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A New Model

The Chinese-invested Sihanoukville Special Economic Zone has become the benchmark for cooperative economic zones in Global South countries

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The Sihanoukville Special Economic Zone (SSEZ) is the only national-level special economic zone under an agreement between the Chinese and Cambodian governments. It was established in 2008, and the then Cambodian Prime Minister Hun Sen attended the ground-breaking ceremony. From January to September 2024, the volume of trade in goods by enterprises in the zone reached US\$3.06 billion, up 22.06 percent year on year, accounting for 7.13 percent of Cambodia's total volume of imports and exports. The SSEZ's contribution to the local economy has risen to a new record high. Its success has created a new model for cooperative economic zones in the Global South.

Close cooperation between the Chinese and Cambodian governments has enabled the SSEZ to break through the common policy restrictions hindering the establishment of cooperative special economic zones. The economic zone was established in accordance with intergovernmental agreements and underpinned by two-way policy support in the process of construction. In December 2010, the two governments signed the *Agreement Between the Government of the People's Republic of China and the Government of the Kingdom of Cambodia on the Sihanoukville Special Economic Zone*, laying a solid policy foundation for its development. In joint statements released by China and Cambodia in 2012

and 2016 respectively, as well as the joint communique released in 2019, the SSEZ was called a priority development project. Since 2012, the Chinese Ministry of Commerce has held several meetings with the Council for the Development of Cambodia to discuss cross-regional and inter-agency matters to promote policy integration.

The funding and construction of the SSEZ has followed the local development agenda of Cambodia. With the help of China's industrial chain, the zone gained early development momentum. The HOdo Group, the leading enterprise of the zone, wields cutting-edge textile production methods, which has determined the industrial positioning of the zone as a comprehensive and modern international industrial cooperation park with textiles and garments, machinery, and electronics as pillar industries. This aligns with the industrial planning and development goals of the host country. Cooperation between the Chinese and Cambodian enterprises has attracted other enterprises from the two countries and other countries. Several upstream and downstream enterprises in the textile industry such as Suzhou Yunying Textiles, Polytextile Industrial Limited, Jinchenyuan Knitting Company, and Mingyuan Hometextile have settled in the zone. Even during the COVID-19 pandemic, with the help of China's industrial chain, the zone's volume of imports and exports maintained growth momentum. Data from Cambodian Customs showed that in 2020, the



☒ Main gate of the Sihanoukville Special Economic Zone.

zone's total container volume for imports and exports reached 44,325 TEU, up 27.42 percent over the previous year, and the total value of imports and exports reached US\$1.56 billion, up 26.52 percent over the previous year. In 2021, the total value of imports and exports by enterprises in the zone reached US\$2.23 billion, up 42.75 percent over the previous year. The SSEZ has played a positive role in stabilizing the employment of local workers and promoting local economic and social development, injecting a strong impetus into the development of the region.

The SSEZ has effectively improved the overall development environment of the region. The zone has broken through the limitation of focusing on the development of the zone itself. Instead, it has attached equal importance to environmental improvement both inside and outside

The SSEZ has played a positive role in stabilizing the employment of local workers and promoting local economic and social development.



Staff group photo of the General Tire Technology (Cambodia) Company. (GENERAL TIRE TECHNOLOGY)

the zone. First, it upgraded the infrastructure inside and outside the zone. After early construction, the zone sought to improve basic infrastructure like access to water, electricity, roads, communication, gas, and level land. It accelerated follow-up service improvement to ensure 24-hour water and electricity supply for enterprises. Second, it promoted the construction of transportation infrastructure around the zone. It renovated the port of Sihanoukville, which has not only made the zone attractive for investment in port transportation, but also made it more convenient for the import and export of goods. Third, the Phnom Penh-Sihanoukville Expressway was completed with Chinese assistance, cutting the eight-hour journey from Phnom Penh to Sihanoukville to 2.5 hours—a significant improvement to the local transportation system. The SSEZ now wields a comparative advantage in terms of logistics costs among the special economic zones in Cambodia thanks to sound infrastructure, which has driven the development of Sihanoukville, Preah Sihanouk Province, and Cambodia as a whole.

People-centered development has improved the living standards and

talent structure around the SSEZ and throughout Preah Sihanouk Province.

In 2012, the SSEZ and Wuxi Vocational Institute of Commerce established a joint training center. In 2018, the Preah Sihanouk Cambodia-China Friendship Polytechnic Institute was established in the zone with Chinese assistance to provide vocational training for 1,125 enrolled students. At the end of 2018, the SSEZ and Wuxi Vocational Institute of Commerce received official approval to jointly establish the Sihanoukville Institute of Business and Technology. As Cambodia's first Chinese language higher-education institution, the institute opened in December 2019 with a first enrollment of 171 students. The SSEZ has been Cambodia's only special economic zone with two higher-education institutions ever since.

According to statistics, the SSEZ has provided 30,000 jobs for local people. About 70 percent of the local families have at least one member working in the zone. The number of local semi-skilled workers and administrative staff in the zone has grown continuously to a level higher than that of Phnom Penh and the Bobai Special Economic Zone, positioning it at the forefront of the industry nationwide. Thanks to the development of the SSEZ, Preah

Sihanouk Province has gradually transformed from an agricultural society into an industrial society, which has gradually changed not only its population structure but also its talent structure.

A review of the development of the SSEZ since 2008 demonstrates that a new model of cooperative economic zones for the Global South has emerged, characterized by: first, two-way policy coordination between the two countries; second, a driving force provided by the industrial base of the two countries, with China's industrial chain supporting the sustainable development of the zone; third, breakthroughs in coordinated improvement of the environment inside and outside the zone, and fourth, the path of people-centered development. The project not only represents an integration of Chinese modernization with Cambodia's national conditions and development advantages, but has also fine-tuned the concept of cooperative special economic zones in the Global South. ■

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