

The Road to Nowhere.

*Phnom Penh's construction industry is buoyant, driven skywards by developers maximizing the benefits of the Belt and Road initiative.
But not everybody is pleased with the city's transformation*

By Jennifer Khoo



Turn anywhere in downtown Phnom Penh and a new high-rise greets the eye. Dotting the city are construction sites and cranes, scaffolding and shade wrap in green. This new skyline protrudes above the shophouses and colonial buildings that form the low-rise cityscape of Cambodia's capital city.

The sprouting high-rises are mostly funded by the Chinese investment that has followed the Belt and Road initiative. Designed to improve economic ties between mainland China and its neighbors, the Belt and Road calls for developed infrastructure in countries around the region. In Cambodia, the drive for better infrastructure is propelling an explosive expansion of the local construction industry.

Billions in building

As of 2014, construction officially overtook agriculture and tourism as the second-largest driver of economic growth in Cambodia. A remarkable fact, considering that 80 percent of Cambodians live in the countryside and that the Southeast Asian nation boasts one of the biggest tourist drawing cards anywhere on Earth: the archaeological treasure of Angkor Wat.

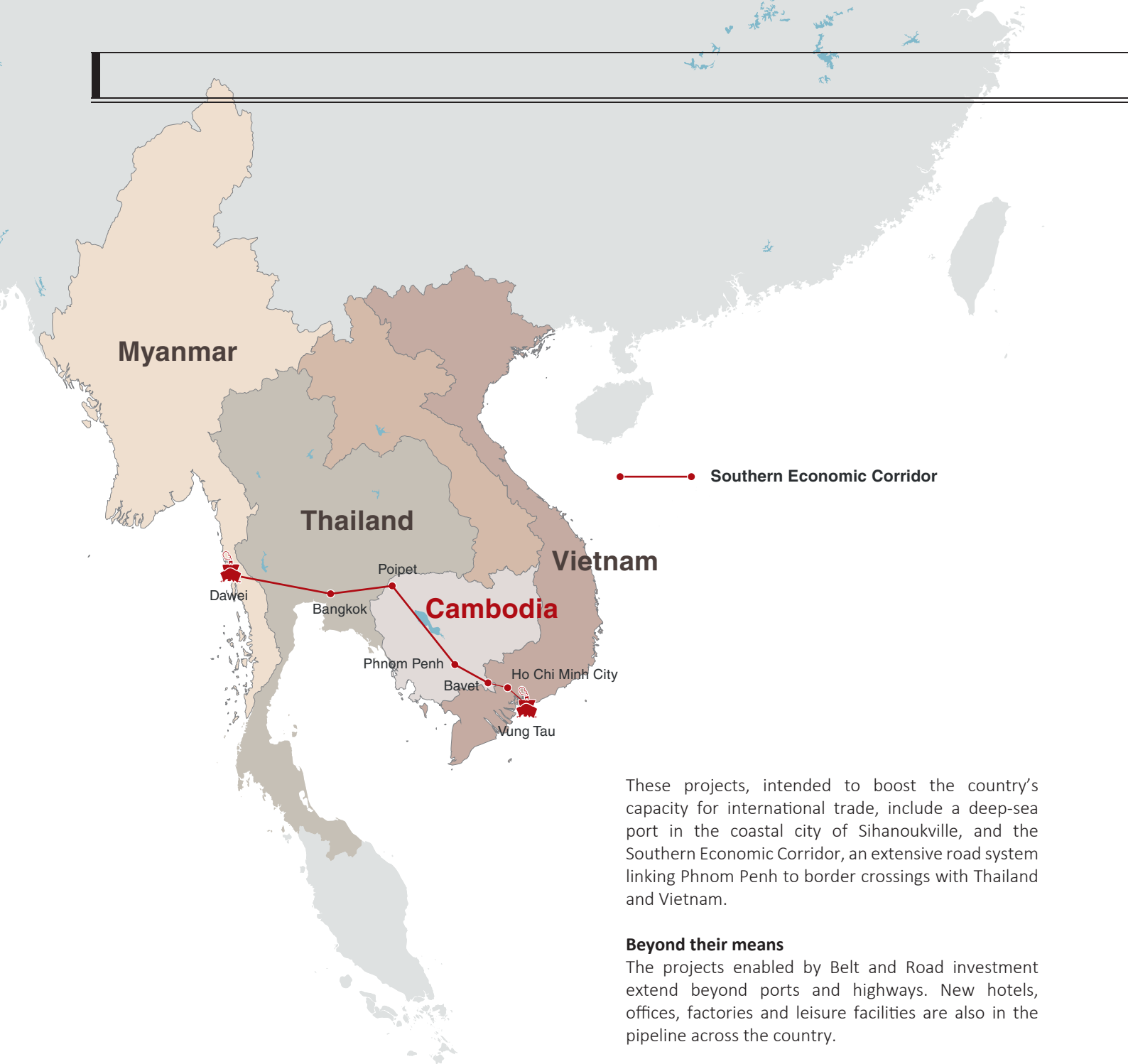
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Since then, construction has continued to grow at a rapid rate. In 2016, the Cambodian government approved several construction projects worth a total value of US\$8.5 billion, more than double the value of those approved in 2015.

Downtown Phnom Penh



Photo: Thinkstock



These projects, intended to boost the country's capacity for international trade, include a deep-sea port in the coastal city of Sihanoukville, and the Southern Economic Corridor, an extensive road system linking Phnom Penh to border crossings with Thailand and Vietnam.

Beyond their means

The projects enabled by Belt and Road investment extend beyond ports and highways. New hotels, offices, factories and leisure facilities are also in the pipeline across the country.

The flurry of building activity has also created more jobs, especially in Phnom Penh. Construction in the capital employs about 50,000 people a day, according to the Ministry of Land Management, Urban Planning and Construction.

Despite the benefits, there are concerns that the influx of investment is not being directed to where it is needed most. One particular concern is Phnom Penh's shortage of suitable – affordable – housing for Cambodians.

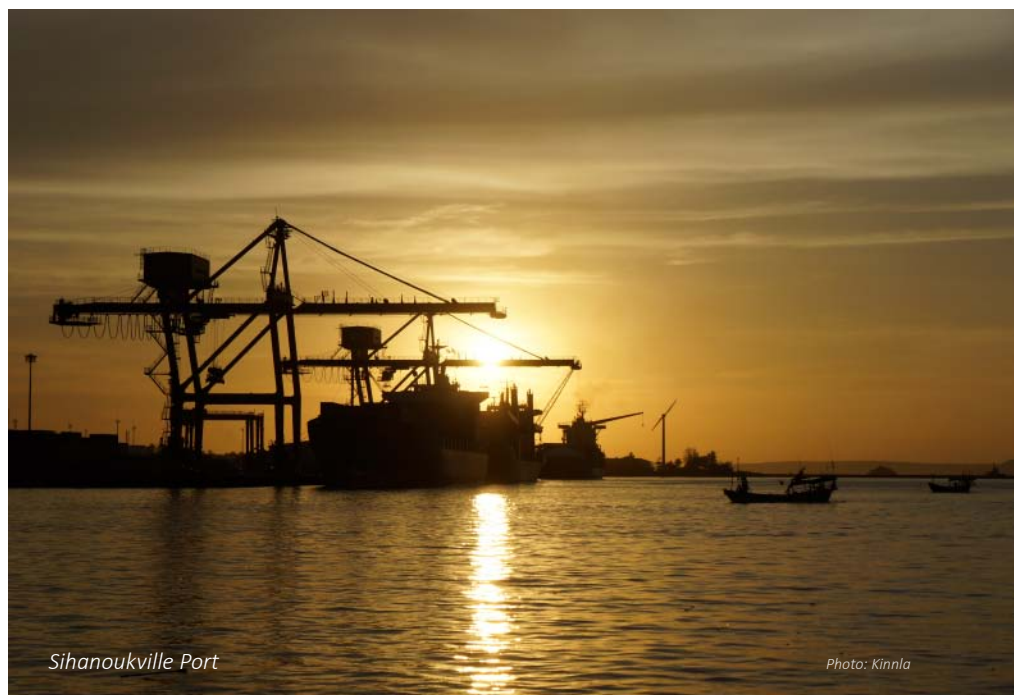
To a casual observer, the capital's upscale condos might indicate healthy economic development. The Belt and Road vision is that better infrastructure, including better housing, will attract foreign investors. To a middle-class Cambodian, the construction of affordable housing would be a better use of Chinese money. Most of the luxury housing is meant for wealthy foreigners and prices Cambodians out of the market.

Prosperity's pinch point

Developers may have been right to tap the high end of the market when Phnom Penh had only a few luxury homes to offer, but times have changed, and supply now outstrips demand.

The city's population is forecast to grow by at least 50 percent between now and 2030, meaning demand for affordable housing can only increase. There are cultural issues too. Cambodians are used to community living and it remains to be seen if living apart in conspicuous comfort will be accepted widely. But Chinese developers, long deaf to criticism of their environmentally unfriendly construction practices, seem unlikely to be moved by an argument based on the social needs of communities where they pursue their projects.

Cambodians are excited to see their nation prosper at long last, but it's a tricky situation to be in. Collectively, they must weigh up how to balance their needs against the influence of investment flowing from the Belt and Road Initiative, and how to call for the right balance to be struck, without being seen to bite the hand that feeds them.



Sihanoukville Port

Photo: Kinnla

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It may be that developers operating in Cambodia will get the message and alter their strategy of building high-end homes once they see their inventory go unsold and unoccupied. With luck, the market will deliver the message sooner rather than later. 