

Analysis of the Cambodian State in the Context of Developmental State¹

Is contemporary Cambodia a state of development? This is the overarching question the two-year Developmental State research programme will address. Nearly two decades after the demise of civil war², with stability and social order restored and remarkable economic growth achieved, the government has declared Cambodia a state of (economic) development. However, some argue that the state remains weak, dysfunctional and neo-patrimonial (Öjendal and Lilja 2009; Hughes and Un, forthcoming; Pak *et al.* 2007; Kim (forthcoming)). While many studies have sporadically revealed those characteristics, there has been no study on the nature of the Cambodian state in the context of developmental state.

Between the early 1980s and the early 1990s, neo-liberals argued for minimising the state's role and letting the market rule (Thorbecke 2007; Fukuyama 2004). However, the failures and limits of privatisation in the developing world and the lack of state capacity (ability of the government to effectively implement policies) and scope (intervention and penetration into the market, ability of the government to initiate policies) to uphold the market did not necessarily enhance sustainable and equitable economic growth. A new line of thought, putting state capacity and institutional quality as the important prerequisite to promote economic development, has gained momentum since the early 1990s (Fukuyama 2004). The new paradigm has proved relevant when insufficient state intervention

(market regulations and enforcement) in the US has been blamed for the outbreak of the world economic crisis. The reaction even in the *laissez-faire* US government has been to reactivate state intervention in the economy. In the same vein, the effective state response to the crisis by the Chinese government affirms the state-led development model for tackling financial turmoil while sustaining growth. Hence, it is high time to revive the notion of “bringing the state back in” (Skocpol 1985).

Recognising the necessity and effectiveness of state-led development, the Democratic Governance and Public Sector Reform unit, the Economy, Trade and Regional Cooperation unit and the Poverty, Agricultural and Rural Development unit of CDRI initiated this research programme to understand the Cambodian state.

This programme primarily aims at exploring the nature of the Cambodian state from both historical and comparative perspectives. It attempts to do so by reflecting the state's key historical and institutional characteristics against the different types of state models illustrated below. The study will contribute to the theoretical study of the Cambodian state as well. Particularly, we attempt to answer some important questions: How effective is the Cambodian state in development? What are the state's strengths? How autonomous is the Cambodian state in relation to social (dominant) classes? And to what degree does the state penetrate the economy?

Research Justification

Hughes and Un (forthcoming) contend that Cambodia has graduated from the post-conflict era and moved to a new phase of economic transformation. Moving beyond their study, we intend to reveal comprehensively the fundamental Cambodian state characteristics and anticipate the direction in which the state is heading—whether it will take the real development path or others, especially given looming enormous oil and mining revenues. Anecdotal evidence shows that key government policy makers, donors, business elites, civil society actors and even academia lack reliable understanding of such profoundly important

1 This article is prepared by Ou Sivhuoch, Lun Pide, Khieng Sothy and Ouch Chandarany, with the advice and under the supervision of Kim Sedara (CDRI research fellow), and Dr Un Kheang (assistant professor, Northern Illinois University). It is a brief concept note for the Developmental State Programme begun in the last quarter of 2009 and scheduled to be completed by mid-2011. The paper aims primarily to introduce the programme to target audiences (policy makers, donor community, academics and civil society groups, and the private sector).

2 The civil war came to a complete end in 1998 when the Khmer Rouge faction was fully integrated into the Royal Government of Cambodia.

research findings. Therefore, the study will fill in these theoretical and empirical gaps. Further, it will suggest who will do what to ensure Cambodia takes the right developmental path. We intend to review developmental experiences of other countries and select good lessons that are appropriate for Cambodia.

Planning the Research

To realise the above programme objectives, this study is designed in three stages:

1. analysing the Cambodian state from the historical and comparative perspectives: is it developmental?
2. state and taxation in Cambodia;
3. the Cambodian state and agricultural policies.

The first project intends to analyse the nature of the Cambodian state utilising the theoretical categories of states presented below. It will also address essential elements, such as state capacity, autonomy and scope. The other two projects will serve as empirical case studies of the state's strengths and weaknesses. Each project will be completed with a working paper published by CDRI. To enhance the impact and dissemination of our research findings, we will endeavour to write up shorter versions for regional and international journals and chapters for edited books.

The following section provides background details on this study. It discusses different types of state model that will be used to measure the Cambodian state's characteristics. It also presents some arguments on the close relationships between state capacity and tax revenues and agricultural policies, particularly for a developing country like Cambodia. The summary that follows will serve as the framework for the research.

Literature Review of State Models and Their Relevance for Cambodian State Studies

Various studies have come up with a variety of state models for analysis. Evans (1989), Evans (1995) and Hutchcroft (1998) formulate an ideal continuum on which different models of state are placed, ranging from the most potent, called developmental states, to the least effective, predatory states. Somewhere in between lie the intermediate states, viz. crony capitalist states, bureaucratic capitalist states and booty states. For Evans (1989; 1995: 44), predatory

states are those that “extract such large amounts of otherwise investable surplus and provide so little in the way of collective goods”. Zaire (since renamed Democratic Republic of Congo), which according to Evans (1995: 44) is “almost purely a predatory state”, provides *par excellence* the features of that kind of state. The preoccupation with rent-seeking by a small group of political elites who have command over the state apparatus, a defective bureaucracy that enables the sales of the state apparatus and collusion between bureaucrats, politicians and business to loot state resources are all perverse characteristics of the Zairian state. Of course this kind of state is an obstacle to economic transformation.

At the other end of the continuum, developmental states are those capable of enhancing long-term entrepreneurial skills and activities among private business through the promotion of incentives for and safeguard of “transformative investment”, examples being South Korea, Taiwan and Japan (Evans 1989, Donald 1998). Developmental states also possess “embedded autonomy”—or bureaucratic insulation—characterised by collaboration between the private sector, state agencies and bureaucrats. Although the state is embedded with leading business sectors, Leftwich (2000: 160–167) further proposes a number of common traits of developmental states. Among those are: resolute developmental elites who are “relatively uncorrupt” such as Lee Kuan Yew of Singapore and General Park Chung Hee of South Korea; the relative autonomy of the state from the dominant interests so as to guard national interests; strong bureaucratic machinery reinforced by competent state officials who frame the policies for economic development; feeble civil society, which the state has power over to ensure political consolidation; state capacity to promote economic interests, i.e. the accumulation of capital; poor human rights practices as noted in various developmental states such as Singapore and Taiwan in the earlier stage of growth; and legitimacy and performance—developmental state regimes are legitimate and achieve rapid growth.

Haber (2002: 12) provides a view of crony capitalism as a system in which those who have strong connection with state elites receive large economic benefits. Those include, for example, the privilege to acquire cheaper credit from state-owned banks or the dispensation to charge higher

prices than those of market equilibrium. The economic rents cronies gain are then shared with their companions who have authority to devise economic policies. Hence it is not sensible for state elites to come up with policies that impede the benefits of cronies. Sharafutdinova (2007) also suggests that Russia's crony capitalism undermines the legitimacy of the state.

Hutchcroft also develops a typology of the state with two subcategories: bureaucratic capitalism and booty capitalism. In the former "bureaucratic elites extract privilege from a weak business class"; in the latter "a powerful business class extracts privilege from a largely incoherent bureaucracy" (Hutchcroft 1998: 20). Hutchcroft argues that Thailand represents bureaucratic capitalism while the Philippines represents booty capitalism.

Historically the transformation into modern states of European countries, as observed by Moore (2004), was driven neither by a rational bureaucracy as theorised by Weber nor by the Marxist model of capitalism. Rather, it was achieved by the transition through wars and accompanied by taxation. Such states have strong institutions, the capacity to pursue development policies and are accountable to their citizens. Modern developmental states of East Asia such as Japan, Taiwan and South Korea all have a strong tax base. In contrast, some other states, that are able to obtain financial resources by extracting their country's natural resources, e.g. oil or timber and/or through foreign aid, are called "rentier states". Countries in the Middle East and North Africa whose revenues mostly come from the sale of natural resources are described as rentier states. Empirically, this type of state receives less demand for accountability from its own citizens (Moore 2004; Ross 2004).

Policy makers and most scholars of the developing world emphasise exports based on manufacturing as a critical component of rapid and sustainable economic growth. This risks overlooking the significance of agriculture as a base for economic take-off, as experienced by some countries in Asia. Taiwan, for example, at the early stage of development, strengthened its agricultural sector through deliberate reforms and various state interventions. The spill-over effects from agriculture were substantial for the advance of industry, which then became a major driver of economic growth (Amsden 1985: 87–88). Likewise, Japan during the

Meiji period (1868-1912) developed significantly as a result of a strong agricultural sector. Growth in agriculture expanded development in other sectors through provision of inputs such as raw materials as well as transfer of labour and capital (Akino and Hayami 1974). Hence it is important for developing countries, especially for a resource-rich country like Cambodia, to base development on the strengthening of agriculture in the early phase. Furthermore, as around 80 percent of Cambodian people are rural farmers, agriculture involves most of the Cambodian people.

Given the different models of state, one might doubt whether a country falls exactly into any model. Even the categorisation of such countries as Singapore and Taiwan as developmental is still debatable. A quick look at the mounting literature on Cambodia reveals different conclusions on the country's development patterns. Positive income growth for the last decade, with four consecutive years of double digit increases (2004–07), reflects the efficacy of state policies to promote economic development. The combined growth of agriculture, industry—particularly garments—and tourism is the key force behind economic growth. In this remarkable achievement, one should not neglect the impact of the government's ability to maintain peace and social order, which are a prerequisite of economic transformation. For political consolidation, the claim of a weak Cambodian civil society that is co-opted by the state (Ou *et al.* 2009) seems to resemble one of the characteristics of other developmental states such as Singapore and Taiwan.

However, some scholars have argued otherwise. Un (2004) and Hughes (2003) conclude that Cambodia is still a weak state with widespread corruption and weak rule of law. Cock (forthcoming) notes the emergence of a patrimonial oligarchic system in which oligarchs exploit the privilege of having access to land concessions or other types of state property. He sees this phenomenon as an obstacle to the formation of a legal state. Similarly, Pak and Craig (2008) point out that the state's accountability is based on patronage networks, loyalty and rent-seeking. This study will take account of the views of different scholars and compare them with our empirical information in order to analyse the nature of the Cambodian state. The main area for analysis is taxation and agricultural policies.

To sum up, understanding the concepts of state as contributed by various scholars is a cornerstone for grasping the nature of the Cambodian state, which is the main aim of this research programme. This study's framework for analysing empirical information of the Cambodian state will focus on key characteristics of a developmental state.

Research Methodology

The team will first review various international and regional (comparative) studies on states and their functions, state formation and building, different types of state, characteristics of southern and northern states, state structure, autonomy and scope, state bureaucracy and informal institutions (neo-patrimonial networks), colonialism, taxation, state policy design and implementation, state strengths and weaknesses, the relationships between state elites and the dominant classes and the relations between the state and international donors and actors, especially the regional power, China. This will prove extremely useful for the understanding and analysis of the Cambodian state. Related to that, relevant studies, policies, laws and regulations on Cambodia will be visited.

The next phase will concentrate on in-depth interviews of policy makers, business elites, civil society group leaders and representatives of the donor community.

To conclude, the research is being undertaken at a very crucial time, when the state is economically transforming itself³. The findings will explain if it is travelling along the right development track and, if not, how the actors involved should react to bring the state back to the course it should take.

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³ Hughes and Un (forthcoming) suggest that Cambodia has moved from the post conflict period to the economically transformed phase. Cambodia, according to the two commentators has integrated itself much regionally and globally; prior to the global financial downturn, the economy as a whole grew by an average of 8.7 per cent per year through the period from 1996 to 2006, and an economic slowdown has revealed itself as a result of the financial crisis. However, the Asian financial crisis in 1997 hardly touched Cambodia.

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