CAMBODIA IN 2007

Development and Dispossession

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Abstract

This year saw continued economic growth but increasing discontent over inequality and dispossession. Mindful of upcoming elections, Prime Minister Hun Sen declared a “war on land-grabbing,” with little practical effect. Infighting within the political opposition consolidated the government’s electoral prospects, while the protests of the poor were forcibly suppressed.

Keywords: Cambodia, development, dispossession, inequality, elections

Cambodia’s state-society relations were influenced by three factors in 2007: the booming economy, its effect on resource distribution, and the electoral cycle. These issues were significant in determining the combination of cooptation and repression in government policy, and the popular response.

Cambodia’s economic boom moderated this year. The spectacular 13% gross domestic product (GDP) growth of 2005 dropped to 10.4% in 2006 and is predicted to reach a respectable 9% for 2007. GDP growth continues to be driven by garment manufacturing; garment exports increased by 20% in 2006, providing 334,000 new jobs. In 2007, expansion slowed because of increased competition following Vietnam’s entry into the World Trade Organization. In 2008, the International Monetary Fund (IMF) expects that further erosion of garment exports will slow overall growth to less than 8%.1 Since the 2005 border

agreement with Vietnam, the Cambodian government is pursuing the development of Special Economic Zones on its borders with Vietnam and Thailand. These zones take advantage of cheaper utilities across the border and award investors tax breaks and special services to boost competitiveness and spread the rewards of development beyond Phnom Penh and its environs.

Agricultural performance in Cambodia slowed more sharply. One report suggests that the spectacular 13.4% growth in 2005 declined to only 4.4% in 2006, on a par with the 3.4% a year achieved on average between 1994 and 2004. The 2005 figures may have been largely because of unusually good weather. Rice production, accounting for 88% of crops harvested, remains erratic and is subject to drought and flooding, with only 7% of arable land irrigated, the lowest rate in Southeast Asia. Poor performance in agriculture affects the 70% of the expanding work force who depend upon this sector: poverty is concentrated among rural farmers. The government has proclaimed irrigation expansion a priority, but at present, agriculture is the Cambodian economy’s poor relation.

The rosy picture thus hides some significant problems for the Cambodian government as it heads into elections in 2008. The benefits of economic growth have been disproportionately urban, aiding the rich at the expense of the poor. In part this is directly due to cronyism within government. The Phnom Penh Municipality, for example, in 2007 sold the city’s Boeung Kak Lake area for redevelopment to a Cambodian People’s Party (CPP) senator for the discount price of US$79 million, or $0.6 per square meter. This was a favorable deal in a town where prime real estate sells for $700–$1,000 per square meter. The redevelopment of Boeung Kak will displace 4,250 families.

This forthcoming eviction is one of many, and contention between developers and the dispossessed has been widespread. The year saw protests in Phnom Penh by farmers from Koh Kong Province whose orchards had been bulldozed to make way for sugar plantations owned by another CPP senator, and a land-grabbing lawsuit by indigenous Jarai people against the sister of Finance Minister Keat Chhon. In Poipet, 466 families were turned off their land; 300 more were forced out of squatter homes in the Angkor Park in Siem Reap, where they had lived for a decade; 100 families were evicted from the Tonle Bassac area of Phnom Penh; and tons of rubble were dumped on family homes lying in the way of port expansion in Sihanoukville.

This kind of eviction has become a feature of Cambodia’s development over the past decade. Official title to land is difficult and expensive to come by: 80% of rural households with land have no secure title and are easily displaced.\textsuperscript{4} Courts and local authorities who can award title or adjudicate land disputes remain highly politicized and corrupt—a situation the government has failed to remedy. Combined with frequent distress sales, associated with food insecurity and high health care costs, the pattern of land ownership has been transformed since the socialist era ended in 1989. A relatively egalitarian distribution in 1989 has given way to sharp inequality: the top 10% now own 64% of the land and the top 1% own an estimated 20%–30%.\textsuperscript{5} Twenty percent of the rural population is now landless, a rate that increases by two percentage points per year.\textsuperscript{6}

Resource Issues

In 2007, the Cambodian government responded halfheartedly to public discontent. A draft sub-decree on evictions was produced, raising hopes that the violence associated with evictions would end but also fears that squatters’ rights would be further eroded. Squatters’ rights campaigners noted that the sub-decree in effect legalized forced evictions. Although it mentions compensation, it includes no clear rules for determining what is fair.\textsuperscript{7} Mindful of forthcoming elections, Prime Minister Hun Sen made speeches this year threatening to rein in “land-grabbers” and raised the specter of a farmers’ revolution if abuses continue. However, the only action taken so far has been the arrest and prosecution of individuals associated with the prime minister’s long-time CPP rival, Chea Sim.\textsuperscript{8}

Forest resources are the subject of similar concern. In 2007 the international nongovernmental organization (NGO) Global Witness produced a report attributing the destruction of 29% of Cambodia’s forest cover in five years to a “kleptocratic elite.” The report documented the apparently tight connections between the owners and exploiters of Cambodia’s land and forest resources and the family of Hun Sen.\textsuperscript{9} The report, controversially, was banned by the Cambodian government in July.

\begin{itemize}
\item \textsuperscript{6} UNDP, \textit{Expanding Choices for Rural People}, p. 11.
\item \textsuperscript{8} Sue-Lyn Moyle and Aun Pheap, “Prime Minister Talks Tough on Land-Grabbing Issues,” ibid., April 6–19, 2007.
\end{itemize}
In this ongoing redistribution of resources from the poor to the rich, Cambodian tycoons linked to the ruling party are well placed to cash in. Domestic investment outstripped foreign investment for the first time in 2007, in a climate that is increasingly lucrative and predictable for those with connections. As Hun Sen has consolidated his dominant position, the turf wars among different patronage networks, which caused sudden and unpredictable shifts in government activity in the past, have largely ceased. Today, government processes still work through personal and unofficial channels but these processes are better institutionalized and offer an effective service to the well-connected, significantly reducing investment risk. Indeed, the award of monopolies to favored companies, such as the four-year monopoly on the lucrative football gambling business awarded to Cambo Six this year, virtually guarantees generous profits. In September, to facilitate the expansion of Cambodian companies, the government announced a plan to open a securities exchange in 2009. Within a week of the announcement, legislators passed a securities law—a flurry of activity unmatched with respect to other long-awaited legislation, notably the anti-corruption law, which is entering its twelfth year in the drafting process.

Cambodia’s main source of foreign investment this year was the People’s Republic of China, which is also its largest aid donor. The close relations between Cambodia and China have caused concern among Western donors over the erosion of donor leverage in pursuit of governance reform. Chinese companies are preparing to build three hydroelectric power stations in Cambodia and are in the bidding for rights to explore Cambodian offshore oil reserves.

The Future of Oil

Predictions that Cambodia can expect to receive revenues from oil drilling of $170 million a year by 2011 and $1.7 billion a year by 2021 have intensified concerns over the future trajectory of governance. At their peak, revenues from oil alone will be worth three times current international aid receipts. Concerns about a “resource curse” appear justified, as mechanisms put in place so far for managing oil wealth suggest business as usual. The Cambodia National Petroleum Authority (CPNA), responsible for the petroleum industry, has been shifted from the Ministry of Industry, Mines, and Energy to the direct control

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11. I.e., soccer, in the U.S.
12. Chevron reported finding oil off the south coast of Cambodia in 2005; further exploration continues. The full size of the resource is not yet known, but government reports suggest that oil revenues could begin to flow in two to three years.
of powerful Deputy Prime Minister Sok An, ostensibly to simplify the contracting process.\textsuperscript{13} Previous research into successful aid projects in Cambodia, however, suggests that the most efficiently managed operations are those that are insulated from political actors and given a high degree of decision-making autonomy.\textsuperscript{14} The CPNA has been secretive about its dealings with oil companies so far: one Canadian oil firm reportedly withdrew from the bidding process, claiming that bribes were solicited for permits that never materialized.\textsuperscript{15} The Cambodian government appears set to use oil as it used forests, as a resource to generate political slush funds that reward regime supporters.

In the electoral arena, this strategy has worked well for a decade now. This year saw voters passing judgment on the commune chiefs and councils they first elected back in 2002. The CPP swept the board with 61% of the popular vote and wins in 98.2% of communes, a result little changed from 2002. Government spokesman Khieu Kanharith attributed the CPP win to the fact that the party had “spent at least one million riel [$250] in each commune on development projects.”\textsuperscript{16} Combined with threats of withdrawal of government protection and dispossession of land, regularly reported by opposition supporters, the strategy of ameliorating discontent with a school- and road-building program appears to have been effective in winning votes.

However, electoral turnout dropped markedly, from 87.5% in 2002 to 65.4% in 2007, prompting opposition claims that their supporters were excluded from voting and will be excluded again in national elections in 2008. Among the opposition parties, the commune election results also revealed the impact of a year of royalist infighting. The CPP’s longstanding royalist coalition partner, FUNCINPEC (a French acronym for the National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia) fell apart following the 2006 ouster of its former leader, Prince Norodom Ranariddh. Ranariddh became the target of a lawsuit by FUNCINPEC Senator Nhiek Bun Chhay, who accused the prince of corruption in the 2006 sale of the front’s Phnom Penh headquarters. Ranariddh was found guilty in March 2007 of breach of


\textsuperscript{15} “Cambodia Finds Oil and Changing Fortune,” \textit{Bangkok Post}, December 17, 2006.

trust and sentenced to 18 months in jail. The affair kept him out of Cambodia, unable to campaign for his new Norodom Ranariddh Party, in the commune elections. Wrangling between Ranariddh and FUNCINPEC was public and bitter all year, reducing the chances of a strong royalist showing in the 2008 national elections.

The other main opposition party, the Sam Rainsy Party (SRP), consequently emerged as the only serious opposition contender, with a quarter of the popular vote. Yet, it too has its problems. In 2006, in the face of threats of imprisonment against its leader Sam Rainsy, the party accepted a constitutional amendment lowering the threshold of parliamentary seats required to form a government from 66% to 50%. Since then, the party has been uncharacteristically quiet. Relations between the SRP and the CPP have improved, allowing the former to function; however, human rights activists complained this year that as a result the party had been less effective in performing its role as a watchdog and champion of the poor. The SRP may be calculating that the collapse of the royalists could consolidate the opposition vote, delivering power to the SRP in 2008 elections. It is difficult to see the CPP permitting this outcome, and the launch of a new Human Rights Party by prominent opposition figure Kem Sokha may split the opposition again, leaving the CPP to rule alone or in coalition.

The current quiescence of the opposition raises the question of whether the CPP has become too powerful for its own good. Without an activist political opposition in an environment of sharply decreasing tolerance for public protest, there are now few outlets for the discontented to vent their frustrations in Cambodian politics. Civil society continues to be sharply circumscribed; the labor movement lost another leader this year with the contract-style killing of a Free Trade Union leader, Hy Vuthy. Cambodian trade unions did not hold their customary May Day Parade following violent confrontations with the police in 2006. In June 2007, the government banned protests by Buddhist monks following a series of demonstrations outside the Vietnamese Embassy over the treatment of ethnic Khmer monks in Vietnam’s Mekong Delta. Signs of social alienation have been widely documented in rising rates of drug addiction and youth gang membership.

The CPP in 2007 appears more powerful than ever, with large flows of cash at its disposal from China, oil companies, and Cambodian entrepreneurs as well as from Western donors. However, the party presides over a society in which inequality, landlessness, and alienation are rising. The government’s response has been a combination of cooptation and the mobilization of a menacing political climate of suppression. This has been effective so far and will doubtless deliver a further election victory in 2008. In the long run, however, it is difficult to see how stability can be sustained unless action is taken to rein in abuse and sharply improve the plight of the poor.