

# Chinese Investment in Cambodia

## A Field Study



# Acknowledgements

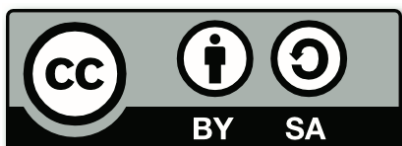
This publication was written by the team of Chinese university and high school students who had conducted site survey during the field visit in Cambodia in the early of August 2019.

This field study was led by the China House, a social enterprise that sends young people from China to Africa for research and community projects, with the goal of training young Chinese professionals to serve as a bridge between Chinese overseas communities and the rest of the world.

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# About

China has long maintained a strong partnership with Cambodia. According to the Council for the Development of Cambodia, by April 2018, Chinese's investment in Cambodia has passed 17 billion US dollars. It is well-acknowledged that a large amount of Chinese infrastructure projects facilitated the domestic development of roads, bridges and electricity, created enormous job opportunities and improved people's living standards. However, Chinese investments in Cambodia triggered a heated discussion was not only because of its huge capital, but also resulting from its involvement in labor relationship and environment issues.

What is the current situation of Chinese investment in Cambodia? What challenges are Chinese investors faced with? What are the reasons behind the problems and how can Chinese enterprises make improvements? In August 2019, Chinese social enterprises China House cooperated with Cambodian NGO Open Development Cambodia and brought a group of 16 Chinese high school and university students to conduct a field research about the topic. In the ten-days trip, they went to Phnom Penh, Sihanoukville, visited Chinese garment industries, real estate firms and migrants, had discussions with NGO leaders related with human rights and environmental conservation and spread questionnaires to understand the views of local community and Chinese community. We are honored to share the reports here with all the readers.



# Chinese Investment in Garment Industry and Real Estate Industry in Cambodia

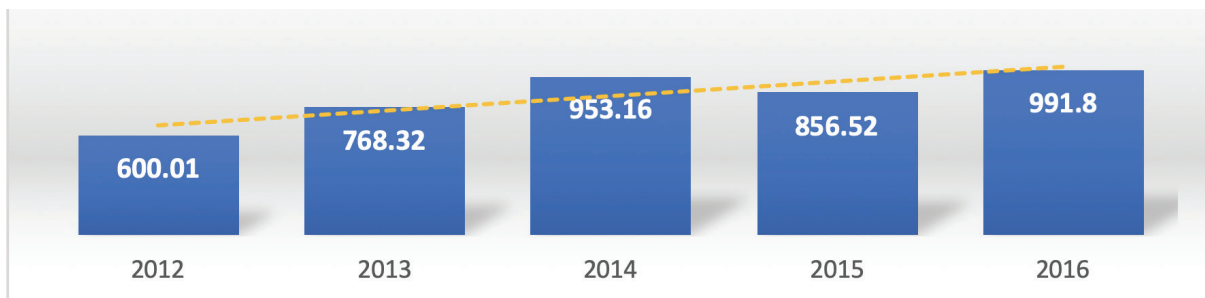
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## I. Introduction

Since China put forward the "One Belt One Road" initiative, Chinese enterprises have accelerated to the world. As an essential node country in action, Cambodia has attracted a lot of investment in China in recent years due to its favorable investment environment, which has had a significant positive impact on Cambodia. However, Chinese enterprises are facing many challenges at the same time.

Chinese investment shows an overall growth trend and accounts for a large part of foreign investment in Cambodia. According to the Council for the Development of Cambodia (CDC)<sup>1</sup>, Chinese investors were the most active among all foreign investors. From 2012 to 2016, China's investment in Cambodia has increased from \$600.01 million to \$991.8 million, always ranking the first in Cambodia's foreign direct investment.

### Total amount of Chinese investment in Cambodia from 2012 to 2016 (\$ million)



The participants of Chinese investment in Cambodia are diverse, including state-owned enterprises, private companies, and individual business. The state-owned enterprises supported by the central government of China generally have two characteristics: the planned amount of capital investment and the policy nature of the capital operation. To better implement the "One Belt One Road" initiative, China has provided the Silk Road Fund for Chinese enterprises. Meanwhile, there is a budget for the use and allocation of government supporting funds every year. Due to Cambodia's attractive investment environment, private enterprises and individual business have also come to Cambodia for investment.

Chinese enterprises invest in Cambodia in a wide range of fields, but it is generally believed that the investment of Chinese state-owned enterprises in Cambodia mainly concentrated in infrastructure and energy development. Meanwhile, private enterprises are primarily concentrated in the garment industry and the real estate industry.

<sup>1</sup> Investment Trend. Council for the Development of Cambodia, 2017, [cambodiainvestment.gov.kh](http://cambodiainvestment.gov.kh). Accessed 12 Aug. 2019.



### The proportion of Chinese enterprises investing in various industries in Cambodia in 2013 <sup>2</sup>

Industry	Garment	Agriculture	Hydropower	Infrastructure	Others	Total
Percentage	53%	10%	7%	3%	27%	100%

## II. Overview of Chinese investment in Garment industry

The garment industry plays an essential role in Cambodian national economy while Chinese garment enterprises play a significant role in the Cambodian garment industry. Currently, all Chinese-funded enterprises account for about 45% of Cambodia's garment industry<sup>3</sup>, most of which are private enterprises. Moreover, this can be supported by the Cambodian Garment Manufacturing Council (GMAC) membership information. Among 606 garment enterprises, there are 267 Chinese-owned garment enterprises. Meanwhile, the garment industry is a pillar industry in Cambodia's national economy. The working population accounts for about a quarter of the labor force, and the export volume of the garment industry accounts for about 75% of Cambodia's total export volume.

The enterprises invested by China in Cambodia are mainly engaged in the processing of incoming materials, a form of OEM, because of the scarce raw materials. Raw materials are mostly imported from China and other neighboring countries, production and processing are carried out in Cambodia, and products are sold to the European and American countries. One factory leader we interviewed said that his factory imported fabrics from China. After processes like cutting and sewing, finished garment production mainly sold to European Union countries.

As a labor-intensive industry, the Chinese garment industry in Cambodia requires a large amount of labor. According to the information on the GMAC website, there are Chinese garment enterprises that have less than 50 employees and those who have more than 5000 employees<sup>4</sup>. According to our questionnaire results, most of the Chinese garment enterprises (51.7%) in Cambodia are in the size of 100-500 people. Unfortunately, although the Cambodian Ministry of Labor stipulates that the proportion of Cambodian nationals should not be less than 90%, only 66.7% of the Chinese garment enterprises investigated have hired enough local employees. As for the cost structure, labor cost accounts for a large part of the total cost for most enterprises. A leader of a garment enterprise we interviewed said that 70% of the cost of their enterprise is human cost.

## III. Overview of Chinese investment in Real Estate industry

According to the report of the Ministry of Land Planning and Construction of Cambodia, from 2000 to 2017, there were 287 real estate projects developed by foreign-funded companies in Cambodia, with the amount of \$4.297 billion. Among them, Chinese funded companies have 110 plans with a total investment of US\$1.656 billion, accounting for nearly 40%. Chinese companies have become the largest investor in Cambodian real estate industry.<sup>5</sup>

<sup>2</sup> 李红蕾. 中国在柬埔寨投资的现状、特点及问题研究, 2017

<sup>3</sup> Based on the interview with relevant personnel of China Textile Enterprise Association

<sup>4</sup> GARMENT MANUFACTURERS ASSOCIATION IN CAMBODIA WEBSITE, MEMBERS, 2019

<sup>5</sup> JIE MIAN NEWS, <https://www.jiemian.com/article/2794450.html>, 2019

Real estate industry is one of the hottest sectors for Chinese enterprises at present. Chinese real estate developers are mainly engaged in the development of commercial housing, as well as the development of industrial complexes and supporting entertainment facilities around residential buildings. Taking Xinghui Haijingwan as an example, the developer first planned 77153.68 square meters of residential buildings and designed to build supporting facilities such as five-star hotels with casinos, 6000 square meters of the business center and school hospitals.

Chinese real estate enterprises in Cambodia are of different sizes, among which there are commons in ownership, contractor selection, and leading customers. Ownership of real estate enterprises is mainly in the form of Sino-Cambodian cooperation. Because only local Cambodian people can buy land, foreigners can only purchase buildings above the second floor, choosing the form of Sino-Cambodian collaboration is conducive to land Chinese contractors mainly build acquisition buildings. Moreover, customers are mostly Chinese, as a result of which, sales staff are also mostly Chinese. In the case of Prince Group, 50% of the purchasers are Chinese, and 20% are local people. For this small group of Cambodian locals, they are often the wealthy class in Cambodian society, and they buy real estate not only for their long-term residence but also for investment.

However, the difference in size results in a variable business model. Large-scale real estate developers often occupy a long industrial chain. Take Prince Group as an example; they own downstream industries such as Prince Property and Prince Supermarket. Meanwhile, Xinghui Taiwenlong Group has its own cement plant. However, for most small developers that have no supplier of materials, their raw materials need to be imported from other countries.

#### **IV. The Opportunities and Challenges of Chinese textile enterprises**

Cambodia provides an excellent opportunity for Chinese companies to avoid the tax because of its tax-free policy. Meanwhile, the United State has special treatment of import-export quota toward Cambodia. Hence, Cambodia is a land of opportunity for Chinese enterprises.

To begin with, the enterprise in Cambodia can be benefited from 4 preferential policies.

##### **1: Import goods without a license**

The Ministry of Commerce of Cambodia is responsible for export approval procedures. In most cases, imported goods do not require a permit.

##### **2: Quotas and tariffs free**

At the same time, Cambodia has preferential tariffs such as the European Union "EBA" and the United States GSP, which allow qualified products to enter the European Union and the United States market free of quotas and tariffs. These two preferential tariffs account for more than 60% of Cambodia's total exports.

##### **3: Tax-free**

Export-oriented qualified investment projects approved by the Cambodian Investment Committee can be benefited from the tax-free period or special depreciation. The tax of its export products shall be refunded or credited to the raw materials of the export products.

#### 4: Duty-free

Export-oriented qualified investment projects approved by the Cambodian Investment Committee can import duty-free production equipment, construction materials, raw materials, and production input accessories.

These four policies attract Chinese enterprise to develop in Cambodia. Meanwhile, the United States imposed export quota restrictions on China in 1998 but offered preferential quotas to Cambodia. Chinese companies relocate to Cambodia for development.

Secondly, the Cambodian worker has a relatively lower cost of the labor force than the Chinese worker. Chinese average standard of the lowest salary is about 2000 to 2500 yuan. However, Cambodia is 182 dollar, which is around 1300 yuan. Therefore, the company hires one Cambodian worker can save 700 yuan at least. What is more, Cambodia is currently one of the youngest countries in the world, with a population of about 15.65 million in 2015. The average age of the community is 27 years old, of which 70% are young people under 30 years old, and there is enough labor force. Therefore, the labor force is abundant.

Cambodia's policy offers a superb opportunity for Chinese garment enterprise. Consequently, nowadays, at least 600 of garment companies are digging golds in Cambodia. However, every coin has two sides. Challenges are also unavoidable obstacles when doing overseas business. According to the information we collected, interviews and questionnaires reveal three significant problems, the issue of communication, the competition between all these garment enterprises, the unstable working condition.

To begin with the issue of communication, lack of communication will cause a conflict. When the Chinese manager instructs Cambodian workers, the conversation is unavoidable. Hence, the interpreter plays a significant role. However, since the head of the company cannot speak with Cambodia workers frequently, they might not fully understand the workers' appealing. When we were interviewing a factory manager, he indicated that the cause of communication conflicts most happen on salary requirement and labor contract. Sometimes, the workers will inform their obligations to their managers. If the managers ignore these requirements, workers will strike for revolting.

An example shared by a garment factory manager: "A worker's labor contract had expired, but the factory manager did not intend to renew the contract with him. The worker found a worker's union to help him. The union applied to the factory manager hope to renew the worker's contract. However, the factory manager directly refused twice. This caused the union to incite factory workers to strike for a month. In the end, this strike caused the factory to lost approximately 400,000 dollars." This event reveals the importance of communication.

Secondly, since the tax-free policy attracts lots of businesspeople to Cambodia, the competition between each enterprise is getting harsher, especially the garment industry. There are about 600 garment enterprises in Cambodia. Among all of these enterprises, around 80% are Chinese enterprise, and others are from other foreigner countries. However, the dominant garment enterprises are mostly charged by foreigners. Also, these dominant garment enterprises take the most effective order forms. Since Chinese garment enterprises are primarily middle and small-sized enterprises, the quality of the order form will be less profitable than most foreign countries. Moreover, there are competitions between Chinese enterprise of price.



The last issue is the infrastructures are imperfect in Cambodia. Cambodia located in the southwestern part of the Indochina Peninsula with a tropical monsoon climate. Hence, its annual precipitation can be 1500-2000mm. During May to October is the rainy season, the precipitation reaches the climax. However, since Cambodia's drainage system is weak, this massive amount of rainwater has no place to discharge but inundate the low altitude area, and direct property of functional loss.

Moreover, Cambodia's infrastructure of electric power is imperfect as well. Most of the region relies on hydropower station to generate electrical power.

Nevertheless, Cambodia's extreme weather will cause electric power transmission to become unstable. For example, during dry seasons, seldom rainy days lead to the hydropower station stop working. The electric cannot satisfy every region of Cambodia. Some area's electric will blackout. This slows down the schedule of works in the factory. Besides, during rainy seasons, a rainstorm will cause several area shortages.

## **V. The Opportunities and Challenges of Chinese Real-Estate Enterprises**

The real estate industry has boomed in Cambodia in recent years due to lots of opportunities, focusing on purchasing policy, currency policy, and related industries.

To begin with, the Cambodia government provides opened purchasing policy, which is on the contrary to Chinese limited purchase policy, thus causing more demand in Cambodia.

According to Chinese domestic limited purchase policy, people can only sell their houses after getting Immovable title certificate for 2,3 or 5 years, and each city has a local household registration system regulating a maximum of two sets of housing. While in Cambodia, foreigners can buy high-rise layer houses and can obtain the same property ownership certificate. Housing rental and sale depends on individuals without restrictions permanently.

Secondly, policy about currency, low exchange rate risk and easy obtaining of US dollars will undoubtedly increase the amount of house purchasing. It is extensively known that money in Cambodia is US dollars, which helps investors to avoid exchange rate risks. Moreover, exchanges in China are restricted. For example, the demand for US dollars due to other reasons such as studying abroad or foreign investment, one person can only get 50,000 per year. However, Cambodian buys houses in the US dollar system, so selling the homes can lead to profits in US dollars directly.

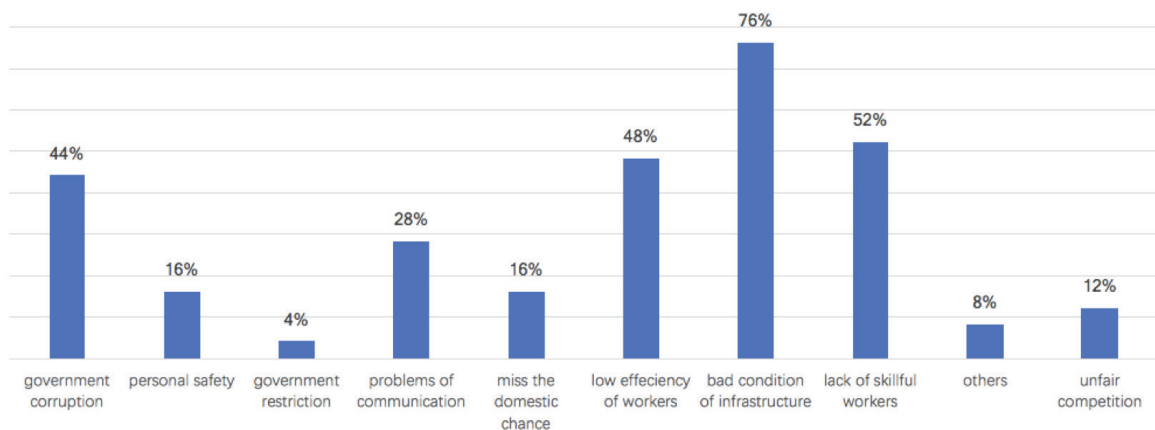
Thirdly, the gambling industry and tourism that bring short term residents stimulate the need for investment in real estate. Recently, the Ministry of Finance and Economics released a message that the number of casinos in Cambodia reached 163. The tourism numbers are also on the rise, with more than 3 million international tourists welcomed during the first half of 2018, up 12.7% from the previous year, according to the Ministry of Tourism. Therefore, the supporting facilities have gradually shown up, so the lives of local people have been greatly improved, attracting more people as well.

Although the real estate investment is increasingly gaining its popularity, there still exist many obstacles and challenges. This mainly stresses on the complicated process of obtaining the land, distempered law system, and low capacity of workers.

Firstly, investors meet the obstacle to obtain the land, and since Cambodians have private ownership of property, it may cost much work for investors to get capital from different landowners. Cambodia only allows local people to purchase land, and other countries only have the right to rent land. Therefore, the housing developer must purchase the property through an intermediary. The royal family and government personnel families in Cambodia have a large amount of land and will also form a threat to Chinese investors.

Secondly, the local construction imperfect legal system could bring vicious competition, which acts as a block of building brand image and guaranteeing good quality of the buildings.

### The challenges of Chinese investment



The local law lacks real estate construction standards such as floor area ratio and greening rate. Since some real estates are committed to building brand image and popularity, they have taken a large part of the cost to carry out greening construction and infrastructure construction. However, because of the high cost, they have to raise the price. It may form a disadvantage in the competition. Other companies that "make quick money" may sell their homes quickly, but the living standards of residents cannot be improved.

Third, according to the chart, the quality of labor force and material directly reflect on Chinese investment by increasing the cost of construction. Local workers are lack of skills and are not efficient enough. Thus, the construction company has to transfer workers from China, and the cost will rise a lot. Inadequate facilities will also lead to cost increase since the company needs to spend a large sum of money to transport machinery and raw material from China.

## VI. Benefits and Drawbacks to Cambodia

The influx of Chinese into Cambodia has had an impact on the local environment, producing industrial pollution and household waste. At the same time, because of the Chinese way of doing things, they like to use the money to solve things, which contributes to the corruption in Cambodia from top to bottom. There is also a large amount of evidence the lives of Cambodian people are made worse. Rents have gone up, and there are far fewer Khmer and Western visitors to the city, which means losses for locally owned businesses. In the extreme case of Sihanoukville, many families have been driven out of the city due to high cost of living.

Risk also is a key issue in international investments. Cambodia would be vulnerable in an economic downturn, thus the economy should not rely too much on Chinese investors and Chinese debts. Chinese investment often has a closely interlinked nature. For example, Chinese tourists arrive on Chinese-owned airlines, stay in Chinese-owned hotels, eat at Chinese-owned restaurants, travel on Chinese-owned buses, and buy souvenirs from Chinese-owned shops etc. Therefore, the benefits to the host country are smaller here than more mixed types of investment.

It is also important to note that many customers of Chinese real estate developers are Chinese simply wanting to hold money outside China without expecting to live in the apartments they purchase. These developments are often largely empty even after the units are sold and do not contribute to a sense of community.

In Sihanoukville, there are also many environmental, social and quality control issues that have greatly affected the livelihood of local people. On the one hand, there are insufficient regulations and lack of law enforcement, resulting in low-quality construction work, high crime rates and environmental threats. On the other hand, many Chinese companies are not socially conscious and environmentally responsible, causing problems in the city and worsening the reputation of Chinese investors in general.

***However, there are also positive impacts of Chinese investment in Cambodia.***

Foreign direct investment not only drives local businesses, but also increases tax revenue for the government and provides enough job opportunity for Cambodia's 10 million able Cambodians, with an employment rate of 99.3 percent. Labor income rise, because the Chinese enterprise employs a large number of local workers in Cambodia, Chinese enterprises can create a large number of employment opportunities for local, on the other hand, because of the level of residents is weak, before mount guard training also improved the level of human resources of local, it also indirectly increase workers' employment income. This is particularly evident in the garment industry, where workers' salaries have risen. Cambodia's labor law announced a new law on May 1, 2013, which sets the minimum wage at \$80. Now, in 2019, the minimum wage is \$182, up more than 120 percent.

When China invests heavily in a region, it drives the growth of local services. Public transportation can provide commuting services for workers in the industrial park. During daily commute or lunch break, there can be a market on both sides of the work road to meet the everyday needs of workers and provide them with food. Because of the emergence of the industrial park, a commercial supporting circular chain edge has been generated, stimulating local consumption.

Cambodia is a traditional agricultural country. Technique training in Cambodia is particularly irregular and backward. In recent years, the organization of the Chinese garment makes a significant effort to address the problem of practice in practical skills and vocational training is limited to computers and foreign languages. It provides a high-quality employment platform for Cambodian employees and promotes the improvement of the technical level of Cambodian personnel. Chinese investor is dedicated to developing Cambodian's skill and ability. In most of the factories we have investigated, some basic management positions are mainly held by Cambodian local staff, and many enterprises with excellent organizational culture will promote a considerable number of Cambodian local staff to middle management positions. Moreover, Chinese enterprises are also gradually exploring the mode of joint



training of talents in the industry to improve the skills of local employees. For instance, the world youth cultural tourism school (WYTHS), funded by the YueTai conglomerate, is devoted to training Cambodian youth in service-related skills and promoting professional employment.

However, to achieve skilled or management positions can't only rely on other people's training support. The Cambodian government should strengthen the construction of basic education, provide an extensive vocational and academic education so that more Cambodians can play a more important role in business.

In a word, more and more Chinese enterprises are investing in Cambodia, which has brought a significant impact on the economic development of Cambodia and promoted the improvement of Cambodia's technology, economy, and human resources.

## **VII. Conclusion**

Through the analysis of the investment status and characteristics of Chinese enterprises in Cambodia. Cambodia has three significant factors in attracting foreign direct investment, including a rich demographic dividend, and an opened foreign investment policy. To develop Cambodia's economy more efficiently and qualitatively, the Cambodian government should take advantage of these unique factors, strengthen, improve its laws and further national economic planning to give international investors a better investment environment to fund.

On the other hand, Chinese corporations must understand Cambodia's environmental resources and investment policies. Chinese investors must balance the overall situation, establish a long-term concept, strengthen their sense of mission and responsibility, and conduct in-depth and effective communication with local governments and residents. While Chinese investing abroad must establish an excellent overall image. Only by sharing and cooperating in a mutually friendly environment can we achieve long-term mutual benefit and win-win between the two parties.

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# Analysis on the status of integration of Chinese immigrants into local Cambodian community and the underlying reasons for segregation

Group 2: HAO JIAXIN; GONG FEISHI; HAN ZIYI; YIN ZHIYUAN

*“Do you have frequent communication or interaction with the locals? Do you have Cambodian friends?” We asked a Chinese shop assistant in Sihanoukville.*

*“No, I just mind my own business and do my own job. Why should I communicate with them?”*

She is not the only Chinese immigrant who keep this kind of notion in mind in Cambodia. With large population surging in this country, problems regarding integration and segregation become increasingly severe.

## I. Introduction

In this research paper, we define and illustrate the overall status of Chinese integration with local Cambodian community and the reasons behind segregated behavior.

By interviewing people for their purposes for immigration, we identify the lack of motivation as one of the key reasons behind the lack of Chinese integration. For one thing, in the last twenty years, Chinese move to Cambodia largely out of business, which often exclusively becomes their sole goal. For another, because of the unbalanced consumption power, Chinese fail to include the Cambodians into one economic system. Besides, Chinese form their own community and spatially segregated from the locals, their only communion being the workplace.

This segregation minimizes the crossing of paths of the two populations, as well as provides a limited lens through which the Chinese view the local population. By asking Chinese about how they felt about cultural and societal issues in Cambodia, we discern several misconceptions, or lack of conception, concerning Cambodian culture and society and conclude them to an active choice to affirm one's own biases against the local community and thus avoid assimilation—which is the underlying reason for the lack of successful Chinese integration with local Cambodian communities.

## II. Background information

Integration is characterized by the level and type of engagement. This means that we must compare the effort put into crafting strong social ties, bolstering relationships, or excelling at work (Guest, 1993) to determine the degree to which migrants integrate with the local community.

Historically, Chinese immigrants in Cambodia can be divided into two groups—old Chinese immigrants and new Chinese immigrants, who see different engagement degree. Old Chinese immigrants refer to the groups who moved to Cambodia as labors during French colonial rule, refugees during World War Two and Chinese civil war as well as immigrants returning to Cambodia after the downfall of the Khmer Rouge. The purposes of their immigration largely attribute to survival, for which reason they seek integration and assimilation in Cambodia and

achieved remarkable results (Lingyun, 2008). After long staying and learning, they have been proficient at Cambodian language and cultural knowledge. Most of them seek Cambodian citizenship and root in Cambodia, regarding themselves as Cambodians other than Cambodian Chinese.

The case diverges for the new immigrants coming for business and capital. The group includes employees in state owned enterprises, runners of private enterprises and retailers. Cambodia is a country full of possibilities that has a fast growing market with 7.5% annual GDP increase in 2018 (Trending Economics, 2018). The political relationship between Cambodia and Chinese governments is stable and growing well.

One Belt One Road also connects two countries even closer. Cambodia government has offered many beneficial policies that attract Chinese companies to invest in there. For example, Cambodia government has set up several special economic zones that apply preferential policies to foreign companies, including 9 years of tax holidays (Manuk, Alexander & Yong, 2018).



Special economic zone in Sihanoukville, from [www.mofcom.gov.cn](http://www.mofcom.gov.cn)

Moreover, the ongoing trade war between China and the U.S. has created a harsh living environment for certain manufacturing industries in China, such as floorboard. Relating companies will go abroad and seek for a more unrestrained investing environment where they can gain more interests, and Cambodia is a perfect match under this circumstance—GSP most favored nation, no export duty, low import duty, anti-dumping tariffs, etc. Thus, many Chinese are very positive with the prospect of investing in Cambodia. Some of them even believe that Sihanoukville will become the next Shenzhen.



However, the overwhelming pursue of business success contribute to issues concerning integration and engagement. During our interview, we have learned that the lack of communication and assimilation is a prominent problem for Chinese companies.

For example, when Norodom Sihanouk passed away in 2012, in order to commemorate him, many Cambodian workers put his pictures on their desks at factories. But a Chinese factory owner could not understand his workers' grief, blaming them for their reduction of working efficiency, and even ripped the pictures of Norodom Sihanouk into shreds. Cambodian workers were enraged by his rude, and the circumstance got intensified and out of control. At last, the Chinese owner had to close his factory and went back to China. It can be seen that the deficiency of engagement may cause damage to both locals and Chinese enterprises.

### **III. Integration status**

Our research demonstrates that Chinese integration in Cambodia has not gone very far.

We find that within large-scale corporation context, corporation leaders are more likely to associate with Cambodian people only in an employer-employee perspective, while Chinese in middle management positions are more likely to associate with Cambodians not only in the workplace, but also in their personal lives since they have direct interaction with their Cambodian colleagues. An apparent trend is that owners and employees at small business are the group that best integrates with the local community for running their business more smoothly in the locality.

While interactions and in the workplace are primarily at the most basic level, interactions in personal life varies dramatically according to the characteristics of Chinese residents. Integration levels do not seem to vary strictly along the lines of social factors—neither education level, nor industry type and position in the workplace indicates different levels of integration. Therefore, the reason for successful integration, or lack thereof, must be largely personal. However, some common causes of failed integration are shared by most people and worth discussion.

### **IV. Reasons for segregation**

#### **4.1 Misconception—language gap**

During the course of interviewing, language is usually regarded as the prerequisite to community integration. However, the conclusion contradicts the idea and suggests that language is not the biggest barrier between the two segregated communities.

Actually, among our interviewees who have established personal relationships with local people, most are not fluent in either English or Khmer. An employee at a large-scale private company speaking very little Khmer is reported going fishing regularly with Cambodian friends from work. The owner of a barber shop in the industrial area who spoke no Khmer at all reported making many local friends who spoke some Chinese. “They introduce me to their friends, and their friends’ friends,” who would show him around and introduce the customs and ways of life of the local population. Besides, it is not so difficult to find Chinese or English-speaking locals. The owner of a boba shop in Pearl Market—a shopping center ran and used primarily by Chinese—estimated that up to 40% of his Cambodian acquaintances knew either Chinese or English, making it easy to socialize.

Similarly, these ideas are put forth by almost all interviewees who integrate successfully: for one thing, communication is possible even with language barriers; for another, language barriers do not exist with a considerable amount of Cambodian people. On the flipside, most interviewees who do not engage personally with the local population identify language barrier as the biggest obstacle in Chinese integration. When asked if they interact with locals on the personal level, they claimed that they did not have a common language. However, the sad reality is that there was no substantial attempt at establishing personal relationships and language barrier was the biggest scapegoat of all.

#### **4.2 Factor 1—lack of motivation**

Having ruled out language barrier as the primary reason for the lack of Chinese integration, we can confirm what is missing from the puzzle is an active motivation to engage with local communities, which embodies in three aspects.

##### **4.2.1 Purposes for immigration—over focus on business**

The sole motivation for many Chinese to immigrate to Cambodia is business. When we asked a secretary at the Chinese Chamber of Commerce in Cambodia about Chinese engagement with local Khmer, he claimed that there was very little engagement, especially in Sihanoukville, where Chinese account for 60% of the population, because people “just want to make money.” A real estate salesperson confirmed that most of their customers would not even spend one day in the luxurious houses they purchased, but view them simply as cold hard dollar assets.

To these people, they are not starting a new life in a new community, they are purchasing finance products. And with the real estate market being the most promising of all—creating almost \$100 million each year—Chinese are keen to become the biggest investors in Cambodian real estate (Hin, 2019).

Although it is intuitive to believe that it is necessary for Chinese to socialize in order to gain helpful social connections that help them with their businesses, several corporate leaders confirmed that navigating social connections involves quite little communication with locals. According to a staff at a China-Cambodia governmental office, the locals might not have substantial influence over one’s business. The most efficient way is to gain support at governmental level, in which case bribery may even exist.

##### **4.2.2 Segregated economic system**

Chinese immigrants and locals are segregated from each other within the economic system. Chinese swarming in Cambodia not only undertake large-scale business such as manufacturing, power generation and real estate, but also monopolize the economic niche, such as catering services and retailing. It means Chinese can create wealth and consume, completing an economic circle by themselves without involving the locals.

The situation is especially striking in Sihanoukville, where Chinese take up industrial parks, stalls, housing and restaurants. Chinese small businesses crowd out local businesses and residents by increasing the cost of living and of land. The massive Chinese population expansion—doubling each year now—concerns local NGOs such as Open Development Cambodia. They expressed their worrying about the growing presence of Chinese, claiming that “they destroy local culture, control the business, and set up their own communities” all

over the area. Their worry is not unfounded, because independent economic circle in Chinese communities has taken shape and the locals are marginalized and segregated.

#### 4.2.3 Chinese community

Because of the surging Chinese population and socio-psychological factors, Chinese in Cambodia tend to gather and form the “China Town”, which satisfies social demands of Chinese overseas within the community and create spatial distance between Chinese and Cambodians.

The larger immigrant enclaves are, the more impenetrable they become. Since wherever the Chinese immigrants go, they can easily be surrounded by Chinese, the motivation for seeking personal relationships outside of the Chinese community has been dampened—there are plenty within the community already. Such populations are just too big for assimilation.

Other than the overpopulated immigrants size, their rate of inflow is also noteworthy. "The Chinese began flocking to Sihanoukville about three years ago and their population is now estimated at the same number as Cambodian residents, or around 80,000, according to Mayor Y Sokleng" (Puy, 2019), giving no space for the locals to prepare, absorb and assimilate. The problem is that when immigrants come to the host country at a rational and steady rate, the local culture and community can easily assimilate the separated groups of immigrants. However, as they rapidly swarm into one space, the local community may fail to simultaneously integrate them and the integration rate of the local community will fall behind the inflow rate. In this way, segregation emerges on account of over-speed immigration.

As confirmed by a member of Cambodia National Research Organization, residents from one area of China, such as Guangzhou, will be reluctant to visit the stores and restaurants run by Chinese who come from other areas, which proves that there is no need to extend outside of one's homogeneous Chinese community.

This applies perfectly to our interviewees at Pearl Market, whose acquaintances consist primarily of Chinese friends. In contrast, the groups of interviewees at the industrial areas, where Chinese and Cambodian stores and workers have no spatial segregation, mirror the diversity of the area, featuring a well-integrated community. And thus, spatial segregation takes shape and becomes a key factor contributing to unsuccessful integration in that the mass of Sihanoukville's Chinese community deems it unnecessary to seek personal relationships elsewhere.



Chinese community in Sihanoukville, from [www.sohu.com](http://www.sohu.com)



### **4.3 Factor 2—Us-them dyad prejudice and assumptions**

Another fundamental issue is that, interestingly, some Chinese are unconsciously strengthening this us-them dyad by making assumptions, and then seeking confirmation for these assumptions, which only aggravates the cultural divide of two communities.

By asking interviewees to express their opinions on cultural and societal issues in Cambodia, we were able to confirm this thesis. When asked about the effect of religion on Khmer lifestyle and culture, most interviewees provided general information detached from real-life experience. Only one interviewee—a real estate salesperson who had only been in the country for three months—reported having observed and participated in cultural or religious celebrations. His example again confirms that it does not take much time or effort to discover more about the local community, yet most Chinese do not bother to do so.

Another example is that a large part of interviewed Chinese employers unanimously expressed their negative perception about local employees as unmotivated and lazy, worse off than Chinese. They complain that Cambodian employees tend to make inappropriate demands while slacking off at work. Some even force the workers to change their costume and eating manner. However, they fail to recognize that these symptoms are largely due to the tradition, cultural pattern and religion of Cambodian community. While culture is a neutral concept, behaving manner and life style of one race should be respected and understood. In some cases, Chinese immigrants scarcely try to familiarize with and adapt to the local tradition, arbitrarily conceiving bias against it and forcing change,

To summarize, due to the lack of communication and knowing about the locals, Chinese approach the local community with predisposed biases that they seek confirmation from sources that are neither credible nor factual. The result is a lack of understanding and compassion. Not only will it contribute to prejudice and bias, but also further mitigate the willing of communication and produce a vicious circle, reifying prejudices.

## **V. Conclusion**

The language barrier is not a big impediment to integration, confirming that integration is not a daunting process, but a question of will.

The lack of successful integration into local communities is characterized by lack of motivation for integration, which caused by disproportionately great and instrumentalized focus on business success, internalized economic system with unbalanced foreign assets flow, the over-concentration of Chinese community and the spatial distance caused by it.

Moreover, the deficiency of understanding of local culture, which resulted from spatial segregation and the us-them dyad with which Chinese view the local society, is one of the main reasons. At its root, however, it is the biases and process of confirming biases and stereotypes that are to blame for segregation.

## **VI. Improvement**

However, the situation is not hopeless. During our interview with several big Chinese enterprises, we found that Chinese companies are starting to have stronger willingness for integration. There are Chinese associations and unions that provide assistance and training to Chinese companies, popularizing local laws and knowledge about culture gap, and teaching them how to deal with Cambodian workers. From the training process, Chinese companies

deepen their understanding about the societal customs and legislative rules in the host country.

Chinese companies also actively involved in activities like donation and social welfare, to improve their social images. One manager told us that he often organizes dinner parties with Cambodian worker, creating a platform that forging meaningful communication between Chinese and Cambodian workers. Such attempt is absolutely positive and worth-trying for all Chinese companies in Cambodia, since the awareness to engage with the locals and cross-culture communicative competence are indispensable.

Moreover, even though the language barrier is not the main reason for the segregation between Chinese and Cambodians, it's still an objective factor that obstruct communication. Studying each other's language will be helpful for the two groups to reach mutual understanding. Both Chinese and Cambodians understand the importance.

For instance, a textile factory manager told us that he would equip his new Chinese employees with Khmer translators, but they have to learn how to speak Khmer within 6 months, or they would be fired. What's more, it's even more prevail for Cambodians to learn Chinese. If a Cambodian worker can speak both Chinese and Khmer, his wage would be twice or thrice as much as a worker who only speaks Khmer, so many Cambodians go to technical schools to learn Chinese. The language barrier between Chinese and Cambodians is gradually reducing.

## **VII. Prospect for future**

The future is still optimistic, as integration and assimilation always take time, not to mention the huge scale of Chinese community. Maybe the next generation will be able to witness a more harmonious Cambodia. Just like Thy Try, the executive director of ODC, once joked with us: "Do not worry about Chinese, because they will eventually become Cambodians". During our interviews, many Chinese had expressed their appreciation to Cambodians' characteristics to us, complimenting their sincerity, kindness and friendliness. As the connection between China and Cambodia grows more and more tight, it's inevitable for Chinese to walk out of their comfort zone, and make themselves a real part of Cambodian society.

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# The Impact of Chinese Investments on Local Employment in Cambodia

Group3: LI YIXUAN; WANG YINFENG; HU BO; QIAO WEIQING

## I. Introduction

According to the Council for the Development of Cambodia, by April 2018, China's direct investment in Cambodia had reached US\$170 billion. A huge amount of dollars in Chinese investment streaming into Cambodia affects every aspects of the country's development--the economy has promoted rapidly at an annual GDP rate of 7%, the infrastructure construction was built everywhere, and the local people's livelihood is inevitably affected.

The relationship between Chinese FDI (foreign direct investment) and Cambodian workers has been studied in the previous papers (Frost, 2002). However, little attention has been paid to how Chinese-owned entities interacting with the Cambodian workers in a microscopic perspective.

In our report, by analyzing the main 4 aspects of employment, including recruitment, wages and welfare, training and promotions, we expect to build a through view of how it is like for Cambodian people working in an Chinese-owned company and how Chinese entities in Cambodia reversely affect the employment of Cambodians.

## II. Methodology

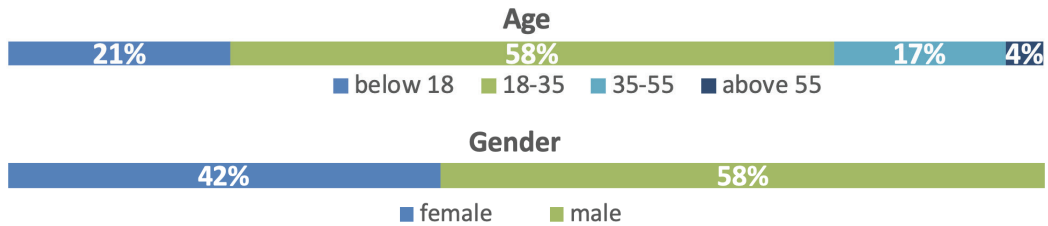
This research employs both quantitative and qualitative investigation to probe into the Chinese entities' impact on local employment.

The quantitative part relies on a questionnaire inquiring local people's opinions on different aspects of Chinese employment. The questions were drafted in English and translated into Khmer under the assistance of Open Development Cambodia (the English version can be found in Appendix I). Researchers then head to several communities, including a garment factory, a flooring factory, a rural community and people on the streets, and randomly invite local people to fill over 200 questionnaires in total. After data gathering, the valid results are entered into an identical questionnaire online, whose data are then downloaded to an excel form and visualized into figures.

The qualitative research entails interviews with people from a wide array of industries, including both employers and employees. The interviewees usually give a speech on the status quo of their industries and their own experience within the industry. Researchers will then ask follow-up questions to obtain more insights into their perspectives on Chinese enterprises' influence on local employment.

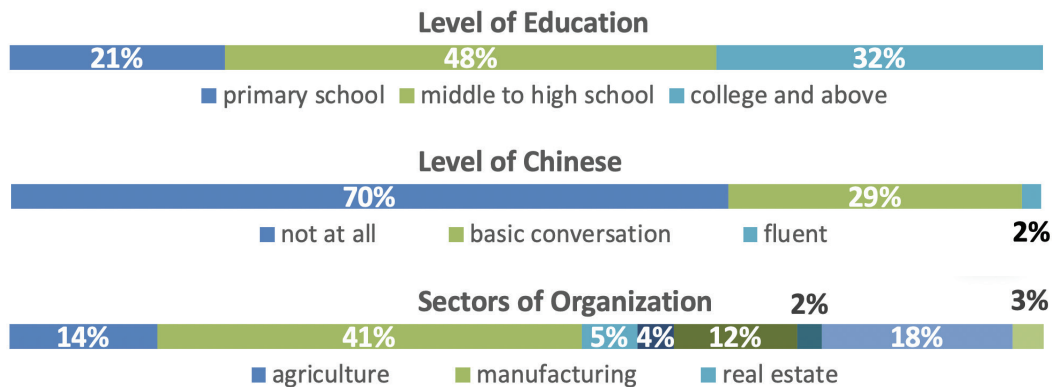


### III. Result

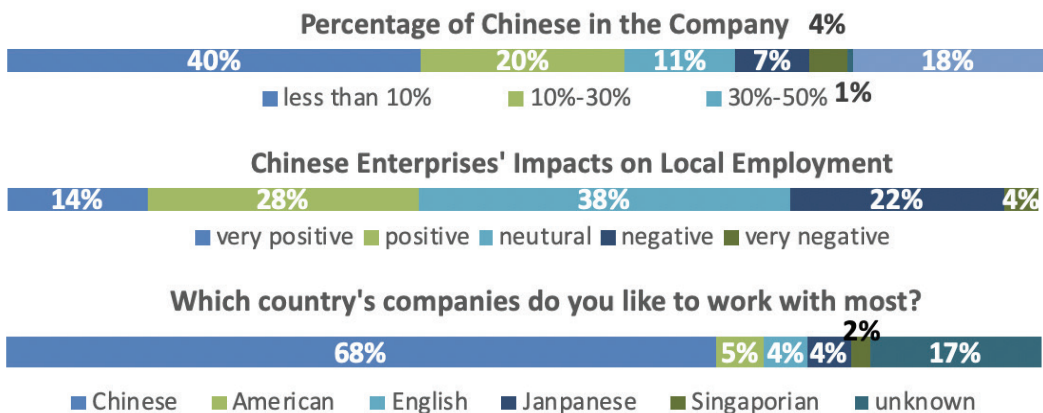


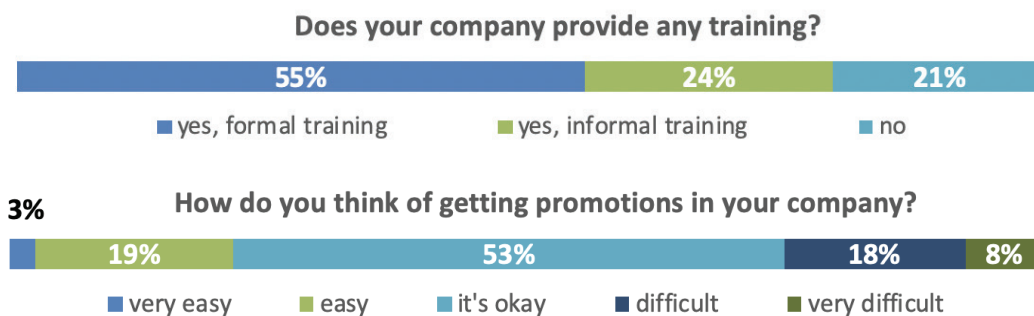
Among all the questionnaires distributed, there are 168 valid ones with more than 90% of the questions filled. 42% of the responses are from female, and 58% are from male.

They are gathered from a variety of communities, reaching to Cambodians serving as factory workers, employees of Chinese business, rural farmers, and passers-by in Chinese communities



in both Phnom Penh and Sihanoukville. Limited by the length and format of the questionnaires, they can only hint at some general opinions from the locals. Specific results will be discussed in each of the following sections. It is also noticeable that questions 13-15 are devised solely for employees in Chinese-owned enterprises, so the number of respondents for these four questions is 125, taking 74.4% of all the valid responses.





The qualitative part serves to complement the quantitative results in exploring comprehensive reasons behind the simple answers for the questionnaire. Executives of Chinese real estate companies and HR of several manufacturing factories represent the discourses from Chinese senior managers who are itched to maximize their profits but need to accept the rules of the market they operate in. Leaders of local non-governmental organizations and Cambodian employees in Chinese entities voice out for a group intruded by Chinese investment who seek new livelihood in the changing society. Even though opinions from Chinese managers and Cambodian employees may have divergences, it is exactly the diversity of opinions that gives a critical insight into the complexity of issues that this research investigates.

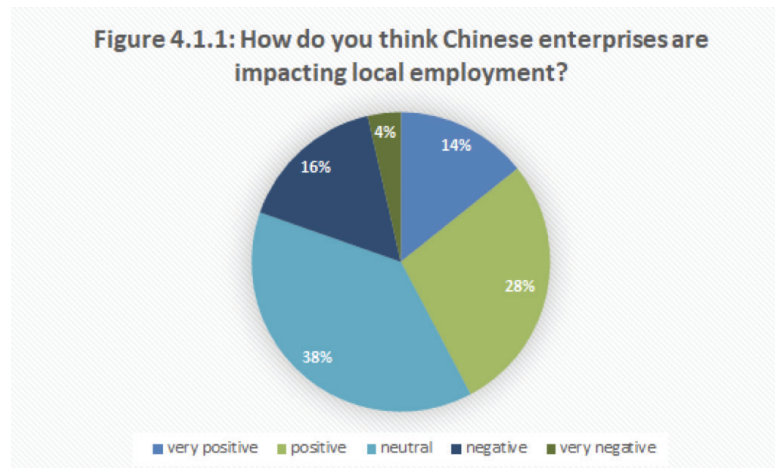
## IV. Discussion

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### 4.1 Import goods without a license

The very first step for Chinese companies' influence on the job market is the recruitment of workers. This research has asked the Cambodians about their general opinions on the Chinese investment. As shown in Figure 4.1.1, Question 11 in the questionnaire shows that there are 42% of respondents agree that Chinese companies have brought a positive impact on the local employment, twice as much as the 20% who disagree. It seems that in general the Cambodians are satisfied with Chinese entities' influence on the job market. However, this data only gives a broad idea on locals' opinions towards such a complex issue. To dissemble the complexity, this research starts its analysis with recruitment by Chinese entities. Recruitment cannot simply be understood as the number of jobs created by Chinese companies. Instead it is a multi-faceted concept entailing both quantity and quality, both current abilities and future prospect of local employees. This section will analyze the panorama of recruitment conditions and labor supply in Cambodia to give a preliminary explanation towards the positive opinions of Cambodians towards Chinese employment.



#### 4.1.1 Current Situation in the Cambodian labor market

Cambodia's job market mainly consists of Chinese workers and Cambodian workers different in their quality. Cambodian workers have only learnt about the existence of certain careers for the credit of new jobs created by Foreign Direct Investment of Chinese companies. Although Cambodians have a quantitative advantage, their raw skills are their major challenge against a decent career. Their Chinese counterparts, although small in number, are regarded as more dedicated, more experienced, more efficient, yet more demanding in their job selections.

#### 4.1.2 Differences in recruitment requirements among different careers

The inflow of Chinese companies has created a number of jobs different from the traditional ones in Cambodian society. These jobs vary in their nature and requirement for labor. No matter which sector a job belongs to, it is the skill of the job that determines the differences in recruitment expectations.

The less skilled posts often entail low or even no requirement for their contenders. For instance, waiters in casinos in Sihanoukville are only responsible for serving drinks and shuffling cards, skills that can be easily learnt. Such jobs need neither educational background nor previous experience, so some informal training during work can fully prepare a green hand. Similarly, cleaners in restaurants, drivers in the real estate companies, and streamline workers in manufacturing factories are almost entirely open to anyone applying for them.

Posts of higher skills usually have higher recruitment requirements. Among the jobs created by Chinese investment in Cambodia, a typical example is translators in almost every company. Self-evident as it is, this job requires potential contenders to be adept with both Chinese and Cambodian. This is tantamount to limiting applicants' educational background, as, in general, only those Cambodians who are better educated have sufficient drive to master Chinese. According to a driver for a real-estate company who dropped out of school in the seventh grade, he fails to learn Chinese even though he understands that the language will bring him to a better job. Other higher-end jobs that Cambodians take up are real estate salesmen and mid-level managers. However, jobs at the top level, such as senior managers, are seldomly taken up by Cambodians because the Chinese owners favor their own staff from China and the requirement is too high for most Cambodians to fulfill.

In general, the low-skilled jobs are open to everyone in labor market and attractive to those who have little education and skills, who consist the majority of labor force in Cambodia; the high-skilled job, on the other hand, faces a shortage in capable labor force. The void is taken up by Chinese workers, which further strengthen Chinese companies' favor towards managers of Chinese nationality.

#### **4.1.3 Methods of recruitment**

work. For small labor-intensive business such as garment, recruitment is mainly achieved through distributing posters about job vacancies in local communities around the factory. Generally speaking, if workers are satisfied with a job, they will refer it to their relatives, who will come along in order to stay close to each other during work time. This kind of family connections, however, is sometimes alienated if the referees receive a decent treatment in their current job and even enjoy a close personal relationship with their managers.

The companies of larger scale are more sophisticated with the methods they use to reach to their target labor. They will post their job vacancies on the internet when they need skilled workers and managers. For instance, real estate companies will hire their salesman in this way to reach to well-educated Cambodians who know how to seek a job online. In some cases, people from other provinces will also be attracted provided that the job has a sound treatment and prospect. However, the Chinese companies still rely on personal referrals in recruiting lower-skilled workers such as drivers.

In general, the employment in Cambodia is discriminatory in that the more decent jobs are recruited through more modernized means that only the better-off ones can get to know. Meanwhile, the personal referral system continuously strengthens people's connections with those who are from similar backgrounds. It is noticeable that as friends and relatives often work in the same workplace, connections are strengthened not through developing one-to-one relationship but connecting and deepening one whole social network to another. Such massive agglomeration of connections makes it more likely for people to be trapped in their own socio-economic classes.

#### **4.1.4 Job hopping**

A special situation in Cambodian labor supply lies in the large quantity of job hoppers. Instead of changing their jobs after thorough consideration, this group of people stand out in their recklessness. The general insufficiency in public education has created a relatively low-skilled labor market. Those who have extremely low skills and fail to receive proper training have little prospect of promotions and will gradually lose incentives to work productively. As a result, they resort to frequent job hopping to make up their income, as those who quit right after they receive their payments can have the money without exchanging their labor. Such job hoppers have enabled a large free supply in the labor market, and brought down the market price for workers with skills similar to them. The uncertainty in the loyalty of labor, more importantly, propels the employers to hold back their trust and training towards low-skilled labor. Consequently, they are further impeded from proper training and chance for promotion, which forms a vicious cycle as more of them choose to join the job hoppers.

#### **4.1.5 Impacts of Chinese investment on local recruitment**

Cambodian laws require companies to hire Cambodians at least 90% of their employees, so Chinese entities' current 20-billion-dollar worth of investment in the Cambodian market has



created a significant boost in demand and treatment for local labor<sup>1</sup>. The land purchase for investment by Chinese companies has also allowed boost in personal wealth and infusion of financial capital into the Cambodian market and a lift in living standard. According to a tuk-tuk driver in Sihanoukville, his income has been boosted after Chinese entities settling in the city; also, those local citizens whose land are purchased are enabled to start small business such as restaurants and grocery stores. The ripples of virtue spread out as the direct beneficiaries create further employment, increase the society's purchasing power, and create more economic chains.

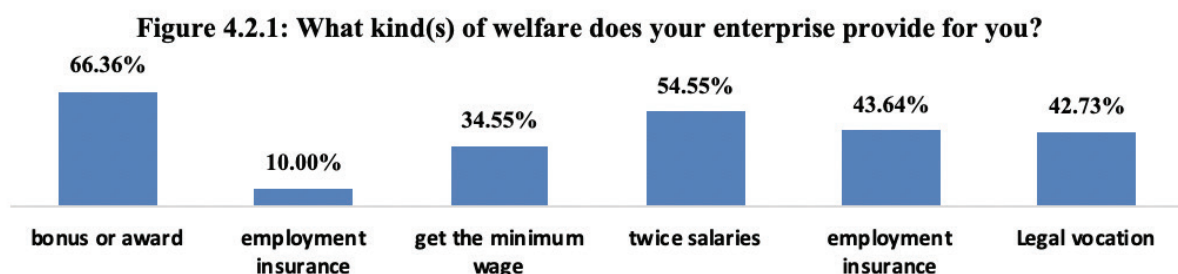
However, the top-level managers are still an exclusive Chinese-club. From analysis above, a trend can be drawn that the Cambodian labor force has limited quality and mainly serves in lower-end or even dead-end careers. The requirements and methods of recruitment tend to favor people already better-off. While those worse-off only have a glimpse of prospect to enter the management level, they still prefer their meager of salaries over returning to school. These factors function as a catalyst that traps people in their own socio-economic classes and strengthens marginalization of lower-class labor and income inequality. Thus, even though job opportunities and family income have rocketed overall, the gap between rich and poor has worsened.

From the perspective of recruitment, a conclusion can be likely drawn that the generally positive opinions of Cambodians towards Chinese employment are caused by Chinese investment improving the overall career opportunities. Even though the income inequality may have been enlarged, it is the reduction in absolute, instead of relative, poverty that can be explicitly felt by every single individual and converted into optimism.

## 4.2 Wages and welfare

### 4.2.1 wages and welfare in Cambodia: data results versus the reality

The second aspect that needs to be concerned is wages and welfare that Chinese entities provide for the employees. Among the 110 valid responses, 66% of respondents' companies offer bonus or award; 10% of respondents' companies offer employment insurance; 34% of respondents' companies offer minimum wage; 55% of the respondents' companies offer salaries that are given for every two weeks; 44% of the respondents' companies offer employment insurance; and 43% of the respondent's companies offer legal vocation.



<sup>1</sup> CEIC Data 2019. Cambodia Foreign Direct Investment. Retrieved from <https://www.ceicdata.com/en/indicator/cambodia/foreign-direct-investment>

However, this result does not correspond with the reality at all.

First of all, the percentage of respondents who got the minimum wage is only 34.55%, suggesting more than half of the respondents were not paid properly in their work. However, the Labor Law 1997 regulates that worker's salaries must at least be equal to the minimum wage, ensuring a bottom line that is somehow supposed to protect workers from extreme exploitation. And also, the official minimum wage set by the Ministry of Labor and Vocational Training for the garment industry in 2019 is US\$182 per month. If the data of only 34.55% respondents getting the minimum wage was true, it suggests that the corresponding large amount of Chinese enterprises did a serious violation against the national labor legislation, which is obviously unrealistic.

In fact, according to the interviews with the head of 9 Chinese entities in Cambodia, wages paid by Chinese companies correspond to average wages of the same industries in Cambodia and even exceed the official minimum wage of US\$182. The actual wage usually includes an obligatory living allowance, overtime payment, which is common in the garment industry, and frequently a performance-based bonus (e.g. a piece rate). Moreover, due to the strict labor law and the effective supervision of the labor unions and NGOs, Chinese enterprises can hardly violate the labor laws in Cambodia.

Second, in Figure 4.2.1, while the selected rate of "get the minimum wage" is only 34.55%, that of "getting bonus or award" reaches up to 66.36%, which also obey the reality. In general, achieving the minimum wage is the basic requirement, and other compensation and bonus are not requisite, which suggests the rate of "getting bonus or award" should not be higher than the rate of "getting the minimum wage".

There are still some data that hardly to be verified due to its violation of the law. For instance, the Labor Law regulates that employers should offer at least a 18-day vacation per year, yet the rate that 42.73% of the respondents taking legal vacations is obviously lower according to the law. Moreover, although the Labor Law guarantees a safe working environment, safety standards are few, and there is no requirement for employers to buy insurance for the workers. Hence, the rate of 10% can be reasonable.

#### **4.2.2 Reasons for the data's poor viability**

The data shows a poor explanation to the problem of how Chinese entities provide wages and welfare for their employees. Some reasons might help explain the limitation of this result. Firstly, as for the first column of "getting bonus and award", the reason the high choosing rate is because it is listed on the first position in the questionnaires. Respondents may choose this for convenience. Then, the rate of "getting the minimum wage" may have some ambiguities for the respondents. They may not choose this option if they are given wages higher than minimum wages. Moreover, due to the lack of education across the regions, respondents might be confused by several questions expressed in academic language.

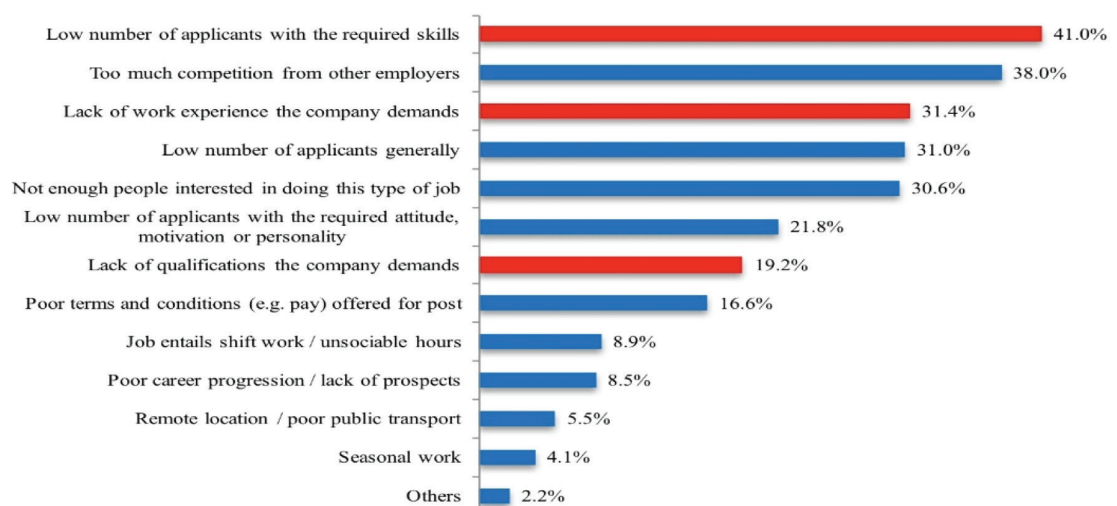
## 4.3 Training

### 4.3.1 Training conditions in Cambodia

Basically, it seems that economic entities in Cambodia do not pay enough attention to training and education for citizens. In the World Economic Forum's Global Capital Report 2017<sup>2</sup>, Cambodia received the poorest score among ASEAN countries, ranking 92nd out of 130 countries in terms of human capital development. The deficiency of training and education in Cambodia tends to cause the lack of skilled workers who are qualified for some jobs, even if those jobs are still vacant.

The shortage of skilled workers may lead to the phenomenon in the job-hunting process that applicants with the required skills are not enough. Hence, the job vacancies in various sectors are hard to fill temporarily. According to National Employment Agency (2018)<sup>3</sup>, the figure below shows the causes of hard-to-fill job vacancies.

**Figure 4.3.1 : Causes of hard to fill vacancies (% of establishment reporting hard to fill vacancies)**



**Note:**

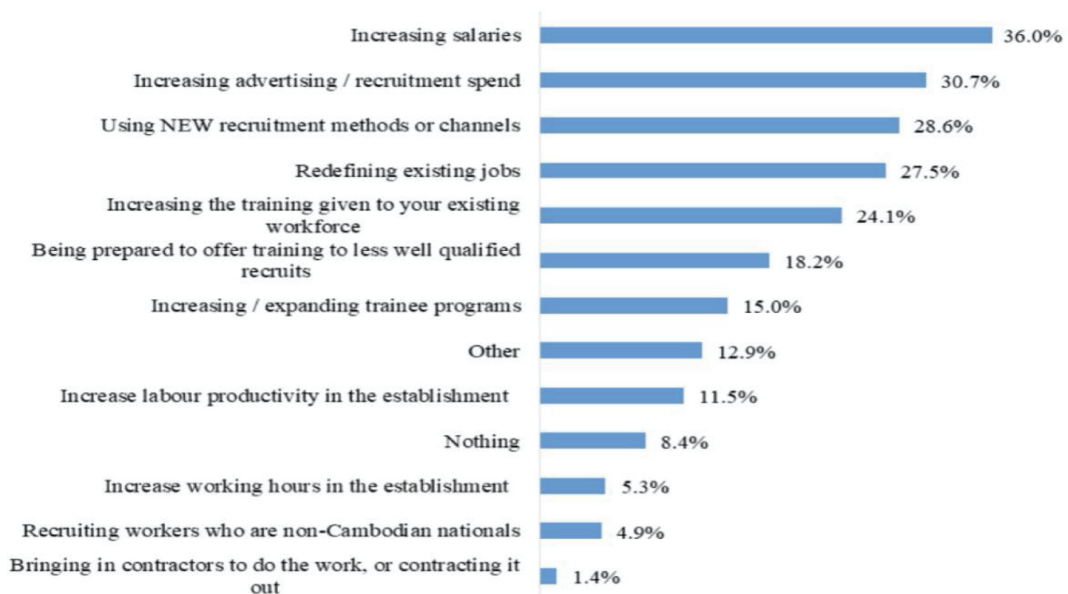
- The figure shows the proportion of hard-to-fill vacancies caused by each factor reported by employers.
- The sum of percentages exceeds 100% because of multiple choices.

n (unweighted establishments with hard-to-fill vacancies) = 158

The most usual cause (41%, ranking 1st) is the low number of applicants with the required skills, implying that the training and education system cannot offer enough skilled and qualified workers to meet the demand of enterprises with job vacancies. Hence, the training process should get improved to increase more skilled workers. The employers, however, do not regard training as the most urgent affair.

<sup>2</sup> World Economic Forum 2017. Global Human Capital Report 2017. Retrieved from <https://www.weforum.org/reports/the-global-human-capital-report-2017>

<sup>3</sup> National Employment Agency 2018. Skills shortages and skills gaps in the Cambodian Labour Market: Evidence from employer survey 2017. Retrieved from <http://www.nea.gov.kh/images/survey/ESNS>

**Figure 4.3.2 : Measures taken to address hard-to-fill vacancies**

N (weighted establishments reporting recruitment difficulties) = 805

Figure 4.3.2 above demonstrates the measures taken to address hard-to-fill vacancies.

When it comes to the solution to the problem of hard-to-fill job vacancies, the top 4 measures (respectively 36.0%, 30.7%, 28.6%, 27.5%) intend to increase salaries and improve the recruitment process, which do not involve methods to enhance training. The fifth, sixth and seventh measures (respectively 24.1%, 18.2%, 15.0%) are related to training. Hence, it seems that training is not the first choice to ease hard-to-fill job vacancies, which reveals the problem of insufficient training.

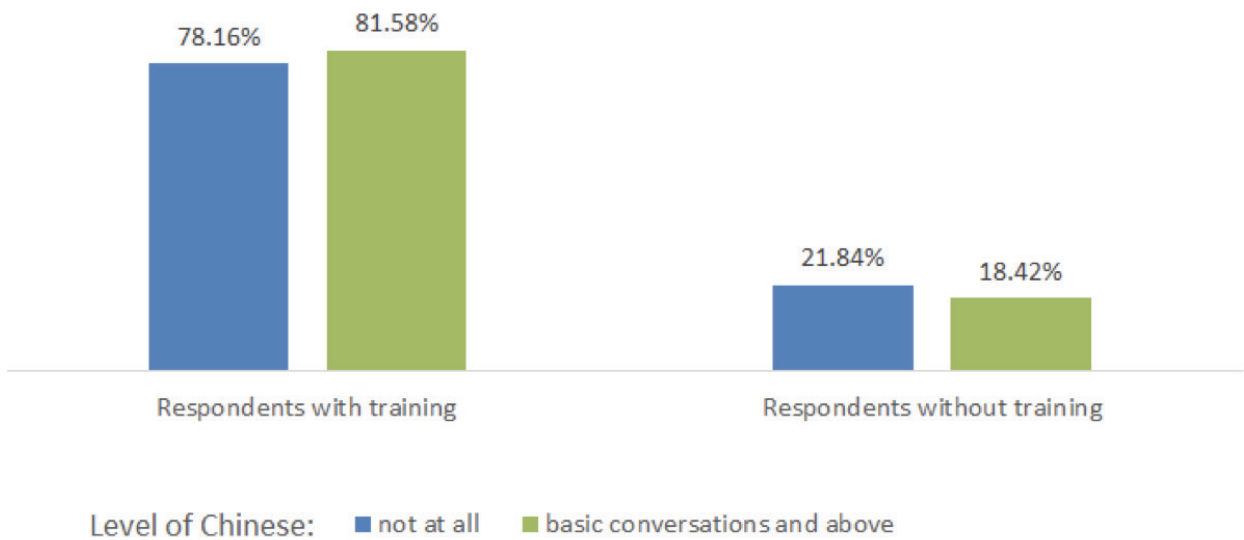
### **4.3.2 Training conditions for Cambodian employees in Chinese entities**

#### **Language training provided by Chinese entities**

In Chinese entities, the main languages are Chinese and Khmer. According to interviews with several Chinese leaders of Chinese entities in Phnom Penh and Sihanoukville, most of Chinese leaders are not fluent in Khmer, so they usually hire and rely significantly on translators or Cambodian employees who can at least do basic conversations in Chinese. According to the survey, although many Chinese enterprises offer training to Cambodian employees, it seems that their skill of Chinese and their training conditions are not closely related.



Figure 4.3.3: Respondents' level of Chinese and training conditions



In Figure 4.3.3, in terms of respondents provided with training, 78.16% of them cannot speak Chinese at all, while 81.58% of them can handle more than Chinese basic conversations. Since these two figures do not have much difference, it is likely that in Chinese entities, training for Cambodian employees provided by Chinese companies are mainly professional training rather than language training.

According to interviews with Chinese senior managers of Chinese-owned garment factories, furniture factories and real estate groups, it seems that these enterprises all lack language (Chinese) training processes. The reasons according to their illustration may be complicated. Firstly, most workers in Chinese entities are too busy to attend language classes, because they are often assigned to work overtime, and they also need sufficient rest in their spare time. Secondly, translators are hired in many Chinese entities according to our interview, making communications between Chinese and Cambodians convenient enough without Cambodian workers mastering Chinese. Last, in Chinese entities like factories, Cambodian workers tend to be in low-value positions, which do not require high Chinese skills. As for real estate groups, since Cambodian salesmen usually target local Cambodians, learning Chinese is also not mandatory.

#### **Professional training provided by Chinese entities**

As is mentioned above, training mainly stands for professional training provided by Chinese entities.

In the questionnaires for local employees, Question 14 is intended to ask those who work in Chinese entities whether they have received any training. Among all the 168 respondents, 125 are working in Chinese entities and answered this question.

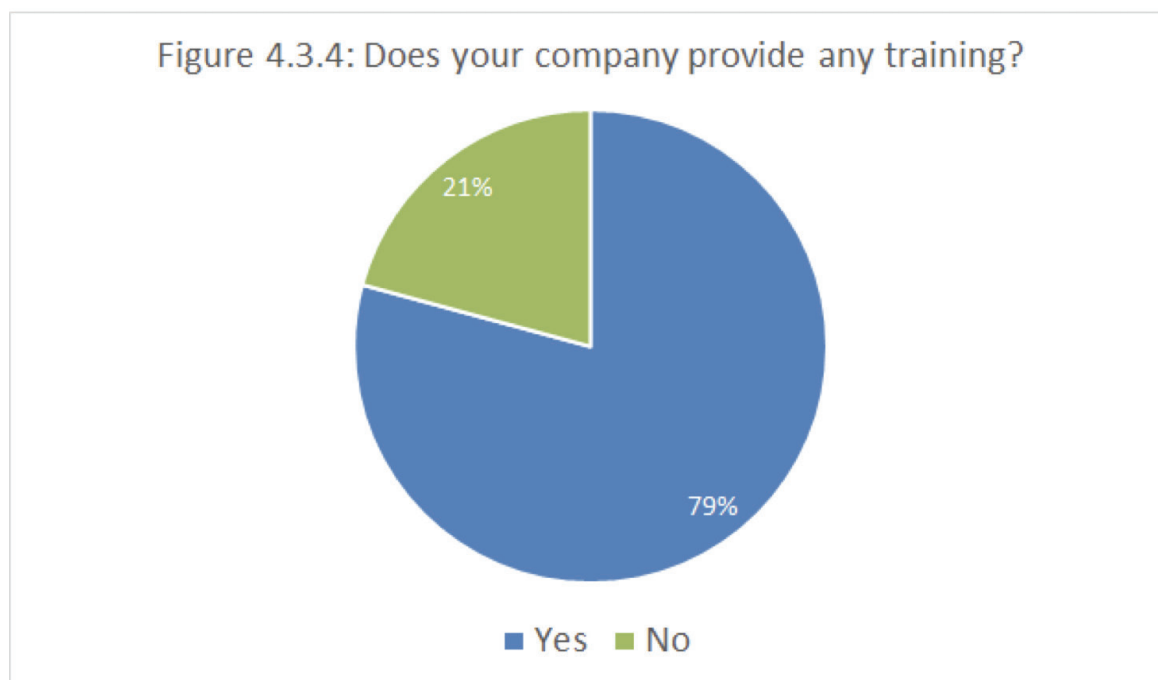


Figure 4.3.4 above shows that most of (79%) respondents are arranged professional training in their Chinese entities. The remaining of them (only 21%) claim that the Chinese entity they work for does not provide any training for them.

It seems that the Cambodian workers' training condition in Chinese entities is in good order. Compared with the overall training conditions in Cambodia, Chinese entities in Cambodia generally pay more attention to improve the Cambodian employees' professional skills, thus to some extent facilitating the professional quality of Cambodian workers and laying a solid basis for their employment.

#### 4.3.3 Vocational Schools

Apart from training processes in the entity, there are vocational schools in Cambodia to improve Cambodians' language and professional skills. For instance, a Chinese-owned vocational school in Phnom Penh provides Chinese, English, PC technology and hospitality courses, facilitating the students' employment in Chinese entities by training their overall skills as well as letting several Chinese entities to recruit graduate students from the school.

However, it is likely that the number of these vocational schools is still not enough. According to the principal of a vocational school in Phnom Penh, there are only less than 10 vocational schools altogether in Cambodia, compared with more than 100 universities in the country.

Hence, although vocational schools can partly complement the insufficiency of training processes in most entities in Cambodia, the number of these schools can hardly cover the demands of skilled Cambodian employees in Chinese entities.

In terms of training, it seems that although Chinese investments are taking advantage of the cheap labor, they are also simultaneously lifting more Cambodian employees into skilled and management positions. As for promotion, the majority of managers in Chinese entities are Cambodians with sufficient language skills.

In our article "The Impact of Chinese Entities on Cambodians' Employment", discussion 4.3.2

has come to the conclusion that the training offered by Chinese entities to Cambodian employees are mostly professional training, thus to some extent facilitating the professional skills of Cambodian employees.

As for management skills, it is usually not applicable in the training process of a company, which is concerned with the employees' personal experience and abilities. According to interviews with some Chinese high managers in Chinese entities, they favor Cambodian employees who are fluent in Chinese. Hence, if the obstacle of language can be significantly eliminated by Chinese-speaking Cambodians or by translators hired, Cambodian workers are generally welcomed to management positions if they are qualified.

Moreover, Chinese entities are willing to provide middle-level positions for Cambodians who speak Chinese or English, which means that improving language skill is a useful approach for getting rid of the label— “cheap labor”. However, Chinese entities focus more on professional training rather than offering language courses, so that Cambodian workers have to do self-study or rely on the professional schools set by the government.

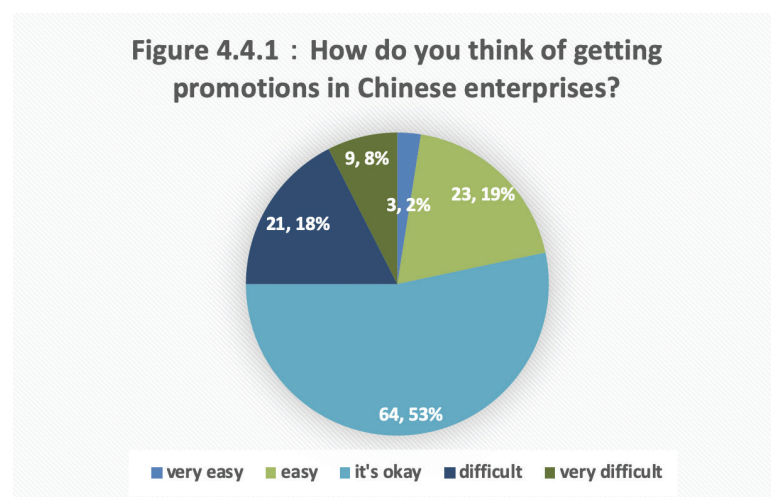
Admittedly, the cheap labor was the main attraction that gathered numbers of Chinese entities to invest in Cambodia, because reducing taxing expenses and labor payments are the purposes of Chinese entrepreneurs. Nowadays, however, as Chinese entities pay more attention to the quality of products and the working efficiency, they put more emphasis on training, gradually turning the cheap labor to more qualified and efficient labor, and thus benefiting both Chinese entities themselves and Cambodian workers.

In a long run, more Chinese entities provides more job opportunities as well as more taxes revenue for the government. Through the upgrading of industries brought by foreign investments including Chinese entities, Cambodians could receive more professional training. In addition, the professional training system and primary education system would be improved gradually with the help of foreign countries and foreign entities' donations, so the future of Cambodians' jobs would certainly not be limited as cheap labors.

#### 4.4 Promotion

To better analyze the impact of Chinese investment on local Cambodians' employment, the last aspect we need to concern is how they could gain more income from promotions in Chinese entities.

Question No.15 aims to collect Cambodians' opinions towards how difficult they could get promotions in Chinese entities (Figure 4.4.1).



Among the respondents, 21% show positive attitudes towards their promotions in Chinese entities, but 26% are negative. And the percentage of choosing “very difficult” is 6% higher than “very easy”. For a more detailed analysis, the respondents’ attitudes are sorted by gender, sectors and level of Chinese as follows.

#### 4.4.1 Promotions vary in genders

There are 82.85% of Cambodian working population are employed<sup>4</sup> until December 2018. As one of the four major pillars for Cambodian economy, garment industry took 86% of industrial workers and 65% of \$10.8 billion factory avenue in 2017<sup>5</sup>. According to two directors of Chinese garment factories in Phnom Penh, due to women’s reputations of quietness, mildness and unreluctant to making troubles, female workers are preferred in the factories. There even exist some factories that only hire female workers or promote only female managers.

Figure 4.4.2 : How do you think of getting promotions in Chinese enterprises - gender

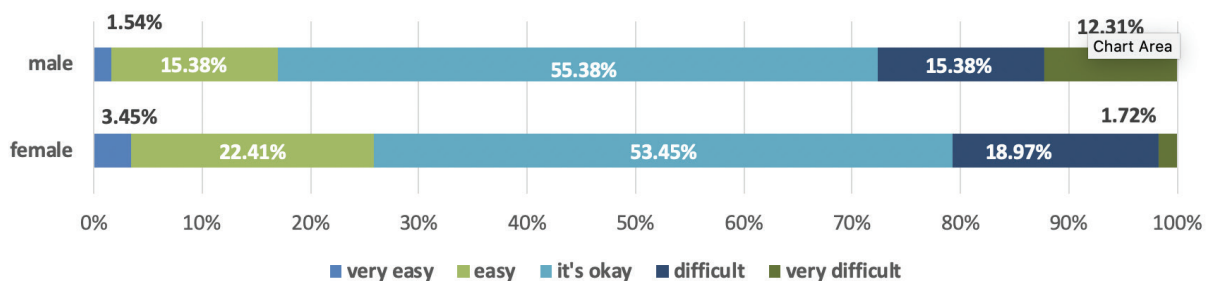
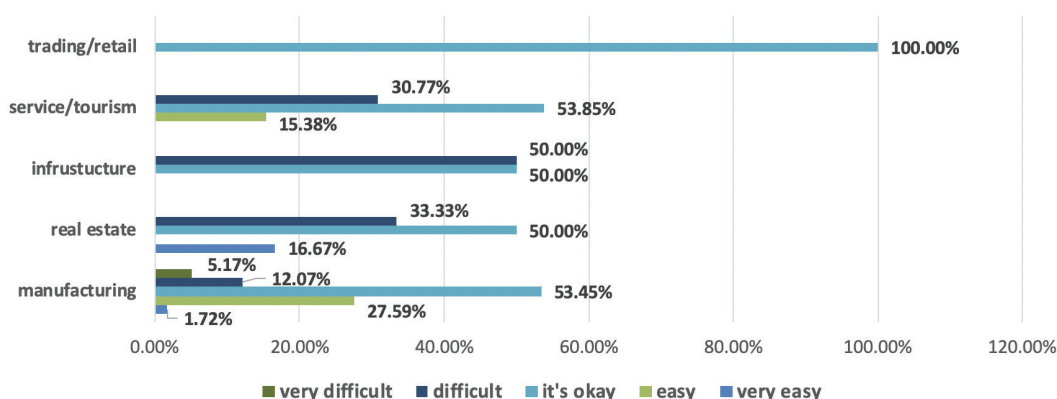


Figure 4.4.2 shows the different attitudes of male and female towards promotions. The percentage of male choosing “difficult” and “very difficult” is 7.43% higher than that of female. And female respondents are more willing to choose “easy”, representing their positive attitudes towards promotions in Chinese entities.

It is hard to decide to what extent of these positive attitudes towards female are resulted from the preference towards gender from factory directors, yet the result reflects a potential trend of discrimination upon male workers.

#### 4.4.2 Promotions vary in sectors

Figure 4.4.3 : How do you think of getting promotions in Chinese enterprises-sectors



<sup>4</sup> The World Bank. (2019). Labor force participation rate. Retrieved from <https://data.worldbank.org/indicator/SL.TLF.ACTI.ZS?end=2018&locations=KH&start=1990&view=chart>

<sup>5</sup> Spiess, R. (2018, April 5). A sector too big to fail? The Phnom Penh Post. Retrieved from <https://www.phnompenhpost.com/business/sector-too-big-fail>



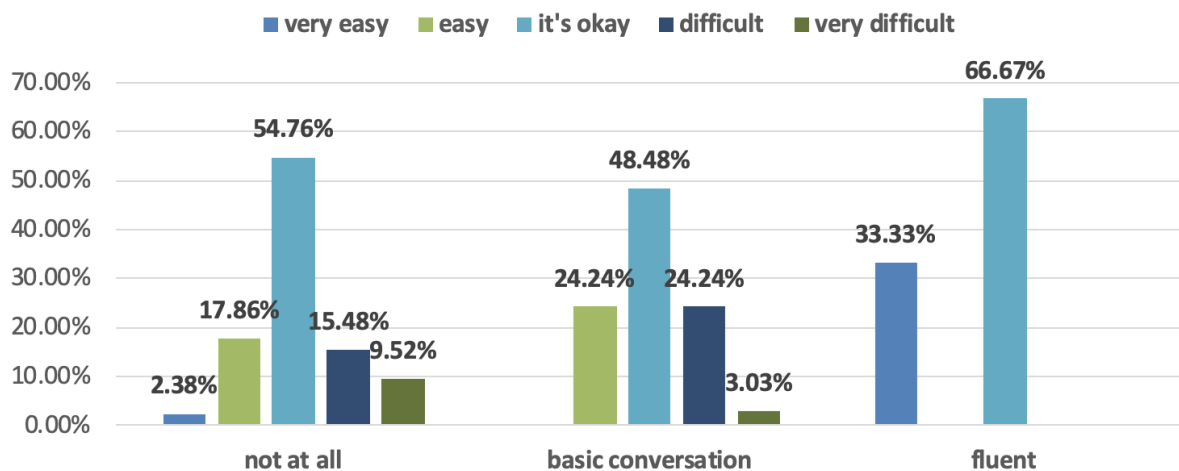
After divided into sectors (Figure 4.4.3), 27.59% of respondents in manufacturing think that getting promotions is “easy”, much higher than 15.38% from those who work in service/tourism. And in real estate and service/tourism, 33.33% and 30.77% of respondents choose “difficult”.

Manufacturing requires professional skills and work experiences. Taking garment industry as an example, an ordinary worker would averagely receive \$200-\$250 per month, while those who has experiences and professional skills such as cutters, pattern makers or tailors, could be paid twice or triple than the ordinaries. However, those requirements are easy for Cambodian workers to fulfill, especially the poor or poorly educated ones. Among those respondents in manufacturing, 83.33% report that they have formal or informal training, with which being experienced and skillful would be a reachable goal.

As for the difficulty in getting promotions faced by who work in service/tourism or real estate, the reason for this dilemma could be attribute to customers’ nationalities. Since Chinese investors and tourists take a big market share in Cambodia, the major difficulty those local employees are facing can be language.

#### 4.4.3 Promotions vary in language skills

**Figure 4.4.4: How do you think of getting promotions in Chinese enterprises - level of Chinese**



From “not at all” to “fluent”, there is an obvious increasing trend in the percentage of choosing “easy” and “very easy” for promotions. The employees in Cambodia’s high-end industries, such as service and real estate, would intend to choose “difficult” if they cannot speak Chinese or not fluently enough. This result could be an evidence for the upward demands for translators in Cambodia.

Recently, thanks to the One Belt One Road Initiative, Chinese entities in Cambodia (including Chinese construction programs and Chinese enterprises) have increased significantly. With rental yields of 8 to 10 per cent, and asset appreciation of 15 per cent per year, the Cambodia’s property sector has become an attractive bet for Chinese investors.<sup>6</sup> Large amount of Chinese and their enterprises are long for translators. From all the interviewees, language skill could not only be a great condition for employing a Cambodian, but also would ensure attractive salaries.

<sup>6</sup> Choi, M.(2019, July 31). Influx of Chinese business travellers, investors to Cambodia drives construction boom.South China Morning Post. Retrieved from <https://www.scmp.com/property/international/article/3020644/influx-chinese-business-travellers-investors-cambodia-drives>

As for factories, Chinese director would hire translators as well as Cambodian-born Chinese for efficient communication and management. Each factory would only have less than 10 Chinese managers compared with more than 500 workers, which means the desire for those who is excellent in language is high.

As an employee in service industry such as real estates or tourism, Chinese take one of the biggest parts of Cambodian market. The Southeast Asian country approved over US\$2.7 billion of real estate projects in the first four months of 2019, a 67% increase. According to the report claimed by Cambodia's Ministry of Tourism, in the first half of 2019, Chinese tourists in Cambodia had reached 1.29 million, which takes 38.7% of its foreign tourists.<sup>7</sup> Hence if one could improve his language skill, especially Chinese, he would gain more opportunities for promotions in Chinese entities.

## **V. Conclusion**

Based on the questionnaires and interviews, the local employment has been improved into certain stages through recruitment, welfare, training and income increase by Chinese investments.

For recruitment, Chinese entities have brought improvement in the overall well-being of economy through capital infusion and job creation. The problem lies in the fact that people are likely to find a job trapping them to their own socio-economic classes. Even though for individuals the reduction in absolute poverty is already satisfactory, the potential income inequality is where the Chinese entities can work on to improve its social responsibility.

Referring to welfare, Chinese entities have provided enough salaries, insurances, vacations according to the Cambodian labor law. Moreover, due to the demands for more labors, Chinese entities would also set obligatory living allowance, overtime payment, which is common in the garment industry, and frequently performance-based bonuses for their employees.

Considering the general ignorance of training in Cambodia, the impact of Chinese entities on the training for local workers lies in language training and professional training. In terms of language training, it seems that Chinese enterprises do not endeavor to improve the foreign language skills of Cambodian employees, so they hardly facilitate the overall language skills in the Cambodian labor market. As for professional training, Chinese entities generally emphasize it, thus positively influencing the training condition in Cambodia. Besides, even though there are several vocational schools in Cambodia, the number of them is hardly enough.

Meanwhile, for income increase, Cambodian labors are facing such differences in treatment and opportunities for promotions caused by genders, sectors, and language skills. In general, Chinese entities are helping Cambodian industry transfer from primary industry, labor concentrated industry into tertiary industry.

For more decent jobs in the future, the Cambodian government should implement more practical regulations and laws to further train those labor population, as well as initiate more specialized departments to teach them. As for the issues related to work-life balance and the differences in Chinese and Cambodian tradition, the Cambodian government may collaborate with Chinese chambers of commerce. Through joint efforts, the negative impacts of Chinese entities on Cambodians' employment would be limited and replaced by a win-win future.

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<sup>7</sup> Gao, B. & Mao, P. (2019, August 13). China.com.cn.  
Retrieved from [http://news.china.com.cn/live/2019-08/13/content\\_505314.htm](http://news.china.com.cn/live/2019-08/13/content_505314.htm)

## VI. Limitations

The results from the questionnaire have some limitations due to certain hinderance to reach to the genuine opinions from the locals. Low literacy rate and insufficiency of education make it difficult for the locals to read or comprehend the whole questionnaire. Meanwhile the inability of researchers to communicate in Khmer and the lack of translators resulted in difficulties to explain the intentions of the questions orally to the locals. Thus, it is likely for the uninformed locals to choose “unknown” or even skip ambiguous questions while they know what their answer is. The large proportions of “unknown” options in the results is a proof for this limitation. However, the limitations may not affect the reliability of this research’s results as comparison and relevant analysis can be made regarding all the answers besides “unknown”.

Based on the above problems, three points of improvements can be made in the future design of questionnaires for poorly educated people.

First, keep the expressions of every statement as simple as possible. As most of the respondents lack education and some are even illiterate, their reading and writing abilities cannot support them to do a questionnaire with some abstruse expressions. Therefore, explaining the intentions simply and clearly, eliminating the ambiguity of questions, and designing the options in an oral way may help a lot.

Second, keep in mind the intention of designing a question and how we can present the collected data in the report before designing one question. The numbers contained in a questionnaire is very limited considering the respondents’ patience and the accuracy of data. Hence, we should make sure that every question in the questionnaire is accurate and valid enough to present in the later survey paper.

Third, as the inability of researchers to communicate in Khmer and the lack of translators resulting in difficulties to explain the intentions of the questions orally to the locals, hiring the local interviewees to make a direct contact with the respondents may be a good solution. Moreover, hiring more translators may solve most of the communication problems.

## VII. Recommendations

As more and more Chinese entities arise in Cambodia, it is necessary to consider improving the local employment through the joint effort of government, entities and individuals.

### 7.1 Government

Although there is mandatory education regulated by Cambodian law makers, it is rarely enforced. Referring to working population, there are 22.22% of population age 15+ with no education, and 57.8% with primary schooling (completed and incomplete primary),<sup>8</sup> suggesting that the Cambodian government have not provided sufficient training for Cambodians employment.

More public vocational schools which contain courses for language and professional skills is in need, and the government’s aid to private and non-profit skill training schools can also help solve the scarcity of well-skilled labors. For those who are not familiar with the working intensity in factories, especially those young labors, the government should regulate the training process in factories (e.g. introducing work-study programs or an internship with fewer

<sup>8</sup> Trading Economics.(2017). Retrieved from <https://tradingeconomics.com/cambodia/labor-force-total-wb-data.html>

working hours) to help them adapt from agriculture to industrial jobs. In doing so, both the improvement of overall living standards and the reduction of income inequality would be achieved.

## **7.2 Chinese entities**

Chinese entities had caused several conflicts concerning salaries and welfare in previous years, which is mainly because of the ignorance of local laws. In order to solve this problem, Chinese chambers of commerce should take the responsibility to cooperate with local government, trying to reduce those entities operating illegally to protect Cambodian employees.

## **7.3 Individuals**

Besides, Cambodians are gradually aware of the importance of formal and informal training, so that it would be a wise choice to make use of the language environment in Chinese factories for language learning. Due to the income disparities in different sectors, it may be a better choice for workers in Cambodia to engage in more skill-intensive industries (e.g. the furniture industry) other than labor-intensive industries (e.g. the garment industries).





Students are conducting field survey



Students are conducting field survey



# Implications About the Impact of Chinese Investment

Group 4: NING YUYANG; CHEN CAI; LUO BINWEI; YUE YING; GU RUNDUO

## I. Introduction

Cambodia's economy is developing rapidly, and one of the major reasons is that it has attracted a large amount of foreign direct investment. This article discusses the Cambodian perception of Chinese investments in the country, especially how the perception is affected by the level of social responsibility of Chinese investors. Some key factors influencing the image of China's investment in Cambodia are the impact on local communities, acts of philanthropy, local employment issues, and cultural conflicts. The aim of the study is to understand how Cambodian people view Chinese investment in general, and what Chinese investors have done regarding issues of concern.

## II. Methodology

This research employs both quantitative and qualitative investigation to probe into the For this research, qualitative approach is adopted. The group chose to conduct interviews with the owners and managers of Chinese factories in Cambodia, the senior members of Chinese organizations in Cambodia and local Cambodians with different professions. During the interview, four types of questions were asked: business' impacts on local community, business's interactions with the locals, locals' impressions on the Chinese business and the management of the business. Through in-depth interviews, more details could be accessed, including reasonings, emotions and motivations behind various events, facilitating the analysis on Cambodian perception of Chinese investments.

## III. Results and Discussion

### The impact of Chinese investment on local community

Among the various aspects of social responsibility, positive involvement with the local community is of vital importance. In order to minimize the negative impacts of an investment project, investors need to communicate with the local community to listen to their requests and meet their needs.

Chinese companies often have bad reputation for not engaging with the local community when making business decisions and during their operation. For example, the Phnom Tobcheang Community was negatively affected by a Chinese invested hydroelectric plant. The Chinese company obtained the permit from the government, after which it took the land without even informing the local community. According to the leaders of the community, the construction blocked the road they used to go up to the mountains, and the compensation promised (buffalos and cows) was never paid to the community. In addition, the wastewater is discharged directly into the waterway, causing water pollution and affecting local fishery. The biggest problem is that a canal dug by the company prevented local people from reaching their fields, so they have to make a detour or use palm tree trunks as bridges.

When asked whether there was communication between the two parties to resolve the aforementioned inconveniences, the community leaders said that negotiations took form of meetings with representatives from the company and officials from the local council. The community were often frustrated by the negotiation results, and once even “tore up the agreement” because the company did not comply with terms in their agreements. According to the leaders, the company usually refused to make changes, saying the plan cannot be revised, or sometimes just “play for time”. For example, the company did not build a bridge across the canal, nor health centers or schools which were all promised in the agreement.

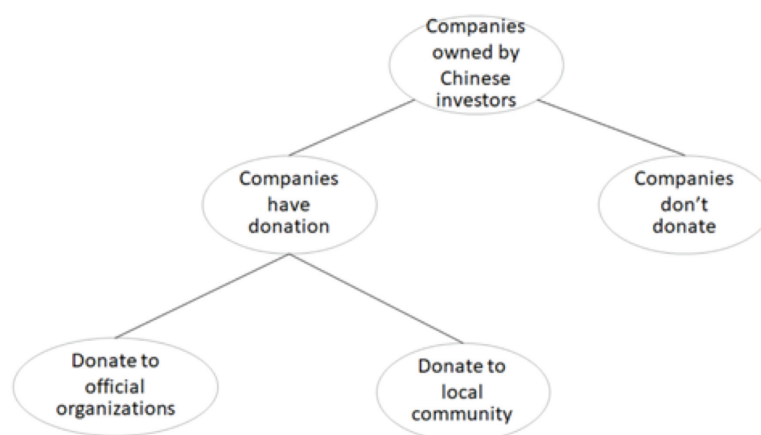
However, there are also some successful negotiations. One of them is that the company built a road, so that the market is more accessible and they can trade with more favorable prices. Another example is that after negotiation, the company agreed to reduce the area of its construction site from more than 10 hectors to 2 hectors.

Even though the company often does not consider its social impact, and many of the community’s requests were not met, the leaders said they still would not object to it if they had a choice. It was because their lives had become much more convenient because the company now provides electricity to the whole area within a 10km radius.

Therefore, it is indeed true Chinese investors usually fail to take the social responsibility of taking care of the local community. Yet it must also be acknowledged that there were channels for negotiation, and the Chinese company has showed some attempts to meet the community’s requests. Moreover, most of the time local communities still welcome Chinese investment due to the immense benefits they can bring. In conclusion, Chinese investors should have done much more to actively communicate with local people, especially before and at the start of the investment project. During its operations, it should remain in contact with the community to address any unexpected problems and take in any suggestions that may benefit the community.

### **Acts of Philanthropy by Chinese investors**

Philanthropy plays an important role in the image of Chinese investment in Cambodia since it is a direct way of help to the local community, and can serve as an indicator of the level of social responsibility. Currently, the corporations owned by Chinese investors can be divided into two types: companies actively involved in philanthropy and companies inactively involved in philanthropy. The recipients of donations can be either the Red Cross (run by the prime minister’s wife, thus is considered as being linked to the government) or local communities as the figure shown below



Many Cambodians are not aware of the donations made by Chinese companies. It was found out that a large number of small and medium Chinese companies do not have the awareness of fulfilling their social responsibility, especially the newcomers in Sihanoukville.

However, a number of large companies owned by Chinese investors make regular donations to the locals. These companies are state-owned enterprises in China or have been doing business in Cambodia for years. They either directly donate to the local communities or to the Red Cross, or to the local government. Currently, companies owned by Chinese prefer donation to the Red Cross or to the local government. For example, a leading manufacturing company in Sihanoukville donated tens of thousands of dollars once a year to the Red Cross. One of the main business committees of Chinese investment, Chinese Chamber of Commerce in Cambodia called on over 70 members and made a generous donation of to the local government regarding the building collapse in Sihanoukville on June 22nd. As the donation is directly donated to the authorities, the Cambodian people often doubt about the usage of the money due to government corruption. It also minimizes the contact between the corporations and the locals and therefore reduces the chances of deeper communication. This results in difficulties for Cambodian to have a comprehensive understanding of Chinese investor's philanthropic activities.

Besides these companies donating to the authorities, some large companies owned by Chinese make direct donation to local communities. Prince Real Estate Charitable Foundation donated hundreds of thousands of dollars to help the locals build schools and construct infrastructures. One non-profit school we visited in Phnom Penh is founded by a leading Chinese investor from Yue Tai Real Estate Group and have been training people to help them get jobs in the hospitality sector. They also plan to build a college and collaborate with Chinese universities to provide the locals with higher education. This type of donation is a big boost to Chinese investment's image but it is not familiar to the locals through available channels.

The reason behind unfamiliar information is the lack of relevant report from the press, which exerts a significant impact on the people's perception of Chinese investment in Cambodia. There is little news about Chinese investment's philanthropy in English and Khmer while existing news focuses more on negative influence. Some news such as VOA Cambodia reported that an initiative supported by the Chinese government and Cambodia government marked steps toward replacing Cambodia's free press with China's positive information about donation. This type of news has negative effects on Chinese investors image because it suspects the spread of positive news as political tools.

There are few reports that specify both positive and negative aspects. One reported that Chinese investors aim at raising fund from society and using it to improve education and infrastructure in local communities[4]. A major Phnom Penh press reported charitable contributions from Chinese investors and regarded it as a milestone for the real estate industry in promoting the philanthropy[5].

The positive news about Chinese investors' image is usually printed in Chinese. The Chinese news introduces financial aid and supplies aid from leading Chinese investors, via both direct donation and Red Cross[2]. Press including Jian Hua Daily, Hua Shang News and The Cambodia China Times are several major Chinese Press in Cambodia which report philanthropy of Chinese investment. They make positive contributions to Chinese investment's image.

In conclusion, to improve the image of Chinese investment, the investors should firstly get in touch with local communities and make more donations to the locals. Secondly, for those organizations which have done charitable activities, they should contact reporters who would write in English and Khmer. Finally, authorities and committees should promote the education and gradually cultivate the awareness of philanthropy among small and medium size companies.

### **Local employment and Chinese investment's image**

Local employment is closely related to Chinese enterprises. The arrival of Chinese enterprises has brought a large number of employment resources to Cambodia. Labor dispute is a big problem between Chinese investors and local employees. Enterprises need to face this problem, or serious consequences will occur.

One of the most typical forms for industrial dispute is strike. During the interview, the president of the textile association and the manager of a medium-sized textile mill provided his opinions. In many cases, employees' demands can be divided into "reasonable" and "unreasonable". "Reasonable" claims are those workers' rights guaranteed by law. The "unreasonable" claims mainly refer to the extra interest which is out of the workers' rights guaranteed by law. The law already sets a minimum wage for workers, so what these workers are making is a "totally unreasonable" claim, thus he believes that his factory has no obligation to meet these unreasonable demands.

Among local employment issues, communication and management is really important between employers and employees, especially between two foreigners. The president of the textile association particularly emphasized the importance of communication. He used the experience of an entrepreneur to express his opinion to us. One day, a worker came to the entrepreneur to ask for extending the contract with the factory. The entrepreneur disagreed with the worker's proposal because the worker was not productive. However, the president said that the entrepreneur could have extended the contract for a month and asked the worker to improve his or her productivity in order to extend the contract further. The manager of the textile factory mentioned in the previous paragraph is a good example of good communication. It was because she inquired actively and wanted to communicate with the striking workers that she learned about the actual situation of the strike. The strike was then settled without further loss.

Chinese investments' image is closely linked to social responsibility of corporation. In Cambodia, the irresponsible actions of some Chinese entrepreneurs had left a very bad impression on the locals, which has negatively impacted the image. From the director of the textile mill, a few entrepreneurs often buy flights to leave Cambodia before payday, when their business has no expectations and they want to give up their factories. They took this action for their own benefits without any other consideration about the employees. This kind of events had a very bad effect on Chinese investment's image. To mitigate the effects of such bad behavior, the government has set up a new system of paying salaries.

According to the above three aspects or examples, communication between employers and employees is the most important in local employment. As long as there is good communication, there will be appropriate solutions and vicious labor disputes will not occur. To improve the image of Chinese investment, good communication and management are indispensable. Employers should try their best to communicate with employees to understand their real thoughts or real conflicts of issues.

## Cultural differences

Cultural differences play an important role in the development of Chinese enterprises in Cambodia. In the process of our research, it was easy for us to notice that the cultural differences existed in varieties of aspects, which had become a great challenge for the relationship between Chinese and local Cambodians. Some people may consider them as barriers while many Chinese strive to embrace the differences and resolve the icebergs.

Firstly, the culture shock has caused much estrangement between two communities. With the Chinese investment flowed into this less developed country, numerous Chinese entered Cambodia in a short time without knowing anything about Cambodian culture. A general manager of a local Chinese journal in Phnom Penh mentioned that many Chinese people like smoking and chatting in loud voices in Chinese restaurants. It will be uncomfortable for Cambodians entering a Chinese restaurant for this reason. Coincidentally, Chinese are used to touching or flapping people's heads to express the kindness and appreciation while this behaviour is a taboo for Cambodians for its religious backgrounds. Which means sometimes the attempts to show kindness will be considered as offences.

Secondly, many Chinese's attitudes towards Cambodian cultures do affect the way they treat the cultural differences. According to interviews with several Chinese entrepreneurs in Cambodia, an interesting phenomenon has been underlined for many times. Compared the Cambodian workers' passion towards learning Chinese, their Chinese colleagues have much less interest and motivation to learn Khmer. Some Chinese even refuse to learn anything about Khmer. When some Chinese hear the Khmer in the workshop or on the streets, they choose to ignore it and turn to translators. Though there are much higher salaries offered to bilingual Chinese workers, the demand is always much higher than the number of candidates. Moreover, our Cambodian colleagues have noticed another ridiculous phenomenon during our research in Sihanoukville. Even though local government enforce all shop owners to make Khmer well-marked in every label as premier language, this measure has lost its meaningfulness in the reality at most Chinese stores and restaurants. According to the responses from many local Khmer speakers, it is hard to recognise the majority of the labels for the written words are completely incorrect. For example, a label in Chinese saying cigarette and wine shop while the counterpart in Khmer means the store is for sale (refer to the photo below). These absurd mistakes do confuse the locals a lot and give them a feeling of being humiliated when they see the incorrect labels in their own country.

Thirdly, according to the interviews with several Chinese factory managers, many of them have mentioned the misbehaviour caused by the ignorance of local cultures have provoked the anger of local staff in most cases. An extreme case was given by the owner of a Chinese textile factory in the Suburb of Phnom Penh. After the death of the King Sihanouk in 2012, many Cambodians brought the photos of Royal family as well as their own families to the workplace in order to show their grief and respect for the King passed away. Minority of Chinese regulators considered it as a disturbance to the daily work and removed the photos from the workshop. Some extreme ones have teared some photos apart. Consequently, local workers have become furious and regarded the measures as profanity. As an unreasonable response, it is said that a Chinese regulator was humiliated with a close shave by angry mass.

Though cultural differences have caused many problems in the Cambodian-Chinese relationships, many Chinese attempt to reduce the differences and build the bridge between two communities.



When we visited a Chinese timber floor manufacturer in Sihanoukville, the manager expressed the strong willingness to make staff feel connected to the factory they work. He has noticed that most Cambodians are used to wearing flip flops all day, which cannot protect their feet effectively when they are working. After realising the habit originated from their daily lives, factory ordered 1000 pairs of cover shoes and gave them to Cambodian employees for free. These shoes are able to protect workers' feet while maintaining their dressing habits. In addition, the management forced Chinese employees to learn Khmer in a certain time in order to have no barriers communicating with local colleagues. Chinese employees who have not reached the fixed standards will be dismissed. When the rising heat of learning Chinese spreads in Cambodian community, many Chinese are also striving to learn Khmer.

#### **IV. Conclusion & recommendation**

From the above information, it can be seen that the image of Chinese enterprises in Cambodia is actually complicated. In particular, there are differences between different enterprises. Some Chinese enterprises have good employee welfare, good management, smooth communication, no conflict with local people, and even solve problems well, such as the general factory, textile factory and so on. However, some local people have a negative impression of China due to the poor communication between some Chinese enterprises and Chinese companies. For example, local communities are deeply influenced by Chinese enterprises, transportation is inconvenient, and cultural conflicts caused by various disrespects and understandings are harmful. Some may be due to a lack of media exposure. In this case, in the future, Chinese enterprises must pay more attention to the communication with local communities, the government and non-governmental organizations, and pay more attention to the living conditions of local communities. First, Chinese enterprises must have a basic sense of social responsibility. The runaways mentioned above should never happen. At the same time, enterprises should also pay attention to the impact of the media on China's image, and try to get rid of the passive disadvantage in the media wave. When an enterprise encounters a problem, it should actively communicate and solve the problem, rather than allow conflicts to occur. In this way, China's investment in Cambodia will have a good and relatively positive image.

#### **V. Limitation**

There are still some limitations which made this result imperfect. Firstly, because of the difference in language, a translator was invited. During the translation, due to the limitation in the expression of language and other reasons, some information might get lost. If the questions of the interviewer and the answer of the interviewee couldn't get delivered precisely, then the result collected would be flawed. Secondly, for the interviews conducted, it's inevitable that the interviewees would hide some information from us and may even provide us with incorrect information. For instance, during an interview with the owner of a textile mill located in Phnom Penh, when asking of the pollution of textile mills in Sihanoukville, he told the research team that there is not a single textile mill in the Sihanoukville, which is proved to be incorrect later on. Thirdly, since it's a qualitative research, the amount of information obtained may not be able to reach a significant level, so the information collected is not able to reflect the general situation.

In addition, the report looks mostly at relationships between Chinese companies and workers/communities. It does not address issues resulting from Chinese investments such as the enormous increases in property rents, increased living costs, damage to the environment, etc. Many Khmer people have strong opinions about these issues but they are not covered here due to limitation in interview time and locations.

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