



Cambodia's Globalization and Poverty

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Summary:

In the 1970s, many countries in world were affected by the Cold War. The war between communism and democracy involved countries all over the world, including Cambodia. Cambodia had many internal and external conflicts including civil war, and invasion by Vietnam. This led to economic crisis, corruption, and poverty. After the war, Cambodia has improved their economy and standard of living. Cambodia also entered the global market and made relationships with other countries. The economy has become much better, but the poverty problem still is a negative effect on Cambodia.

Abstract:

In this paper, I will discuss what effects globalization has had on Cambodia. I will compare the old political system in Cambodia in 1970s to the new system that has evolved since the civil war, and the invasion by Vietnam. This comparison shows the way in which globalization has made Cambodia grow significantly in terms of the expansion in economy, creation more jobs, increased foreign investment and foreign aid. On the other hand, globalization also has impacted Cambodian society by exploiting the Cambodian people in cheap labor forces. There are many international organizations such as UNICEF, UNDP, IMF and World Bank that have provided aid like technical support, grants and loans to help to improve physical structure such as, infrastructure, human resources, and health care in this country. Many structures have improved, but the economic growth is still slow if we compare it to developed countries such as North American countries and European countries. I will use the terms that I have studied in the course, Geography of Developing World such as discursive material theory, nexus of relations and semiotic principle to make an argument why the expansion of the economy through globalization has led Cambodia to maintain the poverty problem.

I Introduction:

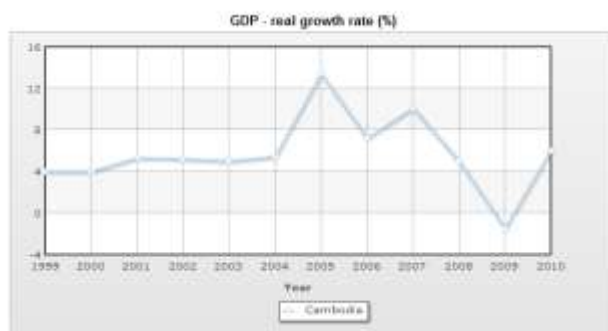
In the 1970s, Cambodia was involved in Civil War and invasion from foreign countries for several decades, which destroyed everything including infrastructure, human resources, and physical structures in this country. Additionally, the political system was a monarchy with King Norodom Sihanouk as the Head of State. After the King went outside of the country for a conference, General Lon Nol used a military coup to overthrow the King. He became President and changed the name of the country to the Khmer Republics in the year of 1970. During his administration, he allied with America; and received financial funding and technical support such as military weapons to control his regime. At the time, the war between Vietnam and America was still ongoing, and the fighting and effects of the war also spread into Cambodia for a year. After the war ended, the Congress of the United States discontinued its support for the government in Cambodia. Mr. Lon Nol faced many conflicts in terms of the financial crisis and civil war with Khmer Rouge (Communist Party) that was controlled by General Pol Pot. In the year of 1975, Pol Pot occupied the entire country and adopted communism. The Pol Pot focused on the rural areas and agriculture manufactures as their main primary production functions. The country was renamed as the Democratic Kampuchea. In the following years, Vietnam and Mr. Hun Sen, a leader of the New People's Republic of Kampuchea became allies, and used their combined military forces to remove Khmer Rouge from power in 1979. The country was

unstable for decades until the United Nations stepped in. In the year of 1991, Cambodia declared a cease-fire under the supervision of the UN. In the year of 1993, Cambodia formed a new government, which was scrutinized by UNTAC. Cambodia stayed in peace, and a new modern society had begun.¹ (Cambodia History Timeline by BBC) The country entered the global market and made relationships with other countries. Globalization has helped Cambodia in terms of the economic growth and political stability. At the same time, globalization also creates many problems in this country which leads to poverty and help to maintain the constant authoritarian regime. We cannot say in one word the explanation of why “globalization” is the cause of these problems, but it is a relationship of many problems.



II The benefits of globalization and positive effect in Cambodia

One of the benefits of globalization that Cambodia has seen is a high growth rate in GDP of ten percent per year between 1998 and 2008. Globalization also helped to improve the quality of education, health care and standard of living for Cambodian people. During the economic crisis in 2008 to 2009, Cambodia suffered stagnation in their real GDP. In 2010 to 2011 however the GDP bounced back again at six percent. It is expected that their GDP will continue to grow at 6.5 percent annual rate from 2012 to 2013.² (World Bank Overview)



Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cambodia	4	4	5.3	5.2	5	5.4	13.4	7.2	10.1	5	-1.5	6

Definition of GDP - real growth rate: This entry gives GDP growth on an annual basis adjusted for inflation and expressed as a percent.

**DATABASE
FROM WORLD
BANK,
WEBSITE
NUMBER 3.**

Cambodia is a developing country in Southeast Asia, which relies on agriculture as their primary production functions and main net export. Cambodia gained international trade with several countries such as China, South Korea, and Kuwait, and especially with Vietnam after the war. China is the main foreign investor in Cambodia. They embark in direct capital investment of the agriculture sector amounting to about 4.2 billion dollars, which is 40.14% of the total foreign investment in Cambodia. Korea has invested about 40 million dollars to purchase Cassava from Cambodian farmers. Kuwait has made a bilateral agreement with Cambodia to provide a loan of about 546 million dollars to support rice production for the Kuwait market. They will also provide technical support such as buildings for hydro-power plants and direct flights for tourism.⁵ (the Federal Ministry for Economic Cooperation and Development) These are some benefits of globalization that resulted when Cambodia entered the global market with those countries. These international trading relationships helped to create more jobs for Cambodian people and improved their standard of living.



In the year of 2004, Cambodia became a member of WTO and expended their economy into the global market. They gained benefits in trade policy and made agreements with their members of WTO. According to WTO agreements, each county has to permit equal opportunity in terms of trade to all countries with regard to trade policies including subsidies, low tariffs, and regulations. Members especially have to adhere to laws that help to protect property rights.⁴ (ADBInstitute) This was an opportunity for Cambodia to attract more foreign investment such as a big Multination Corporation Company (MNCs) from other countries such as China, Korea, Japan, Australia, Kuwait, and other members of the WTO. For instance, news that was published in The World's Peace website in Dec 27, 2011 said that the Japanese had planned investment in Cambodia. There were more than 65 Japanese's companies attended the meeting. They spent their capital for investment in the environment, human resources and infrastructure.⁶ (The World's Peace website) On the other hand, WTO's policy can be seen as favoring to the developed countries more than the developing countries, which results in deteriorating terms of international trade with those developed countries.

III The negative effects of globalization and the poverty problem

Multinational Corporations (MNCs) are very powerful, because they can easily withdraw all their capital from one region to another region. Especially, in this modern society, the new technology such as communication, internet, and transportation make the MNCs become more powerful than in the past. They can just click on the computer and then remove all their assets and capital from one place and move it to another place in a few seconds. Mostly in developing countries, governments have a notion that if only they have more investment, then they can create more jobs for their citizens; there will be a decrease in the unemployment rate, an increase in consumption, and an increase in net exports. Their GDP will also then increase when the income level in the country has increased, their people's standard of living will increase, and the poverty problem will be eliminated. Therefore, most governments in third countries try to implement policy that would attract more foreign investment if they can; the results of this however is that those governments then become weaker and make the MNCs become more powerful.

Cambodia has taken this path. They opened themselves to the free market and gave incentive to the foreign investors such as lower taxes, no regulations, and free land concession. Many problems have occurred with the MNCs operating in Cambodia.⁸ (AAA-Advisors.com) For instance, the Cambodian government gave 340 sq km to a Chinese company called Tianjin Union Development to build resorts and a casino. In this company's framework, they need to cut down many trees in the forest of their land concession in order to build their resorts and casino. This company not only destroyed the forest, but also many settlements of Cambodia in the area. The people lost their own property, land and housing.⁹ (REUTERS NEWS Website)



As can be seen by the example above, MNCs have had a negative effect in Cambodia society. They are not going to help the poor, but to exploit the poor. Many trees were cut down from the forest, and people have no access to the land. When the trees are gone from the forest, it will affect the environment such as global warming and the temperature change. It also leads to the natural disasters and so on. The companies just invest in Cambodia and exploit every natural resource and take the capital benefits from their casino to their home country. Unfortunately, they are not providing adequate compensation to the local community or to Cambodia as a whole. It is seen that the cost of destruction and poverty created by the MNCs are greater than the benefits gained from MNCs in Cambodia.

Cheap Labour in Cambodia

Photo by International Labor Rights Fund

Have you ever checked the size tag on your shirt? There, under the printed size, where used to be "Made in China", has recently changed into "Made in Cambodia".



Photograph by International Labor Rights Fund

There are many cloth companies from China which have invested in Cambodia. Many of these companies used to produce the cloth in their home country, but because to take advantage of cheap labor forces, they removed their capital from China and invested in factories in Cambodia. People in the factories have to work long hours—at least 40 hours a week. They only get paid \$70 to \$80 per a month. If we compare these wages to the United States, the wages in the U.S. are quite different. American people, who are uneducated, can still earn at least \$60 to \$70

per a day in the factory. This terrible condition has made Cambodia become poorer. ¹¹ (Gwen Jin's Blog)

IV The negative effects of globalization in foreign aid and loans

The International Monetary Fund (IMF) is an organization which provides short term loans to countries that need loans to pay for their previous debt and to prevent economic crisis. ¹³ (IMF's website) In order to get a loan from the IMF, the borrower needs to make a negotiation with the organization. The IMF requires borrowers to accept their policy reform. It is called the Structural Adjustment Program (SAPs). The SAPs policy reforms require the governments to cut their funding for programs such as education, welfare, healthcare, and government salary in order to pay their debt back. SAPs also require governments to provide intellectual property rights and give an incentive to attract more investment from overseas. The government also needs to regulate high tariffs on imports and subsidy that encourage domestic exports. ¹⁴ For example, Cambodia was provided with several loans from the IMF. In 1995-1996, Cambodia borrowed \$41 million from IMF. ¹⁵ (IMF's website) In 2001, Cambodia received loans again from the IMF of about \$11 million. ¹⁶ (IMF's website) Cambodia had to accept the SAPs policy reform and was supervised by IMF to operate their own economy. This loan was a negative effect to Cambodian people such as students, teachers, farmers, and so on. Cambodian people are excluded from basic needs such as food, medical and education. It has created a social construct scarcity.

Additionally, Cambodia is one of the poorest countries in Southeast Asia. Cambodia also gets a high amount of foreign aid every year. It receives approximately USD \$500 million every year from developed countries for projects including technical support such as Official Development Assistance (DOA) to Cambodia. This foreign aid is intended to sustain the life of Cambodians and to operate other activities such as infrastructure, building, education, healthcare and security assistance and so on. ¹⁷ (The U.S. Congressional Research) There are many Non-Government Organizations (NGO) such as UNICEF and UNDP that are providing direct aid to the people and health services. UNICEF is the United Nations agency who is focusing on child welfare on such issues as child labor and health disease. They also help to operate an AID/HIVs program for Cambodian people. ¹⁹ (UNICEF) UNDP is another one of the United Nations agencies in Cambodia. They are helping to reduce the poverty problem, to improve the environment, and to

promote democracy in Cambodia.²⁰ (UNDP) According to Bert Hoak and Ray Zepp's opinion on foreign aid, Cambodia has become dependent on foreign aid in order to operate their country. He lived in Cambodia for about five years doing research about Cambodia society and foreign aids. He said the Cambodian people have suffered from oppression of the government. Cambodian people do not even get basic human rights.¹⁸ (Thoughts On Foreign Aid)

A documentary about corruption in Cambodia was written by a British man who went to live in Cambodia for 2 years. He interviewed Cambodian people about their perspective toward their government. He concluded that foreign aid does not help the poor. The foreign aid had been corrupted by the government from the top levels to low levels. There are many NGOs that have spent their money to help Cambodia, but in his research he saw that all the money was just spent toward the salaries, and luxuries of government workers.²¹ (Thestudentroom's blog) According to HE Kent Wiedemann, Ambassador of the U.S., "Corruption is a very serious problem in Cambodia." He had invoked to the Cambodian government to take action immediately on this serious issue related to corruption in Cambodian society. He said that Cambodian government should use authority to straighten their constitution, and to eliminate the corruption. Unfortunately, he has been criticized by the Cambodian government who said he went too far as a diplomat and even threatened to break the relationship between the United States and Cambodia.²³ (CNN News) These evidences above show that Cambodia is one of the highest corruption countries. The people who are living in this authoritarian regime are suffering from the poverty problem. Many foreign aids do not go directly to the poor people, but are exploited and corrupted by the government at every level in the government positions.

Foreign aid has both positive and negative effects on democracy in dictator and dictatorial regimes. According to the research by Nabamita Dutta, Peter T. Leeson, Claudia R. Williamson, the foreign aid will reduce progressive of economic policies, and help to strengthen dictators in authoritarian regimes.²⁴ (The Amplification effect) Cambodia can be seen as falling under this description. Many NGOs, foreign aid projects (in bilateral aids, indirect or direct aids), and technical support projects such as ODA have not improved the society as much we would have expected them to have. The economy grows very slowly, and the poverty problem still exists. Many people are hungry, homeless and have bad health conditions. The social classes are divided between poor and rich people. Mostly, the rich people are involved in the government. The poor is exploited by the rich and their government. The government used foreign aid to buy the confidence of their citizens and strengthen their power. According to these issues above, globalization is negative in terms of foreign aid, international trade, and the free market. The poor people cannot earn enough money from their exports to buy the commodities that they need to import. This had led to the deterioration of international trade. The primitive commodities that the people used to produce in their traditional ways have changed to produce the commodities that are demanded by the market. Those products are not necessary to feed their family. It has created a socially constructed scarcity such as the poverty problem and low standard of living.

V Conclusion

There have been positive effects from globalization in Cambodia, but overall globalization creates more problems in Cambodian society than benefits. The historical conflict in this country has made Cambodian people poorer. The foreign investment in Cambodia has helped to create

more jobs for Cambodian people, but the MNCs have paid too low of salaries to the Cambodian people for them to feed their families and maintain a decent standard of living. The land was given to the MNCs for export projects, and people have no access to the land, therefore, they cannot produce their own food to feed their family. The WTO has not helped Cambodia's economy, but instead has helped foreign countries to take more advantage of Cambodia, its land and its workers because of free trade policies. The subsidy loans from the IMF do not help Cambodia to solve their previous debt problems, but have only hurt the Cambodian people because of their SAPs policy reform. Foreign aid has been sent directly to the government to improve their physical structure, reduce poverty and maintain political stability, but the government has taken this foreign aid for their own benefit and has resulted in reducing the ability of the people to rely on their government. This problem has helped one individual that dominates the state and has led to a dictatorship. The elimination of poverty has failed and the foreign aid has become a tool for a dictator to build his power and maintain power. According to the discursive material theory, we can bring every part of these structures concerning globalization, including MNCs, WTO policy, foreign aids, and the role of government in Cambodia including the sign, evidence, and the senses; they all form the poverty problem and the nexus of relations that results in the poverty and scarcity problem.

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