



CHAPTER III

CAMBODIA: A COUNTRY CONTEXT

3.1 Introduction

Cambodia provides for a perfect country case study of neoliberal dynamics at play in South East Asia because of its history, a strong dependence on foreign aid and the manifestation of asymmetric power relations between the state and donors and the state and its citizens. As Catherine Kingfisher (2002) has said “neoliberalism is not an all-encompassing homogenous set of ideologies and practices. Rather neoliberalism’s globalization...is a series of stories characterized by disjointed, disjunctured articulations”. As such, it is not particularist – meaning that it takes on different forms depending on the different local and cultural context but rather it is a hybridizing process that meshes with the existing ideologies and taking on varied forms as a result for example with ideologies of patriarchy, the legacy of the Khmer Rouge and colonialism.

In this chapter we examine the policies and the priorities that the state has chosen in its path towards neoliberalism, the context of Cambodia and how neoliberal dynamics has interacted with the existing cultural and local ideologies.

3.2 Political History

Cambodia is considered to be a post-conflict society where the roots of its contemporary problems lie in its tumultuous history. The regime of Pol Pot who seized power in 1975 left an estimated 1.7 million Cambodians dead within the next three years either from exhaustion, starvation, torture or execution (British Broadcasting Corporation website). The legacy of Pol Pot continues with unexploded munitions that kill and maim civilians up to this day (British Broadcasting Corporation). Because of their utopian ideology, the Khmer Rouge abolished both money and private property, imposed collectivism by ordering people into the countryside to cultivate fields; almost 70% of Cambodia’s workforce is employed in subsistence farming (British Broadcasting Corporation).

Figure 1: Map and Basic Profile of Cambodia

GREATER MEKONG SUBREGION



Map No. 4112 Rev. 2 UNITED NATIONS
1974 May 2004

Department of Economic and Social Affairs
Geography Unit

Country	Population	GDP/capita	Type of Government	Life Expectancy
Cambodia	13.1 Million	310 USD	Parliamentary Democracy Constitutional Monarchy	57

Sources: www.freedomhouse.org (2005); www.aseansec.org/macroeconomic/aq_gdp22.htm (2006); *Regional Outlook Southeast Asia 2006-2007*. Institute for Southeast Asian Studies, Singapore, 2006.

It can be seen that the government of Cambodia has undergone three streams of transition since the 1980s; from a command economy to a free market, from war to peace and from authoritarian rule to democracy. Much of these changes have been heavily influenced by international bodies.

Cambodia's transition from authoritarian (at the time of the Khmer Rouge) to democracy is credited to the United Nations Transitional Authority in Cambodia (UNTAC). While UNTAC can be credited for the technical success of the multiparty elections in 1993, there has been plenty of political turmoil after that (Kevin, 2000). In 1997, there was a coup d'état, then a National Assembly election in 1998, a communal election in 2002, a National Assembly election in 2003, a second local election in 2007 and in July 2008, the National Assembly election (Kevin, 2000). With the frequent number of national and local elections, Cambodia is on the track towards democratic progression but critics say that the only democratic element is the completion of the elections and that it has not fundamentally changed the nature of political power in the country (Kevin, 2000). The reason for this is given by Downie and Kingsbury (2001) that political polarization and the concept of 'winner taking it all' which contradicts democratic practices.

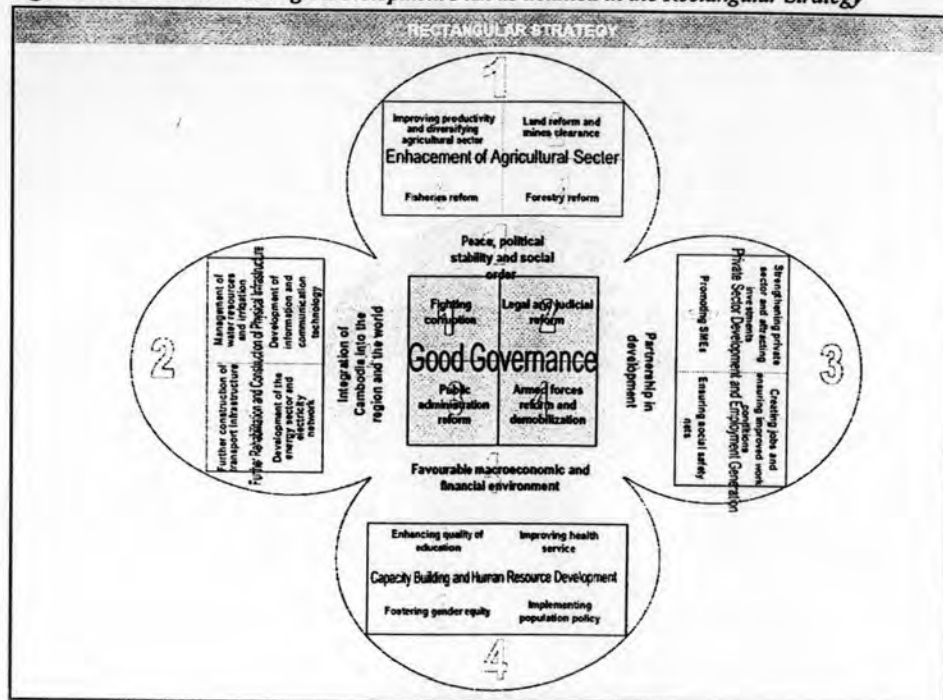
The sources of these contradictions further lie in the inequalities of economic power and the relationship between state and society. This is apparent between the urban-rural divide. Cambodia has strong inequalities in terms of the rural-urban divide since most of the poor reside in the rural areas (Hughes, 2003). In the urban area, the economic power is diffused and domestic and international political activities overlap, whereas in the rural areas, the lack of material resources have hindered independent political action thus, the ability to gain the maximum economic power is the key determinant to power (Hughes, 2003).

3.3 Economic History and its Impact on Poverty

The economic transition was inter-related to the political transition of the country. The government opened up its economy through trade, investment and

industrialisation. Currently, the core of the country's economy is in garments and tourism (Weggel, 2007)

Figure 3: The National Strategic Development Plan as detailed in the Rectangular Strategy



Cambodia's embrace of economic liberalization and its ascension to the World Trade Organisation (WTO) are its paradigm in addressing livelihood and poverty issues. Indicated in the National Strategic Development Plan (NSDP) of which the Rectangular Strategy is subsumed are policies focusing on rapid growth in the industrial and service sectors with reliance upon the Private Sector as the engine of growth as well as investing in agricultural production by enhancing rice yields and encouraging investments in large-scale agriculture and agro-industry in the form of land concessions (Royal Government of Cambodia, 2008).

This prioritization has paid off for Cambodia which has enjoyed a period of robust economic growth which averaged at 6% from 1993-2003 and reaching 11.1% over the period of 2004-2007 (Royal Government of Cambodia, 2008). Sustaining its rapid growth has had the effect of reducing overall poverty at the national level from 47% in 1993 to 35% in 2004 (Royal Government of Cambodia, 2008). Preliminary official estimates indicate a poverty rate of 30% in 2007 (Royal Government of

Cambodia, 2008). The rapid growth however is attributed and anchored on the garments, tourism and construction sectors with textiles constituting almost 90% of exports (Royal Government of Cambodia, 2008)

Since Cambodia has not taken diversified the source of its growth over the past decade nor taken advantage of the potential of the regional economy, this growth has made it vulnerable, particularly in the case of last year's financial crisis (Royal Government of Cambodia, 2008). This has resulted to significant job losses with 70,000 since end of 2008 in the garment sector alone. These losses have forced many to return to the villages, seek opportunities elsewhere or expanding the informal economy sector. The absences of formal coping strategies have pushed vulnerable households into poverty (Royal Government of Cambodia, 2008) Clearly, while the prevalence of poverty is higher in the rural areas, the economic growth has been sectorally uneven and largely urban-based leaving the country vulnerable to external shocks. This shows that contrary to the NSDP, investments in agriculture have been minimal considering the focus on garments, tourism, construction and textiles.

Self-employed farmers form the largest group within the poor, accounting for 48% of the total poor (Royal Government of Cambodia, 2008). Poverty in Cambodia is therefore overwhelmingly a rural phenomenon and essentially an issue of rural livelihoods. This is imperative when you consider that Cambodia is one of the poorest countries in Southeast Asia with 40% of households living below the poverty line (Huy, et al., 2009). The United Nations Human Poverty Index (United Nations, 2008) further points out that Cambodia is ranked 73rd out of 78 developing countries which mean that one third of Cambodians do not have enough to eat. The poverty reflects the legacy left behind with 30 years of civil war and genocide.

The general consensus is that the projections of 7% growth until 2010 will be greatly reduced; growth for 2008 is estimated only at 5.5%. This limits the Government's target of economic growth of at least 7% per annum over the period indicated in the NSDP (Royal Government of Cambodia, 2008). Given the current economic outlook, it might not be possible for the government to achieve its

Cambodian Millennium Development Goals (CMDG) targets of reducing poverty levels from 25% in 2010 to 19.5 in 2015 (United Nations).

3.4 Socio-Cultural Environment

In the analysis of the Cambodia development situation, cultural traditional traits have played a role in particular the embedding of neo-patrimonialism into the institutional systems and the lack of social cohesion and capital.

- **Patron-Client Relationships:** Ponchaud (1989) identified that the central traditional Khmer cultural elements were deference to authority, patron-client relationships, millennialism, communalism, violence and certain aspects of Khmer Buddhism. Khmer culture is inclined towards respect and fear of authority. Veneration for elders is unquestioned. Linked to this system of deference, the country has a heritage of patron-client relationships (Ponchaud 1989) wherein a person of higher rank (the patron) uses his or her resources and influence to provide favors, protection or a minimum level of subsistence to others (the clients) in exchange offer loyalty, labor or other services that can increase the patron's power.
- This system allowed for the complete substitution by the Khmer Rouge since as Thion (1991) observed "the complete lack of full-fledged intermediary structures between the population of peasants and the higher authorities left the way open for the unfettered exercise of dictatorial power". The concept of needing a *khnang* ("strong back" – patron) in the "string" (*khsae*) is an accepted one and is pervasive, permeating through all levels of society ((Fitzgerald, Sovannarit, Sophal, & Sokphally, 2007). When this informal type of power mixes with the bureaucratic power that comes together with state machinery, a form of governance called "neo-patrimonial" results wherein a complex chain of patronage relationships are present in the civil service and extends beyond, closely linked to the ruling political party, thus ensuring the overall support from the entire administrative system (Bratton and van de Valle, 1994; Kimchoeun, Pak et al. 2007).

- Cambodian political culture is then characterized by patronage and clientelism (Roberts, 2003) within the context of the democratic transition taking place. As in most fragile states with weak governance, Cambodia is pursuing a dual-track and contradictory policy with democracy in terms of electoral politics on one hand and a less democratic and less transparent track in the area of economic policy-making (Sorpong 2001). It is also noted that the legislative body is generally in a reactive law-making role, because the government drafts laws and submits them to the National Assembly for review and approval with the foreknowledge that the approval is dependent on the government of its present leader Hun Sen (Sorpong, 2001).
- **Social Capital:** Generally, Khmer life has lacked traditional, indigenous groups and networks unless those centred on the kinship or organised around pagoda activities (Ebihara, Morland, and Ledgerwood 1994). But thirty years of warfare destroyed most forms of social capital in Cambodia in reference to the actions committed by the Khmer Rouge, but violence predates the country's recent conflict in the form of political disruption since the fall of the Angkor Kingdom (Cullen & Colleta, 2000). Social capital is defined as the levels of trust evidenced in the attainment of livelihoods and economic or information exchange which can be broken down into community events, informal networks, associations, village leadership, and links with external agencies (Cullen, & Colleta, 2000). The legacy wrought by recent conflicts resulted to the loss of life, destruction of infrastructure, disruption of services, increased antagonism and distrust towards the state, massive changes in the economy including changes in ownership of property, population displacement, breakdown of social institutions such as family and religion, poor security – breakdown of rule of law and order and extreme physical hardship and psychological trauma (Cullen & Colleta 2000). The decades of militarism and authoritarianism has limited the opportunity of people to participation, shaping their attitudes, beliefs and expectations. This can also explain why the strong presence of the state has developed social capital. According to Buddhist beliefs and traditions, the “low status” of most of the poor can be attributed to merits in

their past lives and little can be changed (Cullen & Colleta, 2000). These beliefs reinforced the political status quo and to some extent can explain the social inequality and injustice (Cullen & Colleta, 2000).

However, with the relative economic stability, social capital has also changed in response and to the forces and influences of external market forces; Cullen and Colleta (2000) points out that networks formally based on the concept of mutual aid is giving way to a transactional nature based on rigid reciprocity and the need to earn income.

3.4 Aid Environment

The formulation of the Rectangular Strategy and its operational arm the National Strategic Development Plan (NSDP), has resulted to the government of Cambodia taking a firmer rein on the ownership of the national development agenda and more importantly taking steps to coordinate external assistance worth around \$ US 950 million for 2009 (this excludes US assistance) which overall amounts to about 50% of the total national budget and 9% of the Gross Domestic Product (GDP) (Second Cambodia Development Forum 2008). There have also been emerging donor countries investing in Cambodia such as China, Korea, Kuwait and Qatar (Cambodia Development Cooperation Forum, 2008)

The coordination mechanism includes the Cambodian Development Coordination Forum (CDCF) and the Government Donor Coordination Committee (GDCC) which is supported by the Council for the Development of Cambodia (CDC), the Cambodian Rehabilitation and Development Board and a set of 19 joint Donor-Government Technical Working Groups (TWG) who prepare joint strategies consistent with the NSDP, mobilize resources and jointly monitor progress (Cambodia: The Rectangular Strategy 2003).

Development assistance contributes significantly to the development process of Cambodia. It has been estimated that after the first General Elections in 1993, 35 official donors not to mention various non government organizations (NGOs) have provided developmental aid to Cambodia in various sectors (Chaboreth & Sok, 2008).

In ten years, the total development assistance to Cambodia totalled to about US \$5.5 billion and it obtains on average US \$600 million a year during the last five years (Van Damme, Van Leemput, Por, & Meessen, 2004). Ten percent is provided by international non-government organisations (NGOs) (Chaboreth & Sok, 2008). Most of the aid is funnelled towards government and administration, health, transportation, education and rural development (Chaboreth & Sok, 2008). A major amount of the overseas development assistance (ODA) is disbursed for technical assistance (Chaboreth & Sok, 2008).

Technical assistance represented half of the total ODA during 1998-2006, while the country programmable aid (that goes directly towards programs and services) accounted for only 40 percent (Chaboreth & Sok, 2008). The impact of technical assistance or cooperation has been a debate because it is generally supply-driven, poorly coordinated and provides for less capacity development than capacity substitution (Chaboreth & Sok, 2008). This was further brought up in another paper by the Cambodia Development Resource Institute with regards to one health project in 1999 which suggested that there were too many projects that were uncoordinated, unevenly distributed by specialisation and geographic area (Godfrey, et al., 2002). While so much focus was done on a specific area on health, some fields such as tuberculosis, and within HIV-AIDS, some specialisations received less coverage than others (Godfrey, et al., 2002).

Technical cooperation otherwise known as TC is not purely donor driven (Godfrey, et al., 2002) but development partners tend to control the decision making process over TC. The design and volume of TC is point of contention because of the number of foreign TC is high; as is the proportionate of Overseas Development Assistance (ODA) that is spent on TC. Because of the lack of critical needs assessment of capacity gaps and the government's own weakness in TC capacity management means that TC does not positively impact development results (Jonsson, 2008).

Due to the lack of ownership, the government is not in a position to impose discipline or a coherent set of operation principles to guide the TC process. In time,

the TC cycle has wrought about a brain drain as the best and brightest of the state are lured to work in projects or in international organizations. Progress has been made on capacity substitution rather than capacity development. In a sense then the ultimate objective of TA is to increase the output and incomes in the recipient economy; but this results in a tradeoffs. In the case of policy analysis and implementation, 'the net present value (NPV) of an advisor's direct intervention..is greater than the NPV of delaying intervention in order to associate local technicians with the process' (Godfrey, et al., 2002). This thus erodes ownership on the side of the government and can reinforce the aid dependency.

The high cost of TC as mentioned earlier involving international aid money spent on consultants and advisors has sparked criticism among government staff and civil society. The findings in 2004 revealed that 50 percent of ODA was dedicated to TC alone (Jonsson, 2008). It could be argued that the oversupply of TC is a result of development partners' need to extract commercial and political advantage out of the field-based programs they support (Jonsson, 2008). It could also be argued that projects and programs that rely heavily on TC are designed in such a way to maintain their presence in the country (Jonsson, 2008).

While development partners provide budget support to the Government, a large amount of external assistance is still allocated in the form of projects and technical assistance. Tension exists between the government's desire for changes in donors' operating modes and the donors' desire to see improved accountability and transparency.

3.5 Analysis

The philosophy of opening up the market as far as economic policy is concerned which has dominated conventional wisdom makes an implicit assumption on the welfare effects of growth; that neoliberalism will result in economic growth equating to enhanced social and economic welfare. Under the positive benefits of this impact, there is no argument on whom or which groups are made better off by the result as long as it is assumed that in the long-term, no-one is made worse off than they were

before. Once this supposition is accepted, it then becomes likely to model economic policy around a philosophy.

This is what has happened in Cambodia – the heavy reliance on the private sector to generate the trickle-down effect and assist in the poverty reduction efforts is impeded by what Tea Phalla, Deputy Director of the National AIDS Authority says *“little focus on investments in human resource and agriculture. It is obvious that the legacy of the Khmer Rouge has impacted on these two sectors and yet the government has made little headway in these areas”*¹. Another respondent Srun Darith, Deputy Secretary General and Head of the Technical Working Group on Food Security and Nutrition of the Council for Rural and Agricultural Development in justifying the trend towards social safety nets in food security remarked that at the onset of the economic crisis, Prime Minister Hun Sen was supposed to have said that the *“(economic) crisis now gave everyone the realization to prioritize and invest in agriculture”*². This is a telling remark because enshrined in the Rectangular Strategy is a focus on enhancement and diversification of the agricultural sector. The strategy and the National Strategic Development Plan have been in place since 2006 and yet it took a food and economic crises for the country to realize those needed priorities.

The area of capacity building is likewise important because among the legacies of the Khmer Rouge has been the devastation of its intellectual base which can explain why the country has a heavy reliance (and oft justified by international organizations) on technical assistance. Both the respondents from National Aids Authority and the Council of Agricultural and Rural Development (ironically both are policy-making bodies) admit that their agencies lack the capacity and capability to carry out the needed work and therefore the dependence on donors to greatly assist them.

However, the pressure by donors and bilateral for issues related to “good governance” and “accountability” against the state – issues that are endemic to Cambodia - cannot also be said to be wholly unselfish or concerned wholly about

¹ Interviewed, August 3rd, 2009

² Interviewed July 23, 2009

development. In a country with an open economy like Cambodia, donors are welcome as they contribute to the Gross Domestic Product. It is generally understood that donors have their priorities and strategic interests within their host countries. In the case of the foreign aid industry – it is also about “business as usual” and this is manifested in the high amounts of aid money being used for technical cooperation or assistance by foreign consultants of which only 40% goes to development implementation. These are funds that should directly go to the country’s development but instead go back to securing the position extracting commercial and political advantage out of the programs donors support. From this perspective, Cambodia can be seen to be a neoliberal vehicle for development. The impact of foreign aid has led to poorly driven and coordinated development, to the prioritization of some interests over others (HIV-AIDS over malnutrition for example).

Neoliberalism has also mixed with the neo-patrimonial feature of Cambodia. This informal type of power which mixes bureaucratic power with the state machinery has been linked to the issues of social injustice. This is exemplified in particular to land and housing rights which have an impact on food security. The absence of security of tenure, in the context of endemic corruption and a rapid influx of foreign investment and economic development, has resulted in a land rights crisis in Cambodia. At least 150,000 Cambodians currently live under the threat of forced eviction, including approximately 70,000 in Phnom Penh (Amnesty International , 2008). The Office of the High Commission on Human Rights (2009) in its Land and Housing Rights Report charges that the instigators of forced evictions throughout the country were “*well-connected private individuals, domestic and foreign companies, and government authorities including the Royal Cambodian Armed Forces (RCAF)*”. Again, this is another case where the government not only has failed in its obligations to protect its citizens against forced evictions but is often actively involved in illegal land-grabbing.

What this means is that despite having policies that may look good on paper and in spite of conditions of accountability, transparency and good governance underwritten into donor guidelines, the state chooses to prioritize its own agenda – such as investments into garments, tourism, and construction which provide for the

necessary foreign direct investments (FDI) needed by the country in a relatively short period of time— at the expense of social entitlements. The dual-track approach when it came to politics is an example of a graduated sovereignty. Issues related to politics and governmentality were imposed by international bodies with the consent of the state only for the latter to implement the process on a superficial level while at the same time pursuing their own interests.

The next chapter examines the policies related to food security and HIV-AIDS within the context of graduated sovereignty.