1 Introduction
This article examines, critically, the assumption that economic globalisation is a force for peace, security and broad-based economic prosperity in societies emerging from war. Where old political and economic structures have been weakened, without the establishment of new systems of regulation, states are ill-equipped to control and protect the internal life of their societies. Where the legitimacy of regimes is challenged and there are mounting demands for economic redistribution, this can create major overloads on state capacity and political systems. In these circumstances, the introduction of a model of post-war reconstruction that emphasises neoliberal economic prescriptions may conflict with other peace and security-related objectives.

The central issue of concern in a number of countries emerging from war, including El Salvador (de Soto and del Castilla 1994), Mozambique (Hanlon 1998) and Sierra Leone (Zack-Williams 1999) is the emphasis placed by the World Bank and the International Monetary Fund (IMF) on macro-economic stabilisation and structural adjustment activities. This preoccupation often comes at the expense of programmes essential to the consolidation of peace, such as addressing humanitarian needs, strengthening public services, restoring the rule of law and public security, and building political consensus on how to broach difficult reforms (Pastor and Boyce 1997). A focus on limiting public expenditure may run counter to the goal of giving all parties, including the poor, a stake in peace and reconciliation.

These observations raise fundamental questions about the compatibility of the neoliberal agenda with the long-term needs of war-torn societies. The World Bank's approach to post-war reconstruction places emphasis on 'recreating the conditions that will allow the private sector and the institutions of civil society to resume commercial and productive activity'. In the absence of resources and state capacity, 'decentralised development activities' are seen as the solution (World Bank 1998a: 25). This approach is criticised for downplaying the conflict-laden aspects of war-torn societies and the need for state-led solutions (Moore 2000). Harnessing the benefits of the global market and providing security require coherent long-term actions by
of external resources, a donor reform agenda predicated upon radical social and political change faces serious limits (Duffield 2000).

This article examines these issues with reference to Cambodia's post-1993 reconstruction process. Cambodia is engaged in a triple transition: from war to peace; from a centrally planned to a market economy; and from a one-party state to a pluralist political system. The impetus for these changes has come from the United Nations (UN), donor countries and Cambodians themselves, though the reconstruction programme is primarily external in inspiration. The record after ten years is very mixed: formal political liberties for the average person remain limited, though there is a great deal of anarchic freedom as a consequence of rampant marketisation and the weakening of state authority. Meanwhile, the economic benefits of peace are enjoyed by only a small minority of Cambodians.

This state of affairs raises questions about the effectiveness of the post-war reconstruction process, in particular whether the international community could have done more to prevent the violent collapse of the first post-war coalition government in 1997 (Hendrickson 1998). To date, the government has borne the brunt of the blame for set-backs in the reconstruction process. A report by the International Crisis Group concludes that 'Cambodian politicians could have done better' and that their 'commitment to reform is disingenuous' (ICG 2000). This sentiment is shared by many donors. Yet there is ample evidence that external agencies are equally to blame, having down-played the impact internal political factors and global economic forces would have on institutional reforms.

Since 1994, donors have placed down-sizing of the civil service, which is the powerbase for Cambodia's ruling party, at the centre of efforts to build administrative capacity. Prioritising the down-sizing of the civil service derives from the international financial institutions' preoccupation with controlling public expenditures as a method of achieving macro-economic stability. The unique nature of the post-war power-sharing arrangement, combined with endemic factional conflict and the insecurities generated by rapid marketisation, resulted in a sharp increase in the size of the civil service after 1993. It is the very importance of power-sharing in a politically sensitive transitory environment that makes the down-sizing of the civil service highly problematic. This challenge for post-war reconstruction suggests the need to embed post-war economic reforms in a broader strategy to strengthen political governance and restore socio-economic security.

2 Externally-driven Reconstruction

Cambodia's four warring factions signed the Paris peace agreements in October 1991, officially bringing to an end more than two decades of internal civil strife inflamed by superpower rivalries. During the 1980s, the war opposed the Vietnamese-backed State of Cambodia regime and a loose coalition of 'resistance' factions, consisting of the royalist FUNCINPEC, the KPNLF and the Khmer Rouge, supported by the major Western powers and China. The Paris agreements committed the Cambodian factions to compete for political power through the ballot box and embrace a neoliberal economic agenda. The United Nations was charged with overseeing implementation of the peace agreements, repatriating refugees, jump-starting the rehabilitation process and organising elections.

The Paris agreements specified that the new government would determine the country's reconstruction needs, though this was never a realistic possibility. First, the international community lacked the 'teeth' to enforce the May 1993 election results. It could only stand by and watch as the victor, FUNCINPEC, was forced into a power-sharing arrangement by the ruling party of the former State of Cambodia, the Cambodia People's Party (CPP), which still retained control over the national administrative and security apparatus. The KPNLF, transformed into the Buddhist Liberal Democratic Party (BLDP), became a junior member of the new coalition government. From the outset, the coalition was severely hampered by endemic factional conflict and weak administrative capacity. It was also immediately faced with a new war against the Khmer Rouge who had withdrawn from the peace process in 1992.
Second, Cambodia was extremely dependent on foreign assistance for its reconstruction needs, the price of which was to limit its ability to challenge the donor agenda and timetable. Given Cambodia's weak human resource base, this was in many ways inevitable. But it resulted in a reconstruction programme that was incompatible with Cambodia's complex socio-economic and political needs. Donors approached the recovery of Cambodia with a limited knowledge of the country's problems, preconceived notions of what was needed, narrow national approaches to peace and recovery, and over-realistic expectations of what could be achieved (Peou 2000). Most technical assistance projects since 1993 have been donor-driven in identification and design, undermining government ownership (Godfrey et al. 2000).

Nevertheless, the 1993–95 period was the government's honeymoon period. Donors gave assistance generously, with few conditions attached. The initial rehabilitation phase focused on addressing basic needs such as food, security and health, resettling refugees, and restoring basic economic and transport infrastructure. The year 1996 marked a shift from the 'soft' approach to a reconstruction phase, with donors placing greater emphasis on stricter government accountability and aid conditionalities (Peou 2000). The 'open-market' economic reform strategy adopted by external agencies, which included efforts to stabilise government spending, stimulate the private sector and attract foreign investment to rebuild the shattered economy, set the context for Cambodia's administrative reform process.

Under the World Bank and the United Nations Development Program's (UNDP) direction, the objective was to 'remake' government from top to bottom by restructuring the public sector, strengthening the management of line ministries, developing human resources and strengthening the public administration (UNDP 1995). These reforms were seen as essential to reduce rampant corruption, improve public services and increase aid absorption capacity. Despite these broader goals, down-sizing of the civil service was placed at the centre of the problems of administrative capacity. The task of restoring worker productivity and the quality of public services became secondary to that of restoring financial efficiency in the public sector. With Cambodia's large army 'off-limits' due to the war with the Khmer Rouge, donors set the government an ambitious target of reducing the size of the civil service by 20 per cent by 1997.

Driving this approach was the IMF's preoccupation with restoring overall macro-economic stability through strong fiscal efforts to limit deficit financing of the budget and enhance revenue mobilisation. The civil service reform plan effectively started from the premise that nothing could be done to effectively improve civil service capacity until fundamental problems of structure, numbers, pay and total civil service costs had been dealt with. Underpinning this approach were three assumptions: (1) that political support was available at the highest level for major changes in spite of their magnitude and severity; (2) that the civil service retained enough capacity in terms of coherent and skilled manpower to implement the changes; and (3) that civil servants would either accept the changes willingly in turn for compensating arrangements or have no choice but to accept their implementation.

None of these assumptions held in Cambodia at the time. Donor demands were sharply at odds with the government's lack of technical capacity, the interests of bureaucratic actors, and the requirements of national reconciliation (Hendrickson 1995).

The World Bank and the UNDP approached down-sizing essentially as an administrative exercise, downplaying the immense social and political costs the plan would entail. The NGO community, which privileged a micro-economic approach to post-war rehabilitation, voiced serious reservations (NGO Forum on Cambodia 1996). The government was deeply concerned about how down-sizing would impact on its popular legitimacy and political stability. Crucially, down-sizing went against the key factor that underpinned the stability of the post-war power-sharing arrangement - this was the agreement that large numbers of FUNCINPEC and BLDP functionaries would be integrated into the CPP-dominated administrative apparatus.
3 Party Politics and Weakening State Authority

Even as Cambodia's political leaders publicly declared their commitment to donors to down-size the civil service, they actively resisted cuts. The government's primary motive in agreeing to the reduction programme was to secure valuable budget support from the IMF in order to fund social services, thus releasing its own resources for the war against the Khmer Rouge. This injection of donor funds served to temporarily increase co-operation between the factions, in the process masking more fundamental political tensions that would eventually erupt violently. As was already apparent at the time of the May 1993 elections, the stakes around control of the administration were extremely high:

If the potential rewards of winning the elections were enormous – virtually absolute power and patronage, including over the courts, bureaucracy, economy and the media – the consequences of losing were more significant still. For the factions relegated to the role of political opposition, there were to be no effective institutions, no enforceable legal provisions, and no indigenous traditions to protect their interests once UNTAC left. Their political and economic interests, not to mention their lives and liberty, would be at the discretion of their former enemies. (Ashley 1998a: 61)

Cambodia is a nation with no tradition of sharing power and no institutions to limit power (Chandler 1991). Instead of cohesive government, the power-sharing arrangement resulted in parallel structures of authority and administration headed by the two 'co-premiers': Hun Sen of the CPP, and Prince Norodom Ranariddh of FUNCINPEC. This system was replicated throughout the government where each ministry was divided equally between the CPP and FUNCINPEC. They remained factions – with their own media, bureaucrats and bodyguard units – though the CPP retained a crucial monopoly over the courts, the sub-provincial authorities and the security apparatus. In these circumstances, not only was down-sizing politically impossible, but the reverse happened.

The state bureaucracy and the security apparatus rapidly expanded after 1993 making power-sharing more unwieldy and further undermining state authority. Some 11,000 members of existing, newly-recruited and 'ghost' personnel from FUNCINPEC (and a lesser number from the BLDP) were integrated into the civil administration, and much higher numbers into the police force and the army. Filling the administration and security services with their supporters was a political priority for FUNCINPEC, though there were also financial gains to be made from controlling the salaries of 'ghost' personnel. Numbers were vastly inflated. At a time of mounting IMF pressure to keep public spending under control, the only way that the government could remain within IMF strictures was by cutting the number of CPP civil servants to accommodate the new civil servants.

This was never a realistic possibility. As each party pursued strategies to strengthen their powerbases, this further weakened prospects for administrative reform (Ashley 1998b). CPP dominance of the coalition government ensured that at a public level the two parties concentrated on those areas of common ground such as fighting the Khmer Rouge, promoting foreign relations and the tasks of reconstruction. However, beneath the surface the business of government flowed through the parallel structures of authority rather than the formal state apparatus, where the parties colluded to block key reforms. Rent-seeking flourished through the hierarchical patron–client networks, a constant in Cambodian history (Heder 1995). These networks likely became further entrenched in the state due to the inability of the formal economy to offer alternative livelihood opportunities.

Despite rapid economic liberalisation after 1991, the benefits were largely limited to the urban areas and to the country's elite classes. Cambodia's political leaders seized the opportunities to enrich themselves and strengthen their powerbases, but did not come up with effective sectoral or regional development plans to incorporate the infusion of foreign investment. The business infrastructure, regulatory framework and rule of law required to ensure that the benefits of the growing private sector activity could be applied productively to Cambodia's reconstruction needs was lacking. This scared off many legitimate long-term investors. Attracted instead was a rapacious brand of 'cowboy investors' who were eager for quick profits, willing
to engage in illegal activities, and able to thrive in – and in some cases, actually encouraging the creation of – an environment of insecurity.

4 New Forms of Insecurity and Coping Strategies

As Cambodia's military conflict wound down during the 1990s, the country experienced an upsurge in crime and internal disorder. Violence became a modality of power and economic accumulation, effectively manipulated by the country's political elites and economic entrepreneurs and fuelled by rampant marketisation. By the time of the Paris agreements, all four Cambodian factions were already engaged in the commercial exploitation of timber and the smuggling of licit and illicit goods across the country's borders. This enabled the factions to sustain their military activities as their foreign backing declined sharply, and effectively ensured the Khmer Rouge's political survival until 1998. The Khmer Rouge earned tens of millions of dollars per year during the early 1990s through the mining of precious stones that were sold on international markets with the complicity of Thai traders (Lechervy 1996).

Official complicity in the plundering of natural resources and state assets was unintentionally helped by liberal economic reforms, suggesting parallels with parts of Africa where the state has become a vehicle for organised criminal activity (Bayart et al. 1999). Cambodia quickly became a haven for money laundering. Trafficking in drugs and arms flourished. With the protection of senior police officers, Cambodia's sex industry burgeoned, spanning its borders into Thailand and Vietnam (Barber 2000). Lucrative timber concessions granted to companies from Malaysia, Taiwan and Thailand generated little revenue for the state coffers (Global Witness 1997). Instead, most of the profits were channelled into a 'parallel' budget to fund the war against the Khmer Rouge and bolster the powerbases of the political leaders. Despite international pressure to stem illegal logging, military-protected logging interests have consistently been able to avoid external monitoring of their activities, often by creating 'zones of insecurity'.

With few exceptions, such as the garment industry, Cambodia's manufacturing base remains weak. Growth in the tourism industry and in rural agriculture has been stymied by persisting security problems. In the absence of productive long-term investment, a highly speculative economy has emerged in Cambodia that has heightened insecurity for the most vulnerable segments of the rural population. The capture of privatisation processes involving state-owned land has privileged violent groups as arbiters of social relations. While 80 per cent of the Cambodian population depend on land to make a living, only 15 per cent have formal ownership of their farms (NGO Forum on Cambodia 2000). Since 1993, there has been a surge in forcible evictions of farmers from their land by military personnel working in complicity with provincial authorities. This land is then often sold or leased to foreign investors for logging or the construction of hotels and casinos.

Cambodia's experiences suggest the need to qualify the reference frequently made in war-torn societies to the negative impact of violence on patterns of social organisation. A World Bank-sponsored study on 'social capital' in two Cambodian villages highlights the equally harmful effects that the unleashing of market forces can have in an immature political and legal environment without safety nets to protect the most vulnerable (Krishnamurthy 1999). The study notes clear links between the emergence of the market economy during the 1990s, based on cash transactions and rigid reciprocity, and a decline in forms of social interaction based on mutual assistance. It concludes that rapid marketisation has been a key factor in the increasing vulnerability and poverty of Cambodia's rural population.

But even as rapid market liberalisation has heightened insecurity for some vulnerable groups, it has also provided a form of social safety net for others. In the absence of an effective rule of law in Cambodia, the reliance on patron–client relations and links to groups involved in criminal activities has likely been reinforced even as donor-driven institutional reforms working to break these links grow stronger. The premium placed on official positions within the state bureaucracy does not stem from the salaries per se, which are far below a living wage or what can be earned in the private
sector. Rather, in Cambodia’s status-conscious society (Bit 1991), official rank is key to leveraging both physical and social resources to bolster livelihoods. These factors help explain the difficulty the state faces in regulating social behaviour and why bureaucratic reforms often stagnate despite massive donor pressure.

Concerned by failures to improve fiscal management and, in particular, the diversion of revenue from logging to fund the government’s war effort, the IMF suspended balance-of-payments support to Cambodia in early 1997. This move had limited immediate influence on the government’s fiscal policies and may have exacerbated the political conflict between Hun Sen and Prince Norodom Ranariddh that became public in 1996. The prospect of commune elections, scheduled for 1997 (and eventually cancelled), and parliamentary elections in 1998, evoked the same fears and tensions among the parties as in 1993. Increasing the stakes dramatically was a provision in the 1993 Constitution stipulating that the power-sharing arrangement would revert to a normal one-party system after the 1998 elections, in effect placing all power in the hands of the eventual victor.

At the heart of the tensions between the parties was the CPP’s increasing dominance of the coalition and its persistent refusal to integrate FUNCINPEC supporters into the administration at the sub-provincial level. Changing the grassroots balance of power was part of FUNCINPEC’s strategy to win upcoming elections. Prince Norodom Ranariddh also faced intense pressure to reward his supporters, including senior military commanders, with official positions. In the meantime, both parties were making overtures to the Khmer Rouge who were on the verge of collapse as a political movement. The ongoing defection of hundreds of Khmer Rouge soldiers, including key senior members of the leadership, to the government side portended dramatic changes in Cambodia’s balance of power, which both the CPP and FUNCINPEC sought to exploit. In July 1997, fighting erupted between the parties resulting in Prince Norodom Ranariddh’s ousting from power, the suspension of many aid programmes, and the grinding to a halt of the government’s administrative reforms.

5 Limits of a Down-sizing Strategy

The new coalition government formed after the 1998 elections, which is led by the CPP and includes FUNCINPEC as a junior partner, appears to offer an unprecedented opportunity to advance Cambodia’s much needed institutional reforms. On the one hand, for the first time since the 1960s, Cambodia has a government that does not face a significant internal or external military threat. On the other, with the unwieldy power-sharing arrangement no longer in force, the CPP would appear to enjoy more room for manoeuvre to push through difficult reforms. Donors seized upon these favourable conditions, agreeing a new and wide-ranging Governance Action Plan with the government in January 2000. But there should be concern as to whether the right lessons have been drawn from Cambodia’s past reform failures.

The Governance Action Plan covers administrative, fiscal, judicial and military reforms as well as special efforts to tackle corruption, land reform and forestry issues, and promote decentralisation. Down-sizing of the civil service is again at the heart of the administrative reform programme. Together with down-sizing of the military, this is a key condition for the current IMF assistance programme to Cambodia (IMF 2000). However, it is questionable whether down-sizing is more politically realistic today than before. The donor plan for civil service reform is very similar to the previous plan, which produced ‘meagre results’ (Kato 2000). In addition, in the case of both civil service reform and military demobilisation, there have been serious delays and shortfalls in the assistance pledged by donors.

In a 1998 review of its experiences with post-conflict reconstruction, the World Bank noted that it did not correctly judge the ‘political feasibility’ of the policies being urged upon the Cambodian authorities during 1994–97 (World Bank 1998b: 84). But the World Bank’s recent experiences with demobilisation suggest that either it has been slow to heed this lesson or that it itself faces limited room for manoeuvre within the overall macro-economic stabilisation framework set by the IMF in Cambodia. Demobilisation is a central element of the donor strategy to re-orient military spending, which makes up close to half of total public spending, towards the social sectors. Closely shaped by the IMF’s deficit-reduction priorities and its
timetable, the demobilisation programme has not been situated within a broader framework for military reform, resulting in fierce resistance from the military and the government, and serious setbacks (Hendrickson 2001).

Notwithstanding the importance of achieving macro-economic stability and ‘right-sizing’ Cambodia’s public sector as part of a longer-term reconstruction strategy, donor conditionalities cannot make up for weak institutions or a lack of political consensus (DFID 2000). Efforts to build technical capacity have been hampered by problems related to Cambodia’s weak human resource base and its aid dependence. A recent study notes that only 58 per cent of donor projects have been ‘structurally well-placed for capacity development, i.e. both owned by the government … and implemented through normal government structures’ (Godfrey et al. 2000). The report suggests a need for fundamental changes in the way donors go about business as well as longer time-frames for capacity-building. The report’s conclusion that achieving a living wage for key civil servants is the ‘single most urgent priority’ for increasing the effectiveness of public services is potentially at odds with the IMF’s narrow focus on stabilising public expenditures.

In this context, greater efforts to strengthen the legitimate sectors of the economy will be needed to push through administrative reforms and increase state revenue. This will also require donors to incorporate more effectively into their reconstruction policies strategies to reduce the vulnerability of public servants. Current coping strategies, which include the recourse to patron–client relationships, moonlighting, and other activities that fringe the line between legal and criminal behaviour, represent innovative responses to growing insecurity. These practices are portrayed by the neoliberal agenda as a deviation from an ‘ideal’ standard of market and bureaucratic behaviour, and are consequently poorly understood. Devising effective responses may require strengthening statist provisions for welfare and employment as part of a broader strategy to push through difficult bureaucratic reforms.

The World Bank’s macro-economic projections contained in its 2000 Country Assistance Strategy for Cambodia suggest that, in the ‘full reform scenario’, poverty can be halved by 2005. These projections are predicated upon a favourable external environment, a responsive private sector, increased foreign investment and significant (and rapid) improvements in governance (World Bank 2000: 14–16). The challenges are immense. The report notes that the country’s agriculture-based economy is structurally ill-equipped to generate growth; the business infrastructure and legal framework remain weak; there are serious deficiencies in skilled labour; and the region has recovered slowly from the Asian financial crisis.

Prospects for economic growth in Cambodia that is both broad-based and sustained are currently limited. Foreign investment in Cambodia totalled $482 million in 1999, half the level of the mid-1990s, with even less anticipated during 2000 (Dobbs 2000). An issue of equal concern is the quality of this investment. Cambodia is today integrated into the global economy, though not in a manner that has allowed it to protect itself from the most harmful effects or to harness the positive forces to its advantage. In the absence of a strong regulatory framework, there is a risk that Cambodia will continue to attract investors more concerned with pillaging its resources than strengthening the productive base of the economy. In these circumstances, the short-term benefits of further integration into the global economy may be limited to a relatively narrow group of political, military and economic elites.

Only as the benefits of economic liberalisation are spread more widely across Cambodian society will the social transformations needed to sustain its political and institutional reforms occur. That political liberalisation has been so slow in Cambodia should come as no surprise. Thus far, it has largely been externally driven. The country’s current ‘stability’ is not based on a political system that can easily incorporate debate and change (Heder 1995). Deep tensions remain between and within Cambodia’s diverse political groupings, which outsiders often simplistically divide into ‘democratic’ and ‘communist’ camps. But behind the facades, there is strong consensus among Cambodia’s political elites on running the state along free-market lines and limiting democracy to its more procedural forms, such as periodic elections.
6 Conclusions
Cambodia's recent experiences suggest the need for donors to distinguish more carefully between what is desirable and what is feasible in terms of institutional reform in war-torn societies. For Cambodia's political leaders, national reconciliation is currently the key public priority and the 2003 elections their key private concern. This is the case despite mounting donor pressure for government action on many new fronts, including bringing former Khmer Rouge leaders to trial, tackling the country's culture of impunity, and down-sizing both the civil service and the army. Individually some of these reforms may be manageable, but tackled together, and too rapidly they will incur unacceptably high political costs. In the absence of government commitment to the donor reform agenda, reforms will likely be declared but not implemented, or implemented in an incoherent and unsustainable manner.

Cambodia's case also suggests that an over-reliance on aid conditionalities to push through difficult reforms may exacerbate political conflicts further. In a weak political and legal environment, an excessive emphasis on rapid economic deregulation and macro-economics can sharply increase socio-economic insecurity for vulnerable groups. Mitigating the most harmful effects of economic globalisation will ultimately require effective regulatory measures at both country and global levels, though this would conflict with — and even entail reversing — the dominant free-market ethos (Duffield 2000). For aid-dependent countries, challenging this status quo is difficult. Donor rhetoric in Cambodia suggests a strong commitment to 'local ownership'. But donors often pay lip-service to this principle when government proposes alternative reform scenarios that clash with the fundamental tenets of the IMF macro-economic stabilisation framework currently in place.3

Many donors recognise these dilemmas, but lack sufficient incentives to think outside the 'box' and consider alternative approaches. The case for adopting a longer-term approach to institutional reform that is more closely based on local realities conflicts with the donor desire for speed of implementation, efficiency, and control over resources. Furthermore, some donors are reluctant to engage directly with the Cambodian government and strengthen its capacity, because they question its commitment to tackle corruption and human rights abuses and advance the reform process. Yet there is still an expectation that government officials will undergo a radical social and political transformation consistent with the new values and institutional framework being imposed from the outside. In the absence of resources, political stability and above all, time, this assumption is highly problematic.

Notes
1. FUNCINPEC is the French acronym for the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia. KPNLF stands for the Khmer People's National Liberation Front.
2. A UNDP consultant interviewed by this author noted that he had been involved in implementing a 'very similar' civil service reduction plan in three African countries, that it had failed in each case, and that 'it will also fail here in Cambodia', May 1995.
3. Interview with a foreign adviser to the Cambodian Government, October 2000.

References


