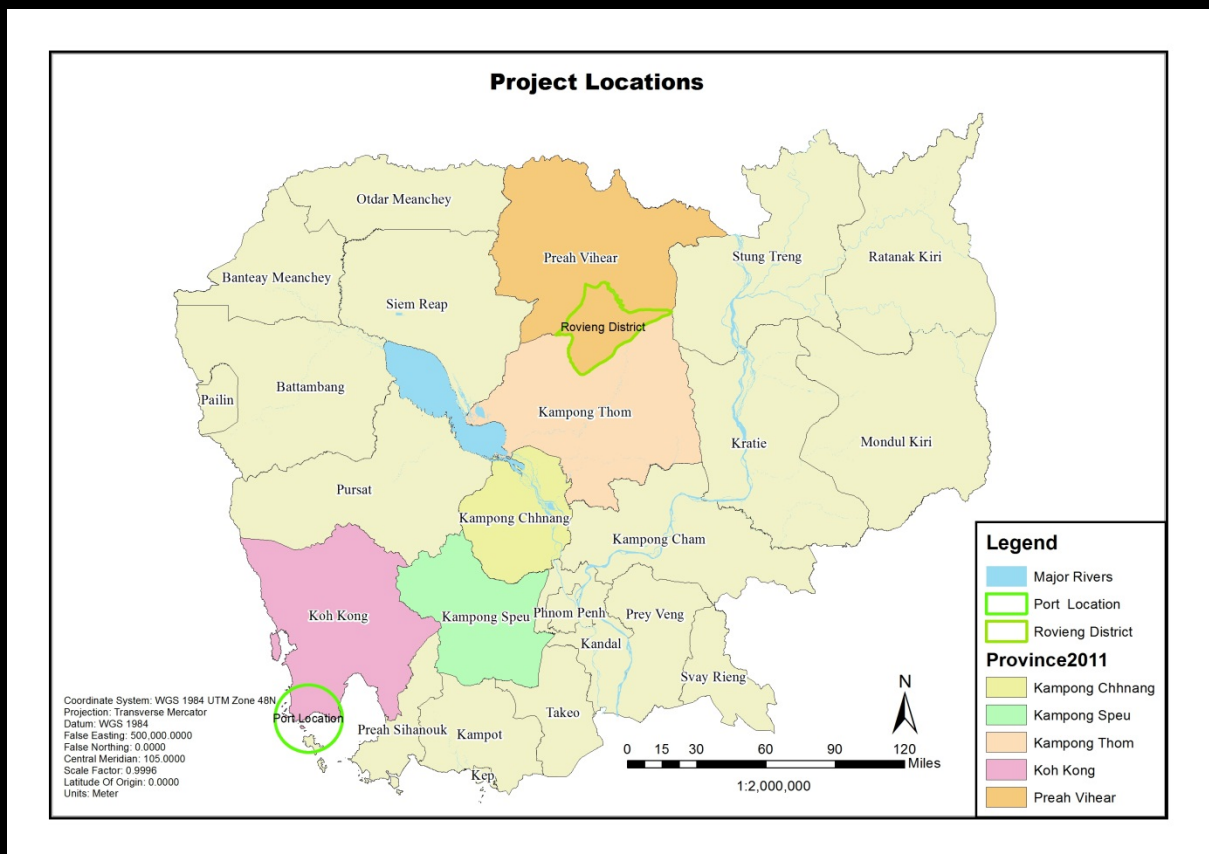


Briefing Paper

The Chinese North-South Railway Project



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Briefing Paper: The Chinese North-South Railway Project

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Introduction

In early January 2013, the Cambodian media and the international press reported the signing of a major deal with two Chinese companies for a railway construction and port development project, joining a new steel plant in Preah Vihear province to the coastal area of Koh Kong province. The project includes a purpose-built port and over 400 kilometres of railway running from the north of the country to the southwest. Although the project involves multiple components, for the purposes of this paper it will be referred to as the North-South Railway Project.

If it goes forward as planned, the project will be the biggest development in Cambodia's history. However, an extensive search reveals, there still remains a lack of publicly available information with regard to many aspects of the project. The following brief seeks to provide an overview of available information compiled from media reports, company websites, and other available sources.

As well as providing an overview of the project, this paper highlights areas where information is still lacking. Given the size and potentially far-reaching impacts of the project it is hoped that the Royal Government of Cambodia and the companies involved will make further information available in the near future.

Overview of the Project

Project Summary

Developer:	<i>Cambodia Iron & Steel Mining Industry Group (CISMIG)</i>
Contractors:	Railway component - <i>China Railway Major Bridge Engineering Group (MBEC)</i> (subsidiary of <i>China Railway Group</i>) Port Component - <i>China Ocean Engineering Construction General Bureau (COEC)</i> (subsidiary of <i>SINOMACH</i>)
Cost:	US\$11.2 billion
Start date:	July 2013
Completion:	2017
Areas of direct impact:	Preah Vihear, Kampong Thom, Kampong Chhnang, Kampong Speu and Koh Kong.

Background

A memorandum of understanding (MOU) was signed with two companies on 31 December 2012 to jointly develop the project, which is reported to be worth a total of US\$11.2 billion.¹ The lead developer of the project is a locally registered company called *Cambodia Iron & Steel Mining Industry Group (CISMIG)*. CISMIG has contracted subsidiaries of the Chinese state owned firms *China Railway Group* and *SINOMACH* to construct the railway and port components of the project. The agreement between the two companies was signed in the presence of Cambodia's Minister of Public Works and Transport² and the President of *China Railway Group*.³ According to a company source, the project is expected to employ more than 20,000 Cambodians and 3,000 Chinese.⁴



Signing ceremony between CISMIG and China Railway Major Bridge Engineering Group Co. Ltd., 31 December 2012⁵

Although this is the biggest infrastructure project in Cambodia's history, only limited information is currently publicly available. A local media report, published soon after the signing ceremony, stated that local government officials were in the dark on the project, and referred all questions to the Ministry of Public Works and Transport. At the time of writing, the Minister of Public Works and Transport had so far provided little information, telling media that he did not know much about the project himself.⁶ The Environment Minister stated in January that no environmental impact assessment (EIA) had yet been submitted for the project, although he emphasized that the company will certainly complete this requirement in order to get backing from the Chinese Government and financiers.⁷ The provincial governors of Koh Kong, Kampong Speu and Kampong Thom stated in January that they had not received any detailed information on the project and had not yet been

¹ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013. Available at: http://www.nytimes.com/2013/01/04/business/global/chinese-companies-to-invest-billions-on-cambodia-projects.html?_r=0 (accessed January 2013).

² Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, Cambodia Daily, 2 January 2013. Available at: <http://www.cambodiadaily.com/business/locals-in-the-dark-to-chinese-rail-project-7128/> (accessed January 2013).

³ Xinhua, *Cambodian, Chinese Firms to Build Railway, Seaport*, China Daily Online, 1 January 2013. Available at: http://www.chinadaily.com.cn/business/2013-01/01/content_16074239.htm (accessed January 2013).

⁴ Lu Bingyang, *China Railway Group Participate in Cambodian US\$9.6 billion Railway Project*, Caixin Online, 4 January 2013 (Chinese). Available at: <http://companies.caixin.com/2013-01-04/100479624.html> (accessed February 2013).

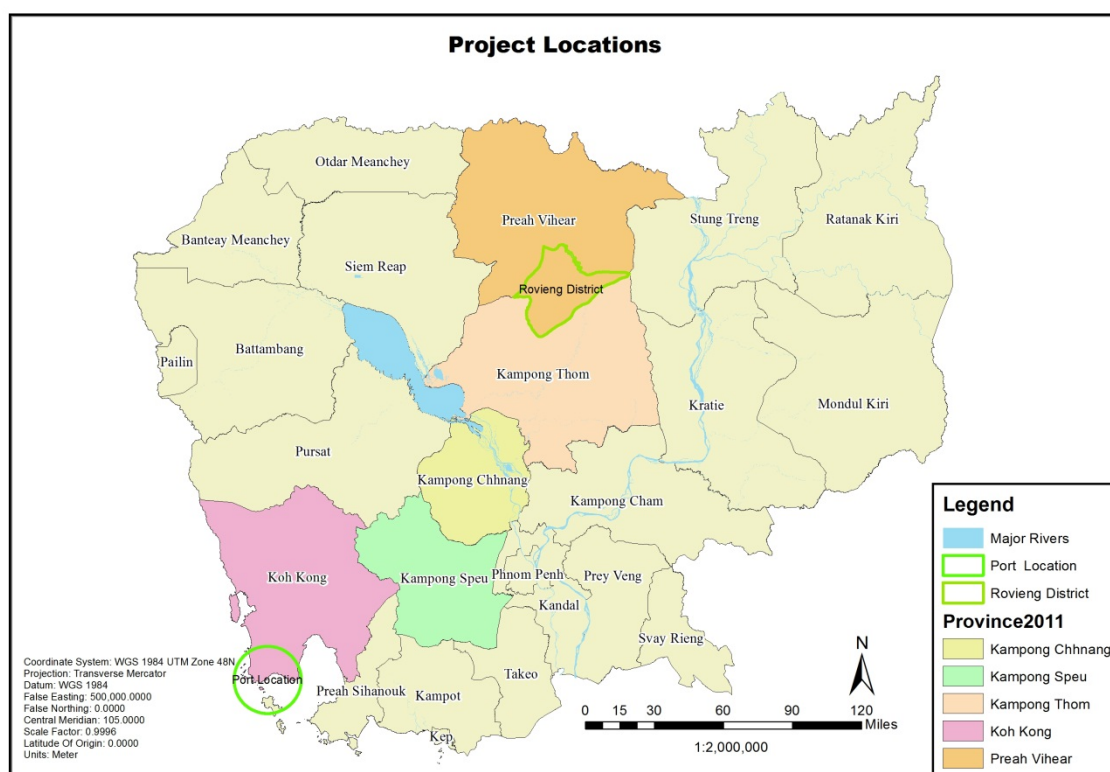
⁵ May Kunmakara, *China to invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013. Available at: <http://www.phnompenhpost.com/2013010160560/Business/china-to-invest-9-6b-in-cambodia.html> (accessed January 2013).

⁶ Phorn Bopha & Simon Lewis, *Minister of Transport Says He Knows Little About Railway Project*, Cambodia Daily, 3 January 2013. Available at: <http://www.cambodiadaily.com/business/minister-of-transport-says-he-knows-little-about-railway-project-7198/> (accessed January 2013).

⁷ Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, Cambodia Daily, 2 January 2013.

officially notified.⁸ Although no EIA has been submitted to the ministry of Environment, and no public consultations have been conducted as of February 2013, the company aims to commence construction in July 2013.

No official documents are currently available on the project, so it is not possible to confirm what level of approval the project has received from the Cambodian Government. However, the Director of the Evaluation and Incentive Department of the Council for Development of Cambodia (CDC) – which is responsible for approving all large scale developments in Cambodia – is quoted in a January news report as saying that *CISMIG's* plans were approved by the government in 2010.⁹ A company representative was also quoted in the Chinese media as saying that the project has the backing of Cambodia's Prime Minister.¹⁰



The Steel Plant

CISMIG is reportedly planning to develop a steel processing plant in Rovieng District of Preah Vihear. The Cambodia Daily reported in January 2013 that the planned steel plant will cover an area of 14 square kilometres,¹¹ whereas a Phnom Penh Post article quotes the company chairman as saying the plant will cover 10 square kilometres, a smaller area than reported in the Daily.¹²

⁸ Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, Cambodia Daily, 2 January 2013.

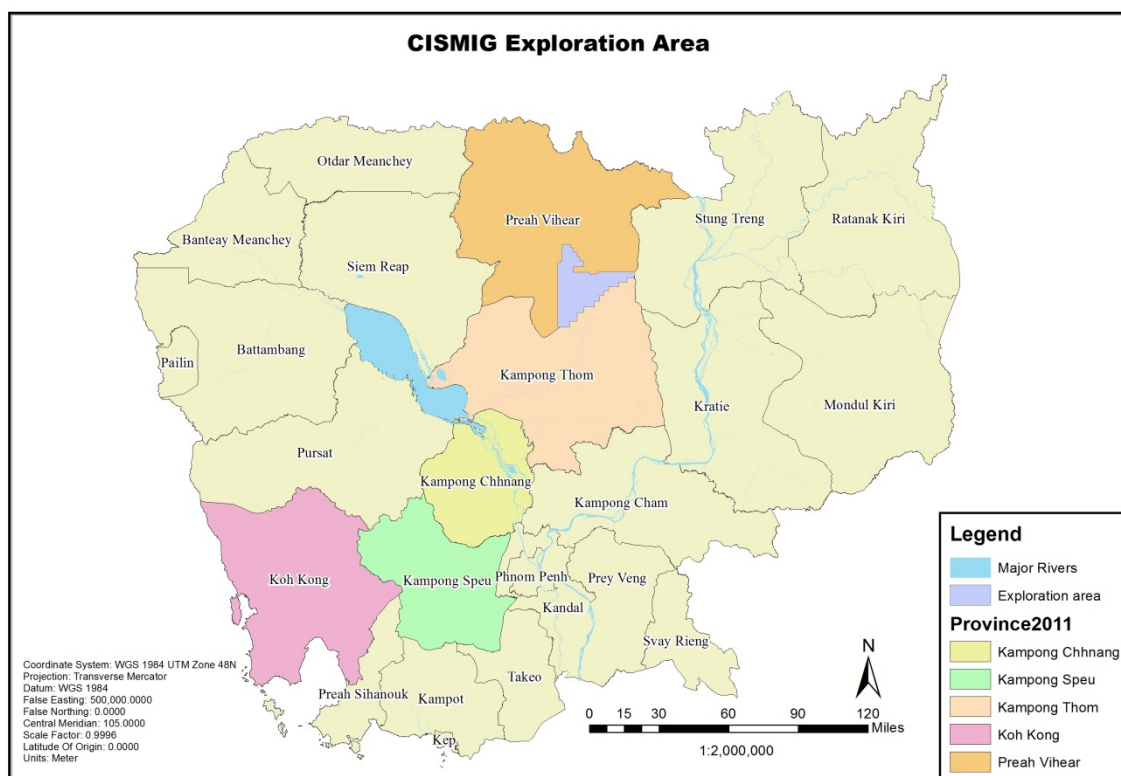
⁹ May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

¹⁰ Lu Bingyang, *China Railway Group Participate in Cambodian US\$9.6 billion Railway Project*, Caixin Online, 4 January 2013 (Chinese).

¹¹ Phorn Bopha & Simon Lewis, *Minister of Transport Says He Knows Little About Railway Project*, The Cambodia Daily, 3 January 2013.

¹² May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

CISMIG chairman, Mr. Zhang Chuan Li, stated that the firm conducted a feasibility study in 2009 and found the exploration area to be rich in iron ore.¹³ A copy of the company's exploration license shows that in October 2008 it was granted the right to conduct exploration for iron ore within a 1,306.74 km² area of Rovieng District. This excluded a 3.75 km² mountain area which had been granted to the local company *Ratanak Stone (Cambodia) Development Co., Ltd.*¹⁴ The *CISMIG* exploration area is indicated on the map below.



In a local media interview in January, the director of the Provincial Industry, Mines and Energy Department for Preah Vihear confirmed that *CISMIG* holds an exploration license but does not yet have a license to conduct mineral exploitation.¹⁵

In a 2009 Chinese language article, *CISMIG*'s chairman stated that during exploration for iron ore, extensive coal deposits were also discovered, which will be used to fuel an onsite power plant, and to use in the steel plant's furnaces. At that time, he stated that the full extent of the iron ore deposits was not yet known, but preliminary exploration suggested that resources would last at least 55 years, with initial output of around 3 million tons, rising to 5 million tons after five years.¹⁶ However, in a January 2013 article the Phnom Penh Post quoted the chairman as saying that the plant is expected to produce 1 million tonnes of steel and iron per year,¹⁷ considerably lower than the amount suggested by *CISMIG* in 2009. Little is known about the true extent of reserves, or their quality, which has led to some speculation in Cambodia about the likelihood of the project going

¹³ Xinhua, *Cambodian, Chinese firms to build railway, seaport*, China Daily Online, 1 January 2013

¹⁴ Ministry of Industry, Mines and Energy, *Exploration License N°868, Cambodia Iron and Steel Mining Industry Group*, 8 October 2008.

¹⁵ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013. Available at: <http://www.cambodiadaily.com/business/chinese-firms-sign-deal-to-build-400-km-railway-line-headline-7093/> (accessed February 2013).

¹⁶ Cambodia Sin Chew Daily, *Preah Vihear Province, The Nation's First Large-scale Steel Plant, Production Expected By End of 2012*, 10 June 2009 (Chinese). Available at: <http://www.sinchew-i.com/sciCAM/node/12263> (accessed February 2013).

¹⁷ May Kunmakara, *China to invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

forward. However, in a February 2013 article from Reuters, the *CISMIG* Rovieng site manager stated that at 65%, the quality of iron ore at the site is extremely high.¹⁸

The Chairman of *CISMIG* told local reporters that construction of the steel plant will start in July 2013,¹⁹ and the facility is expected to take two and a half years to build.²⁰



An image of the planned steel mill, on display at the company offices in Phnom Penh²¹

At the opening ceremony for a school funded by *CISMIG* in May 2012, the Preah Vihear provincial governor announced that alongside the proposed steel plant, *CISMIG* would also build dormitories, schools, hospitals and shops. (This ceremony is discussed in more detail in the company profile later in the paper.)²²



CISMIG official opening school in Preah Vihear, May 2012²³

¹⁸ Andrew R.C. Marshall & Prak Chan Thul, *Chinese Plan to Invest in Cambodia Is Big, but Vague*, Reuters, 14 February 2013. Available at: http://www.nytimes.com/2013/02/15/business/global/chinese-plan-to-invest-in-cambodia-is-big-but-vague.html?pagewanted=all&_r=0 (accessed February 2013).

¹⁹ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

²⁰ May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

²¹ Phorn Bopha & Simon Lewis, *Minister of Transport Says He Knows Little About Railway Project*, Cambodia Daily, 3 January 2013.

²² China Sichuan and Chongqing Chamber of Commerce in Cambodia website, *Cambodia Iron and Steel Mining Industry Group Aid Supports Completion of Primary School Premises in Preah Vihear*, 17 May 2012 (Chinese). Available at: <http://www.cscccc.org/CHINANeswID.asp?ID=8838> (accessed February 2013).

²³ Ibid.

According to *CISMIG*'s Chairman "With the factory we want to minimise the country's import of steel. We also plan to export to neighbouring countries like Vietnam and Thailand." Instead of importing from other countries, raw materials will instead be sourced from domestic mines in Preah Vihear, Rattanakiri, Kampong Thom and Stung Treng provinces.²⁴ The Chairman stated in another interview that "The steel company will be able to supply the Cambodian market entirely...and the company will also export."²⁵

As can be seen from the map below, there are multiple companies with exploration rights in Preah Vihear and neighbouring provinces. No major mines are yet active in the area, but it is feasible that future iron ore mines could supply the *CISMIG* steel plant with raw materials. Additionally, mines producing other types of minerals may seek to utilize the railway tracks in order to transport minerals out of the remote north and north eastern provinces.

A report from 2009 in the Cambodia-based Chinese language newspaper, Cambodia Sin Chew Daily, shows that *CISMIG* have had plans to develop the project for some time. The report from mid-June 2009 stated that the company was about to spend US\$650 million on developing the steel plant, with production predicted to commence by the end of 2012. This never came to be, and it is not clear why the project was delayed. In the same article, the *CISMIG* chairman stated that Rovieng District will become a "steel town" in the next few years, with the project expected to employ 50,000 people. He also suggested that the company has a 99 year contract with the Cambodian Government for the development of the project. When asked if the company had encountered any conflict with local people or any difficulties engaging with local government, the chairman stated that this had not been a problem as the company has built a good relationship by providing charity to local people who are disadvantaged or sick, and by contributing US\$350,000 to build new district government offices. He suggested that the main challenges to developing the project are logistical, such as difficulty in transporting heavy Chinese-made iron furnaces to the remote area of the country.²⁶

The Railway

Reports suggest that the north-south railway will stretch for almost 405 km from Rovieng District of Preah Vihear province to Koh Kong province on the southwest coast, linking the planned steel works in Preah Vihear to a newly constructed sea port in Koh Kong. The tracks will run south through Kampong Thom, Kampong Chhnang and Kampong Speu provinces.²⁷ According to a media interview in early January 2013, the Chairman of *CISMIG* stated that a ground-breaking ceremony will take place for the railroad by the end of the month,²⁸ and the project is expected to be completed by 2017.²⁹ *China Railway Group* reportedly completed a feasibility study for the project in 2011, although the results are not public and the exact route of the planned railway was not publicly known as of January 2013.³⁰ A subsidiary of *China Railway Group*, *China Railway Major Bridge Engineering Co. Ltd. (MBEC)*, signed the agreement to develop this component of the project.³¹

²⁴ May Kunmakara, *China to invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

²⁵ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

²⁶ Cambodia Sin Chew Daily, *Preah Vihear Province, The Nation's First Large-scale Steel Plant, Production Expected By End of 2012*, 10 June 2009 (Chinese).

²⁷ Railway Gazette, *Railway planned to link steel plant and port*, 4 January 2013. Available at: <http://www.railwaygazette.com/news/single-view/view/railway-planned-to-link-steel-plant-and-port.html> (accessed January 2013).

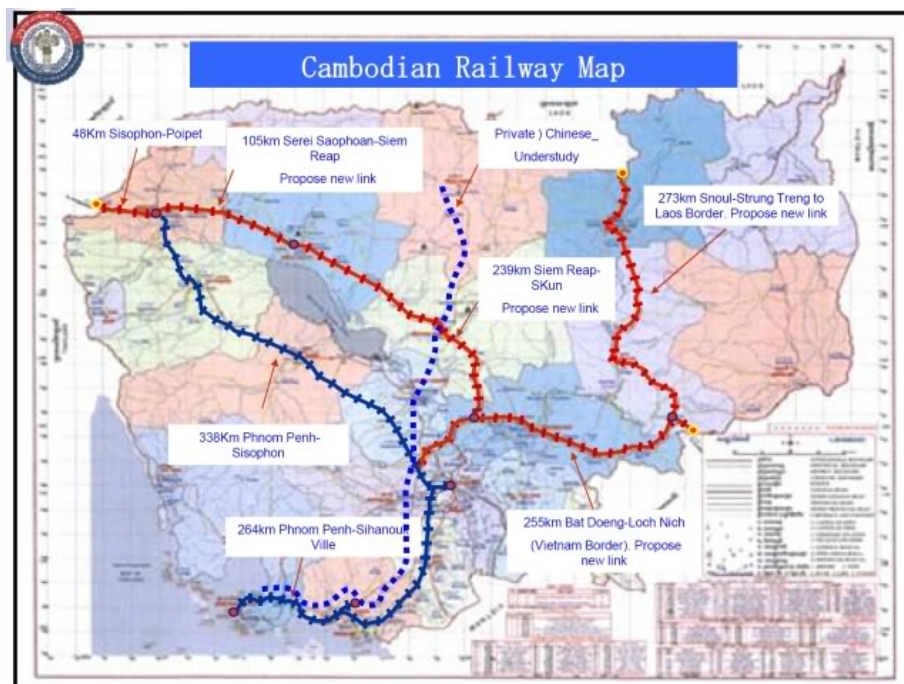
²⁸ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

²⁹ Railway Gazette, *Railway planned to link steel plant and port*, 04 January 2013.

³⁰ Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, The Cambodia Daily, 2 January 2013.

³¹ Xinhua, *Cambodian, Chinese Firms to Build Railway, Seaport*, China Daily Online, 1 January 2013.

According to a local news report, the railway line will have eleven stations on route to Koh Kong. The same report quotes *CISMIG*'s chairman as saying that Chinese and Cambodian experts analysed the feasibility and environmental impacts of the project in October 2010³² (though it should be noted that the Cambodian Environment Minister stated in January 2013 that no EIA had been submitted yet³³). The exact route the tracks will take has not been disclosed as of January 2013, but an undated and low-quality map circulating on the internet shows that a rail line connecting Preah Vihear to the coast was previously under study by a Chinese company (the map bears the seal of the Cambodian Ministry of Public Works and Transport). It should be noted that the north-south line shown on the map below appears to link Preah Vihear to Kampot and Sihanoukville, rather than Koh Kong. The railway is indicated by the dotted blue line:³⁴



A 2012 presentation by the Deputy Director General of the Ministry of Public Works and Transport states that a “New link from Preah Vihear Province to Kampot Province will be built by a Chinese company. Now it is under study.”³⁵ In March 2012 it was reported in the local media that a Chinese company had been granted permission by the Cambodian Government to develop “450 km of railroad from Preah Vihear province in the north to Kampot province in the south” passing through Kampong Thom, Kampong Chhnang and Kampong Speu provinces. *China Railway Group* was reported to be the project developer, and although this article states that the track will end in Kampot, this is presumably the project that is indicated on the map above joining Preah Vihear to the coast. It is possible that this was the original planned route of the north-south railway, and since the initial feasibility study it has been decided to connect to Koh Kong, rather than Kampot. The article states that another Chinese company was studying the feasibility of building a train station in Kampong Chhnang.³⁶

³² May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

³³ Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, Cambodia Daily, 2 January 2013.

³⁴ Original source unknown.

³⁵ Hong Sinara, DDG of Public Works & Suon Vanhong, DD of Transport, *Ministry of Public Works and Transport: Infrastructure Development and Transport Logistics presentation*, 2012.

³⁶ Eang Mengleng & Simon Lewis, *Gov't Reveals Chinese, Korean Railway Plans*, Cambodia Daily, 20 March 2012. Available at: <http://www.opendevelopmentcambodia.net/news-source/the-cambodia-daily/govt-reveals-chinese-korean-railway-plans/> (accessed February 2013).

It appears that the primary function of the railway will be to transport materials from the steel processing plant in Rovieng, although statements from Minister of Public Works and Transport, Tram Iv Tek, suggest that as well as bringing steel to the port in Koh Kong, the rail could also carry agricultural products, industrial goods and passengers. As can be seen above, the north-south line will have to cross other railway lines that are currently being rehabilitated, however, there is currently no indication that the lines will link (this is discussed in more detail later in the paper).³⁷ A company source was quoted in the Chinese media as saying that the railway would initially serve the mining industry exclusively, but in the future the line could become the main north-south trunk in the Cambodian rail system.³⁸ In February CISMIG's chairman stated that it was initially planned that the railway would be dedicated to the transport of goods, but at the request of the Cambodian Government the train will now offer passenger services at six stations along the way.³⁹

The Port

The railway will connect to an island off the coast of Koh Kong by a 3 km long bridge,⁴⁰ and according to the chairman of CISMIG the port will be capable of handling around 50 million tons of goods a year.⁴¹ It is not clear where the products of the steel plant will be shipped to, but the Chairman of CISMIG is quoted in media reports as saying "There is an important demand for transport of mined materials for export to China and to the world."⁴²

On 10 April 2012, CISMIG signed an agreement with a Chinese company *China Ocean Engineering Construction General Bureau (COEC)* to work on the port development. The agreement, titled "Cooperation Framework Agreement of Cambodia Preah Vihear Mine to Koh Kong Province Shami Port New Port Construction Project" was signed in Beijing. A news release by COEC states that the project construction plan includes three private wharfs, one private general cargo terminal and auxiliary facilities including handling facilities and storage yards. The news release states that COEC holds an engineer, procure and construction (EPC) contract for the project, and at the time it was released (April 2012) the company had already conducted "technical and business work" on the early stages of the project, and was actively conducting "preparation work".⁴³

Chinese articles on the project call the island where the port will be located "Shami" or 沙密, which appears to be a Chinese pronunciation of a Khmer place name. According to a Cambodia Daily article the port will be located on the island of Koh Smach,⁴⁴ but one article in the Chinese media states that the port will be constructed on "Shami Pineapple Island".⁴⁵ Pineapple Island, or "Koh Mano" in Khmer, is located a short distance southeast of Koh Smach, and it is not clear at present which of these islands will host the port. In March 2012, a number of residents on Koh Mano came

³⁷ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

³⁸ Lu Bingyang, *China Railway Group Participate in Cambodian US\$9.6 billion Railway Project*, Caixin Online, 4 January 2013 (Chinese).

³⁹ Sun Guangyong, *CISMIG Chairman Zhang Chuan Li: Preah Vihear Province to Shami Harbour Railway to Commence July 2013*, The People's Daily Online, 9 February 2013 (Chinese). Available at: <http://world.people.com.cn/n/2013/0209/c1002-20472640.html> (accessed February 2013).

⁴⁰ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

⁴¹ Xinhua, *Cambodian, Chinese firms to build railway, seaport*, China Daily Online, 1 January 2013.

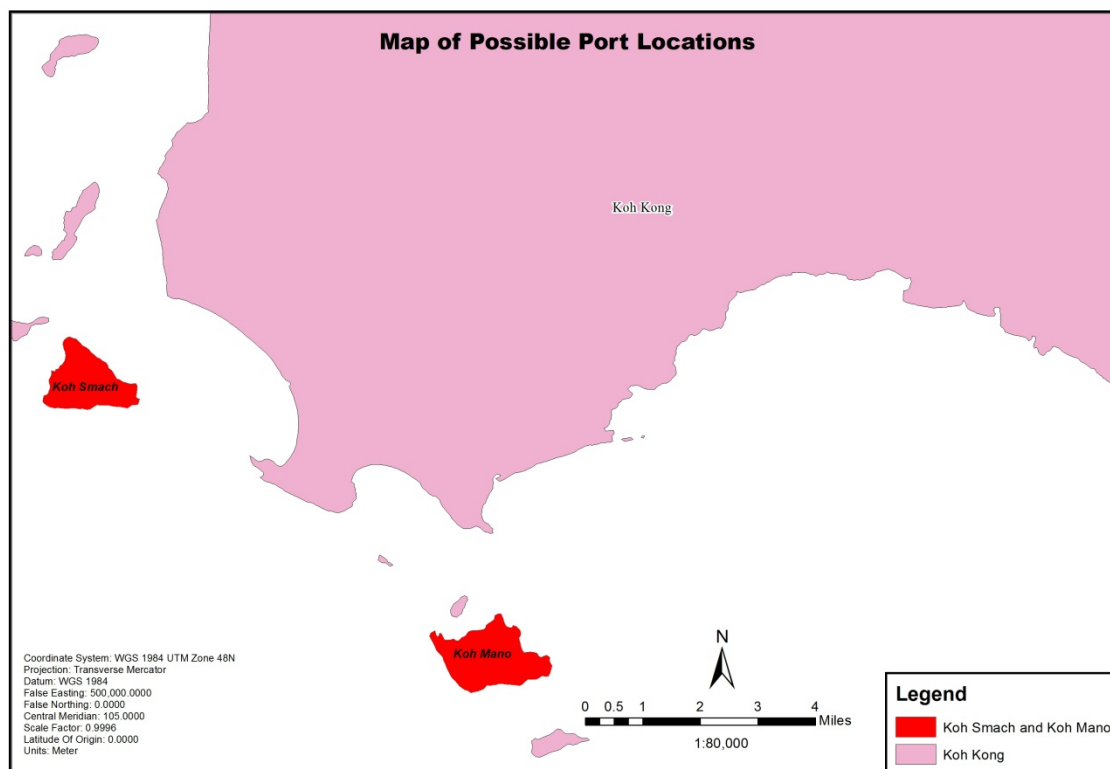
⁴² Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

⁴³ China Ocean Engineering Construction General Bureau website, News, *COEC and CISMIG Hold Signing Ceremony*, April 10 2012. Available at: http://coecg.com/newshow_e.asp?cid=7&id=1238 (accessed January 2013).

⁴⁴ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

⁴⁵ Wang Zhongye, *Cambodia Iron and Steel Mining Group Sign 60 billion RMB Infrastructure Contract*, Shanghai Securities News, 5 January 2013 (Chinese). Available at: <http://js.china.com.cn/rdxw/282694.shtml> (accessed February 2013).

into conflict with a Chinese company that had approval to develop a tourist resort on the island.⁴⁶ The two islands are marked on the map below.



Companies Involved

Cambodia Iron & Steel Mining Industry Group (CISMIG)

Cambodia Iron & Steel Mining Industry Group (CISMIG), known in Chinese as 柬埔寨钢铁矿业集团 (jianpuzhai gangtie kuangye jituan), is a locally registered company. Despite extensive searches of online resources, there is very little information available on the company's background, and what information is available is mostly obtained from news reports.

CISMIG chairman, Mr. Zhang Chuan Li, was quoted by the Cambodia Daily in January as saying that the company was backed by four major Chinese steel firms,⁴⁷ and a number of media reports refer to the company as a Chinese conglomerate or consortium. However, it is not clear which companies are backing *CISMIG*, and what level of involvement they have. A Reuters report from February 2013 quotes the company's Rovieng site manager as saying that the company is registered to three Chinese nationals who are brothers.⁴⁸ Another online article suggested that the company is 70% Chinese-owned, but it is not clear who owns the other 30%.⁴⁹

⁴⁶ Kuch Naren, *After Land Offer Denial, Koh Kong Man Fears Force*, Cambodia Daily, 9 March 2012. Available at: [http://www.sithi.org/admin/upload/media/\[2012-03-09\]After%20Land%20Offer%20Denial,%20Koh%20Kong%20Man%20Fear%20Force%20/2012_03_09_Cam_After%20Land%20Offer%20Denial%20%20Koh%20Kong%20Man%20Fear%20Force.pdf](http://www.sithi.org/admin/upload/media/[2012-03-09]After%20Land%20Offer%20Denial,%20Koh%20Kong%20Man%20Fear%20Force%20/2012_03_09_Cam_After%20Land%20Offer%20Denial%20%20Koh%20Kong%20Man%20Fear%20Force.pdf) (accessed February 2013).

⁴⁷ Phorn Bopha & Simon Lewis, *Minister of Transport Says He Knows Little About Railway Project*, Cambodia Daily, 3 January 2013.

⁴⁸ Andrew R.C. Marshall & Prak Chan Thul, *Chinese Plan to Invest in Cambodia Is Big, but Vague*, Reuters, 14 February 2013.

⁴⁹ William Dennis, *Cambodia Secures \$11bn Funding to Boost Iron Exports*, Engineering and Technology Magazine, 24 January 2013. Available at: <http://eandt.theiet.org/news/2013/jan/cambodia-railway.cfm> (accessed January 2013).

The company has engaged in a number of high-profile efforts to build links locally in Rovieng, much of which have been covered in the Phnom Penh-based Chinese language press. In May 2012, CISMIG's chairman cut the ribbon for a primary school in Preah Vihear that was constructed with the help of a donation from the company. It is not clear how much exactly was contributed to the school project as one article states almost US\$44,000 was donated by the company,⁵⁰ and another states US\$83,000.⁵¹



CISMIG Chairman, Zhang Chuan Li⁵²

At the opening ceremony, the Preah Vihear provincial governor announced that alongside the proposed steel plant, CISMIG would also build dormitories, schools, hospitals and shops. The governor also stated that the project would contribute to poverty eradication, create jobs, and improve local living standards. Around 1,000 local people and students attended the ceremony, and according to a press release on the website of the *China Sichuan and Chongqing Chamber of Commerce in Cambodia*, each adult attending was given 5,000 riel and a sarong and each student 2,000 riel, plus school books and ball point pens.⁵³ One media report also states that CISMIG chairman Mr. Zhang also received the “country’s highest honour medal” in recognition of the contribution he has made to developing local infrastructure in Rovieng.⁵⁴



CISMIG official at school opening ceremony, May 2012⁵⁵

⁵⁰ China Sichuan and Chongqing Chamber of Commerce in Cambodia website, *CISMIG Aid Supports Completion of Primary School Premises in Preah Vihear*, 17 May 2012 (Chinese).

⁵¹ Phnom Penh Evening News (Jianbian Wanbao), *Cambodia Iron and Steel Mining Industry Group Support Building of Village School, Chairman Zhang Chuan Li Awarded Country's Highest Honor Medal*, 17 May 2012 (Chinese). Available at: <http://www.jinbianwanbao.com/List.asp?ID=9945> (accessed February 2013).

⁵² Sun Guangyong, *CISMIG Chairman Zhang Chuan Li: Preah Vihear Province to Shami Harbour Railway to Commence July 2013*, The People's Daily Online, 9 February 2013 (Chinese).

⁵³ China Sichuan and Chongqing Chamber of Commerce in Cambodia website, *CISMIG Aid Supports Completion of Primary School Premises in Preah Vihear*, 17 May 2012 (Chinese).

⁵⁴ Phnom Penh Evening News (Jianbian Wanbao), *Cambodia Iron and Steel Mining Industry Group Support Building of Village School, Chairman Zhang Chuan Li Awarded Country's Highest Honor Medal*, 17 May 2012 (Chinese).

⁵⁵ Phnom Penh Evening News (Jianbian Wanbao), *Cambodia Iron and Steel Mining Industry Group Support Building of Village School, Chairman Zhang Chuan Li Awarded Country's Highest Honor Medal*, 17 May 2012 (Chinese).

The Chinese language daily, Cambodia Sinchew Daily, reported in January 2012 that *CISMIG* supported the construction of new party headquarters for the Rovieng branch of the Cambodian People's Party (CPP). The construction took place between June 2010 and November 2011 and includes 10 offices, a conference room, a dormitory and two toilets. Sinchew reports that this project was made possible by a US\$286,000 donation from *CISMIG*. The opening ceremony for the building was attended by *CISMIG* representatives, the CPP's provincial president and party chairman, the CPP's district chairman, and Deputy Commander in Chief of the armed forces, Meas Sophea. Also in attendance were around 2,000 provincial party members.⁵⁶ The Phnom Penh Post also reported on this contribution, but stated that the donation amount was lower at US\$200,000.⁵⁷

As mentioned above, as of January 2013, it is not clear which companies are backing *CISMIG*, and it is also unclear if any other companies are planning to partner with them in order to utilize the proposed steel plant or railway. Online documents show that in recent years many companies have sought to establish projects to develop iron ore resources in Preah Vihear, and a number of companies have announced plans to develop steel mills in Cambodia. There is no documentation publicly available that conclusively indicates which companies may be involved in the *CISMIG* mine and mill, but below is a summary of publicly available information on the ownership of *CISMIG* and a number of companies whose activities may be related.

Expert Master Holdings Limited (EMH)

In 2007, a Chinese investment group called *Expert Master Holdings Limited (EMH)* acquired a 51% stake in *CISMIG*, according to information on the website of the firm's lawyers. The same article (published in January 2008) states that *CISMIG* held exploration rights over approximately 2,400 km² in Preah Vihear, and that the firm planned to construct a processing facility at the site.⁵⁸ Online documents show that the director and controlling shareholder of *EMH* is a Chinese national called Mr. Piao Longhua.⁵⁹

Mr. Piao Longhua is also director of a large private company called *WSP Holdings Ltd.*, which produces steel pipes for use in oil and gas exploration, drilling and extraction. A *WSP Holdings* prospectus from 2007 confirms that *EMH* funded the purchase of a controlling share in *CISMIG*, after which Piao Longhua became company director.⁶⁰ An annual report from 2008 shows that Mr. Piao also became director and controlling shareholder of the steel company *Cambodia Huayi Mining Co. Ltd.*⁶¹ However, after 2009 neither *CISMIG* or *Cambodia Huayi* are included in the company's annual reports, which suggests that they were sold on to a new investor.⁶² However, as of 2011, Mr. Piao

⁵⁶ Cambodia Sinchew Daily, *Cambodia Iron and Steel Mining Industry Group, Reconstruction of the People's Party Offices*, 8 January 2012 (Chinese). Available at: <http://www.sinchew-i.com/cambodia/node/24770> (accessed February 2013).

⁵⁷ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

⁵⁸ Jiangsu Jinyi Law Firm website, *Jinyi Provides Legal Services for Acquisition of CISMIG*, 18 January 2008. Available at: <http://www.jinyilaw.com/en/xwzx2.asp?id=69> (accessed January 2013); Jiangsu Jinyi Law Firm website, *Acquisition of CISMIG*, 20 January 2008. Available at: <http://www.jinyilaw.com/en/jdal2.asp?id=18> (accessed January 2013).

⁵⁹ In 2008, Forbes listed Mr. Piao Longhua as the 240th richest business person in China: http://www.forbes.com/lists/2008/74/chinarichest08_Piao-Longhua_Y3IU.html (accessed January 2013).

⁶⁰ *WSP Holdings Ltd., 2007 Prospectus for Initial Public Offering*, 6 December 2007. Available at: [http://yahoo.brand.edgar-online.com/DisplayFilingInfo.aspx?Type=HTML&text=%2526lt%253bNEAR%252f4%2526gt%253b\(%22HUANG%22%2C%22CHENG%22\)&FilingID=5583986&ppu=%2FPeopleFilingResults.aspx%3FPersonID%3D2600109%26PersonName%3DHUANG%2520CHENG](http://yahoo.brand.edgar-online.com/DisplayFilingInfo.aspx?Type=HTML&text=%2526lt%253bNEAR%252f4%2526gt%253b(%22HUANG%22%2C%22CHENG%22)&FilingID=5583986&ppu=%2FPeopleFilingResults.aspx%3FPersonID%3D2600109%26PersonName%3DHUANG%2520CHENG) (accessed February 2013).

⁶¹ *WSP Holdings Ltd., Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act of 1934, for the fiscal year ended December 31, 2008, WSP HOLDINGS LIMITED*. Available at: [http://www.wikinest.com/stock/WSP_Holdings_LTD_Adr_\(WH\)/Filing/20-F/2009/F3780726](http://www.wikinest.com/stock/WSP_Holdings_LTD_Adr_(WH)/Filing/20-F/2009/F3780726) (accessed February 2013).

⁶² *WSP Holdings Ltd., Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act of 1934, for the fiscal year ended December 31, 2009, WSP HOLDINGS LIMITED*. Available at: <http://quote.morningstar.com/stock-filing/Annual-Report/2009/12/31/t.aspx?t=XNYS:WH&ft=20-F&d=aa8f0d481a54e4ec52017737faff404c> (accessed February 2013).

still controlled *Cambodian WS Mining Industry Holding Ltd.*,⁶³ which holds a mineral exploration license for an area in the Rovieng District of Preah Vihear.⁶⁴

Due to a lack of up-to-date and public information, it is unclear who currently controls *CISMIG*.

WS Mining Industry Holding Ltd.

Information from a local Cambodian NGO network indicates that *Cambodian WS Mining Industry Holding Ltd.* received an exploration license in October 2008 to explore an area of land in Rovieng District measuring 972.25 km². After conducting explorations for one year, the company requested the Ministry of Industry, Mines and Energy to reduce the size of the operation by one square kilometre, and in October 2009 the exploration area was reduced to 971.25 km². The Extractive Industries Social and Environmental Impacts Network (EISEI) has documented that this project has resulted in displacement of local indigenous Kuy people, and military guards have blocked local people's access to farmland.⁶⁵ Based on publicly available information it is not clear what stage the investment of *Cambodian WS Mining Industry Holding* is currently at, and if/how it is now connected to *CISMIG*.

Cambodia Huayi Mining Co. Ltd.

According to a report on Korean mining investment in Rovieng, *Cambodia Huayi Mining* conducted exploration in December 2009 in an area covering Thmeas, Chrach, Khiang and Putrea communes of Rovieng District.⁶⁶ The exploration area was within the vicinity of the *CISMIG* exploration area, and as mentioned above, at one point this company was connected to Piao Longhua, who was also previously director of *CISMIG*. The current status of this company's activities is not currently known, neither is the relationship (if any) to the *CISMIG* project.

Beijing Steel Enterprises Union Mineral Resources Investment Ltd.

Another conglomerate of Chinese steel companies has also been linked to iron ore development in Preah Vihear. In 2007, a number of media sources reported that a group of four of China's biggest steel producers had established a joint venture to tap iron ore resources in Preah Vihear province. At the time of these reports, the companies involved in this joint-venture were:

- *Wuhan Iron and Steel Group Corp. (WISCO)* – 50% share
- *Shanghai Baosteel Group Corporation (Baosteel)* – 20% share
- *Anshan Iron & Steel Group* – 15% share
- *Shougang Co. Ltd.* – 15% share

⁶³ WSP Holdings Ltd., *Annual Report Pursuant to Section 13 or 15(D) of The Securities Exchange Act of 1934, for the fiscal year ended December 31, 2011*, WSP HOLDINGS LIMITED. Available at: http://media.corporate-ir.net/media_files/IROL/21/216706/WSP_Holdings_20F.pdf (accessed January 2013).

⁶⁴ Phnom Penh Securities PLC, *Research Paper: Mining Sector in Cambodia*, 7 June 2011. Available at: http://www.pps.com.kh/PPSWEB/Common/ViewPdf?url=/PPSWEB/Common/ShowFile?path=IV/161_en-US.pdf%26fileName=Mining%20Sector%20in%20Cambodia.pdf (accessed January 2013).

⁶⁵ Development Partners in Action - Extractive Industries Environmental and Social Impacts Network, *Artisanal Small-Scale Gold Mining (ASGM) in Battambang and Preah Vihear Provinces - Investigation Report 2012*, December 2012 (p.18-19).

⁶⁶ Ji-Sook Lee, *Moving Beyond Misconceptions: Kenertec – Case study of a Korean mining investment in Cambodia*, 2012 (p.21).

The company was registered in Beijing and is called *Beijing Steel Enterprises Union Mineral Resources Investment Ltd.* (北京钢企联矿产资源投资有限责任公司).⁶⁷ According to the Shanghai Daily, Chinese steel producers such as those above were looking to control more iron resources in order to boost their bargaining power with mining companies. At the time the joint venture was announced, the deputy general manager of *Wuhan Iron & Steel Group* was quoted in the media as saying “Steel makers who don't have their own iron ore resources won't survive”.

The venture was established to explore for iron ore in Preah Vihear, which holds 2.5 billion metric tons of iron ore deposits, according to a company statement from 2007.⁶⁸ The venture reportedly had the backing of the China Steel Association and China's National Development and Reform Commission (NDRC), which is the Chinese Government body responsible for developing economic policy and overseeing China's economic development.⁶⁹ A 2007 article from a Chinese Government website stated that this joint venture had signed a memorandum of understanding with *CISMIG*,⁷⁰ and a Chinese academic paper from 2011, which is available online, suggested that this conglomerate in fact owns *CISMIG*, but no official documentation is currently available to prove this link.⁷¹

Delong Holding Group Ltd.

Another company that has been linked to steel processing in Cambodia is *Delong Holding Group*. In late 2012 it was reported that the Cambodian Prime Minister returned from a trip to China with commitments of US\$2.5 billion in Chinese loans and investment. This package included a US\$2 billion industrial park project by the Chinese company *Delong Holding Group*. According to a Secretary of State for Economy and Finance, “The industrial park consists of a logistics section, electricity plant, steel factory, sea port and human resources training centre”. The Prime Minister approved the project, but stated that the development could not take place in Preah Sihanouk province, and would instead need to be built in Kampot, Kep or Koh Kong.⁷² *Delong Holdings* incorporated a Cambodian subsidiary, *Dexin Holdings (Cambodia) Pte. Ltd.*, in December 2012.⁷³ At the time of writing it is not clear in which area the *Delong* project will be built, and no documentation linking this company to the *CISMIG* project could be found.

Un-named Steel Mill Project

In late 2012 the Cambodian Government approved a Chinese investment plan to set up a US\$2 billion steel factory. According to a Secretary of State for Economy and Finance, the Cambodian Prime Minister had approved this investment plan, but requested the Chinese company conduct an environmental impact assessment (EIA) and select any Cambodian provinces besides Preah Sihanouk,

⁶⁷ Xu Yuli, *Four Steel Mills Develop Overseas Mineral Projects in Cambodia Iron Ore*, China Securities News, 24 May 2007 (Chinese). Available at: <http://money.163.com/07/0524/10/3F8JP76800251RJ2.html> (accessed February 2013).

⁶⁸ Shanghai Daily, *Cambodian Iron Ore Targeted by Mills*, chinamining.org, 25 May 2007. Available at: <http://www.chinamining.org/Investment/2007-05-25/1180055652d5231.html> (accessed January 2013).

⁶⁹ *Wuhan Iron and Steel, Baoshan Iron and Steel, Anshan Iron & Steel, Shougang: Cambodia Joint Investment and Development of Iron Ore*, State-owned Assets Supervision and Administration Commission of the State Council, 24 May 2007 (Chinese). Available at: <http://www.sasac.gov.cn/n1180/n1226/n2410/n314304/1512092.html> (accessed February 2013).

⁷⁰ Ibid.

⁷¹ Deng Mingxiang & Liu Chunxue, *Analysis of Mining Investment in Cambodia Under the Economic Cooperation Mechanism of GMS*, December 2011 (Chinese). Available at: <http://www.doc88.com/p-745827659391.html> (accessed February 2013).

⁷² Chhay Channyda & Rachel Will, *PM Secures US\$2 Billion Steel Project From Chinese*, Phnom Penh Post, 4 September 2012; Economics Today, *China to invest US\$2 billion industrial park*, 4 September 2012. Available at: <http://www.etmcambodia.com/viewlatestnews.php?newsid=52> (accessed February 2013).

⁷³ Delong Holdings, *Press Release: Incorporation of Dexin Holdings (Cambodia) Pte. Ltd.*, 18 December 2012. Available at: http://delong.listedcompany.com/news_search.html?search=cambodia (accessed February 2013).

as it was a major tourism destination of Cambodia.⁷⁴ It is not clear if this is the same project as the *Delong* project discussed above, and it is not clear if it is in any way connected to the *CISMIG* project.

China Railway Major Bridge Engineering Group Co. Ltd. (MBEC)

China Railway Major Bridge Engineering Group Co. Ltd. (MBEC) is a wholly owned subsidiary of the *China Railway Group Ltd.* MBEC is the leading company working on bridge construction within China, and also engages in railway and road construction. According to the company website, in recent years “the Company has greatly enhanced the strategy of ‘Going Global’, actively participated and therefore gained reputation in the world construction market.”⁷⁵ MBEC was signatory to the memorandum of understanding with *CISMIG* that was signed on 31 December 2012.⁷⁶ There is little additional information publicly available regarding the involvement of MBEC, but it can be assumed that the company will be responsible for developing the railway component of the project.



MBEC's parent company is the *China Railway Group Ltd.*, which is itself a joint-stock company established by *China Railway Engineering Corporation (CREC)*. CREC is one of the biggest construction companies in the world and the biggest rail, road and tunnel construction company in China. *China Railway Group* listed on the Hong Kong and Shanghai stock exchanges in 2007,⁷⁷ and in recent years has been extending its activities to Southeast Asia. For example, in 2011 the company signed an agreement to develop an 810 km railway in Myanmar.⁷⁸

China Ocean Engineering Construction General Bureau (COEC)

The company that has been contracted to construct the port component of the project is called *China Ocean Engineering Construction General Bureau (COEC)*,⁷⁹ which is a subsidiary of *China Ocean Aviation Group Inc. (COAG)*.⁸⁰ Both companies have worked on port development in China and are expanding operations to Southeast Asia and beyond.



⁷⁴ Nam News Network, *China to Invest US\$2 Billion in Steel Factory in Cambodia*, 4 September 2012. Available at: <http://www.namnewsnetwork.org/v3/read.php?id=MjA1MjE1> (accessed February 2013).

⁷⁵ China Railway Major Bridge Engineering Group website, *Company Profile*, <http://www.ztmbec.com/ztmbecen/newslist.jsp?upid=8&typeid=2> (accessed February 2013).

⁷⁶ May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

⁷⁷ Listed on Hong Kong Stock Exchange under the code 000390, and Shanghai Stock Exchange under code 601390.

⁷⁸ Xinhua, *China Railway Signs Agreement with Myanmar on Rail Project*, 28 May 2011. Available at: http://news.xinhuanet.com/english2010/china/2011-05/28/c_13899120.htm (accessed February 2013).

⁷⁹ China Ocean Engineering Construction General Bureau website, *News, COEC and CISMIG Hold Signing Ceremony*, April 10 2012.

⁸⁰ China Ocean Aviation Group Inc. website, *Subsidiaries*, http://www.coagi.com.cn/templates/en_second/index.aspx?nodeid=58 (accessed February 2013).

Signing ceremony for the Koh Kong port development, April 2012⁸¹

Both COEC and COAG were incorporated into the China National Machinery Industry Corporation (SINOMACH), and became wholly owned subsidiaries of the company in 2007/2008.⁸² SINOMACH is a



large Chinese state-owned enterprise, which also has other interests in Cambodia, including involvement in a joint venture to construct Cambodia's first oil refinery.⁸³ SINOMACH is the largest machinery producer in China, and a Global 500 company.⁸⁴

Financing

No information could be obtained on whether or not the CISMIG project is fully financed, and if so, where this financing is coming from. In local media interviews conducted in January 2013, the Chairman of CISMIG declined to provide details on this issue.⁸⁵ However, in an interview with the Chinese state-owned People's Daily in February, the CISMIG chairman stated that loans and guarantees will be provided by Hong Kong banks – although he provided no further details.⁸⁶

As a multi-billion dollar project, it is possible that the companies involved could also seek financing from either commercial or policy banks in China. The nature of the project financing could potentially impact the implementation of the project, and a number of potential funding avenues are summarized below.

China's Policy Banks

In 1994, the Chinese State Council established three policy banks, the Export-Import Bank of China (China Exim), Agricultural Development Bank and the China Development Bank (CDB). The banks support the Chinese Government's economic and development policies both at home and abroad, and China Exim and CDB are active in the promotion and financing of overseas investment.⁸⁷ No evidence could be found to indicate that either China Exim or CDB are supporting this project. However, there are numerous examples of both banks supporting Chinese state-owned companies implementing large scale developments in overseas mining, road, rail and hydropower projects across the world. These loans may be provided at market rates or on a concessional basis, and in some cases repayments may be backed by resources.

⁸¹ China Ocean Engineering Construction General Bureau website, News, *COEC and CISMIG: Cambodia Preah Vihear Mine to Shami Island New Port Construction Project Cooperation Framework Agreement Signing Ceremony*, <http://coecg.com/newshow.asp?cid=7&id=1130> (accessed January 2013).

⁸² China Ocean Engineering Construction General Bureau website, *Company Profile*, http://coecg.com/about_e.asp?cid=1 (accessed January 2013).

⁸³ SINOMACH website, News Releases, *First Cambodian Oil Refinery Project Contracted by CACS SINOMACH*, 23 February 2012. Available at: http://www.sinomach.com.cn/templates/T_news_en/content.aspx?nodeid=633&page=ContentPage&contentid=9320 (accessed January 2013).

⁸⁴ SINOMACH website, *Profile*, http://www.sinomach.com.cn/templates/T_common_en/index.aspx?nodeid=147 (accessed January 2013).

⁸⁵ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

⁸⁶ Sun Guangyong, *CISMIG Chairman Zhang Chuan Li: Preah Vihear Province to Shami Harbour Railway to Commence July 2013*, The People's Daily Online, 9 February 2013 (Chinese).

⁸⁷ Caijing Online, *China's Policy Banks*, September 2009. Available at: <http://english.caijing.com.cn/2009-09-09/110243991.html> (accessed February 2013).

Neither China Exim or CDB has been publicly connected to any mining investments in Cambodia, but this is not to say that they will not be in the future. If either of these banks does become involved, the bank's lending guidelines should have effect.

China Exim Bank: China Exim has already funded a number of large projects in Cambodia, including the Kamchay hydropower dam, constructed by state-owned Sinohydro, and numerous projects upgrading or building new roads around the country. In 2012 it was reported by Xinhua, the Chinese state-owned news agency, that China Exim plan to invest in two "mega-projects" in Cambodia. The combined value of these projects was US\$235 million, and included a project to digitize Cambodia's television networks and one for the development of a steel plant.⁸⁸ It is not known if this steel plant is related to the *CISMIG* project.

China Development Bank: Cambodia has also sought to develop links with the China Development Bank in recent years, and high level delegations from the bank have met with the Cambodian Prime Minister in recent years.⁸⁹ CDB has reportedly supported Chinese firm *Xinwei's* investment in developing Cambodia's 4G telephone network.⁹⁰ The Cambodian Government has also approached CDB for financing the development of the agriculture sector, and in 2011 it was reported that CDB committed over US\$500 million to support construction projects in Cambodia.⁹¹

Commercial Banks

It is also possible that a Chinese commercial bank (or banks) could be involved in the financing of the project. Elsewhere, banks including Industrial and Commercial Bank of China, Bank of China, and China Construction Bank have all supported overseas investments of Chinese infrastructure projects. These banks may have social and environmental policies of their own, and a small number have expressed commitment to the Equator Principles. The Equator Principles represent a credit risk management framework for determining, assessing and managing environmental and social risks in project finance transactions. They are based on the International Finance Corporation (IFC) Performance Standards and World Bank Guidelines.⁹²

The *CISMIG* chairman has been quoted as saying that Hong Kong banks are providing some loans to the project, but it is not clear which banks are involved.

Self-financing

It is possible that the companies involved are able to self-finance (or partially self-finance) the project, for example, through money raised on stock exchanges, or from existing company funds.

Cambodian Government or Private Sector Support

⁸⁸ Xinhua, *China Exim Bank Plans to Invest in Cambodia's TV, Steel Sectors*, 4 May 2012. Available at: http://news.xinhuanet.com/english/china/2012-05/04/c_131569208.htm (accessed February 2013).

⁸⁹ Xinhua, *Cambodia Hopes to Strengthen Financial Cooperation with China*, 29 July 2006. Available at: http://english.peopledaily.com.cn/200607/29/eng20060729_287928.html (accessed February 2013).

⁹⁰ Telecompaper, *Xinwei Cambodia to Launch 4G Services in August*, 15 May 2012. Available at: <http://www.telecompaper.com/news/xinwei-cambodia-to-launch-4g-services-in-august--873260> (accessed February 2013).

⁹¹ Xinhua, *CDB Grants Over Five Hundred Million U.S. Dollars to Support Cambodia's Domestic Construction Projects*, 21 October 2011 (Chinese). Available at: http://news.xinhuanet.com/world/2011-10/21/c_111112601.htm (accessed February 2013).

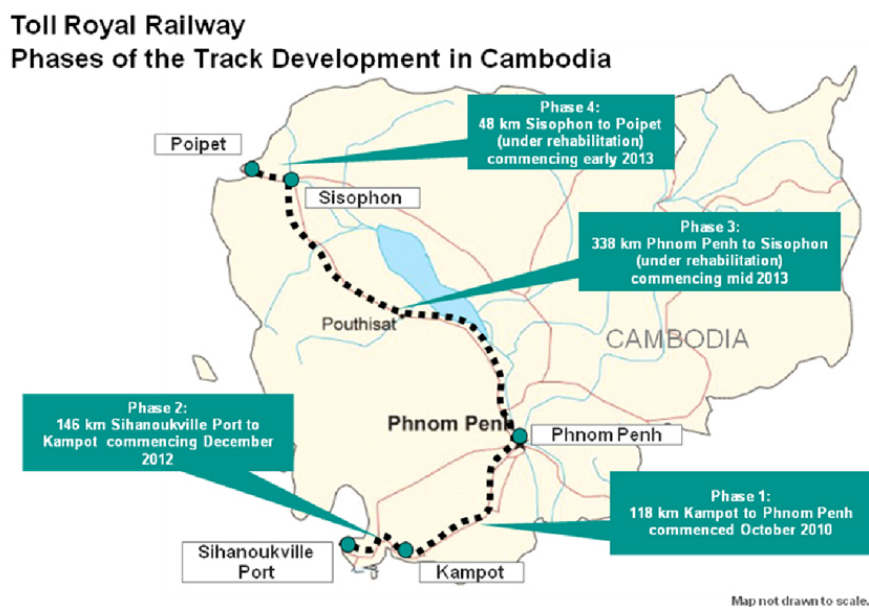
⁹² Equator Principles website, *About the Equator Principles*, <http://www.equator-principles.com/index.php/about-ep/about-ep> (accessed February 2013).

The project may receive funding contributions from the Cambodian private sector (if a private local partner is involved), or from the Cambodian Government.

Other Projects That May be Connected

The ADB/AusAID Funded Railway Rehabilitation

With the support of the ADB and AusAID, the Australian company *Toll Holdings* has been working with the Cambodian company *Royal Group* to rehabilitate sections of the country's rail networks. This project has already connected Phnom Penh to the coastal provinces of Kampot and Preah Sihanouk, and future phases aim to connect Phnom Penh to the Thai border at Poipet.⁹³ However, reports have suggested that the Chinese rail project will not connect with this network,⁹⁴ and when asked about the Preah Vihear-Koh Kong railway, the chief executive of *Toll Royal Railways*, was quoted in local media as saying "I wasn't invited...I don't know anything about it."⁹⁵ The map below shows the route of the existing and planned lines developed by *Toll Royal Railway*.⁹⁶ Phase 1 and 2 are now complete, but it has been reported that there is a funding shortfall for the remaining phases.⁹⁷



The *Toll Royal Railway* project has run into difficulties in recent years, and at one point activity on the line was suspended. Funding to complete the remaining phases of the project is lacking, and in late 2012 another company sought to push *Toll Royal Railway* out of the project and take over the concession. According to the Phnom Penh Post, *Rail Services (Cambodia) Ltd.* pledged to invest nearly US\$850 million to rehabilitate existing lines and build an additional line to Saigon.⁹⁸ *Rail*

⁹³ Toll Royal Railway website, <http://www.tollroyalrailway.com/>.

⁹⁴ Railway Gazette, *Railway planned to link steel plant and port*, 04 January 2013.

⁹⁵ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

⁹⁶ Toll Royal Railway website, *Toll Royal Railway Commences Train Services Sihanoukville to Phnom Penh*, 7 January 2013. <http://www.tollroyalrailway.com/?page=detail&article=63&lg=en> (accessed January 2013).

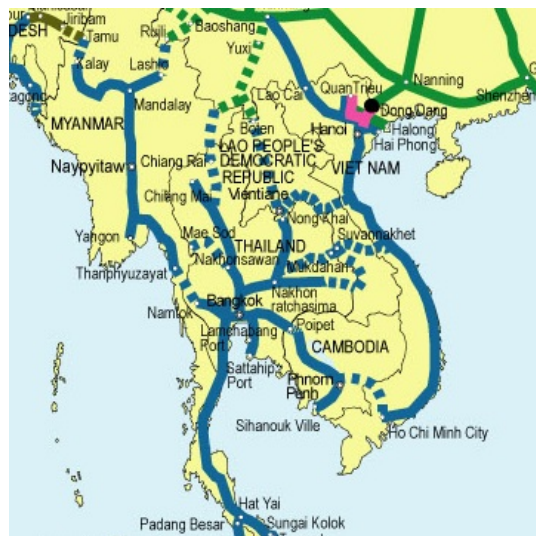
⁹⁷ Eang Mengleng, *Australia Courted for Further Railway Funding*, Cambodia Daily, 5 February 2013.

⁹⁸ Gregory Pellechi & Don Weinland, *\$850m backing for Cambodia's railways*, Phnom Penh Post, 21 August 2012.

Services (Cambodia) has backing from companies from Vietnam, Malaysia, and China,⁹⁹ although the Chinese company involved, *China State Construction Engineering Corporation*, appears not to be connected to any of the companies involved in the Preah Vihear-Koh Kong railway.

Other Proposed Rail Links

In recent years there has been much discussion and planning to develop the missing links in Southeast Asia's railway network, connecting Kunming to Singapore.¹⁰⁰ The map on the right shows the missing link between Saigon and Phnom Penh as a dotted blue line.¹⁰¹



Prior to the announcement of the Preah Vihear-Koh Kong railway project, China was also linked to rail developments connecting Cambodia and Vietnam. In 2011, a subsidiary of *China Railway Group* called *Third Railway Survey and Design Institute* completed a feasibility study for the construction of a 257 km railroad starting in Kampong Speu province, running through Kratie province's Snoul District and on to the border with Vietnam. According to the Chinese Ministry of Finance, "The project will provide huge economic benefits to Cambodia, especially on the development of agriculture and mineral resources ... It is part of the Singapore-Kunming railroad project, so it will be a key railroad for Cambodia to truck goods to regional and global markets, especially in the framework of ASEAN-China Free Trade Area."¹⁰² In June 2012, local media reported that the Cambodian Government was in discussion with China regarding funding of the line, and Cambodian officials were quoted as saying that this was part of a move away from "complicated" Asian Development Bank loans. The Director General of the Ministry of Public Works and Transport stated: "China doesn't have so many conditions, but Chinese technicians are still well-studied."¹⁰³ It was reported soon after in the Vietnamese media that the cost of the line was estimated at US\$686 million, of which China had committed to provide US\$500 million.¹⁰⁴

It was reported later the same year that agreement was reached for another feasibility study to be conducted on the Cambodia-Vietnam line. This study was to be conducted by a subsidiary of *China Railway Siyuan Survey and Design Group Co. Ltd.*, which is itself a subsidiary of *China Railway Construction Corporation*, a major competitor of *China Railway Group*. The same company also had plans to study a Kampong Thom-Preah Vihear-Stung Treng line, but no maps are available of this proposed line.¹⁰⁵

⁹⁹ Rail Services Cambodia, <http://railservicescambodia.com/links/> (Accessed February 2013).

¹⁰⁰ Alfred Romann, *Rail Dream Still on Track to Unite Continents*, China Daily Online, 12 October 2011. Available at: http://usa.chinadaily.com.cn/business/2011-10/12/content_13874810.htm (accessed January 2013).

¹⁰¹ Map by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), http://www.unescap.org/ttdw/common/TIS/TAR/images/tarmap_latest.jpg (accessed January 2013).

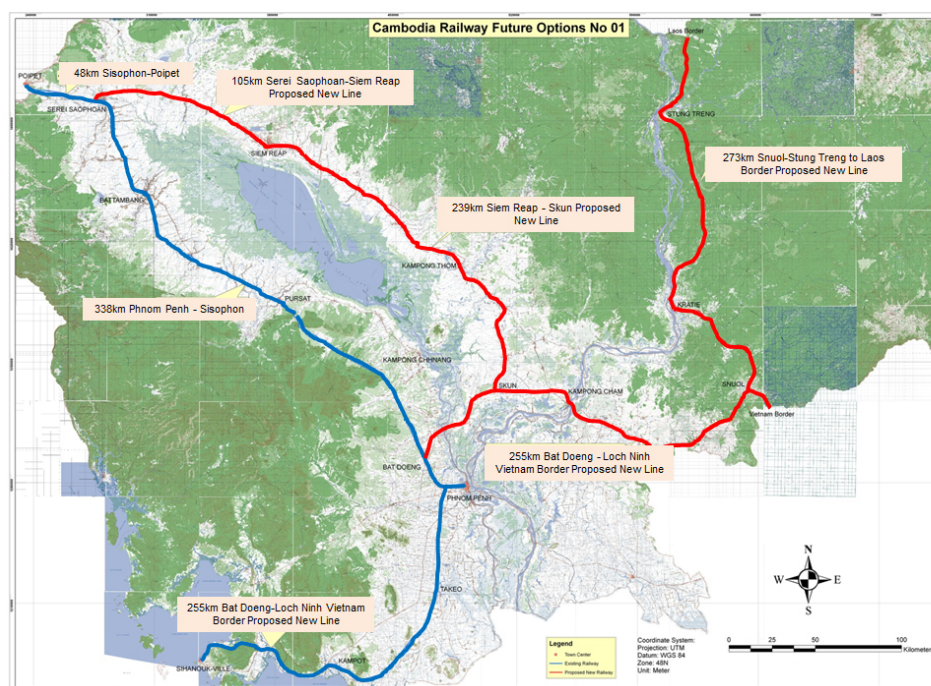
¹⁰² Xinhua, *China Concludes Railroad Feasibility Study for Cambodia*, China-ASEAN Online, 20 July 2011. Available at: <http://www.cnaol.net/staticpages/20110720/newgx4e269537-3959641.shtml> (accessed January 2013).

¹⁰³ Rann Reuy, *China may Fund Cambodia-Vietnam Rail*, Phnom Penh Post, 13 June 2012.

¹⁰⁴ Vietnamnet, *Cambodia-VN Rail to Cost \$686m*, 22 July 2011. Available at: <http://english.vietnamnet.vn/en/society/10970/society-in-brief-22-7.html> (Accessed January 2013).

¹⁰⁵ Royal Embassy of Cambodia in Canberra, *Feasibility Study on Two Railway Links in Three Provinces Started*, Cambodia in Focus: Issue 104, 25 November 2011. Available at: <http://www.embassyofcambodia.org.nz/November252011/November252011.htm> (accessed February 2013).

The Cambodia-Vietnam railway link can be seen on the map below (Bat Doeng-Loch Ninh):¹⁰⁶



There is no more recent information available on the Cambodia-Vietnam line, how developed the plans are for this project, and which company or companies are involved. As the exact route of the Preah Vihear-Koh Kong railway has still not been publicly disclosed, it is not clear if it will intersect with the planned Kampong Speu-Vietnam line, and if so, whether the two tracks will link. If the tracks are eventually both built and there is a connection, it is possible that products from the Preah Vihear steel mill and other industry could be transported by train to Vietnam as well as to the port in Koh Kong. Likewise, resources from Kratie and Kampong Cham could be sent by rail to the port at Koh Kong. It should be noted though that in the absence of publicly available information, this is merely speculation.

Other Mines in Preah Vihear and the Northeast

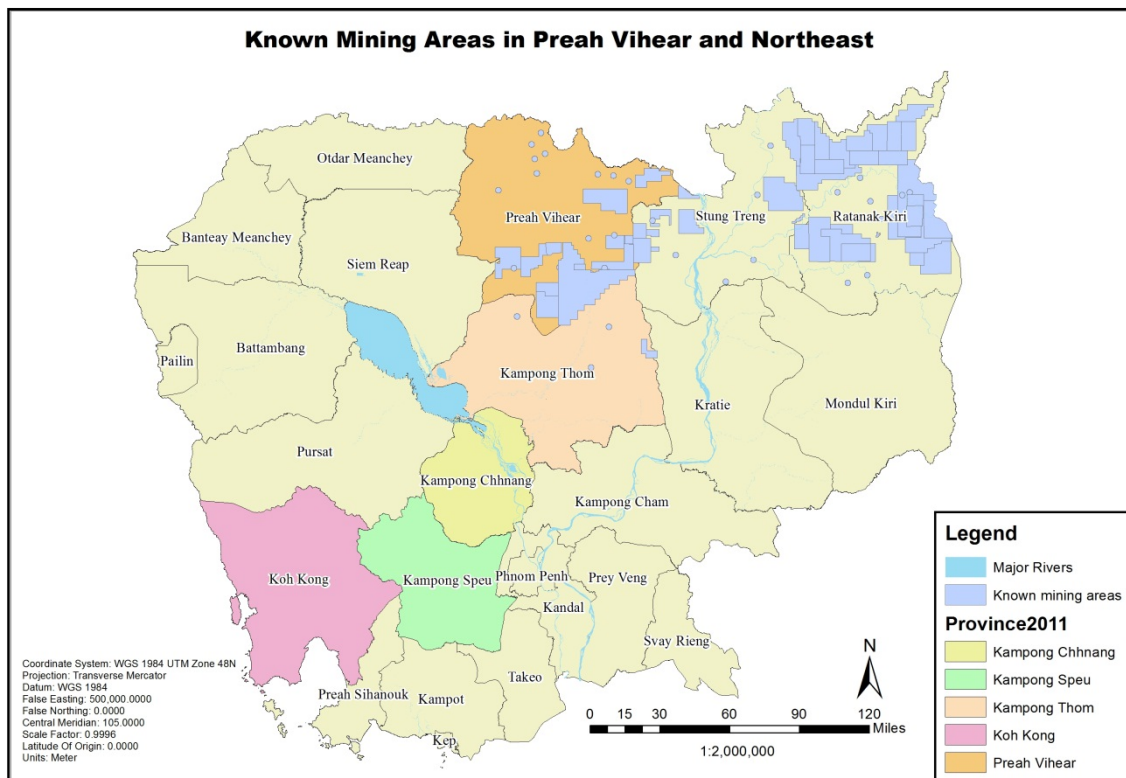
As stated earlier in the paper, a *CISMIG* representative has stated that the project will source raw materials from domestic mines in Preah Vihear, Rattanakiri, Kampong Thom and Stung Treng provinces.¹⁰⁷ Although there are no large scale mining operations currently active in the area, it is foreseeable that there may be by the time the project is up and running in 4 years. *CISMIG* may then be able to purchase raw iron ore from other mining companies. Mining operations that plan to exploit minerals other than iron ore may also be able to use the new railway to transport raw materials to the coast.

As mentioned earlier in the paper, *WS Mining Industry Holding*, *Cambodia Huayi Mining*, and the consortium *Beijing Steel Enterprises Union Mineral Resources Investment*, all have mining interests in Preah Vihear, and may or may not be connected to this project. As can be seen from the map below, there are many other companies with exploration rights in Preah Vihear and neighbouring provinces. It should be noted, however, that the areas on the map indicate exploration license areas, and exploration licenses typically last just two years. Due to a lack of transparency in the way licenses are granted, and a lack of public information on company operations, it is not clear which of these

¹⁰⁶ Original source unknown.

¹⁰⁷ May Kunmakara, *China to Invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

companies are currently active. In some cases, activities within license areas may have never commenced, in some exploration areas activities have fallen idle, and in others, licenses have been transferred to new companies.



The road map below indicates that links between the northeast and Preah Vihear are still weak, and to transport minerals towards Rovieng will require that additional transport infrastructure is developed. This will be remedied in part by the completion of the 143 km long National Road 214, which runs from Stung Treng to Preah Vihear's provincial capital, Tbeng Meanchey. The road must cross the Mekong River, and the Chinese are funding the 1,731 metre "Cambodia-China Friendship Bridge" in order to make this possible.¹⁰⁸ Construction of the road is also funded by the Chinese, and the Prime Minister broke ground on the project in May 2012. As well as connecting Stung Treng to Preah Vihear, the road improves connectivity between Cambodia and its neighbours, Laos and Vietnam. Construction of the bridge and road is expected to finish by 2015 and is budgeted to cost US\$116.5 million.¹⁰⁹ The map below shows existing road connections in Cambodia, along with indication of who is funding each development, but does not indicate the path of National Road N^o9.¹¹⁰

¹⁰⁸ General Directorate of Public Works, Ministry of Public Works and Transport, Public research Centre website, *Project Information*, <http://www.pwrc.info/projects.php> (accessed February 2013).

¹⁰⁹ Royal Embassy of Cambodia in Canberra, *Cambodia Starts Constructing Infrastructure Linking Northeastern to Western Regions*, Cambodia in Focus: Issue 110, 31 May 2012. Available at: <http://www.embassyofcambodia.org.nz/May312012/May312012.htm> (accessed February 2013).

¹¹⁰ Hong Sinara, *Kingdom of Cambodia Ministry of Public Works and Transport Presentation Paper*, Thailand UNESCAP, November 15-16, 2007.

Guangxi Nonferrous Minerals Group

One project of note is that of the Chinese state-owned company *Guangxi Nonferrous Metal Group (GXNF)*. GXNF established a local subsidiary *Guangxi Nonferrous Metal Group (Cambodia) Co. Ltd.* and reportedly has exploration rights for gold and iron ore in Cambodia.¹¹² The company's exploration area is also located in Rovieng.¹¹³ According to a GXNF mid-term financial report from 2012, the company's local subsidiary was registered in December 2009 and as of January 2011 had registered capital of US\$ 18,800,000. The report states that the company completed exploration work in December 2010 and preliminary results found 20 million tons of iron ore, and in March 2011 the company obtained approval from CDC to conduct full mining operations. In February 2011 GXNF obtained the rights to four more exploration areas.¹¹⁴



Online documents show that the company has been subject to two failed takeover bids, one in 2010 by *Wai Chun Mining Industry Group*, which stated in a public announcement that it “agrees to acquire the entire interest in two iron mines in the Kohkeo and Phnom Thmar regions in the Kingdom of Cambodia from Guangxi Nonferrous Metals at a consideration of not more than HK\$258.8 million.”¹¹⁵ However, this plan was dropped in 2011 as the two companies could not reach an agreement.¹¹⁶ In 2011, *Sun Innovation Holdings Limited* attempted a takeover, but this was also dropped in May 2012.¹¹⁷

Despite the on-going takeover bids, Chinese media reported in late 2011 that GXNF had invested US\$30 million in exploration activities in Rovieng and planned to invest a further US\$ 500 millions in a steel processing plant and industrial park.¹¹⁸ In April 2012 it was reported on a number of industry websites that the project had commenced, and that the first phase of the development was worth US\$100 million.¹¹⁹ However, in January 2013, a government official told local media that progress had “frozen”.¹²⁰ It is not clear if this project has been suspended, if it is related to the *CISMIG* project, or if it is a competitor.

It appears that GXNF are working in exploration areas that have been connected to the local company *Ratanak Stone (Cambodia) Development Ltd.* Numerous companies have worked with *Ratanak Stone* in Preah Vihear in recent years, but with limited success. In 2005 it was reported that Chinese company *SINOMACH* was working with *Ratanak Stone* and local company *Pheapimex*, with plans to explore for iron ore and construct a steel mill.¹²¹ In 2007, *SINOMACH* was replaced by a Korean company called *Kenertec*, which reportedly obtained exploration rights over an area of 1,500 km² in Preah Vihear and Stung Treng, including in Rovieng District. The company subsequently

¹¹² Reuters, *China's Guangxi Nonferrous Plans M&A, IPO of TinAarm*, 13 September 2010. Available at: <http://www.reuters.com/article/2010/09/14/guangxinonferrous-idAFTOE68C09220100914> (accessed February 2013).

¹¹³ Phnom Penh Securities, *Research Paper: Mining Sector in Cambodia*, 7 June 2011. .

¹¹⁴ Guangxi Nonferrous Metals Holdings Ltd., *2012 Mid-term Prospectus Notes* (Chinese), June 2012 (p.28).

¹¹⁵ Wai Chun Mining Industry Group Company Ltd., *Announcement: Wai Chun Mining Entered Into Heads of Agreement With Guangxi Non-Ferrous Metals In Respect of Possible Acquisitions of a Manganese Mine and Two Iron Mines*, 24 November 2010. Available at: <http://media.abnnewswire.net/media/en/docs/64290-Wai-Chun-Mining-1126.pdf> (accessed February 2013).

¹¹⁶ Wai Chun Mining Industry Group Company Ltd., *Annual Report 2011*, March 2012 (p.4).

¹¹⁷ Sun Innovation Holdings Limited, *2012 Interim Report*, June 2012.

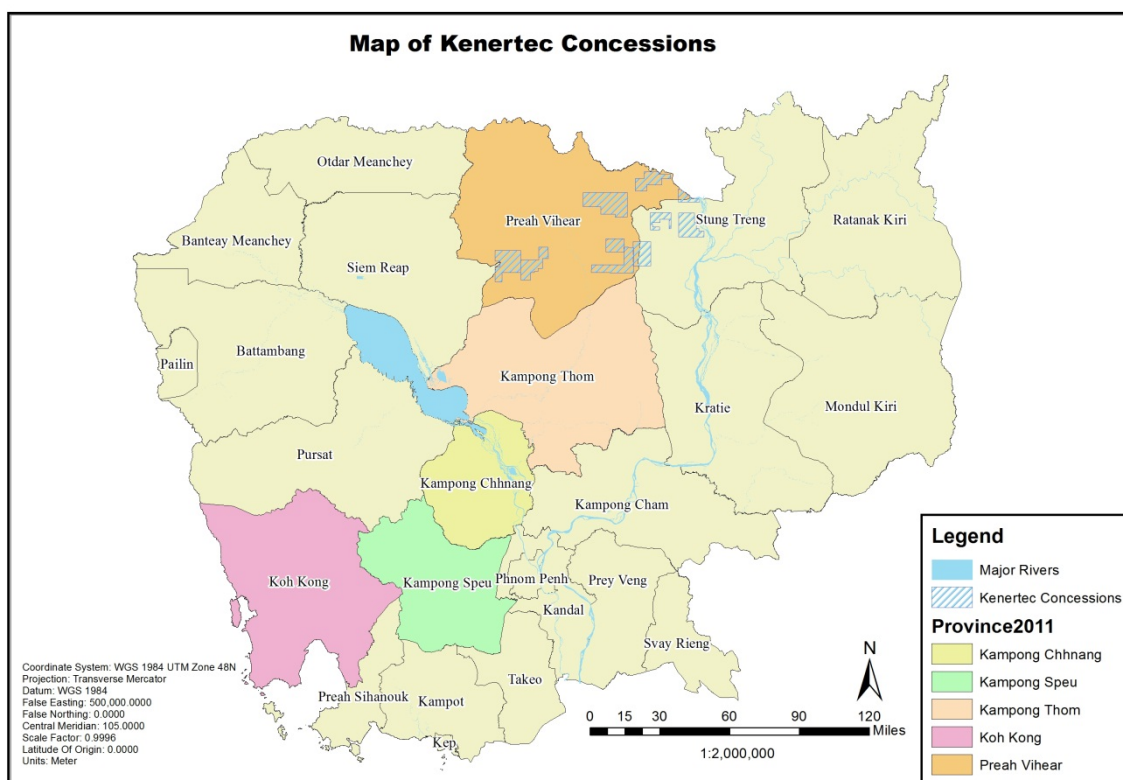
¹¹⁸ Xinhua, *Chinese Metal Firm to Invest 500 mln U.S. Dollars in Cambodia*, 18 November 2011. Available at: http://news.xinhuanet.com/english2010/china/2011-11/18/c_131256356.htm (accessed February 2013).

¹¹⁹ SteelOrbis, *Guangxi Nonferrous Metal Group Starts Work on Steel Project in Cambodia*, 6 April 2012. Available at: <https://www.steelorbis.com/steel-news/latest-news/guangxi-nonferrous-metalgroup-starts-work-on-steel-project-in-cambodia-677053.htm> (accessed February 2012).

¹²⁰ Sun Mesa & Simon Lewis, *Chinese Firms Sign Deal to Build 400-km Railway Line*, Cambodia Daily, 1 January 2013.

¹²¹ Xinhua, *Cambodia, China to Cooperate on Iron Mine Exploration*, 21 March 2005

collapsed after a massive corruption scandal in Korea.¹²² In early 2010 at least some of these exploration license areas were obtained by *GXNF*, who soon began exploration activities.¹²³ The map below shows the old *Kenertec* exploration areas.



Tung Wah Group

An online report by Chinese company *Tung Wah Group* indicates that this company also has an exploration license in the area. The mine is referred to as Longtu Iron Ore Mine, and is located amongst the old *Kenertec* concessions north of Rovieng. Coordinates for the Long Tu Iron Ore Mine¹²⁴ correspond with an exploration zone that was previously listed as belonging to the local company *Ratanak Stone (Cambodia) Development Co. Ltd.*¹²⁵

The company states that “the predicted reserve is 100 million tons and the initial estimated production capacity is 3 million tons a year... the initial plan is to achieve the objective of 3 million tons a year in 3 years...It is feasible to arrange 5 million tons of annual production capacity for the medium stage.”¹²⁶ No further information is publicly available on this project.

¹²² Ji-Sook Lee, *Moving Beyond Misconceptions: Kenertec – Case study of a Korean mining investment in Cambodia*, 2012 (p.3).

¹²³ Ibid. (p.5).

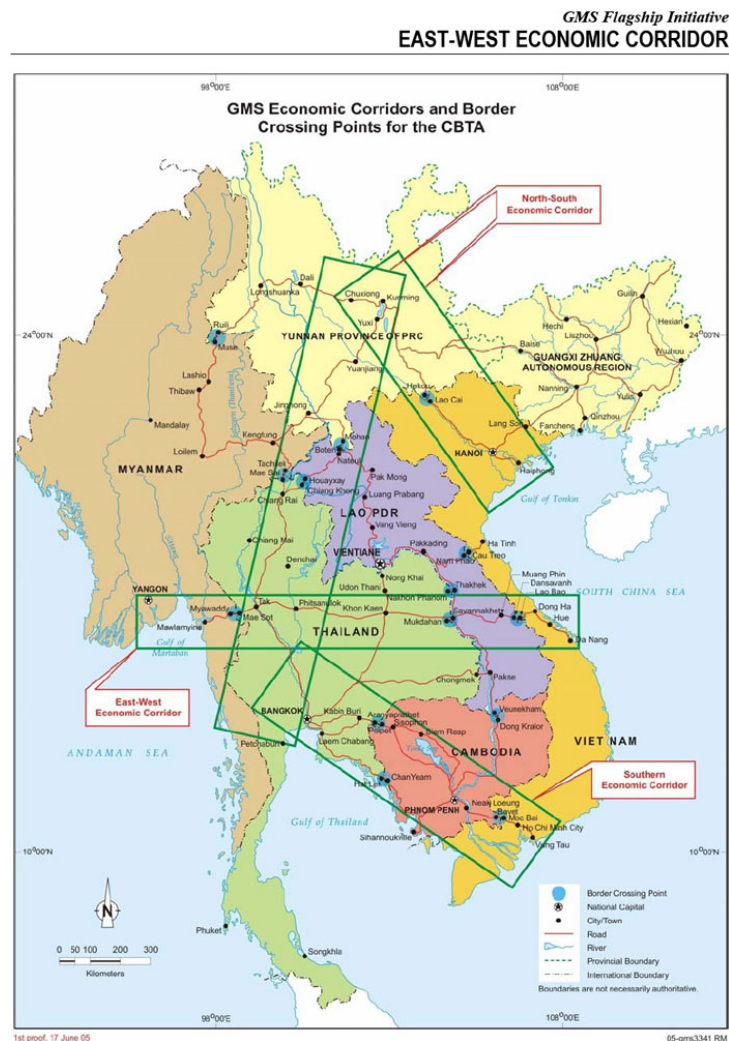
¹²⁴ Tung Wah Group, *Cambodia - Longtu Iron Ore*, *Jingui Forum*, August 2011. Available at: www.go-forum.cn/english/project.php?ID=48 (accessed February 2013).

¹²⁵ Open Development Cambodia, *Concession Profile*, <http://www.opendevdevelopmentcambodia.net/concessions/profile/?id=44&type=1&tier=1&map=mining> (accessed February 2013).

¹²⁶ Tung Wah Group, *Cambodia - Longtu Iron Ore*, *Jingui Forum*, August 2011.

Greater Mekong Subregion (GMS) Interconnection

The GMS program was established in 1992 by Cambodia, China (Yunnan Province), Laos, Myanmar, Thailand, and Viet Nam, and was later joined by the Guangxi Zhuang Autonomous Region of China. The Asian Development Bank (ADB) acts as the program's secretariat. Amongst the program's initiatives, the GMS Program aims to strengthen infrastructure linkages, including cooperation in transport, energy, telecommunications, and agriculture. The GMS program seeks to build transport connections between the three main GMS economic corridors: the East–West, the North–south, and the southern. As well as building priority road links, the program aims to develop a GMS rail network.



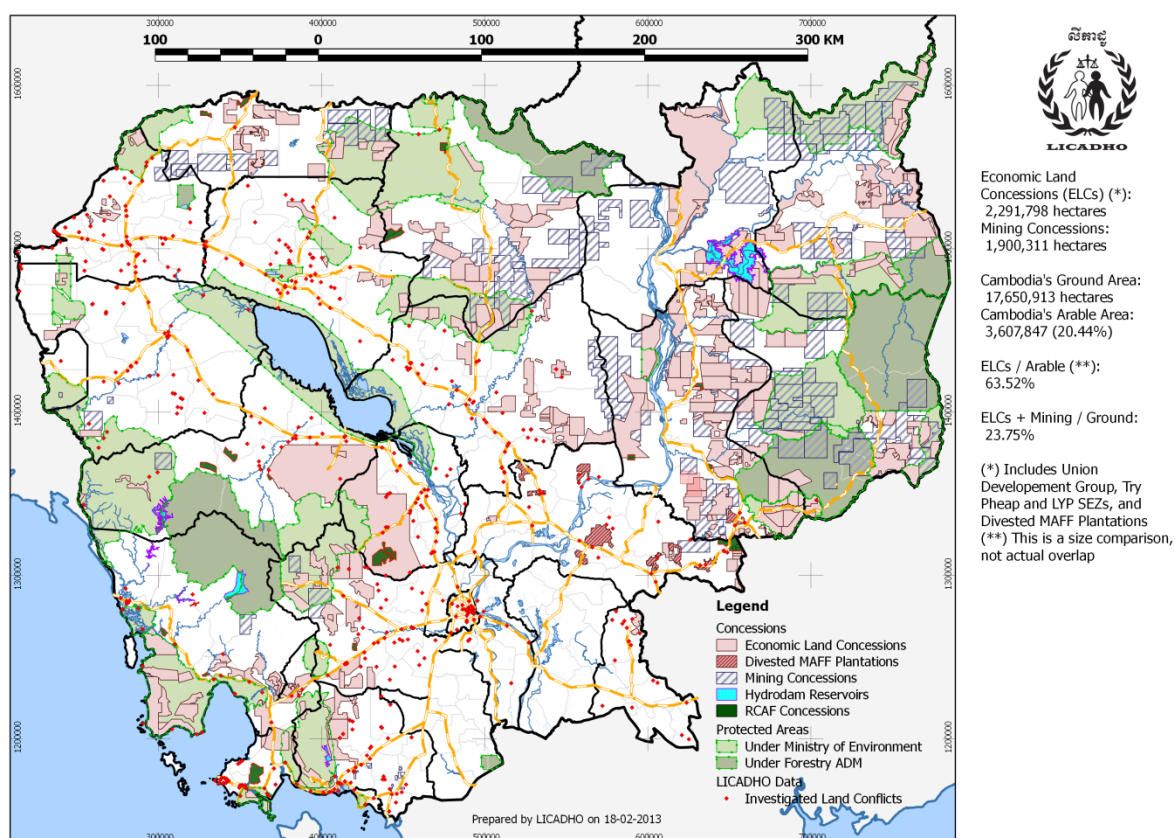
As can be seen from the above map, Cambodia lies in the Southern Economic Corridor of the GMS Cross Border Transport Agreement. This corridor aims to connect Cambodia to Vietnam and Thailand.¹²⁷ The Preah Vihear-Koh Kong line does not appear to fit in with the GMS plan, as it is focussed on transport of resources (and possibly domestic travel) rather than regional interconnection.

¹²⁷ Asian Development Bank, The Greater Mekong Subregion Economic Cooperation Program Strategic Framework 2012–2022, 2011.

Other Industries

Although the exact route of the railway has not been released, it is known that it will pass through Kampong Thom, Kampong Chhnang, Kampong Speu and Koh Kong. On route to the coast the railway will pass within the vicinity of numerous economic land concessions. Many of these concessions produce or plan to produce bulky agricultural products that could benefit from access to a railway connection. The Minister of Public Works and Transport is quoted as saying that the railway could also carry agricultural products and other industrial goods. The developers plan to build 11 stations on route to Koh Kong, which could allow for goods to be loaded onto trains bound for the port at Koh Kong.

The *CISMIG* steel plant is predicted to produce 1 million tonnes of steel per year, but according to the chairman of *CISMIG* the port will be capable of handling around 50 million tons of goods a year, which suggests that it is expected that the port will handle various other goods in addition to steel from the plant.



Map produced by local non-governmental organization Licadho shows numerous ELCs on route between Preah Vihear and Koh Kong (February 2013)

Regulation and Safeguards

National Legal framework

All the companies involved in the project should be subject to the domestic legal framework, principally, the Constitution, Mining Law, Environmental Law, and Land Law.

Under the Cambodian Constitution, all natural resources are the property of the State (article 58), and the management of mineral resources is regulated by the Law on Mineral Resource Management and Exploitation (hereafter, the Mining Law). It is illegal to conduct mining operations without a license, and this is punishable by fine and/or time in jail (Mining Law, articles 4 & 33). Conducting full scale mining with an *exploration* license is also illegal. Applications for industrial mining licenses must be approved by the Council for Development of Cambodia (CDC), and after receiving approval a license will be issued by the Ministry of Industry, Mines and Energy.¹²⁸

Due to the size of the developments, the railway and port would also need approval from the Council for Development of Cambodia, and would require infrastructure concessions. By law, all activities would require that an environmental impact assessment (EIA) is first conducted, including public consultations, and no activities should commence until the EIA is completed and approved. Additionally, the developers would be bound by the provisions of the Land Law, which state that no owners or legal possessors may be deprived of their land unless it is in the public interest, and only after payment of fair compensation.

International Frameworks

Article 31 of the Cambodian Constitution states that Cambodia shall recognize and respect the United Nations Declaration on Human Rights, and the covenants and conventions related to human rights. This includes the International Covenant on Economic, Social and Cultural Rights (ICESCR), which the Cambodian Government ratified in 1992. Amongst its various provisions, the Covenant protects the right to an adequate standard of living, which includes the right to adequate housing.¹²⁹ As a State party to ICESCR, the Cambodian Government is obliged to prohibit forced evictions, and evictions should only occur in exceptional circumstances.¹³⁰

There are significant populations of Kuy indigenous people located in Rovieng District, and all major development projects are likely to affect on them, including the proposed iron mine and processing plant. Cambodia is a signatory to a number of international instruments that protect the rights of indigenous peoples, as well as the Convention on Biological Diversity (CBD), which recognizes the role of indigenous people in protecting biodiversity.¹³¹ ICESCR also protects the rights of indigenous people, and includes the right to self-determination and the right to take part in cultural life.¹³²

In 1993, Cambodia ratified the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). In signing up to the Convention, Cambodia has agreed to eliminate racial discrimination, and promote understanding between races. The convention also applies to indigenous peoples.¹³³ Cambodia has supported the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), by voting in favour of its adoption by the UN General Assembly in 2007. While the UNDRIP is not legally binding, many elements of the UNDRIP reflect provisions in international treaties that Cambodia has ratified (including CBD, ICERD, ICESCR, the International Covenant on Civil and Political Rights, and the Convention on Elimination of Discrimination Against Women).

¹²⁸ Sub-decree N°8 on Defining Investment Principles for All Kinds of Mineral Resources (as amended by Sub-decree N°113) 2005, Article 1.

¹²⁹ Ibid. (article 11).

¹³⁰ United Nations Committee on Economic, Social, and Cultural Rights, General Comment 4, 1991; General Comment 7, 1997.

¹³¹ United Nations Convention on Biological Diversity, Preamble.

¹³² International Covenant on Economic, Social and Cultural Rights, Articles 1 & 15.

¹³³ The United Nations Committee on the Elimination of Racial Discrimination, *General Recommendation N°23: Indigenous Peoples*, 18 August 1997.

The Declaration recognizes and sets out in detail the rights of indigenous groups to preserve their culture and direct their development according to their own needs. Article 10 expressly forbids forced evictions and states that any relocation must be the result of free, prior and informed consent. The Declaration states that indigenous peoples have the right to practice their traditions and customs, including spiritual, religious and ceremonial practices. Crucially, the Declaration states: "Indigenous peoples have the right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired."¹³⁴

Article 32(2) of UNDRIP also provides that "States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources and shall provide effective mechanisms for just and fair redress for any such activities, and appropriate measures shall be taken to mitigate adverse environmental, economic, social, cultural or spiritual impact."

Company Policies

No information could be obtained on the policies of *Cambodia Iron & Steel Mining Industry Group (CISMIG)*, and very little on the *China Railway Major Bridge Engineering (MBEC)* and *China Ocean Engineering Construction General Bureau (COEC)*, and it is not clear if they have any specific environmental and social policies, or any more general corporate social responsibility (CSR) commitments.

However, their parent companies have made public commitments to conduct their activities in a responsible manner, and both *SINOMACH* (owner of *China Ocean Engineering Construction General Bureau*) and *China Railway Group* (owner of *China Railway Major Bridge Engineering*) release annual social responsibility reports.

According to the CSR page on the *China Railway Group* website:¹³⁵

"As a leader in the construction industry, China Railway Group has always been aspired [sic] to become a practitioner, propellant and leader of Corporate Social Responsibility as its mission. Since 2008, it has begun to establish a scientific, standardized, systematic and effective management system of corporate social responsibility, and planned social responsibility from six aspects of benefits to society, scientific development, safety management, environmental protection, staff development, public welfare undertaking."

The page goes on to state: "Before starting every project, the company always organized experts to carefully carry out and construct project environmental influence assessment, to fully demonstrate the environmental protection programs and to develop a detailed program of ecological protection." The company also states that it has "actively participated in various public welfare undertakings", including conducting charity works, providing donations to the poor, support for construction of hospitals, streets, and schools, and creating a safe working environment for employees. The company's social responsibility reports are available online, although they are published in Chinese only.¹³⁶

¹³⁴ United Nations Declaration on the Rights of Indigenous Peoples, Article 26.

¹³⁵ China Railway Group website, *Corporate Social Responsibility*, <http://www.mzcan.com/china/601390/irwebsite/index.php?mod=csr> (accessed February 2013).

¹³⁶ Ibid.

SINOMACH also publishes an annual social responsibility report,¹³⁷ and is a supporter of the UN Global Compact, which is:¹³⁸

“a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.”

The CSR page on *SINOMACH*’s website states that as a leader in the machinery industry, the company must assume its responsibilities in a proactive manner so as to repay society. Amongst its CSR commitments, *SINOMACH* commits to adhere to a “strong sense of the environmental protection”, and states that “efforts should be made to bring the environmental responsibility into merge with our own operational activities and fully utilize the R&D [research and development] strength so that contributions can be made to the sustainable development of the nature and the human society with green technologies, green products, green designs and green engineering projects.”¹³⁹

Financiers’ Safeguards

As mentioned above, due to the size and value of the project it may be the case that additional financing is needed from Chinese banks. If this is the case, the social and environmental guidelines of those institutions will apply. The policies of Chinese commercial banks are still largely undeveloped, but the policy banks have nascent safeguards – although these are brief and little is known about how influential these safeguards currently are.

China Exim Bank

China Exim’s “Guidelines for the Environmental and Social Impact Assessment of China Export and Import Bank’s Loan Projects” set basic requirements for the approval of loans and implementation of all Exim funded projects. This includes

- Overseas projects must complete social and environmental impact assessments before any loan is approved;
- Assessments must continue during the loan period and monitoring of impacts should occur after the loan has been granted;
- Project implementer is required to abide by host country laws and regulations and acquire all the necessary environmental permits;
- In cases where the necessary legal framework does not exist or is inadequate, Chinese or international practice should be followed; and
- Local people’s rights to land and resources should be respected, resettlement problems properly handled, and open public consultations held for projects with severe environmental impacts.

The Guidelines state that if projects cause serious environmental and social problems during construction or operation, China Exim has the right to require the borrowers or project owners to

¹³⁷ Available at: http://www.sinomach.com.cn/templates/T_common_en/index.aspx?nodeid=674 (accessed February 2013).

¹³⁸ United Nations Global Compact, *Overview of the UN Global Compact*, <http://www.unglobalcompact.org/AboutTheGC/index.html> (accessed February 2013).

¹³⁹ *SINOMACH* website, CSR, http://www.sinomach.com.cn/templates/T_common_en/index.aspx?nodeid=219 (accessed February 2013).

take timely measures to eliminate these impacts. If the implementer fails to eliminate these negative impacts, the Bank has the right to stop disbursement of loans and demand early repayment.¹⁴⁰

China Development Bank

CDB also has environmental policies, although the Bank has only disclosed summaries of these policies. The CDB has also reportedly introduced 142 performance indicators based on the United Nations Global Compact's ten principles related to human rights, the environment, labour and corruption.¹⁴¹

State-owned Assets Supervision and Administration Commission (SASAC)

All of China's State-owned enterprises are subject to the oversight of the State-owned Assets Supervision and Administration Commission (SASAC), which is under the authority of China's highest administrative body, the State Council. SASAC performs audits of State-owned enterprises, and poor performance can result in disciplinary measures. SASAC issued "Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities" in January 2008. Which aim to "give impetus to state-owned enterprises ... to earnestly fulfil corporate social responsibilities, so as to realize coordinated and sustainable development of enterprises, society and environment in all respects."¹⁴²

Benefits and Risks of the Project

As with all other elements of the project, there appears to be little information publicly available regarding its economic justifications, although interviews with company representatives and local officials have given some limited insight into the broader plans of the developer. According to a company press release, the project is expected to bolster the economies of the four provinces that the rail link will pass through,¹⁴³ and officials from the Ministry of Public Works and Transport have stated that the project will support the development of Cambodia's economy through transportation of resources, agricultural and industrial products, and passengers.¹⁴⁴

A common reason cited for the slow pace of Cambodia's industrialization is that infrastructure is lacking. Although Cambodia is thought to be rich in mineral resources, the true extent of mineral reserves is still undetermined in many areas. Areas where reserves have been identified are often in remote locations, and the lack of infrastructure may be holding back investment. The construction of a north-south railway line could provide the impetus for increased investment in the mining sector.

The governor of Preah Vihear is quoted in one article as saying that the *CISMIG* project will promote economic development in Cambodia, and is in line with the priority development policies of the Government, specifically poverty eradication and creation of employment opportunities.¹⁴⁵ (As

¹⁴⁰ China Export and Import Bank, *Guidelines for Environmental and Social Impact Assessments of the China Export and Import Bank's (China EXIM Bank) Loan Projects*, 28 August 2007 (Articles 12 & 13).

¹⁴¹ Adina Matisoff, *China Development Bank's Overseas Investments: An assessment of environmental and social policies and practices*, BankTrack & Friends of the Earth, 2012.

¹⁴² SASAC Website, *Guidelines to the State-owned Enterprises Directly Under the Central Government on Fulfilling Corporate Social Responsibilities*. <http://www.sasac.gov.cn/n2963340/n2964712/4891623.html> (accessed February 2013).

¹⁴³ Reuters, *Chinese Companies to Invest Billions on Cambodia Projects*, New York Times, 3 January 2013.

¹⁴⁴ May Kunmakara, *China to invest \$9.6b in Cambodia*, Phnom Penh Post, 1 January 2013.

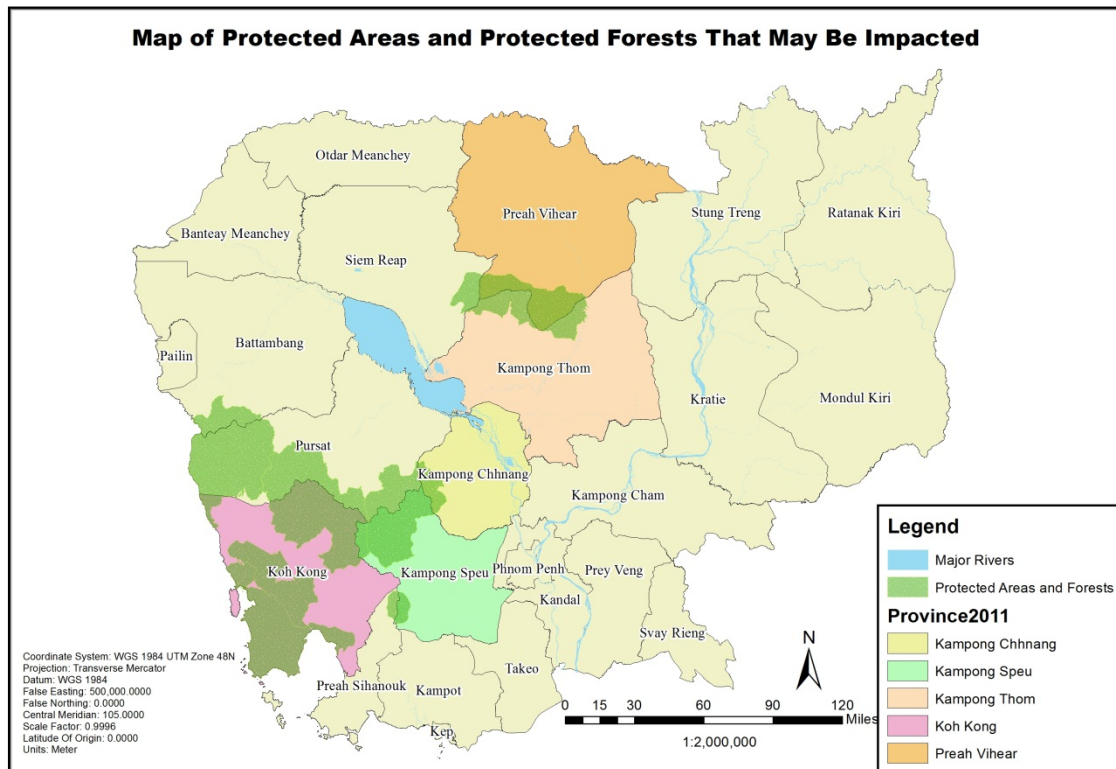
¹⁴⁵ Phnom Penh Evening News (Jianbian Wanbao), *Cambodia Iron and Steel Mining Industry Group Support Building of Village School, Chairman Zhang Chuan Li Awarded Country's Highest Honor Medal*, 17 May 2012 (Chinese).

mentioned earlier in the paper, the company has stated that the project will generate employment for 20,000 local people.) In the same speech, the provincial governor stated that in addition to the mine, oil has been located in four drilling sites in the area, and the exploitation of these resources will turn Rovieng into an engine for the growth of Preah Vihear province.¹⁴⁶

At present it is very difficult to predict how many people and which areas will be directly affected by the project. The exact route that the railway line will take is still not clear, although at over 400 km it can be expected that it will affect a considerable amount of land that is already being utilized by Cambodian citizens for agriculture and/or residence. As discussed earlier, it is also possible that the project could stimulate industrialization in other areas and neighbouring provinces. While it is important that Cambodia's economy develops, rapid development within Cambodia's current context of weak rule of law and poor regulation raises multiple concerns, not least regarding environmental impacts, but also the social impacts of loss of land and access to resources, amongst others.

Rovieng is located in close proximity to the already threatened Prey Lang forest, and increased infrastructure may also contribute to expansion of other industries in the area as well as along the railway route, creating further pressure on the forest and vital watersheds.

As of January 2013, the Koh Kong coastal area was largely undeveloped, and the impending construction of the port will no doubt have significant impacts there. Although in recent years it has come under threat from illegal logging, Koh Kong is still heavily forested, and in order to reach the coast the railway line would have to pass through the Botum Sakor National Park. Depending on the route of the railway, it may also pass through or impact on the Beng Per Wildlife Sanctuary, Aural Wildlife Sanctuary, Central Cardamom Mountains Protected Area, and Koh Kong Protected Forest.



¹⁴⁶ Ibid.

Cambodia's other recent railway developments have not run smoothly. The ADB/AusAid-funded railway has run into significant problems regarding resettlement and compensation for affected people.¹⁴⁷ This has led to serious impacts for those people who were displaced, and has also generated bad publicity for the developer, financier and government. Without adequate assessment and planning, the Preah Vihear-Koh Kong project also risks experiencing the same problems. An official from the Ministry of Public Works and Transport has been quoted in local media as stating that due to the length of the railway, it is inevitable that there will be impacts, but "When it impacts on a citizen's house, they [the companies] will pay compensation" in accordance with the Land Law.¹⁴⁸ However, to date there has been no comprehensive environmental impact assessment of the north-south railway project, and there have been no public consultations. To conduct an adequate process of assessment and consultation takes time, especially for a project as big as this, and it is a concern that the developers are hoping to start construction in less than 6 months, despite the fact that no EIA or consultations have yet been conducted.

As noted above, many residents in the Rovieng area are indigenous people, and there are already recorded cases of indigenous communities coming into conflict with mining companies conducting exploration in the area. In many cases this was because the local residents make a living through artisanal mining, which is often viewed as illegal by the authorities, and in some cases mining companies are supported by the military who have blocked access to local artisanal miners.¹⁴⁹ If this project does go ahead, in order to avoid future conflicts, steps may need to be taken to regulate artisanal mining in the area or integrate the artisanal miners into the project.

Conclusion

As can be seen from the information above, the north-south railway is extremely ambitious. The project will be the biggest in Cambodia's history, and according to company and government representatives the project will have significant direct benefits for Cambodia's economy. Secondary benefits could also come in the form of stimulating the development of other industries, which to date have been held back by poor transport infrastructure.

On the other hand, the fact that the project is a first for Cambodia in terms of its value and scale, it remains very unclear how the country will cope with both the development stages of the project and its implementation. As of January 2013 there is a dearth of reliable and official information on the project, and the exact location of the steel plant and the route the railway will take have not yet been announced, despite the fact that the company plan to start building soon. At the time of writing there has still been no environmental and social impact assessment submitted to the Ministry of Environment, and no public consultations have been held. Furthermore there is a lack of clarity about which companies are backing the project, and how it is being financed. While the project could in theory generate a large amount of revenue for Cambodia, especially from taxes and royalties, the government has yet to develop any large scale projects focussed on resource exploitation, such as minerals or oil, and so does not yet have any experience in managing the potential windfall revenues that could result. Examples from around the world show that in a climate of weak-governance this revenue often fails to benefit the poor, can worsen corruption and lead to conflict.

¹⁴⁷ Bridges Across Borders Cambodia, *Derailed: The Resettlement Process and Impacts of the Rehabilitation of the Cambodian Railway*, <http://www.babcbombodia.org/railways/> (accessed February 2013).

¹⁴⁸ Simon Lewis and Sun Mesa, *Locals in the Dark to Chinese Rail Project*, Cambodia Daily, 2 January 2013. Available at: <http://www.cambodiadaily.com/business/locals-in-the-dark-to-chinese-rail-project-7128/> (accessed January 2013).

¹⁴⁹ Development Partners in Action - Extractive Industries Environmental and Social Impacts Network, *Artisanal Small-Scale Gold Mining (ASGM) in Battambang and Preah Vihear Provinces - Investigation Report 2012*, December 2012 (p.18-19).

Mining rights in Preah Vihear, and especially in the Rovieng area, have changed hands many times in recent years. The picture appears to have become quite complex, with various license areas overlapping with each other, with economic land concessions, and with villages and farmland. A case study of the Korean company, *Kenertec*, which was previously active in Rovieng, characterized the development of the mining industry in the area as “chaotic”. Local people were not consulted or given clear information by companies or local officials, people lost land to companies conducting land clearing for exploration, access to the forests and forest products was reduced, and the areas saw increased militarization.¹⁵⁰ At the time the *Kenertec* study was conducted, mining companies active in Rovieng were still at the exploration stage, and it can be expected that if companies in the area do not conduct their operations responsibly, these problems could become much worse if and when industrial-scale exploitation does commence.

As the north-south railway project is likely to affect on such a huge area and therefore many thousands of people, *CISMIG* and its partners must manage the various social and environmental risks with great care. A first step in the right direction would be to release the full details of the project, open full public consultation and conduct a high quality and transparent environmental impact assessment. If this project does go ahead in the absence of full consultations and assessments, the threat of social conflicts and environmental degradation is huge.

This paper brings together the information that is already publicly available on the north-south railway project in an effort to contribute to on-going discussions regarding the proposed development. The absence of adequate information limits the ability of the public, civil society, and other observers, to engage in discussion on the potential benefits and risks of this project. For this reason, it is important that the Royal Government of Cambodia and the companies involved clarify the following points as soon as possible:

Project locations

- Where will the steel mill be located, and where do *CISMIG* plan to locate the iron ore mine?
- What is the exact route of the railway from Rovieng to Koh Kong?
- Which island will be used for the port development?

Economic Justifications

- Public discussion on the project would benefit from clear and evidence-based economic justifications for the project, including how much the project is likely to be worth, and how exactly the Cambodian economy and Cambodian people will benefit from it.

Environmental Impact Assessment

- When does *CISMIG* plan to conduct a full EIA, and how will the company ensure that the public is adequately consulted?

Areas affected

- Although this should be clarified through a full EIA, it is important at these initial stages to know in more detail *which areas* are likely be affected by the project.

People affected

- Although this should be clarified through a full EIA, it is important at these initial stages to know *who* is likely to be affected by the project, and which villages.

¹⁵⁰ Ji-Sook Lee, *Moving Beyond Misconceptions: Kenertec – Case study of a Korean mining investment in Cambodia*, 2012 (p.31-44).

Safeguards

- In addition to Cambodia's domestic legal framework, what safeguards will the companies involved adhere to in order to avoid or mitigate any negative environmental and social impacts associated with the project?

Ownership & Financing

- In the interests of transparency, it is important that the ownership of *CISMIG* is clarified, as well as the identity of any companies that are backing or working in collaboration with *CISMIG*.
- As the lending guidelines of financial institutions may also apply to this project, it is important for *CISMIG* to disclose which financial institutions are supporting the project.