



Belt and Road Initiative in Cambodia: economic diversification and debt management

PRESS RELEASE

Wednesday, 3 April 2019

PHNOM PENH – Since 2018, the United Nations in Cambodia has organized a series of policy dialogues on the Belt and Road initiative and the 2030 Agenda for Sustainable Development. These policy dialogues have engaged senior representatives of the Royal Government of Cambodia, the diplomatic community, international organizations, academia, and think tanks.

The third policy dialogue on 3 April 2019 focused on economic diversification and debt management in connection with BRI in Cambodia.

"The focus on economic diversification draws on the Royal Government's priorities as highlighted in the Rectangular Strategy-Phase IV, which places primary importance on diversification and value creation in the industry, agriculture and service sectors" said Pauline Tamesis, UN Resident Coordinator.

The Belt and Road Initiative presents opportunities to address these priorities. At the same time, some analysts have looked with some concern at the issue of debt management associated with BRI projects in other Asian countries.

"Many people talk about the debt risks of BRI, but this dialogue is the first time I see BRI discussed in connection to debt management *and* economic diversification, which shifts the focus from problem to problem-solving" said Professor Ang, Associate Professor of Political Science at the University of Michigan, Ann Arbor.

The UN in Cambodia believes that taking full advantage of the BRI requires adopting clear policies and continued analysis to assess progress in Cambodia. This will also require recognizing the role and quality of institutions and governance in driving inclusive development as advocated in the 2030 Agenda for Sustainable Development.

"BRI offers tremendous opportunities for Cambodia and the Royal Government has clearly indicated its commitment to the project. Now the challenge is to consider how these investments, and indeed all investments, in the country can be made fully inclusive and sustainable, so that we leave no one behind" stated Nick Beresford, UNDP Resident Representative.

"With a significant infrastructure gap, Cambodia can capitalize on China's resources and technical capabilities from BRI to finance its development priorities, boosting growth and employment opportunities; given the scale of the initiative and its international scope, upgrading policy frameworks to foster greater coordination and cooperation between China and Cambodia (as with other partner countries), ensuring debt sustainability, could help maximize benefits" said Yong Sarah Zhou, Resident Representative of the International Monetary Fund in Cambodia.

"China has been investing their excess capital around the world. This is a good match to Cambodia that needs to rebuild the country to catch up with her neighbours. The challenge is the need to balance between the many development aspects, and between generations" said Chan Sophal, Director of the Cambodia-based Center for Policy Studies.

According to Bradley J. Murg, Assistant Professor at Seattle Pacific University, "taking the Chinese government's own conceptualization of BRI as a jumping off point, while there are no short term issues as regards debt sustainability in Cambodia, there are serious medium to long term concerns that need to be urgently addressed in order to ensure Cambodia's successful achievement of the SDGs and ultimately its macroeconomic stability."

In his closing remarks, H. E. Hem Vanndy Under Secretary of State, Ministry of Economy and Finance said "We treat the debts we contract under the BRI like any other debts, from multilateral and bilateral institutions in terms of the due process, and the core underlying debt management principles, that they shall adhere to. But BRI is not going to create a debt trap for Cambodia".

Disclaimer: This event is designed to provide different perspectives from policy-makers, economists and development professionals. This event is not meant to be an endorsement of any specific development strategy, but merely as learning opportunity for the community.

For media inquiries please contact Tim Jenkins, Office of the UN Resident Coordinator. Tel: +855 (0) 76 209 2612 Email: timothy.jenkins@one.un.org

About the United Nations in Cambodia: The United Nations (UN) in Cambodia works to support peace, poverty eradication and human rights in the country. The UN is committed to enhancing development effectiveness in support of the priorities, plans and programs of the Royal Government of Cambodia (RGC), civil society and other relevant partners.

