

The Impact of Neoliberal Policies on Cambodian Society

Written by Simina Ghit

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SIMINA GHIT, SEP 13 2012

Introduction

In 1989, the fall of the Iron Curtain generated enormous waves of optimism across the Western world, reaching a multitude of audiences and platforms. From politicians to academics, the “triumph of liberalism” was being celebrated and it brought about what has come to be known as “the new interventionism”, where the ultimate end game was to reform the international society and create a new world order (Mayall, 2001). One way of achieving this “reformation” involved the legitimization of UN interventions in states such as in Cambodia, Bosnia and East Timor where conflict resolution and peacebuilding operations were carried out under the umbrella of the “liberal peace”.

The liberal peace framework combines democracy, free markets, development and the rule of law and aims to provide military security, the institutions of consensual and democratic governance, economic opportunities, the rule of law and human rights (Richmond &Franks, 2007: 29). Nevertheless, Roland Paris has argued that “the principal flaw [of liberal peace] is that international agencies have prescribed market democracy as a remedy for civil conflict without adequately anticipating or taking action to limit the inherently destabilizing side-effects of this remedy” (Paris, 1997: 59). Similarly, Oliver Richmond and Jason Franks argue that liberal peacebuilding has, in fact created very weak states and institutions which are dependent upon foreign support and subject to contest over power-sharing and corruption (Richmond &Franks, 2007:29). This essay aims to focus on the effects of one aspect of the liberal peace paradigm, namely neoliberal policies placed in the context of Cambodia post Paris Peace Agreements.

It argues that the promotion of unfettered and intense marketization is the foremost causal factor in the country’s inability to consolidate democracy, following a United Nations sponsored transition. Moreover, it will be argued that neoliberalism, in its current form is hindering an indigenous burgeoning of democratic politics in Cambodia, by strengthening the Cambodian elite at the expense of ordinary citizens, but also by doing so, it undermines the other components of the liberal peace, such as democratization or human rights. The essay will be structured as follows: firstly, it will present an overview of the international context which generated the prescription of neoliberal reforms in Cambodia as part of the peacebuilding agenda. Secondly, it will show that the neoliberal emphasis on private property has resulted in allowing the ruling elite to deepen its clientelistic webs and corrupt practices, proven by numerous cases of land swaps, expropriations and transferring of public holdings to private investors, in order to hold the grip on power. Moreover, it will be argued that the more evident ways in which neoliberal policies have affected the social fabric of the Cambodian society are the criminalization of the poor in the name of “beautification” or the denial to use public space as a way to express discontent in the name “development”- supported by the “order and stability” ethos of neoliberalism- as a way to attract foreign investors and place Cambodia on world map of investment and trade. These arguments aim to support the premise that as a result of the neoliberal agenda the drive for profit outstrips human livelihood; that neoliberal policies have led to the neglect and peril of social justice and that democratic and human rights are hindered by the quest of turning Cambodia into a competitive market economy.

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The Cambodian state started its economic liberalization in 1989, transforming the relationship between central and local government and between local government and society (Hughes, 2003: 40). Even though the economic reforms reached their peak after the UN intervention, the 1989 reforms must be placed within an international context, which

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had an essential role in dictating the subsequent trajectory of the Cambodian economic policies. In the 1980's, the mantra of neoliberal ideology, which came to be applauded and embraced by financial institutions headquartered in Washington D.C. , insisted on the "roll-back" of the state in every area of its activities across the developing world. This view, commonly known as "The Washington Consensus" saw the IMF coercing states in crisis into blanket programs of privatization and of contracting out, if not dismantling completely, welfare systems (Hughes, 2009: 51).

Following the same line, the concept of "global governance" emerged in the 1990's in response to perceptions of declining state power, increased independence and the rise in global problems which required multilateral conditions (Hughes, 2003:9). The focus on governance, combined with the minimal role of the state, advocated by the Washington Consensus, meant that financial institutions such as the IMF or the World Bank, along with specialized agencies, bilateral donors and even NGOs were led into new forms of intervention which involved micro-managing the reordering of state agencies. Cambodia was now incorporated in these new orders of intervention and post-intervention scrutiny, with little leverage for independent decisions. Caroline Hughes argues that nine years after the departure of UNTAC, "almost every aspect of government in Cambodia remained subject to increasing level of donor inspection" (Hughes, 2009: 52).

Since 1993 Cambodia has received aid totaling over 5.66 billion dollars, which the Economic Institute of Cambodia suggests, "has greatly contributed to the reconstruction of Cambodia, boosting economic growth, financing trade and budget deficits, and to some extent, alleviating poverty (EIC, 2005). However, according to UNDP health statistics in the country are worsening, and there seems to be a steady growth in the rate of poverty. Moreover, 50% of Cambodians are classified as living in "severe poverty" securing the country as the worst performer in East Asia and the Pacific (UNDP, 2011:1). There is a clear discrepancy between the external financial support and the situation on the ground. There are multiple explanations for that, but they can all be traced back to the neoliberal policies as part of the peacebuilding agenda. Seemingly, the results of the push for neoliberal policies from donors have not affected positively the livelihoods of ordinary Cambodians.

On the contrary, it is arguable that they have acted as a catalyst for increased divisions between the rich and the poor. Richmond and Franks argue that this is a consequence of liberalization without adequate state intervention or protection (Richmond &Franks, 2007:42). Moreover, the UNTAC presence, which in many ways initiated the neoliberal reforms in Cambodia, fuelled an artificial boom and caused massive inflation, which was economically and socially destabilizing. Far from generating 'trickle down' wealth to the lower echelons of society as its advocates planned, it succeeded only in creating a small group of very rich people (the ruling elite), with serious consequences on the majority of the people who saw a fall in their standards of living due to insecurity and inflation (Kato, 1997:202). UNTAC funded up to 50% of the central government budget, which meant that over the years this created a vicious circle of dependency and that rather than attempting to cooperate with the local authorities to extract resources from the population. At the same time, the central government was more interested in strengthening the political attachment of local authorities to deliver the electoral victories, necessary to qualify for further international aid (Hughes, 2003: 52). This in turn created multi-layered clientelistic webs, which allowed local power-holders to enrich themselves at the expense of the poor (Ibid).

The legitimization of private property, as part of the neoliberal agenda, together with the increasing use of cash in an internationally emerging economy, increased the rewards and opportunities available, and saw an integration of state employees more closely into the state structure as a result of the central government's protection of local exploitation of these opportunities (Hughes, 2003: 42). Moreover, in Phnom Pehn, where the central government resided, Cambodia's transition to the free market entailed an immediate sale of government resources, by those who controlled them. The privatization of state-operated enterprises enriched individual civil servants rather than the treasury as a whole. Springer argues that while the transfer of ownership from the public to the private sector aims to make public holdings more competent, efficient and profitable, the Cambodian characteristics of neoliberalization modify this idea and place it in the country's patronage system. As a result, efficiency and competence have little relevance, and profit for well-cemented power brokers accordingly becomes the primary motivation (Springer, 2009: 340).

Moreover, Springer advances the idea that neoliberalization in the Cambodian context is mired in the obscurity of

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shadow state politics, where kick-backs are a necessary component of its substantive “roll-out”. A pertinent example of the Cambodian idea of the Shadow State is the case of Sokimex, a company owned by Hun Sen’s (Cambodia’s Prime Minister since 1985) closest friends. Sokimex is Cambodia’s largest business conglomerate with an extensive portfolio including business ventures in petroleum, gas imports, hotels, a service station chain, import-export services, an exclusive contract to supply the Cambodian military with fuel and clothing (Cain, 2009). The exclusivity of the contract which turned Sokimex’s owner into a veritable tycoon, was possible as a consequence of neoliberal policies prescribed by international donors and reinterpreted by the Cambodian elite to ensure that their privileged positions go unchallenged (Springer, 2009: 343). This is just a facet of the issue surrounding an international push for neoliberalization, without assessing the consequences and placing them in the larger Cambodian context.

State reforms advocated by the international interveners are indicative of a concern to rationalize and legalize the extractive and repressive activities of the state and to leaven them with ideas of the free market, sustainable development, which in turn will generate profit which will trickle down to the poor. But the fact that control over the economic resources altered between arms of the local authorities and different aid agencies infused by various means, did not significantly affect the poor, who were excluded in any case, unless they could appeal to the graces of those who controlled the funds (Hughes, 2009: 56).

The collusion of civil servants and government employees with the country’s corrupt high-ranking officials has been empirically demonstrated by an issue which has been plaguing Cambodian society since the early 1990’s: land swaps. Numerous examples of deals involving central Phnom Penh and Siem Reap locations where institutional facilities, such as ministries or police headquarters have been exchanged for substantial amounts of cash and privately held lands on the periphery of these cities.

The transferring of public holdings to private investors, through land speculation has been “tainted by the insignia of primitive accumulation under Cambodia’s neoliberalization”, where over the past 15 years, private investors have purchased an incredible 45% of the country’s land area, according to Global Witness (Global Witness, 2009). This practice does not only take corruption to paroxysmal levels, but in a more direct way has affected up to 10000 people due to forced evictions and land-grabbing.

Simon Springer embraces a very critical view on the reason why land swaps/grabs, expropriations and the inability to use public space to express discontent have been prompted by neoliberal policies applied to the Cambodian context. He argues that the preoccupation of external donors with “order and stability” in Cambodia, as an indicator of progress, serves the interests of capital on the global level and political elites and the level of nation-state, (Springer, 2005: 2) therefore when the government embarks on projects such as the “beautification” of Phnom Penh, which it will be argued has severe consequences for the Cambodian citizens, the neoliberal donors turn a blind eye.

The “beautification” project-banning of homelessness, placing shopping malls on public spaces or privatizing parks-was designed in the name of comfort, safety and profit , where “political activity is replaced by spaces like the mall, festival marketplace or a redesigned park [...]in a highly commodified spectacle designed to sell good or the city as a whole” (Ibid). He argues that the beautification of Phnom Penh is little more than a sales pitch to would-be investors. Moreover, the relationship between the authoritarian behavior of the regime and the neoliberal concern with order and security is illustrated by periodic roundups and exile of the homelessness from the capital and from the tourist mecca of Siem Reap, home of the Angkor Wat. The phenomenon of criminalizing the poor is increasing in Cambodia, where street people often complain of arbitrarily arrested and being beaten up by the police, or gathered up by the military and shipped by truck out of the province, where they are dumped and told not to return to the city-claims strongly denied by the authorities (Springer, 2005:28).

Moreover, evictions are taking place under the pretext of beautification and “development”, where tycoons initially acquire the land in question and only subsequently offer it for lease or sale to private foreign companies. This led to at least 10000 families having been evicted from Phnom Penh over the last 8 years, making way for “development projects”, where many families never received any compensatory money or resettlement for their loss. Therefore, the drive for profit, legitimized by the neoliberal agenda, outstrips concerns for human livelihood (Ibid). David Roberts takes a critical stance regarding the peacebuilding agenda as a whole, on the issue of land swaps and the way in

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which the importance of the “rule of law” has affected the Cambodian poor. He argues that the rule of law has brought with it a legal system unaffordable to the majority of the poor people, most of who are without substantial state or private legal support. Moreover, the application of the rule of law principles and practices to land issue has increased rural impoverishment, violent conflict, dispossessions and corrupt constabulary intervention (Roberts, 2008:72).

The argument that the push for “order and stability” as part of the neoliberal agenda is hindering other aspects of democracy, is demonstrated by the RGC’s (Royal Government of Cambodia) maintaining tight control of the city’s public space by enforcing a strict social order. Mitchell argues that “public space is an unconstrained space within which political movements can organize and expand into wider arenas” (Mitchell, 2003:30), but this is blatantly defied by the authorities which have banned public demonstrations. The right to freedom of assembly has been scrapped under the pretext of order and stability, supported by neoliberal donors under the argument that “without order and stability, liberty is simply impossible” (Springer, 2005: 32). Moreover, the donors’ insistence for “order and stability” is motivated by a desire to maintain a viable market economy; however, when states have been weakened by economic reforms imposed by the same external donors, such as the Structural Adjustment Programs (SAP’s), “order and stability” can only be achieved through violence from above. Because the state has been rolled back from the workings of the economy, they cannot respond to the demands of the citizens in meaningful and non-violent ways (Springer, 2005: 39). The reason why authoritarian regimes, as long as they adhere to the free market, are tolerated by the advocates of the neoliberal agenda, is that the privatization of space, as part of the neoliberal promotion of an “ordered” vision of public space, takes precedence over the methods used to enforce order in society (Ibid).

As previously mentioned, the importance of public space as a locus for expressing discontent with the modus operandi of the government is diminished by the neoliberal reforms, as public space is at the antithesis of the neoliberal order, and it is for this reason these reforms are concerned with privatization schemes. As public prosperity, services and goods, and more broadly, public space itself are beyond the penetration and scope of the market, their privatization becomes a main concerns, so as to facilitate them being observed and subjected to the control of the market forces. This is clearly visible in the case of Cambodia, where the RGC’s crackdowns on public space have not come under the scrutiny of bilateral donors (Springer, 2009:40). As it seems, the dogmatic focus on economic liberalization has led to the neglect and peril of social justice.

Conclusion

The UN-led intervention in Cambodia has indubitably represented the generator for changes in the Cambodian society. However, it has been argued that the most poignant aspect of the liberal peacebuilding agenda, namely neoliberal economic reforms, has not been a “yellow-brick road” towards democracy or human rights. On the contrary, the incessant promotion of unfettered marketization by the neoliberal donors has represented the most important causal factor for Cambodia’s inability to build or consolidate on some aspects of democracy. Market democracy is inherently destabilizing, as it functions according to the logic of various actors vying for resources; In the Cambodian context, this translated into the ruling elite dominating the access to resources, seeking to please the external donors in order to consolidate their positions of power through clientelistic webs, rather than working to achieve the “trickle down” effect for the poor. Moreover, the promotion of private property and privatization of state owned companies by neoliberal donors generated a multitude of problems: from the increased levels of corruption of state officials who abused their position to engage in activities such as land swaps, to the emergence of tycoons who monopolize the companies with which the Cambodian state makes business- these aspects have long-term implications for the future of the Cambodia’s trajectory. However, the more palpable effect of neoliberal policies, are on the one hand the criminalization of the poor, in the name of “beautification” and “development” as a way to appeal to foreign investors, and on the other hand the hindrance of democratic and human rights, such as the freedom of assembly or right to protest, and the legitimization of violence from above in the name of “order and security”. Public space, which generally represents the place where the population can express their grievances as part of a democratic system, has been replaced by private space as a place for making business and contribute to the market economy. Social justice has suffered a serious backlash in the quest of transforming Cambodia in a veritable market democracy and a powerful actor at the global level, legitimized by a push for neoliberal policies as part of the peacebuilding agenda promoted by the UN intervention. The level of penetration of neoliberal policies in Cambodian

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society are significant after more than a decade of unfettered reforms, therefore instead of concluding remarks, this paper has an open ending, as one cannot stop wondering what the future holds for the large majority of Cambodians who are still at the “mercy” of the ruling elite...

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