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# CAMBODIA IN 2008

## *Consolidation in the Midst of Crisis*

\_\_\_\_\_ Caroline Hughes  
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### Abstract

The Cambodian People's Party (CPP) consolidated legislative control with a decisive election victory in 2008. Four contributing factors are identified: CPP control of local authorities who can deliver the vote, its marginalization of the opposition, the mass patronage enabled by an economic boom, and exploitation of a border dispute with Thailand.

Keywords: elections, decentralization, inflation, Preah Vihear, military

The year 2008 saw a dramatic consolidation of control over Cambodia's national legislature by the Cambodian People's Party (CPP) as a result of its landslide victory in national elections. The victory reflected four converging factors: the CPP's expanding control over the administrative apparatus of governance; its successful marginalization of the political opposition; the economic boom over which it has presided; and the deteriorating relationship with a crisis-ridden Thailand that, as in the last election year of 2003, gave the government a nationalist boost just in time for the election.

The CPP won 58% of the popular vote in the July 2008 election, but Cambodia's proportional representation system based upon multi-member provincial constituencies gives a significant advantage to the largest parties, awarding the CPP 90 out of 123 National Assembly seats. This was an increase from 73 in the last parliamentary term. New rules on the formation of governments meant that for the first time since the passage of

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the 1993 Constitution, the party had the mandate to form a government alone, without the need to entice opposition parties into coalition. In 2003, horse-trading over coalition building delayed the formation of a government for almost 12 months following the elections; in 1998, the delay was six months. In 2008, a short-lived attempt by opposition parties to boycott Parliament soon collapsed in the face of the CPP's strength. The CPP swiftly formed a government with the support of the two elected deputies from the *Front Uni National pour un Cambodge Indépendant, Neutre Pacifique et Coopératif*, better known as FUNCINPEC. The National Assembly presidency, the heads of the nine National Assembly committees, and all ministerial positions now belong to the CPP, for the first time since 1993.

### Political Consolidation

Consolidation of control over the legislature both complements and reflects the CPP's long-standing strategy of monopolization of the administrative apparatus. Over the past few years, this strategy has been elaborated through a grand program of decentralization and deconcentration of power, which has had far-reaching effects, almost uniformly beneficial to the ruling party. The first step of this strategy was the institution of elections for commune chiefs and councils, held in 2002 and 2007. In both elections, the CPP, as the largest and best-organized party, prevailed; it currently holds power in all but 30 of Cambodia's 1,621 commune-level authorities. In 2006, these commune councils appointed or reappointed Cambodia's 13,000 village chiefs in a new system that cements the party's dominance to the lowest levels of administration.

This control of local administration awards two electoral advantages to the CPP. First, it ensures that CPP loyalists are in charge of voter registration, prompting accusations by opposition parties this year that the process is highly politicized and that up to a million opposition party voters have been disenfranchised. Second, although village and commune councillors are formally prohibited from campaigning for political parties "during working hours," in practice election observers in successive Cambodian elections have documented the active role played by local authorities in campaigning and turning out the CPP vote. These activities are coordinated by the CPP's network of district party offices, and overseen by a senior party member—a minister or secretary of state—assigned to the district. This system has proved highly effective in ensuring the conversion of mass patronage and administrative control into votes. Election observers this year noted that although elections in 2008 were better organized and freer than previous elections, open political campaigning on behalf of

the CPP by members of the executive branch, the armed forces, and local authorities had greatly increased.<sup>1</sup>

The next phase of the decentralization and deconcentration strategy looks set to replicate this political control at the district and provincial levels, which lie between the national and local layers of government. A new law was passed in April providing for the creation of a new provincial and district government system, in which “indirectly elected” councils will oversee the work of appointed governors in development planning and service delivery at these levels. An as-yet-undetermined array of functions currently carried out by national ministries will be “deconcentrated” to these levels, and this should give them substantial control of resources and services. Currently serving commune councillors, rather than the population as a whole, will comprise the electorate for provincial and district council members, via a process of proportional representation on the basis of party lists. The CPP’s huge majority at the commune council level ensures that it will sweep the boards in district and provincial council elections, scheduled for 2009; in turn, dominance at national, provincial, district, and village level should ensure victory in the next round of commune elections in 2012. The decentralized system has created a revolving cycle of national and subnational elections that mesh like gears to award exponentially increased advantages to the incumbent.

At the same time, heavy-handed action against the opposition parties midway through the last electoral cycle has neutered the challenge of the political opposition. In the face of aggressive defamation lawsuits that carry a penalty of imprisonment, and the conviction of key individuals from the media, political parties, and trade unions, both the FUNCINPEC and Sam Rainsy Parties in early 2006 were coerced into supporting a motion to lower the bar for forming a government from a two-thirds to a simple majority vote in Parliament. Following this surrender of bargaining power, the ideologically incoherent royalist movement split into two troubled parties that garnered only four seats between them in this year’s election, down from the 26 achieved by a united FUNCINPEC in 2003. The Sam Rainsy Party, with its clearer agenda and strong urban constituency, did better than previously, with 26 seats as opposed to 24 in 2003, and the new Human Rights Party, which joined the Sam Rainsy Party in the boycott, won three; however, these add up to little real leverage in a CPP-dominated Parliament and executive. For these reasons, a CPP victory carried a sense

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1. The Committee for Free and Fair Elections in Cambodia (COMFREL) (2008), *2008 National Assembly Elections, Final Assessment and Report* (Phnom Penh: COMFREL), online at <<http://www.comfrel.org/images/others/12250728892008%20NAE%20Report.pdf>>, p. 8.

of the inevitable this year; perhaps in part as a result of this, there were fewer incidents of violence and intimidation, and voter turnout declined from 83% in 2003 to 75% this year.

### Economic Growth: Boom or Crisis?

Ostensibly, the CPP had much to boast about in its political campaigning. Until the global financial crisis began to take its toll in September 2008, Cambodia's stunning rate of economic growth had continued. In the middle of the year, Minister of Economics and Finance Keat Chhon's estimate of 11% annual growth since 2005 was widely cited, and the impact of this growth was observable. In Phnom Penh, dramatic new skyscrapers are under construction, along with vast housing developments and shopping malls. The traffic at rush hour is regularly gridlocked as the new wealth spawned by increases in land values finds its way into Toyota and Lexus salesrooms. The rapid expansion of the private banking sector and the level of domestic bank deposits fueled the spending spree as private credit growth surged, peaking at 103%, year on year, in June 2008.<sup>2</sup>

Cambodian government figures released in 2007 suggested that the rate of investment approvals had increased tenfold, from \$270 million in 2000 to \$2.63 billion in 2006. The proportion of the total that represents Cambodian, as opposed to foreign, investment has doubled over the same period.<sup>3</sup> Actual foreign direct investment reached an estimated \$750 million in 2008, led by China, South Korea, and Thailand but coming also from Russia and the United States.<sup>4</sup> The fastest-growing sectors were agriculture and mining, although less was heard about the prospects of oil revenues this year, prompting speculation that recent exploration has yielded disappointing results.

The benefits of this economic frenzy did not reach everyone. What appeared as a bonanza for rich tycoons and for the moderately landed middle class took the form of increased vulnerability and desperately high food prices for the poor. Inflation rose to 26% in the first half of 2008, fueled by oil prices, the rice crisis, and rising domestic demand. Before the new harvest began in November, rice prices peaked at 50% higher than at the start

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2. International Monetary Fund (IMF), *Statement at the Conclusion of the 2008 Article IV Discussions with Cambodia*, November 7, 2008, press release (Washington, D.C.: IMF, 2008), online at <<http://www.imf.org/external/np/sec/pr/2008/pr08277.htm>>.

3. *Ibid.*, *Cambodia – Selected Issues and Statistical Appendix* (Washington, D.C.: IMF, 2007), online at <<http://www.imf.org/external/pubs/ft/scr/2007/cr07291.pdf>>, p. 66.

4. Associated Press, "IMF Says Cambodian Growth to Slow in 2009," *International Herald Tribune*, November 7, 2008, online at <<http://www.iht.com/articles/ap/2008/11/07/business/AS-Cambodia-Economic-Slowdown.php>>.

of the year,<sup>5</sup> bringing hardship for the two-thirds majority of rural Cambodians who are net rice purchasers, and for urban workers, with a knock-on effect on urban-rural remittances.<sup>6</sup>

Equally, the rising price of land in the first half of the year entailed the continuation of violent incidents of land-grabbing and eviction, in Phnom Penh and across Cambodia. The rate of incidents slowed in the first half of 2008 as compared to 2007, in view of the impending election. But the pattern of landholding concentration in the hands of wealthy foreign investors partnered with well-connected Cambodians continues: high-profile forced evictions that occurred in Phnom Penh, Kampot, Koh Kong, and Ratanakiri reflected a pattern of lower-profile violent expropriation across the country. Many of these evictions concerned land designated by the central government for agro-industrial or construction developments, over the protests of villagers who live on or farm the land but without secure title. The statistics give a picture of the inequalities in access to land that are emerging, in part as a result of this development policy. It is currently estimated that one-fifth of rural families are landless and one-quarter lack sufficient land for subsistence, and that this rate is rising. One in four Cambodian families are believed to have been involved in a land dispute at some time. About one-quarter of landowners own 70% of Cambodian land, while the poorest 40% of landowners crowd onto just 10%. Seven percent of the land area of Cambodia is in the hands of a single company, Pheapimex.<sup>7</sup>

Given these different effects of growth, the economy is perhaps not the best explanation for the CPP's electoral success. However, increasingly elaborate mechanisms for ploughing a proportion of the immense profits reaped by tycoons and entrepreneurs, both inside and outside the government, back into the electoral machine certainly have an impact. The increasingly institutionalized system of merits and honors awarded to *sabaraschon* (meritorious benefactors of public works) operates through the party system to co-opt the vulnerable and marginalized into an intricate complex of economic and political control. Continued failure to put the

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5. Vong Sokheng and Brendan Brady, "Feast or Famine for Rice Farmers?" *Phnom Penh Post*, September 11, 2008, online at <<http://www.phnompenhpost.com/index.php/2008091121634/National-news/Feast-or-famine-for-rice-farmers.html>>.

6. Christopher Shay, "High Food Prices Failing to Benefit Farmers: Experts," *ibid.*, October 3, 2008, online at <<http://www.phnompenhpost.com/index.php/2008100321952/Business/High-food-prices-failing-to-benefit-farmers-experts.html>>; Sam Rith, "As Prices Rise, Workers Go Foraging," *ibid.*, October 22, 2008, online at <<http://www.phnompenhpost.com/index.php/2008102222246/National-news/As-prices-rise-workers-go-foraging.html>>.

7. Land Coalition, *Landlessness and Land Conflicts in Cambodia* (Phnom Penh: Star Kam-puchea, 2007).

elected commune councils on a sound economic footing by awarding them a significant discretionary budget or revenue-raising powers, renders local government reliant upon party financing for the bulk of their development funding, and entails that villagers increasingly cannot afford to vote against the CPP.

Since the election, the global economic crisis has started to take its toll on Cambodia's economy. The IMF announced in November 2008 that it expected growth overall for the year to be about 6.5%, slowing to 4.8% in 2009, with levels of foreign investment dropping by 25%–30%.<sup>8</sup> Garment exports to the U.S. were down only slightly over the first nine months of the year, but the perennially gloomy Garment Manufacturers' Association of Cambodia claimed in December 2008 that export orders for the coming season had dropped 70% compared to 2007.<sup>9</sup> For now, the beneficial effects of lower inflation arguably outweigh the negative effects of the slowdown in growth, although this could change dramatically next year: if employment opportunities contract sharply, the effects of increased landlessness will become disastrously clear. Tourism has also suffered, not only because of global effects but also because of the instability in neighboring Thailand, which spawned military conflict on the border in October 2008 and the occupation of Bangkok's international airport—a popular launch pad for tourists visiting Angkor Wat—in December.

### The Preah Vihear Standoff: Crisis or Opportunity?

The political crisis in Thailand reverberated in Cambodia in a manner not wholly unwelcome to the ruling party. At the start of the year, Cambodia put forward a bid to the United Nations Educational, Scientific, and Cultural Organization (UNESCO) to list the 11th-century temple of Preah Vihear on the Thai-Cambodian border as having World Heritage Status. This was granted in early July, during the election campaign period, prompting dancing in the streets in Phnom Penh and a mass government-sponsored celebration broadcast across Cambodia on the state media. The exploitation of Cambodia's archaeological heritage in the pursuit of short-term nationalist popularity is a familiar part of the political repertoire for Cambodian governments. This year, however, the tactic ran headlong into Thai attempts to do the same thing at the same time and for the same reason, with the same temple.

8. Associated Press, "IMF Says Cambodian Growth to Slow in 2009."

9. Fibre2fashion Newsdesk, "Garment Industry Needs to Improve Quality – GMAC," *Fibre2fashion*, December 1, 2008, online at <[http://www.fibre2fashion.com/news/apparel-news/newsdetails.aspx?News\\_id=66553](http://www.fibre2fashion.com/news/apparel-news/newsdetails.aspx?News_id=66553)>.

Cambodian and Thai nationalists have long disputed ownership of the Preah Vihear temple; the issue is usually considered to have been resolved in Cambodia's favor by a decision of the International Court of Justice at the Hague in 1962. Initially, the Thai government cooperated with the Cambodian government on the 2008 bid for World Heritage Status. But this policy was derailed in June, when the opposition People's Alliance for Democracy (PAD), seeking to score nationalist points, reiterated Thai claims to the temple and denounced Bangkok's support for Cambodia's bid as a violation of Thai sovereignty. A judgement by the pro-PAD Thai courts that the Thai government had behaved unconstitutionally soon followed. A delegation of protesters was detained by Cambodian authorities while attempting to plant the Thai flag on the temple, and Thai troops were sent, ostensibly to police the demonstrators. But their deployment on disputed territory represented an insult to Cambodian sentiments. In an election year, the Cambodian government was constrained to respond with a deployment of its own, and as the nationalist rhetoric mounted on both sides, the situation became extremely tense.

Little actual fighting eventuated; while both sides saw an interest in saber-rattling, outright war would have jeopardized significant economic investments on both sides of the border. The tensions were, from the CPP's perspective, fortunately timed to coincide with election campaigning: as the only party with any serious claims to military prowess, the CPP benefited vis-à-vis other parties at home. The affair also played into the hands of the Cambodian military elite, which has taken the opportunity to launch a conscription campaign, to claim land on the border to build new soldiers' villages (a sound investment considering ongoing strategies of subregional integration), and to lobby successfully for a larger share of the 2009 budget. Since a brief fire fight in October 2008, with elections safely over and the Thai government's capacity to respond deteriorating, the Cambodian government has taken a lower profile on the Preah Vihear issue, apparently recognizing that there is little prospect of resolving the dispute amid the current chaos. The key concern from the Cambodian government's perspective in the post-election period is to avoid pressing the issue in a manner that could retard the process of economic cooperation between the Thai and Cambodian economic elites, which have invested heavily in casinos and special economic zones on the border.

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