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## Constraints on the Rice Marketing System

Now that Cambodia is growing a surplus of rice, the country clearly needs a better system for marketing rice inside and outside the country. Sik Boreak, \* summarises constraints on the rice marketing system and recommends options to improve these.

Since the harvest of 1995/6, Cambodia has been able to produce more rice than the country consumes. Unfortunately, because the systems necessary for distributing rice throughout Cambodia and for exporting it are largely underdeveloped, surplus production has led to lower prices for farmers, the majority of whom subsist below the poverty line. As a step towards improving the prospects for marketing rice, both inside and outside Cambodia, and with it the earnings and living standards of farmers, the author has made an extensive study of constraints on the marketing of rice.

In conducting this study in July and August 2000, field visits were carried out in Cambodia's five major rice-producing provinces – Svay Rieng, Prey Veng, Takeo, Battambang and Banteay Meanchey – as well as in Phnom Penh. Interviewees included farmers, paddy collectors/traders, millers, transporters, traders, wholesalers, and retailers, and government officials in agriculture, border control and policy making.

### Marketing and the Marketing Margin

The price difference between what a farmer is paid (the farmgate price) and what a consumer pays (the retail price) is generally defined as the marketing margin. Farmgate and retail prices vary considerably with the seasons. Prices are low during the harvesting season and high during the time when rice is growing (Tomek and Robinson 1987).

In the last two years, both farmgate and retail prices have decreased dramatically. This is due, in general, to

\* Sik Boreak, who is with the World Food Programme, conducted this study in mid-2000 while a staff researcher with CDRI. A more-detailed report on the study will be published in CDRI's forthcoming *Annual Economic Review*. The ideas, facts and opinions expressed in this article are those of the author and do not necessarily reflect the views of CDRI.

Picture is the same  
[about rice marketing]

Cambodia has been producing a surplus of rice since 1995/6, but with a limited system for marketing rice, prices have fallen, and with them the earnings of farmers.

three main factors – a decline in rice prices in the world markets, a large surplus of rice in Cambodia, and farmers' weak bargaining position. In order to hire labour or purchase agricultural inputs, farmers borrow money. They must repay these loans at harvest time with high interest charges. During a field visit conducted as part of this study in mid-2000, interest rates varied from 3-5 percent per month for loans from rural development agencies, to over 8 percent for loans from private money lenders. Farmers also need cash to buy family necessities such as clothes, school supplies, tools, etc. and pay exceptional costs such as medical bills or wedding expenses. With most farmers selling their crop at the same time, the glut on the market brings prices down.

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Mill owners are in a much better position to profit than farmers. The larger millers have the resources to purchase paddy (unmilled rice) during the harvesting season, but mill and sell it to wholesalers/traders or retailers during the rainy season, when significant profits can be made. Although seasonal farmgate prices change consistently with retail prices, millers' profits can be maintained by purchasing when paddy is cheap and selling when prices are higher. Regardless of a price increase at any level, from farmgate to wholesale, retailers in Phnom Penh markets always maintain their profit margins if they possibly can.

There are many marketing imperfections in Cambodia. For example, farmers in the provinces lack information about wholesale prices in provincial towns or at the retail level. They only know about the price offered by the local paddy collector/trader or the nearest mill. Another market imperfection stems from the lack of competition. Due to transportation problems, farmers usually only have one place to sell their crop.

Because only a small number of farms are irrigated and able to grow rice year-round, the supply of rice in Cambodia is highly seasonal. Even if retail prices go up, farmers cannot produce more rice to sell until the next rainy season (June to October). As a result, any attempt to change the marketing margin will not significantly benefit farmers, at least in the short term. Improved prices at the retail level only benefit retailers, wholesalers and millers. Conversely, a price drop in the retail market will be quickly passed on to farmers, since all intermediaries in the marketing system tend to maintain their profit levels.

## Factors Influencing Price Variations

### *Price variation due to seasonality*

Most rice varieties are grown during the wet season and harvested in the dry season between December and February. The glut of rice at harvest time brings down the farmgate price, and with it, the retail price in populous cities such as Phnom Penh. Prices also fall because no one has incurred storage costs as yet, and transportation costs are lower because roads are in better condition.

Prices are lowest in March. In order to meet costs of New Year's celebrations in April, farmers sell off paddy because it is one of the few means by which they can raise money. Also there is a shortage of buyers at this time because after purchasing paddy during the harvest season, buyers have used up their budgets.

Retail prices of rice rise in the last months of the year and are usually highest in October and November for two reasons. Rice from last year's harvest has been exhausted, and by October, most farmers have run out of their own stocks of rice and their need to purchase rice for their families contributes to the rise in prices.

### *Price variation due to political insecurity*

Traditionally, whenever consumers feel insecure, they purchase large quantities of rice – enough to assure family consumption for a few months or even a year, and this drives up prices. After the fighting of July 1997, the price

of rice increased steadily due to fears about the future. Prices peaked in July 1998 at riels 1,500/kg for first-quality rice (No. 1), and just above riels 1,300/kg for second-quality (No. 2). Prices remained at this level until December 1998 because of worries about the 1998 election. After the formation of the new coalition government in late 1998 and consumer confidence returned, there was a sharp drop in prices (about riels 1,000/kg for paddy and riels 900/kg of milled rice No. 1 and No. 2, respectively).

### *Price variation due to external factors*

Rice prices are also affected by exchange rates and rice prices in the international markets. When the Cambodian riel depreciated from just under riels 3,000 per US dollar in 1996, to over riels 4,000 per dollar in 1998, the prices of milled rice also jumped from around riels 1,000/kg for milled rice No. 1 and riels 900/kg for milled rice No. 2, to approximately riels 1,500/kg and riels 1,300/kg, respectively.

Prices of milled rice in Phnom Penh markets are also considerably influenced by the prices of rice in Bangkok. Since early 1995, the prices of No. 1 and No. 2 rice in Phnom Penh markets have been much higher than the "free on board price" (f.o.b.) in Bangkok (Thai 100 percent second grade). Lower rice prices in Thailand, as will be discussed later, encourage legal and illegal imports from there.

### *Price variation due to location*

Rice prices vary from one province to another. Theoretically, price differences between two regions are supposed to be no more than the price of transportation. However, between 1998 and 1999, though transportation costs were only about US\$15-20 per ton from Battambang to Phnom Penh, the prices of *Phkar Knhey* rice in Phnom Penh were much higher than in Battambang (about US\$50-100 per ton). This is likely due to unofficial taxes charged en-route between the two cities, the layers of traders involved and higher storage costs in Phnom Penh.

## Importing Rice

Although significant rice surpluses have been reported at the national level, chronic shortages continue in some areas – even in provinces with a surplus. The situation is so bad in some regions that international donors supply food aid. The rice supplied under food aid increased from 29,000 metric tons in 1998 to 31,000 metric tons in 1999. Although some of this rice was purchased in Cambodia, 9,500 metric tons were imported in 1998 and 18,000 metric tons in 1999.

Based on official reports from the Customs Department, commercial rice imports have also increased rapidly from 2,000 metric tons in 1995 to over 20,000 metric tons in 1999. These imports come mainly from Thailand and Vietnam. Border officials and others interviewed for this study believe that the quantities of rice imported unofficially are likely much higher than the quantities reported officially.

## Exporting Rice?

Cambodia was once an important rice exporter. By the end of the 1960s, the country exported up to 0.5 million tons of milled rice. In the late 1950s, rice counted for about one-third of total foreign exchange and in the mid-1960s, about 60 percent. By the end of the 1960s, rice represented 40 percent of all exports (World Bank 1969:83). Because the rice industry, along with most rural infrastructure, was severely damaged by civil war in the 1970s and held back by isolation and the aid embargo in the 1980s, national production remained at deficit levels until 1995/96.

Over the last five years, production has continued to climb with its highest levels ever in 1999/2000 (over 4 million metric tons of paddy). This increase in production has forced farmgate prices downward, and, as a result, Cambodia urgently needs export markets.

Despite the government's efforts to encourage rice exports, the amounts exported have been minimal over the last five years. The official figure for exports of milled rice, recorded by the Customs Department, has been as low as a few thousands metric tons per year. Most rice has been shipped to ASEAN member countries, especially Singapore (70 to 85 percent). Although legal exports of milled rice have been small, reports by border officials interviewed for this study would indicate that smuggling of paddy to Thailand and Vietnam has been considerable.

Paddy exports appear to be solely dependent upon the Thai and Vietnamese markets. Any change in demand and supply levels in these countries has a significant influence on exports and prices of rice in Cambodia. This situation reduces the comparative advantage of Cambodian rice production. Uncertain profits also reduce farmers' incentive to invest in inputs to increase production (Kasente *et al.* 2000:16). In the case of Cambodian subsistence farmers, they will grow only enough rice for household self-sufficiency if they find commercial production to be unprofitable.

### Problems with Export Procedures

Because national food security is important and rice is the key staple of the Cambodian diet, the government requires rice exporters to obtain a licence to ensure that Cambodia retains adequate supplies. Unfortunately exporters encounter unofficial charges in order to obtain a licence (Ellis 1996), and the procedures are time-consuming and expensive.

While licensing itself might not be a significant constraint, when it is combined with inefficient management, it strongly deters the export of agricultural commodities, especially rice. The report from the Cambodian Rice Millers Conference in May 2000, complained of a government service that is not good enough, and that exporting is costly due to unofficial charges and complicated procedures (EDC 2000).

The current export licensing system needs to be further improved if it is to assure national food security. Based on the author's calculations, the direct economic losses incurred over the last five years, if estimated at the national level, range between US\$1.5 million and US\$7

million annually. The irregular expenses for exports of both milled rice and paddy have a significant impact on efficiency in production. The US\$10-15 per ton of extra charges result in a reduction of farmgate prices by US\$ 10-15 a ton, which is about 10-15 percent of farm revenue for one ton of exported paddy.

### Constraints on the Marketing System

Now that rice production has reached surplus levels, efficient marketing inside and outside the country is effected by still other constraints:

#### *Seed selection and consumer's preferences*

One of the main constraints on rice exports stems from the low quality of Cambodian rice. Cambodian rice has been identified as poor, short, small and broken (EDC 2000). Although some high-quality varieties such as *Somaly* and *Phkar Knhey*, are grown in Cambodia, the grade is still considered to be low because of impurities.

Efforts to introduce high-yielding rice varieties (IR) have been successful in the last 10 years, but their marketing is strongly hindered by consumer's preferences, at least in city markets. Both consumers and producers prefer local rice varieties to the high-yielding ones because they find IR rice hard and tasteless. They prefer to grow local wet season rice for household consumption and high-yielding rice during the dry season for sale. Phnom Penh and Battambang retailers interviewed for the study indicated that if customers have a choice between IR rice and other varieties, they will not buy IR rice unless it is significantly discounted.

#### *Lack of market information*

Price indicators are published in bulletins by various government and non-government institutions, but these rarely reach those who need them most, especially those in the provincial marketing system. Some exporters and other interest groups also lack information about the international rice market.

#### *Lack of export markets*

Compared to Thailand and Vietnam, Cambodia has limited exports. As mentioned above, only a small proportion of the rice surplus is legally exported to Singapore.

#### *Poor transport infrastructure and high fuel costs*

The increase in fuel prices, due to high taxes, adds to the already-high transportation costs.

#### *Ineffective implementation of existing trade policies*

Although the government has simplified the trade of agricultural commodities, it still remains quite difficult to export either paddy or milled rice, legally or otherwise, without paying "unofficial fees" at border checkpoints.

The other constraints on marketing rice in Cambodia include: weak coordination between government and the private sector; poor milling productivity due to outdated equipment; inadequate post-harvest quality control; poor management of rice storage facilities; inefficient dissemination of information about laws and regulations; and,

*Continued on page 16*

# Poverty Reduction in Cambodia – Some Reflections

CDRI's Research Director, Sarthi Acharya, examines the link between economic growth and poverty reduction.\*

## Introduction

There is on-going debate in Cambodia about whether growth in national income *per se* can lead to poverty reduction. Most East Asian economies experienced a significant reduction in poverty with the rapid growth that began in the late 1970s. This was also true for many Southeast Asian economies in the 1980s, until the financial crisis struck. Elsewhere though, for instance in some countries of South Asia, Latin America and in the Philippines, the relationship between economic growth and poverty reduction has not been so evident. Despite 5-7 percent annual growth throughout the 1980s and 1990s, poverty in India hardly declined. In Latin America, poverty rose during the same period.

Keeping these experiences in mind, this article tries to understand the structure of growth in Cambodia and then reflects upon its implications for poverty reduction and improved standards of living.

This article also comments on the major, current and proposed development programmes that could affect poverty.

There are several propositions that have been found to hold everywhere in the context of poverty reduction. First, the composition of growth matters. Some compositions, if sustained, absorb labour on a sustained basis. This, in turn, alters the structure of the labour force by moving workers away from low-productivity towards high-productivity activities, and hence, reduces poverty (e.g. in East Asia and Israel; see World Bank 2001). However, not all growth compositions are employment-friendly. In fact, some, such as the (erstwhile) Soviet style heavy-industry model, are not employment-friendly at all. Second, the quality of labour matters. If the labour force is skilled, mobile and adaptable to different work environments, it can be gainfully deployed in high-productivity activities (e.g. in Singapore and Taiwan). In contrast, an unskilled, inflexible and immobile labour force may not be in much demand in modern, growth-oriented industries. The third condition refers to an enabling techno-economic environment. In this regard, if the infrastructure is fairly well developed and competi-

tively priced, it attracts widely-dispersed investments and, hence, creates broad-based employment. If not, those few industries that are set up tend to concentrate in one or two locales without making any significant difference to the mass of labour spread country-wide. The Philippines and the South Asian countries demonstrate this problem. Last, it matters whether the growth composition is flexible to changes in demand and technology. In the presence of such flexibility, a growth strategy can adapt to be sustainable, as in the example of the Republic of Korea. In its absence, initial rapid growth eventually degenerates into long periods of stagnation.

## The Cambodian Development Experience

### *The period of the 1990s*

The Cambodian economy grew at 5-6 percent per annum between 1993 and 1997. This growth in national income, when translated into absolute numbers, works out to about a 30 percent rise in national income over the five years. During this period, the garment sector, which is labour-intensive, grew at the very rapid pace of over 30 percent each year. At the same time, the country's tourism sector also began to grow. Construction activities were also buoyant. However, despite this growth, poverty was reduced only 3-4 percent over the whole period, or less than 1 percent per year (RGC 1999). This implies that with the present composition of

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growth (textiles and tourism being the principal growth industries), there was a reduction of only about one-seventh of 1 percent (0.14) of people below the poverty line for every percent rise in the national income. Over the same period, poverty reduction for every percent of growth in Thailand was 0.5 percent (Paitoonpong *et al* 2000).

Between 1997 and 1999, when the Cambodian national income hardly grew, it appears as if the proportion of people below the poverty line remained unchanged or even

rose (RGC 1999; RGC 2000a). In short, while the economy did grow, and that contributed to confidence building in both the national and international business communities, poverty reduction was slow during this phase of growth.

Through the decade of the 1990s, the agricultural sector grew about 2-3 percent annually, which was approximately the same level as growth of the population. Growth emerged from expansion in cultivated area through removal of land mines, cutting of forests, bringing hitherto unutilised lands under the plough, and through some rise in productivity. However, productivity is still low – amongst the lowest in the rice-growing countries of Asia. Expansion in agriculture has just about kept the growing population fed; it has not helped alleviate rural poverty. The proportion of the workforce in the agricultural sector was estimated at about 71 percent in 1993/4, which *rose* to about 74 percent in 1999.<sup>1</sup>

\* The ideas, facts and opinions expressed in this article are those of the author and do not necessarily reflect the views of CDRI.

(Godfrey *et al* 2000). It is logical to conclude that labour productivity in agriculture hardly rose, if at all, during this period. Government estimates show that up to 90 percent of the poor in Cambodia are concentrated in rural areas, and engaged in agriculture as their principal economic activity (RGC 1999); and these populations have not benefited much.

Industry, mainly garment manufacturing, did grow at a rapid pace. While aggregate growth in industry averaged over 10 percent, garment manufacturing averaged well over 20-30 percent growth annually (Hach *et al* 2000). The elasticity of labour use, with respect to output growth in this sector, works out to about one<sup>2</sup> during the 1990s. Total employment in the garment industry in the year 2000 was about 130,000, compared to it being negligible earlier. However, this number, though it is 55 percent of the total number of industrial workers, forms only about 3 percent of the labour force. Also, unlike elsewhere in the region, the garment sector in Cambodia has not been able to raise its labour productivity over time. Investments, mainly of foreign origin, come to Cambodia because of the cheap labour (in the range of US\$40-60 per month), and the low taxes. According to data released by the Ministry of Finance, labour productivity in some segments of the garment industry sector fell somewhat over the period 1994-2000 (Godfrey *et al* 2000).

The service sector, in which tourism occupies a prominent position, grew at a reasonable annual average of 6-7 percent from 1993 to 2000. It employs about 16 percent of the labour force, a proportion that has hardly changed through the 1990s. This means that the elasticity of labour use is less than one.<sup>3</sup> As in other sectors, labour productivity in the service sector fell by a small margin through this period (Godfrey *et al* 2000; ADB 2000a). An illustration of how productivity fell comes from the tourist sector. With the open skies policy, tourists go directly to tourist spots such as Siem Reap, and, in a day or two, fly out. Tourists spend on little more than food and accommodation, and only for a total of 1-2 days. The revenue from air travel is reaped by largely foreign-owned airlines (Sok *et al* 2000). This adds little to the country's coffers.

### A Diagnosis and Prognosis

Garments and textiles have so far succeeded on the strength of cheap labour. With Vietnam and China joining the race, it may become increasingly difficult for Cambodia to achieve the same rates of growth in this sector as in the past. The rate of expansion is already slowing. In the tourism sector, the actual earnings may not be very high, even with increased numbers of tourists, because of the unit value decline. More important, value-added tourism (e.g. adventure tourism, ecotourism), as promoted in Thailand, Mauritius and some

Caribbean countries, hardly exists in Cambodia. As yet there is no infrastructure to develop and promote value-added tourism. Thus, to maintain growth rates of the past decade in a sustained manner requires exploring alternative and more encompassing strategies, and making major departures from the past. If growth is to affect poverty, the poor need to be better-integrated into the development process.

A sample of the constraints could be seen in a recent survey on characteristics of the poor, which was carried out by the Ministry of Planning. As the survey shows, the poor have very limited access to agricultural land. They have few, if any, other assets (animals, tools etc.), they are not educated, and have no access to opportunities for enhancing their education and skills. There is little infrastructure in areas where they live, they suffer acutely from health problems and incur unaffordably-high health care costs. In short, the report says that unless the poor are empowered and integrated into the relatively-high productivity activities of the economy, poverty is unlikely to diminish (Ministry of Planning 2001).

Macro-level data support the above statements. Labour productivity in agriculture – where most of the poor work – is eight times lower than in industry (wages are five times lower). In services, productivity is five times lower (wages are four times lower). Even worse, wages of the poorest, including those in the agricultural sector, have declined in recent years (ADB 2000b). Data on functional literacy has been found to be as low as 37 percent in the adult population (RGC 1999). Even those who are literate are not qualified to meet modern industrial demand – it is not uncommon to observe foreign labour employed in skilled jobs (So 2001). The infrastructure in Cambodia is also weak. Neither transportation nor communications meet the standards required for modern commerce. Markets in the hinterlands are not developing because of the need for adequate infrastructure.

While many still believe that if aggregate growth is maintained at 7 percent per annum for the next five years, the proportion of the poor will reduce to less than 20 percent,<sup>4</sup> it is evident from this short description that to sustain rapid growth, the business and policy environments will have to alter. Also, development initiatives must promote decent jobs on a large scale in order to alleviate poverty.

### Addressing the Poverty Problem

Innovative policies relating to land and natural resources can help fight poverty. The new land policy aims to title all land in the hope of attracting more investments in agriculture. The programme also has components to modernise agriculture to raise its productivity. This policy holds great promise, though it is not free of problems.

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For example, private investors hold back not only because of tenure insecurity, but also because of uneconomically-small plots. Land consolidation is therefore necessary to ensure modernisation of agricultural practices. However, such an approach would evict a large number of workers from agriculture, and the combination of job loss and population growth would likely make such a policy politically unfeasible. Some believe that scrub lands can be brought under cultivation, but given growth of the population, this is unlikely to meet the future demand for land for very long. Limited irrigation is another constraint. Cambodia does not have more than 15 percent of its agricultural area under irrigation, despite the potential for this being much higher. There are a few schemes, such as that of the Cambodian National Mekong Committee, and programmes of different ministries that have irrigation on their agenda, but progress so far has been limited (ADB 2000b). The same can be said about extension schemes to promote adoption of high-yielding rice varieties. Credit for seed and other inputs is woefully short in supply. Some micro-credit schemes have begun, but they are mainly NGO-led. The government has set up the Rural Development Bank, an affiliating bank for micro-credit providers, but this scheme is still in its infancy. Thus, strategies still have to cross some high, but surmountable, hurdles to make a lasting impact.

Natural resources, i.e. forests and fisheries, are covered by new policy initiatives. Rural Cambodians have traditionally been quite dependent on forests and inland waters for part, or all, of their livelihood. However, in recent years the government has contracted out large tracts of land and water bodies to private parties for exploiting the resources. Two issues call for attention here. First, this approach bars locals from the access they need for their livelihood and, hence, renders them unemployed. Thus, poverty is increased as a result of denying fisherfolk and forest dwellers access to the source of their livelihood. Second, the nature of the lease contracts has been found unrealistic. While the exact details are not fully known, it is widely believed that the contracts are not very profitable for the government and they also promote illegal logging and fishing practices. Perhaps a more realistic approach would be to extend and regularise local people's rights to the natural resources near their communities and tax the produce at the point where it is marketed. While such policies have been initiated in some areas – such as new initiatives in distributing fishing lots – concepts such as joint/community management of natural resources have yet to take firm root in the country.

Another government strategy is the implementation of decentralised development programmes. It is believed that with the strengthening of local initiatives and infrastructure, people's empowerment, and hence poverty reduction, will take place. The most prominent is the Seila

programme, aimed at promoting local, commune-level development in the northwestern parts of the country. The other government programme, which covers the whole country, though with limited resources, is the Social Fund of Cambodia. Some decentralised development programmes include those of PRASAC, in south-east Cambodia, and Partners for Development in the northeast. While a few village-level success stories have been recorded, their larger impact has yet to be seen.<sup>5</sup> At the national level, if the budget of 2000-01 is any indication, the government could do more in the area of poverty reduction and promote decentralisation more rigorously throughout the country.

The government's efforts in alleviating poverty are consolidated in the Interim Poverty Reduction Strategy Paper (I-PRSP), which diagnoses poverty and offers broad policy prescriptions. It admits that large sections of the population suffer from a lack of opportunities, vulnerability, low capacities and social exclusion. It proposes to approach these problems

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through macro-economic policies (of growth and stability), agricultural development, private sector development, infrastructure development, micro-finance, education, health and social safety nets, in addition to good governance. This intent is indeed ambitious and impressive. If effectively incorporated in

the 2<sup>nd</sup> Socio-economic Development Plan (SEDP-II) and implemented in letter and spirit, it can bring about a major transformation in the economy. But the I-PRSP report does not quantify the cost of implementing the solution. In the absence of this, it is difficult to assess how the different schemes are to be implemented.

Lastly, in the human development sphere, while policies are well-meaning, the education system needs major improvement at both the primary and secondary levels. Problems include: low financial allocations; inadequate geographical spread of schools; under-qualified, poorly-paid and unmotivated teachers; fewer instructional hours than prescribed; out-dated curricula; insufficient access to text books; and, large student/teacher ratios. To worsen the situation, demand is also low – the primary enrolment rate is only 80 percent. Part of the reason for low demand is unattractive supply, but poverty also forces many, particularly the girls, to drop out of school at an early age in order to engage in household work, at the cost of schooling (RGC 2000c). Private sector initiatives are expensive and limited to urban areas. There is some effort to improve a few components of the education system with the help of foreign assistance, but the big thrust, which can only be provided by the state, has yet to emerge. Similarly in health services, there is a shortage of clinics, of trained personnel, of medicines, of diagnostic facilities etc. The situation is particularly bad in rural areas. Since other infrastructure such as water and sanitation are underdeveloped, the rural poor suffer from high degrees of morbidity. They often have to sell land, their sole means of livelihood, to meet the

high costs of medical treatment (Oxfam 2000). The above discussion states that while the need to promote growth that influences poverty has been recognised, policy efforts have to expand and have some way to go before they can be effective.

### Conclusion

Poverty alleviation is closely linked to strengthening the capacities of the poor in order to permit them to join the economic mainstream. For this, capacity-building of the poor and improving the sectors in which they are employed, are both prerequisites. For strengthening the present strategies, labour supply, as well as demand-influencing factors will need to be improved. For one, water management strategies should form the most important component of the agricultural development strategy. These can help to increase both agricultural production and employment opportunities. Next, occupational diversification away from farms is paramount. Thus in addition to agricultural growth strategies, agro-processing and other small-scale activities require promotion. A few examples include: food/fish processing; leather processing and foot-ware production; and, local raw materials-based consumer goods manufacturing.

In garments, where the country presently has a niche, the unit-value-added has to be enhanced through strengthening forward and backward linkages. This means setting up spinning/weaving operations in the country, and even experimenting with cultivating cotton in areas that are suitable. By such initiatives, the country will also achieve product diversification. Tourism could be promoted to encourage tourists to make Cambodia their principal destination while visiting Southeast Asia. Through activities such as water sport, adventure, and eco-tourism, tourists could be encouraged to spend maximum amounts of time and money here. Attractive duty-free shopping could also form a part of the package. Lastly, human resource development is essential at all levels. Universalisation of primary education, and adult on-the-job training and continuing education should henceforth be part of all planning.

### Endnotes

1. The proportion of the workforce in agriculture, according to the Population Census of 1998, is about 77 percent. Here figures from the Socio-economic Surveys are quoted since they are available for two points in time.
2. Elasticity of employment with respect to production, refers to the percent change caused by a one percent change in production. For example, if the elasticity value is 0.80, it implies that, with a 100 percent change in production, employment will change by 80 percent.
3. The elasticity is lower in growth-oriented sectors such as tourism. It is higher at the aggregate because there are large sub-sectors within the services sector where there is no entry barrier. A typical example is retailing in informal sectors. The other reason for

the observed fall in labour productivity in most sectors is the dramatic rise in labour participation rates from 1993 to 1999, by over 12 percent, which many interpret as being a part of the stabilisation process after a prolonged war.

4. Presentations made at the Participatory Poverty Assessment Dissemination Workshop organised by the Ministry of Planning, January 23, 2001.
5. UNDP/CARERE have brought out a number of case documents on Seila activities.

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# Conflict Management: a Village-level Approach

To gain insights into past and present conflict-management practices in Cambodian villages, CDRI commissioned a literature review on the subject.\*

After more than 25 years of conflict, which ended in 1998, fostering a culture of peace in Cambodia is vitally important. It is not uncommon to see news stories about conflicts between individuals and groups that, too often, lead to violence. As part of its commitment to peace building, and as a basis for future research, CDRI's Centre for Peace and Development commissioned a preliminary literature review about village-level approaches to conflict management.

Conducting an investigation of how conflict has been managed in Cambodian villages presents several challenges. One is determining what constitutes "conflict management." Another is the question of whether the village is a meaningful site for conflict management, and would be recognised as such by the villagers. Given the rapid changes affecting Cambodia in recent years, both are important considerations.

A third challenge is identifying the cultural norms that underpin processes of dispute resolution. According to UNESCO (1997), which coined the term "culture of peace", conflict management must involve both the processes for settling disputes, and an understanding of the cultural norms that regulate attitudes to conflict and conflict resolution. While it is easy enough to identify processes, cultural norms are more difficult to observe and describe because they are frequently taken for granted by those who live by them.

In order to capture the full range of processes involved in conflict management, "process" should be used in the widest sense: from diffuse pressures upon individuals exerted through censure and ostracism, to the formal lodging of a complaint with the court, or to the use of violence.

\* This article is based on the forthcoming CDRI publication, *Conflict Management Practice in Cambodian Villages, Past and Present: A Literature Review* by Caroline Hughes of the University of Nottingham. The ideas, facts and opinions expressed in this article are those of the author and do not necessarily reflect the views of the Cambodia Development Resource Institute.

## Pre-war Conflict Management

Understanding how conflict was managed in pre-war era villages poses problems because of limited historical and anthropological data. We know a good deal, for example, about 'politics at the top' in the Sihanouk era, but very little about local-level politics or networks of patronage in the countryside.

Accounts of pre-colonial life suggest that villages were relatively autonomous. According to Chandler (1993), for ceremonial purposes and relations with higher authorities, villages were usually "ruled" by elderly men who were chosen for their agricultural skill, literacy and fair-mindedness. In settling disputes, Chandler states that informal means were preferred and elders served as mediators.

Ebihara's (1968) anthropological study of Cambodian village life in the 1950s, also found a degree of political autonomy, that men with exceptionally good character, sound judgement and strong personalities were accorded special prestige and that villagers preferred to settle disputes locally with the assistance of these respected *neak thom* or "big" men. She also found that informal mechanisms of social control, such as censure

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and ostracism, appeared to do more to keep people in line than recourse to police or law courts. These accounts by both Chandler and Ebihara indicate that Cambodian villages did have established practices for managing conflict.

## Social Capital

In addition to obviously-important *economic capital* (land and money), *social* and *symbolic capital* have been found essential for survival in a village community and also appear important in conflict management. *Social capital* describes the investment made by the whole community in establishing links and cooperative practices that can help to assure the security and productiveness of all.

*Symbolic capital* describes the investment made by the individual or family in their reputation that permits them access to the networks of social capital. Bourdieu (1994), who studied Algerian rural society, states that the inheritance of a family or lineage is more than just land and other assets – it is also the network of relationships built up and maintained over successive generations which can be called upon when needed. Because good relationships with others are important for economic success, symbolic capital is readily convertible back into economic capital. Bourdieu, regards symbolic capital as "perhaps the most valuable form of accumulation in a society in which the severity of the climate... and the limited technical resources... demand collective labour" (Bourdieu 1994:174).

Davenport and co-authors (1995) found evidence of this in a study of returnees from refugee camps. Those who lacked established reputations because of their long absence, found it difficult to tap into networks of mutual



assistance in the village. Returnees with support from family with established reputations, were much more likely to reintegrate successfully because they had better access to "social networks," including information and practical assistance. Links with family and friends, access to information, and a reputation that permits benefit from reciprocal systems should all be viewed as assets.

Although investment in symbolic capital is important because of its link to economic and social capital, some suggest that the development of symbolic capital can work against people in situations of conflict. Scott (1985), in a seminal study of power relations in a village undergoing rapid economic change in Malaysia found that the web of material relations and dependence between rich and poor villagers prevented open expression of conflict. This may be true as well in Cambodia.

It is also important to realise that what makes a good name may vary from one village to another, and even vary within the same village. This in turn can impact conflict management. If a reputation for tolerance contributes to influence and status, then investment in such a reputation by parties to conflict will likely lead to successful mediation. However, if a reputation for toughness is highly valued, then vigorous investments in this may exacerbate conflict and limit conflict management options.

### Cambodian Traditions

Khmer culture contains a variety of traditions that encourage moral behaviour, which in turn contribute to effective dispute resolution. These traditions include laws, customs, local precedents, folklore, literature, religious texts, and, increasingly perhaps, human rights. Buddhism, for example, places emphasis on the characteristics of individuals both to explain conflict, as well as to guide conflict management. According to the Ven. Maha Ghosananda:

*The cause of fighting and war is greed, anger, hatred and ignorance. The cause of peace is morality, concentration, and wisdom. Also truthfulness and gratitude. When we have truth there is no more greed. When there is compassion there is no more anger. When there is wisdom there is no more ignorance. So there is no more fighting. We must keep morality (Hughes 1998).*

In recent years, several Buddhist organisations and CDRI's Centre for Peace and Development have developed programmes based on Buddhist principles which promote a culture of peace, as well as the development of knowledge and skills for managing conflicts, should these develop. The fact that the Muslim Cham also stress the importance of good character and harmonious

relations between people suggests that such attitudes are Cambodian, rather than specifically Buddhist in nature, or even Khmer.

### The Aftermath of War

The long years of war in Cambodia shaped attitudes that now may limit traditional means of conflict management. An account by Meas (1995), for example, on the impact of the Khmer Rouge Democratic Kampuchea (DK) regime in Battambang villages, describes how the religious hierarchy, family hierarchy and general respect for elders, all of which were important in traditional conflict management, were disrupted:

*All of the respected people in our village were singled out for betrayal. The monks were killed and the [village] pagoda was totally destroyed. All except one of the 'pious laymen', the achar as they are called, were killed at the pagoda. The one who was spared was in league with the Khmer Rouge... When even an achar could be a killer, the people did not know who to trust. (Meas 1995:21)*

Meas describes the Khmer Rouge era as particularly damaging because it destroyed trust in the village through the recruitment of a vast network of spies. Fear of betrayal was ever-present, and particularly in danger were those who had been 'most respected' in former times. He goes on to state that establishing a civil society in the aftermath of armed conflict is as difficult as finishing the war itself. Trust between individuals has been destroyed and people's motivation for social change has been and continues to be routinely undermined.

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The displacement of refugees during wartime also has consequences for conflict management. Meas found that when refugees and demobilised soldiers returned to their villages after many years, they often could not easily fit back in to village society. Many lacked confidence, were hot-tempered, and were used to taking orders rather than making decisions on their own. Some were also used to taking what they wanted at the point of a gun. Meas considers their relative detachment from informal village structures of control may render village-based conflict management customs less effective in dealing with these "relative outsiders." With declining influence of traditional means of preventing and resolving conflicts, villagers may rely more on their relations with powerful patrons.

### Patronage and Conflict

Research suggests that relationships of patronage with the powerful are a longstanding feature of Cambodian

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society and the importance of these may be growing. After 20 years of militarisation, international intervention, capitalist penetration and democratisation, patronage relationships are likely to extend beyond the borders of the village and to be increasingly influential.

Patronage links may also operate less equitably today. Vijghen (1996) suggests that traditional patronage links, which remain tied to kinship, no longer serve the needs of everyone; some 'fall outside the system.' Vijghen observed that those outside the patronage network were unable to claim a share of the resources provided through development assistance.

When conflicts occur, one or both parties may seek outside intervention from sympathetic powers. Such intervention may be sought on a regular basis in order not only to prevail in particular conflicts, but to maintain a structure of dominance within the village. In such situations, conflict avoidance by the weaker party may be a predominant form of conflict management.

### Conflict Management in the 1990s

Although the years of war and influences since then may have weakened traditional methods of conflict management, some traditions still remain. In conducting his study in the late 1990s (and the only general study of dispute management), Collins found a repertoire of procedures for managing conflict within the village. Although his central interest was in active resolution of conflict, rather than a broader view of a "culture of peace," he does suggest that community norms are still invoked to gain the compliance of the parties. For example, religious advisors may have input into dispute resolution through attempts to influence the attitudes of the parties involved, and to promote non-violence, compassion and tolerance. Traditional healers may also have a role in correcting relations between the individual and community, and this too suggests the importance of attitudes in situations of conflict.

### The Impact of Modernisation

Increasing capitalist penetration of the rural economy in the 1990s is another factor which may limit traditional approaches to conflict management. In her study of Cambodian villages, Krishnamurthy (1999) found that old networks based on mutual help (social capital) were giving way to new networks based on rigid reciprocity and the need to earn cash income.

The willingness of villagers to help one another was not destroyed by war because this manifested immediately after the conflict. Instead, it was with the emergence of the cash economy in the 1990s, and pressures to earn a living, that people began to worry about their own problems and needs first.

As material capital becomes more important in a village, investment in social capital appears to become less

so. As relations with the outside world increase, relationships within the community appear to erode, as does the efficacy of village leaders in managing conflict.

Economic analyses of Cambodia undertaken in the 1990s suggest increasing inequalities of wealth and greater intrusion of the free market into rural life. Examples include land speculation and also privatisation of previously-free resources such as ponds and forests. These kinds of development practices have sparked numerous conflicts, some of which have resulted in demonstrations in front of the National Assembly or the Royal Palace in Phnom Penh.

Cambodia's efforts to democratise may offer avenues for accessing power – via political parties, human rights organisations, or National Assembly representatives. Human rights organisations, in particular, but also to an extent political parties and National Assembly representatives offer organisational links between the village and the city that are specifically designed to facilitate representation of grievances and the eliciting of external assistance in village matters.

### Conclusions

While a literature review of conflict management practices at the village level provides some interesting insights, it also raises many questions. The paucity of research on this subject, the fact that circumstances vary from one geographic area to another, and even from one community to another, and the rapid rate of change in Cambodia, all make it difficult to draw definitive conclusions. Nevertheless, a number of important points emerge from the literature which merit further reflection.

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1. It is clear that villages are important places in which face-to-face relations are conducted under the supervision of state and religious representatives, and that all concerned hold conceptions of what is appropriate behaviour.
2. Cambodian villages are currently undergoing rapid change in response to national influences such as war, state-building, capitalist penetration, democratisation and the increasing spread of the media.
3. Studying conflict and conflict management in Cambodian villages in the framework of a "culture of peace" requires examining both the cultural context in which villagers operate and specific processes for conflict resolution. It is also important to realise that due to inequalities resulting from gender and social class, villagers do not have equal opportunity to invest in and benefit from the various forms of capital that have been necessary for survival and for fair treatment in situations of conflict.
4. To the extent that villagers view investments in symbolic and social capital as important and useful in acquiring economic capital, they will be amenable to

informal controls that govern acquisition of symbolic and social capital.

5. An individual with significant stores of symbolic capital may be empowered to intervene in conflicts.
6. The pace of change, the arrival of relative strangers in the village, and the impact of resources from outside the village, greatly increase opportunities for villagers to acquire economic capital without having to invest in symbolic and cultural capital. With increased connections to the world outside the village, villagers no longer have to worry as much about being censured and ostracised by their neighbours or about maintaining networks for mutual support. This in turn undermines local leadership, mechanisms of community control and the ability of villagers to work cooperatively.
7. The impact of these changes is likely to differ depending on social class and gender.
8. The pluralisation of norms and values that result from increased openness to the world beyond the village represents a challenge to effective community sanctions and social control. Plurality of norms and values also undermines established relations of domination, which in turn may lead to more open conflict. At the same time, there is a self-conscious effort going on in Cambodia to re-conceptualise notions about what is right and wrong, informed by both Buddhist teachings and by Western liberal values such as human rights. These represent part of a movement to rebuild the moral basis of Cambodian society that many consider to have been severely damaged by the long years of war.
9. The implications for the ability of the village to act as a key site for conflict management are far-reaching. It is possible that as relations become more impersonal, more impersonal forms of capital, such as access to money or the means to use violence, will become more important in structuring relationships within the village. At the same time, impersonal and external methods of social control, such as the rule of law, are underdeveloped in Cambodian society. Pursuing a culture of peace within the context of the Cambodian village requires a local response to the increasingly complex and impersonal relations between villagers, and between villagers and the outside world. This is the challenge for anyone attempting to prevent or manage conflict in Cambodian villages.

To contribute towards the development of a culture of peace in Cambodia, CDRI plans to conduct further research which would: generate a typology of conflict; lead to a deeper understanding of responses to conflict in Cambodian villages; evaluate the extent to which external intrusions have affected the ability of villages to manage conflict; and, evaluate the extent to which new initiatives to promote conflict management have been successful.

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## Economy Watch—External Environment

The world economy at the end of 2000 was dominated by the threat of a recession in the US, and to combat this, US Federal Reserve Chairman, Alan Greenspan, cut interest rates to boost the economy. Inflation remained basically stable, and crude oil prices in the world markets declined. Economic recovery in Asia appeared increasingly affected by the US slowdown, though some Asian economies (listed below) remained robust.

### World Economic Growth

Recent economic data show clearly that the US economy has slowed significantly. In the fourth quarter of 2000, the US economy grew only 3.5 percent, as against 5.3 percent in the third quarter, and 6.0 percent in the second quarter. The growth achieved in the last quarter of 2000 represents about 1 percentage point below what most forecasters had predicted. The situation for the first quarter of 2001 was not optimistic. As the US Federal Reserve Chairman testified to Congress in January, the US economy would be slowing to near zero percent.

To prevent the US economy from going into recession, the US Federal Reserve (Fed) cut federal interest rates by half a point early in January, and then another half point at the end of the month. The full-point cut is the biggest one-month cut since 1984. This important rate cut was probably the Fed's attempt to make credit more affordable for the business sector.

Although the US economy abruptly slowed, the European and some Asian economies continued their steady expansion. In Europe, the volume of sales in December 2000 remained high, and growth in industrial production was still strong – an 8 percent increase over 1999. In some Asian countries such as Singapore, Malaysia and the Philippines, industrial production continued to expand very quickly, with growth rates ranging from 15 to 35 percent at the end of 2000.

However, economic difficulties in the US are having some negative impact on Asian countries (China, Hong Kong, Taiwan and South Korea) which are major suppliers to the US. In Taiwan, industrial growth in December 2000 was negative, compared with December 1999, while in the other countries, growth declined to close to zero percent. In South Korea, following the rapid decline in the US, the slowdown was faster than expected.

In Thailand, the economic situation has deteriorated significantly since mid-2000. The country's real GDP growth in the second quarter declined 6.6 percent, compared with 1999. Third quarter growth in 2000 was only 2.6 percent. Although consolidated data for the fourth quarter has not yet been released, recently-published figures on foreign trade and industrial production were not optimistic. In January 2001, Thailand experienced its first monthly trade deficit since 1997.

To curb economic deterioration, the new Thai Prime Minister, Thaksin Shinawatra, promised four important measures: i) a national asset-management company to buy up bad loans to get credit flowing again; ii) a moratorium for three years on farmer's debt repayments to compensate for growing production costs and declining agricultural commodity prices; iii) an offer of one million baht to each village to revitalise rural development; and, iv) a scheme to provide cheap health care. These costly measures should be implemented from April of this year, but the first positive effects on economic growth will not likely be seen until the end of the year.

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### Regional Inflation

A general economic slowdown and declining crude oil prices played a large role in maintaining stable inflation rates. Fourth quarter 2000 inflation rates in the US, Europe and Japan remained basically constant at 3.4 percent, 2.7 percent and -0.6 percent, respectively. With the exception of politically-unstable Indonesia, inflation rates in Asia were under control at the end of 2000 (ranging from -2 percent in Hong Kong to about 3 percent in South Korea). In Indonesia, inflation rose from 1.1 percent in the second quarter of 2000 to 8 percent at the end of year. With lower crude oil prices, inflation in Asia should continue to decline slightly in early 2001.

### Exchange Rates in the International Markets

Although the economic slowdown became more and more perceptible in Asia, the crude oil price decline was very helpful in maintaining relative stability in most Asian exchange rate markets. The lower oil prices will significantly reduce oil import bills and help to hold the foreign reserves of central banks at a strong level, even though exports will tend to decrease. In South Korea, for example, the Bank of Korea recently announced an expected US\$7 billion current account surplus in 2001 because of lower import growth and lower oil prices.

In Thailand, however, the baht continued to suffer from economic problems. New government measures to boost the economy should not be helpful in strengthening the national currency, as these are very costly to the government budget. Government debts are expected to steadily increase, exceeding 60 percent of the country's nominal GDP in 2001, against just about 15 percent four years ago. As a result of these factors, the Thai baht remained weak, trading at over 43 baht per US dollar at the end of February 2001.

### Commodity Prices in the World Markets

The global economic slowdown automatically reduced household consumption and put commodity prices in the world markets on a downward trend. Figures released recently confirm this. The price of crude oil in Dubai, for example, decreased from more than US\$30 per barrel in November to about US\$22 per barrel in December 2000. The price increased just slightly by the end of February to US\$23 per barrel. The price of first quality rice in Bangkok remained very weak at US\$180 per ton in December 2000, a decline from about US\$250 per ton a year earlier. The price of rubber and timber followed this declining trend.

## Economy Watch—External Environment

**Table 1. Real GDP Growth of Selected Trading Partners, 1999–2000 (percentage increase over the previous year)**

	1999				2000				1999	2000
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	-	-	-	-	-	-	-	-	4.5	4.0
Indonesia	-10.3	2.0	0.5	5.8	3.2	4.1	5.1	5.2	-0.5	4.4
Malaysia	-1.3	4.1	8.2	10.6	11.7	8.8	7.7	6.5	5.4	8.7
Singapore	0.6	6.7	8.2	7.1	9.1	8.0	10.4	10.5	5.7	9.5
Thailand	0.9	3.5	7.7	6.5	5.2	6.6	2.6	-	4.7	-
Vietnam	-	-	-	-	-	-	-	-	4.8	-
Selected Asian countries										
China	8.3	7.1	7.0	6.8	8.1	8.3	8.2	7.3	7.3	8.0
Hong Kong	-3.0	1.1	4.4	8.7	14.3	10.8	10.4	6.8	2.9	10.6
South Korea	3.7	9.9	13.4	13.0	12.8	9.2	9.2	9.2	10.7	10.1
Taiwan	4.3	6.5	5.1	6.8	7.9	5.4	6.6	4.1	5.3	6.6
Selected industrial countries										
Euro-11	1.7	1.7	2.2	3.1	3.4	3.7	3.0	3.0	2.1	3.3
Japan	0.1	0.9	1.0	0.0	0.8	0.8	0.5	2.8	0.5	1.2
United States	3.9	3.8	4.3	4.6	5.0	6.0	5.3	3.4	4.1	5.0

Source: International Monetary Fund

**Table 2. Inflation Rate of Selected Trading Partners, 1999–2000 (percentage increase over the previous year)**

	1999				2000				1999	2000
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia	8.6	6.4	1.8	0.0	0.2	-2.3	-1.4	0.5	4.0	-0.7
Indonesia	56.0	30.9	6.6	1.7	-0.6	1.1	5.7	-	20.5	-
Malaysia	4.0	2.7	2.3	2.1	1.5	1.4	1.5	1.7	2.7	1.5
Singapore	-0.6	0.1	0.9	1.5	-1.5	0.8	1.5	2.0	0.5	0.7
Thailand	2.7	-0.4	-1.0	0.1	0.8	1.6	2.2	1.6	0.4	1.6
Vietnam	-	-	-	-	-	-	-	-	4.0	-
Selected Asian countries										
China	-1.4	-2.1	-1.3	-0.8	0.1	0.1	0.3	0.6	-1.4	0.3
Hong Kong	-1.8	-4.0	-5.9	-4.1	-5.2	-4.4	-2.9	-2.0	-4.0	-3.6
South Korea	0.7	0.6	0.7	1.3	1.5	1.4	3.2	2.9	0.8	2.3
Taiwan	-0.5	-0.8	0.6	0.1	1.1	1.4	1.0	-	0.4	-
Selected industrial countries										
Euro-11	0.8	1.0	1.1	1.5	2.0	2.1	2.5	2.7	1.1	2.3
Japan	-0.1	-0.3	0.0	-1.0	-0.7	-0.7	-0.7	-0.6	-0.3	-0.7
United States	1.7	2.1	2.3	2.6	3.2	3.2	3.5	3.4	2.2	3.3

Sources: International Monetary Fund

**Table 3. Exchange Rates of Selected Trading Partners Against the Dollar, 1999–2000 (period averages)**

	1999				2000				1999	2000
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Selected ASEAN countries										
Cambodia (riel)	3,820	3,813	3,822	3,885	3,808	3,822	3,845	3,912	3,832	3,850
Indonesia (rupiah)	7,908	8,776	7,921	7,531	7,193	7,340	8,279	8,693	7,855	8,500
Malaysia (ringgit)	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Singapore (\$)	1.64	1.70	1.71	1.69	1.67	1.71	1.72	1.73	1.69	1.73
Thailand (baht)	37.0	37.1	37.2	38.3	38.8	37.8	38.6	40.9	37.8	39.0
Vietnam (dong)	13,893	13,901	13,931	13,960	14,009	14,060	14,060	14,150	13,950	14,100
Selected Asian countries										
China (yuan)	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28	8.28
Hong Kong (HK\$)	7.75	7.75	7.76	7.77	7.78	7.79	7.79	7.80	7.76	7.79
South Korea (won)	1,197	1,190	1,195	1,173	1,125	1,116	1,115	1,167	1,189	1,131
Taiwan (NT\$)	28.7	33.4	32.2	32.0	30.8	31.7	32.8	32.1	31.6	31.8
Selected industrial countries										
Euro-11 (euro)	0.89	0.95	0.95	0.96	1.03	1.07	1.10	1.15	0.94	1.09
Japan (yen)	121	131	114	106	109	107	108	110	118	109

Source: International Monetary Fund

**Table 4. Selected Commodity Prices on the World Market, 1999–2000 (period averages)**

	1999				2000				1999	2000
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1-Q4	Q1-Q4
Hardwood (logs) - Malaysia (\$/m3)	175	178	196	199	189	193	192	186	187	190
Hardwood (sawn) - Malaysia (\$/m3)	544	585	632	643	641	633	593	530	601	599
Rubber - Malaysia (\$/ton)	678	596	573	689	700	714	684	669	634	692
Rice - Bangkok (\$/ton)	279	245	247	225	240	205	185	185	249	204
Soybeans - USA (\$/ton)	202	200	196	200	212	224	201	209	200	212
Crude oil - Dubai (\$/barrel)	11	15	20	23	24	25	28	28	17	26
Gold - London (\$/fine ounce)	287	274	259	296	290	284	277	267	279	280

Sources: International Monetary Fund

## Economy Watch – Domestic Performance

The Cambodian economy achieved a 4 to 4.5 percent growth rate in 2000, about 1.5 percent lower than the initial government target of 5.5 percent, according to a recent estimation made by the government, the IMF and CDRI. Severe flooding in the third quarter of 2000 was the major factor retarding growth. However, sizable increases in garment exports and a growing number of foreign tourists made a vital contribution to growth of the industry and service sectors. The inflation rate over the year was about zero percent and the exchange rate was basically stable. Private investment, however, significantly declined, reaching a record low for the past seven years. Overall in 2000, there was progress in carrying out economic reforms, but the pace of change remains slow.

### Economic Activity

Severe flooding in the third quarter of 2000 caused a drastic decline in the agricultural sector (-7 percent in 2000). The decline sparked fears of rice shortages in 2001. However, a recent report published by the Ministry of Agriculture, Forestry and Fisheries surprisingly showed that 80 percent of the total rainy-season rice crop survived the flooding, and paddy production for 2000 reached four million tons – about the same as the harvest of 1999. With this production level, Cambodia will again enjoy a significant surplus in 2001, and no external assistance should be needed.

Rice productivity remains relatively low in Cambodia at an average yield of 1.9 tons per hectare. Low productivity results from the insufficient use of irrigation, fertiliser and modern technology. Unfortunately, foreign investment projects, which could be a means of modernising the agricultural sector, have slumped dramatically from US\$41 million (fixed assets) in 1999, to US\$4 millions in 2000.

Garment production remains the major driving force in the industrial sector, as it has since 1994, accounting for 70 percent of Cambodia's exports in 2000. The value of garment exports in 2000 was US\$985 million, an increase of 78 percent over exports in 1999.

Based on statistics recently released by the Ministry of Commerce, most garments were exported to the United States and European markets (76 percent and 22 percent, respectively). Because Cambodia now enjoys quota-free access to the EU apparel markets, exports rose significantly in 2000 (up 281 percent). Exports to the US rose by only 54 percent. Although the US imposed a quota on Cambodian garments in 1999, it has yet to be fully utilised. In 1999, only 67 percent of the quota was used and in 2000 only 70 percent.

For 2001, the US has granted an additional 9 percent quota in recognition of the progress Cambodia has made enforcing many provisions of the labour code. However, the US still expresses concern about poor working conditions in the garment industry. Although Cambodia's labour code lists specific penalties for not providing employees with a safe and healthy workplace, some union

workers state that there is no provision to protect workers who complain about poor conditions. Nor can employees refuse to work in unsafe conditions, without risking the loss of their jobs.

The service sector, which represents 45 percent of GDP, grew 8 percent in 2000. The growth of trade and tourism is a significant force in boosting the service sector in Cambodia. Currently, tourism employs 60,000 workers, most of them in hotels, restaurants, tour agencies and airline companies, etc. The rest are engaged in food production and handicrafts, which also serve the tourism sector.

Foreign tourist arrivals by air in 2000 rose 32 percent over arrivals in 1999. In 2000, the number of tourists coming through Pochentong International Airport increased by 13 percent, and those coming through Siem Reap airport by 210 percent (see Table 3). Tourist arrivals via Siem Reap airport accounted for 23 percent of total foreign tourist arrivals by air. However, the duration of stay of foreign tourists who flew directly to Siem Reap was much shorter (only two days on average). Those who arrived at Pochentong airport stayed an average of six days. The total income generated from foreign tourists in 2000 rose by less than 20 percent, compared to a 36 percent increase in 1999.

The construction sector represented about 6.8 percent of GDP in the year 2000 and grew by only 3 percent. Private construction slumped dramatically due to a slower increase in middle-class income and less foreign direct investment. According to the Department of Cadastre and Geography of the Municipality of Phnom Penh, private construction activity in the city was 35 percent lower than in 1999. House construction dropped by 18 percent and apartment construction by 40 percent.

### Inflation and Foreign Exchange Rates

Cambodia has experienced a low inflation rate since 1999. According to the National Institute of Statistics, in 2000, the inflation rate in Phnom Penh was 0.5 percent. The average price index for all food was about 3 percent lower than in 1999, though the price of energy remained high (7 percent higher than in 1999). However, according to CDRI surveys, the inflation rate in the provinces reached 10.4 percent for the year 2000. This gap is likely due to higher transportation costs from Phnom Penh to the provinces. The price of diesel and gasoline remains high. The average price of gasoline in the last quarter of 2000 was 2,233 riels per litre (US\$0.57 per litre), 18 percent higher than in 1999 (see Table 4).

The average exchange rate for 2000 was 3879 riels per US dollar. Compared to 1999, the riel depreciated about 1 percent against US dollar, but appreciated 5 percent against the Thai baht, and 1.4 percent against the Vietnamese dong.

### Poverty Situation – Earnings of Workers

The flooding in 2000, which was the worst in over 40 years, has perceptibly worsened conditions for the rural

## Economy Watch – Domestic Performance

poor (estimated by the Ministry of Planning to be 36 percent of the total population). CDRI's regular survey of vulnerable workers in Phnom Penh, which was conducted in January 2001, found that flood damage to crops in the countryside has prompted increasing migration from rural to urban areas where job prospects are believed to be better.

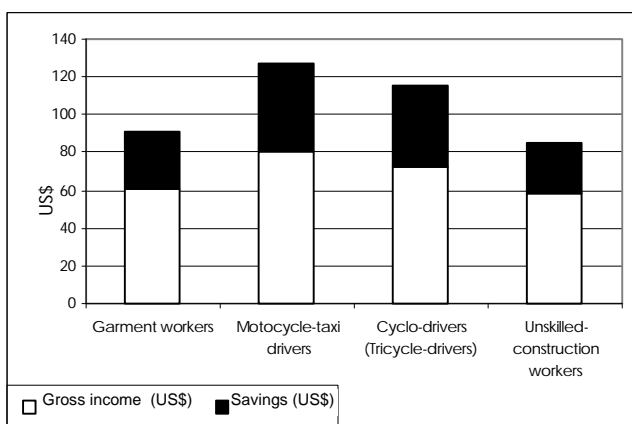
For the first quarter of 2001, the survey showed that the daily earnings of cyclo-drivers, porters, small vegetable sellers and scavengers declined an average of 16 percent, compared to the same period of the previous year. The daily earnings of skilled and unskilled construction workers slumped 29 percent and 18 percent, respectively (see Table 5, page 18). The decline in revenue is reportedly due to an increase in the number of workers from rural areas. However, in contrast, the daily earning of rice-field workers and garment workers rose by 14 percent each, compared to the first quarter of 2000. The earnings of waitresses and motorcycle-taxi drivers also increased 39 percent and 9 percent, respectively. The departure of young women from rural areas for better-paid work in the garment industry has resulted in labour shortages in agriculture, and with it, agricultural wages have risen steeply.

The daily earnings of garment workers depend on their willingness to work overtime and their health (time off from work due to illness results in lost wages). Of those garment workers CDRI interviewed, 34 percent revealed that if their health was unaffected, they would continue to work long-term in the garment industry. Although they would prefer to start their own business in the future, they did not expect to earn enough to do so.

### Monetary Developments

The government's prudent monetary and fiscal policy in 2000 has resulted in notable progress. The new *Law on Banking and Financial Institutions*, which closed down a number of non-viable banks, was seen as a crucial improvement in the banking sector. Based on the new law, all commercial banks must increase their registered capital to a minimum of US\$13 million, up from US\$5

### Average monthly earnings and savings of Cambodian vulnerable workers in 2000



Source: CDRI survey, 2000

million. Eleven banks which could not comply with the new regulations, have been liquidated. With the new law, the National Bank of Cambodia (NBC) has begun re-licensing banks. Four out of 15 potentially-viable banks have been issued new licenses. The remainder have until the end of 2001 to comply. Under the new banking regulations, the state-owned Foreign Trade Bank (FTB) is separating from the National Bank of Cambodia (NBC), and will operate as an independent commercial bank. In compliance with the new law, NBC will meet the capital requirements for the FTB.

With these reforms, monetary performance in 2000 improved. Liquidity of the riel was generally stable and the foreign currency deposits of Cambodians in local banks continued to increase (up 42 percent in 2000, compared with a 32 percent increase in 1999). The deposits of non-residents, however, significantly declined (down 19 percent). Since the Cambodian economy is dollarised, stability of liquidity in riels was helpful in keeping the riel stable against the US dollar.

Unfortunately, Cambodian savings have continued to fly abroad, as domestic credit rose just 3 percent during the same period. Measures taken by the NBC to prevent capital flight have not been successful because a comprehensive policy on credit to residents has yet to be established. In 2000, flows of new deposits and other liabilities of commercial banks were significant, reaching about US\$100 million. More than half of this amount was used to increase their own reserves, and were deposited at the National Bank of Cambodia.

Based on NBC indicators at the end of 2000, the total amount of Cambodian savings transited through the banking system reached an estimated US\$1,200 million, of which 55 percent was owned by commercial banks and another 45 percent was owned by the NBC. Of this amount, 66 percent was placed abroad (about US\$800 million), and only 26 percent was loaned to residents (about US\$300 million).

### Public Finance

There was significant fiscal reform in Cambodia in 2000. The government broadened its Value Added Tax (VAT) base to include an additional 500 firms, and it eliminated the minimum profit tax equivalent to one percent of "turnover tax" from investors. The government reduced the country's highest tariff rates to a maximum of 35 percent, and tariff categories from 12 to 4, to comply with ASEAN Free Trade Area criteria. The reduction will likely be carried out in 2001. Based on indicators from the Ministry of Economy and Finance (MEF), despite the disruption of the destructive floods, revenue mobilisation for the year 2000 was 9 percent higher than in 1999. Strong performance of VAT and excise tax collection helped boost national budget revenues in 2000. However, the total revenue obtained over the year was 5 percent lower than the annual revenue target of 1,505 billion riels. This accounted for 11 percent of GDP. The shortfall in expected government revenue resulted pri-

## Economy Watch – Domestic Performance

marily from the decline of non-tax revenues and customs duties that added up to only about 80 percent of projections for the year.

The slight shortfall in revenue led automatically to a decline in expenditures, primarily in the areas of social and economic development. For instance, the Ministry of Health received only 83 percent of its budget and the Ministry of Public Works and Transportation just 43 percent. Yet, the Council of Ministers used up more than double its initial budget. More outlays for education are essential as this plays a crucial role in helping children of the rural poor to have access to school, and it prevents girls from dropping out of school too early (Cambodia has a very high drop-out rate for girls).

Cambodia has also made notable progress in defence-cum-security spending. This has dwindled markedly, from 6.4 percent of GDP in 1994, to 3.5 percent of GDP in 2000. According to the new budget law for 2001, military spending will be capped at no more than 3 percent of GDP, and the spending for social and economic sectors will be increased 31 percent and 60 percent, respectively. Civil servants' salaries are planned to rise by 10 percent in 2001.

Overall, Cambodia's budget plan for the year 2001 looks extremely good, though international observers and donors are raising questions about whether the plan can guarantee good results in the end. If the plan is applied effectively, an important sign of this will be spending reform.

### Private Investment and Employment

For economic development and job creation, Cambodia needs to rely heavily on foreign direct investment (FDI). Unfortunately, the growth of FDI is slow and precari-

ous. In response to the stagnant rate of FDI in recent years, the government has started reviewing its *Investment Law* with assistance from the World Bank's Investment Advisory Experts. FDI in 2000 was 8 percent lower than in 1999. However, private investment in the industrial sector has remained strong, while investment in other sectors of the economy has been very limited. In 2000, industrial projects accounted for 88 percent of total investment projects approved by the Investment Board of Cambodia, whereas investment in the service and agricultural sectors accounted for only 10 and 2 percent, respectively. Investment in the garment industry, the driving-force of industrial growth, created 10,000 new jobs in Cambodia in 2000, and the added value to the economy per garment worker was about US\$2,100.

### Foreign Aid and External Debt

According to the World Bank, most economic infrastructure development in Cambodia was financed and monitored directly by donors. And most of the social and community development projects were also financed by donors, but through NGOs. According to the Council for the Development of Cambodia and the MEF, the estimated US\$367 million in grant-aid which Cambodia received in 2000 was about the same as that received in 1999. Of this amount, 30 percent was granted by multilateral donors (EU and UNDP) and 55 percent came from bilateral donors. Disbursement of loans in the year 2000 reached US\$81 million, the highest level since 1995. A total of US\$51 million was used for infrastructure projects and another US\$30 million was spent on budget support.

*Prepared by Chea Huot, Pon Dorina and Sok Hach*

### *continued from page 3.* Constraints on ...

semination of information about laws and regulations; and, lack of credit at both the farm and the mill level.

### Policy Recommendations

While changes in the marketing margin will not really benefit producers in the short term, some development assistance could indirectly benefit producers. For example, affordable credit for agricultural inputs could enable farmers to keep their produce until prices rise. If not desperate for cash, farmers could bargain for better prices.

Seed quality has a crucial impact on production and marketing. The availability of high-quality and high-yielding rice varieties, which meet consumer approval, could eventually increase rice prices and encourage exports.

The elimination of export licenses could both encourage exports and stabilise prices. Eliminating licences may reduce payment of "unnecessary fees" to export paddy. If these are avoided, prices to farmers could rise.

If all imports of rice, except under food aid, were taxed, Cambodian rice would have a comparative advantage. Farmers would also benefit from better prices.

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## Economy Watch – Economic Indicators

**Table 1. Cambodia: Main Macro-economic Indicators, 1993-2000**

	1993	1994	1995	1996	1997	1998	1999	2000E
GDP at current prices (billions of riels)	5,414	6,131	7,200	8,250	9,100	10,900	11,500	12,400
GDP at current prices (millions of dollars)	1,924	2,386	2,925	3,124	3,033	2,868	3,010	3,217
GDP per capita (dollars)	200	241	284	292	274	251	256	266
Growth rate of real GDP (1993 prices)	6.1	5.7	7.6	7.0	1.0	1.0	5.0	4.0
Agriculture	4.5	3.3	10.5	0.8	1.4	-0.1	-1.1	-7.2
Industry	13.6	3.8	6.8	17.9	2.4	6.1	17.2	21.9
Service	5.5	9.4	4.5	10.7	-0.1	0.3	6.6	7.3
Inflation (in riels, final quarter basis)	41.0	17.8	3.5	9.0	9.1	12.6	0.0	2.5
Riel/dollar parity (annual average)	2,814	2,569	2,462	2,641	3,000	3,800	3,820	3,906
Budget revenue (percentage of GDP)	5.4	9.6	8.9	9.1	9.7	8.6	11.5	11.8
Budget expenditure (percentage of GDP)	11.2	16.5	16.7	17.5	13.8	14.2	16.8	17.9
Current public deficit (percentage of GDP)	-1.5	-1.4	-0.8	-1.2	0.7	-0.2	1.7	2.3
Overall public deficit (percentage of GDP)	-5.9	-6.8	-7.7	-8.4	-4.2	-5.6	-5.3	-6.1
Domestic exports of goods (percentage of GDP)	8.4	11.2	11.1	11.4	17.1	21.9	27.2	36.3
Retained imports of goods (percentage of GDP)	18.9	23.5	23.9	27.2	28.1	33.4	40.5	48.7
Trade balance (percentage of GDP)	-10.6	-12.3	-12.8	-15.8	-11.0	-11.5	-13.3	-12.4
Current account balance (percentage of GDP)	-10.4	-13.1	-13.7	-15.4	-9.8	-10.7	-11.9	-10.3
External contribution to the economy (percentage of GDP)	11.7	16.2	21.0	21.4	14.6	13.5	14.4	16.4
Total savings (percentage of GDP)	15.8	17.1	21.0	27.4	22.4	21.4	21.9	22.8
Gross foreign reserves (months of imports)	1.5	1.4	1.7	2.2	2.5	3.5	3.2	3.1
Population (million)	9.6	9.9	10.3	10.7	11.1	11.4	11.8	12.1
Labour force (percentage of population)	48.0	47.3	46.6	45.9	45.3	44.8	44.7	44.6

Source: Government data and CDRI forecast

**Table 2. Destination of Garment Exports, 1994-2000 (quarterly average)**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
	Millions of dollars											
United States	0.0	0.02	0.1	26.8	74.1	121.5	131.0	117.8	154.0	187.7	220.4	187.9
Rest of the world	1.0	6.6	19.6	30.0	20.5	17.0	20.0	15.0	41.3	37.6	78.8	77.3
Total	1.0	6.6	19.7	56.8	94.5	138.5	151.0	132.8	195.3	225.3	299.2	265.2
	Percentage change over previous year											
Total	-	560	200	187	66	58	31	9	47	64	98	100

Source: Ministry of Commerce, Department of Trade Preferences Systems

**Table 3. Passenger Arrivals by International Flights at Pochentong and Siem Reap Airports, 1994-2000**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
	Thousands of passengers											
Tourist visas	27.9	38.7	55.3	46.3	38.1	44.9	42.8	53.6	64.7	55.8	56.0	66.6
Business visas	7.1	10.6	15.8	13.9	10.7	16.0	15.9	15.7	13.7	13.0	12.7	14.7
Official visas	3.3	3.9	3.2	3.6	4.4	8.8	9.8	9.8	3.4	3.5	4.3	5.0
Total Pochentong	38.3	53.2	74.3	63.8	53.2	69.7	68.5	79.1	81.7	72.3	73.0	86.3
Total Siem Reap	-	-	-	-	2.6	7.15	7.1	12.1	19.9	14.8	20.1	32.2
	Percentage change over previous year											
Total Pochentong	29.7	38.9	39.7	-14.1	-16.6	31.0	48.1	33.9	21.2	13.3	6.5	9.1
Total Siem Reap	-	-	-	-	-	175	129	365	342	202	183	166

Sources: Ministry of Economy and Finance and Ministry of Tourism.

**Table 4. Consumer Price Index (CPI), Exchange Rates and Gold Prices, 1994-2000 (period averages)**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
	Consumer price index (percentage change over previous year)											
Provinces	-	-	-	6.1	16.3	6.2	3.7	1.5	0.6	4.0	6.5	10.4
Phnom Penh - All Items	-0.5	7.8	7.1	8.1	14.2	4.2	1.8	0.0	0.1	-2.3	-1.4	0.5
- Foods	-13.4	4.9	7.6	6.7	15.6	8	3.2	0.7	-1.2	-5.5	-5.1	-1.3
- Energy	-1.2	19.4	20.7	21.0	10.7	5.5	11.8	11.9	13.0	3.6	8.8	6.7
	Exchange rates and Gold prices (Phnom Penh market rates)											
Riel per US dollar	2,582	2,479	2,666	3,029	3824	3832	3,885	3,808	3,822	3,874	3,912	3906
Riel per Thai baht	102	99	105	98	88	101	103	103	102	99	94	90.3
Riel per 100 Vietnamese dong	23.5	22.3	24.0	25.6	28.6	27.8	27.5	27.5	27.4	27.3	27.5	27.3
Gold prices (US dollar per chi)	45.8	45.9	46.3	40.4	36.0	34.0	33.5	32.7	32.8	33.8	34.0	32.6
Price of Diesel (Riels)	750	716	779	883	1065	1105	1142	1143	1223	1256	1353	1483
Price of Gasoline (Riels)	698	847	1118	1378	1613	1760	1818	1897	1975	2043	2200	2233

Sources: CDRI, IMF, Ministry of Planning, Ministry of Economy and Finance

## Economy Watch – Economic Indicators

**Table 5. Average Daily Earnings of Workers, 1997–2001**

	Daily earnings (riels)								Change from last year (%)			
	1997 Pre-Jul	1999 May	2000				2001					
			Aug	Nov	Feb	May	Aug	Nov	Feb	2000 Aug	2000 Nov	2001 Feb
Cyclo drivers	12,250	9,271	8,415	8,226	9,682	9,691	9,511	8,398	8,200	13.0	2.1	-15.3
Porters	9,675	7,856	7,446	6,143	8,275	8,002	8,068	6,893	7,300	8.4	12.2	-11.8
Small traders	7,050	6,694	6,402	9,071	7,864	7,267	6,611	5,813	6,400	3.3	-35.9	-18.6
Scavengers	4,155	2,956	3,005	2,600	4,750	4,969	4,186	3,006	3,900	39.3	15.6	-17.9
Waitresses*	-	-	-	-	1,873	2,030	2,250	2,335	2,600	-	-	38.8
Rice-field workers	-	-	-	-	3,600	4,000	4,443	4,184	4,100	-	-	13.9
Garment workers	-	-	-	-	7,283	8,272	8,500	7,410	8,300	-	-	14.0
Motorcycle-taxi drivers	-	-	-	-	9,200	12,100	11,044	9,522	10,000	-	-	8.7
Unskilled construction workers	-	-	-	-	9,193	6,900	8,220	5,970	7,500	-	-	-18.4
Skilled construction workers	-	-	-	-	15,873	15,600	14,891	14,517	11,200	-	-	-29.4

Notes: Surveys on the revenue of waitresses, rice-field workers, garment workers, unskilled workers, motorcycle taxi drivers and construction workers began in February 2000; \* Waitresses earnings do not include meals and accommodation provided by shop owners. Source: CDRI.

**Table 6. Monetary Survey, 1994-2000 (end of period)**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
	Billions of riels											
Net foreign assets	391	550	881	1,172	1550	1961	2,043	2,019	2,373	2510	2448	2589
Net domestic assets	59	99	31	-109	-435	-591	-637	-576	-640	-679	-656	-759
Net claims on government	143	148	128	54	141	111	94	103	94	41	6	3
Credit to private sector	237	293	435	637	682	731	762	763	779	860	932	898
Total liquidity	450	650	912	1,063	1116	1370	1,406	1,443	1733	1831	1792	1831
Money	200	279	329	385	466	515	501	532	550	546	540	540
Quasi-money	250	371	583	678	655	855	904	911	1183	1286	1252	1291
	Percentage change from previous year											
Total liquidity	35.1	44.3	40.3	16.6	4.9	22.7	30.1	17.2	31.8	39.1	27.4	26.8
Money	-1.9	39.5	17.9	17	21	10.5	5.7	-2.0	4.4	9.2	7.8	1.5
Quasi-money	93.2	48.1	57.2	16.4	-3.4	30.5	49.3	32.5	50.1	53.4	38.5	41.7

Source: National Bank of Cambodia

**Table 7. National Budget Operations, 1994-2000 (billions of riels)**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
Total revenue	148	161	187	220	230	329	343	301	332	378	336	377
Tax revenue	91	111	134	149	169	239	244	213	244	281	246	268
Customs duties	70	80	86	87	94	108	116	87	98	106	83	104
Non-tax revenue	56	47	44	68	51	87	99	87	88	97	84	85
Forest exploitation	22	13	7	9	5	9	15	12	11	11	7	13
Telecommunications	15	14	16	21	22	27	26	36	20	34	14	25
Capital revenue	0	2	10	3	9	3	0	2	0	0	6	23
Total expenditure	252	300	360	315	324	448	428	591	353	483	514	653
Capital expenditure	84	128	157	113	92	156	151	213	167	209	280	223
Current expenditure	168	172	203	202	245	291	278	378	243	274	234	430
Education and Health	23	25	31	32	33	70	57	159	32	35	32	150
Defence and Security	98	106	102	105	110	116	124	113	86	118	74	164
Other Ministries	48	41	71	65	83	103	95	98	125	122	128	116
Overall deficit	-105	-139	-173	-95	-95	-119	-86	-290	-78	-105	-178	-276
Foreign financing	108	140	170	111	67	104	101	103	122	168	212	164
Domestic financing	-3	-1	3	-16	31	1	-12	130	-44	-63	-34	112

Source: Ministry of Economy and Finance: Quarterly average

**Table 8. Investment Projects Approved, 1994-2000**

	1994	1995	1996	1997	1998	1999	1999	2000				
	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q3	Q4	Q1	Q2	Q3	Q4
	Number of investment projects											
Total	46	51	75	34	35	24	15	30	22	27	29	13
Garment	27	30	36	12	21	11	7	11	13	17	13	7
	Registered capital (millions of dollars)											
Total	116.0	89.0	97.8	69.5	104.1	61.7	45.0	107.0	14.5	19.7	42.7	24.5
Garment	26.8	28.0	39.2	8.6	22.9	13.9	10.9	16.4	6.5	7.0	8.2	4.0
	Fixed assets (millions of dollars)											
Total	303.0	76.2	186.7	190.4	212.3	118.5	60.8	239.4	28.4	85.8	86.6	56.0
Garment	25.1	25.4	39.6	9.7	30.2	19.9	13.0	23.6	23.5	28.3	17.3	7.5

Source: Cambodian Investment Board: Quarterly average

## Glossary Economic Terms

**Recession**

A period of economic decline. This is often the result of less demand for a country's products and services. To reduce losses from lower sales, employers often cut back on the size of their labour force, which in turn leads to unemployment.

**Crude oil**

Petroleum that is still in its natural state and has yet to be refined into products such as diesel fuel and gasoline.

**Gross Domestic Product (GDP)**

The total money value of all final goods and services produced in an economy over a one-year period.

**Commodities**

Raw materials that have had little or no processing. For example timber, iron ore, cotton, crude oil, etc.

**Economic indicators**

Statistics that show the performance of a country's economy. Examples of these are provided on pages 16 and 17 of this issue of CDR.

**Liquidity**

The extent to which an asset can be quickly and completely converted into currency (notes and coins) in or-

der to be used as a means of payment. Monetary assets are the most liquid since they are widely acceptable as a medium of exchange.

**Foreign reserves**

Foreign currency that is kept in a country's central bank because it is valued worldwide (such as the US dollar or the French franc).

**Current account**

At the national level, a current account is the statement of a country's trade in goods and services with the rest of the world over a particular period of time.

**Foreign exchange**

The currency of an overseas country, which is purchased by a particular country in exchange for its own currency. This foreign currency is then used to finance international trade and foreign investment between the two countries.

**Inflation**

A rise in the prices of consumer goods.

**Trade deficit**

This occurs when a country's imports are greater than its exports.



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## CDRI Update

### Management

CDRI welcomes its new Board members bringing the total number of Board Directors to 15. The new Board members are: H.E. Dr. ING Kantha Phavi, Secretary of State, Ministry for Women and Veteran's Affairs; H.E. SOK Siphana, Secretary of State, Ministry of Commerce; H.E. OM Radsady, Adviser to the President of the National Assembly; H.E. CHEM Widhya, Permanent Secretary, Ministry of Foreign Affairs and International Cooperation; Dr. Jayant Menon, Economist, Regional Economic Monitoring Unit, Asian Development Bank; Ms. Jenny Pearson, Director of VBNK. All Board members serve in their personal capacity. Mr. OK Serei Sopheak, Coordinator of CDRI's Centre for Peace and Development also recently joined the Board as the representative elected by CDRI's staff.

### Research

CDRI launched the first phase of its field study on land and food security in February and simultaneously began a social assessment of the land situation in Cambodia. Both will be important inputs into the government's comprehensive land policy. In February, CDRI launched the *Flash Report*, a new monthly publication on the Cambodian economy, finalised the publication on the Development Analysis Network's (DAN) four-country study on labour markets, and also held a national conference on labour markets. Research for the *Annual Economic Review* is nearing completion and should be published in May.

### Centre for Peace and Development

From January to April 2001, the monthly COPCEL meetings held at CDRI focused on mechanisms to gather and disseminate information related to the Commune Election, and the importance of security throughout the

election process. Other topics include the need for foreign assistance to fund the election process, and procedures for NGOs to monitor the election process in cooperation with the National Election Committee. From mid-February until the end of March, a CPD programme officer participated in CDRI's social assessment of the land situation. In March CPD resumed training activities including training of trainers and a second Core Training course called "Working for Peace". Participants included practitioners from civil society and government who are actively involved in peace-building work. Also, in March, CPD/CDRI conducted a fact-finding mission to Oddar Meanchey province to plan future training designed specifically for reconciliation zones. On March 1, 2001, Ms. TOUCH Varine joined CDP as a trainer.

### Library

The number of visitors using CDRI's Library rose significantly from 1532 users in the last quarter of 2000 to 2447 in the first quarter of 2001. To meet increasing demand, the library added another computer to use in searching CDRI's electronic catalogue. On March 1, Mrs UN Sinoch joined the library as the new Assistant Librarian.

### Publications

Publications staff launched a major direct-marketing campaign in January to boost sales. This included the development of CDRI's first publications catalogue, an extensive database of potential buyers in Cambodia and overseas, and a personalised letter introducing new ways to order CDRI publications, including an *Annual Subscription to All CDRI Publications*. For a list of recent CDRI publications, please see page 11 of this issue of *Cambodia Development Review*.

*Cambodia Development Review* is also available in Khmer

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