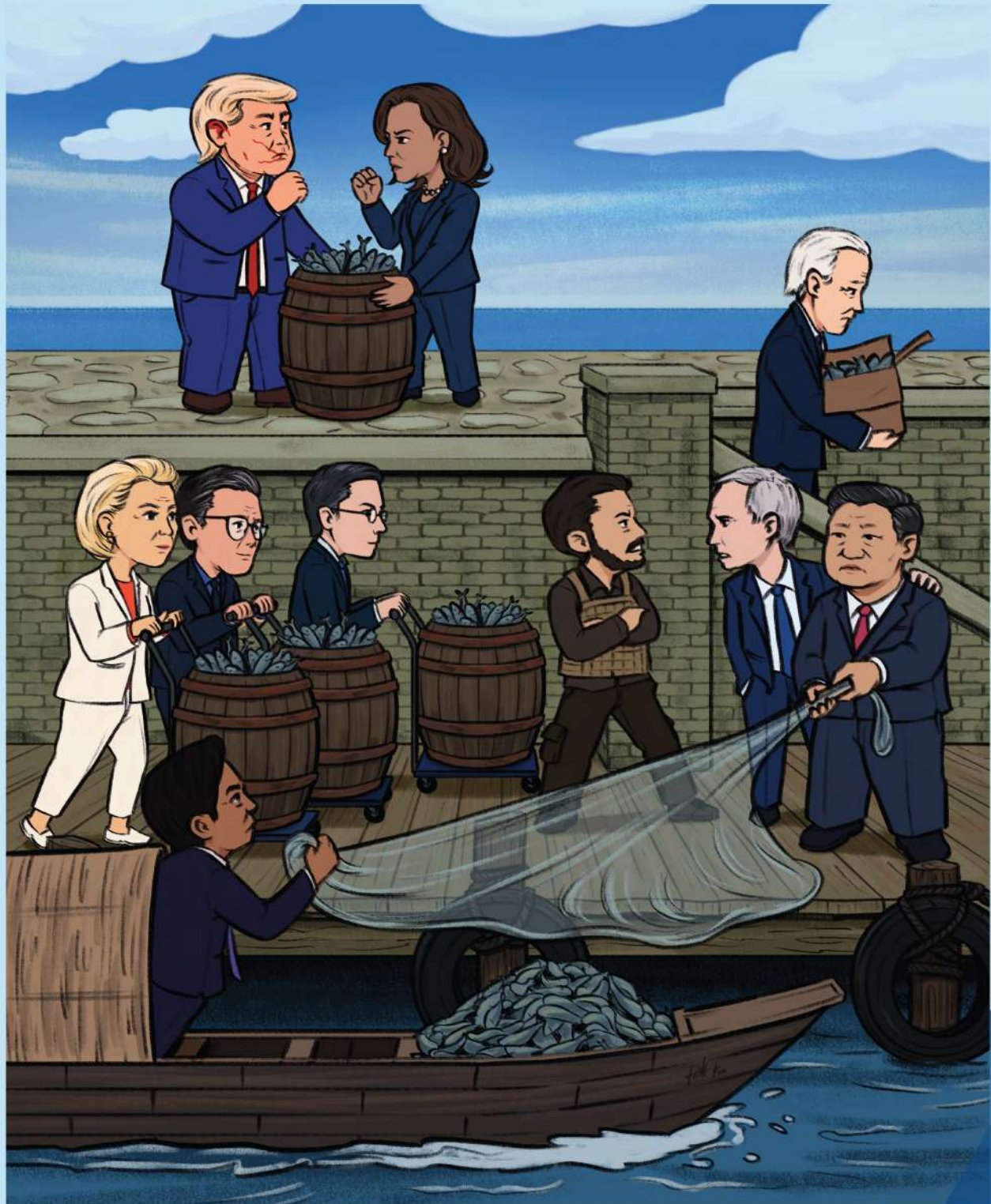


Diplomatic Briefing

Geostrategic Competition in an Age of Uncertainty:
Predicting the Unpredictable

Issue 07 | December 2024



Diplomatic Briefing is a collection of categorized opinion pieces and short articles from an extended network of scholars and regional experts, covering a wide range of issues from international relations, to sub-regional affairs, to foreign policy, to economic and trade, and beyond.

Initiated by Konrad-Adenauer-Stiftung (KAS) Cambodia, the Diplomatic Briefing aspires to serve the diplomatic community, policymakers, and interested stakeholders in Cambodia and the region on analyzing and debating the latest trends, challenges and issues in the global arena that may pander key developments of Cambodia and threaten regional peace and stability at large.

The Diplomatic Briefing also attempts to serve as a platform for intellectual exchange of perspectives and insights as well as for emerging Cambodian scholars to have their research works published.

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Profound thanks to our KAS Team and all of our esteemed authors.



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Photo: Freepik

FOREWORD

Welcome to Issue 07 of the Diplomatic Briefing.

This edition, titled ***“Geostrategic Competition in an Age of Uncertainty: Predict the Unpredictable,”*** takes a bold look at the complex dynamics reshaping our global and regional realities. As we explore the contours of these shifting sands together, it becomes clear that traditional paradigms are being shaken, prompting timely and sometimes unconventional analyses. No crystal balls were consulted in the making of this issue, but we certainly tapped into the sharp minds and keen eyes of policy experts, seasoned academics, and rising stars in the field.

Right after the spotlight section, we plunge into Cambodia’s shifting diplomatic bearings. Chhayheng Soth and Chansok Lak bring Hun Manet’s proactive diplomacy into sharp focus. Their examination peels back layers on how Cambodia is reframing itself, not as a small state cornered by geopolitics, but as a nimble player seeking agency amid great power rivalries. For Cambodia, it’s less about picking sides and more about carving out space to maneuver—a theme many in Southeast Asia will recognize given their own national contexts.

A well-orchestrated mix of perspectives follows, providing a kaleidoscopic view of major diplomatic flashpoints. The Taiwan Strait situation, dissected with surgical precision, reveals the ripples felt far beyond its shores. This serves as a poignant reminder that what happens in contested waters seldom stays there. Next, we explore the thorny ASEAN-China Code of Conduct on the South China Sea negotiations. Robert Joseph P. Medillo offers scenarios that capture both pragmatic and ambitious outcomes. Following this is a dash of Australia-ASEAN relations—a nod to the maturing ties between old friends marking their 50th year together. Here, we may chuckle at the inevitable diplomatic pleasantries, but Grace Corcoran’s deeper insights reveal why these ties matter more now than ever.

Amidst the heady geopolitics, we also lean in on trade and regional agreements that will shape economies and livelihoods, including the ASEAN-EU Free Trade Agreement and Cambodia’s aspirations within it. From trade to tech, to governance and security, these seemingly dry negotiations carry the hopes and frustrations of millions, presenting a necessary tension between global ambition and local realities.



Shifting our gaze westward, this issue recognizes how pivotal elections—be they Europe’s parliamentary shifts or the United States’ complex political turns—affect Cambodia and the region’s broader dynamics. Democracy, diplomacy, and trade all intermingle here, creating what Ung Techhong Luy aptly describes as a “carrot-and-stick” approach that neither tires nor simplifies, but is constantly evolving in context.

Of course, no proper discourse on geopolitics would be complete without a nod to security concerns in the Indo-Pacific, or what we dub “Quad meets Squad” diplomacy. Will these security configurations bring genuine stability, or will they end up making the region less stable than promised? That’s a question we won’t answer for you—but Nory Ly’s contribution might just provoke some strong opinions of your own.

From intense international themes, we also don’t shy away from reflective and deeply local considerations. Cambodia’s military and societal ties along with its historical scars are put under the lens, with the Khmer Rouge Tribunal discussed in a fresh light by Chhengpor Aun. There’s no sugar coating

here; how we deal with the past undeniably shapes our present approach to justice and peace.

Finally, we close with discussions on evolving NGO landscapes and how changing aid structures are altering civil society’s influence and impact. It’s a heavy note to end on, perhaps, but one worth grappling with.

Throughout this briefing, the aim is clear: to equip readers with insightful perspectives, helping them to navigate the complexities and trajectories shaping our world’s future. Diplomacy, often characterized as a delicate dance, is marked by calculated movements and sudden shifts, reflecting the unpredictable nature of international affairs. In these turbulent times, thoughtful engagement and a willingness to confront evolving challenges head-on remain essential.

As we explore the dynamics and uncertainties of global and regional realities, standing still is not an option. Forward momentum and informed engagement are not only necessary but imperative. Let us embark on this journey together with resolve and clarity.

JASON CHUMTONG

Country Director
Konrad-Adenauer-Stiftung Cambodia



EDITORIAL NOTE

By now, the Diplomatic Briefing edition needs no introduction nor further ado, for the name and its main theme resonate well with our usual target audience and the IR community here in Cambodia and across the region as well.

“Predicting the Unpredictable” may sound rather superficial, but it does indeed describe the current geostrategic atmosphere in a nutshell. No time is as uncertain as today; IR scholars and experts alike will now likely be hesitant to use the phrase “in the foreseeable future”, as we are currently living in a very fragile geostrategic realm in which every move appears to be strategically calculated and, hence, uncertain.

This volume features a cross-cutting analysis over a wide range of issues, from assessing the foreign policy direction of the new Cambodian government to other pressing issues such as the Taiwan Strait and ongoing tension in the South China Sea. We also make an effort to cover emerging conflicts in other parts of the world and the lesser end of high-politics like the changing aid landscape in the Kingdom.

Due to the variety and wide range of topics addressed in this edition, the order through which is rather hesitant. Primarily, we have sought to feature PM Hun Manet’s year-long diplomacy effort as the opening part of this publication. His first year in office has represented a historical transition to a new generation of leadership, one in which the country’s stance amid unceasing geostrategic contestation

remains a key question of debate deserving greater recognition. Equally important are the diverse perspectives and insights into various regional issues, starting from the newly emerging complexity of the Taiwan Strait issue and its wider implications for Asia foreign policies vis-à-vis the wider US-China strategic competition. Additionally, tension surrounding the South China Sea dispute remains a constant topic of discussion, as varying narratives on the Code of Conduct negotiations persist alongside periodic hostilities in the contested waters.

To our extended region, ASEAN and other external partners also play a pivotal role in charting out the course of regional security architecture. To commemorate the 50th anniversary of the ASEAN-Australia dialogue partnership, a Special Summit was convened in Melbourne early this year to further cement ties between the two sides, with relations having been elevated to a Comprehensive Strategic Partnership in 2021. Nonetheless, a key question remains, how significant is ASEAN for Australia and how prominent is Australia in the region, be it strategically, politically, or economically? Further north is one of the most significant regional blocs in the world, the European Union (EU). Despite complications in its relations with Cambodia in particular, the EU does have core interests in ASEAN generally and vice versa. And although negotiations over the ASEAN-EU FTA have been put on hold and suspended since 2007, this does not stop high volumes of trade and other areas of cooperation from flourishing between the two.



Photo: *The Security Council Chamber at United Nations headquarters in New York.*
Source: Freepik

2024 is also an interesting year, as we have witnessed and are still yet to observe many elections across the globe; here we have highlighted two major ones – the European Parliamentary election and the upcoming US election. The two critical policy areas of the EU that could be fundamentally changed include foreign policy and the European Green Deal. The upcoming election in the US will likely have implications on many parts of the world, especially its foreign policy strategy and security dilemma in Asia; Cambodia is no exception. Given the straining of relations on both sides in recent years, a closer look into the potential impacts of the next US President and his/her respective policy towards the Kingdom is highly crucial.

Zooming out to the bigger picture of regional security, the emergence of the so-called “Squad” further raises eyebrows and adds fuel to the ongoing tension in the wider Indo-Pacific region. The US appears to be pulling the Philippines into its corner, an apparent attempt to increase US influence in the South China Sea. The increasing number of “minilateral alliances” in the region pose a serious concern regarding the security landscape and further intensify strategic competition among superpowers. With the escalation of conflict in the Middle East and other major conflicts around the world, such as the Russia-Ukraine war, tension in the Korean Peninsula, the Myanmar political crisis, and others, it appears that uncertainty and the disruption of world order is the new normal.

Beyond the geostrategic competition theme outlined in the publication’s title, we also feature a few articles specifically about Cambodia’s politics and society at large. Quite distinct is a discussion on evolving power dynamics

vis-à-vis civil-military relations in Cambodia, the Kingdom’s transition from a war-torn country to a nation focused on rebuilding, and the roles of the military in Cambodian society and the political sphere. A much forgotten subject is the Khmer Rouge Tribunal, or the Extraordinary Chamber in the Court of Cambodia (ECCC), as it draws closer to an end following its inception in 2006. This reminds us of past conflicts and atrocities, something for which Cambodia and its war crimes tribunal have important lessons to share. Besides, other controversial subjects that continue to make the headlines include the Funan Techo Canal and its implications on a complex geopolitical dilemma beyond that of merely another major development project. And last but not least, we also include recent debate on the changing aid landscape at large and its implications on the operational nature of CSOs and local NGOs in Cambodia.

Finally, on behalf of the editorial team, we would like to express our sincere appreciation to all the authors and contributors, institutional partners, and the entire production team for making this publication yet another success. We welcome more debate, thought-provoking insights, and diverse perspectives so that the Diplomatic Briefing can serve its purpose in fostering more concrete and pragmatic ideas and contribute to the scholarly community and interested stakeholders alike. Last but not least, my sincere thanks goes to KAS Cambodia office for generously supporting this publication and making it a continued flagship edition for the international affairs field.

Enjoy reading!

CHARADINE PICH

On behalf of the Editorial Team

SPOTLIGHT

HUN MANET'S PROACTIVE DIPLOMACY: REINVIGORATING CAMBODIA'S PLACE IN THE WORLD

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Cambodia's Prime Minister Hun Manet arrives to address the 78th Session of the U.N. General Assembly in New York City, U.S., September 22, 2023.

Photo: Samdech Thipadei Hun Manet, Prime Minister of Cambodia



Measuring the success or effectiveness of the government's policy actions and their impact requires a comprehensive evaluation in which short, medium, and long-term indicators are taken into consideration. It is indeed challenging to rigorously evaluate the policy impact of the new government of Cambodia. Nevertheless, the past twelve months have been filled with numerous remarkable achievements of Prime Minister Hun Manet's administration. Manet came to office amidst an evolving and complex regional and international order. As a small country, in theory, Cambodia is considered a "system-ineffectual" state,¹ and is thus inherently vulnerable to the impacts posed by the systemic structure, particularly the great power rivalry between China and the US.

At the international level, Cambodia's foreign policy has, more or less, been affected by the full-blown war in Ukraine, Israel's harsh military response in Gaza, the growing great power competition, and other non-traditional security issues. At the regional level, the Kingdom's foreign policy has been impacted by Myanmar's prolonged internal conflict, the Taiwan issue, the South and East China Sea disputes, intra-ASEAN territorial conflicts, and an increasing shift in the balance of power in the Indo-Pacific region. Having faced all these challenges, Prime Minister Manet's administration has opted for a more flexible and pragmatic foreign policy to promote and deepen its diplomatic relations with all powers and elevate its national interests of which sovereignty, independence and development are at the core.

In these changing global and regional geopolitical and security landscapes, the central issues shaping Cambodia's foreign policy are its complex and inextricably intertwined relationships with both its larger neighbours, Vietnam and Thailand, and contesting great powers, particularly China and the US. Cambodia's decision to opt for proactive diplomacy, an integral part of its strategic pragmatism, is instrumental to its constructive engagement with all powers and organizations in order to reinvigorate the country's international image.

Proactive Diplomacy in Action

Hun Manet's approach to Cambodia's foreign policy within his first year in power is one of proactive diplomacy – a strategic approach that has taken him from being an active player (participant) to becoming an active initiator for peace and development in international relations. His approach aims to enhance Cambodia's ties with all nations regardless of their power distribution, shape public narratives and leverage his statecraft utilizing all political, economic, and diplomatic means.

¹ Keohane, O. R. (2009, May 22). Lilliputians' Dilemmas: Small States in International Politics. *International Organization*, 23(2), 291-310. <https://doi.org/10.1017/S002081830003160X>

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During his first year of premiership, Manet has heavily prioritized foreign economic interest through the promotion and elevation of trade and investment for three mutually reinforcing reasons. First and foremost, continued economic growth can enable the government to enhance its legal-rational and performance-based legitimacy. Second, economic strength can contribute to an increase in its power distribution. Third, growing economic resilience could potentially prevent the country from external pressure. Thus, advancing and diversifying economic relations and cooperation has been a core part of the political and economic agenda of Manet's bilateral and multilateral meetings with foreign dignitaries and business leaders during his official visits. The routinized arrangements of the Government-to-Business (G2B) and Business-to-Business (B2B) forums on the sidelines of the Government-Government (G2G) meetings is a testament

to the government's effort to boost the country's economic growth, resilience, and legitimacy.

To demonstrate his statecraft and quest for healthier, mutually beneficial relations with all countries, Manet took his first official trip only two weeks after being sworn in as Cambodia's second post-war prime minister. Over the past twelve months, he paid official visits to a total of 16 countries where he actively and constructively engaged in face-to-face diplomacy with many world leaders and prominent businessmen. In tandem, he demonstrated to the international community his firm commitment to rebuilding strategic trust and diplomacy as Cambodia's response to growing geopolitical provocation and conflict. He also signaled his intention of reinvigorating Cambodia's economic ties with the West and the rest.

Table 1: The Number of Hun Manet's Official Visits since August 23, 2023 till June 19, 2024

No.	Schedule	Destination	Mission
1	04-07 September 2023	Jakarta, Indonesia	ASEAN summit and related summits
2	14-16 September 2023	Beijing, China	Official visit
3	19-26 September 2023	New York, the United States	The 78 th session of the United Nations General Assembly (UNGA)
4	17-18 October 2023	Beijing, China	The third Belt and Road Forum for International Cooperation (BRF)
5	20 October 2023	Riyadh, Saudi Arabia	The first ASEAN-Gulf Cooperation Council (GCC) Summit
6	11-12 December 2023	Hanoi, Vietnam	Official visit
7	16-18 December 2023	Tokyo, Japan	The ASEAN-Japan Commemorative Summit for the 50 th year of ASEAN-Japan Friendship and Cooperation
8	16-17 January 2024	Davos, Switzerland	The 54 th World Economic Forum Annual Meeting
9	18-19 January 2024	Paris, France	Official visit
10	07 February 2024	Bangkok, Thailand	Official visit
11	27 February 2024	Kuala Lumpur, Malaysia	Official visit
12	04-06 March 2024	Melbourne, Australia	ASEAN-Australia Special Summit
13	25-26 March 2024	Vientiane, Lao PDR	The first official visit

14	22 April 2024	Bangkok, Thailand	High-Level Opening of the 80 th Session of UN-ESCAP
15	15-18 May 2024	Seoul, Republic of Korea	Official visit
16	18-19 June 2024	Singapore	Official visit

Source: Authors

Table 2: The Number of Economic Platforms Attended by Prime Minister Hun Manet

No.	Schedule	Destination	Mission
1	04 September 2023	Jakarta, Indonesia	ASEAN Business and Investment Summit: Innovating Towards Greater Inclusivity
2	14-16 September 2023	Beijing, China	China-ASEAN Expo (CAEXPO) and China-ASEAN Business and Investment Summit (CABIS)
3	22 September 2023	New York, the United States	Cambodia-US Business Forum: New Opportunity, Shared Prosperity
4	17-18 October 2023	Beijing, China	The third Belt and Road Forum for International Cooperation (BRF)
5	12 December 2023	Hanoi, Vietnam	Cambodia-Vietnam Trade and Investment Promotion Forum
6	19 December 2023	Tokyo, Japan	Cambodia Investment Seminar
7	16-17 January 2024	Davos, Switzerland	The 54 th World Economic Forum
8	18-19 January 2024	Paris, France	Cambodia-France Business Forum
9	07 February 2024	Bangkok, Thailand	Cambodia-Thailand Business Forum
10	27 February 2024	Kuala Lumpur, Malaysia	Cambodia-Malaysia Business Forum
11	05 March 2024	Melbourne, Australia	Cambodia-Australia Business Forum
12	25-26 March 2024	Vientiane, Lao PDR	Agreement on convening the Cambodia-Laos Trade Committee Meeting in conjunction with Cambodia-Laos Business and Investment Forum
13	22 April 2024	Bangkok, Thailand	The United Nations Economic and Social Commission in the Asia Pacific
14	16 May 2024	Seoul, Republic of Korea	Cambodia-Korea Business Forum
15	19 June 2024	Singapore	Cambodia-Singapore Business Forum

Source: Authors



Additionally, Prime Minister Manet has been proactive in the pursuit of maintaining friendly relations with traditional partners while elevating Cambodia's relations with new and distant powers. In less than a year, he has visited China twice and engaged in high-level statecraft to deepen strategic trust between Cambodia and China as the two agreed to further elevate their bilateral relationship. Additionally, he also engaged in high-level meetings with US leaders, including the Acting Deputy Secretary of State Victoria Nuland on the sidelines of the 78th UN General Assembly, to increase the prospects of a workable resetting of the two countries' relationship. With his proactive foreign policy approach, Manet has articulated Cambodia's neutrality and independence to dispel US concerns over China's growing military presence in Cambodia, aiming to boost political trust and promote mutual economic interest.

Moreover, another notable strategic move was Prime Minister Manet's official visit to France from the 18th to the 19th of January 2024.² Despite their shared history involving nine decades of colonialization, Cambodia and France aim to enhance their bilateral relationship and cooperation for mutual gain. For President Macron, closer ties with Cambodia as a "strategic node" in Southeast Asia and the wider Asia-Pacific region can assist France in maintaining and advancing its political, economic, and cultural influence

2 Cambodia's Ministry of Foreign Affairs and International Cooperation. (2024, January 19). Joint Declaration of the Dialogue between President of the French Republic and Prime Minister of the Kingdom of Cambodia Paris. MOFA-IC. <https://www.mfaic.gov.kh/posts/2024-01-19-Press-Release-Joint-Declaration-of-the-Dialogue-between-President-of-the-French-Republic-and-Prime-Minister-of-the-19-59-09>

in this part of the world. Cambodia's strategic move closer to France, as a political and military-strategic powerhouse in Europe and NATO, demonstrates Manet's versatile statecraft to diversify Cambodia's strategic partners and dispel the existing narratives that the country is overly in China's orbit. Besides gaining an aid package of US\$235 million from France, Manet convened the first Cambodia-France Business Forum in Paris to boost bilateral trade and investment, laying a solid foundation for the two nations to routinize their business discussions.³

As a result, the new government led by Prime Minister Manet has approved 172 domestic and foreign investment projects worth almost US\$4 billion.⁴ A 393 percent increase in FDI capital expenditure for the existing projects in Cambodia, along with a 110 percent growth in new FDI projects.⁵ Furthermore, Cambodia's trade with all 10 ASEAN member countries hit approximately US\$8 billion during the first half of 2024, increasing 11.6 percent from US\$7.13 billion over the same period in 2023.⁶ The country's trade

3 Kelliher, F. (2024, June 14). Cambodia: How the West embraced Prime Minister Hun Manet. *Foreign Policy*. <https://foreignpolicy.com/2024/06/14/cambodia-prime-minister-hun-manet-west-engagement-lloyd-austin/>

4 Van, S. (2024, March 4). PM Manet's tenure sees \$4 billion in investment. *Phnom Penh Post*. <https://www.phnompenhpost.com/national/pm-manet-s-tenure-sees-4-billion-in-investment>

5 James, W. (2024, May 22). Cambodia tops emerging markets FDI index 2024. *Khmer Times*. <https://www.khmertimeskh.com/501492453/cambodia-tops-emerging-markets-fdi-index-2024/#:~:text=According%20to%20the%20report%2C%20Cambodia,growth%20in%20new%20FDI%20projects.>

6 Xinhua. (2024, July 20). Cambodia's trade with ASEAN up 11.6 pct in H1 2024. *Xinhua*. [https://english.news.cn/asiapacific/20240720/2423bff8995f494696797d5d8642a056/c.html#:~:text=PHNOM%20PENH%2C%20July%2020%20\(Xinhua,Ministry%20of%20Commerce%20on%20Saturday](https://english.news.cn/asiapacific/20240720/2423bff8995f494696797d5d8642a056/c.html#:~:text=PHNOM%20PENH%2C%20July%2020%20(Xinhua,Ministry%20of%20Commerce%20on%20Saturday)

with Regional Comprehensive Economic Partnership (RCEP) countries also reached almost US\$17 billion during this time.⁷ Bilateral trade between Cambodia and China likewise totaled US\$7.31 billion during the first half of 2024, up 18.8 percent from US\$6.15 billion the previous year.⁸ In addition, Cambodia's tourism sector regained its previous momentum, reaching 1.58 million foreign tourists in the first quarter of 2024, representing an annual increase of 22.5 percent.⁹

Manet's Attractive Profile for Distant Powers

Hun Manet's accession does not come without skepticism among pundits. Pessimists hold the belief that Prime Minister Manet embraces continuity of his father's domestic and foreign policies. The critics also emphasize that former Prime Minister Hun Sen's influence could limit, if not "outrageously undermine," Manet's grip over Cambodia's foreign policy objectives and directions, claiming that Hun Sen is Cambodia's *de facto* Foreign Minister.¹⁰ The accusation is mainly based on the fact that the former prime minister remains the country's most influential politician, serving multiple top leadership roles as President of the Cambodian Senate, the Supreme Privy Council (SPC) and the ruling Cambodian People's Party (CPP).

However, just within a year of his leadership, Hun Manet has demonstrated his statecraft and competence, re-navigating Cambodia's foreign policy towards proactivism, pragmatism, and flexibility. Manet has clearly articulated and reiterated his ambition and vision for Cambodia's political neutrality and socio-economic development, seeking to promote and expand political and economic networks to accelerate the country's development and modernization. Thus, besides China, Manet has consistently sought to revitalize and reinvigorate bilateral relations and cooperation with Western partners, making him a promising and competent new-generation leader of Cambodia. His long-term vision and consistent policies, coupled with his personality, work

experience, and educational backgrounds in military and economics, indicate his resolve towards a viable balancing act between China and the West.

Over recent months, Hun Manet has met with senior diplomats and leaders of Western countries on several occasions. The most recent meeting between Prime Minister Manet and the US Secretary of Defense Lloyd Austin during his brief visit to Cambodia on the 4th of June 2024 sparked growing interest among pundits and observers of Cambodia's foreign affairs. The most noticeable outcome of the meeting was to resume the two countries' military cooperation, a solid foundation to resetting and revitalizing the Cambodian-US relationship.

Reinvigorating Cambodia's International Image

The first-generation leadership under Hun Sen successfully guided Cambodia through a period of prolonged bloody civil wars, regime changes, and foreign intervention. Hun Sen's mission is to rebuild Cambodia, restore national pride, and lay a solid foundation for new generations to continue developing the country. As the second-generation leader, Hun Manet continues his predecessor's domestic and foreign policies with divergent approaches for the country's development and modernization. His pragmatic and flexible approach redirects Cambodia's foreign policy objective towards a more strategic and constructive engagement with all friends and partners, seeking to reinvigorate economic relations and rebuild strategic trust and diplomacy. Various high-level political and security dialogues and constructive engagements over the past twelve months between Cambodia's new government and Western counterparts clearly show that the West is more open and ready to "embrace" prime minister Hun Manet.¹¹

At both the regional and international level, Manet has articulated Cambodia's role as a non-aligned nation, peace promoter, and bridge builder for peace, stability, and prosperity. With his consistent and pragmatic foreign policy approach, Manet's tenure will soon see Cambodia graduating from the Least Developed Country status by 2029 to eventually become a high-income nation by 2050, a grand vision stated in his government's Pentagonal Strategy.

7 Xinhua. (2024, July 20). Cambodia's trade with RCEP countries rose 14% H1 2024. *Xinhua*. <https://www.khmertimeskh.com/501526316/cambodias-trade-with-rcep-countries-rose-14-h1-2024/>

8 Xinhua. (2024, July 10). Cambodia-China trade enjoys robust growth in H1 2024. *Xinhua*. <https://english.news.cn/asiapacific/20240710/0e809eb75d0d4cfcabd6913e0b7fdad8/c.html>

9 Chea, V. (2024, April 25). Cambodia records 22.5% rise in foreign tourist arrivals. *Khmer Times*. <https://www.khmertimeskh.com/501477677/cambodia-records-22-5-rise-in-foreign-tourist-arrivals/>

10 Hutt, D. (2024, June 13). Hun Sen is Cambodia's de facto FM. *Bangkok Post*. <https://www.bangkokpost.com/opinion/opinion/2810799/hun-sen-is-cambodias-de-facto-fm>

11 Kelliher, F. (2024b, June 14). Cambodia: How the West embraced Prime Minister Hun Manet. *Foreign Policy*. <https://foreignpolicy.com/2024/06/14/cambodia-prime-minister-hun-manet-west-engagement-lloyd-austin/>



A giant screen shows images of military exercises carried out by China in the Taiwan Strait.
Source: TN Internacional

PERSPECTIVES

GEOPOLITICAL TENSION IN THE TAIWAN STRAIT IN THE POST-TSAI ING-WEN ERA

Kim Sun

Founder
League of International Relations Affairs (LIRA)

Thucydides' concept of justice in international relations suggests that a strong state can do as it pleases, while the fate of a weak state lies in the hands of the powerful one. This lesson raises doubts about uncertain ties between Taiwan, officially known as the Republic of China, and mainland China, officially known as the People's Republic of China (PRC). For China's current leaders, Taiwan's independence is non-negotiable. The PRC is diplomatically and aggressively attempting to control Taiwan. Ironically, since the first term of former President Tsai Ing-wen, Beijing has imposed increasing pressure on the Island to make sure it falls under the sovereignty of the mainland. China has for example stopped sending students and banned Chinese tourists from visiting the island. The mainland has also cut off official contacts after the former President Tsai Ing-wen claimed she protects the sovereignty of Taiwanese territory during her inauguration speech in 2016.¹ The tension between Taipei and Beijing reached its highest levels yet when Nancy Pelosi, former US House Speaker, landed in Taiwan on August 2, 2022, ignoring China's aggressive warning not to do so.²

Beijing-Taipei ties appear to have no realistic hope of peace. The Democratic Progressive Party (DPP) will continue to lead the Island in the next four years. Since day one in office, the DPP's Lai Ching Te has sought a path to independence without caving to Chinese pressure. During his Inauguration Day on May 20, 2024, President Lai said that Taipei was not subordinate to Beijing, so all Taiwanese people should stand up to protect the Island.³ President Lai is not afraid to challenge PRC's leadership, highlighting the past and current cruelty of Beijing. On the 35th anniversary of the crackdown at Tiananmen Square on June 4, 2024, Beijing used whatever means necessary to dampen the resolve of those seeking to remember the tragedy, but President Lai called on Taiwanese and Chinese youth to keep this memory alive. Taiwan's intention compels China to impose greater pressure on the Island, diplomatically, economically, and militarily. This causes security along the Taiwan Strait to become particularly fragile, in turn heightening tension between Washington and Beijing.

1 Lindsay Maizland. 2024. "Why China-Taiwan Relations Are So Tense." Council on Foreign Relations. Accessed June 18, 2024. <https://www.cfr.org/backgrounder/china-taiwan-relations-tension-us-policy-biden>.

2 Nora Huang, Norah. 2022. "A Taiwan perspective on what is at stake after Nancy Pelosi's visit to Taiwan." Brookings. Accessed July 17, 2024. <https://www.brookings.edu/articles/a-taiwan-perspective-on-what-is-at-stake-after-nancy-pelosis-visit-to-taiwan/c>.

3 Thompson Chau. 2024. "Lai Ching-te urges China to accept Taiwan's existence in inaugural speech." NIKKEI Asia. Accessed July 26, 2024. <https://asia.nikkei.com/Politics/Lai-Ching-te-urges-China-to-accept-Taiwan-s-existence-in-inaugural-speech>.

Recently, the PRC expressed anger towards NATO for inviting Asian countries including Japan, the Philippines, and South Korea to attend its 75th anniversary event, arguing that this defense organization should not provoke disruption in Asia. According to data from Taiwan's Ministry of Defence, Beijing's response appears to have been to allow the People's Liberation Army (PLA) to conduct military drills, including 66 aircrafts and 7 vessels, around Taiwan with a span of 24 hours on July 11, 2024, with 56 of those aircraft crossing Taiwan's sensitive median line. In late August 2024, Taiwan was also removed from the joint communique of the group of 18 Pacific Islands Forum after China's demand. China's provocative actions appear to have escalated significantly in recent times, prompting a key question: "Why does China need Taiwan?"

Several key scenarios help to elucidate the aforementioned question. Firstly, China's interest in Taiwan is rooted in historical, economic, and strategic factors. Historically, Taiwan was integrated into the Chinese empire during the 17th Century, later becoming a Japanese colony in 1895 after the Qing empire's defeat in the first Sino-Japanese war. Following Japan's defeat in 1945, China assumed control of the island amid a power struggle between General Chiang Kai-shek's nationalist government and Mao Zedong's Communist Party, with the communists finally prevailing in 1949. This led Chiang and the remnants of the nationalist Kuomintang party to seek refuge in Taiwan, where they governed for many decades under the name of the Republic of China.⁴ Furthermore, Beijing interprets the 1992 Consensus between officials from both regimes as affirming Taiwan's status as part of China and has undertaken significant efforts to reunite the mainland with the island. Conversely, Taiwan's leadership views the 1992 Consensus as an agreement pertaining to economic and social collaboration between the two sides.⁵

Second, as the 17th largest economy globally, Taiwan is the leading supplier of semiconductors worldwide. Taiwan Semiconductor Manufacturing Corp (TSMC) supplies over 60% of the world's chips, with around 90% representing the most advanced technology. These chips are integral components in an array of electronic devices, ranging from computers and automobiles to military armaments. Therefore, TSMC stands as the premier global provider of

4 BBC. 2024. "China and Taiwan: A really simple guide." BBC. Accessed July 29, 2024. <https://www.bbc.com/news/world-asia-china-59900139>.

5 Lindsay Maizland. 2024. "Why China-Taiwan Relations Are So Tense." Council on Foreign Relations. Accessed June 18, 2024. <https://www.cfr.org/backgrounder/china-taiwan-relations-tension-us-policy-biden>.

computer chips.⁶ If the PRC managed to conquer Taiwan, there is no doubt that China would be a leading country in terms of semiconductors, making it more difficult for Washington and its allies to contain Beijing in terms of technological advancement. China's economy would be more powerful than ever before. Currently, China's purchasing power parity (PPP) is larger than the U.S. If Beijing manages to control the global economy in the future, Washington and its alliances will not be allowed to have space to expand their economic interests.

Third, if China successfully took control of Taiwan, the PRC could assert its authority over the Taiwan Strait, potentially impeding the passage of US vessels through this crucial global sea route. This greater assertion of Chinese influence could also pose significant challenges for Japan, Australia, and South Korea, as China may feel emboldened to further expand its territorial reach in the South China Sea (SCS). Even though Australia is not in the center of the SCS disputes, this country's security and economic interests heavily depend on this international sea route. Australia consistently underpins DoC and CoC of ASEAN to deal with China. Australia actively engages with Quad and Aukus which are no doubt Washington uses to contain Beijing in the Indo-Pacific. Australia also has defense cooperation with the Philippines. With that, more or less, China's expansion over the SCS dangerously affects Australia. This would in turn give the PRC a strategic advantage in disputed areas such as the Senkaku Islands/Diaoyu Islands in the East China Sea, possibly leading to nuclear proliferation in Japan and South Korea. Consequently, the US could then see this development as a cause to step back from the Pacific Ocean, losing strategic leverage in critical areas needed to safeguard its alliances. The continued military presence of US naval forces in the Taiwan Strait is thus viewed as a necessary strategic safeguard by Washington and its allies but rather as a threat to its regional interests and security by Beijing.

At the 20th National Congress of the Communist Party of China on October 16, 2022, President Xi Jinping elucidated his idea for China's national rejuvenation as necessarily



Taiwan, China 13 October 2024: China, People's Liberation Army (PLA) is conducting full-scale naval and air combat exercises around the island of Taiwan
Photo: Shutterstock

requiring the unification of Taiwan.⁷ This leads to another critical question. If China attempts to aggressively take over Taiwan, would the US use military force to protect the island?

The answer is a resounding "yes" for several reasons. To begin with, the Pacific Ocean serves as a critically strategic international sea route for Washington to safeguard its vital interests in the Asia-Pacific Region. General Douglas MacArthur famously emphasized that controlling the Pacific Ocean equates to controlling the Asia-Pacific region.⁸ The US holds significant geopolitical, alliance, economic, and democratic interests in Taiwan. Geopolitically, the US upholds a robust presence in the Asia-Pacific region, regularly deploying naval forces through the Taiwan Strait to counterbalance China's increasing influence. The US also remains steadfast in protecting its regional allies, including Australia, Japan, South Korea, the Philippines, and Thailand, from potential threats posed by China. Washington also stands firmly at ASEAN's side when it comes to the SCS disputes, demanding Beijing to stop unlawful bellicose aggression in the disputed waters and respect the United Nations Convention on the Law of the Sea (UNCLOS) in 1982 in which China is a signatory country. The Taiwan Strait and

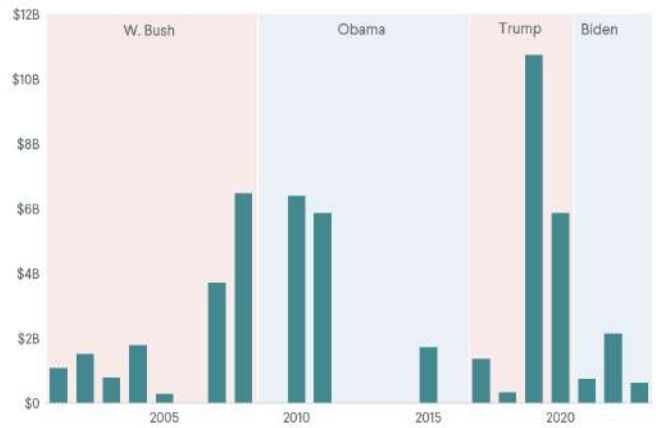
6 Northern Trust. 2024. "In this Issue: Taiwan's Election: Global Implications,." WEEKLY ECONOMIC COMMENTARY. Accessed July 27, 2024. <https://www.northerntrust.com/content/dam/northerntrust/corporate/global/en/documents/web/pdf/2024/weekly-economic-commentary/wec-0119.pdf>.

7 NIKKEI Asia. 2022. "Transcript: President Xi Jinping's report to China's 2022 party congress." NIKKEI Asia. Accessed July 13, 2024. <https://asia.nikkei.com/Politics/China-s-party-congress/Transcript-President-Xi-Jinping-s-report-to-China-s-2022-party-congress>.

8 Francis P. Sempa. 2015. "Douglas MacArthur and the Pivot to Asia." The Diplomat. Accessed July 30, 2024. <https://thediplomat.com/2015/02/douglas-macarthur-and-the-pivot-to-asia/>.



U.S. Arms Sales to Taiwan by Recent Administrations



Note: Data is as of March 2023 and includes sales of defense equipment of \$14 million or more, defense articles or services of \$50 million or more, and design and construction services of \$200 million or more.
Sources: Congressional Research Service; Defense Security Cooperation Agency.
COUNCIL ON FOREIGN RELATIONS

its surrounding areas constitute a key strategic point for economic transportation and exploration for the US. Furthermore, Taiwan's exemplary democracy, surpassing that of countries like Japan, South Korea, and even the US, as evidenced in the 2022 Economist's Democracy Index⁹, drives Washington to prioritize defending democracy and deterring China's hostile actions towards Taiwan. By safeguarding Taiwan, the US is effectively safeguarding democratic values for the global community.

Another important point is that although diplomatic ties between the US and Taiwan ended in 1979, various cultural, commercial, and security connections are maintained through the American Institute in Taiwan (AIT). The US is bound by the Taiwan Relations Act (TRA) of 1979 to intervene militarily if China aggressively attacks Taiwan.¹⁰ This commitment was exemplified when Washington deployed two aircraft carriers as a warning to Beijing during Taiwan's crisis in 1995-1996. Under the TRA, the US has continued to sell weapons to Taiwan, despite Beijing's opposition, with successive administrations from Obama to Biden increasing the value of such arms sales (See the chart below).¹¹ On June 18, 2024, President Biden approved 360 million arms sales to Taiwan.

9 David Sacks. 2024. "Taiwan's Democracy Is Thriving in China's Shadow." Council on Foreign Relations. Accessed July 30, 2024. <https://www.cfr.org/blog/taiwans-democracy-thriving-chinas-shadow>.

10 Susan V. Lawrence. 2024. "Taiwan: Background and U.S. Relations." *In Focus* (Congressional Research Service) 82 (IF10275). Accessed June 12, 2024. <https://crsreports.congress.gov/product/pdf/IF/IF10275>.

11 Lindsay Maizland. 2024. "Why China-Taiwan Relations Are So Tense." Council on Foreign Relations. Accessed June 18, 2024. <https://www.cfr.org/background/china-taiwan-relations-tension-us-policy-biden>.

Trust is vital for the US to uphold strong alliances with countries like Australia, Japan, South Korea, the Philippines, and Thailand, particularly in the event of a military coalition against China. If China were to conquer Taiwan, it could impede US naval movements in the Taiwan Strait and the South China Sea, jeopardizing Washington's geopolitical and economic interests in the region, ultimately weakening US influence in the Indo-Pacific. Any erosion of trust in US alliances could prompt these nations to seek alternative security measures, potentially leading to nuclear proliferation in the Asia-Pacific region and the risk of nuclear warfare.

In conclusion, Taiwan faces challenges amid China's growing assertiveness on the global stage, but President Xi Jinping is likely to approach Taiwan cautiously, observing the fallout from Russia's actions in Ukraine. Since the US may act decisively in the Taiwan Strait, it's essential for China to analyze the potential outcomes of any military intervention in Taiwan with the likely reaction of key international players in mind. The risk of nuclear escalation in a Taiwan conflict is a major concern. Recent global events like Russia's actions in Ukraine have heightened scrutiny of the use of force for strategic ends. The resolve of the Taiwanese people and US engagement in the region add additional layers to this complex situation. US military intervention in Taiwan may change based on evolving global circumstances. Indirect support for Taiwan, like responses in conflicts involving Russia and Israel, could be an option. Thus, the application of Thucydides' theory in China-Taiwan relations is uncertain. Unexpected shifts in the international arena may swiftly alter China-Taiwan ties.

27TH ASEAN-CHINA SUMMIT

10 OCTOBER 2024, VIENTIANE, LAO PDR



Secretary-General of ASEAN joins the 27th ASEAN-China Summit
Source: ASEAN Secretariat

PERSPECTIVES

THE PROPOSED ASEAN-CHINA CODE OF CONDUCT ON THE SOUTH CHINA SEA: STATUS AND SCENARIOS

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The Code of Conduct (COC) is a proposed agreement to manage tensions and foster cooperation among states with overlapping claims in the South China Sea (SCS). Unlike the several existing dialogue platforms and confidence-building mechanisms in which the issue is already being tackled, the COC is supposedly 'binding' among the parties which thus makes COC negotiations more complicated given the arising sovereignty and maritime entitlement issues.

The Association of Southeast Asian Nations (ASEAN) and the People's Republic of China (PRC) have been negotiating the COC since the signing of the 2002 Declaration on the Conduct of Parties in the South China Sea (DOC). Its main purpose is to prevent maritime conflicts and manage disputes through diplomatic and cooperative measures. It aims to ensure peace and stability in the region by establishing guidelines for behavior and resolving issues through dialogue rather than confrontation. The aim is for it to have the following components: peaceful dispute resolution and maritime safety measures in accordance with international law, the promotion of cooperation on marine environmental protection and search and rescue operations, and a code of conduct or a guideline for activities within the contested waters to prevent escalation and manage interactions among the parties.¹

While the DOC lays the groundwork, it is merely a 'declaration' and hence aspirational. It is not legally binding. To date, the COC is still under negotiation for many reasons, chief among them being the PRC's 'divide and conquer' strategy in ASEAN, i.e. leveraging its economic relations with friendly ASEAN member-states and employing strategic coercion towards critical ones such as the Philippines.² Even during the previous PRC-friendly Duterte administration, the Philippine government maintained its call for the PRC to abide by the 2016 South China Sea Tribunal ruling.³ It is only logical for the Philippines to leverage the ruling to shape the outcome of COC negotiations. However, it does not mean that a COC should supplant the UNCLOS dispute settlement mechanism. It should "regulate the conduct of parties to the dispute, while UNCLOS settles the merits of the dispute

among the parties."⁴ Hence, a binding COC would compel the PRC to abide by the agreed upon rules and thus limit its unilateral actions to implement its expansive ten-dash line claim over the SCS.⁵

Second is disagreement on the geographic scope of the COC's application, also known as the 'Zone of Applicability.' For example, the PRC wants the COC to apply only to the Spratlys and to exclude the Paracels and Scarborough Shoal.⁶ This contention between ASEAN and the PRC, and even within ASEAN itself, remains fierce, especially in light of the pronouncement in the 56th ASEAN Foreign Ministers' Meeting Joint Communique in 2023 that the region requires "an effective and substantive COC that is in accordance with international law, including the 1982 UNCLOS."⁷ Although at the ministerial level only, this is a significant development because it demonstrates ASEAN's ability to field a collective voice in support of UNCLOS as the sole basis for a COC. Likewise, this development breaks the PRC's 'buying time' tactic. The PRC has consistently stated that it would agree to a COC in the SCS "at the appropriate time" or "when the time is ripe". This could however mean when it already has effective control of the area⁸ through its island-building activities and its so-called 'internal waters' patrols, even given the 2023 Guidelines for Accelerating the Early Conclusion of an Effective and Substantive COC.⁹

Given the above, the question remains as to whether or not a COC, as is currently expected to be, is even possible? It is argued here that multiple scenarios (some prospective and some already taking shape) can be derived from the present 'known knows.'

1 "Declaration on the Conduct of Parties in the South China Sea," *Association of Southeast Asian Nations*, May 14, 2012, <https://asean.org/declaration-on-the-conduct-of-parties-in-the-south-china-sea-2/>

2 Daniel C. O'Neill, *Dividing ASEAN and Conquering the South China Sea: China's Financial Power Projection*, Hong Kong: Hong Kong University Press, 2018.

3 "Comply with arbitration ruling, Philippines' defense chief tells China," *ABS-CBN News*, July 14, 2020, <https://news.abs-cbn.com/news/07/14/20/comply-with-arbitration-ruling-philippines-defense-chief-tells-china>

4 Antonio T. Carpio, "The Framework Code of Conduct, One Year After the Arbitration," *Albert Del Rosario (ADR) Institute*, July 13, 2017, <https://www.justiceantoniotcarpio.com/2017/07/13/the-framework-code-of-conduct-one-year-after-the-arbitration/>

5 Prashanth Parameswaran, "What's Behind the New China-ASEAN South China Sea Code of Conduct Talk Guidelines?" *Wilson Center*, July 25, 2023, <https://www.wilsoncenter.org/blog-post/whats-behind-new-china-asean-south-china-sea-code-conduct-talk-guidelines>

6 Carpio, "The Framework Code of Conduct," July 13, 2017.

7 "Joint Communique, of the 56th ASEAN Foreign Ministers' Meeting, Jakarta," *Association of Southeast Asian Nations*, 11-12 July 2023, <https://asean.org/wp-content/uploads/2023/07/The-56th-AMM-Joint-Communique.pdf>

8 Carpio, "The Framework Code of Conduct," July 13, 2017.

9 "Press Release: ASEAN-China Agree on Guidelines to Accelerate Negotiations for the Code of Conduct in the South China Sea," *ASEAN Indonesia 2023*, July 13, 2023, <https://asean2023.id/en/news/asean-china-agree-on-guidelines-to-accelerate-negotiations-for-the-code-of-conduct-in-the-south-china-sea>

Scenario 1: COC Status Quo with Chinese Characteristics

The first obvious scenario is that the PRC will continue making statements about its desire to resume COC negotiation talks with ASEAN while at the same time pursuing bilateral diplomatic talks with the organization's member-states. As early as September 2019, the PRC and Malaysia agreed to set up a joint dialogue mechanism on the SCS.¹⁰ Five years later, the two countries held their first bilateral dialogue and agreed to promote "pragmatic maritime cooperation" in the SCS.¹¹ In December 2023, the PRC and Vietnam agreed to advance their comprehensive strategic cooperation and maintain peace and cooperation in the SCS during the 15th Meeting of the China-Vietnam Steering Committee for Bilateral Cooperation in Hanoi.¹² In September 2024, the PRC and the Philippines resumed their Bilateral Consultation Mechanism (BCM) almost six years after its conception and just after tensions had flared up between the Chinese Coast Guard (CCG) and the Philippine Coast Guard (PCG) vessel BRP Teresa Magbanua at the Escoda Shoal.¹³ Herein, the COC will remain important pronouncement-wise but it will be eclipsed by the PRC's underlying desire to deal with ASEAN member-states bilaterally. Indeed, the PRC took advantage of the prolonged COC negotiation process to build its operational control of more features in the SCS.¹⁴ Optics-wise, it is good for the PRC's international image and extends its buying time tactic. In reality however, it does not change anything on the ground, as the PRC continues to conduct illegal, coercive, aggressive, and deceptive (ICAD) operations in the SCS. The most recent manifestation of Scenario 1 is the agreement between Indonesia and the PRC to pursue joint development in maritime areas of

overlapping claims.¹⁵ Ever since, Indonesia has rejected the nine-dash line as it impinges on its EEZ. The joint development statement could be an implicit recognition of the nine-dash line and thus undermine Indonesia's longstanding position because it shall now require the country to negotiate maritime boundaries with the PRC.¹⁶ It could also undermine ongoing COC negotiations which hinges on the premise that it should not negotiate any claim that is illegal under the UNCLOS.¹⁷ Given all these, it is crucial that while diplomacy should never be discarded as an option, ASEAN member states should learn the hard lesson of the past where the PRC says something but does otherwise.

Scenario 2: COC Status Quo with Southeast Asian Agency

This second scenario calls attention to the fact that when individual ASEAN member states engage in bilateral talks with the PRC (as in Scenario 1), they have some degree of agency. The difference between scenario 1 and 2 is the question of power symmetry, i.e. does the PRC have so much power over its smaller neighbors that it effectively renders their actions and decisions as inconsequential? Thus, the second scenario presents a different version of reality in which Southeast Asian states are able to successfully forge partnerships among themselves on the SCS issue. In other words, Southeast Asian states could implement the aspirations of the DOC on their own, even without a formalized COC nor the involvement of the PRC. As early as 2017, Indonesia, Malaysia, and the Philippines forged a Trilateral Cooperative Arrangement (TCA) to address their shared maritime security challenges.¹⁸ Known as INDOMALPHI, it underscores the importance of close coordination of regular patrols, intelligence, port visits, and rescue operations. Aside from resounding successes in countering piracy and terrorism activities, the trilateral initiative also secures unimpeded economic activities in

10 "China, Malaysia to set up South China Sea dialogue mechanism," *Reuters*, September 12, 2019, <https://www.reuters.com/article/us-china-malaysia/china-malaysia-to-set-up-south-china-seadialogue-mechanism-idUSKCN1VX0JN/>

11 Orange Wang, "South China Sea needs 'pragmatic cooperation', Beijing and Kuala Lumpur agree," *South China Morning Post*, October 17, 2024, <https://www.scmp.com/news/china/diplomacy/article/3282704/south-china-sea-needs-pragmatic-cooperation-beijing-and-kuala-lumpur-agree>

12 "China, Vietnam vow to maintain South China Sea as a sea of peace and cooperation," *The Global Times*, December 2, 2023, <https://www.globaltimes.cn/page/202312/1302889.shtml>

13 Michaela Del Callar, "PH, China agree to resume talks on WPS disputes this month," *GMA News*, September 5, 2024, <https://www.gmanetwork.com/news/topstories/world/919419/ph-china-agree-to-resume-talks-on-wps-disputes-this-month/story/>

14 Evan A. Laksmana, "The South China Sea talks between ASEAN and China," *The International Institute for Strategic Studies*, August 21, 2023, <https://www.iiss.org/online-analysis/online-analysis/2023/08/the-south-china-sea-talks-between-asean-and-china/>

15 "China, Indonesia Firms to Ink \$10 Billion of Deals, Prabowo Says," *Bloomberg News*, November 9, 2024, <https://www.bnnbloomberg.ca/business/company-news/2024/11/09/china-indonesia-firms-to-ink-10-billion-of-deals-prabowo-says/>

16 Aristyo R. Darmawan, "Has Indonesia fallen into China's nine-dash line trap?" *Lowy Institute*, November 12, 2024, <https://www.lowyinstitute.org/the-interpreter/has-indonesia-fallen-china-s-nine-dash-line-trap>

17 Aristyo R. Darmawan, "Towards a rigorous Code of Conduct for the South China Sea," *East Asia Forum*, July 30, 2021 <https://eastasiaforum.org/2021/07/30/towards-a-rigorous-code-of-conduct-for-the-south-china-sea/>

18 Gusty Da Costa, "Indonesia, Malaysia, Philippines renew commitment to cooperation," *Indo-Pacific Defense Forum*, July 25, 2023, <https://ipdefenseforum.com/2023/07/indonesia-malaysia-philippines-renew-commitment-to-cooperation/>

the Sulu and Sulawesi seas – two maritime areas connected to the shipping lanes of the SCS and critical fish sources to the three countries in question. In June 2023, they agreed to expand their cooperation through additional port visits and maritime training activities, as well as resuming the Joint Mission Patrol Team. In January 2024, the Philippines and Vietnam formalized their maritime cooperation agreement. It aims to boost coast guard-to-coast guard cooperation to prevent incidents in the SCS.¹⁹ It also makes Vietnam the ‘sole strategic partner’ of the Philippines in the region. In June 2024, the Indonesian Navy (*KRI Marlin and KRI Kakap*) and the Philippine Navy (*BRP Artemio Ricarte*) conducted a joint patrol on the maritime border of Sulawesi and Mindanao waters under the 38th Coordinated Patrol Philippines Indonesia (Corpat PHILINDO).²⁰ It aims to enhance their interoperability capabilities such as “covered maneuvering, communication, passing, semaphore, aerial photo formation, and sail past exercises” to address piracy, human trafficking, smuggling, and terrorism at sea.

Scenario 3: COC Status Quo with External-Regional Involvement

The third scenario presents a reality where Southeast Asian states pursue strategic cooperation with their like-minded extra-regional partners to ensure that no single power can dictate the terms and conditions of the SCS. Given the limits of *Scenario 2*, considering their material resources and level of influence in global affairs, Southeast Asian states need external partners to counterbalance the PRC’s dominance in the SCS and uphold the DOC principles pending the COC. Like *Scenario 2*, the PRC can be expected to continue its status quo behaviors and Southeast Asian states to begin implementing the ‘expected’ provisions of a COC – but this time, with external variables coming into play. A Southeast Asian state that best exemplifies *Scenario 3* is the Philippines, a nation which has earned a reputation for being the ‘outlier’ among ASEAN member-states. ASEAN is an important pillar of its foreign policy,²¹ as it sees the value in pursuing diplomatic talks with the PRC to avoid an escalation of tensions in the SCS. And given its track record of promoting a rules-based order, it consistently supports

a COC that is based on international law. However, this does not mean that the country only operates within these foreign policy parameters. Equally important is the support of like-minded countries. Hence, it is no longer a question of ‘who is in’ and ‘who is out’ of the region when figuring out the crucial actors who could and should uphold the rules-based order in the SCS. It becomes a matter of like-minded states fighting for a principle regardless of where they come from. The Philippines maintains the 1951 Mutual Defence Treaty (MDT) with the United States, the 2007 Status of Visiting Forces Agreement (SOVFA) with Australia, and recently, the 2024 Reciprocal Access Agreement (RAA) with Japan. In September 2023, Australia and the Philippines elevated their relationship from a Comprehensive Partnership to a Strategic Partnership. Alongside these developments, the Philippines has also participated in recent Multilateral Maritime Cooperative Activities (MMCA). Broadly speaking, MMCA are a series of activities that enhance cooperation and interoperability between participating forces as a demonstration of how partners and allies could contribute to peace and stability in the Indo-Pacific region.²² They include communication exercises, anti-submarine warfare exercises, and cross-deck landing operations. In April 2024, the Philippines, Australia, Japan, and the United States conducted the first MMCA in the West Philippine Sea with the PN’s *BRP Antonio Luna* leading the participating ships.²³ In August 2024, Australia, Canada, the Philippines, and the United States conducted an MMCA within the Philippines’ Exclusive Economic Zone (EEZ).²⁴ In September 2024, the Philippines, Australia, Japan, New Zealand, and the United States conducted an MMCA within the Philippines’ EEZ, this time focusing on joint naval and air force operations.²⁵

19 “Vietnam, Philippines sign deals on security in disputed South China Sea,” *Al Jazeera*, January 30, 2024, <https://www.aljazeera.com/news/2024/1/30/vietnam-philippines-sign-deals-on-security-in-disputed-south-china-sea>

20 “Indonesia, Philippines hold joint maritime patrol,” *Antara Indonesian News Agency*, September 13, 2023, <https://en.antaranews.com/news/325879/indonesia-philippines-hold-joint-maritime-patrol>

21 Bob Shead, “The Philippines’ relationship with ASEAN,” *ASEAN Briefing*, March 22, 2017, <https://www.aseanbriefing.com/news/philippines-relationship-asean/#:~:text=ASEAN%20is%20one%20of%20the, trading%20and%20functional%20cooperation%20activities.>

22 “Press Release: Australia, Japan, New Zealand, Philippines, and United States Conduct Multilateral Maritime Cooperative Activity,” *United States Pacific Fleet*, September 30, 2024, <https://www.cpf.navy.mil/Newsroom/News/Article/3921254/australia-japan-new-zealand-philippines-and-united-states-conduct-multilateral/#:~:text=MCAs%20demonstrate%20the%20strength%20of,in%20the%20Indo%2DPacific%20region.>

23 “Press Release: Philippines, United States, Australia and Japan hold first Multilateral Maritime Cooperative Activity in West Philippine Sea,” *Armed Forces of the Philippines*, April 7, 2024, <https://www.afp.mil.ph/news/philippines-united-states-australia-and-japan-hold-first-multilateral-maritime-cooperative-activity-in-west-philippine-sea/#:~:text=Philippines%2C%20United%20States%2C%20Australia%20and,Activity%20in%20West%20Philippine%20Sea>

24 “Multilateral Maritime Cooperative Activity Joint Statement,” *Armed Forces of the Philippines*, August 7, 2024, <https://www.afp.mil.ph/news/joint-statement-multilateral-maritime-cooperative-activity-joint-statement/#:~:text=JOINT%20STATEMENT%20%7C%20Multilateral%20Maritime%20Cooperative, August%207%20and%208%2C%202024.>

25 “Statement: 4th Multilateral Maritime Cooperative Activity,” *United States Indo-Pacific Command*, September 27, 2024, <https://www.pacom.mil/Media/News/News-Article-View/Article/3918843/4th-multilateral-maritime-cooperative-activity/#:~:text=The%20combined%20armed%20and%20defense,maritime%20rights%20under%20international%20law.>

Scenario 4: A “Low-Hanging Fruit COC” or a “Minilateral COC”

Under this scenario, each party will lay down their cards, once and for all, on what is negotiable and non-negotiable to avoid gridlock and finally conclude the negotiations for a COC. Herein, we can expect a ‘low-hanging fruit’ COC with provisions that are agreeable and doable for all parties, excluding those they consider highly sensitive vis-à-vis their respective national interests. In this reality, the parties will agree on a COC that governs functional cooperation in the SCS, such as countering organized crime at sea, maritime safety, and marine environment protection. More or less, this could indicate a potential win for ASEAN. This way, the COC becomes a socializing tool for ASEAN towards the PRC. By agreeing to set a COC on these functional areas, the PRC will now be compelled to halt its reclamation projects and other activities that destroy coral reefs and the whole marine ecosystem in the SCS. Here, we see a PRC that is willing to adjust when it comes to marine environmental issues. The downside is that such a COC would fall short of provisions binding all the parties to peaceful dispute resolution according to international law, as this is deemed too politically sensitive for the PRC and some ASEAN member-states. In hindsight, however, this ‘imagined reality’ is somewhat too apologetic. Island-building is important for the PRC because it establishes its *de facto* control of features in the SCS. It cannot be trusted for maritime safety cooperation if not based on international law. Most likely, it will operate based on its domestic laws. Another possible scenario is a minilateral COC. It is no secret that another stumbling block in the COC negotiations is the lack of interest of other ASEAN member-states.²⁶ After all, they are not claimants. The PRC, ROC (Taiwan), and four ASEAN member states – Brunei, Malaysia, the Philippines, and Vietnam – each have overlapping maritime claims to the SCS but the COC negotiations involve the PRC and all ten ASEAN member-states. Considering that ASEAN adheres to a consensus based decision-making process, it would be a gargantuan task to get the all-out support of those who do not have a direct stake in the SCS issue. Besides, these countries maintain close economic ties with the PRC, e.g. Cambodia, Laos, Myanmar, and Thailand. Therefore, there is a need to create a new reality in which only the ASEAN claimant-states

negotiate and agree on a COC. Notwithstanding, all ASEAN claimant states agree on the importance of international law, particularly UNCLOS as the anchor of a COC, despite their overlapping claims. While an equally uphill battle, commonality in terms of values and principles is a good start to negotiations. In December 2022, Indonesia and Vietnam signed an EEZ delimitation agreement after almost 12 years of negotiations. The agreement was pivotal in de-escalating and preventing future tensions between each country’s law enforcement agencies, overturning the PRC’s nine-dash line, and showing that Southeast Asian states can peacefully settle disputes on their own.²⁷ Another one spark of hope is the recent pronouncement from the Philippine government through its Department of Foreign Affairs (DFA) that it is “ready to talk with Vietnam to seek measures for a mutually beneficial solution after Hanoi filed a claim with the United Nations for an extended continental shelf (ECS) in the South China Sea.”²⁸ If this prospers and is emulated with other claimant states such as Brunei and Malaysia, then there could be optimism that a minilateral COC negotiation is possible.

The views and opinions expressed by the author in this article are his own and do not necessarily reflect the views, opinions, official positions, and policies of the Philippine government or any of his institutional affiliation.

²⁶ Rahman Yaacob, “A code of conduct won’t solve the South China Sea crisis,” *Lowy Institute*, May 15, 2024, <https://www.lowyinstitute.org/the-interpretor/code-conduct-won-t-solve-south-china-sea-crisis#:~:text=The%20negotiations%20for%20the%20code,its%20consensus%20model%20and%20China>.

²⁷ Aristyo R. Darmawan, “What does the Indonesia-Vietnam EEZ Agreement mean for the region?” *Centre for International Law, National University of Singapore*, January 12, 2023, <https://cil.nus.edu.sg/blogs/what-does-the-indonesia-vietnam-eez-agreement-mean-for-the-region/>

²⁸ Pia Lee-Brago, “Philippines ready to talk with Vietnam on continental shelf,” *The Philippine Star*, July 20, 2024, <https://www.philstar.com/headlines/2024/07/20/2371585/philippines-ready-talk-vietnam-continental-shelf>



Arleigh Burke-class guided-missile destroyer USS Howard (DDG 83) and Arleigh Burke-class guided-missile destroyer USS Daniel Inouye (DDG 118) prepare to conduct a replenishment-at-sea with Henry J. Kaiser-Class Underway Replenishment Oiler USNS John Ericsson (T-AO 194) in the South China Sea, May 1.

Source: U.S. Pacific Fleet



ASEAN - Australia
1974 - 2024
A Partnership for the Future



*The ASEAN-Australia Special Summit reception at the Melbourne Convention and Exhibition Center (MCEC) on Tuesday (March 5, 2024).
Source: Ministry of Foreign Affairs and International Cooperation*

PERSPECTIVES

AUSTRALIA'S PLACE IN THE REGION: THE 50TH ANNIVERSARY OF ASEAN-AUSTRALIA RELATIONS

Grace Corcoran

Diplomacy Program Lead
Asialink

Introduction

This year, ASEAN and Australia celebrated a significant milestone: 50 years of dialogue partnership. Once an influential partner in regional affairs, Australia's prominence has waned in recent years. As ASEAN's economic power has grown over the past five decades – its combined GDP now more than double Australia's – regional balance has shifted, challenging Australia's traditional role.

In an era characterized by intense geostrategic competition and uncertainty, Australia's ability to adapt to changing regional dynamics is crucial. As an increasingly important economic player in a strategic location, Southeast Asia will continue to be ever more at the centre of great power contestation and therefore vital to future diplomatic arrangements that contribute to regional stability. Australia must stop talking about why ASEAN matters, that much is obvious. We must instead ask ourselves; do we matter to ASEAN?

The Evolving ASEAN-Australia Relationship

Australia's engagement with ASEAN began in 1974 when it became the bloc's first formal dialogue partner. Through decades of strong and proactive diplomacy, Australia supported the development of ASEAN's institutions and was one of the founding members of the East Asia Summit.

Australia also worked with the individual member states through infrastructure projects, its overseas development aid program and transnational education programs. Australia's positive reputation was underpinned by its active role in regional security and development initiatives, such as its pivotal role in the Paris Peace Accords of the Cambodia Conflict in 1991.

As ASEAN's interests continued to expand, Australia and ASEAN collaborated on numerous security issues, including counter-terrorism concerns, Timor-Leste's independence process, and natural disaster recovery and resilience.

At the same time, the region was experiencing major power shifts. Beijing's Belt and Road Initiative bolstered China's economic influence in the region and ASEAN member states adopted various approaches to balance or hedge growing US-China tensions. As it stands, in the 2024 State of Southeast Asia Survey¹ (SSAS), 50.4% of respondents among the region's policy elite said, if needed, they would side with China compared to 49.5% with the US.

Meanwhile, Australia doubled down on the US alliance, antagonising China. Australia maintains diplomatic missions in 19 locations across ASEAN, including some of the largest Australian Embassies globally.² Although Southeast Asia holds Australia's greatest diplomatic resourcing, it appeared that even our most skilled and experienced diplomats were not being heard. In 'an era of lacklustre Asian engagement'³, Australia invested in the Quadrilateral Security Dialogue and AUKUS, with varying levels of criticism from ASEAN member states. Currently, only 9.5% of respondents in the 2024 SSAS listed Australia as their preferred and trusted strategic partner to hedge against US-China rivalry.

ASEAN's Growing Economic Power

ASEAN's collective economic power has experienced remarkable growth over recent years, particularly through enhanced trade and investment ties with both the US and China and other partners like Japan and South Korea. According to the OECD, ASEAN is the fifth largest economy in the world and accounts for 3.5% of the world's GDP.⁴

The economic dynamism of the ASEAN member states has significantly enhanced the bloc's bargaining power on the world stage and led to greater self-reliance. This, in turn, has created a change in power-dynamics in the ASEAN-Australia relationship. According to the ASEAN Investment Report 2023, intraregional investment in ASEAN is second only to investment by the US.⁵ Although in earlier decades Australia's economic engagement was pivotal in bolstering ASEAN and shaping trade dynamics across the region, Australia was recently ranked the least influential economic power in Southeast Asia of the countries analysed in the 2024 SSAS.⁶

Although ASEAN is Australia's second largest trading partner for goods and services, only 250 companies account for 90% of Australia's exports to the region, suggesting few broad based commercial ties in a diverse array of industries. Australia is ASEAN's eighth largest trading

1 ISEAS-Yusof Ishak Institute (2024). The State of Southeast Asia

2 Nicholas Farrelly, Lina A. Alexandra, Sharon Seah & Kimly Ngoun (2024). Comprehensive Strategic Partners: ASEAN and Australia after the first 50 years. P. 15

3 As described by Professor Michael Wesley and Professor Caitlin Byrne in 'Diplomacy at its Best' in Asialink (2022). Peacebuilding in Cambodia: The Role of the Paris Accords.

4 OECD (2023). Corporate finance and corporate governance in ASEAN economies

5 ASEAN Secretariat (2023). A Special ASEAN Investment Report.

6 The survey asked 'In your view, which country/regional organisation is the most influential economic power in Southeast Asia. Respondents could choose from ASEAN, Australia, China, The European Union, India, Japan, The Republic of Korea, The United States and The United Kingdom.



Australia's Prime Minister Anthony Albanese (C), alongside Special Envoy for Southeast Asia Nicholas Moore AO (L) and Foreign Minister Penny Wong (R) during the launch of Australia's Southeast Asia Economic Strategy to 2040 in September 2023. (Photo by Department of the Prime Minister and Cabinet of Australia via Facebook)

partner and accounts for only 2.9% of the bloc's Foreign Direct Investment (FDI), with approximately 75% of this going to Singapore.⁷ Australia invests less in ASEAN than France or the Netherlands and more in New Zealand than it does in the whole bloc.⁸ This is felt in ASEAN, with only 1.7% of respondents in the 2024 SSAS having confidence in Australia to champion the global free trade agenda, down from 3% in 2023. This recent data highlights the need for a strategic recalibration of Australia's approach to ASEAN economic engagement.

Australia's Expanded Role in the Region

It is without a doubt that recent years have been some of the most contested and uncertain for global order since World War II. The rise of ASEAN has been a stabilizing force in the region and the current Australian government appears to recognize its importance. Prime Minister Albanese and Foreign Minister Wong have made a concerted effort to improve Australia's presence within ASEAN forums and actively worked to strengthen Australia's bilateral relations with individual ASEAN countries. The current government has also put serious effort into rebuilding its relations with China, which undoubtedly helps ASEAN-Australia relations.

7 Nicholas Moore AO (2023). Invested: Australia's Southeast Asia Economic Strategy to 2024.

8 ASEAN Secretariat (2023). A Special ASEAN Investment Report.

To mark the 50th anniversary, Albanese hosted the ASEAN-Australia Special Summit in March. Highlighting Australia's commitment to becoming an elevated partner in regional affairs, investment, and trade, thousands of stakeholders came together to discuss practical areas of cooperation and shared goals. The Special Summit looked towards a new era of ASEAN-Australia relations, with three major outputs: The Melbourne Declaration⁹, the ASEAN-Australia Leader's Vision Statement¹⁰, and Australia's Announcement¹¹ of new and expanded initiatives, many of which have already begun.

To further enhance Australia's relations with ASEAN, a recent Australian government funded report, *Comprehensive Strategic Partners: ASEAN and Australia after the 50 years*, recommends that the country invest in an integrated model of ASEAN-Australia youth leadership, step away from values-based engagement and drills down into principles-based engagement, play a key role in discussions around Indo-Pacific security and ASEAN Centrality, and strengthen investments in peace, security and development cooperation with ASEAN's newer members.

9 The Hon Anthony Albanese (2024). The Melbourne Declaration – A partnership for the future

10 ASEAN-Australia Leaders' Vision Statement – Partners for Peace and Prosperity (2024)

11 Australian Government (2024). Outcomes Statement.



Another recent Australian government report, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, highlights that Australia's future FDI and economic collaboration will be focused on key areas of mutual interest, including the digital economy, climate change adaptation, the energy transition, tertiary education and people-to-people ties such as those through the growing Asian diasporas living in Australia. Through a series of country action plans, this report provides a framework for stronger economic engagement with the countries of Southeast Asia.

ASEAN and Australia's most significant mutual interest, though, is regional stability. If ASEAN were to fail, Australia would lose a lot. As stated in the recent *Comprehensive Strategic Partners: ASEAN and Australia after the first 50 years* report, 'Australia has an interest in showing up as an Asian power, not just as a Western power at the bottom of Asia'. Professor Tony Milner recently wrote¹² '[ASEAN's] 'friendly to all sides' approach is driven by a quest for autonomy within a dynamic regional equilibrium'. If Australia doesn't understand this, and respond accordingly, we will never be a stable partner for ASEAN. Australia must know that a strong and prosperous ASEAN means a strong and prosperous Australia.

12 Professor Tony Milner (2024). Australia's dealings with Asia should focus on rules, not the 'rules based order' in East Asia Format.

Conclusion

So, does Australia really matter to ASEAN? The short answer is: not really.

As it stands, Australia is not a priority partner for ASEAN in geo-strategic issues or economic engagement, but with a more concentrated effort by Canberra (which we are already starting to see) and Australia's business community, we could see a new era for ASEAN-Australia relations.

One thing we can predict, as geo-strategic competition grows in an age of uncertainty, is that Southeast Asia will be the centre for debate, reflection, disagreement and stabilization efforts in the region. Australia must build its reputation as a reliable diplomatic power, with the ability to convene and find solutions. ASEAN should be able to rely on Australia as a partner who can work with allies to maintain peace and stability. Australia's strong relations with the US will place us in a position of influence when it is required. The way we utilize our strengths and manage our relationships is one of the most challenging diplomatic tests for Australia in recent history.



ASEAN Post-Ministerial Conference with European Union discusses ways to strengthen the ASEAN-EU Strategic Partnership
Source: ASEAN Secretariat

PERSPECTIVES

BRIDGING REGIONS, BRIDGING FUTURES: RE-IMAGINING THE ASEAN-EU FTA AND CAMBODIA'S STRATEGIC PUSH

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More than half a decade since the onset of the US-China trade war, the global geopolitical landscape remains highly volatile, unpredictable and prone to external shocks. Further amplified by the global pandemic, this phenomenon has resulted in the accelerated establishment of regional blocs, a setback for global partnership and a disruptor of international trade, leading to the advocacy of re-shoring policies that seek to move operations away from large markets such as China in an effort to minimize reliance on a single market.¹² In this shifting international environment, economic diversification has become a critical goal, with businesses and governments alike, including the EU, seeking a more stable value chain through either “re-shoring” or “near-shoring”.³

Against this backdrop, ASEAN has emerged as a key player, offering not only a strategic location but also shielding businesses and investors from the impact of the US and China power rivalry. As the largest trading partner of China and the second-largest of the US, ASEAN is uniquely positioned to engage with both powers while remaining neutral.⁴ This strategic advantage has paved the way for the region to capitalize on wider geopolitical tensions, making it a safer alternative for businesses seeking to navigate the complexities of great power rivalry.

This year marks 15 years since the suspension of the ASEAN-EU Free Trade Area following an effort to kick start inter-regional negotiation in 2007.⁵⁶ From an economic perspective, ASEAN represents the third largest trading

partner of the EU after China and the US, and vice versa for ASEAN, with a total volume of €252.5 billion of trade in goods during 2023, and €126.1 billion in services during 2022⁷ (see figure 1). Based on the Joint Media Statement of the Eighteenth AEM-EU Trade Commissioner Consultation, the EU stood as ASEAN's third largest investor, with an inflow of foreign direct investment (FDI) totalling €400.1 billion in 2021, increasing by an average of 42.9% on an annual basis⁸⁹ (see figure 2). Examining investment flow trends from the EU to ASEAN shows that EU investment accounted for approximately 60% of FDI in ASEAN. Simultaneously, there has been a growing trend of ASEAN investment into the EU, reaching €195.6 billion in 2021. This underscores the reciprocal investment pattern between these two regions.¹⁰¹¹

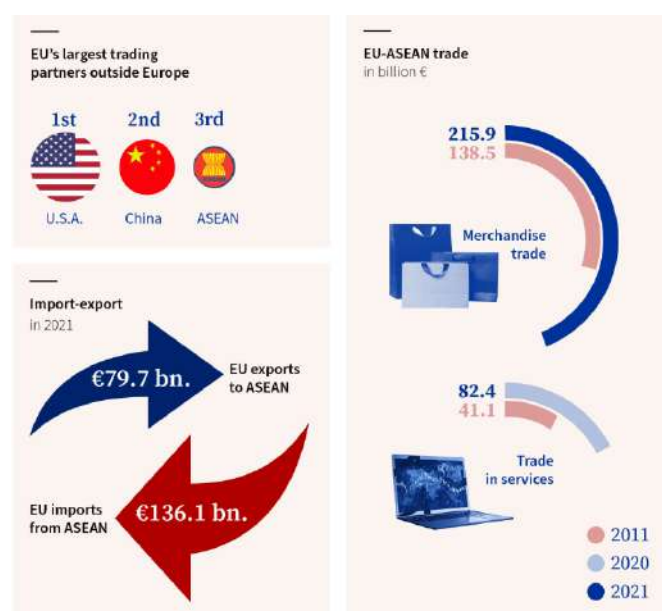


Figure 1¹²

1 Vinoski, Jim. Covid Is Fading, But Reshoring Isn't. *Forbes*. January 01, 2015. <https://www.forbes.com/sites/jimvinoski/2024/01/25/covid-is-fading-but-reshoring-isnt/>

2 Gur, Nurullah, and Serif Dilek. “US–China Economic Rivalry and the Reshoring of Global Supply Chains.” *The Chinese Journal of International Politics* 16, no. 1 (Spring 2023): 61–83. <https://doi.org/10.1093/cjip/poac022>.

3 European Union. Post Covid-19 value chains: options for reshoring production back to Europe in a globalised economy. (March 2021). Post Covid-19 value chains: options for reshoring production back to Europe in a globalised economy (europa.eu)

4 HSBC. “ASEAN: A Region on the Rise.” *HSBC Global Banking and Markets*. Last modified April 16, 2024. <https://www.gbm.hsbc.com/en-gb/insights/market-and-regulatory-insights/asean-a-region-on-the-rise>

5 Jochheim, Ulrich, and Dorothee Falkenberg. *Trade Negotiations Between the EU and ASEAN Member States. Briefing*. EPRS | European Parliamentary Research Service. European Parliament. December, 2023. [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2023\)754629](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2023)754629)

6 Paderon, Marissa Maricosa A. “Opportunities in ASEAN-EU Economic Cooperation.” *International Economics and Economic Policy* 17 (2020): 783-798. June 12, 2020. <https://doi.org/10.1007/s10368-020-00473-3>

7 The European Commission. *Association of South East Asian Nations (ASEAN)*. May 21, 2024. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en (accessed October 9, 2024).

8 Ibid.

9 ASEAN. *Adopted Joint Media Statement of the 18th AEM-EU Consultation*. September 2022. <https://asean.org/wp-content/uploads/2022/09/ADOPTED-Joint-Media-Statement-AEM-EU-18-Consultation.pdf>.

10 ASEAN Secretariat and United Nations Conference on Trade and Development (UNCTAD). *A Special ASEAN Investment Report 2023: International Investment Trends – Key Issues and Policy Options*. December 2023. <https://asean.org/wp-content/uploads/2023/12/AIR-Special-2023.pdf>

11 The European Commission. *Association of South East Asian Nations (ASEAN)*. May 21, 2024. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en (accessed October 9, 2024).

12 Council of the European Union. *EU-ASEAN trade*. <https://www.consilium.europa.eu/en/infographics/eu-asean-trade/#0> (accessed October 9, 2024).

Table 1. Biggest Non-ASEAN Investors in ASEAN, 2010-2021

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number 1	EU	EU	U.S.	Japan	EU	U.S.	EU	U.S.	EU	U.S.	U.S.	U.S.
Number 2	U.S.	U.S.	Japan	EU	U.S.	China	Japan	China	Japan	Japan	EU	EU
Number 3	Japan	Japan	China	U.S.	Japan	Japan	U.S.	Japan	China	EU	Japan	China

Source: "ASEAN Statistical Yearbook 2022," ASEAN Secretariat, December 2022, https://www.aseanstats.org/wp-content/uploads/2023/04/ASYB_2022_423.pdf.

Figure 2¹³

The ASEAN-EU FTA: An Ambitious Dream?

Despite the setback from the free trade agreement suspension, ASEAN and the EU have taken significant steps to reinforce their partnership, as seen in the upgrade to a Strategic Partnership during the 2020 ASEAN-EU Ministerial Meeting. This was further strengthened by the 2023-2027 ASEAN-EU Strategic Partnership Plan of Action, introduced in 2022 under Cambodia's Chairmanship.¹⁴ Through this plan, both regions highlight a commitment to deeper cooperation to address political-security shifts and drive economic integration, focusing on trade, investment, and collaboration in areas such as intellectual property, SMEs, and the digital economy.¹⁵ This underscores ASEAN-EU ambitions toward a unified economic framework, raising questions about the feasibility of a comprehensive FTA. On the sideline, the ASEAN-EU Trade and Investment Work Programme has also reaffirmed bi-regional commitment and cooperation in terms of dealing with inter-regional barriers, as well as facilitating the optimization of investment opportunities to align with the post pandemic recovery plan of seeking investment in industry 4.0.¹⁶

Efforts to reinstitute inter-regional free trade agreements have been ongoing for almost a decade, with the first attempt occurring back in 2016. The pursuit for re-negotiation through a re-assessment of potential cooperation areas began back in early 2017 under the Joint EU-ASEAN working group (JWG).¹⁷ In recent years, the JWG's direction has

shifted toward taking advantage of potential collaborations in the digital economy, green tech and services, and general supply-chain resilience building.¹⁸ Other pathways toward a region-to-region free trade agreement were also signified through the recent conclusion of the "new generation of bilateral" free trade agreements (BFTA) between the EU and ASEAN members.¹⁹ Among these negotiations, two bilateral agreements between the EU and Singapore and the EU and Vietnam have been concluded, while the remaining bilateral agreements with Thailand, Malaysia, and the Philippines are temporarily suspended. Regardless, the European Commission has expressed that a cross-region free trade area remains its priority, with the bilateral agreement paving the way for further region to region integration (See figure 3).²⁰

EU-ASEAN	Negotiations suspended (2009)
EU-Singapore	FTA entered into force (2019)
EU-Vietnam	FTA entered into force (2020)
EU-Indonesia	Negotiations ongoing (started 2016)
EU-Thailand	Negotiations on hold (started 2013)
EU-Malaysia	Negotiations on hold (started 2010)
EU-Philippines	Negotiations on hold (started 2015)

Figure 3 – State of play of FTAs²¹

Reigniting FTA talks might have been seen as an ambitious dream due to the historical challenges, political diversity, and the many stalls encountered, but ongoing effort to recommence the negotiation, coupled with hyper-uncertain

13 Ferchen, Matt, and Cheng-Chwee Kuik. "EU-ASEAN Trade, Investment, and Connectivity Cooperation." *In Reimagining EU-ASEAN Relations: Challenges and Opportunities*, edited by Lizza Bomassi, Chapter 4. Washington, D.C.: Carnegie Endowment for International Peace, 2023.

14 ASEAN. *Plan of Action to Implement the ASEAN-EU Strategic Partnership 2023-2027*. August 4, 2022. <https://asean.org/wp-content/uploads/2022/08/ASEAN-EU-Plan-of-Action-2023-2027-FINAL.pdf> (accessed October 9, 2024).

15 Ibid.

16 ASEAN. (2020). *Priority Area of Cooperation*. <https://asean.org/our-communities/economic-community/integration-with-global-economy/asean-eu-economic-relation/priority-areas-of-cooperation/> (accessed October 9, 2024).

17 Jochheim, Ulrich, and Dorothee Falkenberg. *Trade Negotiations Between the EU and ASEAN Member States. Briefing*. EPRS | European Parliamentary Research Service. European Parliament. December, 2023. [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2023\)754629](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2023)754629)

18 Ibid.

19 Directorate-General for Taxation and Customs Union. "The Free Trade Agreement between the European Union and Singapore has entered into force on 21 November 2019". 22 November 2019. https://taxation-customs.ec.europa.eu/news/free-trade-agreement-between-european-union-and-singapore-has-entered-force-21-november-2019-2019-11-22_en#:~:text=The%20Free%20Trade%20Agreement%20between%20the%20European%20Union,bilateral%20Agreement%20signed%20with%20a%20Southeast%20Asian%20country.

20 European Commission. "Association of South East Asian Nations (ASEAN)." https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/association-south-east-asian-nations-asean_en. (accessed October 9, 2024).

21 Ibid.

global geopolitical competition, has appeared to motivate renewed commitment to enhance economic cooperation. Through ministerial-level meetings between ASEAN and the EU, and the ASEAN-EU Business Summit, both regions have continuously built confidence and engagement toward reopening discussions and negotiations.²² The successful BFTAs concluded with Singapore and Vietnam have proved to be a positive model for future potential BFTAs in the region. Moreover, other ASEAN member states are now incentivized by an urgent need to enhance their competitiveness to attract investment and avoid being left behind.

ASEAN-EU FTA: Unlocking New Opportunities for Cambodia

For Cambodia, the pursuit of the ASEAN-EU FTA is not just about economic necessity, but also a strategic milestone to align with its foreign policy strategy of economic diplomacy. Like other small states, Cambodia is extremely vulnerable to external shocks, a *maladie* that can only be mitigated via economic diversification to reduce dependency and facilitate integration into regional and global supply chains. In this sense, fostering stronger ties with the EU is a stepping stone to strengthen its economic versatility in an increasingly competitive global economy.

At the macro level, the ASEAN-EU FTA initiative would bring together two of the world's leading regional economies, serving as a strategic market for Cambodia to leverage and solidify its economic competitiveness. Given the increasingly volatile geopolitical landscape and Cambodia's closeness to becoming a graduated least developed country (LDC), the proposed economic integration would be a major win for the Kingdom.

At the moment Cambodia's trade with the EU is governed under the Everything But Arms (EBA) Initiative. With approximately 93% of Cambodian exports to the EU eligible for EBA preferential duties, bilateral trade between the EU and Cambodia reached €5.8 billion, or \$4.61 billion, in 2023.^{23,24} Although this marked a slight slow-down of approximately 5% from 2022, annual comparative trade accumulation

shows a positive bilateral trend against a backdrop of the partial EBA preferential treatment withdrawal in 2020 (as shown in figure 4 & figure 5)²⁵. Likewise, within the first five months of 2024, bilateral trade stood at \$188 billion, a surge of almost 12% compared to the same period in 2023²⁶. This is indicative of the vitality of the EU market and increasing competitiveness of Cambodian goods, since Cambodian exporters have continuously managed to secure greater EU demand, making it the fourth leading export destination for Cambodia²⁷.

Despite this trend, preferential treatment under the EBA initiative will soon cease to exist once Cambodia has graduated from LDC status. Therefore, pursuing the ASEAN-EU FTA is critical for the Kingdom, as it not only secures and potentially enhances Cambodia's access to the EU market, but it also provides a platform for strengthening trade relations and fostering greater economic integration.



Secretary-General of ASEAN officiates the Launch of the ASEAN-EU Blue Book 2024-2025
Source: ASEAN Secretariat

22 Delegation of the European Union to Indonesia and Brunei Darussalam. *ASEAN and the EU*. Available at: https://eeas.europa.eu/delegations/indonesia_en/906/ASEAN%20and%20the%20EU (accessed October 9, 2024).

23 European Commission. "Cambodia." https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/cambodia_en. (accessed October 9, 2024).

24 Chea, Vanyuth. "Cambodia's Exports to EU Down 9.3% in 2023." *Khmer Times*, January 18, 2024. <https://www.khmertimeskh.com/501424860/cambodias-exports-to-eu-down-9-3-in-2023/>. (accessed October 9, 2024).

25 Chea, Vanyuth. "Cambodia's Exports to EU Down 9.3% in 2023." *Khmer Times*, January 18, 2024. <https://www.khmertimeskh.com/501424860/cambodias-exports-to-eu-down-9-3-in-2023/>. (accessed October 9, 2024).

26 Chea, Vanyuth. "Cambodia's trade with EU soared with exports recording \$1.56 billion in the first five months of 2024." *Khmer Times*, June 11, 2024. <https://www.khmertimeskh.com/501503730/cambodias-trade-with-eu-soared-with-exports-recording-1-56-billion-in-the-first-five-months-of-2024/> (accessed October 9, 2024).

27 European Commission. "Cambodia." https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/cambodia_en. (accessed October 9, 2024).

European Union, Trade with Cambodia

Total goods: EU Trade flows and balance, annual data 2013 - 2023

Source Eurostat Comext - Statistical regime 4

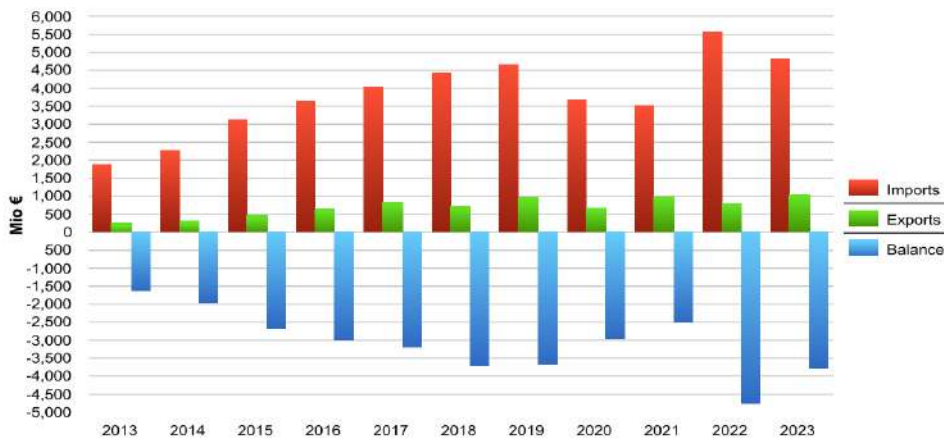


Figure 4 ²⁸

Total goods: EU Trade flows and balance

Source Eurostat Comext - Statistical regime 4

Period	Imports			Exports			Balance	Total trade
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU		
2013	1,854		0.1	219		0.0	-1,635	2,074
2014	2,247	21.2	0.1	285	30.1	0.0	-1,962	2,533
2015	3,112	38.5	0.2	442	54.8	0.0	-2,671	3,554
2016	3,841	17.0	0.2	620	40.3	0.0	-3,221	4,261
2017	4,013	10.2	0.2	808	30.4	0.0	-3,205	4,820
2018	4,430	10.4	0.2	712	-11.8	0.0	-3,718	5,142
2019	4,838	4.7	0.2	932	30.8	0.0	-3,906	5,570
2020	3,847	-21.4	0.2	653	-29.9	0.0	-2,994	4,301
2021	3,492	-4.3	0.2	970	48.4	0.0	-2,522	4,462
2022	5,549	58.9	0.2	787	-18.8	0.0	-4,762	6,336
2023	4,795	-13.6	0.2	997	26.7	0.0	-3,798	5,792

% Growth: relative variation between current and previous period

% Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

Figure 5 ²⁹

If the ASEAN-EU FTA comes to fruition, given the fact that ASEAN currently enjoys a trade surplus with the EU, Cambodia stands to benefit from the increased export driven growth.

Leveraging market access offers vast opportunities to explore untapped trade and investment potential. The strategic nature of the ASEAN-EU partnership underscores the potential benefits for both regions: ASEAN has the world's 5th largest economy with an average growth rate of 4.2% and a population of more than 672 million people. The EU economy on the other hand ranks as the world's third largest economy with a population of approximately 450 million people.^{30,31,32} Thereby, enhanced market access has the potential to further bolster demand for products and generate jobs across multiple sectors.

28 Directorate-General for Trade. *European Union, Trade in Goods with Cambodia*. European Commission, May 16, 2024. https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_cambodia_en.pdf (accessed October 9, 2024).

29 Directorate-General for Trade. *European Union, Trade in Goods with Cambodia*. European Commission, May 16, 2024. https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_cambodia_en.pdf (accessed October 9, 2024).

30 HSBC. "ASEAN: A Region on the Rise." *HSBC Global Banking and Markets*. Last modified April 16, 2024. <https://www.gbm.hsbc.com/en-gb/insights/market-and-regulatory-insights/asean-a-region-on-the-rise>.

31 Eurostat. "EU Trade in Goods with ASEAN in 2023." Eurostat News, May 30, 2024. <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20240530-2>. (accessed October 9, 2024).

32 Statista. "European Union (EU) - Statistics & Facts." *Statista*. <https://www.statista.com/topics/921/european-union/> (accessed October 9, 2024).





Adding to this attractiveness is the growing consumer market in ASEAN and the EU. ASEAN for instance is expected to reach middle-class income levels by 2030, raising the consumer market value to \$4 trillion.³³ Through comparative advantage and integration into the regional supply chains, the ASEAN-EU FTA would enable Cambodian businesses to strengthen their competitiveness and invest more in innovation to meet EU product standards.

Navigating Cambodia-EU Political Tensions and Leveraging an ASEAN-EU FTA for Cambodia's Strategic Benefit

While an ASEAN-EU FTA could allow Cambodia to unlock untapped economic potential, it is essential to acknowledge existing political tensions, particularly the partial withdrawal of EBA preferential scheme in 2020 due to criticism of the Kingdom's human rights record and democratic governance.³⁴ Although these tensions may hinder both the negotiation process and Cambodia's prospect of fully benefiting from an ASEAN-EU FTA, it is clear that they have not completely obstructed both parties' commitment to mutual collaboration, especially in other pragmatic areas of cooperation such as the green economy.

In fact, despite political differences and skepticism, Cambodia and the EU's relationship remains robust, with renewed commitment to collaborate on shared economic interests. In March 2024, four EU-funded green programs under the Global Gateway initiative, totalling €79 million, were launched in Cambodia.³⁵ Additionally, at the recent conclusion of the 12th EU-Cambodia Joint Committee meeting, both parties pledged to align "the EU Multi-annual Indicative Programme (MIP 2021-2027) with Cambodia's new Pentagonal Strategy-Phase 1" under the agenda of "Green Growth and Decent Jobs, Education and Skills Development, and Good Governance" as a guideline to advancing dialogue and cooperation.³⁶

In this context, an ASEAN-EU FTA would not only be an economic milestone, but also a diplomatic bridge to navigate political tensions standing in the way of broader regional cooperation. Reaping the benefits of an ASEAN-EU FTA may, however, require a shift in industrial orientation.

As Cambodia navigates a potential ASEAN-EU FTA, it is imperative to consider how this framework can serve as a catalyst for economic transformation. Lessons drawn from the EU-Singapore and EU-Vietnam FTAs underscore the potential for shifting the country's labor dynamics from low to high-skill sectors. The economic interdependence fostered by ASEAN-EU relations highlights the necessity for Cambodia to strategically position itself within high-value industries. For years, ASEAN member states have been the host

33 HSBC. "The next level: how Southeast Asia is moving up the value chain." *HSBC Global Banking and Markets*. Last modified August 27, 2024. <https://www.business.hsbc.com/en-gb/insights/growing-my-business/the-next-level-how-southeast-asia-is-moving-up-the-value-chain> (accessed October 9, 2024).

34 Godard, Gabrielle. "Cambodia's Strategic Overture to France and the EU: Caught Between Geopolitics and Human Rights." *European Institute for Asian Studies*, May 31, 2024. <https://eias.org/policy-briefs/cambodias-strategic-overture-to-france-and-the-eu-caught-between-geopolitics-and-human-rights/> (accessed October 22, 2024).

35 Directorate-General for International Partnerships. "Global Gateway: EU and Cambodia Enhance Partnership to Boost Jobs and Green Transition." March 12, 2024. https://international-partnerships.ec.europa.eu/news-and-events/news/global-gateway-eu-and-cambodia-enhance-partnership-boost-jobs-and-green-transition-2024-03-12_en (accessed October 22, 2024).

36 European External Action Service. "The European Union and Cambodia Hold the 12th Joint Committee Meeting." April 25, 2024. https://www.eeas.europa.eu/eeas/european-union-and-cambodia-hold-12th-joint-committee-meeting_en

to major EU multinational corporations, concentrating in ‘additive manufacturing’, ‘industrial automotive’ production, and ‘ILOT’. This has enabled an economic expansion of ASEAN that will likely see its growth to one third of the size of the six major digital economy markets by 2025.³⁷

One valuable lesson that can be drawn from previous FTAs would be the potential pathways for Cambodia to pivot towards high-skill industries focused on technology and sustainable development. In the case of EU-Singapore FTA, for example, both parties agreed to facilitate greater trade in electronics equipment, pharmaceutical products, and promote green growth through the eradication of barriers to “green technology”.³⁸ Likewise, the EU-Vietnam FTA that has just come into force is also highly focused on the exchange of “electronic machinery, aircraft, vehicles and pharmaceutical products”.³⁹

As these two regions increasingly embrace greater digitalization in their respective economies, activities such as e-commerce and digital financial services will present significant avenues for future growth. The prospect of an ASEAN-EU FTA presents an opportunity for Cambodia to adopt best practices from its regional counterparts, fostering an environment conducive to skills development and economic diversification.

In conclusion, a potential ASEAN-EU FTA is not only an economic driving force but also a crucial element of Cambodia’s broader foreign policy strategy through its economic diplomacy. While the FTA would not entirely shift Cambodia’s reliance on the EU, it would facilitate trade diversions, spurring investment in new sectors, and technological transfer that in turn facilitate skills modernization and generate a ripple effect that aids industrialization and infrastructure development over the long-run. It also provides leverage for Cambodia to respond to its vulnerability to external shocks and bolster its economic and political standing on the global stage. With a commitment towards more robust economic integration in preparation for Cambodia’s graduation from the LDC status, the FTA presents the country with new opportunities for trade, investment, and long-term economic growth.

37 The European Commission. 2021. *The Seventeenth AEM-EU Trade Commission Consultations Joint Media Statement*. https://trade.ec.europa.eu/doclib/docs/2021/september/tradoc_159795.pdf (accessed October 9, 2024).

38 European Commission. 2019a. *EU-Singapore Agreement*. Available at: <https://ec.europa.eu/trade/policy/in-focus/eu-singapore-agreement/> (accessed October 9, 2024).

39 European Commission. 2021b. *Vietnam*. Available at: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/#:~:text=Vietnam.%20The%20European%20Union%20and%20Vietnam%20signed%20a,was%20concluded%20by%20Council%20on%2030%20March%202020.> (accessed October 9, 2024).





European Commis
Commissioner euro

Philippines-European Union Free Trade Agreement (PH-EU FTA) was announced on March 18 by Secretary Fred Pascual of the Department of Trade and Industry (DTI) and European Commission Executive Vice President and Trade Commissioner Valdis Dombrovskis

Source: DTI



Photo: *Use your vote - European elections on 6-9 June 2024*
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PERSPECTIVES

KEY TAKEAWAYS FROM THE 2024 EUROPEAN ELECTION

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The year 2024 is a critical year for elections in Europe. The European Parliament election as well as national elections in key European states, like France and the United Kingdom, could trigger political dynamics that potentially weaken the European Union (EU) and result in major changes to key EU policies. This article examines the likely impact of the 2024 elections on two pivotal EU policy areas: EU Foreign Affairs and Security Policy, as well as the European Green Deal.

EU Elections

The EU elections were the second largest democratic elections globally, after India, and the only transnational elections worldwide. Nearly 383.5 million EU citizens were eligible to vote for 720 Members of the European Parliament. This was the tenth election since 1979, and the first without the United Kingdom following Brexit. The 2024 elections point to a more polarized European political landscape, with gains for far-right eurosceptic political groups at the expense of traditional pro-European centrist political groups. However, the centrist political groups still hold a combined majority, suggesting a degree of policy continuity is likely despite a right-wing shift and some factionalism in the European Parliament. The centrist political groups - the European People's Party (EPP), Renew Europe, and Progressive Alliance of Socialists and Democrats (S&D) - won a combined 401 seats. The right-wing political groups - European Conservatives and Reformists, the newly formed far-right Patriots for Europe, and Europe of Sovereign Nations made significant gains with 187 seats, after the EPP's 188 seats. The S&D lost two seats, making it the third largest political group with 136 seats. The Greens/European Free Alliance and Renew Europe lost a combined 38 seats compared to 2019. Notably, two formerly allied far-right political groups have split - the Patriots of Europe and the Europe of Sovereign Nations - indicating increased fragmentation on the right in the European Parliament.¹

National Elections

The political divide between Euroscepticism and Europeanism is also clearly reflected in the results of recent and upcoming national elections in Europe. In the UK, the governing Labour Party's push for closer EU ties has strengthened Europeanism, in contrast to the previous Eurosceptic Conservative government. However, the picture

is more mixed in other European countries. In France, the rise of both far-left and far-right parties has the potential to weaken Europeanism. Similarly, the expected victory of the far-right Freedom Party in Austria's 2024 elections could further empower Euroscepticism in that country. Italy also appears to be firmly in the Eurosceptic camp with the right-wing Brothers of Italy party, led by Prime Minister Gorgia Meloni, aligning with the Eurosceptic right-wing European Conservatives and Reformists in the European Parliament. Right-wing parties are also in government in a number of other European states, including Finland, Slovakia, Hungary, Croatia, the Czech Republic, and Sweden. The Netherlands has also seen the far-right Party for Freedom enter a coalition government. In Germany, the far-right Alternative for Germany party, which is polling strongly, could further shift the national political landscape away from Europeanism.²

European Green Deal

Despite increased political polarization between Eurosceptic and pro-European political parties, the reelection of Ursula von der Leyen as European Commission President indicates that continuity will prevail in European politics. Concerns that the ambitious European Green Deal could be watered down to secure von der Leyen's reelection appear to have been unfounded. Von der Leyen has reaffirmed her commitment to the climate targets set out in the deal. This likely won her support from the Green Party in the secret vote to elect the new Commission President. The Green Deal aims to reduce greenhouse gas emissions by 55% by 2030 and achieve climate neutrality by 2050.³ However, one component of the Green Deal - the law mandating a ban on fossil fuel vehicles by 2035 across all 27 EU member states - remains controversial. The European People's Party, the largest political group in the European Parliament, has not fully supported the measure. Notably, Germany initially opposed the 2035 vehicle ban law but later approved it after securing an amendment yet to be made, which will allow for the registration of e-fuel vehicles beyond 2035.⁴

1 European Parliament, European Elections 2024 - Comparative Tool, Comparative tool | 2024 European election results | European Parliament (europa.eu) (accessed July 24, 2024)

2 Coi, Giovanni, "Mapped: Europe's rapidly rising right", Politico, May 24, 2024, Mapped: Europe's rapidly rising right - POLITICO (accessed July 24, 2024)

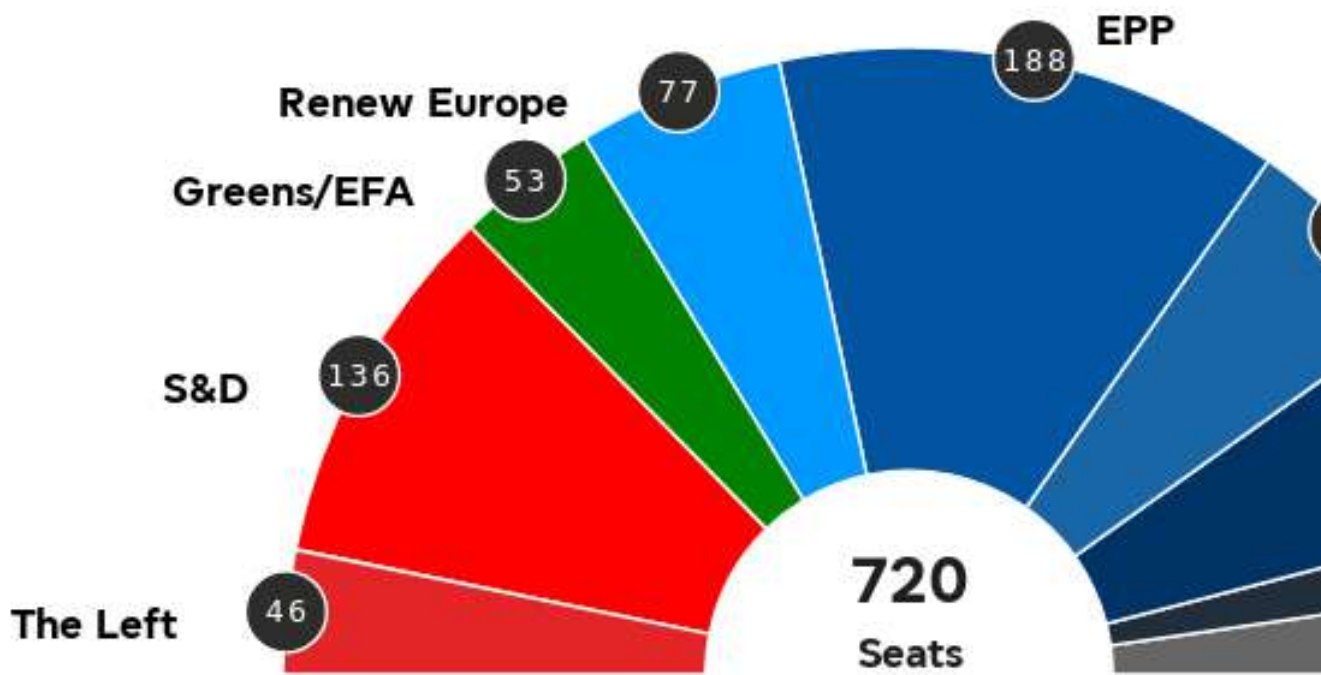
3 European Commission, Delivering the European Green Deal, Delivering the European Green Deal - European Commission (europa.eu) (accessed July 24, 2024)

4 Bloomberg, "EU's von der Leyen eyes E-fuels carve-out for cars, key lawmaker says", Automotive News Europe, July 17, 2024, EU Commission boss von der Leyen eyes E-fuel exemption for cars | Automotive News Europe (autonews.com) (accessed July 24, 2024)

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European Parliament 2024 - 2029

Constitutive session



Source: Provided by Verian for the European Parliament

European Foreign Affairs and Security Policy

Although the new European Commission will be formed and approved by the European Parliament later this year, some novel developments in European Foreign Affairs and Security Policy can be expected. Commission President Ursula von der Leyen has announced plans to build a “true European Defense Union”⁵ and a single market for defense products and services. Von der Leyen has also announced the creation of a new post named Commissioner of Defense. This move likely comes amid concerns in the EU that the US may be less willing to provide security assurances if Donald Trump were to become the next President. Names have yet to be circulated as to who will receive the new post of Commissioner of Defense.

However, the liberal former Prime Minister of Estonia, Kaja Kallas, a hardliner when it comes to foreign policy with Russia, is likely to become the new High Representative of the EU. Kallas’ nomination signals that the EU will continue to take a strong stance against Russia and remain in favor of Ukraine receiving military support for as long as necessary. Continuity will also likely prevail in EU-ASEAN relations. The EU is making efforts to further deepen the strategic partnership. A roadmap was set at the 24th EU-ASEAN Ministerial Meeting, where both sides re-emphasized the importance of the “Plan of Action for Implementing the ASEAN-EU Strategic Partnership (2023-2027)”⁶.

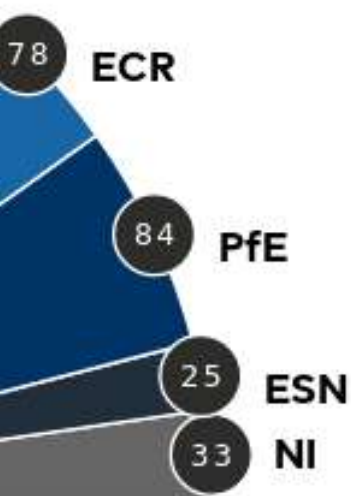
Key Takeaways

The 2024 European elections point to a more polarized political landscape, with gains for Eurosceptic and right-wing parties coming at the expense of traditional pro-European centrist, liberal and green parties. However, the centrist parties still maintain a combined majority, suggesting a degree of policy continuity in the future. Right-wing parties were also not able to win the elections in France, a key EU member state, while the government change in the UK indicates that Europeanism could regain momentum.

On key policy areas, the reelection of Ursula von der Leyen as European Commission President indicates continuity in the implementation of the European Green Deal. In the realm of foreign affairs and security policy, the EU-ASEAN Strategic Partnership can be expected to continue evolving, though the pace might be slower due to the impact of the Russian-Ukraine war. The expected nomination of a new EU Commissioner for Defense signals a strengthening of EU defense capabilities, likely in response to concerns over reduced US security assurances.

⁵ Reuters, “Von der Leyen pledges air shield in new EU defense push”, July 18, 2024, Von der Leyen pledges air shield in new EU defense push | Reuters (accessed July 24, 2024)

⁶ ASEAN Main Portal, “Joint Ministerial Statement 24th ASEAN-EU Ministerial Meeting”, February 2, 2024, Microsoft Word - [FOR ASEAN] Joint Ministerial Statement (accessed July 24, 2024)





Donald Trump at a rally in Pittsburgh, Pennsylvania.
Source: Official Facebook Page of Donald J. Trump

PERSPECTIVES

IMPLICATIONS OF THE 2024 US ELECTION ON CAMBODIA-US RELATIONS: TRADE, SECURITY, AND THE CONTINUITY OF A CARROT-AND-STICK APPROACH?

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When it is time for the 2024 US Election, the world stops and watches—so too with Cambodia. Some fear that Trump's return to the White House may destabilize global trade and security. Many will spend the next few months before the election scouring the web for anything about Kamala Harris after Biden's haphazardous exit. This article analyzes the potential impact of the 2024 US Election outcome on two key areas of the Cambodia-US relationship, trade and security.

Trade Relations

The US will remain Cambodia's biggest single-country export destination in the foreseeable future, as it accounts for 40% of the Kingdom's total exports.¹ The main topic around trade relations currently is the Generalized System of Preferences (GSP). The scheme requires beneficiary countries to meet certain criteria set by Congress and thus is often perceived as a political tool of the US used to maintain leverage on developing countries. Despite this, the GSP has undoubtedly contributed to Cambodia's rapid economic growth by providing duty-free access to the US market, particularly for garments, footwear, and travel goods—all of which generate billions of dollars for the Kingdom and supply hundreds of thousands of jobs to its people. Cambodia's eligibility for the GSP scheme ended in 2020 and the Royal Government of Cambodia is constantly calling for its renewal.² Small US businesses are also pushing for it. The GSP saves them around \$100,000 to \$200,000 per year in duty-free products for their operations.³ With bipartisan support in Congress since 1974, the chances of the bill being passed amid this political climate seem hopeful, no matter who wins.⁴

Both Kamala and Trump have vowed to strengthen the manufacturing sector and continue to impose import tariffs on Chinese products. Their protectionist policies have and will continue to destabilize global trade and add fuel to the ongoing US-China trade war. However, Cambodia could gain from the trade war as a "bystander". "Bystander" countries

like Thailand and Vietnam have increased their exports to the US as their products have experienced complementary and substitution effects.⁵ With American companies looking for substitutes and new suppliers, Cambodia can fill this gap. It would indeed be in line with the RGC's mission to woo US investors, a motivation on display at the UNGA last year when PM Manet met with American business leaders on the sidelines.⁶ Recently, the RGC has also ramped up its efforts through the Council for Development of Cambodia, specifically through Deputy Prime Minister Sun Chanthol who embarked on a two-week mission to the US in the hopes of moving away from historically low FDI.⁷ Trade will remain a stabilizing force in the Cambodia-US relationship.

Political and Security Cooperation

Foreign policy analysts and pundits may disagree on how close Cambodia has become with China in recent years. However, a resounding majority believe Cambodia-US relations have deteriorated in the past decade. The relationship began to become visibly strained in 2017 when Cambodia canceled its annual joint military exercise with the US, known as Angkor Sentinel, citing a need to focus on upcoming elections.⁸ This marked a critical moment, as there has been no military cooperation between the two countries ever since. In the following year, the US sanctioned a Cambodian general and prominent tycoon, citing serious human rights abuses.⁹ This was accompanied by an announcement from the White House that it was cutting aid to Cambodia in response to democratic setbacks following the country's controversial election outcome in 2018.¹⁰ In 2019, reports emerged that Cambodia had signed an undisclosed agreement with China, granting the Chinese

1 International Trade Administration. 2024. "Cambodia - Market Overview." International Trade Administration. <https://www.trade.gov/country-commercial-guides/cambodia-market-overview>.

2 Kang, Sothear. 2023. "Cambodia asks US to renew GSP scheme." Khmer Times. <https://www.khmertimeskh.com/501336646/cambodia-asks-us-to-renew-gsp-scheme/>.

3 U.S. Chamber of Commerce. 2023. "Small Businesses Depend on GSP: Why Has Congress Let it Lapse?" U.S. Chamber of Commerce. <https://www.uschamber.com/international/why-americas-small-businesses-are-fighting-for-gsp-renewal>.

4 Williams, Kevin, Sally Alghazali, and Husch Blackwell. 2024. "Possible revival of the Generalized System of Preferences and its effect on the trade industry." Reuters. <https://www.reuters.com/legal/legalindustry/possible-revival-generalized-system-preferences-its-effect-trade-industry-2024-01-08/>.

5 Fajgelbaum, Pablo, Pinelopi Goldberg, Patrick Kennedy, Amit Khandelwal, and Daria Tagliani. 2023. "The 'bystander effect' of the US-China trade war." CEPR. <https://cepr.org/voxeu/columns/bystander-effect-us-china-trade-war>.

6 Khmer Times. 2023. "Foreign Ministry: PM Hun Manet engages in fruitful meetings with foreign dignitaries and business leaders in New York." Khmer Times. <https://www.khmertimeskh.com/501366571/foreign-ministry-pm-hun-manet-engages-in-fruitful-meetings-with-foreign-dignitaries-and-business-leaders-in-new-york/>.

7 Khmer Times. 2024. "DPM Sun Chanthol holds talks with Atlantic Council delegation in Washington DC." Khmer Times. <https://www.khmertimeskh.com/501569004/dpm-sun-chanthol-holds-talks-with-atlantic-council-delegation-in-washington-dc/>.

8 Parameswaran, Prashanth. 2017. "Why Did Cambodia Just Cut US Military Drills?" The Diplomat. <https://thediplomat.com/2017/01/why-did-cambodia-just-cut-us-military-drills/>.

9 U.S. Department of the Treasury. 2018. "Treasury Sanctions Two Individuals and Five Entities Under Global Magnitsky." U.S. Department of the Treasury. <https://home.treasury.gov/news/press-releases/sm0411>.

10 Handley, Erin, and Daphne Chen. 2018. "US cuts aid to Cambodia with aim to 'urge government to reconsider its current course'." Phnom Penh Post. <https://www.phnompenhpost.com/national/us-cuts-aid-cambodia-aim-urge-government-reconsider-its-current-course>.

military access to the Ream Naval Base, eventually going on to demolish a US-funded facility in the same base the following year.¹¹ This raised alarms in Washington where such moves were interpreted as the start of a wider fall into China's orbit.

Under the Biden administration, the US continued to impose sanctions on Cambodian officials. In the same year as Biden's inauguration, the US also cut aid to the Prey Lang Wildlife Sanctuary, citing Cambodia's failure to protect the area from illegal logging.¹² However, in 2022, the US shifted to a more diplomatic approach by co-hosting the US-ASEAN Special Summit in Washington, D.C., alongside Cambodia. This summit aimed to reset relations and strengthen regional security ties, highlighting Washington's desire to remain engaged with Cambodia despite ongoing tensions.¹³ 2023 saw a change in attitude, with the US allocating \$18 million in development aid to Cambodia following the country's July elections, indicating a potential softening of its punitive stance in exchange for more positive engagement.¹⁴ Despite this, tensions persisted as Chinese warships continued to dock at Ream Naval Base, an ongoing point of contention for Washington. Earlier this year, the US Secretary of Defense Lloyd Austin met with PM Manet to address these concerns directly.¹⁵ At the same time, the US continued to impose sanctions, this time on a prominent Cambodian tycoon over allegations of human trafficking and forced labor.¹⁶ Neither Republican nor Democratic administrations have shown restraint when it comes to imposing sanctions through the Global Magnitsky Act. Since its inception, multiple Cambodian tycoons and military officials have been sanctioned for their alleged involvement in human

rights violations. The US will continue to use this "politically motivated" tool as it sees fit. No matter which party wins.

Conclusion

The Cambodia-US relationship illustrates a classic example of the carrot-and-stick approach in international relations. On one hand, the US has used sanctions and aid cuts to police Cambodia over issues it deems problematic and a threat to its national security, namely human rights abuses, democratic backsliding, and its growing alignment with China. On the other hand, Washington has continued to offer avenues for engagement through trade, summits, and renewed development aid. As Cambodia continues to deepen its ties with China, the US remains cautious yet open to maintaining trade and security cooperation in areas that align with its broader Indo-Pacific strategy. Ultimately though, the outcome of the 2024 US election is unlikely to drastically shift the bilateral relationship due to established economic interdependence and the consistent geopolitical strategies pursued by both parties in the US.

11 Page, Jeremy, Gordon Lubold, and Rob Taylor. 2019. "Deal for Naval Outpost in Cambodia Furthers China's Quest for Military Network." *The Wall Street Journal*. <https://www.wsj.com/articles/secret-deal-for-chinese-naval-outpost-in-cambodia-raises-u-s-fears-of-beijings-ambitions-11563732482>.

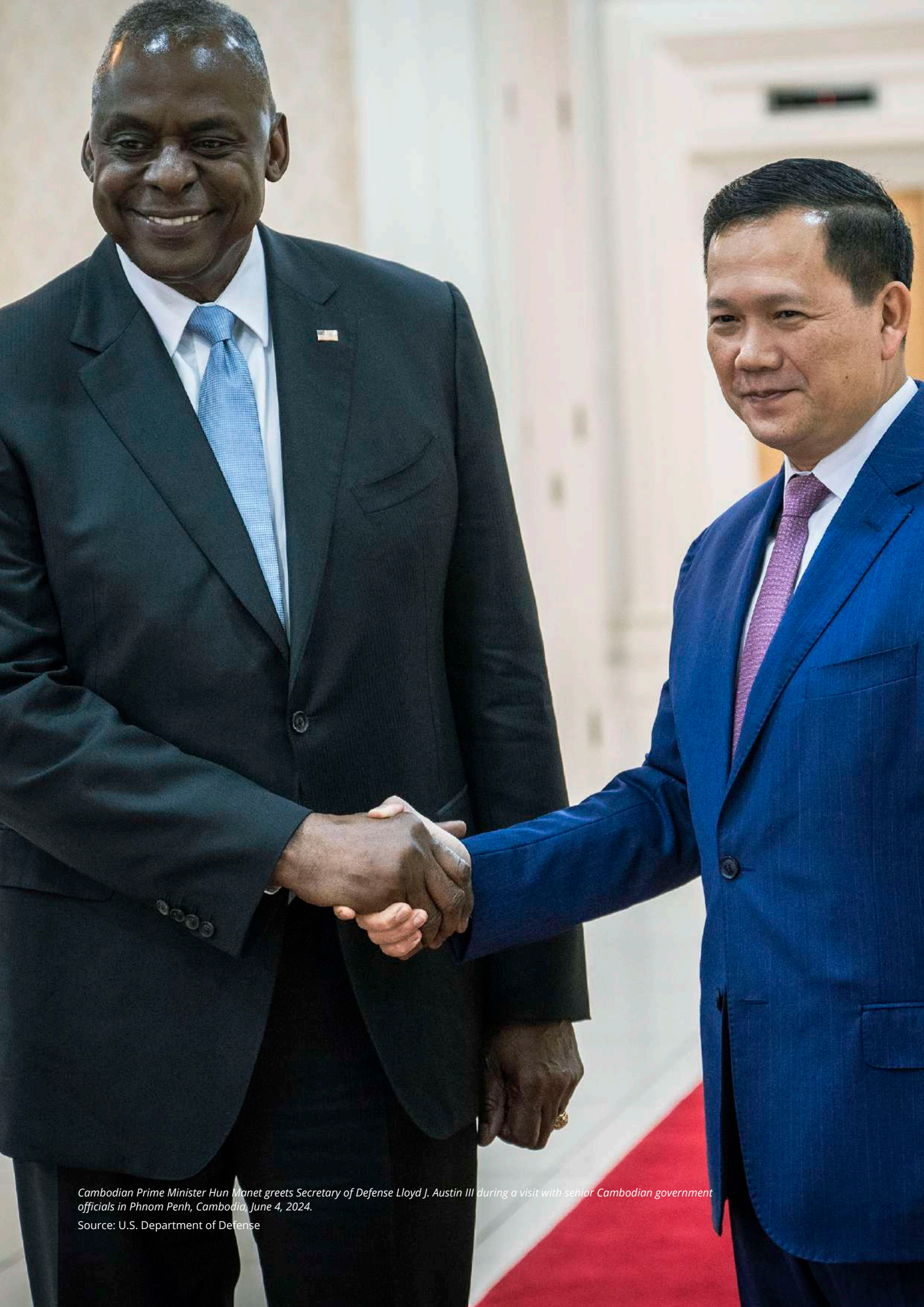
12 Ganow, Thomas. 2021. "US Cuts Funding to Cambodia's Prey Lang Forest, Citing Government Failure to Protect the Land." *Radio Free Asia*. <https://www.rfa.org/english/news/cambodia/funding-06172021175122.html>.

13 Rim, Sokvy. 2022. "What are the Implications of the US-ASEAN Summit for Cambodia-US Relations?" *The Diplomat*. <https://thediplomat.com/2022/05/what-are-the-implications-of-the-us-asean-summit-for-cambodia-us-relations/>.

14 Chheng, Niem. 2023. "US resumes aid, commits to strengthening ties." *Phnom Penh Post*. <https://www.phnompenhpost.com/national-politics/us-resumes-aid-commits-strengthening-ties>.

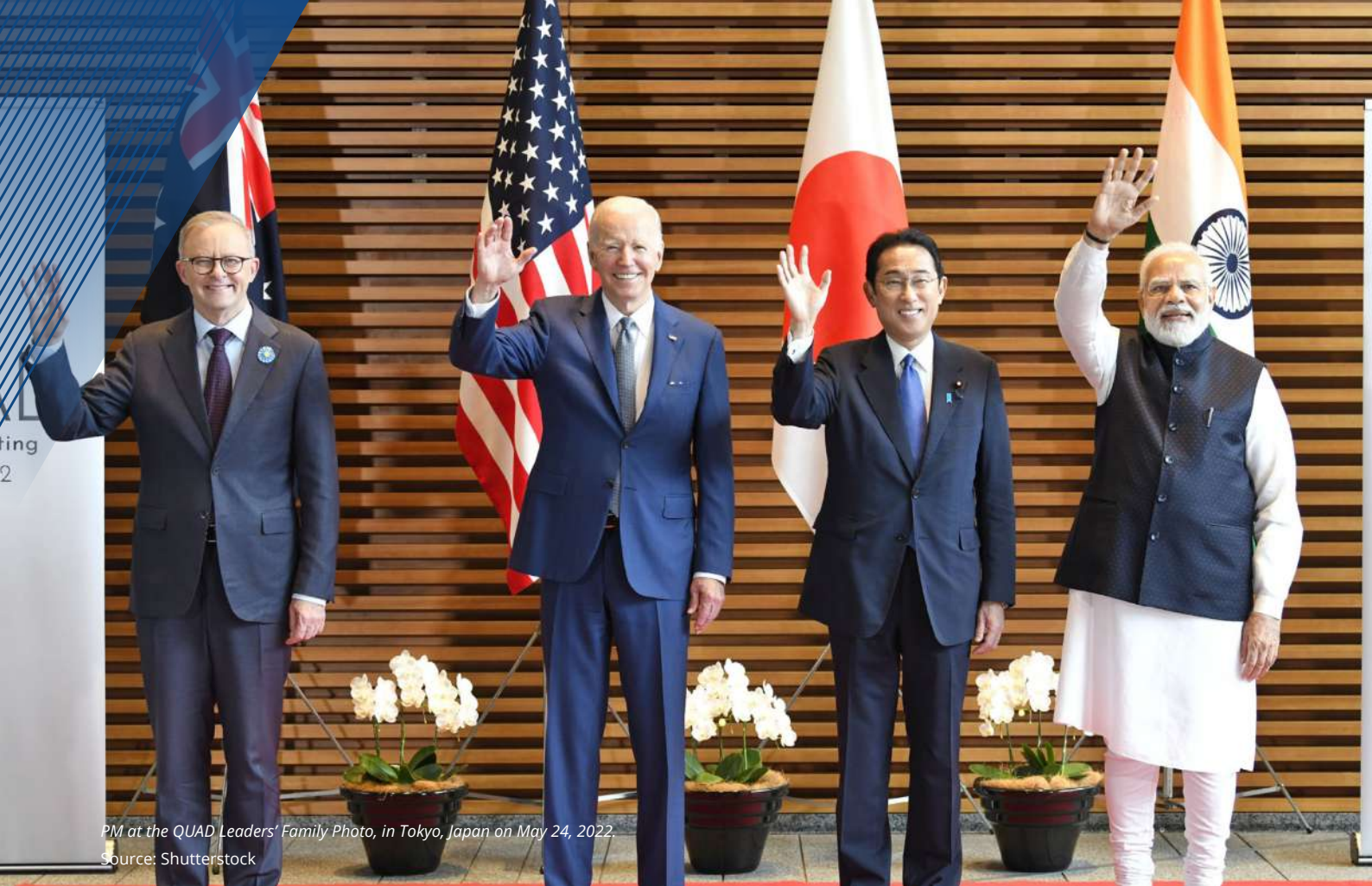
15 Boccia, Chris. 2024. "Austin expresses concern over Cambodia's growing relationship with China." *ABC News*. <https://abcnews.go.com/International/austin-expresses-concern-cambodias-growing-relationship-china/story?id=110833730>.

16 U.S. Department of the Treasury. 2024. "Treasury Sanctions Cambodian Tycoon and Businesses Linked to Human Trafficking and Forced Labor in Furtherance of Cyber and Virtual Currency Scams." U.S. Department of the Treasury. <https://home.treasury.gov/news/press-releases/jy2576>.



Cambodian Prime Minister Hun Manet greets Secretary of Defense Lloyd J. Austin III during a visit with senior Cambodian government officials in Phnom Penh, Cambodia, June 4, 2024.

Source: U.S. Department of Defense



PM at the QUAD Leaders' Family Photo, in Tokyo, Japan on May 24, 2022.

Source: Shutterstock

PERSPECTIVES

SECURITY MINILATERALISM IN THE INDO-PACIFIC: WILL THE QUAD AND THE SQUAD SERVE AS THE KEY TO REGIONAL STABILITY?

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Introduction

Recent political-security developments in the Indo-Pacific region highlight escalating US-China competition, with flashpoints such as the South China Sea (SCS) and Taiwan Strait remaining pivotal. China's militarization and its influence, especially in the SCS, is countered by several US-led partnerships, such as the Quadrilateral Security Dialogue (aka Quad), a grouping of Australia, India, Japan, and the United States with the aim of maintaining closer diplomatic and military cooperation. Meanwhile, the Indo-Pacific region will undoubtedly become the most dynamic region in the world over the next decade in terms of both emerging opportunities and challenges. This region is a strategic hub for critical global trade routes, meaning it carries significant economic importance and is a hotspot for major power competition¹. The complexity of the Indo-Pacific's military, economic, and security dynamics poses nuanced challenges in terms of regional stability.

This article will discuss whether the Quad and the newly established "Squad" really serve to promote regional stability in relation to security dynamics and the balance of power in the Indo-Pacific region. Thus, this paper will highlight (1) updates regarding the Quad's effectiveness in stabilizing the Indo-Pacific and (2) the emergence of the Squad and its implications for ASEAN.

Is the Quad a strategic stabilizer in the Indo-Pacific region? Driven by a like-minded purpose, the Quad undoubtedly served as a useful diplomatic and security forum for leaders to address regional challenges. However, it is also portrayed as a mechanism to address China's increasing assertiveness, particularly in regards to maritime competition, economic expansion and infrastructure development². Recently, at the Quad Summit 2024, leaders touched upon several non-traditional security challenges on top of the ongoing debate concerning traditional security issues. The summit resulted in the Wilmington Declaration Joint Statement in which leaders emphasized strengthening their cooperation in response to various non-traditional security issues,³

including climate change, critical and emerging technologies, cybersecurity, health security, infrastructure development, and space exploration. The two most notable developments from the resulting working groups included the Quad Cancer Moonshot, focusing on combating cancer, and the planning of the Quad-at-Sea Ship Observer Mission in 2025, an initiative aimed at enhancing interoperability between the US Coast Guard, Japan Coast Guard, Australian Border Force and Indian Coast Guard⁴.

On the other hand, the alliance also has the strategic objective of countering China's growing influence in the region. For instance, joint military exercises, such as the annual Malabar exercises, highlight a united front and interoperability between the militaries of member states⁵. Additionally, Quad members have increased their maritime domain awareness capabilities and fostered greater cooperation in cybersecurity, space, and technology. The Quad also counters China's growing economic influence by offering additional options to the Asian superpower's flagship Belt and Road Initiative (BRI). For example, the Quad Infrastructure Coordination Group launched in 2022 involves member countries working together to sponsor and build sustainable infrastructure projects across the Indo-Pacific.⁶ The group allocates support for countries that are taking on unsustainable levels of debt through Chinese loans, providing additional choice in terms of development initiatives and partnerships.

But while Quad members may share the commitment of addressing regional issues, the alliance has struggled to find common ground on certain points. One of the main limitations in this respect would be an internal divide regarding India not sharing the same vision as the US or Japan in adopting a hard power approach⁷.

1 Kai He and Huiyun Feng, "Navigating international order transition in the Indo-Pacific," *The Pacific Review* 36, no. 2 (2023): 228.

2 Rishi Gupta, "Quad Foreign Ministers' Meeting Has a Strong Message for China," *the Diplomat*, August, 02, 2024, <https://thediplomat.com/2024/08/quad-foreign-ministers-meeting-has-a-strong-message-for-china/> (accessed October 25, 2024).

3 "The Wilmington Declaration Joint Statement from the Leaders of Australia, India, Japan, and the United States," *The White House*, September 21, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/09/21/the-wilmington-declaration-joint-statement-from-the-leaders-of-australia-india-japan-and-the-united-states/>.

4 *Ibid.*

5 Dr Ashok Sharma, "The Malabar Exercise Bolsters Quad Group amid Growing Strategic Challenge in the Indo-Pacific," *Australian Institute of International Affairs*, September 1, 2023, <https://www.internationalaffairs.org.au/australianoutlook/the-malabar-exercise-bolsters-quad-group-amid-growing-strategic-challenge-in-the-indo-pacific/> (accessed October 10, 2024).

6 "Fact Sheet: Quad Leaders' Tokyo Summit 2022," *The White House*, May 24, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/fact-sheet-quad-leaders-tokyo-summit-2022/>.

7 Derek Grossman, "The Once Wobbly Quad is Here to Stay," *Foreign Policy*, October 10, 2024, <https://foreignpolicy.com/2024/10/10/quad-india-us-japan-australia-security-geopolitics-indo-pacific/#fn:2> (accessed October 15, 2024).



Secretary Galvez, Minister Hamada, and DPM Marles, and Secretary of Defense Lloyd J. Austin III
Source: @SecDef

The Emergence of the Squad and Its Implications for ASEAN

In May 2024, the introduction of the Squad had a disruptive effect in the Indo-Pacific security realm, especially for ASEAN. The newly established alliance triggered yet another debate on the ongoing global superpower struggle for supremacy in the region.⁸ India's hesitation to move towards a more hard power based stance is partly made up for by the Philippines' admission to this minilateral alliance.⁹ It seems likely that Australia, in line with the US's wider regional objectives, will work closely with the Philippines to bolster the latter's naval defence capacities, helping to prepare the Island nation for potential future conflict with its larger neighbour in the South China Sea.¹⁰

8 Lucas Myers, "The Squad and the Quad," Wilson Center. May 14, 2024, <https://www.wilsoncenter.org/blog-post/squad-and-quad> (accessed October 15, 2024).

9 Oorja Tapan, "The Squad: Adding an 'S' for Security," The Diplomat. May 11, 2024, <https://thediplomat.com/2024/05/the-squad-adding-an-s-for-security/> (accessed October 15, 2024).

10 Ken Moriyasu, "Philippines first, India later, as U.S. prioritizes "Squad" allies," Nikkei Asia. May 8, 2024, <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/Philippines-first-India-later-as-U.S.-prioritizes-Squad-allies> (accessed October 15, 2024).

However, the rise of this informal grouping poses two main challenges for ASEAN. First, it serves as a mechanism for the US, the Philippines, Australia and Japan to counter China's aggressive behaviour in the SCS and Taiwan Strait in a more coordinated fashion. The US and the Philippines have recently resumed the Enhanced Defence Cooperation Agreement (EDCA), first signed in 2014¹¹, which grants the US army the right to build and operate military facilities on Filipino soil. Furthermore, recent developments in defence capability investment from the US enhance the Philippines' ability to contain China's growing aggression in the region¹². Although the Philippines was the only ASEAN nation to join the Squad, the informal alliance's agenda to counter Chinese assertiveness could bifurcate ASEAN centrality. The choice to join the squad highlights Manila's bias towards the US and its allies. This in turn has the effect of raising tensions in the South China Sea and Taiwan Strait by provoking Beijing.

11 Leilani Chavez, "What's next for the US-Philippines basing agreement?," Defense News. February 5, 2024, <https://www.defensenews.com/global/asia-pacific/2024/02/05/whats-next-for-the-us-philippines-basing-agreement/> (accessed October 15, 2024).

12 Ramon Royandoyan, "U.S. to boost Philippine defense capability with \$500m investment," Nikkei Asia. July 30, 2024, <https://asia.nikkei.com/Politics/Defense/U.S.-to-boost-Philippine-defense-capability-with-500m-investment> (accessed October 15, 2024).



Second, there is a potential spillover effect of growing unilateralism in ASEAN which, at a certain level, will harm ASEAN Centrality. For instance, the recently proposed 'Asian NATO' plan of the newly elected Japanese Prime Minister, Shigeru Ishiba, demonstrates a worst case scenario for when security alliances spill over and cause negative consequences in the region. Adopting the NATO model poses significant risks to Asian security by promoting the use of force. This narrative appears to directly provoke China and encourages hard power responses, which may threaten smaller states in the region. Furthermore, the concept of an Asian NATO seeks to consolidate various regional security frameworks, such as the US-Japan and US-South Korea alliances. However, aligning these different security agreements to ensure regional stability is unfeasible and will likely result in a complex security landscape. However, the idea was met with controversial debate among leaders across the region concerning its zero-sum approach, possibly leading to a fragile security landscape¹³. Although the idea has been paused as of now, the Squad should be closely monitored,

especially in regards to how it operates in sensitive areas such as the South/East China Sea and the Taiwan Strait.

Conclusion

Indo-Pacific regional stability is heavily influenced by unilateral security alliances such as the Quad. The Quad cannot serve as the key to regional stability because it cannot cover the whole security agenda in the region. However, it does provide several important mechanisms to address pressing issues including climate change, cybersecurity, global health challenges...etc. However, it needs greater common sense from all members in order to achieve common growth rather than provoking China. Despite the above-mentioned limitations, the Quad will likely evolve into a more strategic platform fostering closer coordination on emerging common threats like cyber security and climate change. The hope is that Squad's emergence does not constitute the start of a new era of unilateralism that has negative spillover effects such as the disruption of ASEAN centrality and the further escalation of tensions between competing superpowers and their allies in the region.

¹³ Cai Hong, "Ishiba drops Asian NATO plans for now," China Daily, October 16, 2024, <https://global.chinadaily.com.cn/a/202410/16/WS670f1dc1a310f1265a1c7d89.html> (accessed November 1, 2024).



PM Hun Manet Presides Over the Celebration of the 25th Anniversary of the Establishment of the Army Command at the Army Headquarters
Source: FreshNewsAsia

HIGHLIGHT

EVOLVING POWER DYNAMICS: CIVIL-MILITARY RELATIONS IN CAMBODIA - FROM HISTORICAL SHIFTS TO CONTEMPORARY CHALLENGES

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Formally established in 1993, the Royal Cambodian Armed Forces (RCAF) was created through the merger of government troops, the Khmer Rouge, and various resistance and royalist groups after decades of conflict. Since then, the RCAF has not only fulfilled a security role, but has also aligned itself with the ruling Cambodian People's Party (CPP), playing a key part in maintaining the country's political stability. Given this history, some Cambodians, particularly older generations, may remain wary of the military, having witnessed its role in past conflicts and its impact on civilians. In contrast, younger generations, who have grown up during a period of relative peace, tend to view the military primarily as peacekeepers and defenders of Cambodia's sovereignty, especially during the border dispute with Thailand from 2008 to 2011.

As Cambodia transitioned from a period of conflict to peace in the 1990s, civil-military relations were shaped primarily by the personal politics of the then-Prime Minister Hun Sen, who held the discretionary power to appoint loyalists to key positions within the RCAF. While this established de facto civilian control, it fell short of true democratic civilian oversight, which would have required greater transparency and competition in such appointments. Forces loyal to Hun Sen played a critical role in consolidating his power, most notably during the 1997 ousting of his coalition partner.

Since then, the military's relationship with society has continued to be mediated by its close ties to political power, further cemented by personal relationships and marriages between the families of key political and military figures. This dynamic tends to erode public trust in the military's political neutrality. That said, the military's swift and effective response to the COVID-19 pandemic, led by Hun Manet, further shaped public perceptions, positively reinforcing its role in national security and crisis management.

In post-authoritarian democracies, the fusion of political and military interests hinders the extent of security sector reforms. International donors, while critical of Cambodia's slow progress on security reforms, have often chosen not to strictly enforce aid conditions, driven by a desire to prevent the country's failure after it emerged from decades of conflict. Today, some members of Cambodia's military and diplomatic elite consider the armed forces to have made progress when it comes to so-called "professionalising", referring to the creation of a clear divide between the civilian and military spheres. That said, one analyst deems the process of Security Sector Reform (SSR) to have been

"relatively minimal" including patchy civilian control.¹ For reforms to be effective, oversight bodies such as the judiciary and National Assembly require greater attention.² A lack of robust civilian authority, a fundamental component of military professionalism, has serious ramifications for democratic accountability and curbing the power of any military force.

In addition to its influence in the political sphere, the RCAF has become further integrated into Cambodia's economy through land ownership, business ventures, and control over key natural resources. The military's involvement in sectors such as agriculture, construction, and logging has created a network of economic interests that extends beyond its traditional security role.³ This economic power strengthens the military's political leverage and reinforces its alignment with the ruling CPP. Such economic entanglements risk undermining transparency and accountability, further complicating the relationship between the military and Cambodian society.⁴ One solution is to promote reform policies that attract backing from a more diverse array of social groups, both conservative and progressive, particularly when framed in nationalistic, moral or religious terms.⁵

Foreign partners have also influenced Cambodia's civil-military relations. Multilateral exercises have strengthened Cambodia's capacity for humanitarian assistance and disaster relief, with Cambodia, Laos, and Vietnam using defence diplomacy to foster cooperation and goodwill between their nations.⁶ However, it remains uncertain

1 Pou, Sothirak. "Security Sector Reform and the Peace Building Process in Cambodia," Manila: DCAF - Geneva Centre for Security Sector Governance, 2014. https://www.dcaf.ch/sites/default/files/imce/APU/CountryBriefingNote_Cambodia.pdf, p. 5.

2 Pou, "Security Sector Reform and the Peace Building Process in Cambodia.", pp. 2-3.

3 Milne, Sarah. "Cambodia's Unofficial Regime of Extraction: Illicit Logging in the Shadow of Transnational Governance and Investment." *Critical Asian Studies* 47, no. 2 (April 3, 2015): 200-228; Loughlin, Neil, and Sarah Milne. "After the Grab? Land Control and Regime Survival in Cambodia since 2012." *Journal of Contemporary Asia* 51, no. 3 (May 27, 2021): 375-97.

4 Chambers, Paul. "Khaki Clientelism: The Political Economy of Cambodia's Security Forces." In *Khaki Capital: The Political Economy of the Military in Southeast Asia*, edited by Paul Chambers and Napisa Waitookiat, 161-217. 61. Copenhagen: NIAS Press, 2017, pp. 177, 198.

5 Baker, Jacqui, and Sarah Milne. "Cambodia's Anti-Corruption Regime 2008-2018: A Critical Political Economy Approach." Bergen: U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute, January 3, 2019. <https://www.u4.no/publications/cambodias-anti-corruption-regime-2008-2018-a-critical-political-economy-approach;>, 39.

6 Niem, Chheng. "Cambodia, Laos, Vietnam to Conduct Joint Military Exercises in November." *The Phnom Penh Post*, September 16, 2024. <https://www.phnompenhpost.com/national/cambodia-laos-vietnam-to-conduct-joint-military-exercises-in-november>.

whether these initiatives will be perceived positively by grassroots communities. Recently, the US and Cambodia have renewed their defence ties, exploring areas for cooperation focused on disaster relief, peacekeeping, unexploded ordnance clearance, and professional military education (PME).⁷ Through PME programs abroad, the RCAF officers will have the opportunity to engage in discussions on topics such as civil-military relations, budget transparency, and capability development. While strategic interests drive this renewed bilateral cooperation, the promotion of best practices in the RCAF could benefit Cambodian society, particularly in areas where greater accountability is needed.

Looking ahead, recruitment will play a pivotal role in shaping the RCAF's relationship with society. Earlier this year, Prime

Minister Hun Manet announced that the RCAF would prioritise recruiting the children of veterans, with 50 to 60% of new positions potentially reserved for them, offering a pathway to stable employment.⁸ However, questions remain about whether these recruits would receive preferential treatment in stationing and assignments, which could further incentivise this career path. That said, the RCAF's high-profile peacekeeping missions and the prime minister's military background provide a solid foundation for attracting young Cambodians to careers in uniform. In the past, remote areas suffered from troop shortages, since veterans' children tended to remain in urban centres, where promotion opportunities were more abundant.⁹

7 Ry, Sochan. "Kingdom, US Consider Resumption of Military Cooperation ." *The Phnom Penh Post*, June 5, 2024. <https://www.phnompenhpost.com/national/kingdom-us-consider-resumption-of-military-cooperation>.

8 Ry, Sochan. "Manet: Priority to Be given to Veterans' Children in Recruiting Troops." *The Phnom Penh Post*, June 26, 2024. <https://www.phnompenhpost.com/national/manet-priority-to-be-given-to-veterans-children-in-recruiting-troops>.

9 Ibid.



Military vehicles are exhibited during an event marking the 20th anniversary of the Royal Cambodian Army in Phnom Penh.

Source: Alamy

Evolving Power Dynamics: Civil-Military Relations in Cambodia - from Historical Shifts to Contemporary Challenges

Ensuring greater transparency in recruitment processes and equitable duty assignments would help foster greater public trust in the military.

Lastly, the RCAF's increased contributions and push for women in United Nations peacekeeping missions provide an opportunity to renegotiate the military's standing in the public eye. As of August 2024, Cambodia has deployed 613 personnel on five UN missions, the third largest Southeast Asian contributor after Indonesia and Malaysia with 126 serving women.¹⁰ While the Kingdom's participation in peacekeeping is a source of pride, some older Cambodians are reluctant to send their children to war zones having lived through recent decades of conflict.¹¹ The casualties sustained among Cambodia's peacekeeping forces draws

attention to the human cost of the country's contribution to global peace. Thus far, 15 personnel have died on UN missions, the latest of which was Lieutenant Colonel Phoeuk Chivorn in Mali in February 2023.¹²

Cambodia's civil-military relations continue to evolve under Prime Minister Hun Manet, a West Point graduate and former army commander. The military, deeply integrated into the political and economic spheres, plays a significant role in governance, particularly through its support for the ruling CPP and economic ventures. The long-term implications of civil-military relations in Cambodia could influence the trajectory of its political future, as the military's ties with the ruling party may hinder democratic reforms and accountability.

10 United Nations Peacekeeping. "Troop and Police Contributors," August 31, 2024. <https://peacekeeping.un.org/en/troop-and-police-contributors>.

11 Interviews conducted in June and July 2024.

12 Chheng, Niem. "Fallen Cambodian Peacekeeper to Be Honoured by UN ." *The Phnom Penh Post*, May 28, 2024. <https://www.phnompenhpost.com/national/fallen-cambodian-peacekeeper-to-be-honoured-by-un>.



អង្គការសហប្រជាជាតិ
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ព្រះរាជាណាចក្រកម្ពុជា
KINGDOM OF CAMBODIA
ROYAUME DU CAMBODGE



The Supreme Court Chamber at the opening of the second day of the Appeal Hearing in Case 001 on 29 March 2011
Source: ECCC

HIGHLIGHT

KHMER ROUGE TRIBUNAL'S TAKEAWAYS FOR AN INCREASINGLY INSECURE WORLD

Chhengpor Aun

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Future Forum

While the Extraordinary Chamber in the Court of Cambodia, also known as ECCC or the Khmer Rouge tribunal, inches closer to its end, war and violence from various conflict hotspots continues to rage worldwide. From the Russian invasion of Ukraine to the ongoing conflicts in the Middle East and Africa as well as the civil war in Myanmar, civilian death and suffering of those caught in the crossfire is coupled with emerging evidence of disregard for human life and reported violation of international laws on armed conflict and civilian protection. Against this backdrop, broader discussion and greater action are needed to reflect from past conflicts and atrocities alike, something for which Cambodia and its war crime tribunal have important lessons to share.

Since 2006, the ECCC has been tasked with trying the highest-ranking and most responsible Khmer Rouge leaders for the crimes committed during their rule of Cambodia between April 1975 and January 1979.¹ The court has officially completed its work on two major cases, trying five former senior Khmer Rouge officials (convicting three of them). Former Foreign Minister Ieng Sary died in 2013 while defending himself against a series of war crime charges. His wife, former Social Affairs Minister Ieng Thirith, was released in 2012 after being declared mentally unfit to stand trial. She died three years later.

The court delivered a life sentence against former Chief of the Khmer Rouge's Security Prison 2,1 Kaing Guek Eav, also known as Duch, for his role at the concentration camp and torture chamber that killed at least 12,273 people.² In 2018, former President of the Khmer Rouge's State Presidium, Khieu Samphan, was convicted alongside former President of the Kampuchean People's Representative Assembly Nuon Chea in Case 002 to life in prison. Nuon Chea died in detention in 2019 while appealing the sentence. Khieu Samphan lost the appeal in 2022 and is the only surviving senior Khmer Rouge leader to serve his sentence to date.

Space, Time, and Money

One of the most significant experiences from the Khmer Rouge Tribunal is that it took nearly three decades following the Khmer Rouge's collapse for a court process to officially commence. The establishment of the court could only take

place with the dethronement of the regime, international effort to bring an end to Cambodian conflict, and the eventual defeat and surrender of the remaining Khmer Rouge insurgency in the 1990s. The United Nations and the Royal Government of Cambodia (RGC) spent years negotiating and engaging in political bargains in the years leading up to the ECCC establishment. It started with simple questions like whether arresting the powerless former leaders of the Khmer Rouge would risk returning the country back into armed conflict and who should have been named as suspects in a post conflict country where perpetrators and survivors were forced to live side by side.

In this context, a delayed justice is not entirely injustice. One shall not discount the achievement of the court to a mere late delivery. The court's very existence and deliverables provided a partial closure to a dark chapter in Cambodian history, setting an unprecedented national example to both the country's governance and judiciary. One cannot be fully satisfied to perfection in this context, but what the ECCC has taught us is that some actions – pragmatic and flexible – need to be taken rather than an all-or-nothing approach.

Another takeaway from the Khmer Rouge tribunal is that justice can be extremely expensive. International donors and the RGC have spent a total of \$343 million on the court proceedings, according to the ECCC as of August 31, 2024.³ At times, the court has faced financial issues, leading to protests and strikes by its employees. Such controversies severely affect the court's public image and credibility. While an ordinary global criminal justice institution like the International Criminal Court has its own funding regime, a separate global fund could be considered to reserve a budget for extraordinary procedures like those of the ECCC in the future.

Documentation as Justice

The process and verdicts aside, one of the ECCC's biggest accomplishments rests with its own documentation and archives. The court claims to have compiled more than 2.4 million pages of evidence, testimony, resolutions, and other types of textual materials.⁴ This is both historic and remarkable for a country that is not very familiar with documentation. While all surviving individuals and families

1 Royal Government of Cambodia, Law on the Establishment of the Extraordinary Chambers, with inclusion of amendments as promulgated on 27 October 2004, 27 October 2004, NS/RKM/1004/006, Extraordinary Chambers in the Courts of Cambodia, https://www.eccc.gov.kh/sites/default/files/legal-documents/KR_Law_as_amended_27_Oct_2004_Eng.pdf

2 The Revised S-21 Prisoner List. [E3/342]. Extraordinary Chambers in the Courts of Cambodia. February 10, 2016. https://www.eccc.gov.kh/sites/default/files/case-related-documents/E3_342_KH_EN.PDF

3 Extraordinary Chambers in the Courts of Cambodia. (2024, August 31). Summary of Contributions To Date by Donors. <https://www.eccc.gov.kh/en/about-eccc/finances/summary-contributions-date-donors-31-august-2024>

4 Extraordinary Chambers in the Courts of Cambodia (ECCC). (2024, September 30). Quarterly Progress Report Data for April to June 2024. <http://www.eccc.gov.kh/en/node/39457>

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have their own unforgettable memories and horror experiences of living through the regime, such collective memories were not possible before the formation of the ECCC.

It is still an uphill challenge to investigate and document war crimes, genocide, and crimes against humanity. Collecting evidence of these types of crimes is as important as the prosecution itself. Not only by building facts for further prosecution but also by compiling a pool of resources for future researchers alike to scrutinize academically and scientifically.

Political Meddling: Inevitable?

Another key takeaway from the Khmer Rouge tribunal would be its reputation for alleged political interference. It was challenging for the ECCC to escape such meddling when its very founding was based on political bargaining and compromise between the RGC and the UN. It took years of negotiation to shape the court's structure, scope, jurisdiction, and funding. The RGC has often been criticized for alleged interference in the court process by limiting the proceedings to two cases against five high profile suspects, causing constant tension between the Cambodian and UN sides of the court. The RGC has been steadfastly not in favor of proceeding ECCC beyond the Case 002/02 against Nuon Chea and Khieu Samphan. To proceed beyond the top five former Khmer Rouge leaders in the two primary ECCC cases, RGC argued that it could jeopardize the country's relatively peaceful state.⁵

However, while political interference can sometimes be present in international criminal justice procedures, it should not discourage or derail the process altogether. Navigating difficult political dynamics is often necessary to accommodate different actors in order to ensure that some form of justice is delivered to a certain degree.

5 Un, Kheang. "The Khmer Rouge Tribunal: A Politically Compromised Search for Justice." *The Journal of Asian Studies* 72, no. 4 (2013): 783–92. <http://www.jstor.org/stable/43553227>.



Mr. NETH Pheaktra, chief of the Public Affairs Section and press officer is escorting Mr. Bou Meng, S21 suspect, following by other civil parties to the ECCC public gallery courtroom in order to join the Supreme Court for the pronouncement in case 002/02 against Khieu Samphan on 22 September 2022.

Source: ECCC/Nhet Sokheng



Survivor and the ECCC civil party
Chamber's appeal judgment

Rule of International Law

The ECCC's historic achievement lies in its role as an institution to enforce a rules-based international order concerning global criminal justice. It helps to end a culture of impunity. The argument is that it will act as a deterrent for future leaders both in Cambodia and elsewhere to refrain from or take all necessary measures to prevent a repetition of such crimes. Messages from the Khmer Rouge tribunal are clear and loud that, regardless how flawed it is, actions – and inaction – do have consequences and those in power must be held accountable and responsible for their actions later – if not sooner.

There are many challenges remaining regarding the enforcement of international criminal justice. The controversies surrounding ICC cases involving wars in Ukraine and the Middle East have pointed to difficulties and limits of the international criminal justice system. States invoke their respective national sovereignty to selectively decide whether or not they accept ICC jurisdiction. The global criminal justice architecture is not designed only to go after dictators, but should treat all people and cases equally with due process and impartiality.



General view at Funan Techo Canal construction site at Prek Takeo in Samrong Thom commune, Kean Svay district, Kandal province ahead of the official groundbreaking ceremony this morning.

Source: Kul Renny & Yim Sovathana

HIGHLIGHT

FUNAN TECHO CANAL: REVITALIZING CAMBODIA'S STANDING AMIDST A COMPLEX GEOPOLITICAL DYNAMIC

Sokcheata Khorn and Oussa Tip

Fellows

Adenauer Young Scholars for Excellence

The Funan Techo Canal, named after the ancient Funan Kingdom that thrived from the 1st to 6th century CE, symbolizes the reclamation of Cambodia's rich legacy and is seen by the country's leaders as a healing force for its historical wounds. China, the canal's prominent financial contributor (with China's CRBC holding 49%, and Cambodian companies holding 51%¹), stands as a notable benefactor of this historical project. In contrast, Vietnam² and the United States³ have refrained from expressing congratulatory sentiments, instead perceiving the development as a potential threat.

The project is anticipated to enhance economic development within Cambodia and reduce the country's dependence on Vietnam, a sentiment articulated by Hun Manet as "breathing through our own nose".⁴ Under a build-operate-transfer (BOT) contract, the Chinese corporation will recoup its expenses and generate profits from the project over the next 40-50 years.⁵ The canal will also provide China with significant advantages regarding its broader geopolitical objectives. While Cambodia and China are content with the mutual benefits of the canal, Vietnam has expressed concerns over its national security and economic interests, as the canal brings China closer to the Mekong region in terms of its soft power and diplomatic influence.⁶ Likewise, the United States shares Vietnam's concerns, driven primarily by the objective of containing China's assertiveness and expanding regional influence.

1 Boros Somheng, "Funan Techo Canal: A Vision for Cambodia's Economic Future," *The Better Cambodia*. August 5, 2024, <https://thebettercambodia.com/funan-techo-canal-a-vision-for-cambodias-economic-future/> (accessed August 22, 2024).

2 Juki Trinh, "Water Woes: Cambodia and Vietnam Clash Over the Funan Tech Canal," *The Interpreter*. May 29, 2024, <https://www.lowyinstitute.org/the-interpreter/water-woes-cambodia-vietnam-clash-over-funan-techo-canal> (accessed August 22, 2024).

3 Han Noy and Narin Sun, "US Calls for Transparency from Cambodia over China-backed Canal," *Voice of America*. April 20, 2024, <https://www.voanews.com/amp/7577833.html> (accessed August 22, 2024).

4 Richard S. Ehrlich, "Cambodia Getting a China-backed, Game Changing Canal," *Asia Times*. April 1, 2024, <https://asiatimes.com/2024/04/cambodia-getting-a-china-backed-game-changing-canal/> (accessed June 1, 2024).

5 Sokvy Rim, "BRI's Funan Techo Canal Could Steer Cambodia Away from Vietnam and Towards China," *Think China*. March 11, 2024, <https://www.thinkchina.sg/politics/bris-funan-techo-canal-could-steer-cambodia-away-vietnam-and-towards-china> (accessed August 22, 2024).

6 Nguyen Minh Quang and James Borton, "The Geopolitics of Cambodia's Funan Techo Canal," *The Diplomat*. August 7, 2024, <https://thediplomat.com/2024/08/the-geopolitics-of-cambodias-funan-techo-canal/> (accessed August 23, 2024).



Geopolitical Implications on Key Relevant States

Vietnam

For hundreds of years, the Mekong River has bound Cambodia and Vietnam together, but what connects these two countries is also the very thing that threatens to tear them apart. Cambodia relies greatly on Vietnamese ports for imports and exports; ports in the Cai Mep - Thi Vai area serve as a trans-shipment port for goods exported from Cambodia to international waters such as the US⁷ (for instance, in the first 6 months of 2024, exports from Cambodia to the US amounted to \$4.4 billion)⁸. Although both countries have benefited from its inland waterway transport route, Cambodia is unable to reap the full benefits of its trade because it is tied down by shipping fees from Vietnam. Cambodia does this because, currently, there is no inland waterway link to the kingdom to bypass its waterway route to Vietnam.

Cambodia's dependency on Vietnamese ports allows Vietnam to be a key player in its trade economy. If Vietnam cuts Cambodia's access to its ports off, then the latter would be subjected to an economic slowdown, as illustrated in 1994 when Vietnam did precisely this⁹. For the Cambodian government, this codependency on Vietnam serves as a central reason for the construction of the Funan Techo Canal.

When the project is completed, there will be a significant reduction in Vietnam's trade leverage over Cambodia, reducing transport costs by \$300 per container, a third of the current overall costs.¹⁰ In other words, Vietnam's hold on Cambodia's trade economy will be weakened.

The core of Vietnam's concerns over the new canal is the trans-boundary impacts the canal will have on its territory. What Vietnam is particularly worried about is the altering of the Mekong River flow and the prevention of water from

reaching areas in the Mekong Delta in the south of Vietnam, which would significantly affect its farmers in that region.¹¹ In addition to these concerns, the project will also heighten tension in Vietnam's geopolitics and maritime disputes between China in the South China Sea.

But first, let us put a few things into perspective: Cambodia's geography strongly positions the country as a strategic ally for China. It shares no borders and no territorial claims over the South China Sea. Furthermore, Cambodia is a member of ASEAN, a regional grouping whose main guiding principle rests on consensus. For decades, Vietnam has been seeking support from other nations regarding its territorial dispute with China in the South China Sea. What Vietnam could be worried about is the geopolitical implication of the canal as yet another testament to Cambodia and China's strong alliance that will impede its efforts to establish a legally binding Code of Conduct (COC) in the South China Sea in order to de-escalate tensions and protect its territories; and also for ASEAN to take a common stance in addressing sovereignty disputes in the region, a stance that is predicated on the principle of consensus. From Vietnam's perspective, China's substantial investment in Cambodia, most recently the \$1.7 billion Funan Techo Canal project, encourages the Kingdom to remain in China's good graces, causing Cambodia to be the Achilles heel in its endeavors to maintain its maritime borders against China.

China

For China, the Funan Techo Canal project is another Chinese investment in Cambodia amongst other grand infrastructure schemes, such as national highways, power transmission projects, hydropower plants, submarine fiber-optic systems, and deep-water ports. It represents an opportunity for the superpower to strengthen its strategic foothold in the region in the face of the US and its allies' growing presence.

The Mekong River serves as a vital connection between China and the five Mekong countries. China's geographical position at the river's upper reaches gives it a strategic advantage in influencing the Mekong.¹² As a result, the Mekong region has attracted tremendous attention from both regional and global powers. Countries such as the US, Japan, India, South Korea, and Australia have all launched

7 An, Thien. 2023. "About 20 million tons of goods through the Vietnam - Cambodia inland waterway." *VnEconomy*, May 26, 2023. About 20 million tons of goods through the Vietnam - Cambodia inland waterway - Vietnam & World Economic Life (vneconomy.vn).

8 Sreypich, Mao. 2024. "Cambodia-US Trade Volume Rises 3.9% in First Half of 2024." *Kiripost*, July 15, 2024. Cambodia-US Trade Volume Rises 3.9% in First Half of 2024 | Kiripost.

9 Chansambath, Bong. 2024. "Vietnam's geopolitical anxiety over Cambodia's Funan Techo Canal." *ThinkChina.sg*, April 24, 2024. Vietnam's geopolitical anxiety over Cambodia's Funan Techo Canal (thinkchina.sg).

10 Niem Chheng, "Experts Outline Benefits of Funan Techo Canal", *Phnom Penh Post*. April 25, 2024, <https://www.phnompenhpost.com/post-in-depth/experts-outline-benefits-of-funan-techo-canal> (accessed May 29, 2024).

11 Trinh, Juki. 2024. "Water woes: Cambodia and Vietnam clash over the Funan Techo Canal." *Lowy Institute*, May 29, 2024. Water woes: Cambodia and Vietnam clash over the Funan Techo Canal | Lowy Institute.

12 Le Hai Binh and To Minh Thu, "Why the Mekong Matters to ASEAN: A Perspective from Vietnam," *ISEAS - YUSOF ISHAK INSTITUTE*, no. 77 (2020): 2.

their own initiatives involving the Mekong countries. However, the US and Japan's initiatives play an influential role in challenging Chinese power and influence vis-a-vis the Lancang-Mekong Cooperation.

US engagement with the Mekong region can be traced back to the Cold War period due to its military presence in Vietnam. Yet after a brief period following the fall of the Soviet Union, we are now witnessing a resurgence of US political will to influence the region in an attempt to counter China's growing power. A key example of this would be the establishment of the Lower Mekong Initiative (LMI) in 2009. The LMI aims to enhance cooperation and the development of the Mekong countries in various sectors. The LMI was upgraded to the Mekong-US Partnership (MUSP) in 2020.¹³ Through its initiatives, the US is very vocal in criticizing China regarding the environmental harms of hydro dam construction on the upper Mekong River.¹⁴

Japan, likewise, has forged strong cooperative ties with the Mekong countries through its Mekong-Japan Cooperation framework. In 2018, Japan and the Mekong countries released the "Tokyo Strategy 2018 for Mekong-Japan Cooperation", which aims to achieve sustainable development goals in the Mekong region.¹⁵ As part of this strategy, the Green Mekong Forum was created, with the goal of placing a greater focus on environmental protection along the Mekong River. The environment is an issue that both Japan and the US use to increase their standing in the region and advance their geopolitical objectives, particularly to challenge China's growing power.¹⁶

In response, China initiated its own institution, the Lancang-Mekong Cooperation (LMC) in 2015. The LMC aims to enhance cooperation and promote development among the participating countries in various areas such as connectivity, infrastructure, trade, investment, agriculture,

water resources, and cultural exchanges.¹⁷ This is seen as China's institutional balancing strategy to reduce the influence of other initiatives in the region. Institutional balancing is defined as "collective actions by members of a security institution that aim to neutralize, or at least minimize the current and expected power differences between the hegemon or rising power that is situated outside the institution".¹⁸ However, China has yet to achieve its balancing objective, as most LMC members are unwilling to side with China exclusively. This is because they seek to engage all willing major powers in an attempt to maximize their chances of improving conditions along the Mekong.¹⁹

At a higher level of regional diplomacy, the Belt and Road Initiative (BRI) is another framework China uses to realize President Xi's proposed concepts of the 'China Dream' and 'National Rejuvenation'. It serves to enhance its economic integration with countries in this strategically important subregion. In the context of Southeast Asia, the region will continue to be a key investment priority for Beijing and a core focus of the Belt and Road Initiative (BRI) going forward.²⁰

China's ambitious 1.7-billion-dollar project in Cambodia is another prime example of how this Asian superpower is leveraging the BRI project to cement its regional dominance and undermine the influence of the US and its allies. By leading the construction of this important waterway connecting the Mekong River to the Gulf of Thailand, China could strengthen its economic and political ties with the Cambodian government. These stronger ties with Cambodia would allow Beijing to use the country as a powerful pawn in its ongoing struggle for supremacy in the South China Sea and the broader Indo-Pacific. Cambodia's dependence on Chinese financing and infrastructure development has transformed it into a loyal supporter of Beijing's "One-China" policy and a vocal advocate for the BRI agenda across ASEAN.²¹ Through this dynamic, China could counter the efforts of the US, Japan, and other major regional powers

13 Mekong-US Partnership, "About US-Mekong Partnership," <https://mekonguspartnership.org/about/#:-:text=Mekong-U.S.%20Partnership%20%282020-%29%3A%20The%20Mekong-U.S.%20Partnership%20builds%20on,and%20countering%20trafficking%20in%20people%2C%20drugs%2C%20and%20wildlife.> (accessed May 29, 2024).

14 Sovinda Po and Christopher B. Primiano, "Explaining China's Lancang-Mekong Cooperation as an Institutional Balancing Strategy: Dragon Guarding the Water," *Australian Journal of International Affairs* 75, no. 3 (2021): 328.

15 Ministry of Foreign Affairs of Japan, *Tokyo Strategy 2018 for Mekong-Japan Cooperation* (Japan: Ministry of Foreign Affairs of Japan, 2018), 1.

16 Xue Gong, "The Mekong Region is a Test of China's Global Development and Security Model," *Carnegie China*. December 1, 2023, <https://carnegieendowment.org/research/2023/12/the-mekong-region-is-a-test-of-chinas-global-development-and-security-model?lang=en> (accessed June 3, 2024).

17 Ibid.

18 Koga Kei, "ASEAN's Evolving Institutional Strategy: Managing Great Power Politics in South China Sea Disputes," *The Chinese Journal of International Politics* 11, no. 1 (2018): 54.

19 Po and Primiano, "Explaining China's Lancang-Mekong Cooperation as an Institutional Balancing Strategy: Dragon Guarding the Water," 328.

20 Amy Chew, "ASEAN to Stay Priority for China's BRI Investment Despite Slowdown," *Nikkei Asia*. September 21, 2023, <https://asia.nikkei.com/Spotlight/Belt-and-Road/ASEAN-to-stay-priority-for-China-s-BRI-investment-despite-slowdown> (accessed June 4, 2024)

21 Sovinda Po and Christopher B. Primiano, "An 'Ironclad Friend': Explaining Cambodia's Bandwagoning Policy towards China," *Journal of Current Southeast Asian Affairs* 39, no. 3 (2020): 4.



General view at Funan Techo Canal construction site at Prek Takeo in Samrong Thom commune, Kean Svay district, Kandal province ahead of the official groundbreaking ceremony this morning.

Source: Kul Renny & Yim Sovathana

who have attempted to challenge its Sino-centric vision for the region.

The US

Another country that shares Vietnam's concerns about the Funan Techo Canal is the US. As a superpower itself, it has its fingers in the pies of many other countries. But with China's emergence as a superpower in the last decade, the US now has a formidable rival that persistently demands its attention, especially in Southeast Asia and by extension Cambodia.

One way for the US to combat China's geopolitical influence in the region is to engage Cambodia, an emerging key Chinese ally, more so than before. However, in Southeast

Asia, the US loses to China in terms of overall influence as measured by the Asia Power Index.²² If we zoom into the region and look specifically at Cambodia, this can be observed to a great extent, especially in economic terms where China leads the US by 77-23.

This trend will most likely become more pronounced in the future as China continues to be a significant investor in Cambodia. Not only does the construction of the canal serve as a monumental testament to China's influence in the country, but also as an illustration of the relatively low

22 Susannah Patton and Jack Sato, "Asia Power Snapshot: China and the United States in Southeast Asia," Lowy Institute. April 20, 2023, <https://www.lowyinstitute.org/publications/asia-power-snapshot-china-united-states-southeast-asia> (accessed June 10, 2024)



influence of the US in Cambodia. The new waterway might induce the US to increase its level of collaboration with Cambodia to deter China's influence and put Cambodia in its favor, as demonstrated by US Defence Secretary Lloyd Austin's visit to Cambodia on the 4th of June. In other words, the project will further induce both superpowers to exert influence on the region, pulling Cambodia and more broadly Southeast Asia into one or the other's orbit.

Conclusion

The Funan Techo Canal wields great promises of providing Cambodia with its first direct waterway link, greater trade autonomy, and an influx of foreign direct investment - all of which will serve as a source of national pride for Cambodians.

Though the canal will harbor increased connectivity in the country, there is another sharp geopolitical edge that this grand project possesses in the larger Southeast Asia region, most notably towards Vietnam. Global superpowers like the US will want to engage more with Cambodia to reduce China's influence and power in the kingdom, Southeast Asia, and by extension, the South China Sea. Being roped into the grand scheme of US geopolitics is the last thing that the Royal Government of Cambodia (RGC) would want, as expressed by Hun Sen when Lloyd Austin visited him. Therefore, striking a delicate balance between the US and China without leading to friction in its relations with these two global superpowers will be a challenge that the RGC needs to face head-on.



Independence Monument in Phnom Penh
Source: Freepik

HIGHLIGHT

CHANGING AID LANDSCAPE AND ITS IMPLICATION FOR NGOS/CSOS IN CAMBODIA

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Introduction

“Sweden Phasing Out Development Aid to Cambodia, Spurring Anxiety”¹

This headline from Voices of America (VoA) came after the Swedish government announced their decision to phase out bilateral cooperation with Cambodia by the 31st of December 2024, as well as the closure of the Swedish section office in Phnom Penh on the 30th of September 2024.² The decision to end the bilateral development cooperation came amid the ongoing war in Ukraine, an event that has required Sweden to reprioritise its resources on the more pressing humanitarian crisis in Ukraine.³ However, the phasing out of development aid should not have come as a surprise given the current unstable global situation, including not only the ongoing war in Ukraine but also the Israel-Gaza conflict, stagnating global economic growth and other “critical issues like climate change, debt relief and food security”.⁴ These pressing global crises necessitate countries, especially donors, to allocate more resources to humanitarian emergencies⁵ and shift their attention away from Southeast Asia to other regions with higher strategic value, such as Europe, the Middle East, and Africa.⁶ Domestically, Cambodia is expected to graduate from the least developed country (LDC) status with the aim of becoming an upper-middle-income country by 2030⁷, making it little surprise

1 Sun, Narin, “Sweden Phasing out Development Aid to Cambodia, Spurring Anxiety”. VoA. February 15, 2024. <https://www.voanews.com/a/sweden-phasing-out-development-aid-to-cambodia-spurring-anxiety-/7489486.html>

2 Embassy of Sweden. “Development Cooperation.” <https://www.swedenabroad.se/en/about-sweden-non-swedish-citizens/cambodia/development-and-aid/>

3 Modeer Ulrika and Lemma Tsegaye, “Navigating the waters of global development: A shifting economic and aid landscape.” UNDP. February 19, 2024. <https://www.undp.org/blog/navigating-waters-global-development-shifting-economic-and-aid-landscape>

4 Modeer Ulrika and Lemma Tsegaye, “Navigating the waters of global development: A shifting economic and aid landscape.” UNDP. February 19, 2024. <https://www.undp.org/blog/navigating-waters-global-development-shifting-economic-and-aid-landscape>

5 United Nations. “Two years of war in Ukraine: about 40% of the Ukrainian population will need humanitarian aid by 2024.” February 23, 2024. <https://unric.org/en/two-years-of-war-in-ukraine-about-40-of-the-ukrainian-population-will-need-humanitarian-aid-by-2024/>; United Nations Human Rights. “Call for Action: Urgent Humanitarian Response for Gaza.” June 11, 2024. <https://www.ohchr.org/en/statements-and-speeches/2024/06/call-action-urgent-humanitarian-response-gaza>

6 Rosalia Sciortino, “The Failing Financing of Civil Society in Southeast Asia 1.” in *Routledge Handbook of Civil and Uncivil Society in Southeast Asia*, 1st ed. (Routledge, 2023), 20. <https://www.taylorfrancis.com/chapters/oa-edit/10.4324/9780367422080-12/failing-financing-civil-society-southeast-asia-1-rosalia-sciortino>

7 Him, Vatana. “Graduating from Least Developed Country Status: What is Next for Cambodia?” *Cambodianess*. May 2, 2024. <https://cambodianess.com/article/graduating-from-least-developed-country-status-what-is-next-for-cambodia>

that the country’s official development aid (ODA) is likely to shift from grants to loans.⁸

One key actor that will likely be most affected by this changing global aid architecture, primarily due to their high reliance on external donors as their primary funding sources, is Cambodian-based civil societies (CSOs)/local non-governmental organizations (LNGOs).⁹ The absence of Swedish development cooperation alone was estimated to affect the financial situation of over 30 organizations and multilateral institutions that rely directly or indirectly on such support.¹⁰ The core operations of those CSOs/LNGOs will be the most severely affected, as 64% of the CSOs that received funding from the Swedish International Development Agency (SIDA) considered it a core funding source.¹¹ With that said, the future of CSOs/LNGOs in Cambodia is volatile and in need of a reorientation towards other funding sources. This paper will thus look into the possible ways local CSOs/LNGOs can navigate through this paradigm shift as well as the role of relevant stakeholders in contributing to their ongoing sustainability.

Funding of the CSOs/LNGOs in Cambodia

Prior to the discussion on the possible scenarios and way forward for CSOs/LNGOs in Cambodia, it is essential to answer three main questions: (1) What are the current patterns regarding the funding landscape of CSOs/LNGOs in the country? (2) What are the risks associated? and (3) What are the challenges?

The current trend in terms of the funding landscape is characterized by heavy reliance on foreign donors, short-term funding, and dependence on a single or a few major funding sources.¹² The majority of CSOs/LNGOs operate with under USD 200,000 annually, primarily sourced through

8 Razzaque, Mohammad. *Graduation from LDC Status: Trade Preference and Development Financing Implications for Asia-Pacific Countries*. Bangkok: UNDP Regional Bureau for Asia and the Pacific, 2022. <https://www.undp.org/sites/g/files/zskgke326/files/2022-12/Graduation%20from%20LDC%20status%20trade%20preference%20and%20development%20financing%20implications%20for%20Asia-Pacific%20countries.pdf>

9 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024. https://www.ccc-cambodia.org/kh/download?file_id=5554&action=download&view_file_id=1714377638662f53a6d66359.28900089

10 Forumciv. “Letter to Swedish PM Ulf Kristersson from Cambodia organisations.” 2024. <https://www.forumciv.org/int/latest/letter-swedish-pm-ulf-kristersson-cambodian-organizations>

11 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.

12 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.



Huts in Rural Cambodia
Source: Freepik

foreign aid and grants due to limited domestic funding.¹³¹⁴ The scarcity of local funding raises significant challenges for many local organizations who are forced to compete for a fixed quantity of international resources with limited skills in writing proposals, monitoring and evaluation, report writing and other essential fund-raising necessities. The Report on CSO Funding Landscapes in Cambodia 2024 reveals that while 72% of local CSOs/LNGOs surveyed have secured their funding for the upcoming year, only 17% have obtained a financial commitment for up to five years, whereas the majority 49% only secured funding for one-year.¹⁵ This short-term focus limits the ability of CSOs/LNGOs to plan ahead and implement long-term activities effectively, putting the sustainability of the organization at constant risk. Furthermore, nearly 49.5% of surveyed organizations rely on a single donor for over fifty percent of their annual budget, highlighting their vulnerability to funding fluctuations and donor priorities. The phase-out of Swedish government aid therefore likely poses a significant impact on many of the CSOs/LNGOs who relied on its aid.

In addition to internal challenges regarding Cambodia's funding landscape, changing development priorities such as the recent worldwide pandemic and the current humanitarian crisis in many parts of the world continue to divert funds away from traditional development issues.

Changing Trends in the Aid Landscape

The international aid landscape has always been volatile due to its vulnerability to changing geopolitics, the global economy, and humanitarian emergencies.¹⁶ As a result, our current age of uncertainty has made the international aid landscape increasingly narrow for civil societies. To start with, global aid can be expected to decline as a result of modest global economic growth. For this reason, donor countries are less likely to provide grants and more likely to offer loans. This is supported by the fact that the proportion of grants in the total ODA from DAC donors has decreased from 72 to 61%, while loans increased from 20 to 28% between 2010 and 2019.¹⁷

Furthermore, despite the fact that overall ODA was reported at USD 200 billion in 2022, this figure was inflated by the inclusion of "in-donor refugee costs, imputed student costs, loans reported on grant equivalent terms, debt relief, and private sector instruments," all of which do not fulfill the main objectives of ODA.¹⁸ In 2022, the EU reported the allocation of 0.59% of its GNI to ODA. Yet according to Aidwatch (2023),¹⁹ of the EUR 84 billion in ODA reported, non-inflated bilateral ODA accounted for only 42.7%, with non-inflated multilateral ODA accounting for only 35%. This not only shows a decline in donor countries' commitment

13 USAID. *Civil Society Organization Sustainability Index for Cambodia*. 2021. <https://www.fhi360.org/wp-content/uploads/drupal/documents/csosi-asia-2021-report.pdf>

14 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.

15 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.

16 Rosalia Sciortino, "The Failing Financing of Civil Society in Southeast Asia 1." in *Routledge Handbook of Civil and Uncivil Society in Southeast Asia, 1st ed.* (Routledge, 2023), 20.

17 *ibid.*

18 CONCORD. *Aidwatch 2023: Bursting the ODA inflation bubble*. 2023. <https://reliefweb.int/report/world/aidwatch-2023-bursting-oda-inflation-bubble>

19 *ibid.*



to ODA, but also a shifting priority to focus on emergency humanitarian relief. Second, newly emerging multilateral funds that rely on the same donors could also mean that donor resources are spread thin and their interests are shifting away from bilateral ODA for development purposes. From 2022 to 2024 alone, two new funds were introduced - the Loss and Damage Fund (2023), intended to compensate countries experiencing climate-related shocks, and the Pandemic Fund (2022), intended to aid global pandemic prevention, preparedness, and national responses.²⁰ While this new multilateral funding could benefit CSOs/LNGOs that work on related issues, it also poses financial competition for CSOs/LNGOs that are not relevant to these specific issues, while it could also pressure them to change their core purposes in order to compete for the available funding.

Implications and Ways Forward for NGOs/CSOs in Cambodia

CSOs/LNGOs in Cambodia play a crucial role in reaching marginalized groups, supporting local communities in terms of “local needs and local social and political conditions”, and “supporting democratization and holding government leaders accountable.”²¹ Yet, their overreliance on foreign donors under the current increased geopolitical

20 Janeen Madan Keller, Clemence Landers and Nico Martinez. “The 2024-2025 Replenishment Traffic Jam: Are We Headed for a Pileup?,” Center for Global Development. https://www.cgdev.org/blog/2024-2025-replenishment-traffic-jam-are-we-headed-pileup?utm_source=20240213&utm_medium=cgd_email&utm_campaign=cgd_weekly

21 Christopher L. Pallas and Mark Sidel. “Foreign Aid Reduction and Local Civil Society: Recent Research and Policy Guidance for Donors and International NGOs,” Nonprofit Policy Forum 11, no. 1 (2020). <https://doi.org/10.1515/npf-2019-0045>

tension, declining aid, and the reprioritization of donor interests when it comes to development cooperation will undoubtedly affect the future sustainability of this key actor, thus hindering Cambodia’s social development in the long run.

The most obvious way for Cambodia’s CSOs/NGOs to continue their operations and maintain their activities is to diversify their funding sources and financial models, yet the ability to do this relies on their financial management capacity²², an open environment and a viable legal framework for CSO funding streams²³, as well as the facilitation of donors in supporting CSOs/LNGOs through the aid withdrawal process.²⁴

Below are some of the recommended funding models for CSOs/LNGOs to navigate through this uncertain and changing time.

1. Public-Social Partnership: State Financing of CSOs

As foreign donors phase out their development cooperation, the state becomes one of the new sources of funding for CSOs/LNGOs in Cambodia. While state financing of CSOs could take place in various forms, from direct budget support such as subsidies or grants to third-party payments, we believe that a public-social partnership involving contracting and service procurement is the most suitable funding model. The power dynamics between the public and

22 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.

23 Rosalia Sciortino, “The Failing Financing of Civil Society in Southeast Asia 1”, 2023.

24 Pallas and Sidel. “Foreign Aid Reduction and Local Civil Society: Recent Research and Policy Guidance for Donors and International NGOs,” 2020.

social sector would not be not a donor-donee relationship but rather would be between two contracting parties.²⁵ According to Sator (2010)²⁶, the purpose of this is for the state to entrust the delivery of concrete government service to CSOs/LNGOs due to their expertise and knowledge in specific sectors, their efficiency in delivering such services, and their close connections with local communities. Such public-social partnerships can be done through an open call for bids by the government, as seen in the *Call for technical service provider*²⁷ of the PEARL Project by the Ministry of Agriculture, Forestry, and Fisheries (MAFF), which invites technical LNGOs to bid as a service provider for the project.

Foreign donors can also play a role in promoting this public-social partnership when they are collaborating with the national government by adding ‘working with CSOs/LNGOs’ as a component of the programme/project. This will ensure continuous funding support for CSOs/LNGOs and preserving their ability to work as a service provider.²⁸

2. Private Funding of CSOs/LNGOs

Another potential strategy for Cambodia’s CSOs/LNGOs would be to build multiple funding sources while maintaining the independence of their operations. This could be done by engaging and partnering with the private sector through corporate social responsibilities (CSR). Although CSR has become a buzzword, the lack of specific CSR-related law or policy has resulted in limited cooperation between the private sector and CSOs/LNGOs in Cambodia.²⁹ Partnerships between the private sector and CSOs/LNGOs play a crucial role in driving sustainable development and promoting economic transformation. While businesses are looking to showcase responsible business practices and drive social innovation, CSOs/LNGOs, with their extensive local networks, can act as key players in supporting community

engagement.³⁰ Such partnership could be done in the form of corporate grant making.³¹

3. Individual funding for CSOs/LNGOs

The main purpose of CSOs/LNGOs is to act as a uniform voice for airing the concerns of local communities and citizens to the government, delivering public services when the government cannot, and monitoring the policies and accountability of the government.³² Thus, funding from the public, or crowdfunding,³³ is another possible financial income source for CSOs/LNGOs. It should be noted though that such funding can only make up a low percentage of the organizations’ core funding model, meaning it should serve as a complement to other public funding or private funding sources with the purpose of providing some extra flexibility in regarding their activities.³⁴ CSOs/LNGOs should evaluate individual donors in terms of five levels of potential long-term value (as shown below), with the idea of continuously engaging those individual donors to make them become more financially committed, thus moving from being “prospects” to at least “regular givers”. To do so, Cambodia’s CSOs/LNGOs should think beyond one time fund-raising acts that target larger audiences to also consider communication strategies that target individual donors to plan regular donations.³⁵

Pyramid of Individual Donors (Sator, 2010)



25 Balazs Sator. “International Practices on Funding Civil Society Organisations.” *OSCE PCU Project*. 2010. <https://www.osce.org/files/f/ documents/2/4/76889.pdf>

26 Sator. “International Practices on Funding Civil Society Organisations.” 2010.

27 Bongthom. Call for technical service provider (Firm, NGO, Private Sector) in Content Development Services for the Cambodia Agrometeorological Service and Agrometeorological Database System.” 2024. https://bongthom.com/job_detail/view_details_31864.html?preview=true

28 Pallas and Sidel. “Foreign Aid Reduction and Local Civil Society: Recent Research and Policy Guidance for Donors and International NGOs,” 2020.

29 Open Development Cambodia. “A half-day conversation: Corporate Social Responsibility (CSR) and stakeholder engagement.” 2024. <https://opendevelopmentcambodia.net/a-half-day-conversation-corporate-social-responsibility-csr-and-stakeholder-engagement/#:-:text=Cambodia%20doesn%27t%20have%20specific,legal%20obligations%20in%20these%20areas.>

30 Open Development Cambodia. “A half-day conversation: Corporate Social Responsibility (CSR) and stakeholder engagement.” 2024; Alfonso Medinilla and Karim Karaki. “CSO-business partnerships for development: Key insights.” *European Centre for Development Policy Management*, 2016. <https://ecdpm.org/application/files/5116/5546/8822/BN94-CSO-Business-Partnerships-Development-Key-Insights-Medinilla-Karaki-November-2016.pdf>

31 Sator. “International Practices on Funding Civil Society Organisations.” 2010.

32 The United Nations. “Civil Society: Who we are?.” 2024. <https://www.un.org/en/civil-society/page/about-us#:~:text=Task%2Doriented%20and%20driven%20by,participation%20at%20the%20community%20level.>

33 Cooperation Committee for Cambodia. *Report on CSO Funding Landscapes in Cambodia*. 2024.

34 Sator. “International Practices on Funding Civil Society Organisations.” 2010.

35 *ibid*.

- i. At the bottom are the people who have not yet given to the CSO but are potential givers, e.g. due to their place of living, age, gender, area of interest etc.*
- ii. On the second level are people who already gave once or twice occasionally.*
- iii. On the third level are people who became regular givers, i.e. they are making a donations almost “automatically” in regular time periods. In the West this is mostly done through direct debits from the individuals’ bank accounts, but in Eastern Europe regular giving is more often done through postal payments. In any case, we are here talking about people who respond positively to the fundraising calls of the CSO and keep the CSO in their mind every time they give.*
- iv. A fourth level is that of major gifts, i.e. donors who are very committed to and deeply trust the organization, and who contribute with a significant amount of money.*
- v. Finally, there are people who leave their legacy to the CSO (bequests).*

4. Self-generating income

The final possible funding source for Cambodian CSOs/LNGOs is earned income that derives from economic activities of the organization.³⁶ Such income can come in the form of membership fees, service fees for technical CSOs/LNGOs to sell their “know-how,” the charitable sale of goods, and setting up a business brand or social enterprise. For example, Mith Samlanh or Friends Cambodia set up their own business activities such as Friends N Stuff shop and Romdeng Restaurant in order to generate income. The proceeds from those businesses would then be reinvested back into the organization’s vocational training programmes for street youths.³⁷ This self-generating income would allow CSOs/LNGOs to maintain their autonomy and implement activities in line with their core values.

Conclusion

It is essential for CSOs and LNGOs in Cambodia to explore and diversify their funding sources to ensure long-term sustainability, independence, and effectiveness in their work, especially in the face of a rapidly changing aid landscape and a heavy reliance on foreign assistance. These organizations play a crucial role in the country’s development, advocating for overlooked social issues, providing essential services to communities, and ensuring government accountability to safeguard the well-being of all segments of society.

Given that current funding patterns have persisted for decades, proposed models such as public-social partnerships, private funding, individual contributions, and self-generating income can only succeed in a supportive environment that enables CSOs and LNGOs to access domestic funding sources. Continued support from foreign donors is equally vital for the funding transformation of these organizations.

³⁶ *ibid.*

³⁷ Mith Samlanh. “Financial.” 2013. <https://mithsamlanh.org/financial.php?=&aboutus>; Mith Samlanh. “Financial Statements for the year ended 31 December 2016 and Report of the Independent Auditors.” 2017. <https://mithsamlanh.org/download/financial%20report/Mith%20Samlanh-FS%2031%20Dec%2016.pdf>

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