

The Asian Infrastructure Investment Bank and China's New Colonialism in Cambodia

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ABSTRACT—: This paper aims to analyse Cambodia's response to China's new colonialism through the Asian Infrastructure Investment Bank (AIIB) using qualitative methods and hegemony as the conceptual framework. As the second-largest economy, China has ambitions to surpass other countries, such as the United States. The Belt and Road Initiative (BRI) is the first project, launched in 2013, to gain worldwide penetration of China under the mask of investment and trade. To finance BRI, China inaugurated AIIB in 2015 as its second project. AIIB invites dynamic Asian countries to invest in technology-enabled green infrastructure. After gaining the trust of Asian countries, China began to offer the internationalization of its currency, the Renminbi (RMB), as an alternative to the inability of a nation to pay its debts. This scheme succeeded in coaxing Southeast Asian countries into the Chinese colonialism trap, such as Cambodia. Phnom Penh, relying on Chinese generosity to prevent national bankruptcy, immediately agreed to the internationalization of the RMB in its country. This paper suggests that every phenomenon in the world has two opposite sides, just like two sides of a coin. Although Cambodia views RMB usage as advantageous, there are some hidden threats to its sovereignty.

Keywords : China, Cambodia, AIIB, New Colonialism, BRI, Renminbi

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Introduction

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank whose mission is to finance future infrastructure. AIIB noted that they started operations in Beijing in January 2016 with 57 founding members, 37 regional and 20 non-regional. By the end of 2020, AIIB had approved 103 members representing approximately 79 percent of the global population. AIIB enables members to unlock new capital and invest in new technology-enabled green infrastructure while promoting regional connectivity. AIIB explained that their development-focused investments in Asia drive sustainable economic development, amass wealth, and enhance foundational connectivity. In addition, AIIB adapts and innovates by providing suitable investment solutions to address members' problems, even in difficult times, because welfare and economic development are the main goals of AIIB (AIIB, n.d.). Since 2017, AIIB has received the highest credit rating ranked by Standard & Poor's, Moody's, and Fitch as the three major rating agencies. Industry recognition of AIIB's sound financial position helps expand its influence in international capital markets. Not only that, in the following year, AIIB also confirmed that they received Permanent Observer status with the consideration of the United Nations General Assembly (UNGA) and the Economic and Social Council involved in development.

The success of AIIB in opening new financing channels for Asian infrastructure development signifies that China is responsible for playing a leading role in world finance. The AIIB has helped the economic development of relatively underdeveloped Asian countries. Currently, those nations have a great demand for energy, communication, and transportation infrastructure due to a lack of construction funds, supply, experience, and technology. AIIB estimates that the financing gap for Asia's infrastructure development from 2010 to 2020 is \$800 billion USD. In this case, AIIB can support infrastructure development and boost the Asian economy. AIIB also benefits developed countries such as the United Kingdom, Italy, Germany, and France by expanding trade and investment routes abroad (AIIB, n.d.).

As the most dynamic and high-potential region, Asia is a crucial engine of world economic growth and has great demand for infrastructure investment. However, international financial institutions such as the International Monetary Fund (IMF), World Bank, and the Asian Development Bank (ADB) cannot invest heavily in Asian infrastructure development (Zhang, 2016). Therefore, through AIIB membership, developed countries will benefit from their investment in dynamic Asia and build closer economic relations with Asia. In addition to developed countries, AIIB is also important for China. The establishment of the AIIB initiated plenty of Asian infrastructures development programs so that Chinese companies that have a leading position in infrastructure development will have significant opportunities. Zhang (2016) also described that AIIB investments that promote the development of interconnection and intercommunication would create a large Asian market and stimulate the economic development potential of countries in the region. In return, China's foreign commodity demand and economic trade relations with Asian countries will increase.

According to Zhang (2016), AIIB working as an international institution can protect China's local investment and reduce investment risk. He also explained that for good measure, the AIIB would also spur the internationalization of the Chinese currency, the Renminbi (RMB). Currently, the level of internationalization of the RMB is insufficient, but the AIIB can provide a useful international platform for the RMB. AIIB is opening up the market through financing, so companies from all countries, including China, will follow up. In the process, other countries will receive RMB to facilitate Chinese investment because Chinese companies can invest directly in RMB. Currently, the internationalization of the RMB has received some achievements, but the US dollar will still be the main currency for a long time. The road to RMB internationalization is still long, so China and the AIIB worked closely with the Southeast Asian countries, such as Cambodia, Indonesia, Laos, and the Philippines, to promote the RMB. Despite the label of cooperation, the idea of China's colonialism of its partner is unavoidable. Cambodia is one of the countries

that fell into the colonialism trap. While Cambodia views the internationalization of the RMB as profitable, there are hidden sovereignty threats to watch out for because the dominance of China is not purely financial. Based on the background, this paper will analyse Cambodia's response to China's new colonialism through the AIIB.

The rest of the chapter proceeds as follows. This paper briefly examines how the theory of hegemony is used in the paper to answer the research question. Before delving deeper into the discussion, it is crucial to understand Sino-Cambodian relations. Their history will also reveal the reasons for Hun Sen's dependence on the Chinese Regime. Then, China's ambition in the international arena, which led to the internationalization of the Chinese Renminbi, will be the core of the discussion. However, Cambodia's response to China's new colonialism will show how the internationalization was going. The last section will conclude all the existing discussions.

Conceptual Framework

In order to understand Cambodia's response to China's new colonialism through the Asian Infrastructure Investment Bank (AIIB), this paper will use the theory of hegemony. Oxford Bibliographies explains that hegemony comes from a Greek word, *hēgemonía*, which means leadership and rule. In international relations, hegemony refers to actors who shape the global system through coercive and non-coercive means (Schmidt, 2018). Moreover, the Cambridge Dictionary defines hegemony as the position of power to control other people. It shows that the idea of hegemony includes extraordinary powers that automatically require the hegemon's ability to exert influence or control over others. Thus, hegemony involves the relationship between actors, whether individual or state. International relations have different theoretical approaches to hegemony in the field. In this case, this paper will focus on the hegemony provided by realism.

Schmidt (2018) mentioned that there are various realist theories. Generally, realists define hegemony as overwhelming power and the ability to use that power to dominate others. However, the prime

tendency among realists is to equate hegemony with overwhelming material power. Equating hegemony with the domination of power is not appropriate because power is a contested term. In the end, realists label the most powerful state in the international system as hegemons. In this case, the hegemon is a country with far superior material capabilities, such as economic, military, even diplomatic or soft power. Waltz (1979) reveals that power is synonymous with capability. However, a country's capacity is no more than the total of identified national attributes that include economic and military ability, political competence, stability, and population and territory size. Realists believe that violent conflict always occurs in an anarchic international system and that military power is the most crucial foundation of hegemony. In connection with the idea that hegemony requires the concentration of a state's material capabilities, Levy and Thompson (2005) convey the concept that the more dominant nation can dominate all subordinate states. John Mearsheimer (2001) even describes a hegemon as a state that is so potent: it dominates all other states in the system. For Mearsheimer, hegemony is system domination that covers the whole world.

Based on these definitions, hegemony is less of an attribute of a state and more of a property of the international system. Meanwhile, Robert Gilpin (1981) views hegemony as a structure that periodically characterizes the global system. He also said that a hegemonic structure exists when one strong state dominates the lower states in the system. Christopher Layne (2006) also has the same opinion, where hegemony is a structural change because when a country achieves hegemony, the system is no longer anarchic but hierarchical. Then, Layne (2006) continues to explain four main characteristics of hegemony conveyed by the neoclassical realists. Hegemons have the strongest military, and economic supremacy to support that military capability. Hegemony talks about the ambition of the dominant power, where the hegemon acts in its interests to create a stable international order and safeguard its ideology, security, and economic interests. Hegemony is also about polarity because when the hegemon has more power than anyone else, the system will be unipolar. Lastly, hegemony is about will, where the hegemon must deliberately use their exceptional strength to impose order on the international system. Now, if it is associated with China's

new colonialism in Cambodia through AIIB, it is clear that China is trying to become a hegemon in the international arena. Through significant projects such as the Belt and Roads Initiative (BRI), AIIB, and the internationalization of the RMB, China subtly smuggles its influence into other regions. In this case, China's chose Southeast Asian neighbors, which is dynamic and has great potential in the future. China then, started its stride in Cambodia, its close friend for centuries. The result of China's efforts to defeat the United States and become a hegemon in the international arena depends on its big projects, especially the internationalization of the RMB. However, for one reason or another, China has a long way to go to realize the internationalization of its currency. As a close friend of China, Cambodia certainly has a significant role in this plan.

Sino-Cambodian Relations

Technically, Cambodia was one of the Belt and Road Initiative (BRI) first stops. It is known to have close and mutually supportive bilateral relations with China. There are various factors behind the friendship between these two countries. First of all, the strong connections between China and Cambodia are certainly not the result of their engagement for several years. It builds on centuries of historical, cultural, and commercial links. Sixteen years ago, in 2006, a group of Vietnamese fishermen discovered the wreckage of a 15th-century Chinese trading ship full of ancient pottery and other artifacts near Koh Sdach. This discovery is just one of many artifact discoveries in Cambodia that prove the commercial relationship between the two countries (Rinith, 2020). Cambodia's leading historian, Michel Tranet (2006), described the discovery as commonplace, given a sizeable number of ships from all over the world came to trade. In addition, there is a museum that immortalizes works of art from the Ming Dynasty in Nanjing, China, to commemorate the close relations between the countries. Rinith (2020) said that some of them are evidence of the long diplomatic relations between China and the Khmer Empire 700 years ago. They have a replica of a painting by order of the emperor of the Ming Dynasty, which contains historical texts in ancient Chinese characters describing diplomatic and trade relations between the two countries. Also, reliefs at Angkor Wat show the economic activities

of the Chinese and Cambodians. Rinith (2020) noted that someone from China even wrote down accounts of Cambodia in the late 13th century when Yuan Zhou Dagan's envoy visited in 1296. Historians suspect that contacts between China and Cambodia continued uninterrupted to modern times. After the fall of the Ming Dynasty in 1644, Mac Cu'u and Duong Ngan Dich brought refugees from the Fujian and Guangdong provinces to Indochina (Rinith, 2020). Eventually, the mostly male immigrants married local Khmer women. Their descendants were assimilated smoothly through socio-economic processes and identified themselves as Cambodians. Rinith (2020) summarizes that the great relationship and understanding between their people over the centuries underlies the close relationship between the two countries today.

Aside from that, bilateral relations between China and Cambodia can also be traced back to the early 12th century when the Chinese Emperor Temur sent envoys to the Khmer Empire (Po, 2020). However, the actual diplomatic relations began in 1955 when King Sihanouk, the president of Cambodia, met the Chinese Prime Minister, Zhou Enlai, at the Bandung Conference. During the Cold War, Cambodia had two competing groups: one supported King Sihanouk and allied with China, but the other group was led by Lieutenant General Lon Nol and allied with the United States. Lon Nol managed to stage a coup to overthrow Sihanouk in 1970. Faced with such difficulties, Sihanouk left Cambodia and lived in exile in China with all the support provided by the Chinese leader. In his bid to fight back, Sihanouk announced that all Cambodians should unite with the Khmer Rouge, known as the Pol Pot regime.

Po (2020) revealed that Sihanouk and Mao Zedong's relationship was crucial to Pol Pot's initial support with various strategic commodities, such as military equipment and governmental technical advisers. But then, the Pol Pot regime was defeated in 1979 when a group of liberators, including Hun Sen, launched an offensive with Vietnamese support. Vietnam then installed a new government. However, given the close ties between Pol Pot and China, this invasion prompted China to attack Vietnam, both as revenge, and as countermeasure to prevent Vietnam from expanding its influence in the re-

gion. Yet, China did not support Hun Sen's new government because Hun Sen had the support of Vietnam. Instead, Beijing continued to support and assist Pol Pot and his allies. Because of the strained ties that his government had with China, Hun Sen described China as the root of all evil in Cambodia in 1988 (Po, 2020). Although Vietnam withdrew its troops from Cambodia in 1989, the internal civil war continued until 1993. In the same year, the first general election under the auspices of the United Nations Transitional Authority in Cambodia resolved the internal conflict. The first election ended with two prime ministers: Norodom Ranariddh as the first prime minister and Hun Sen as the second prime minister. Due to his discontent and thirst for power, Hun Sen staged a bloody coup against Ranariddh in 1997. Subsequently, the increasing pressure Hun Sen faced from the West made him change his perception of China. The relations between China and Cambodia finally increased in 2000. The Chinese president, Jiang Zemin, visited Cambodia and provided a large quantity of aid. In the following years, several top leaders in China followed the president's step. Since then, Cambodia under Hun Sen has maintained good relations with China.

Hun Sen's Dependence on Chinese Regime

Hun Sen ascended to power after defeating the Pol Pot regime with support from Vietnam in the late 1970s. During his tenure, Hun Sen faced extraordinary domestic political challenges. One of the most notable challenges was his removal from office due to public discontent. The public expressed this sentiment in the 2013 elections, where the Cambodian People's Party (CPP) only won 68 of 123 seats. In contrast, the CPP won 90 seats in 2008 (Po, 2020). Therefore, Hun Sen used various strategies to stay in power. One of his tactics to gain support was bandwagoning with China. With China's aid, the Cambodian economy continues to grow, and the Cambodian people can enjoy the fruits of that growth. Those who benefit from China's support will back up Hun Sen to extend his regime. However, China remains a target for Hun Sen's financial aid as he comes under pressure from the international community to implement political reforms. In 1997, Hun Sen led a military coup against

Prince Norodom Ranariddh, who served as deputy prime minister. In response to the coup, Western countries stopped aid to Cambodia, and ASEAN terminated Cambodia's membership. Hun Sen faced a dilemma because foreign aid funded two-thirds of the country's annual budget (Human Rights Watch, 1997). However, in contrast to Western countries, China recognizes the legitimacy of Hun Sen's new regime, advising the West not to interfere in Cambodia's domestic politics. It is a clean opportunity for China because Cambodia can be a stepping stone to increase its influence (Storey, 2006).

As the government for more than three decades, Hun Sen's regime, has had the experience to know that the roads he is taking are vulnerable to criticism and even sanctions from the West. The United States issued visa bans for certain high-ranking government officials and their family members, cut aid to the National Electoral Committee (NEC), and drafted further sanctions. At the same time, however, China has consistently supported its actions. China vowed to offer more assistance to the National Electoral Committee (NEC) to ensure fair, smooth, and transparent elections. China donated cameras, computers, photocopiers, printers, voice boxes, even voting booths (RFA Khmer Service, 2017). Chinese Foreign Minister Wang Yi told Cambodian Foreign Minister Prak Sokhon that China supports Cambodia's efforts to protect political stability and achieve economic development. They believe that the Cambodian government can lead its people to meet domestic and foreign challenges.

So far, China is still Cambodia's biggest investor and creditor (Rainsy, 2019). Therefore, when China and the AIIB invited Cambodia into the economic cooperation framework, Cambodia accepted the helping hand without hesitation. However, behind this helping hand, China has the vision to overhaul social relations, the political system, and the Cambodian state itself. For a developing country like Cambodia, taking on excessive foreign debt and relying on Chinese cash can be extremely dangerous. It could be worse if a dictator, who had easy access to borrow money, led the developing country. Corruption is endemic

among the leaders. The corruption arising from these Chinese loans undermines Cambodia's institutions, politics, and society. Even so, Beijing continues to show unconditional support for Cambodia's dictators, from Pol Pot to Hun Sen (Rainsy, 2019). It is a form of China's cynicism in bilateral relations to advance its global dominance. The aggressive and expansionist relationship of Sino-Cambodian dealings certainly jeopardizes regional peace and security. Even as Cambodia's economy plummeted due to corruption and irrational policies, Hun Sen increasingly relied on China's generosity to prevent national bankruptcy (Rainsy, 2019). He quickly complied with China's demands for military facilities to control the South China Sea. This over-reliance Cambodia has on China is simply inappropriate. The leader should not depend on other countries, but Cambodia has always supported China's policies as if they were their own.

The Nikkei, a Japanese News Agency, (2021) quoted Hun Sen, the prime minister, who has served for more than 30 years, that he defended his close ties with China when he spoke about the size of China's financial injections for his tiny nation. China has always been Cambodia's main political patron and source of development aid. It has funneled billions of dollars into infrastructure projects. As might be expected, this sparked international criticism that Cambodia had become too dependent on China. However, Hun Sen called the criticism unfair. He calmly asked who he should depend on if not China and whom he should ask if not China (Nikkei, 2021). Cambodia has never closed the door for any country to receive aid to help its country. However, China is always ready to help every time they need it. While in stark contrast to the way he described the Chinese government in 1988, Hun Sen described China as a tough friend in 2019. It also confirmed the truth of the saying that there are no permanent enemies and no permanent friends in international relations. There are only the interests of each actor.

China's Ambition in the Global Arena

China's ambition to surpass the United States and dominate the world is nothing new to the international community. In 2013, Presi-

dent Xi Jinping took his first step by launching his grand project, the Belt and Road Initiative (BRI), to gain Chinese conquest or penetration worldwide under the mask of trade, investment, and economic cooperation (Rainsy, 2019). The BRI was one of the driving factors behind the Asian Investment Infrastructure Bank (AIIB) establishment. This foreign and monetary policy is specifically structured to strengthen Chinese economic influence through comprehensive infrastructure development programs in all the countries it passes through. BRI has two big projects, the land-based economy silk route, and the sea-based maritime silk route. Thus, BRI connects Africa, Asia, Europe, and Oceania through various infrastructures (Rainsy, 2019). Of course, it took an enormous cost to realize this project. That being the case, China inaugurated the AIIB, a multilateral development bank whose mission is to finance future infrastructure. However, not many realize this, but the truth is, China is in an awkward position. China is the second-largest economy and the largest trading nation in the world. Rainsy (2019) predicted that if the RMB internationalization goes well, China could become the largest economy. However, on the other hand, China is still a developing country, where financial and legal institutions are still immature if compared to Western countries (Rainsy, 2019). China does not want to integrate with the Western financial system, so the internationalization of the RMB is going its own way. Unfortunately, as a country without a mature legal system and a system of checks and balances, China struggles to secure global trust in its currency. Due to this reason, there is still a long way to go for the internationalization of the RMB (Rainsy, 2019).

However, the BRI is one way to encourage RMB internationalization. To achieve the success of the BRI, AIIB invites the dynamic and high-potential Asian countries to open up new capital and invest in technology-enabled green infrastructure while promoting regional connectivity. After gaining the trust of Asian countries, China began to offer the internationalization of the RMB. They called it an alternative to avoid conflict due to the inability of a nation to repay its debt. That way, China managed to hold onto Asia, especially Southeast Asia, with a hidden debt scheme through BRI. Currently, Southeast Asia has a massive percentage of hidden debt to China. Cambodia is one of the Southeast Asian countries that fell into the trap of colonialism.

China and AIIB invited Cambodia into the economic cooperation framework. However, the intention behind the invitation to cooperate is not as pure as it seems. Through the internationalization of the RMB, China wants to grasp the economy, social relations, political system, and Cambodia itself. According to pre-Qin Chinese thought, China's hegemony proposes to show its responsibility as a great power that can help, protect, and protect the surrounding countries. However, they still want hegemon status (Bell, n.d).

Eswar Prasad, Professor of international trade, (2016), revealed that the internationalization of the RMB is a natural act of China as a country that has a strong influence on global investment and trade. Despite the strong economy, the Chinese currency still lags behind other international currencies such as the United States dollar (USD), Euro (EUR), and British pound sterling (GBP). According to Prasad (2016), this is a result of the repeated devaluation of the Chinese currency. At that time, China increases exports while reducing the trade deficit, and the national bank with a low currency value. On the flip side, this is a problem for other countries because the devaluation of the Chinese economy can damage the foundations of global economic activity. Big economies need to have strong currencies to create fair competition. With the continuous depreciation, cheap Chinese products could hurt many small and medium-sized economies that depend on exports for international economic activity. If these countries are deeply in debt and heavily dependent on their exports, it can be a total mess. This economic stagnation ended up increasing scepticism to the RMB. China took its first step by incorporating RMB into the Special Drawing Right (SDR) in 2015. The IMF designated SDR as a complementary foreign currency reserve asset in 1969. SDR serves to supplement the currency reserves of IMF member countries based on USD, EUR, RMB, GBP, and Japan Yen (JPY). The inclusion of the RMB into the SDR is a crucial point of China's economic integration into global finance and a tribute to China's relatively successful financial and monetary system reforms. Furthermore, Beijing began to approach the Limited Concession Scheme (LCS) with countries that are considered strategic and require sizeable funds as an alternative step to RMB internationalization (Prasad, 2016). The countries in question are African and ASEAN countries through which the BRI project passes.

The Internationalization of Chinese's Renminbi

As one might expect, the efforts to internationalize the Renminbi (RMB) quickly raise questions from the international community, such as the rationale behind the plan or its implications for the international community itself. Lai (2021) explained that the internationalization of the RMB is essentially a process of converting the RMB into an internationally used currency with seven main reasons for China to do so. First, the Chinese government believes that the internationalization of the RMB can minimize the exchange rate risk in Chinese trade, investment, and financial transactions. Second, China can reduce dependence on foreign currencies such as the United States Dollar (USD) and related institutions, especially in the payment system. China holds to the principle that the more trade settlements in RMB, the fewer trade sufferings from a lack of USD or other foreign currencies. It will also be easier for Chinese jurisdictions to intervene directly in international payments with RMB, unlike international settlements with USD, which require the United States jurisdictional intervention. One thing for sure is that China does not want the presence of a foreign authority that has too much information or controls the flow of payments into and out of China. The case of Meng Wanzhou, Chief Financial Officer of Huawei, is a slap in the face for China that used to run its business with a dollar payment system.

Third, international loans in RMB bring benefits to China. Chinese companies should have easy access to foreign loans to finance long-term development. Security will be more assured if China makes a loan in RMB rather than foreign currency. That way, China can avoid the risk of currency incompatibility of debt that may lead to bankruptcy. Fourth, when the RMB becomes more internationally accepted, governments and citizens can make large foreign loans at low-interest rates in that currency. Fifth, the Chinese financial and banking sectors will have more business through the widespread use of RMB. International requests for RMB will grant work to domestic financial institutions as payments in RMB must be handled by Chinese jurisdictions. Sixth,

China has the opportunity to get seigniorage from abroad. In other words, China can issue RMB to foreigners in exchange for actual goods. When foreigners trust the RMB, they are willing to hold it as a medium of exchange and store of value. Therefore, they are ready to sell goods in exchange for RMB. Seventh, increasing political influence. When the RMB becomes the main reserve currency for other countries, China can use it as leverage to exchange aid from foreign countries.

Currently, China's economic activity in ASEAN is quite heavy. Hasegawa Masanori (2018) noted the Chiang Mai Initiative (CMI) as the starting point for RMB's influence in ASEAN. CMI is a multilateral agreement between China, Japan, and South Korea with ten ASEAN countries. Masanori's research concluded that after the ASEAN China Free Trade Agreement (ACFTA) establishment, RMB had become a crucial factor influencing the dynamics and exchange rates of ASEAN currencies. Masanori (2018) also commented on the internationalization of the RMB phenomenon in his book, "The Geography and Geopolitics of the Renminbi: A Regional Key Currency in Asia" stating that the internationalization of the RMB is part of a series of China's geopolitical approaches to strengthen its bargaining position in the economic field. If the RMB makes it to the currency traffic in Southeast Asia, China will have significant global implications. Furthermore, he also predicted that the internationalization of the RMB would limit the use of the US dollar as an economic weapon for the United States to maintain its military deployments in Southeast Asia. With the spread of the RMB, countries that rely on China's economic activities no longer need US dollars, potentially weakening the United States' ability to impose economic sanctions on countries in the region that have accepted the internationalization of the RMB.

Despite all that, it must be highlighted that China's approach to ASEAN is only a minor part of a larger plan. Apart from Southeast Asia, the Belt and Road Initiative (BRI) project also reaches Africa and Latin America. Therefore, there is a presumption that China is planning a gradual RMB internationalization,

with Southeast Asia as their first stop. John Mearsheimer wrote the book “The Tragedy of Great Power Politics,” (2001) claims that if a country wants to have massive influence in the world (in other words, to become hegemons), they must first become hegemons in their region and environment. Countries with ambitions to become hegemons must also maintain a balance between powers at the regional level and ensure that other actors do not develop into competitors. In the context of the internationalization of the RMB, it is clear that Xi Jinping is trying to make ASEAN a strategic and high potential as the first step to defeat the United States’ global economic domination. China may not want to go head-to-head with the biggest economy in an economic war. However, whether they realize it or not, there are gradual efforts to internationalize the RMB that they are making. For now, it cannot see their big plan as a whole, but it can start to observe it through ASEAN, which is the first stop of the plan.

Cambodia’s Response to China’s New Colonialism

The National Bank of Cambodia (NBC) responded to the internationalization of the Renminbi (RMB) by encouraging its use by businesses and individuals to increase the volume of trade and investment between the two countries. At the moment, 17 out of 54 banks in Cambodia have transacted with RMB. Four of them even received RMB deposits, namely the Bank of China Phnom Penh Branch, Industrial and Commercial Bank of China (ICBC), Canadia Bank, and First Commercial Bank (Yan, 2017). Simply put, the use of RMB is considered beneficial. It provides many advantages for the country, especially attracting Chinese investors and tourists. At a BRI conference on the use of RMB and Cambodia Riel (KHR) in cross-border trade and investment, Cambodia brought together about 200 representatives of banks, financial institutions, and companies. During the conference, several banks were willing to accept the currency as a cross-border settlement. It is a coincidence that the RMB and KHR promotion is in line with the Cambodian policy to support the BRI. Therefore, the government allowed the use of RMB by Chinese tourists.

Chea Serey, the Director-General of NBC, explained that

the conference wants to encourage companies to complete their business transactions with RMB (Yan, 2017). Thus, it will reduce the exchange rate risk. In simple terms, the Deputy Secretary-General of the People's Bank of China Monetary Policy Committee, Pan Hongseng, explained that China and BRI would open up a broad space for RMB internationalization. The settlement with RMB eliminates exchange rate risk while promoting trade and investment relations with China. Yan (2017) also noted that China had initiated RMB pilot settlements in cross-border trade and investment since 2009. ASEAN was the first region to use RMB for cross-border accommodation. For example, Cambodia has used RMB in trade settlements, clearing, remittances, and deposits. The convertibility between RMB and KHR protects against foreign exchange rate risk and lowers transaction costs. In the end, Lim Heng, the Vice President of the Cambodian Chamber of Commerce, concluded that the development of Sino-Cambodian trade and investment relations made the RMB and KHR promotion very important. He wanted more options for completing cross-border business transactions (Yan, 2017).

On October 2018, 30, the National Bank of Cambodia (NBC) representatives clarified the Central Bank's policy towards the RMB and explained that its use is recommended only for cross-border transactions (Chan, 2018). Chea Serey previously encouraged RMB usage for everyday exchange in Cambodia, but she spoke up to straighten out the problem (Chan, 2018). Cambodia does not ask Chinese citizens or investors to use RMB in Cambodia. They want them to use RMB in the banking system and cross-border transactions and urge Chinese and Cambodian companies to trade in RMB and KHR to avoid the risks associated with currency exchange. Cambodian businesses importing Chinese products must pay in RMB and vice versa. This policy will settle trade between the two countries while increasing the use of KHR abroad. Chea Serey continued her explanation by saying that other ASEAN countries like Thailand and Vietnam pursued similar arrangements (Chan, 2018). Later, a week after the RMB internationalization forum, the Deputy Governor of NBC, Sum Sannisith, said that there had been a 10 percent jump

in the use of RMB on the Sino-Cambodian trade exchange. Sum Sannisith also praised the RMB that plays a crucial role in cross-border investment and trade, in line with the ASEAN-China cooperation enhancement (Chan, 2018).

As an ASEAN country with close ties to China, Cambodia has benefited from the internationalization of the Chinese currency, but it does not stop there. According to Chan (2018), NBC allows certain banks and financial institutions to operate in RMB. The Bank of China (BOC) and Industrial and Commercial Bank of China (ICBC) are examples of banks that can transact in RMB and act as clearing facilities. They also allow 13 other banks to help importers of Chinese products to get more loans and customers who make payments in RMB to open bank accounts with local institutions. On the other side, Chinese technology businesses have contributed to the increasing use of RMB (Chan, 2018). Cambodians have been using payment tools, such as Alipay and WeChat Pay. The largest payment card supplier, UnionPay, is also used in the Kingdom. During the China-ASEAN Expo in Nanning in September 2017, they launched the RMB-KHR exchange rate. According to the NBC report, Cambodia imported 5.2\$ billion USD and exported 753\$ million USD to China last year (Chan, 2018). The Cambodian company made a settlement of 135\$ million USD in RMB, and the Chinese company paid Cambodia at least 79\$ million USD in RMB. Cambodia has benefited from the internationalization of the RMB. Many development opportunities opened up when Cambodia decided to join the BRI, the AIIB, and accept the internationalization of the Chinese currency in its country. Cambodia can increase the opportunities to use the KHR abroad with relatively fast economic growth, trade liberalization, and sustainable investment. Cambodia can also use RMB, which requires the sophistication, depth, and liquidity of financial markets with ease. It also needs an independent legal system with political reforms since the RMB requires a transparent monetary policy. While the internationalization of the RMB in Cambodia can be said to be profitable, there are hidden sovereignty threats. However, a sovereign nation is an independent country that is not under another country's rule. That being the case,

Cambodia should not be under Chinese regulation, even though they have close ties.

Conclusion

China's ambition to surpass the United States at the top of the world economy is nothing new to the international community. President Xi Jinping took his first steps by launching the Belt and Road Initiative (BRI) in 2013 to gain worldwide penetration under the mask of investment and trade. This policy was structured to strengthen China's economic influence through a comprehensive infrastructure development program in all the countries it passes through. Of course, it took an enormous cost to realize this project. Therefore, China inaugurated the Asian Infrastructure Investment Bank (AIIB) in 2015 to finance BRI. AIIB invites dynamic Asian countries to invest in technology-enabled green infrastructure. After gaining the trust of Asian countries, China offered the internationalization of the Renminbi (RMB) as an alternative to the country's inability to pay its debts. This scheme succeeded in dragging Southeast Asian countries into the trap of Chinese colonialism. Cambodia, relying on China's "generosity" to prevent national bankruptcy, immediately agreed to the internationalization of the RMB in its country.

Every phenomenon in the world has two opposite sides, just like two sides of a coin. If there is a positive side, there must be a negative side behind it. It is the same with the phenomenon of RMB internationalization in Cambodia. On the bright side, Cambodia has benefited from the internationalization of the RMB. Many development opportunities opened up when Cambodia decided to join the BRI, the AIIB, and accept the internationalization of the Chinese currency in its country. Phnom Penh can increase the opportunities to use the Cambodia Riel (KHR) abroad with relatively fast economic growth, trade liberalization, and sustainable investment. Cambodia can also use RMB, which requires the sophistication, depth, and liquidity of financial markets with ease. It also needs an independent legal system with political reforms since the RMB requires a transparent monetary policy. Although it will take a relatively long time before it can

play the role of a global reserve currency, it can expect that the RMB's international role will increase in the coming years. While the internationalization of the RMB in Cambodia can be said to be profitable, the intentions behind China's call for cooperation are not as pure as they seem. There are hidden sovereignty threats to watch out for because China's dominance is not purely financial. Beijing intends to overhaul social relations, the political system, and even Cambodia itself. A dictator will generally use the theory of state sovereignty to control the government system. In this case, Hun Sen's dependence on China could jeopardize Cambodia's authority. A sovereign nation is an independent country that is not under another country's rule. That being the case, Cambodia should not be under Chinese rule, even though the two have close ties. The magnitude of China's influence will make the country slowly lose its identity. As a close friend, Beijing should provide more development assistance to Phnom Penh. That way, they can build greater synergy rather than greater dependency.

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