



Phnom Penh Retrograde?

Assessing Chinese Economic Hegemony in Cambodia

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Abstract

Washington has imposed an arms embargo to punish growing Sino-Cambodian military cooperation, yet Cambodia's subsequent arms imports from China and the latter's dominant investments via the Belt and Road Initiative (BRI) have pushed it deeper into Beijing's orbit. In this context, this article addresses scholarship on China-U.S. hegemonic rivalry by examining China's hegemonic features vis-à-vis Cambodia using the features of peripheralization and economic dominance per world-systems analysis in order to gauge whether U.S. hegemonic unipolarity has unraveled therein, with China emerging as hegemon. We find that, through BRI investment and the ruling Hun family network, China has achieved significant gains in economic dominance via facilitated copper and rice exports and increased tech imports by Cambodia, resulting in substantial trade surplus and production dominance. However, this economic influence remains incomplete due to Washington's continued role as Cambodia's primary export destination and the persistent use of the U.S. dollar, illustrating the complex, contested nature of hegemonic transitions in small state contexts.

Keywords: China, Cambodia, Belt & Road Initiative, Hegemonic Rivalry



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Growing economic cooperation between China and Cambodia has the potential to boost the latter's economic growth, enhance trade ties, and improve infrastructure; yet there are, as is usual with Belt & Road Initiative (BRI) projects, concerns related to economic coercion, debt sustainability, and the impact of Beijing's growing economic presence on the participant's sovereignty (Brautigam 2020; Narin 2023). Pakistan, which is a major BRI investment recipient, ranked first among 101 countries most impacted by China per the China Index, which measures and visualizes Beijing's overseas influence across multiple countries and sectors. Concurrently, Pakistan is also regarded as transforming into a "vassal state" (Zaidi 2017), and a place where Beijing is replacing Washington as hegemon (Sareen 2019; Saredidine 2024). Cambodia, meanwhile, ranked second (China Index 2024).

Indeed, China has emerged as the primary trading partner for Cambodia, with bilateral trade growing to unprecedented levels in recent years to surpass Thai and Vietnamese rivals. The expanding consumer market in China has become particularly appealing for Cambodian exports, including garments, textiles, and more recently, agricultural products. Concurrently, Chinese investment in Cambodia has substantially increased through the BRI into sectors such as manufacturing, real estate, tourism, and agriculture, in line with the project's key targets of economic integration and mutual prosperity (Zhang 2017). Noteworthy is that these investments run counter to global trends as Cambodia is marred by political unrest and corruption, rendering it a high-risk business environment which otherwise deters foreign investment (O'Neil 2014).

What may concern the United States more, however, is that military ties have strengthened between the two historic allies after Cambodia discontinued annual military drills with Washington and opting to begin naval drills with Beijing instead (Reuters 2016). Furthermore, an arms embargo imposed on Hun Sen's regime by Washington in 2021 has coincided with historically large arms imports from Beijing in the same year, as what Washington may have hoped would reign in Phnom Penh seems to have made it slip further from its waning grip. From a world-systems perspective, the above developments resonate with the emergence of a new hegemon in China which is fashioning Cambodia into its periphery.

As Cambodia is a developing state susceptible to the greater China-U.S. rivalry (Gil 2023; Pich and Aun 2023), and as related scholarship holds that Asia will be the site of the unravelling of U.S. unipolarity (Arrighi 2008; Ikenberry 2016), this paper seeks to explore the growing development relationship between China and Cambodia and assess the extent to which Beijing's economic gains resonate with the features of economic dominance as defined by world-systems analysis; namely dominance in production, trade, and finance. Rather than determining whether Cambodia has definitively shifted from a U.S. to a Chinese periphery, this study examines the mechanisms and limitations of China's economic penetration in a contested peripheral state, contributing to our understanding of how hegemonic transitions unfold in practice.

The paper resumes with a review of scholarship on the hegemonic rivalry between China and the United States. Focus will be given to the thesis of bifurcation, according to which the next hegemonic transition will occur in East Asia and see it fractured, whereby the United States retains military hegemony while China seizes economic dominance. Following this will be an overview

of world-systems analysis as our framework from which the features of *peripheralization* and economic hegemony are explained. A subsequent overview of China-U.S. rivalry in Southeast Asia will be followed by an examination of the Cambodia-U.S. and Cambodia-China relationships in order to illustrate the China-U.S. hegemonic rivalry therein. Finally, we apply world-systems analysis's features of economic dominance and peripheralization to the China-Cambodia relationship to examine how hegemonic rivalries manifest in small state contexts, offering insights into the contested and gradual nature of contemporary hegemonic competition.

Chinese Hegemony in the Literature

Literature on China-U.S. hegemonic rivalry spans scholarship, arguing that the emergence of a multipolar order is due to a weakening United States, China's establishment of parallel institutions, and the rise of regional powers (Yongnian and Gore 2015; Stuenkel 2016; Acharya 2018). Stuenkel (2023) has noted the expansion of the BRICS bloc (a parallel institution) as particularly victorious for Beijing, as it gives its New Development Bank wider reach into the developing world. Beyond BRICS+, the BRI itself has been argued to potentially endow China with the economic, military, institutional, and linguistic mechanisms of a hegemon, rendering the project a potential miniature world-system with China as core and hegemon over developing member states, rewiring what was once the periphery of the global North into a prime destination for Beijing's exports, and a cheap source of raw materials for its advancing industries (Saredidine 2024).

Contrasting the above are scholars who contend that U.S. hegemony will remain intact and invincible, citing inherent monetary and security safeguards (Gowan 2004), China's economic deceleration (Nye 2015), Beijing's reluctance to challenge the existing global order (Karatasli and Kumral 2017), and the reluctance of weaker states to align with a rising Beijing at the risk of losing support from Washington (Liu and Liu, cited in Larson 2020: 173). Bridging these opposing perspectives, select literature explores models of dual hegemony, proposing bifurcation; whereby China becomes the dominant economic hegemon while the United States maintains military hegemony (Arrighi 2009; Ikenberry 2016; Jackson 2016).

Giovanni Arrighi (1994) significantly contributed to the China-U.S. hegemonic rivalry debate through his theory of systemic cycles of accumulation, developed in his seminal work *The Long Twentieth Century*. He argued, as did Wallerstein when employing Kondratieff cycles, that global capitalism evolves in long waves dominated by successive hegemonic powers, beginning in Florence and ending with the Netherlands, Britain, and the United States. Arrighi (2010) also argued that the United States reached a terminal crisis of hegemony after the 2008 financial meltdown, opening the possibility for a new hegemonic cycle, potentially led by China. Indeed, Arrighi (2007) had previously explored this possibility in his work *Adam Smith in Beijing*, wherein he emphasized China's potential to initiate a new systemic cycle of accumulation (arguably manifested as the BRI) but would have to achieve the ecological surplus that supported previous hegemons, such as the United States with its agro-industrial base (which is a weak point that is arguably being addressed through the BRI's agricultural dimension). Arrighi's framework thus

invites a nuanced understanding of the China-U.S. rivalry as an evolving systemic transformation in global capitalism, marked by economic, political, and ecological dynamics rather than a simple bilateral power struggle.

Beyond Arrighi, there is consensus in Chinese scholarly circles that the United States is in decline while China's capacities vis-à-vis the developing world are strengthening (Yongnian and Gore 2015), leading to a (minimally) bipolar order facilitated and cemented by the BRI's promotion of Beijing's economic and political influence (Flint and Zhu 2019). Acharya (2018) points to the Western-centric nature of the U.S.-based liberal order as creating a demand for a decentralized and post-hegemonic multipolar world which China is able to take part in leading and arguably has already begun. Stuenkel (2016), meanwhile highlights the role of China's institutions in the emergence of multipolarity, priming it to rupture unipolarity and usher in a multipolar order. The abovementioned New Development Bank, for example, strives to offer relief from the stringent lending conditions of the IMF and World Bank (Gumede 2023).

On the Chinese side, the inevitability of China's growing influence is based on the tumultuous nature of its Westernmost regions of Tibet and Xinjiang and the "Go West" policy which aims to channel development revenue to those regions via the BRI. Indeed, as the main launching pads of the land-based Silk Road Economic Belt, the two regions must remain stable enough—and this is to be achieved via economic development therein (Karatasli and Kumral 2017). Indeed, studies using world-systems analysis have found that the peripheralization of other states is deemed necessary for China, as "while China is successfully moving toward the core, it still needs the periphery, and even more so" (Li and Zhang 2018: 171), and that the BRI is one such apparatus to manifest this outcome (Sarieddine 2024).

In contrast to the above camp arguing the dawn of Chinese hegemony based on internal and external factors, Brautigam (2020) adds context to the seemingly problematic trade relations between China and the global South. She explains that resource-for-investment swaps which China has been criticized for using with African countries are what if faced from a similarly rising power decades ago—Japan. She goes on to highlight the positive public opinion China enjoys among its African partners, and argues that China's own investments overseas do not always serve its geostrategic interests due to U.S. actions (such as investments in sanctioned Venezuela); ultimately viewing arguments of Chinese exploitation of the global South as inaccurate, and thus theses on China's hegemonic rise as premature.

Gowan (2004), meanwhile, asserts the enduring strength of U.S. global dominance, drawing parallels to economic strategies used to manage rising competitors Germany and Japan in the 1970s and 1990s, respectively. The ongoing China-U.S. trade war and attempts to curtail China's economic rise illustrate this viewpoint (Chance and Mafinezam 2016; Kapustina, et al. 2020). President Trump's threat to impose 100 percent tariffs on states which will stop using the U.S. dollar for international trade is one example of a measure aimed at curtailing any attempts to circumvent Washington's economic orbit and flow of surplus value towards Washington and its allies. Nye (2015), moreover, argues that the United States possesses the capability to guide the growth of emerging rivals in accordance with its interests, asserting that China's economic

expansion has not reached a level that poses a significant challenge to the U.S.-led order. Scholars in this camp also hold that Chinese international institutions, such as those aforementioned, are not meant to replace those of the West but rather enable Beijing to better navigate the present order (Zhang 2017).

In response to Nye's (2015) thesis on Washington's ability to reign in rising rivals, Mações (2019) recounts a China-U.S. governmental meeting wherein Washington demanded that Beijing lower or cease subsidizing its agriculture sector which otherwise grants it an unfair advantage at the point of export, a demand the Chinese refused, asserting that no power can dictate Beijing's development policy. In refuting Gowan's (2004) argument, meanwhile, one avenue Beijing has found to maneuver around the China-U.S. trade war is through setting up subsidiaries in countries with more favorable trade policies with the United States and Europe, such as in Pakistan's Gwadar port—a BRI project which is set to export Chinese products from Pakistan in order to circumvent tariffs and grant Beijing over 85 percent of revenue generated—illustrating that China has in the BRI an apparatus to produce robust economic satellites capable of shielding it from previously effective (counter)measures (China-Pakistan Economic Corridor 2021). Second, sanctions against Russia have seen Moscow conducting more bilateral trade with Beijing in the yuan. This, coupled with BRI projects encouraging the use of the renminbi has led to the renminbi overtaking the euro to become the second most-used currency for cross-border trade in 2023, demonstrating Beijing's success in propagating its currency for cross-border trade with BRI states and creating insulation from U.S. sanctions-*cum*-influence (Shen and Wee 2023).

Moreover, Ikenberry (2016) holds that weaker states in East Asia, such as Cambodia, would be wary of losing Washington's protection and thus would not openly enhance ties with Beijing. However, this does not impede Chinese hegemony but rather reflects an emerging dual hegemony order whereby the United States maintains security dominance while China attains economic hegemony. This view aligns with bifurcation as understood by Arrighi (2009) who argues that, unlike past episodes of hegemonic transition, the decline of U.S. hegemony will not usher in a new era of Chinese hegemony but rather a new interregnum whereby the old hegemon is dying but the new one cannot be born. This will culminate in a bifurcation of hegemonic roles between the United States and China, leading to an unprecedented sundering of hegemony with the United States retaining its security guarantor role while Beijing becomes the world's economic hegemon (Arrighi 2009). The thesis of bifurcation is also echoed by Ikenberry (2016) who holds that a "bifurcate order" is unfolding on the Asian continent. This bifurcation thesis, however, rests on the assumption of Washington's perpetual adherence to its security guarantor role and ability to protect allies, vectors of commerce, and weaker states. Yet, in the case of Cambodia, an arms embargo by Washington as well as a cessation of joint military exercises by Phnom Penh renders the above bifurcation invalid, especially as Beijing has shown the willingness to supply arms to, and conduct military drills with, Phnom Penh. Moreover, Major and Luo (2019) have challenged bifurcation theses by indicating that the military and economic elements of both powers remain interlinked and robustly so, with China increasing military spending and developing its navy.

Meanwhile, on growing Chinese influence in Cambodia, Pich and Aun (2023) argue that while China has indeed made strategic gains inside Cambodia, Cambodia is practicing a “smart and flexible diplomacy” by seeking to maximize its gains from Beijing and Washington, citing the cessation of military exercises by the United States but also China’s decreased share in Cambodia’s total foreign debt from 47 percent to 41 percent.

This endurance of Hun Sen’s regime, however, does echo the linkage thesis articulated by Loughlin (2021), wherein a rising authoritarianism in Cambodia was facilitated by the similarly authoritarian Chinese government, disproving Karatasli and Kumral’s (2018) claim that U.S. indomitable unipolarity rests on Beijing’s doctrine of non-interference. Indeed, Hughes (2015) notes that the China-Cambodia economic partnership creates incentive for Beijing to support Hun Sen in order to safeguard the rising Chinese investments in Cambodia, thereby obstructing the efforts of the EU and the United States to affect political change through arms embargoes and trade restrictions.

Additionally, as all development investment is political by its very nature in that it could disrupt the circuitry otherwise benefitting certain stakeholders, Chinese development investment to Cambodia has increased in contrast to the declining levels of investment from 2016 to 2020 (MOFCOM 2020).

As a further demonstration of the rupture of U.S. hegemony in Asia, Sareen (2019) points to Pakistan and its similar embrace of the People’s Liberation Army, unchecked borrowing, growing commercial ties to China, and deindustrialization as symptoms of a new Chinese hegemony in Pakistan. I have expanded on this by illustrating how China has become hegemonic to Pakistan by analyzing not only economic and military ties but also China’s cultural soft power (Sarieddine 2024). This raises the question of whether Cambodia will follow the same path despite Phnom Penh’s caution, especially in light of the former leader of Cambodia’s recently dissolved opposition movement, Sam Rainsy (2019) suggests that Cambodia is emerging as “a compliant and corrupt Chinese colony.” This article thus seeks to contribute to scholarship by defining a fixed area of hegemonic rivalry in order to gauge Chinese economic hegemony in the backdrop of a Washington that has relinquished its security guarantor capacity. This follows a similar study on the United Arab Emirates (Sarieddine 2023) following Washington’s halting of a planned Chinese military base therein (Strobel and Lubold 2021). In assessing economic hegemony, world-systems analysis is used and explained below.

Theoretical Framework: World-Systems Analysis

World-systems analysis has gained widespread recognition as a leading analytical tool for understanding global-level societal transformations (Chase-Dunn and Grimes 1995) and has been used in various analyses of the BRI. Its utility here arises from the alignment between the BRI as a network of trade-enhancing infrastructure that transcends national borders, and the deconstructive thesis of world-systems analysis which envisions the world as an interconnected market rather than a collection of states with rigid borders. This also resonates with Tanxia

(天下), a paradigm of the Chinese Communist Party that frames the world as an interconnected whole rather than individual man-made states. Indeed, Wallerstein continues to be “in vogue” among Beijing’s BRI planning elite (Mações 2019: 79).

In light of this interconnectivity, the term “bilateral relations” between states necessitates a more comprehensive examination to unveil additional dynamics. Therefore, when analyzing the relationship between Cambodia and China, the focus should not solely be dyadic but should also consider other major stakeholders; thus we include the (arguably) hegemonic United States. Moreover, this article’s focus on China and Cambodia as states does not run counter to the deconstructivism thesis above as “for some theoretical purposes nation-states are the relevant unit of analysis, and the aggregation of national data or the study of ‘international’ patterns of interaction may shed light on hypotheses about the world-system” (Chase-Dunn, 1979: 601-623). In our case, this is due to the strong ties between the Chinese state and the businesses executing the BRI on one hand, and the concentration of all facets of Cambodia’s economic sectors in its Prime Minister Hun Sen on the other.

Indeed, China demonstrates a significant level of “embeddedness” between the private sector and the state whereby the latter wields substantial influence over private enterprise and is considerably unaffected by interest groups (Zhang 2017). Moreover, Haro Sly observes that in China’s experience, the State’s “visible hand” has been crucial in driving economic progress and technological advancement. She highlights that all initiatives are carried out according to a strategy that connects national goals with local objectives, following a top-down approach (2021).

On the Cambodian side, Hun Sen’s children, linked to prominent figures in Cambodia, hold positions in government, the military, and key companies, with the extended family involved in approximately 114 local businesses spanning vital sectors. This network facilitates direct collaboration with Chinese investors, granting China swift and easy access to the Cambodian market and projects (Global Witness 2016).

On the ability of hegemonic powers to make peripheries of external states, or *peripheralization*, rising powers initially acquire high-yielding processes, while “weak states develop, or rather have developed for them, peripheral processes” (Hopkins and Wallerstein 1982: 13). This process of fitting weaker states with low-yielding economic activities desirable to the core is termed *specialization*.

Finally, while hegemony in the world-systems perspective is comprised of cultural and normative features, the focus of this research is on the economic features of hegemony, or economic *dominance*, which is achieved when a rising power secures production dominance, trade dominance, and thereafter financial dominance over an external weaker state. These features will be applied to the U.S.-Cambodia and China-Cambodia relationships used to gauge Washington’s loosening grip (if any) on Phnom Penh and whether the growing influence of China has translated into economic hegemony. Prior to this, an overview of the historical rivalry between Beijing and Washington over Southeast Asia and then Phnom Penh will illustrate the process through which the former has gained prominence.

Methodological Scope and Limitations

This study employs a single case study approach to examine economic dominance patterns, which provides valuable depth but inherent limitations for broader theoretical claims. Several methodological constraints must be acknowledged.

First, while Cambodia offers rich insights into hegemonic competition mechanisms, findings cannot be generalized to broader regional or global patterns without comparative analysis. The study's contribution lies in illuminating processes rather than proving outcomes. Second, this research focuses specifically on economic dimensions of hegemonic competition, acknowledging that comprehensive hegemonic transition involves cultural (language, media, education), and institutional dimensions beyond the scope of this study. These limitations inform our analytical approach, emphasizing process-tracing and mechanism identification over definitive claims about hegemonic outcomes.

China-U.S. Rivalry in Southeast Asia

The influence of the United States in Southeast Asia peaked during the Cold War, when allies such as the Philippines and Thailand maintained strong security ties through the Southeast Asia Treaty Organization. This dominance, however, began declining in the 1980s as China emerged as a regional power.

China's rise was based more on economic pragmatism rather than shared security interests, and coincided with the Association of Southeast Asian Nations (ASEAN) free trade agreements in the 1990s. While some states including Singapore, Thailand, and Malaysia benefited from regional integration, Cambodia, Laos, and Myanmar remained relatively isolated and increasingly dependent on external support, arguably creating a vacuum for a larger power to capitalize. Subsequently, the 2000s ASEAN-China Free Trade Area saw this disparity in regional integration, expanding overall regional economic dependence on Beijing while U.S. engagement stagnated, arguably creating a need for heavy infrastructure investment that would come later.

The above trend continued, with China's economic prominence swelling in comparison with that of the United States, until 2008 when Chinese influence surpassed America's in the region. Indeed, according to the Formal Bilateral Influence Capacity (FBIC) Index formulated by the University of Denver, since that year Beijing's FBIC score soared above Washington's and the gap between the two has widened overall. In particular, China's FBIC supremacy has been most acute in the aforementioned states which suffered from political instability and could not seize the opportunities of regional integration: Cambodia, Laos, and Myanmar. At present, Washington retains a stronger FBIC score in the Philippines and Singapore, though these relationships have weakened over time. Singapore balances multiple partnerships to maintain its regional leadership, but this strategy may become harder as China-U.S. competition intensifies.

The current situation is one wherein U.S. influence is stagnant, while China continues expanding from gains made between 1998–2013. The FBIC index reveals ongoing competition

across the region, with neither power achieving complete dominance but China holding clear advantages in economic engagement and infrastructure development (Moyer, et al. 2021).

Cambodia-U.S. Relations

The bilateral relationship between the United States and Cambodia began in the 1950s with early U.S. development efforts concentrated on infrastructure projects; such as the construction of National Road 4, which enhanced connectivity between Phnom Penh and the coastal city of Sihanoukville and formed a critical economic artery (Open Development Cambodia n.d.). Following the Cold War, U.S. assistance broadened to address Cambodia's urgent health, educational, governance, and humanitarian challenges, reflecting both strategic interests and post-conflict reconstruction demands (CSIS 2023; U.S. Department of State 2024).

From 2010 to 2019, U.S. aid to the health sector in Cambodia exceeded \$370 million, supporting programs that strengthened HIV/AIDS prevention, maternal health, and national health infrastructure (foreignassistance.gov 2023). Investments in governance and education during the same period were substantial, with \$247 million channeled toward improving democratic institutions and public administration and \$156 million toward educational development (foreignassistance.gov 2023). Since 2005, more than \$135 million has been allocated for humanitarian demining activities, underscoring the longstanding U.S. commitment to addressing Cambodia's legacy of landmine contamination, which hampers rural development and safety (U.S. Department of State 2024). Programs such as Feed the Future and Food for Progress have complemented these efforts by enhancing agricultural productivity and food security among vulnerable populations (USAID 2023).

Since the 1990s, USAID has served as a principal conduit for U.S. development assistance, providing over \$3 billion in aid through partnerships with both international and local NGOs. These collaborations focus on child protection, labor rights, environmental sustainability, and the strengthening of civil society (Open Development Cambodia n.d.). Additionally, Washington has played an instrumental role in funding the Khmer Rouge Tribunal, contributing approximately \$16.8 million since 2009 to support justice and reconciliation efforts (Open Development Cambodia n.d.).

In 2024, U.S. foreign assistance to Cambodia totaled approximately \$144 million to the critical areas of health, democracy and governance, demining, and others (foreignassistance.gov 2024). Despite these resources, the aid landscape remains complex due to geopolitical tensions and concerns regarding Cambodia's political environment, which have led to conditionalities on democracy and human rights, occasional sanctions, and program adjustments since 2017 (Congressional Research Service 2024; Loschmann 2025).

Economically, the United States remains Cambodia's largest export market, accounting for roughly 40 percent of Cambodia's exports, primarily in garments, footwear, and travel goods (USTR 2024). In 2024, bilateral trade volume reached about \$13 billion, with Cambodia enjoying a large surplus, as will be shown below in the section on trade dominance. The U.S. Generalized

System of Preferences plays a pivotal role in facilitating these exports, though benefits have been suspended as of 2020 amid governance and labor rights concerns (Oudom, 2023). Efforts by Cambodia to diversify foreign investment have included courting U.S. firms to balance China's dominant economic influence, as Phnom Penh seeks to maintain a strategic equilibrium in the region (Lim and Martinus 2024).

Looking forward, the U.S.-Cambodia relationship is likely to emphasize pragmatic economic collaboration, continued innovation in agriculture and health sectors, and a delicate balancing of regional geopolitical interests. The scale and structure of U.S. development assistance, reflective of both strategic priorities and Cambodia's domestic context, will substantially shape future bilateral engagement (Loschmann 2025).

Cambodia-China Relations

Despite episodes of Cambodia publicly countering China's geostrategic interests, such as by being the first ASEAN member to support Japan's Free and Open Indo-Pacific framework (Pich and Aun 2023), Cambodia's overall affinity to China is evidenced by Phnom Penh's constant support of Beijing in ASEAN on matters related to Taiwan and the South China Sea (People's Daily Online 2015, cited in Chheang and Pheakdey 2021; Strangio, Li, and Li 2024), as well as legitimizing the Myanmar Junta via a state visit by Prime Minister Hun Sen in 2022, which aligned with Beijing's foreign policy in the region (Javad-Heydarian 2022).

China's economic assistance to Cambodia began with the 1955 Bandung Conference. Following this, the pair's first financial aid agreements were reached in 1956, and Cambodia officially recognized the People's Republic of China in 1958 (Li 2018). Despite Prime Minister Hun Sen initially coming to power with Vietnamese military support in 1979, China regarded him as an ally in the mid-1990s. In 1996, China and Hun Sen signed agreements on trade, investment, and party exchanges, aiming to counterbalance relations with Taipei by the royalist FUNCINPEC party and prevent potential alignment with South Korea (Lizée 1997; Richer 2009).

Meanwhile, China's political relations with Cambodia include the substantial support given to King Sihanouk in the 1960s, as well as to the Khmer Rouge in the late 1970s (Mertha 2019). Even after the fall of the Khmer Rouge, China continued to supply weaponry to the remaining Khmer Rouge forces well into 1990s (Chheang and Pheakdey 2021).

Transitioning from a modest economic engagement, the China-Cambodia relationship evolved into a comprehensive strategic partnership in 2010, and China became Cambodia's largest investor, trading partner, and donor, pledging \$588 million in aid between 2018 and 2021 (Williamson 2023).

China-U.S. Rivalry and the Hun Dynasty

Relations between Cambodia and the United States began to sour first due to then-Prime Minister Sen's increased suppression of political opposition and civil society. The banning of the main

opposition party in 2017 had marked a significant turning point, leading to the ruling Cambodian People's Party running unopposed in the 2018 elections (Lum 2022). Moreover, Washington expressed concerns over human rights abuses in Phnom Penh, the lack of response prompting the former to impose economic sanctions and restrictions on development assistance. The U.S. Congress has also called for the suspension of Cambodia's trade preference status due to its deteriorating human rights situation (Lim and Martinus 2023). With the absence of U.S. influence due to Hun Sen's authoritarianism, the country was fertile ground for increased Chinese engagement.

Indeed, under the Hun Sen dynasty, Cambodia has cultivated an exceptionally close and strategic partnership with China, rooted in personal diplomacy, ideological alignment, and strong economic ties. Party-to-party ties and regular exchanges between the Chinese Communist Party and the CPP reinforce the continuity of this relationship through leadership transitions, with Beijing quickly embracing the dynastic succession from Hun Sen to his son (Jingwen 2023).

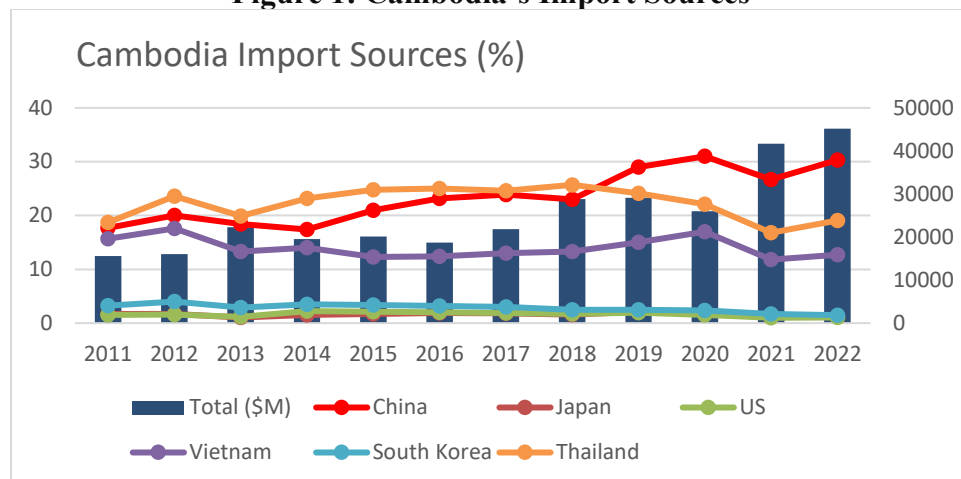
Hun Sen has described BRI investment as a crucial driver of Cambodia's modernization and a key element of his Vision 2050 strategy (Pisei 2024). These infrastructure projects have improved national connectivity, created jobs, and supported industrialization, while also lessening Cambodia's dependence on its immediate neighbors or Western aid (Luo and Head, 2023). Hun Sen's longstanding rapport with Chinese leaders, including President Xi Jinping, has yielded high-level visits and a steady flow of aid and investment. The Cambodian leadership has repeatedly highlighted China's critical role in national development and sovereignty, especially as Western governments raised concerns about human rights and democracy (Asia Nikkei, 2021; Fook, 2024).

Both Hun Sen and his successor, Hun Manet, have maintained what has been dubbed an "ironclad friendship" with Beijing, ensuring that China remains Cambodia's most significant political and economic partner (Pisei 2024; Olsen, 2025). However, Cambodia's heavy reliance on Chinese BRI investment has raised concerns over rising debt and lack of transparency (Liu and Clark, 2024). Despite these challenges, both the Hun Sen and Hun Manet governments remain committed to the BRI and to deepening the strategic partnership with China, positioning Cambodia as Beijing's closest ally in Southeast Asia (Fook, 2024; Government of China 2025).

China-Cambodia BRI Cooperation

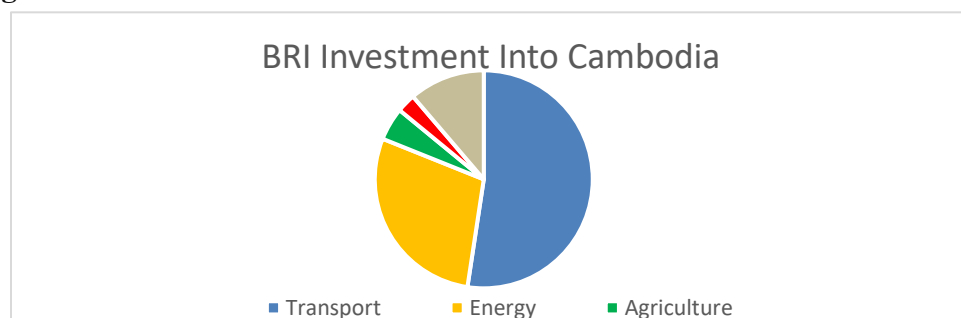
Since the BRI's unfolding in 2013 and Cambodia's early adoption, China has emerged as Cambodia's largest source of imports, more than doubling its 12.5 percent share at the beginning of the last decade to over 30 percent of all imports in 2022 as Figure 1 illustrates.

Cambodia's imports from China predominantly include photosensitive semiconductors, construction materials, garment factory supplies, and fertilizers. In contrast, U.S. exports to Cambodia have been much smaller in volume and value, focusing mainly on vehicles, machinery, scrap copper, and some agricultural residues, totaling under \$400 million annually in recent years.

Figure 1: Cambodia's Import Sources

Source: Compiled by author from the Observatory for Economic Complexity (n.d.)

BRI-related Foreign Direct Investment (FDI), meanwhile, has primarily focused on the sectors of transportation, energy, and agriculture per the China Investment Tracker (n.d.)¹, illustrated in Figure 2.

Figure 2: Distribution of Chinese BRI Investment into Cambodia since 2015

Source: Compiled by author from China Global Investment Tracker (n.d.)

The investment in transport has arguably groomed Cambodia's landscape to better satisfy China's growing demand for raw materials and agriculture by streamlining the costs of their export. Indeed, in the past decade, Beijing has become one of Phnom Penh's major transport infrastructure investors whereby 70 percent of the roads and bridges in Cambodia in 2017 were BRI projects (Retka 2017). As of 2020, moreover, Sun Chanthol, the transport minister, announced that Chinese firms used \$3 billion in concessional loans given to Phnom Penh from the Chinese government, and constructed more than 3,000 kilometres of roads, eight major bridges, and a new container terminal at the autonomous port of Phnom Penh. These endeavors were funded by China's Eximbank and implemented by Chinese state-owned enterprises. Additionally, in November 2022, the \$2 billion expressway connecting Phnom Penh to Sihanoukville was

¹ It is worth noting that the tracker only records investments exceeding \$100 million.

inaugurated, and in the same month, plans for a \$1.6 billion expressway from the capital to Bavet were unveiled (Williamson 2023).

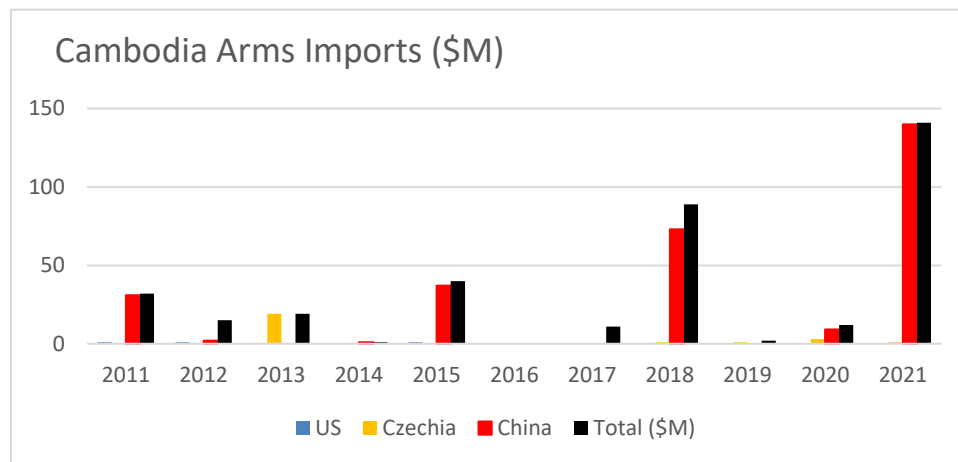
Another important investment is the Sihanoukville Special Economic Zone (SSEZ) in Cambodia; a flagship Chinese-backed industrial park under the BRI. In early 2024, trade volume reached \$628 million, a 38.3 percent increase year-on-year, while the full-year 2024 trade volume in the SSEZ reached approximately \$4.07 billion, up 21.3 percent from 2023 (Khmer Times Staff, 2024). The SSEZ hosts over 200 enterprises supporting industries such as garments, machinery, electronics, and food processing, enhancing Cambodia's integration into global supply chains and symbolizing deepening Cambodia-China economic ties (Pisei, 2025; Greater Mekong 2024).

Nonetheless, these advancements have seen Phnom Penh's debt to Beijing rising over the past decade to constitute 41 percent of its \$10 billion foreign debt in 2023 (Narin 2023). This has triggered criticism from opposition factions and civil society organizations alike, all cautioning against Beijing's increasing influence and the potential risk of Phnom Penh's subjugation. Then-Prime Minister Hun Sen, however, has vehemently defended China's role in Cambodia and refuted allegations of his country becoming dependent on or subordinate to China (Associated Press 2019).

As with its FDI, military assistance to Cambodia was pursued by China initially to sunder its ties to Taiwan but has become a key element of Beijing's political engagement with Phnom Penh (Richer 2009; Copper, 2016). China's involvement in Cambodia's military infrastructure dates back to 1999, when it contributed to the construction of the Army Institute. Since 2009, the institute has admitted 200 cadets annually to undergo a four-year course designed by the Chinese Ministry of Defense, overseen by Chinese advisors, and requiring six months of study in Chinese schools. Graduates of this program often assume key decision-making roles within the Cambodian military (Belford and Thul 2015).

Presently, China stands as Cambodia's foremost military aid provider, furnishing tanks, armored vehicles, and currently overseeing the construction of an air defense force training center in southern Cambodia. During his 2018 visit to Phnom Penh, Chinese Defense Minister Wei Fenghe pledged over \$100 million in military aid without specific usage constraints (Cheunboran 2018).

The robust military alliance between China and Cambodia gained international attention in 2019, when U.S. military officials revealed a previously undisclosed agreement regarding the use of the Cambodian Ream naval base in the Gulf of Thailand. The agreement granted China a 30-year lease on the base, renewable every 10 years (Page, Luborl and Taylor 2019). Meanwhile, Cambodia initiated the "Dragon Gold" joint military exercise with China in December 2016, a practice that has been repeated and expanded in subsequent years—including 2018, 2019, 2020, and 2023. This coincided with deteriorating relations between the United States and Cambodia as reported by Pich and Aun in 2023. Examining the arms trade, moreover, reveals that the arms embargo recently imposed by Washington in retaliation (reportedly) to these developments was arguably more of a political statement than a strategic maneuver of tangible impact; as Beijing has been the foremost supplier of arms to Phnom Penh whenever the latter opted for imports as Figure 3 illustrates, with the sole exception of 2013 when Czechia assumed that role.

Figure 3: Cambodia's Arms Imports

Source: Retrieved by Author from the Comtrade Analytics Database

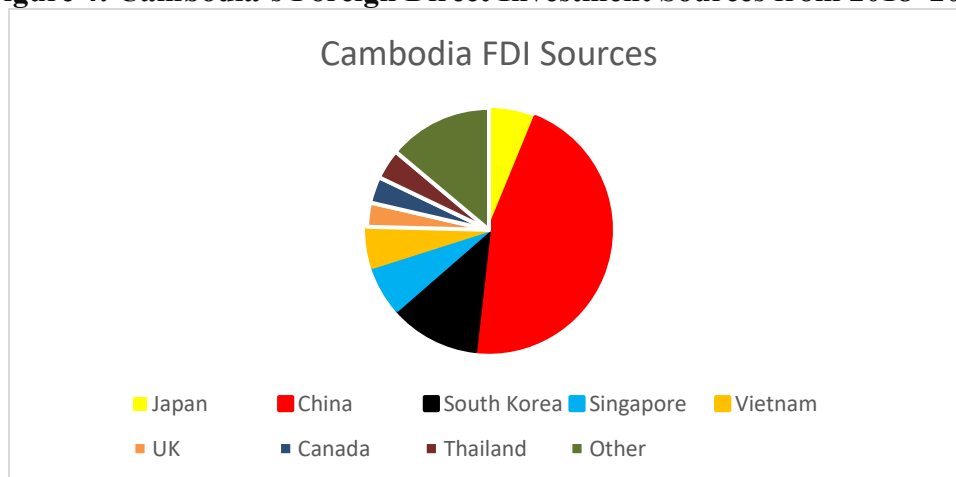
It would thus appear that China has been able to achieve some roles of a hegemon-as-security guarantor in Cambodia in light not only of high arms exports but also extending military aid to Hun Sen; the latter opting to counter Washington's arms embargo through greater procurement from Beijing as well as closer and more comprehensive military cooperation and training. This not only whittles Washington's influence but the large import of arms also factors into Beijing's economic influence and hegemonic capacity as will be expanded upon below.

The Belt & Road Initiative and Peripheralization in Cambodia

According to world-systems analysis, peripheries are strategically designed to minimize resistance to the flow of revenue from these areas to the core (Hopkins and Wallerstein 1982). To effectively peripheralize an external state, an ascending hegemon must direct a substantial influx of FDI towards it compared with other sources. This FDI empowers the hegemon to ply the external state into a more economically advantageous entity per the terms of the investment and its impact on the potential periphery. Papadontanakis (1985), for instance, describes how the United States peripheralized southern European states after World War II by conditioning crucial investments and aid based on Washington's terms. This was achieved through the utilization of American labor and equipment, along with tariff adjustments favoring U.S. exports during a period when the stronger economies of the north were undergoing post-war recovery and unable to compete. In parallel, in 2017 alone, Chinese FDI to Cambodia towered above other sources at \$1.6 billion, with fixed asset investment comprising \$1.43 billion or 27 percent of the total investment as part of the BRI which was executed in large part via Chinese companies and labor (Xinhua 2018). Moreover, according to the Overseas Development Institute, China stands as the largest overall source of FDI for Cambodia, contributing a total of over \$60 billion since 2008 (Iammarino, Sumontheany and Kosal 2024). In 2021, China maintained its position as the primary contributor to Cambodia's

highest recorded FDI, constituting 48.2 percent of the total FDI inflow into Cambodia, in the context of the United States having not sent any substantial investments in the last decade, albeit maintaining sizable aid packages (Open Development Cambodia 2023). While this gap may be circumstantial, in that the EU and the United States have comprised less than 10 percent of total FDI to Cambodia from 1994–2004 (Cuyvers et al. 2011) and the United States cautions businesses from investing there (U.S. Department of State 2021), it nevertheless does leave a vacuum for a potential investor to fill as China arguably has. Regarding other sources of FDI in Cambodia, Figure 4 illustrates the contributions of South Korea, Japan, and other states.

Figure 4: Cambodia's Foreign Direct Investment Sources from 2018–2023

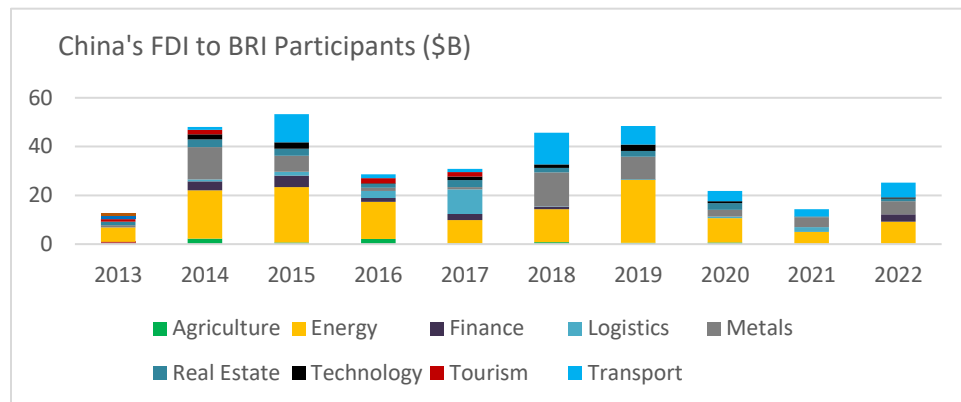


Source: Author's illustration based on David (2024)

In terms of the process of peripheralization, historical analysis reveals common features for when peripheries become part of a world-system, one of which is *specialization*². As the most relevant feature for gauging economic dominance, specialization involves shaping the economic processes of the periphery into those producing goods and labor that align with the core and hegemon's demand. An examination of China's FDI outflows in Figure 5 reveals fluctuations in FDI to BRI states, targeting various sectors with notable intensity, including energy, transport, logistics, metals, and agriculture.

These investments align with the BRI's objectives of fostering infrastructure development across participating states as investments in transport, energy, and logistics enhance local and international connectivity. Meanwhile, FDI in metals and agriculture are indicative of China's strategic approach of outsourcing the peripheral (low-yielding) procurement of raw materials, thus affecting *specialization* onto recipient states; fitting them with the processes deemed unfeasible or too low-yielding for a China molting into core status.

² While peripheralization also includes other elements, they are more normative and governance-related.

Figure 5: China's FDI to BRI Participants by Sector

Source: Compiled by author from China Global Investment Tracker (n.d.)

The aforementioned SSEZ is arguably a hallmark of this burgeoning peripheralization, as Haro Sly (2021: 318) notes that China's own domestic parks focus on higher-yielding economic process, such as new and high-end technologies, "while overseas industrial parks are mainly concentrated in the traditional advantageous industries that have been saturated in China's domestic market, such as low-end manufacturing and primary processing of agricultural products." While this is not a controversial practice, it does translate into China outsourcing lower-yielding processes externally into Cambodia, thus fashioning it into a source of their products which otherwise would not be feasible to produce domestically.

BRI projects have also targeted key commodities such as rubber, wood, and cement. Notably, China's investments in the cement industry, such as in the Battambang Conch Cement Factory, aim to fully cater to the cement requirements of Chinese BRI-executing companies operating within Cambodia (Willaimson 2023). The investments in Figure 2 above thus serve the dual purpose of meeting domestic demand in China and securing the essential resources required for various industrial projects in Cambodia.

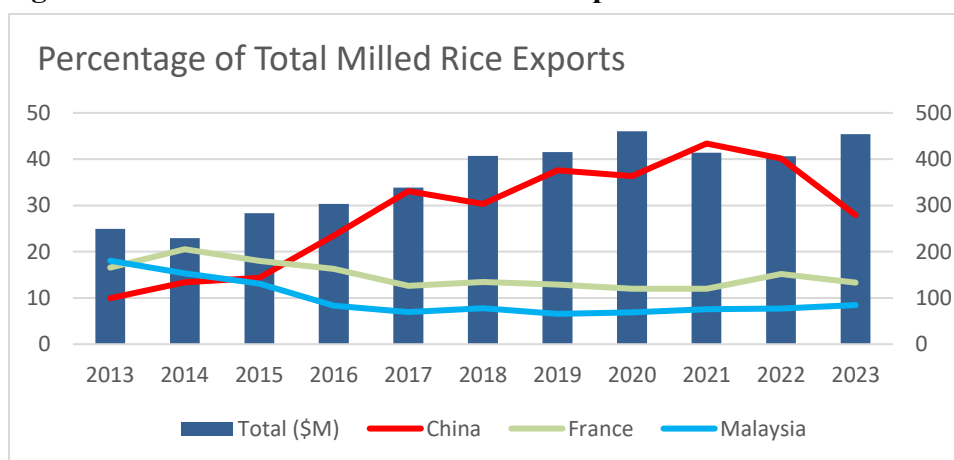
The outsourcing of copper extraction to peripheral regions is particularly noteworthy as it serves multiple purposes for China: not only does it contribute to the mitigation of pollution resulting from mining activities (Nugent and Lu 2021) but becomes necessary due to rising minimum wages and the appreciation of the yuan (Wang, et al. 2018). Moreover, the resulting influx of copper allows Beijing to continue its production and export of green technologies which are experiencing a growing demand. However, the obstacle lies not in the scarcity of copper but in the insufficient infrastructure in the locations where extraction occurs, necessitating further investment (Timmermans 2021). In this regard, China's sizable investment into Cambodia's mining and transport sectors have elevated the feasibility of copper extraction and export (to China) as Figure 6 illustrates.

Figure 6: Cambodia's Copper Export Destinations

Source: Compiled by Author from UN Comtrade Analytics (n.d.).

Arguably, therefore, China is successfully outsourcing this peripheral industry to Cambodia, encouraging its growth in one instance of *specialization*. This comes as local production in China shifts from copper extraction to copper smelting, meaning that it will continue to import growing amounts of copper ore, extracted through peripheral mining processes, in order to sustain a more advanced economic process in smelting (The Japan Times 2023).

A second avenue of specialization is arguably Cambodia's rice cultivation (reflected in Figure 7). Chinese companies presently control over 24 percent of Cambodian economic land concessions (ELC), established in the 1990s as a government mechanism granting land under specific contracts to concession holders for agricultural and industrial purposes. The ELC system allows the Cambodian government to allocate substantial areas of farmland to foreign companies for large-scale agricultural or business ventures. Currently, nearly one million hectares of Cambodian agricultural land are under lease by foreign entities, with a significant proportion being Chinese-owned (Bafoil 2014). In 2017, Cambodia entered into two Memorandums of Understanding with the Export-Import Bank of China and CITIC Group Cooperation to increase paddy production and enhance rice exports, aiming to surpass the existing quota of 300,000 tons of rice exported to China and elevate bilateral trade to \$6 billion by 2020 (Sok 2017).

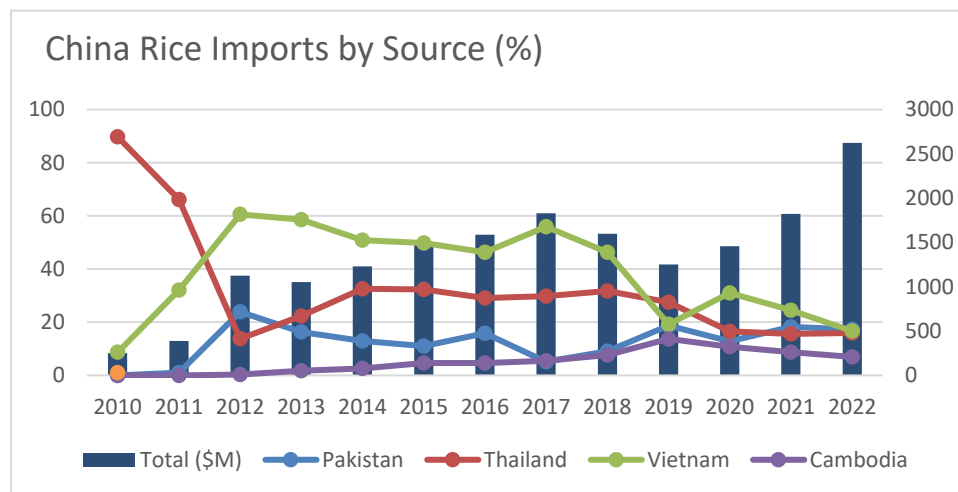
Figure 7: Cambodia's Main Milled Rice Export Destinations 2013-2023

Source: Author's illustration based on WITS Database (n.d.)

It must be noted that the prominence of China here is not meant to contrast rice exports to the United States, as the latter has always been negligible and the North American diet does not have as much demand for rice as that of East Asia. Rather, this is meant to illustrate how the products which China is keen on securing yet result from low-yielding processes domestically (due to geographic or ecological constraints) are being supplied through external investment culminating in their outsourcing in resonance with specialization.

Nevertheless, this substantial investment in Cambodia's agricultural output, particularly in rice production, serves the strategic purpose of enabling China to transition its agricultural workforce towards more high-yielding production processes, freeing them from low-wage agriculture labor (Hopewell 2019). This investment was sustained as China committed approximately \$600 million in grants to Cambodia between 2019 and 2021, and pledged to import 400,000 tons of rice from Cambodia (Retka 2017). The improvement in roads, moreover, enhances the feasibility of exporting these perishables. This significant commitment has resulted in Cambodia constituting 7 percent of China's total rice import in 2022, representing a larger share of a greater import volume compared to pre-BRI levels, as depicted in Figure 8.

Figure 8: China's Rice Imports by Source

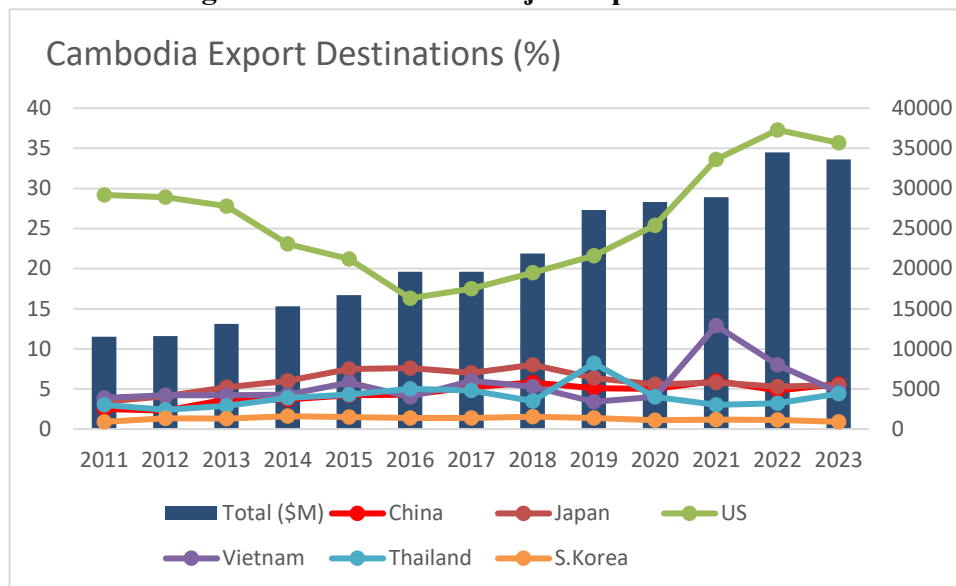


Source: Compiled by Author from UN Comtrade Analytics (n.d.)

China, meanwhile, has diversified its sources of rice imports, diminishing its reliance on Vietnam and Thailand. Through BRI investment in Cambodia (and other countries), therefore, China has achieved a more evenly distributed dependence on multiple rice-exporting nations, with Cambodia emerging as a new significant source. This development could be seen as an indication of China's growing economic stature, exhibiting its ability to avoid dependency on a single origin for a staple food item, and thus able to trade more asymmetrically with peripheral partners as is characteristic of hegemons and core states.

Despite the above achievements in peripheralization resulting in China's increased imports from Cambodia, the United States remains its predominant export destination by a considerable, growing margin as illustrated in Figure 9.

Figure 9: Cambodia's Major Export Destinations



(Source: Compiled by Author from the Observatory for Economic Complexity, n.d.).

Cambodia primarily exports textiles to Chinese markets, with a recent increase in metals and agricultural exports. Cambodia's main exports to the United States consists primarily of garments, textiles, footwear, travel goods, and some electronics; with export values steadily increasing from around \$2 billion in the mid-2010s to fluctuating monthly totals often exceeding \$700 million since 2020 (see Figure 9). This growth reflects Cambodia's strong manufacturing base in labor-intensive goods targeting the U.S. market. Consequently, Cambodia has maintained a robust trade surplus in goods with the United States throughout this period. The United States remains a critical export destination for Cambodia's manufactured and agricultural products, whereas Cambodia's imports from the United States cater mostly to capital and intermediate goods necessary for its industrial development. This bilateral relationship highlights Cambodia's role as a growing exporter of labor-intensive products and the position of the United States as a supplier of higher-technology and capital goods in their trade exchange over the past decade.

This runs counter to a feature of peripheralization, whereby during periods of hegemonic rivalry the periphery will reorient its trade relations towards the rising hegemon (Wallerstein 2004), meaning that Beijing has yet to achieve the kind of reciprocity that Washington enjoys with Phnom Penh, rendering China's peripheralization achievements incomplete. This arguably gives Washington a degree of economic leverage over Phnom Penh in lieu of security provision.

However, what peripheralization China has achieved has not been due to Cambodia's lack of agency. Indeed, to comprehend the rationale behind Cambodia's reliance on China's foreign aid, it is important to again note that Hun Sen has structured Cambodia's economic system in a manner

that affords him significant autonomy in allocating the country's budget and the majority of public resources, including foreign aid, are centralized at the prime minister's level. Consequently, by committing aid to Cambodia, China effectively ensures the approval and favor of Hun Sen and the Cambodian People's Party (CPP). Moreover, to ensure a continuous inflow of foreign aid in all its forms, the Cambodian government readily supports projects spearheaded by the Chinese Communist Party (CCP) (Williamson 2023).

After highlighting Cambodia's avenues of peripheralization, we now gauge more thoroughly for features of economic hegemony by Beijing in the current China-Cambodia relationship.

Features of Economic Hegemony in the China-Cambodia Relationship

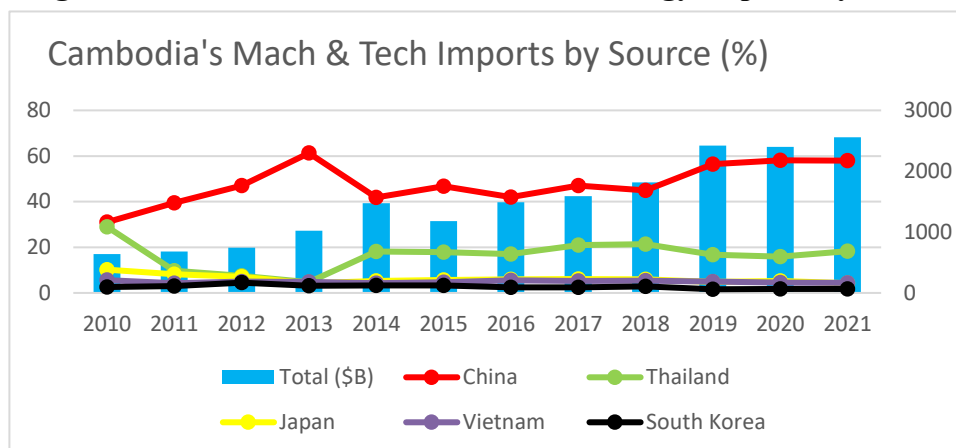
According to world systems analysis, achieving economic dominance involves a rising power establishing supremacy in production, trade, and finance concerning a potential periphery. In the case of Cambodia, the following section will individually examine these features using data on export/import destinations and trajectories of Chinese FDI.

Production Dominance

According to world-systems analysis, a key feature of economic hegemony involves core states dominating high-yielding industries and establishing quasi-monopolies on the production of core products (Wallerstein 2004). This production dominance serves as the bedrock of hegemony, ensuring a continuous flow of trade revenue to the ascending hegemon via innovations superior in quality or affordability to rivals, translating into high profits when exported and contributing to a net trade surplus with the periphery.

Presently, the United States maintains a monopoly on the arms industry, generating the highest revenue from global defense-related sales (BBC 2021), which arguably informs its decision to impose an arms embargo on Cambodia. Conversely, China possesses significant capacity in hard infrastructure—an industry that has been historically overlooked by the West but is in high demand in developing nations (Devonshire-Ellis 2019). More critically, a recent report by the International Energy Agency (IEA 2021) indicates that Beijing controls over 80 percent of the solar technology industry, with exports reaching \$30 billion in 2021.

In the context of Cambodia, China has substantially increased its share of machines and technology imports therein, nearly doubling from 30 percent in 2010 to almost 60 percent of a higher volume in 2020. Washington, meanwhile, does not occupy a significant position in this regard as Figure 10 shows. Thus, whereas Beijing was competing with Bangkok in the export of high-yielding products, that is, *production dominance*, Beijing has emerged triumphant and maintains a significant lead above the competition vying to satisfy Phnom Penh's growing demand.

Figure 10: Cambodia's Machine and Technology Imports by Source

(Source: Compiled by Author from World Bank WITS Database, n.d.).

Trade Dominance

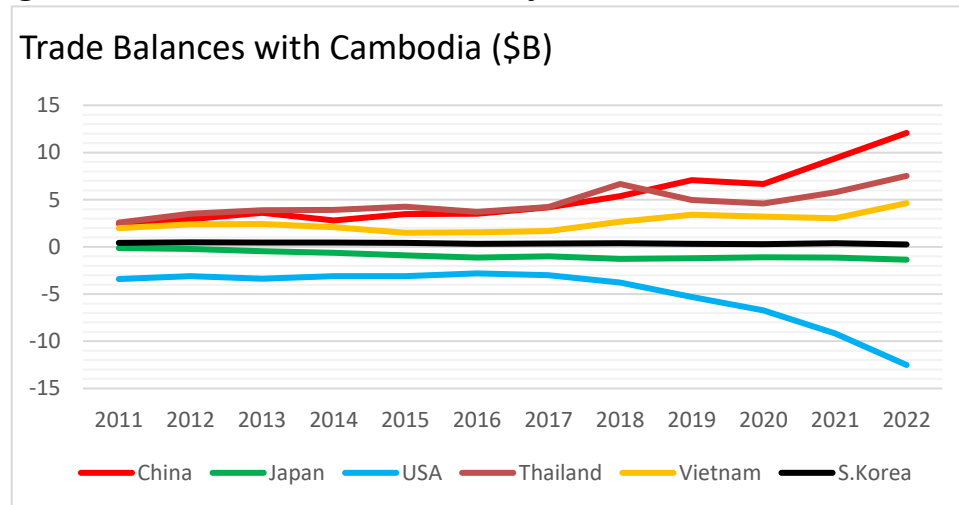
The competitive products instrumental to production dominance not only lead to higher trade returns for the hegemon but also exemplify “one of many ways in which the interrelations linking the partial-production-operations formative of ‘cores’ and those formative of ‘peripheries’ are actualized” (Hopkins and Wallerstein 1982: 152). Trade dominance is achieved when a rising hegemon establishes a trade surplus with its potential periphery, whose processes do not yield comparable trade returns, resulting in a net flow of revenue to the hegemon. In periods of hegemonic rivalry, the periphery tends to reorient its trade patterns away from other core states and towards the ascending hegemon. Moreover, in this competitive phase among core states, individual states in the periphery are likely to enter a free trade zone with the hegemon (Hopkins and Wallerstein 1982).

An examination of Cambodia's trade balance with major partners in Figure 11 reveals another parallel favoring China. Indeed, Beijing has nearly quadrupled its trade surplus with Phnom Penh from 2011, widening it to \$12 billion in 2022. Tokyo and Washington, meanwhile, have both seen a widening of their trade deficits with Phnom Penh, meaning that Beijing has secured one pillar of trade dominance. This is arguably due to several factors including the BRI's infrastructure which has streamlined transport and rendered trade with China more efficient (Williamson 2023). The Cambodia-China Free Trade Agreement (CCFTA) in 2021 has also revitalized Cambodia's efforts to facilitate trade and diversify its export portfolio, aligning with the objectives of its Rectangular Strategy (2018–2023) and the economic diplomacy initiative launched in January 2021 (Stafford, Lamy, and Zhang 2021)³. With the implementation of the CCFTA, Cambodia is set to export more agricultural products to China (Menon 2023), thus arguably cementing its specialization in a

³ Cambodia is also motivated to strengthen trade ties with China in response to economic sanctions and pressures from the European Union and the United States.

peripheral economic process as China shifts its labor towards higher-yielding production processes.

Figure 11: Trade Balances Between Major Trade Partners and Cambodia



Source: Compiled by Author from the Observatory for Economic Complexity (n.d.)

The United States, meanwhile, does not have such an agreement with Cambodia, thus granting Beijing total trade dominance. However, as the United States remains Cambodia's top export destination, with imports eight-fold of China's, Beijing's diversification strategy may have given Washington an unexpected advantage here.

Financial Dominance

Following trade dominance, a rising hegemon achieves financial dominance when it experiences a net inflow of capital from the periphery—the classical model of dependency theory—and its banks gain greater control over the financial resources of the periphery (Hopkins and Wallerstein 1982). The first component of this has been realized through China's growing trade surplus. Furthermore, the interest on Chinese loans and returns on investments also add to the net revenue flowing from Cambodia to China. While Phnom Penh has taken steps to mitigate its debt burden to Beijing (Pich and Aun 2023), its foreign debt stands at nearly \$10 billion, with 41 percent owed to China (Narin 2023). Despite previous scholarship holding that "Chinese finance is generally not out of line with interest rates found in global capital markets" (Brautigam and Gallagher 2014), and assurances from Cambodian government officials about the low interest rate and long grace period of loans, more recent studies have estimated the general trend of Chinese loans to have an average interest rate of 4.2 percent, higher than that of the OECD, with shorter grace and maturity periods of 2 and 10 years, respectively (Malik, et al. 2023). The nature of these loans is inessential in our case, as, in 2021, while China invested \$2.1 billion in Cambodia (Devonshire-Ellis 2023), it enjoyed a \$10 billion trade surplus along with interest on its loans, securing a significant component of financial dominance.

Moreover, as the hegemon's power grows, the pressure to align economically with it intensifies. This influence may be exerted through market forces or direct political means, as seen in the example of Washington dictating fiscal policies to developed states through institutions like the IMF (Kent 2002). Scholars of world-systems analysis accord with other schools of international relations that having influence and/or direct control over a periphery's resources is fundamental for a rising hegemon (Arrighi and Silver, 1999; Flint and Zhang, 2019). This can occur through the ownership of state banks and influence on monetary policy such as China successfully acquiring enough shares of Pakistan's Stock Exchange to appoint its director (Aziz, Hasan Khan, and Kamal 2020). Despite recent reforms in Phnom Penh's investment laws allowing banks to become 100 percent foreign-owned (Tilleke and Gibbins 2020), China has not made an effort to seize Cambodian banks.

Monetary influence further plays a pivotal role in establishing financial dominance over a periphery by regulating how its resources are traded internationally. Indeed, throughout history, a country's ability to promote the use of its currency outside its borders has usually corresponded with its overall economic power relative to other states (Bergsten 1975; Eichengreen 1994). In China's case, the international use of the renminbi has not been proportional to China's growing economic clout as the world's top creditor, largest trading state, and second largest economy (McDowel 2021). The U.S. dollar remains indispensable for global trade, especially in energy transactions through the petrodollar system. Additionally, it serves as a tool for Washington to apply sanctions against what it perceives as undesirable behavior, thereby reinforcing the financial dominance with which it controls other states' resources (Quero 2020; Letzing, 2022).

In the Cambodian context, as highlighted by Hunt (2021), a dual-currency U.S. dollars-Khmer riel has been operational since 1993, providing Phnom Penh with vital monetary stability during the post-conflict reconstruction phase. However, the National Bank of Cambodia has recently initiated a plan to reduce reliance on the dollar. This plan includes the introduction of digital currencies and the gradual phase-out of small-denomination U.S. currency notes. This initiative is driven by the escalating demand for the riel, which has seen an average annual growth rate of 16 percent over the past two decades, coupled with an impressive annual economic growth of 7.8 percent. Indeed, echoing the world-systems perspective on the power of monetary influence in economic hegemony, the central bank's governor stated that a reduced circulation of U.S. dollars empowers the central bank with enhanced control over the nation's economic trajectory. Conversely, the shift towards endorsing the local currency is a proactive effort to fortify Cambodia's fiscal autonomy and mitigate reliance on the U.S. dollar (Hunt 2021). Coinciding with this has been an increasing use of the yuan in cross-border trade with China, and the share of the yuan in global trade besting the euro to become the second-largest worldwide (Shen and Week 2023).

In 2023, moreover, the central banking institutions of China and Cambodia have established a yuan clearing arrangement through a memorandum of understanding, representing part of China's broader strategy since 2009 to internationalize its currency and reduce global dependence on the U.S. dollar (Voice of America Khmer 2024). This bilateral agreement follows similar

monetary arrangements Beijing has negotiated with Brazil, Kazakhstan, Laos, and Pakistan, complementing China's approximately 40 currency swap agreements with developing economies (Voice of America Khmer 2024). The mechanism is designed to facilitate smoother yuan-denominated financial transactions between Chinese and Cambodian businesses. Liao and McDowell (2015) comment on the significance of such bilateral swap agreements noting that they are a significant market-driven phenomenon wherein countries with greater economic reliance on China tend to enter into bilateral swap agreements that allow their domestic companies to use RMB for payment settlements.

Despite these developments, the U.S. dollar remains vital within Cambodia, which has recently reiterated its refusal to adopt the renminbi as legal tender (Sreypich 2023). This decision obstructs Beijing's budding financial dominance and prevents it from achieving complete economic dominance, thereby granting Phnom Penh a measure of monetary autonomy vis-à-vis Beijing.

As BRI investments are recipient-led (Loughlin and Grimsditch 2021), Hun Sen's regime has thus successfully exercised strategic hedging by improving its infrastructure per Chinese designs while maintaining dollar usage and the United States as its major export destination. Arguably, moreover, the gains it has made in trade with the United States are slashed by the widening trade deficit and debt servicing it has with China. In a compromise of power, it would seem that Beijing, along with the Hun regime, are fashioning Cambodia into a siphon that maintains the latter by working through and enforcing elite patronage systems and upgrading Cambodia's output processes in a neoliberal fashion to benefit these elites, and is able to increase exports to the United States while imports from China increase, rendering Cambodia a China-funded vortex of revenue from Washington to Beijing that the former cannot tempt with military benefits due its governance system echoing, and supported by, that of the latter.

Conclusion

The findings demonstrate that while China is exhibiting the features of economic hegemony in production via dominant exports and trade dominance via a growing trade surplus, as well as layers of specialization-cum-peripheralization through investments in low-yielding rice cultivation and mineral extraction, financial dominance remains elusive due to Washington's monetary predominance leaving Phnom Penh susceptible to U.S. monetary sanctions should it align too closely with China. Indeed, Cambodia's agency in this regard is not to be understated as, despite the strengthening ties to China, it has displayed shrewdness in selecting the degree of Chinese cooperation and finds itself able to keep Beijing at a safe distance through strengthening the local currency, maintaining use of the dollar, and opposing Beijing's foreign policy on matters sensitive for Washington which nevertheless remains the dominant export destination. Cambodia also hedges against Chinese influence by cooperating with Japan on the Free and Open Indo-Pacific vision, condemning Russia's invasion of Ukraine, and exploring other bilateral trade agreements with Japan, South Korea, India, and others (Chheang 2022).

These findings run counter to claims of bifurcation occurring on the Asian continent; first, not only due to Washington's relinquishing of its theorized military dominance, but also due to it maintaining a measure of economic hegemony via the dollar. It also demonstrates the limits of Chinese FDI in peripheralizing weaker states in contexts significantly attractive to U.S. importers. Indeed, growing Chinese economic influence remains structurally constrained by Washington's continued superiority as Cambodia's primary export destination as well as the persistent use of the U.S. dollar in Cambodia's economy. These findings illustrate the complex, contested nature of hegemonic transitions in small state contexts, where rising powers can achieve substantial economic penetration while established powers retain critical structural advantages. Rather than a clean shift from one hegemon to another, Cambodia demonstrates how recipient states navigate multiple dependencies simultaneously.

The Cambodia case reveals that contemporary hegemonic competition produces complex, layered relationships rather than binary outcomes. China's success in achieving production and trade dominance coexists with persistent U.S. advantages in export markets and monetary systems, creating a contested peripheral space where neither power achieves complete dominance. This pattern challenges both clean bifurcation theories and assumptions about rapid hegemonic transitions, suggesting instead a more gradual, contested, and potentially reversible process of power shifts in small state contexts. Future research on this topic could explore whether cultural hegemony from China is spreading in Cambodia through language acquisition, education exchange, and media cooperation. Additionally, investigating the impacts of China's growing influence in the region on Cambodia's democratic processes and social justice would contribute to a comprehensive understanding of these evolving dynamics as hegemons impress on their peripheries their own standards of governance.

These findings contribute to hegemonic transition scholarship by demonstrating how economic penetration, while substantial, may remain incomplete and contested in contexts where multiple powers maintain different competitive advantages. The Cambodia case suggests that understanding contemporary power transitions requires attention to the mechanisms and limitations of influence rather than focusing solely on outcomes, highlighting the value of process-focused analysis in capturing the nuanced realities of changing global power dynamics.

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