<table>
<thead>
<tr>
<th><strong>Title</strong></th>
<th>Cambodia, a successful developmental state in future?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Author(s)</strong></td>
<td>Chak, Ka Sin (翟家善)</td>
</tr>
<tr>
<td><strong>Citation</strong></td>
<td>Chak, K. S. (2013). Cambodia, a successful developmental state in future? (Outstanding Academic Papers by Students (OAPS)). Retrieved from City University of Hong Kong, CityU Institutional Repository.</td>
</tr>
<tr>
<td><strong>Issue Date</strong></td>
<td>2013</td>
</tr>
<tr>
<td><strong>URL</strong></td>
<td><a href="http://hdl.handle.net/2031/7136">http://hdl.handle.net/2031/7136</a></td>
</tr>
<tr>
<td><strong>Rights</strong></td>
<td>This work is protected by copyright. Reproduction or distribution of the work in any format is prohibited without written permission of the copyright owner. Access is unrestricted.</td>
</tr>
</tbody>
</table>
Cambodia, a successful developmental state in future?

CHAK KA SIN

2013
Cambodia, a successful developmental state in future?

The Kingdom of Cambodia, commonly known as Cambodia, is located in the Southeast Asia. It is a member of the Association of Southeast Asian Nations (ASEAN). Surrounded by her neighbouring countries with the economy being developed at a fast pace, Cambodia is still a developing country with a low income level. (World Bank, 2013) United Nations (UN) considers Cambodia as a “least developed country” in 2012. (UN, 2013:138) To further investigate the case of Cambodia, the developmental state theory can be used to illustrate the reasons why Cambodia remains a low income developing country, as reflected by its less promising economic performance compared with her neighbouring countries. With reference to the developmental state theory, Cambodia still has a long way to go in order to be a developed country.

A country used to be glorious

Cambodia has a glorious history in the past. The Angkor Empire was prosperous during the tenth to thirteenth centuries. The prosperity of Cambodians started to decline due to the attacks from neighbouring boundaries, French colonization in the nineteenth century as well as the Japanese occupation in the Second World War. (CIA, 2013) After its independence in 1953, political instability remains which hinders her
development, especially the economic development. Currently, Cambodia relies heavily on the foreign aids provided by the UN. (Hill & Menon, 2013:48)

**Common characteristics of a developmental state**

There are successful examples of a developmental state (DS) in East Asia, such as Japan, South Korea and Singapore. These countries, as a successful DS, usually have a strong government committed to economic development and have established plot agencies for implementing developmental goals. Also, their economies are usually industrialized for export with state protection from foreign competitions. (Wu, 2004:92-93) The technological upgrading of economy with qualified goods and services is supported by skilled workforce with better education policies. (Wu, 2004:92-93) With reference to the above features, brief comparisons will be made between Cambodia and those states.

**Cambodia in the developmental state theory**

**A government with little determination in development**

After suffering from decades of political instability, the country is ruined in which the economy and life of Cambodians are poor. Although the Cambodian government would like to develop its economy for national recovery, the weak and
poor administration and policies restricted the effectiveness (Hill & Menon, 2013:49)

Cambodian economy is mainly supported by agriculture, manufacturing and tourism. Cambodia has an annual growth in GDP of 6% in 2010-2012 (CIA, 2013). However, it is only because Cambodia started her development from the very bottom.

Government is the main key actor in state development, which is a core idea of the developmental state theory. There were also close ties between the government and businessmen in successful DSs like the Temasek Holding Ltd in Singapore. The state also had the strong and influential role in these enterprises. Performance criteria were introduced in South Korea to monitor the development of industries and ensure the industries to innovate more for increasing competitiveness to enter the world market. These policies showed the active role of the state to govern and develop the country but none was found in Cambodia.

The Cambodian government is not effective and determined in developing the country. Corruption is common (World Bank, 2013) in the bureaucracy in which the officials work hard to gain more benefits for themselves but not the country. Despite this, there is an absence of efficient plot agency to implement the developmental goals. Although there is the National Bank of Cambodia to handle economic issues, it has
limited authority. (Hill & Menon, 2013:58) It is not influential and there are no performance criteria to push the businessmen to act according to the goals of state. There is no plot agency like the Economic Development Board in Singapore to draft or implement government policies and goals set by elite technocrats. The corruption and inefficiency of the government has limited the state capability in developing the country. This lack of state determination and devotion in development, together with corruption, account for the underdeveloped situation of Cambodia.

Export-oriented industrialization (EOI)

The Cambodian economy has started to grow since the 1990s. Agriculture, manufacturing industries and tourism are the driving forces. (CIA, 2013) Similar to the DS like South Korea, Cambodia develops her economy with industrialization, especially the labour-incentive ones.

Garment industry is crucial to the Cambodian economy, which contributes at least 70% of Cambodian export in 2008. The garment industry also provides 34% of jobs to the manufacturing sector. (Vixathep & Matsunaga, 2013:359) Most of the products produced are export-oriented. Many foreign companies establish their production lines in Cambodia because of the abundant supply of cheap labour
(Vixathep & Matsunaga, 2013:359-360) and the low factory land rent. This export-oriented industrialization (EOI) is similar with Singapore who focuses on the export-oriented electronics industries with assembly work in 1960s to 1970s.

Despite the prosperity in the garment industry, there are limited opportunities for Cambodia to learn and adopt advanced technology from foreign companies during EOI. The production process in the local garment industry is mainly the “basic construction and design, with very little added value”, in which not much technology and skills are required. (Menon, 2011:117) The quality of garment products are not strictly monitored which provides little incentives of industries to improve the product quality. There is little effective state intervention and monitoring in the EOI.

**Limited economic protectionism with little Import-substitution Industrialization (ISI)**

Cambodia shares the same path of EOI with the successful DSs. However, because of the difference in the time frame of development, Cambodian industrialization faces more difficulties. Nowadays, ideas of free trade and removal of protective barriers are popular around the globe. It makes Cambodian manufacturing industry vulnerable to externalities because of its export-oriented nature. Its
developmental process is hindered by the global financial crisis in 2009 as the world demand of garment products dropped.

Also, there is no clear ISI before Cambodia started her EOI. According to the theory, ISI is essential to protect and prepare the local industries for international competitions before starting the EOI, which is one of the characteristics of DSs. However, most of the industries in Cambodia are foreign-owned. (Vixathep & Matsunaga, 2012:363) Foreign investment has been increasing since Cambodia entered the World Trade Organization (WTO) in 2004, which opened her economy. The domestic industries also need to face fierce foreign competitions from Bangladesh. (Menon, 2011:116) Hence, it is harder for local industries to develop. This situation is different from other DSs like South Korea where no foreign investments were allowed in 1970s to protect the local industries. (Zhu, 2009:26) Also, the chances for local Cambodians to learn and co-opt foreign technology are few. There is limited economic protection to local industries which the successful DSs had. Although Cambodia is having a rapid economic growth and industrialization, its industries are of foreign ownership in which locals can only be involved in less advanced production process.
**Difficulties in technological upgrading of industries**

Technological upgrading is important to make the country to be developed. Through industrial upgrading, the products are high-value-added and more competitive in the international market. However, Cambodia has not reached and will be hard to fulfil this crucial stage which is essential to be a well-developed country.

Despite the rapid industrialization, agriculture remains the largest sector in Cambodian economy. There are 55.8% of Cambodian are working in the agricultural sector. (CIA, 2013) Also, there is only 20% of urban population. (CIA, 2013) These revealed that the majority are less exposed to advanced knowledge of technology and skills.

Besides, the limited government intention to develop skilled workforce is also an obstacle for development. Supply of disciplined and well-educated workforce is needed in driving the economic development of a country. However, the Cambodian government expenditure in education is low, 2.6% of GDP in 2010, which ranked 153 out of 173 countries. (CIA, 2013) Even though the literacy rate, the ability to read and write, is 73.9% (CIA, 2013), the technological capability of Cambodians to acquire new foreign technology that are useful in developing their own country is not high.
Compared with Japan, another successful DS, Japan stressed on the education policy in creating skilful workforce for development. There was skilled labour to facilitate the developmental goals of the state. Education is essential in providing human capital for industrialization and further development. (Thompson, 1996:630) However, with the less desirable education policies in Cambodia, there is a lack of developmental engineers and technical know-how to facilitate development. It explains the underdeveloped situation of Cambodia.

Moreover, the unpromising legal system and rule of law such as the weak protections of intellectual property rights have weakened the willingness of foreign investors to bring their high level technology to Cambodia. They usually apply simple and basic production procedures and skills in their production in Cambodia, which provides limited chances for Cambodian workers to learn advanced technology and productions skills to upgrade its economy.

Conclusion

After a period of political instability and struggles, Cambodia is having a rapid economic growth in recent decades. Even though there is a constant increase in GDP, Cambodia remains a low income country and is regarded as the “least developed
country” by UN. (UN, 2013:138) As mentioned above, Cambodia fails to fulfil the core features of DS as stated in the theory, such as a determined government with a visionary leader and elites to set developmental goals, plot agency to facilitate development, development of local industries through ISI and EOI and industrial upgrading technologically with qualified labour. All these explain her undeveloped status.

To conclude, Cambodia has a long way to go and it is unlikely Cambodia can become a developed country in near future.

(1603 words)
Reference:

10. Zhiqun Zhu (2009) “Chapter 3 South Korea: From a Colony to an Economic
"Power”, Toward a Comprehensive Understanding of East Asia’s Economic Miracles”, pp. 26, Ann Arbor, Mich. : Association for Asian Studies