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## **Cambodia's Maritime Infrastructure: Challenges and Promises**

**Pheng Thean, Poun Huyching, & Thai Sreyvin**

In recent years, Cambodia has been making a significant stride in modernizing her maritime infrastructure. This has manifested through several noteworthy developments encompassing ports, waterways, canals, and related reforms. Likewise, ambitious planned projects, such as the Funan Techo canal, underscore the nation's determination to become more economically competitive and attractive. Cambodia's maritime journey is not merely about construction and expansion. It is a narrative of ambition, sustainability, and adaptability. Interestingly, the new cabinet's Pentagonal Strategy Phase 1 also emphasizes the need for connectivity and efficiency of transport and logistics to speed up the country's economic diversification. This commentary will delve into various aspects of Cambodia's maritime modernization efforts and their implications for the country's economy.

### **Recent Developments**

Sihanoukville Autonomous Port (PAS) stands as a prime example of infrastructure development. Over the past few years, PAS has undergone extensive expansion, which increases its capacity and efficiency. The construction of new berths and terminals allowed the port to handle larger vessels and a higher volume of cargo. With a concessional loan of USD 760 million from Japan and an addition of USD 250 million from the Royal Government of Cambodia, the handling capacity of PAS is expected to increase from 700,000 TEUs (Twenty-foot Equivalent Units) per year to 2.6

million TEUs, approximately fourfold increase, by 2029.<sup>1</sup> This expansion not only bolstered Cambodia's import and export capabilities but also positioned PAS as a key transshipment hub in the region. The country has also participated in initiatives such as the ASEAN Single Window—an electronic exchange platform of trade documents between ASEAN members<sup>2</sup>—and the Belt and Road Initiative, which fosters partnership and promotes trade facilitation.<sup>3</sup>

Apart from PAS, Cambodia maritime sector is amplified by the development of Koh Kong, Kampot, and Kep deep-sea ports.<sup>4</sup> The new international seaport in Koh Kong's Kiri Sakor district aims to capitalize on Cambodia's increasing trade volume and attract investors. The facility is designed to accommodate large cargo vessels and support various industries, including manufacturing, logistics, and tourism. The port is expected to boost local job creation and trade partnership with neighboring countries.<sup>5</sup> In addition to this, another port was also opened in the province's provincial capital of Khemarak Phoumin, near the border with Thailand.<sup>6</sup> This eight-meter-deep Dang Tong Port is a small-sized port and is used as a pier for docking of tourist's ships and some cargos. It costs approximately USD 1.5 million and can handle up to 2,000-ton vessels.<sup>7</sup>

## Future Projects

The Minister of Public Works and Transport, during the Eurocham's Transport & Logistics Forum 2023, revealed that Cambodia is finalizing the Comprehensive Intermodal Transport Master Plan 2022-2030 (CIT-MP), which includes 150 infrastructure projects and requires USD 30 billion in

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<sup>1</sup> “Cambodian Maritime Infrastructure Projects Cruising Forward.” B2B Cambodia. Last modified May 09, 2023. <https://www.b2b-cambodia.com/articles/cambodian-maritime-infrastructure-projects-cruising-forward/>.

<sup>2</sup> “ASEAN Single Window.” ASEAN Secretariat. Last modified 2020. <https://asean.org/our-communities/economic-community/asean-single-window/>.

<sup>3</sup> Qi, Lin. “Money Talks: China’s Belt and Road Initiative in Cambodia.” Global Risks Insights. Last modified January 07, 2018. <https://globalriskinsights.com/2018/01/money-talks-chinas-belt-road-initiative-cambodia/>.

<sup>4</sup> “Cambodian Maritime Infrastructure Projects Cruising Forward.” B2B Cambodia. Last modified May 09, 2023. <https://www.b2b-cambodia.com/articles/cambodian-maritime-infrastructure-projects-cruising-forward/>.

<sup>5</sup> Hin, Pisei. “Koh Kong's First Int'l Seaport Set for Launch.” The Phnom Penh Post. Last modified May 04, 2023. <https://www.phnompenhpost.com/business/koh-kongs-first-intl-seaport-set-launch>.

<sup>6</sup> Bor, Zelin P. “New Port Opens in Koh Kong.” The Phnom Penh Post. Last modified June 23, 2023, <https://www.phnompenhpost.com/business/new-port-opens-koh-kong>.

<sup>7</sup> Ibid.

investment over the next decade.<sup>8</sup> The CIT-MP covers infrastructure such as roads, railways, waterways, airways, logistics, and ports. The expansion of the deep seaport in Sihanoukville and Bassac River Navigation and Logistics System project are among the prioritized projects.

The Royal Government of Cambodia officially renamed the Bassac River Navigation and Logistics System as the Funan Techo Canal. Valued at around USD 1.7 billion, the project is an artificial canal aiming to link the Mekong River to the country's coast in the southwest, essentially closing the missing link between the Sihanoukville Autonomous Port and the capital city of Phnom Penh. This will reduce transportation cost and Cambodia's reliance on neighboring country, i.e. Vietnam.<sup>9</sup> A study by Japan International Cooperation Agency (JICA) revealed that Cambodia's capital city of Phnom Penh had been relying on Vietnam's deep-sea port at Cai Mep (70km south-east of Ho Chi Minh City) in transporting its garment exports to the US.<sup>10</sup> Phnom Penh hosts half of Cambodia's garment factories.<sup>11</sup> The city has a waterway connection to Vietnam's Cai Mep port and Cat Lai port via the Mekong River, but not to Cambodia's Sihanoukville Autonomous Port. Thus, the garment exports, especially those heading for the US market, are usually shipped on motorized barges from Phnom Penh Autonomous Port to Cai Mep. Although some cargoes can be transported via rail or road from Phnom Penh to Sihanoukville Autonomous Port, they will then have to be connected with mainline shipping services in Singapore before being transported to American ports on the west coast. This increases the cost of shipping. Cargoes at the Cai Mep port, on the other hand, will be shipped directly to North America. This essentially makes the shipment via Vietnam cheaper and establishes Cambodia's reliance on Vietnam's port in shipping its garment exports. Moreover, the missing link makes Cambodia's Sihanoukville Autonomous Port and

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<sup>8</sup> "Chanthol Outlines Transport Projects at Forum." The Phnom Penh Post. Last modified April 21, 2023. <https://m.phnompenhpost.com/national/chanthol-outlines-transport-projects-forum>.

<sup>9</sup> "Cambodia to Build "Funan Techo Canal" to Boost Waterway Transport." Khmer Times. Last modified May 21, 2023. <https://www.khmertimeskh.com/501294048/cambodia-to-build-funan-techo-canal-to-boost-waterway-transport/>.

<sup>10</sup> See *Logistics Situation and Challenges in Cambodia*. Japan International Cooperation Agency, 2016. [https://openjicareport.jica.go.jp/pdf/12284980\\_03.pdf](https://openjicareport.jica.go.jp/pdf/12284980_03.pdf).

<sup>11</sup> May, Kunmakara. "Capital Now Home to Half of Cambodia's Garment Factories." The Phnom Penh Post. Last modified June 15, 2023. <https://www.phnompenhpost.com/business/capital-now-home-half-cambodias-garment-factories>.

Phnom Penh Autonomous Port compete with each other rather than synergize. Therefore, the Funan Techo Canal will be built to address this problem.

Besides, the Kampot Logistics and Multipurpose Port, located in the southwestern province of Kampot, is also a large project launched by a local company with private investment including that from China. The project will be implemented in three phases, with the first phase estimated to cost USD 200 million and set to begin operations in 2025.<sup>12</sup> By 2030, the port will have the capacity to conduct lift-on-lift-off (LOLO) cargo handling operations of between 300,000 and 600,000 TEUs and will provide a "one-stop service" location for transportation to and from the kingdom.<sup>13</sup>

## **Challenges for Maritime Infrastructure Development in Cambodia**

There are some challenges facing the development of maritime infrastructure in Cambodia. First of all, the sector has experienced insufficient private investment. The majority of sea ports has been built and owned by state enterprises. Participation from private companies is much needed to accumulate more capital. Thus far, there are only two privately-owned seaports in the country, Oknha Mong Port and Sre Ambel Port. Although private sector is active in the development of river ports, a lot of river ports are still owned by provincial or municipal authorities.

The second challenge is the issue of land procurement. In Cambodia, land disputes between the people and the government or private companies are prevalent. The development of ports or canals usually affected the people living in the surrounding area or on the land demarcated for development.<sup>14</sup> Therefore, it is usually problematic and expensive to procure land for new infrastructure projects.

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<sup>12</sup> "Cambodian Maritime Infrastructure Projects Cruising Forward." B2B Cambodia. Last modified May 09, 2023. <https://www.b2b-cambodia.com/articles/cambodian-maritime-infrastructure-projects-cruising-forward/>.

<sup>13</sup> Nov, Sivutha. "Construction Begins on \$1.5B Kampot Seaport." The Phnom Penh Post. Last modified May 05, 2022. <https://www.phnompenhpost.com/business/construction-begins-15b-kampot-seaport>.

<sup>14</sup> See Kelliher, Fiona, and Soriththeavy Keat. "'Everywhere is Broken': How Land Grabs in Cambodia Are Demolishing Lives." The Guardian. Last modified April 11, 2023. <https://www.theguardian.com/world/2023/apr/11/everywhere-is-broken-how-land-grabs-in-cambodia-are-demolishing-lives>.

Last but not least, the development of maritime infrastructure such as the construction of ports or the dredging of riverbeds (to keep waterways navigable) cause environmental degradation to the marine ecosystem. This would require financial resources and manpower to study and mitigate the impacts.

## **Conclusion**

To conclude, Cambodia's recent advancements in modernizing maritime infrastructure signal a remarkable transformation in the nation's economic diversification and trade landscape. The expansion of the Sihanoukville Autonomous Port, the development of other complementary deep-sea ports, and the Funan Techo Canal megaproject underscore Cambodia's determination to bring down the cost of transportation and to be a competitive player in regional trade. With a comprehensive master plan and investment on the horizon, Cambodia's maritime modernization efforts are not just about infrastructure development but also about shaping the nation's competitive edge and future. Moving forward, to maximize the full potentials of maritime infrastructure, the challenges laid out above need to be addressed.

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**Pheng Thean, Poun Huyching, and Thai Sreyvin** are interns at the Center for Southeast Asian Studies (CSEAS), Institute for International Studies and Public Policy (IISPP), Royal University of Phnom Penh (RUPP).

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