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Cambodian State: Developmental, Neoliberal? A Case Study of the Rubber Sector



KIM Sean Somatra and HORT Navy

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LIST OF ACRONYMS

CRRI	Cambodia Rubber Research Institute
D&D	Decentralisation and Deconcentration
ELCs	Economic Land Concessions
GDP	Gross Domestic Product
GDR	General Directorate of Rubber
MAFF	Ministry of Agriculture, Forestry and Fisheries
PRK	People's Republic of Kampuchea
R&D	Research and Development
SME	Small and Medium Enterprise
UN	United Nations

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ABSTRACT

The majority of studies of governance reform in Cambodia look at the impact on democratic consolidation; not enough attention is given to development. This paper aims to understand how reforms have impacted the state's ability to support economic growth, using the framework of developmental state with a focus on four characteristics. Based on a study of the rubber sector, this paper finds that the Cambodian state does not exhibit thorough actions to promote economic transformation, and its effort is limited to policy rhetoric. There is little meaningful connection between the state and small rubber farmers, from whom the state exhibits a high degree of autonomy. With the big companies, the state seems more supportive and collaborative although the cooperation is, at times, for exploitative purposes. The paper also finds that the state is not able to act as entrepreneur of last resort in the sense of a developmental state, but is observed to facilitate private relations characteristic of the distant role of the typical neoliberal state. The paper concludes that the Cambodian state has been neither a developmental nor a neoliberal state, but has mixed developmental, neoliberal and neo-patrimonial characteristics.

1

INTRODUCTION

Since the early 1990s, the Cambodian government has embarked on a number of governance reforms. Important reforms include the transformation from a one-party state to a multiparty democracy, marked by the UN-sponsored election in 1993, and decentralisation and deconcentration (D&D), which formally began with the 2002 communal election. Those reforms had two important objectives: to build local democracy and to promote development (Royal Government of Cambodia, 2005b). Local democracy was to be achieved through commune council elections, citizen participation in local development planning and local accountability. Local development was to be achieved through improved service delivery and infrastructure development. Those reforms have generated intense interest among academic and development workers alike, resulting in numerous studies. But for nearly two decades, the general view has been that the reforms have not been able to realise fully their objectives (Horn & Craig, 2009; Hughes, 2009; Pak & Craig, 2009; Rusten, Sedara, Netra, & Kimchoeun, 2004; Un, 2005, 2006, 2011)

While those studies ring true for the performance of D&D and the resulting impacts on governance, the perspective of those scholars is limited to democratic consolidation. There have not been enough studies that look at the impact of reform on the state's ability to promote development. Johnson (1999) argues that non-democratic states can be pro-development. That is, democratic consolidation and development, while appearing to go together, are actually two separate things from a developmental state perspective. It is this understanding of the crucial separation between democracy and the state's ability to promote development that gives rise to this paper. While it is recognised that the Cambodian state is neo-patrimonial, it is not possible to assume that the state is anti-development, and a systematic study is needed to assess the extent to which the state supports economic development.

This study is built on two theoretical grounds. The first concerns the disconnect between the nature of states' political operation and their developmental orientation. Khan (2008) argues that developing countries do not achieve high rates of economic growth by first achieving good governance. That is, good governance is a necessary but not sufficient condition for economic development. By the same token, authoritarian cannot be taken to mean anti-development. Haggard (1989) shows that authoritarian states can sometimes promote better economic development. Haggard's argument here is important. It suggests that Cambodia is not a fully democratic state cannot be taken to mean that the Cambodian state is anti-development. On this basis, it is important to look systematically at the state's roles in the economy and its ability to promote development.

Second, this study emerges at a time when Cambodia is moving away from being a post-conflict society to becoming a service delivery state (Hughes & Un, 2011). After two decades of peace and relative political stability and governance reform efforts, Cambodia is now becoming a state with a focus on economic transformation. With the changes comes an important shift in the way state capacity is viewed. The ability to provide peace and stability is replaced by the need for the state to deliver economic growth and social development. This requires developmental state characteristics. Although the governance reforms of the past two decades

are not primarily aimed at producing a developmental state, some of the main donor-driven reforms and objectives and the avowed objectives of the host country together are a composite of a democratic state that is also development-oriented. This gives rise to the question of how the Cambodian state has evolved as a result of the reforms so far. Some of the characteristics of good governance are already unfolding. The goal of the government as stated in the Socio-Economic Development Plans I and II (1996-2000 and 2001-2005) has been to reduce poverty. The details were provided in the National Poverty Reduction Strategy, which focuses on broad-based sustainable economic growth with equity (Council for Social Development, 2002). There is no doubt that the economy has generally grown at an impressive rate, but as posited by Hughes and Un (2011), the main question is: Is this a result of a carefully planned state policy and developmentalism, or is it just accidental and a by-product of the process in which political elites use state policy to benefit themselves?

To answer this question, this paper utilises the framework of developmental state, which will be discussed in detail below.

2

CAMBODIAN GOVERNANCE REFORMS

One of the most important governance reforms in Cambodia is the D&D programme. Formally launched in 2001, and marked by the 2002 election, D&D aims to achieve two main objectives: promoting democratic development and enhancing economic development (Royal Government of Cambodia, 2005b). To those ends, D&D employs a range of reform measures including local elections, participation and responsiveness (Royal Government of Cambodia 2005a; Rusten et al. 2004). The Commune/Sangkat Law, passed in 2001, provides a clear assignment of roles and responsibilities for locally elected government (Royal Government of Cambodia, 2001). The D&D objectives of promoting local development result in an arrangement in which locally elected representatives are allowed to be in charge of local development (Royal Government of Cambodia, 2006). The transfer of responsibilities was accompanied by the transfer of finance. Local governments have been given development funds, which are considered essential in ensuring local accountability in development (Ribot, 2004). Further efforts were made to improve the effectiveness of D&D. Beginning in 2005, the government began to prepare the law on unified administration, which was passed in 2008.

Despite some positive assessments of the reform effort (COMFREL, 2007; Ojendal, 2005; Ojendal & Kim, 2006, 2011), the general view is that D&D success is limited to procedural changes rather than real ones (Rusten et al. 2004; Hughes 2009). In many respects, the Cambodian state is neo-patrimonial (Eng & Craig 2009; Horn & Craig 2009; Pak & Craig 2009; Un 2011). Neo-patrimonialism is a mixture of patrimonialism and legal rational bureaucracy (Erdmann & Engel, 2007). Erdmann and Engel (2006) argue that neo-patrimonialism is characterised by insecurity in the behaviour of state institutions and agents. Actions of state institutions or agents are not calculable. All actors strive to overcome the insecurity by operating on both the formal and informal logic of neo-patrimonialism. In such a pattern of social and political relations, formal state institutions cannot fulfil their universalistic purpose of public welfare. Politics and policy are determined by particularistic interests and orientations. Political informality is not just an isolated phenomenon but is the rule—institutionalised informality. Those qualities stand in stark contrast to what is necessary for economic growth. This leads Pitcher, Moran, and Johnston (2009) to argue that “neo-patrimonialism” often connotes a strongman and weak state, and is often equated with economic failure.

But in Cambodia, despite neo-patrimonialism, economic development has been achieved at an impressively high rate of GDP growth of 13.4 percent in 2005 and 6.1 percent in 2011 which is as at time of world’s economic slowdown. This challenges the assumption, suggesting that neo-patrimonialism is not always synonymous with economic failure. While it is true to a large extent that a non-democratic state tends not to support economic growth, care needs to be taken not to assume too quickly that such a link exists. Most non-democratic states are predatory in nature, but some of them can be pro-development. Johnson (1999) argues that some authoritarian states can behave like a developmental state. Using the example of Botswana, Pitcher et al. (2009) argue that a neo-patrimonial or patrimonial state can also accommodate political and economic development. In this kind of political system, the rule of law and personal bonds may not only exist side by side, but reinforce each other. By the same token, Khan (2008) argues that good governance is a necessary but not the only prerequisite for economic development.

Khan (2008) also argues that developing countries do not achieve their high rate of economic growth by achieving good governance first. That argument may appear somewhat irrelevant here, but it serves to suggest a possible break between a state's political regime and its role in economic development. The implication for this paper is that, while the Cambodian state's political operation is known to be not fully democratic, it is not possible to draw a conclusion that the state is pro-development or anti-development. A systematic study is needed to assess the role and contribution of the Cambodian state to national economic development.

3

DEVELOPMENTAL STATE CHARACTERISTICS

As a concept, developmental state is associated with the state's ability to promote economic development at an impressively high rate. This ability is derived from a number of important characteristics.

First, developmental states focus not only on short-term but also long-term economic growth by engaging in structural transformation of the national economy (Castells, 1992). This requires the state's ability to foresee the future direction of national economic development and take necessary steps toward it, whereas in neoliberal states this is left to private sector decisions and competition, and in patrimonial states decisions are based on the political or social standing of industry leaders. In the case of the developmental state of South Korea, Burmeister (1990) shows how the state geared its economy for a transition from an agricultural base to an industrial one. Burmeister (1990) suggests that the state introduced land reform that resulted in better utilisation of agricultural land, and at the same time provided production-supporting facilities such as irrigation and infrastructure. The state also actively encouraged research and extension services to help farmers adopt high yield seed varieties. More importantly, the state utilised pricing intervention to correct income gaps, and in so doing encouraged production, especially of rice. Along with strengthening agriculture, the state also channelled the agricultural surplus into the industrial sector (Burmeister, 1990). Studwell (2014) argues that the states work closely and strategically to direct investment into manufacturing to push economic development into a new stage of growth.

Second, developmental states have an unusually high level of cooperation with the private sector (Onis, 1991). As South Korea shows, the state closely cooperated with the private sector to promote industrial development. Drawing on that experience, Haggard et al. (1991) suggest that developmental states elicit entrepreneurship from the private sector and provide protection for young industries against foreign competition. This leads Lin and Chang (2009) to describe a developmental state as "a state that facilitates the private sector's ability to exploit the country's areas of comparative advantage". This is done through a range of policy interventions. Haggard (1989) shows that the South Korean state provided consistent and stable macro policy to encourage investment, protection for young industries from foreign competition and also protection against industrial action by weakening the labour unions, all of which measures were single-mindedly designed to ensure undisrupted industrial development (Onis, 1991). Neoliberal states, by comparison, play only regulatory roles and provide a conducive framework for the market and the private sector.

However, in developmental states, the close cooperation is not an indication of state subordination to private interests, which is typical of predatory states. Despite high levels of cooperation with the private sector, developmental states are able to resist the influence of certain private interests (Haggard et al. 1991), whereas neo-patrimonial states find this impossible to resist. Developmental states are independent of any particular interest group and are able to push for policies in the interest of, not any particular well-connected firms, but the industry as a whole. One significant example is state selective provision of subsidies to an industry that has the potential to grow while denying assistance to wasteful firms (Haggard et al., 1991). Another

example is young industry protection. According to Haggard et al. (1991), the South Korean developmental state provided industrial protection to its young industry to ensure domestic industry's survival but not to create a culture of dependence. This means that state's industrial support is not universal for every firm but conditional on their export performance. Studwell (2014:61) refers to this as "export discipline", which means that the states continuously monitors the export performance of firms to determine further state support. Evans (1995: 12) refers to this state's characteristic as "embedded autonomy". Despite their close cooperation with industry, the states are still autonomous enough to implement policy beyond the mere interest of selected private individuals or firms, for the sake of the common good. Skocpol (1985) defines state autonomy as not supporting the interest of any particular social, political or economic group. For example, when the South Korean state sensed that it was necessary to remove protection to encourage international competitiveness, it moved decisively to abolish protection (Haggard 1989; Minns 2001). This ability allows developmental states to make essential adjustments to the structure of the economy to maintain its comparative advantages and sustained growth.

Third, developmental states exhibit a clear separation between bureaucratic economic policy and politics. Johnson (1999) argues that in a developmental state, politicians reign while technocrats rule. This allows the state to formulate economic policy independently of any political influence, resulting in effective policy. Haggard et al. (1991) elaborate on this point by citing the case of South Korea, where industrial subsidy and protection reflected mainly economic logic rather than the leaders' personal and political interests. This argument suggests that state bureaucrats are able to do what is necessary for both short-term and long-term economic growth (Castells 1992). This leads to the state's ability to push for productive changes necessary both domestically and in relationship to the international economy (Castells, 1992). All of these important qualities allow the developmental state to get the basics right for a successful economic development (World Bank, 1993).

Fourth, developmental states participate in development not merely as facilitators but often as entrepreneurs of last resort. Evans (1995) argues that wealth creation is the responsibility of more than just the market, and states need to be engaged to elicit entrepreneurship and facilitate wealth creation. This point makes a developmental state distinctively different from a neoliberal or laissez-faire state, which engages only as regulator while allowing the market and private sector to play the active role. This neoliberal approach has been hailed as efficient. However, the main challenge is the problem of firms investing only in sectors that are financially viable, mostly short term, and avoiding non-profit sectors altogether. Evans (1995) argues that a developmental state elicits entrepreneurship and engages in wealth-creating activities, and, besides the roles of regulator and facilitator, also acts as an entrepreneur in areas where the private sector is not willing to invest or in sectors it deems crucial for future development. Neo-patrimonial states can sometimes exhibit this characteristic of entrepreneurship, but the intention is not primarily to fill the gaps in the private sector but to extract economic benefits and even rents for private actors and/or political leaders.

Thus, developmental state characteristics can be summarised as mainly a focus on long-term economic growth through structural transformation, close cooperation with the private sector, bureaucratic autonomy and an active role in development. These characteristics will serve as crucial points for assessing the nature of the Cambodian state in supporting economic growth. However, some contextual adjustment needs to be made for this concept to be applicable to the study of the Cambodian state.

4

ADAPTING THE FRAMEWORK OF DEVELOPMENTAL STATE

The literature of the developmental state focuses on the state's role in promoting economic development and industrial transformation (Amsden, 1992; Dadzie, 2012; Haggard, 1989; Ikpe, 2008). While developmental state is a relevant concept, two considerations are relevant concerning Cambodian economic development and the different development paradigm that governs the state's role in the economy.

The developmental state model focuses on industrial transformation, which could not be applied in the context of economic development in Cambodia given its recent political and economic history. Although industry accounts for 23 per cent of GDP, Cambodian industry is highly unstable. The World Bank (2009) argues that current growth, which is mainly driven by the garment sector, is not sustainable, and that agriculture is still an important sector. Over 57 per cent of the nation's labour force is employed in agriculture, and, according to the World Development Indicators database 2010, it contributes 36 per cent of the nation's GDP. Cambodia's comparative advantage in agriculture is due to the fact that there is a lot of potential for agricultural development. Some 22.7 percent of the land is arable (World Bank, 2010). This, with the right production facilities, could greatly expand national agricultural production. In addition, since 2005 the government has made an effort, at least in words, to reduce poverty and promote economic growth by making agriculture the main driving force (Royal Government of Cambodia, 2005a, 2010). Thus, it is more appropriate to take agricultural development rather than industry as the point for analysis.

From the development paradigm point of view, it is not appropriate to expect the Cambodian state to be heavily involved in economic development in the manner of the developmental states of East Asia. The developmental state model emerged at the time of strong state roles in development in Japan, Taiwan and South Korea. Despite the fact that neo-liberalism started to spread in the West, East Asian countries continued on the path of strong state roles in the economy. Cambodia's aid dependency makes it subject to the international neoliberal development paradigm of states not having any direct role in the economy other than some regulatory functions. Moreover, the governance reforms of the past decades have put the state on the path of decentralisation and deconcentration. For these reasons, Cambodia operates under the neoliberal order. This leads to the recognition that the contemporary Cambodian state could not be expected to lead development like the developmental states of East Asia.

Considering the different economic conditions and development paradigm in which it operates, this paper does not intend to use the characteristics of developmental states in a strict sense to assess the Cambodian state. The developmental state model in this paper is used only as a framework for comparison. The paper conceptualises the state role in promoting economic development as effecting the development of agriculture. Thus the paper looks at the characteristics of the Cambodian state in terms of a focus on long-term economic growth through structural transformation, close cooperation with the private sector, bureaucratic autonomy and an active role leading agricultural development.

5

THE STATE AND AGRICULTURAL DEVELOPMENT

State development has had an important influence on the development of agriculture in Cambodia. After the collapse of the Khmer Rouge regime, the People's Republic of Kampuchea (PRK) was established in 1979. As the government of a nation just emerging from mass starvation, the PRK prioritised food security, focusing on cultivating rice for self-sufficiency (Gottesman, 2004). The population was organised into groups to work collectively. The harvest was shared among the group members and the surplus sold to the state. The state owned productive assets including land, agricultural machinery and fertiliser, and was in charge of agricultural planning and development, which resembles a centrally planned economy.

Gottesman (2004) argues that the PRK was not social idealist, but rather a pragmatist. His point was based on the fact that the PRK, to avoid political and economic collapse due to changing political relations and falling international aid caused by the dismantling of the Soviet Union, did not strictly adhere to communism, and state control of the economy eroded with time. From the mid-1980s onward, the state began to relax its management of the economy and tolerated underground economic activities. By the mid-1980s, farmers began to subdivide the commonly held land for private ownership and use (Hughes, 2003). Thus, although Cambodia was still nominally a communist state with a centrally planned economy, private activities were beginning to take shape and intensified in the wake of privatisation in 1989. The shift was accompanied by a shift in political regime, marked by the 1993 general election conducted by the United Nations. Despite some challenges, the election resulted in the formation of a multiparty political system.

A number of national development policies in agriculture are worth mentioning. The Triangular Strategy, adopted in 1999, emphasised promoting peace, democracy and prosperity. However, given the context and circumstances of the time, economic development came after peace building and regional and international integration. The Triangular Strategy was replaced by the Rectangular Strategy Phase I in 2004. This placed increased emphasis on economic growth and equity, focusing on agriculture. Under this strategy, the state sought to create an enabling environment for economic growth by ensuring political and social stability, partnership in development, favourable macroeconomic and financial conditions and Cambodia's integration into the region and the world. The government put more emphasis on the improvement of agricultural productivity and diversification and land reform. The government in the fourth legislature introduced the Rectangular Strategy Phase II, which retained the structure of Phase I but placed more emphasis on promoting agro-industry, fostering partnership between small and large farmers and increasing agricultural exports. The strategy is further supported by the National Strategic Development Plan.

Given the increasing importance of rubber in the nation's agriculture, the state provides assistance in research and extension services. According to MAFF (2005), it has an Agricultural Productivity Improvement project which conducts research on smallholder rubber production to assess the suitability of different rubber seeds. In addition, the Cambodia Rubber Research Institute was established in 1991 for the specific purpose of studying rubber trees in Cambodia. MAFF (2005) claims that its research results in rubber planting knowledge, particularly seed

selection for the different types of soil and conditions. Meanwhile, there have been policies to encourage small-scale plantation. In 2000, the government introduced a policy of particular attention to promoting small-scale rubber plantations (Royal Government of Cambodia, 2000). The policy allowed private individuals to grow and process rubber freely. According to MAFF (2006), the smallholder plantation area reached 18,600 hectares in 2006. The area continues to expand due to rising prices of latex and facilitated by confidence in the sustained growth of the Chinese economy. In 2011, the total area under rubber reached 210,000 hectares.

6

METHODOLOGY

To understand the characteristics of state support for economic development, this paper depends on case study research. The rubber sector was selected for detailed analysis, which yields insights into the four characteristics of the developmental state.

6.1. Case Selection

Rubber was chosen for study for two reasons. The first was its position in the national economy. Rubber was introduced as an industrial crop to Cambodia in 1910. It was first planted mainly in the east, particularly in Kompong Cham and Kratie. Prior to civil war in the 1970s, Cambodia had a total of 70,000 hectares of rubber cultivation (MAFF 2006). During the wars in the 1970s and 1980s, the rubber sector suffered from disruptions and lack of attention, although production was reported to continue (Slocomb, 2011). Only an estimated 50,000 hectares of rubber trees remained after the collapse of the KR regime in 1979. According to Slocomb (2011), the new state paid close attention to restoring the rubber sector to provide foreign earnings, although rubber had secondary importance to rice, given the security situation and food security priority at the time. For the 1980s, 1990s and much of the 2000s, rubber was under the management of the state. Seven state companies were set up to manage state-owned plantations in Kompong Cham, Kompong Thom, Kratie and Ratanakkiri. However, the sector began to be privatised from 2006, and by 2009 all formerly state-owned plantations had become private holdings. From this period, rubber began to be grown by small farmers in the north and north-east of the country. The cultivated area increased steadily, even dramatically in some years; it rose from 69,994 hectares in 2006 to 328,771 hectares in 2013. At the same time, latex production and export also increased significantly. Rubber exports increased from 31,184 tonnes in 2006 to 42,000 tonnes in 2010 (MAFF, 2011); the share in exports increased from 1.47 percent in 2006 to 2.45 percent in 2010 and 5.85 percent in 2013 (CDRI, 2014). This makes it an increasingly important sector in the economy.

Second, rubber has an important place in national development policy. As Cambodia enjoyed more peace and stability and the need for economic development increased, rubber was identified as an important industrial crop strategic to economic growth (Royal Government of Cambodia, 2000). Starting in 2000, state development policies significant for rubber development began to emerge. These included a sub-decree on smallholder rubber plantations, Rectangular Strategy Phases I, II and III, the National Strategic Development Plan, the Agricultural Sector Strategic Development Plan 2006-2010 and the Strategy for Natural Rubber Development (2011-2020). At the same time, the Cambodia Rubber Research Institute (CRRI) and General Directorate of Rubber (GDR) were established to support small and medium rubber plantations.

Its increasingly important role in the economy and the increasing attention it receives in development policy make rubber a good case study. Attention is given to such issues as the state's role in the development of the sector, its relations with the private sector, its bureaucratic ability and role as leader in development. These will offer insights to reflect on and assess the characteristics of the Cambodian state.

6.2. Data Collection Techniques

This paper depends on document analysis, interviews and observations. State documents on agricultural policy, rubber policy, poverty reduction policy and the national strategic planning document were collected and analysed, and attention is given to their applicability, stability and consistency in producing a policy environment that supports growth. These documents were useful for understanding the state vision and policy action concerning transformation of the rubber sector. This information was then compared with data collected through interviews with sub-national and local state officials to learn how the national policies are understood and implemented at the sub-national levels. These data were complemented by interviews with large, medium and small rubber growers. These insights were then verified by field observation of the conduct of the state in the rubber sector, particularly at sub-national and local levels.

7

FINDINGS

7.1. The State in Economic Transformation

From a broad and general perspective, the state engaged in economic development in a range of areas. Politically, the Cambodian state has shifted from socialism to liberal democracy. From being the main and only actor in the sector, the role of the state gradually lessened. The change in political regime paved the way for a free market economy, formally marked by the 1989 privatisation programme. In the new context, the state assumes the role of a regulator producing macro policies and directives for the operation of the sector. Citizens are granted the legal right to own and manage productive assets, and allowed to engage in national economic activities. The rubber sector remained under the sole management of the state for much of the 2000s. Locally, the changes allowed farmers to contemplate planting rubber trees. At the national level, they allowed the transfer of state-owned rubber plantations to private management. These together paved the way for the private sector's role in the whole sector.

The state has also made efforts to provide greater national and internal security, the absence or lack of which was a challenge for growers in the 1980s, 1990s and early 2000s. Interviews suggest that growers in the studied district were cut off from outside technical knowledge available in other parts of Cambodia. Some of the farmers in the district already had the idea of planting rubber trees in the early 2000s, but they could not invite experts from other provinces, namely Kompong Cham, to provide technical advice because travellers on the main roads between provinces were often ambushed, resulting in the loss of lives and property. Insecurity also presented challenges for growers working on their fields in the region through most of the early 2000s. Local rubber farmers recalled feeling insecure working on their plantations, fearing militia attacks, theft and robbery. Interviews with rubber farmers and local state officials both reveal that security improved over time and is no longer a concern. Rubber growers can travel freely across provinces, and even beyond, to exchange growing techniques. This allows free transfer of knowledge and techniques and also makes transportation of agricultural goods less of a hassle, although informal checkpoints still exist.

With the improvement in security, the state also provided infrastructure development. The study site is located in the highlands in the eastern part of Cambodia. The geographical situation, war and a prolonged period of insecurity had considerable impact on local infrastructure. Interviews with local authorities and citizens revealed that at the end of the war only a primitive road network existed in the region. The national roads connecting the region to other areas were no more than dirt, featuring pond-like potholes. Village roads barely existed beyond foot or oxcart paths. Road travel being almost impossible, many depended on boat travel on the Mekong River. This account is supported by interviews with local farmers who recalled difficult treks into and out of the province in the early 2000s. For the rubber sector, the poor infrastructure at the time was a constraint on rubber development, particularly for transportation and marketing. But the state invested heavily in infrastructure development. According to Sum (2008), between 1999 and 2003, the government invested some 23 percent of total aid in physical infrastructure development. Field observation confirms that the national road has been widened and paved, village roads restored and a new road network explored and built. This may not necessarily

have been intended to develop the rubber sector specifically, but part of the state's general development goal and integrating Cambodia into the Greater Mekong Sub-region.

Another state action significantly impacting development of the national rubber sector is the land reform programme. Backed by the 2001 Land Law, the government transferred significant amounts of state land into private holding in a process commonly known as land concession—social land concessions and economic land concessions. Social land concessions distributed state land to the poor, while economic land concessions granted long-term contract rights for plantation development on state land. Economic land concessions have contributed to the expansion of rubber plantation areas. According to MAFF data, economic land concessions covered some 135,448 hectares of rubber by 2013.

Also impacting the sector is the land titling programme. According to local farmers, land tenure was a main constraint on rubber expansion. Property ownership in the studied district had been largely ambiguous. According to the district officer, up until 2012, only an estimated 10 per cent of district land had a proper legal title, the rest coming under the semi-legal title regime and customary right arrangement. The semi-legal title regime was the default for most rural areas. Under this regime, owners of land are given a paper, issued mostly by the commune office, in recognition of their lawful occupation and management of the property. This ownership paper could be used as collateral for bank loans, but is not considered fully legal by the courts, which was a constraint on long-term investment such as in rubber.

In 2012, the state launched a badly needed programme of land titling that provides confidence for rubber growers, particularly small and medium growers. Commonly referred to as the Prime Minister's Youth Volunteer Programme, the land titling programme aimed to provide local growers, particularly in areas where local land ownership is contested or perceived to be threatened by concession companies, with full legal titles. Interviews with local authorities suggested that local farmers feel secured and are willing to make long-term investments.

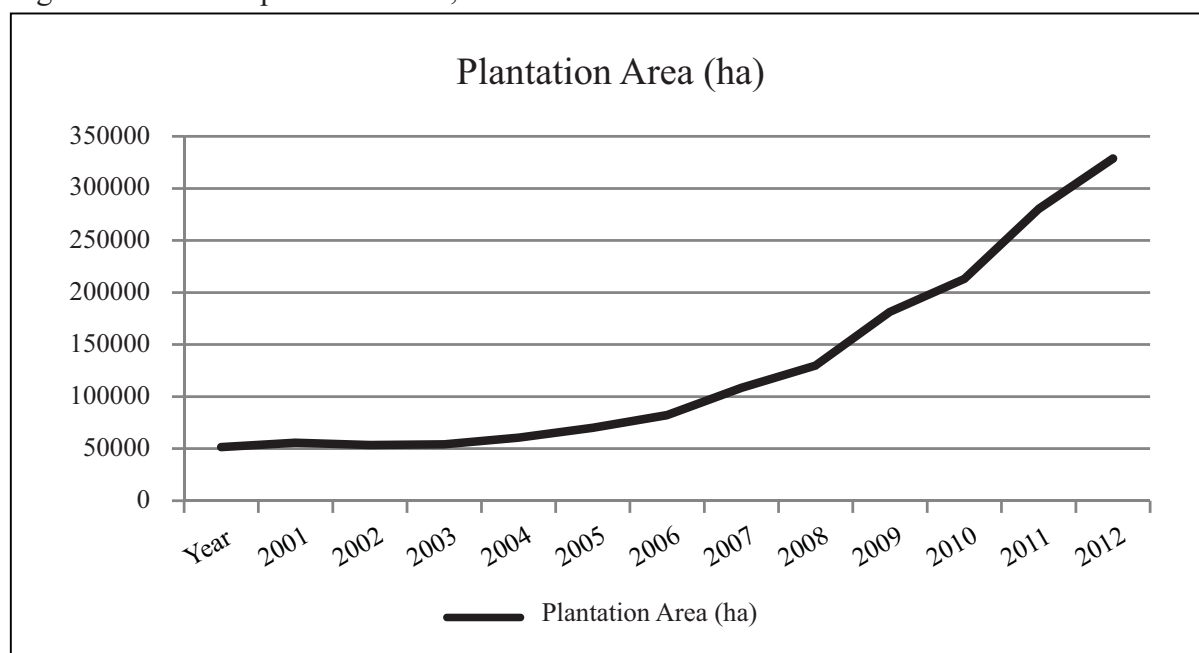
The land title gives us more confidence. We feel secure now, unlike before, when we didn't know if somebody could turn up and take our farm from us. (Interview with commune chief, 9 August 2013)

Currently, around 40 percent¹ of the cultivated land in the commune has titles. Although this programme has been criticised as a political measure to garner voter support in the recent election, the titling programme is thought to boost growers' confidence and induce them to invest in long-term industrial crops such as rubber. This could have a significant impact on the investment climate and thus on the overall development of the rubber sector.

The state also engages to provide ELCs, which are thought to have some positive impact on rubber development. From 1996, the government began granting long-term land concessions to investment companies. By June 2012, it had granted a total of 1,204,750 hectares to 118 companies. Despite some allegations that the ELC were primarily for purposes other than plantations, ELC companies began to emerge in the national statistics on rubber area in 2007. Nationally, the rubber cultivation area increased from 69,994 hectares in 2006 to 328,771 hectares in 2013.

¹ There is no exact figure. This is the estimate of the commune chief.

Figure 7.1: Rubber plantation area, 2001-13



Source: MAFF (2013)

In addition to these changes, the state established two rubber institutes charged with implementing government policies to develop the rubber sector. The GDR, which was established in 1981, was reinvented to prepare policies and strategies for medium- and long-term development of rubber. It has the mission of coordinating R&D among various development partners and research institutes and improving market access for Cambodian rubber. The CRRI was established in 1991 to provide research support to state rubber plantations. It was later transformed to focus mainly on rubber research and establish networks for small rubber growers. These bodies are evidence of the attempt of the state to facilitate the growth of the sector. The actual impacts are discussed in the next section.

7.2. State-Private Cooperation

The literature on the developmental state suggests that an important characteristic is close cooperation between the state and the private sector. What is more important here is that, despite the close cooperation, the state exhibits a great deal of autonomy in its economic policy and action in providing subsidies, protection and other support. In the rubber sector in Cambodia, the relation between the state and the private sector can be categorised as a mixture of cooperation, indifferent autonomy and exploitation. It is important to note that there are two kinds of state-private cooperation in rubber: state cooperation with small rubber farmers and state cooperation with big companies.

7.2.1. State and Small Farmers

In the National Rectangular Strategy II, the state committed to support the development of small and medium enterprises. The state committed to (1) create a legal and regulatory framework to facilitate growth; (2) provide financial service to assist the development of SME; (3) support innovation and technological advancement; and (4) integrate SMEs into global value chains (Royal Government of Cambodia, 2004). These commitments reflect the development thinking

of the state. However, the case study suggests that this thinking is not meaningfully translated into practical action. The case study material suggests that there are no subsidies, capital, technical or market assistance available to small rubber farmers.

Local accounts of the development of the rubber sector suggest that the vision and decisions to grow rubber trees were all made by small farmers themselves. In the study village, rubber development consisted of two main stages. First was the replacement of old farms that began in the early 2000s. Some farmers were originally cashew farmers, but they replaced those trees with rubber trees. The switch was a calculation of the local farmers, who see cashews as a seasonal crop. Its yield is highly unpredictable, depending on wind and rain patterns. On top of that, the shift occurred at a time when the price of cashews fell to record lows for several years in a row, and rubber prices were improving. In addition, rubber could provide income on a more regular basis. Although the price of natural rubber fluctuates a bit, the growers could be sure of getting something every day.

We prefer [planting] rubber to any other crops. Rubber trees at tapping stage offer income for us every day. Other crops such as cashew trees and cassava are only seasonal. (Interview with a rubber farmer, 9 August 2013)

Meanwhile, new rubber trees replaced old ones. By 2004, local farmers, especially those with rubber planting knowledge gained through employment in state rubber plantations or through connections with state rubber plantation employees, began to convert their cassava or cashew farms into rubber farms.

Second, the area of rubber plantation expanded significantly from 2007. This expansion was the growers' response to the increasing demand for natural rubber to fuel the expanding Chinese economy and the improved international price for rubber. International rubber prices increased steadily, from USD1490 per tonne in 2005 to USD2260 in 2007 and USD2590 in 2008. Interviews with local farmers suggest that the expansion was also inspired by the companies starting to grow rubber. Rubber tapping, the concept of continuous income and the physical attraction of the big field of rubber trees in straight lines enabled people to contemplate and engage in rubber growing, which they had not previously considered. Nationally, the area of rubber plantation jumped from 69,994 hectares in 2006 to 82,059 hectares in 2007 and 280,355 hectares in 2012. Based on MAFF's annual report for 2011-12, the rubber plantation area of smallholders in Kratie increased significantly: by 1098 hectares in 2006, 1378 hectares in 2007 and 1328 hectares in 2008.

There are no exact statistics on capital investment, but interviews with local farmers and authorities suggest that small rubber growers depend on informal sources of loans such as friends, relatives and local moneylenders, often with a high interest rate. Private banks and microfinance institutions have also been essential sources of funding for the rubber sector.

For technical support, the state established the CRRI, whose mission is to generate and disseminate knowledge of rubber planting among growers, and the GDR was established to provide guidance for the general development of the sector. This reflects state developmentalism.

However, the case study suggests that this developmentalism failed to materialise due to a lack of state technical capacity. Local interviews revealed that the CRRI and GDR have had little impact on the local development of rubber. Instead of leading development, those bodies lag in technical knowledge and growing practices. Interviews suggested that state bodies are at arm's

length from local rubber planting, leaving the choice of seeds, planting techniques and fertiliser to individual farmers. Little, if anything, is known of these bodies by local rubber farmers. There has never been formal training in rubber planting techniques from state bodies.

No state institution has been developed to cope with the sub-national development of the sector. The provincial Department of Agriculture, which is the main state actor, has yet to create a division for rubber. The department has no staff with appropriate knowledge of rubber, leaving all technical training to the central state bodies.

State intervention in the rubber sector is not only scarce but is also not well received, as farmers view those state bodies as lacking clear technical knowledge. Most of the farmers interviewed gave the impression that the CRRRI does not possess the technical knowledge necessary to do its job. Local narratives are rich with accounts of how the state extension service workers or state specialised research institutions fail even in their model farming, resulting in the public perception that they cannot depend on that institution for technical knowledge.

Once a staff member from the rubber research institute was sent to provide technical assistance on the plantation. Going through the planting areas, he noticed the rubber trees, not knowing they were rubber trees. He asked the other people in the car what those trees were. We told him they were rubber trees; then he said he thought rubber came from a vine. (Interview with a private rubber processor, 7 March 2014)

This is an extreme example, but it reflects the local perception of state technical personnel. What is more, this narrative was supported by the local empirical data on the state's technical ability. In the study district, the extension office was served by three staff members, all of whom were trained as veterinarians. One having recently retired, the other two are left to provide agricultural extension services to the whole district. Those services have been mainly around rice, vegetables and animal raising, which are the main agricultural activities but are secondary in the context of development in the district, where long-term industrial crops including rubber account for 38 per cent of the cultivated land and the figure is rising, while rice accounts for only 25 per cent. This shows a serious mismatch between technical expertise and the needed service. One extension worker openly admitted that they do not have any technical knowledge on rubber and thus never provide technical training to growers.

Some [growers] know much more than us. (Interview with extension officer, 27 August 2013)

In the absence of active state support, local farmers seek technical knowledge through a locally evolved informal mechanism. The expansion of rubber planting area was facilitated by an improvement in technical knowledge due largely to the private companies that took over the management of state-owned plantations after privatisation in 2009. The companies brought in their own technical experts and engaged in R&D, which resulted in a broader understanding of soil fertility and its suitability to different rubber varieties, and new planting techniques. The knowledge has utility beyond the companies. Local farmers learned it through their employment in the companies or through peer learning and began to adopt new varieties and new planting techniques that enabled them to expand, including areas of non-red soil. Prior to the arrival of the private rubber plantations, farmers in the area knew of only one type of rubber, CT1. Since coming into the area, the companies have analysed soil conditions to determine the suitability of different rubber seeds, and they introduced a wide range of seeds. This has widened farmers'

perceptions of seeds that can be grown. The other path of technical knowledge transfer goes through fertiliser dealers, whose primary interest is to promote their product, but in doing so they spread the knowledge of appropriate fertiliser use.

Local knowledge was also acquired through employment abroad. Some local farmers go to Vietnam to work as labourers. This lends them the skills and knowledge of seed breeding, planting techniques and fertiliser application, which they apply upon their return home. Other local farmers obtained technical knowledge from employment in the private rubber plantations, which brought with them their own rubber experts. The knowledge gained in these ways is applied in the farmers' own fields and diffused to the rest of the farmers.

However, these patterns of knowledge transfer are perceived as unsystematic, with the consequence of a general uncertainty. Local knowledge is obtained not through formal technical training but through imitation and shared through informal networks.

Nowadays nobody has exact knowledge of what to plant or how to plant. We just follow one another. (Interview with rubber farmer, 29 August 2013)

The state's relation with small rubber farmers suggests a strong case of state autonomy from those farmers. This kind of autonomy is not purposive, for the development of the sector and the national economy, but an indifference to the need of the sector to grow. This is reflected in the provision of technical support. On top of the fact that the state lacks the necessary technical capacity, the state's decision not to provide training is based on the rationale that the provision of training would send a wrong message to growers that the state recognises and encourages their clearing of forest to plant rubber trees. According to the district extension officer, with technical knowledge local farmers could clear forest to expand their cultivation or could attempt to claim unused land of the concession companies, which is already a controversy.

Field data also suggest that the state fails to provide essential market information to facilitate the sector as promised in the Rectangular Strategy. Local growers indicate that they need information on international demand, which partly determines the market price and imposes constraints or creates opportunities for them. Growers also need information on possible outlets. But interviews and field observations suggest that these support services are virtually absent. This is particularly so for small growers, who operate not only as price takers but within a context of market information vacuum. Local growers have no choice but to accept whatever price they are offered, and they are not aware of how the rubber market works or whether they have been offered a reasonable price. This results in uncertainty, vulnerability and lack of confidence and motivation to make further investments.

Rubber collectors and small-scale rubber processing-plant owners face similar constraints. The collectors are only middle persons, collecting latex from growers and selling it to processors. However, the middle persons complain of their inability to secure an adequate price due to their dependence on the processing factory owners, who are themselves price takers. Interviews with factory operators and owners reveal that they face the same problem of a lack of market information.

Right now, we don't even know at what price to buy [the latex]. Some say this price, others say that price, but we don't know which one to follow. When farmers come to sell their latex to us, we don't know how much to offer because we don't

know how much we can sell. (Interview with rubber processing plant owner, 7 March 2014)

There is no formal structure for marketing rubber. The price of latex is determined by supply and demand. Local farmers are fully in charge of selling their own products, which at the moment is done through a network of middle persons. In the study site, farmers have the options of selling their rubber to middle persons or companies. The middle persons are both locally based collectors and a range of freelancers based in different location along the highway. They come in their own pick-up trucks and buy the latex directly from local growers and sell it to local processing plants or to Vietnam.

The dependence on the Vietnamese market keeps the Cambodian rubber price relatively low. Locals suggest that Cambodian rubber farmers, because of the lack of technical standards of quality and quality certificate, are at the mercy of the Vietnamese middle persons. The middle persons from Vietnam can grade Cambodian rubber much lower than reality in order to pay a lower price. Those middle persons then rebrand Cambodian rubber as their own at its actual quality, for a higher price. Interviews with farmers in the study district in August 2013 revealed that the latex price at that time was 3200 riels (USD 0.80) per kilogram, while the export price of Cambodian rubber was USD3059 per tonne and USD2985 per tonne for Vietnamese rubber.

The field data do not reveal state autonomy in the sense of the developmental state characteristic. The data suggest that in all state interventions, however small or insignificant, the real intention is to create a rent-seeking opportunity and not primarily to advance a common economic interest. We observed no direct state initiative, and perhaps there should not be one in the context of a decentralised and neoliberal state, to correct or intervene in rubber pricing problems. There have been initiatives, at least in words, to encourage the establishment of rubber grower associations. An official of the provincial Department of Agriculture perceives an association as crucial. Farmers joining the association could access the collective funds derived from members' saving to meet their capital needs. An association would allow small rubber farmers to join forces and create a coordinated supply network with greater collective power of negotiation. The association of suppliers would also improve trading, buyers being able to place orders with the association instead of with individual small farmers, which is logistically and economically difficult.

However, forming an association may face political, legal and practical challenges. It is not certain whether and to what extent the central government would allow the idea to be implemented. Legally, the formation of an association has to be approved by the state. Attempts by other farmer groups, particularly pepper farmers, have met state predatory characteristics. The legal process is not clear, and there is a possibility of informal payments. Dependence on an association to solve rubber sector problems may face some practical challenges, especially the problem of inclusion and exclusion. Field data suggest that the majority of small farmers are not aware of the plan to establish an association, and they may be left out, making their situation even worse.

Where the state plans to intervene, the real motivation is often rent seeking, not development. The state responds to the lack of technical knowledge not by providing training but with a plan to regulate the establishment and operation of nurseries. The provincial Department of Agriculture sees the importance of farmers being given the right rubber varieties. It seeks to

introduce a technical control mechanism, which requires rubber seedling providers to be subject to technical checks and approval of the department. As part of the system, seedling suppliers have to obtain a business operation certificate. From a technical point of view, this system can promise growers quality rubber seedlings suitable to local soil and climatic conditions, with lower associated risks of disease and pests and increased profitability. However, this initiative may be hijacked, as the case of land titling suggests, and turned into a state mechanism of control over the sector, and possibly of rent-seeking. Thus it can be argued that the expansion and development of the rubber sector followed its own course of development, not so much as the result of planning and guidance of the state but as a natural course of evolution set in motion by political, social and economic changes.

Another state action that constitutes an imposition on the rubber sector is related to logistics. Despite the improvement of infrastructure, transporting rubber remains a challenge caused by informal checkpoints, export procedures and fees. Interviews with collectors revealed that the transport of latex between provinces was subject to informal inspection and rent extraction by security officers and police who set up informal checkpoints. Interviews suggest that segments of the state act in ways that do not contribute to the development of the rubber sector, but seize the opportunity to exercise control and extract rent.

The transportation of latex 10 years ago was considered illegal, and we were often stopped by traffic police and had to pay fees. If we didn't, they would chase us. (Interview with collector, 29 August 2013)

Currently, informal checkpoints and fees are no longer a challenge, but a new form of predatory state behaviour has emerged, in particularly export logistics and procedures. Processing plant owners say that the export procedures do not ease the export of rubber. Paperwork is required and hard to obtain. Obtaining it is not the end of the matter. Exporters have to bow to the egotistical custom officers, port officers and even crane operators.² Failure to do so would result in delay in the loading of their containers onto the ship, and that would incur a fine from the shipping company. Because of the distance between the rubber producing area and the port and the challenges of the port, exporters tend to go through Vietnam. For Cambodian rubber growers, either way presents a challenge and a potential income loss. The need to obtain the export paperwork and the problems at the port mean exporters have to factor in these costs and transfer them to the rubber growers. Export through Vietnam means that a portion of the profit is lost to skimming by the Vietnamese middle persons.

7.2.2. State and Big Companies

The relationship between the state and big companies is closer and more supportive than that with local farmers. The big companies enjoy the benefit of long-term concession land, being given leases for 99 years. How the concessions were obtained is discussed in the next section, but they make it possible for companies to invest in and expand the rubber growing area.

Big companies also enjoy more technical support from the state. Currently there are three entities that serve as support networks for big rubber growers: the CRRI, GDR and Association for Rubber Development of Cambodia. The CRRI and GDR are research-based institutions. They offer training on rubber seed selection and growing techniques. The association provides a

² For this paper, the authors did not have first-hand information on this issue, but the account seems to be confirmed by conversations with members of the general public who have experience importing and exporting goods.

forum for growers, mostly big players, to meet and discuss the challenges they face, particularly those concerning market issues.

In addition, big companies have been provided policing assistance to deal with the stealing of latex from their plantations. A unit of the commune police force is assigned to work for the company and patrol the plantation to prevent people from coming in to collect dry rubber at night. Petty theft has been a big challenge for the companies.

However, the study suggests that the close relations between the state and the private companies are not accompanied by autonomy in the sense of the developmental state. If autonomy is understood as the state's ability to avoid being captured by private interests, analysis of the material suggests that the state is not autonomous in its policy formulations and actions. An instance of the state apparatus being used by private interests was observed in the early stage of rubber sector privatisation or development, and this was reflected in the account of a small local rubber collector, who started the business in 2003, buying rubber from local farmers and reselling it in another district. Transportation of the latex was considered illegal and was often stopped by traffic police. Interviews with local farmers and authorities suggest that the action of the traffic police had some logic. Some of the transported latex could have come from theft, which was prevalent at the time. Residents illegally entered company plantations to collect the leftover latex or even steal it from the trees. However, the evidence still points more to connection and collusion between the state apparatus and big companies. The local collectors' illegality rested on the fact that they were not allowed to sell latex to anybody other than the companies, which operated under the guise of being state entities. This way of defining what was legal and illegal positioned the companies as monopolistic buyers who could set the price to their liking. There was a big gap between the legal price the companies offered and the price obtained on the illegal market. This shows that the state was used as a tool of exploitation in the interest of the business elite at the expense of small farmers, with consequences that did not encourage growth in the sector.

What was more interesting about this case is that the state officials were not completely serving the interests of the private companies. They served their own interests as much as those of the companies. Enforcing the ban on transportation of rubber, those state agents sought rents from rubber middle persons and traders. This is reflected in an account by a local middle person on how she kept her business going.

I had to pay the security force [traffic police] to keep my business going. If I gave them money, our truck could go on. If not, they would seize it, on charges of transporting illegal latex. (Interview with rubber collector, 29 August 2013)

This neither resembles the embedded autonomy of the state nor represents a complete capture of the state by private interests, but rather rent seeking at the lower level of the state bureaucracy.

The policing is another good example of the nature of state relations with and autonomy from private companies. Generally, policing may seem like a credible state effort to support the private sector. However, analysis of this initiative in reference to the politics of resource sharing in neo-patrimonialism suggests that it also represents an opportunity to seek rents for the police officers and their patron. Police officers work for the company for a salary higher than a state salary. This allowed police patrons to fulfil their obligation to generate income opportunities

for their clients (policemen). Thus the real reason for providing servicing is not merely or primarily to support the private sector, but to maintain the patron-client relationship.

The case study also revealed other instances of exploitative state relations with big private companies, particularly by low-level state agents, who share the proceeds with their superiors through a complex arrangement of payments that are beyond the scope of this paper. This is observed in the state's role of regulating relations between companies and workers. Companies have to comply with labour law requiring them to ensure proper housing and provide education and health care to their workers. This law is enforced by the Ministry of Labour. At a specific time, officials from the Ministry of Labour visit company sites to ensure that the labour law and regulations are appropriately observed. While details of the manner in which the inspectors from the ministry relate to the company is beyond the scope and ability of the research to obtain for this paper, a conclusion can be drawn on the basis of the understanding of neo-patrimonialism that the regulations and inspections are designed as good labour practice but serve the state official in charge. Companies would not pass the regulations and inspections without the *per diem*, treats such as festivities (e.g. dinners, karaoke), and the so-called envelope (cash gift), offered as part of greeting officials. This constitutes rent seeking.

7.3. Politics vs. Bureaucracy

This section looks at whether the policy and action of the state reflect bureaucratic rationality or political interests. One state action that resulted in the development of the rubber sector was privatisation. This took two distinct forms. The first was the state's increasing acceptance of private and small-scale activities in the sector. Local farmers started to engage in rubber growing and marketing from 1999. Second, state-owned rubber plantations were sold to private individuals or firms. This did not happen until 2006, some 19 years after the first wave of privatisation in 1989.

It is hard to determine whether these two forms of privatisation were a bureaucratic decision based on the rationale of the need to develop the sector. In the case of the small rubber farmers, field data suggest that it was more the farmers' own economic incentive in response to market opportunities and a forced move on the part of the state to legitimise the 1989 privatisation, with no real intention of sector development. This is supported by interviews with local rubber farmers, who revealed that during much of the 1990s, farmers decided to grow rubber trees in response to improved market prices and a promise of sustained income from latex harvest despite local narratives that family-owned rubber plantations could be nationalised anytime. This does not reflect a political interest of the state to control or seek rents in the expanding rubber sector, but neither does it manifest a strong trait of bureaucratic planning and reasoning.

For the transferring of state-owned plantations to private management and ownership, bureaucratic rationale does not stand a chance of being the primary reason to develop the sector. It is not possible to obtain direct information on the reasons behind the privatisation, but this conclusion can be drawn on two grounds. First, it can be a continuation of transferring state resources to private ownership, which began in the late 1980s, before the integration of the resistance forces with the government (Hughes 2003). The transfers took place in 2008 and 2009, at the height of elite accumulation of state properties, suggesting that the reason for this privatisation was elite personal, political and economic interests. On this analysis, the privatisation of state-owned plantations may have been designed for their transfer into the hands of political and economic elites. The second reason may have to do with the general

inefficiency of state management and the corruption in the sector. Slocomb (2011) suggests that revenue from rubber (only around USD1 million annually) was quite low compared to the size of the plantations and the price of rubber.

The other point for analysis is the land concession programme, which follows the logic of the state policy to strengthen agriculture, but was implemented for other purposes. Concessions were given to big private companies often connected with powerful state actors and foreign companies. The general criticism is that the programme served specific interests of certain elite groups (Global Witness, 2009; Un & So, 2009; Un & So, 2011). The study suggests political and economic interests behind the decision to grant concessions rather than bureaucratic rationale, as evidenced by the fact that there was no rigorous study to determine the suitability of the soil and no study to assess the impact of the concessions on local communities.³ Concessions were obtained through complex arrangements along the line of economic development but involving illegal dealing, rent seeking and favouritism. How those concessions are used suggests that the programme does not reflect a state ability to formulate development policy independently of those powerful elites whose interest in concessions was not primarily to expand agricultural production. According to the provincial annual report of 2013, 40 companies have been granted economic land concessions of 236,219 hectares⁴ in Kratie since 2006; only 71,690.75 hectares, 30 percent of total concessions, have been cultivated, while the rest were left unused after logging finished. This suggests that the concession was primarily for logging, which reflects the politics of resource sharing rather than a bureaucratic rationale for rubber sector expansion.

The analysis of the concessions suggests more than simply political and economic interests taking control of the bureaucratic technical justification. It also suggests a disjunction in state relations. Concession decisions are often made by distant state agencies that reclassify local land as forest suitable for concession. Thus some concessions enclose local communities. Sub-national and local state agents do not always agree with the classifications of the ministry, but they are powerless to challenge them.

In assessing the disputed ELC, we accompanied the working team from the ministry. In the field we saw rubber trees here and there, and they must have been planted by locals some time before. But for money ... they [cartographers] reported it as forest land, making the land conflict-free. It was people's land, not forest land, but we small officials cannot say much. (Interview with extension officer, 27 August 2013)

This instance suggests that agents from the central ministry abuse their power and act in the interests of their patrons in ways that do wholesale violence to the local ecology and community. This has resulted in land disputes dominating development issues for much of the 2000s.

The land titling programme is another subject for analysis between bureaucratic rationale and political imperatives. That the original intent was to strengthen agriculture and the rubber sector is dubious, given the manner in which the programme emerged and its timing. The programme did not emerge from the work of state institutions, particularly the land management office, but was the initiative of the prime minister in May 2012, just before the election. It was carried

³ The authors have no direct access to this information, but this inference is based on information collected from local officials and informal conversations with knowledgeable people who are not the formal key informants of the study. They include mid-level managers of the concession companies.

⁴ This figure is highly questionable. The figure of the provincial council is 295,619 hectares.

out by the prime minister's youth programme and working group perceived to be connected with his party, suggesting that it was more of a political goal than an economic imperative to develop the sector.

7.4. State as Entrepreneurs

Empirical data suggest that the current bottleneck in rubber sector development is the lack of processing capacity, which causes two main challenges to the marketing of Cambodian rubber. Small rubber farmers sell their latex through an informal market system consisting of petty collectors on motorbikes, who then sell it to collectors based either in the district centre or in distant places. These stationed collectors then sell it to processing plants. The number of those plants is small, and their capacity is limited; often they cannot produce dry rubber of good and consistent quality. The inconsistent quality means low prices, and the limited capacity means that Cambodian farmers have to export most of their latex for processing in Vietnam before it is sold on the international market. This dependency allows the Vietnamese middle persons to extract profit from Cambodian farmers, contributing to the lower price they get, and it creates a situation of unpredictability in the rubber market in Cambodia. This shortage of processing capacity is cited in interviews with both local rubber growers and stationed collectors. But establishing processing plants, especially on a scale large enough to accommodate the increased latex supply and to serve as the national supply point where international buyers can place orders, requires capital investment and technology that for now may seem impossible to local entrepreneurs.

In this context under the developmental state framework, the state as entrepreneur of last resort is supposed to step in to provide services that the private sector fails to provide. But the case study suggests that the state will not step in to fill the gap in processing capability. There is no state-run facility to help process latex in the studied district or anywhere else in the country. State development policy does not show any intention to provide this facility. At the same time, interviews with sub-national and local state officials reveal that they do not see an imperative for direct state involvement in this matter. This reflects, not a characteristic of developmental states, but the neoliberal principle of a lessened state role in the economy.

The gap in processing capacity is being filled by the private sector: private individuals and private rubber investment companies. The individuals are local residents who obtained their technical knowledge through employment in state-owned rubber processing factories, who have an attachment to processing, and those with significant wealth. The private investment companies are building processing plants to process their own latex. In this context, the state plays an important mediating role, directing the large concession companies to take the latex supplied by local farmers. This characteristic is typical, not of developmental or neoliberal states, but of neo-patrimonial informality.

8

DISCUSSION

From a broad and general perspective, the Cambodian state has provided a macro environment that allows the development of the rubber sector. This is observed in the changing economic ideology, improved security, improved infrastructure and policy support for growth. But these aspects do not reflect the characteristics of a state doing everything to promote economic growth. Rather, the changes and improvements were the result of changing political and economic circumstances determined by the end of war, by the international community and by the commodities boom. The case study suggests that since the liberalisation of the economy that began in 1989 and the subsequent implementation of governance reforms, the state's commitment to economic development has been limited to policy rhetoric. The talk of promoting agricultural development in the Triangle Strategy, Rectangular Strategy I and the Rectangular Strategy II has not been followed thoroughly by policy actions nor by programmes that add up to the claims. This is due partly to the state's lack of technical capacity, making its developmental thinking in its policy documents a constrained developmentalism. Evidence from local growers suggests that there has been little action by the state that directly supports the growth of the sector. The case study suggests that development in the rubber sector is explained by individual farmers' attraction to the economic benefits, made possible by improved security and internal stability and the opening and integration of the economy, not by strong guidance from the state. This represents a constrained developmentalism.

In state-private relations, the case study reveals an aspect of developmentalism in the avowed intention to assist the development of SMEs, but which is hijacked by neo-patrimonial interests. The state's relationship with small rubber farmers can be characterised as absent, for there was no evidence of the state providing capital assistance, technical training or market support to local farmers. The state's relations with big companies were observed to be more active, the state providing land concessions, technical support and security. At the same time, the state exhibits a great degree of autonomy from the small rubber farmers in its policy formulation and conduct. This form of autonomy is not conducive to sector growth like the autonomy of a developmental state. State policy, although broadly directed toward supporting sector growth, is implemented in a manner characterised by neo-patrimonial rent seeking. The state is not able to avoid being captured by big private interests, which include international investment companies and local elites, as manifested in the privatisation and the economic land concession programmes. However, the case study reveals a new dynamic of autonomy in which the exploitative relations between the state and private companies work in two directions. While powerful elites use the state to advance their interests, state agents also exploit their relations with those companies for rents.

The case study also suggests that, in the conduct of the Cambodian state, political and economic interests outweigh bureaucratic rationale. The privatisation of state-owned companies took place in the framework of a decentralised and neo-liberalised state, but it is also possible that this was a part of the continued transfer of state resources into private control, especially of political elites. The new plantation owners are either powerful elites or people with close connections to the elites. This is in line with Hughes' (2003) argument about the CPP selling state property in the pre-1993 period.

Land titling and economic land concessions are two important programmes to materialise the development thinking in state strategic development planning. But the manner in which these programmes were implemented and their impacts on small rubber farmers suggests a strong political-economic rationale rather than a bureaucratic justification and intention to enable the growth of the sector; this constitutes a hijacked developmentalism.

The case study reveals no trace of the developmental state characteristic of engaging directly as the entrepreneur of last resort. But this has to be understood from a specific development paradigm of neo-liberalism, in which states are supposed to move over and let the market take over. In this paradigm, the state is observed to depend strategically on the private sector and the neoliberal mechanisms of farmer communities and growers associations to solve the pressing problems of lack of processing capacity and market access.

9

CONCLUSION

This paper concludes that the Cambodian state does not exhibit the ability to introduce structural transformation for rapid and sustained growth in the rubber sector. State engagement has been mainly restricted to policy aims, with not enough concrete actions essential for the transformation in the sector. Much of what has been said of national policy to promote development in the rubber sector remains at the level of rhetoric.

After all of the governance reform over the last decades, the Cambodian state is neither clearly developmental nor neoliberal, but has developmental, neoliberal and neo-patrimonial elements. At broad policy levels, there is some indication of developmental thinking, but this is constrained by the lack of bureaucratic and technical capability and is hijacked by the neo-patrimonial elements. These elements at times turn development planning and the neoliberal state regulatory role into means of obtaining rents, making the state more of neo-patrimonial than developmental or neoliberal.

However, a different conclusion may be reached if one looks from a different perspective, particularly a comparative perspective, from which one can argue that a lot has been achieved. Peace, stability, infrastructure development and improved security of land ownership are some of the specific examples. For this reason, further study may be necessary especially with different sectors such as health and education for they may yield insights for the different levels of political-economic interests.

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