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SOCIAL JUSTICE AND SOCIO – ECONOMIC DEVELOPMENT IN CAMBODIA

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“Economic growth without social progress lets the great majority of the people remain in poverty, while a privileged few reap the benefit of rising abundance.”

John F Kennedy,
Message to Congress on
The Inter-American Fund for Social Progress,
14 March, 1961

Introduction – The Turning Points

In the past 50 years, Cambodia has experienced traumatic changes in both economics and politics. The first turning point was in 1970 when the “first” Kingdom⁵¹, under the leadership of the then-Prince Norodom Sihanouk, was terminated by a republican group that later renamed the country the “Khmer Republic”. The 1960s had been a time of progressive movement toward a state-controlled system, but in the early ‘70s the republican intellectuals aimed to replace that system with a free market policy. However, their efforts were severely hampered by a spill over of the Vietnam War into Cambodia, which eventually led to the Khmer Rouge’s victory and imposition of a fanatical communism in 1975. Their takeover, and ill-conceived efforts to create a utopian Cambodia, marked a second turning point for the country. The communist regime lasted until the third turning point, at the end of 1978, when invading forces from neighbouring Vietnam overthrew the KR and installed a socialist system in Cambodia.

The common characteristic among these three turning points could be appropriately named “failed revolutions” - a seemingly genuine desire of instigators of those events to search for a better Cambodia, only to be followed by their own people’s untold sufferings and traumas.

The Paris Peace Agreement of 1991, signed by all the main stakeholders including foreign interests, has allowed Cambodia to experience a relative peace and stability, and has opened up the country to a new era of development. Following the formation of its coalition government in mid-1993, Cambodia intended to re-establish itself as a

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⁵¹ His Majesty the King considers the Second Kingdom to have begun when he was crowned King for the second time in 1993.

democracy. Fundamental rules of human rights and freedom were stipulated in the Constitution. At the same time, a process of market-oriented policy formulation was strengthened, and links were re-established with the international financial community. A medium-term adjustment and reform programme aiming to restore macro-economic stability was launched in 1994, and a process of institutional strengthening supported by the international community was undertaken.

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Socio-economic Overview

Cambodia's economic performance during the last ten years has been characterised by a rapid development of some emerging industries, namely the garment industry, telecommunications, and tourism. Starting from a very low base, the overall economic growth has been relatively robust, averaging about 6 percent per annum.

This economic growth, however, does not seem to have been sufficient enough to contain mounting socio-economic problems. First, the growth is largely selective and confined to urban centres. Little has trickled down to rural areas, where the vast majority of population lives. Second, the growth has not generated enough employment for the available workforce. During the last ten years, Cambodia's garment and tourism sectors created about 200,000 full-time, mostly unskilled jobs, representing about 5 percent of the total labour force, while the number of new entrants into the labour market was estimated to be about five times higher. The growing labour force surplus has bleak prospects: unemployment, underemployment, or farming on ever-smaller inheritances of land.

Despite sizable foreign grants and loans, Cambodia remains one of the poorest countries in the region and has some of the worst human development indicators in the world.

In the aggregate, Cambodia's rice farmers now produce enough to feed the country without relying on imports. But on an individual farmer level, many still do not produce enough to live on, either in terms of income generated or in terms of having enough to eat. Natural resources, which have been supporting a subsistence livelihood for a large part of rural Cambodia in terms of provisions for food and income, are mostly destroyed. Despite sizable foreign grants and loans, Cambodia remains one of the poorest countries in the region and has some of the worst human development indicators in the world (Box 1).

The mortality rate of children under five rose from 124 per 1,000 live births in 2000 to 138 three years later, an appallingly high

figure in relation to the estimated mortality rate in the East Asia region of 40 per 1,000 live births. The main causes of death for the general population are malaria, acute respiratory infection, tuberculosis, diarrhea, and dengue fever. Gaining fast on those causes is the human immunodeficiency virus (HIV), which has been spreading rapidly, and is becoming a factor in the low life expectancy numbers in Cambodia. Life expectancy for Cambodians is about 15 years less than in other countries of the region.

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Box 1: Main Poverty and Human Development Indicators of Cambodia

- Half of the children under five are malnourished.
- For 1,000 live births, more than 138 children die before they reach five years old.
- Of 100 children, 78 start primary school, 31 repeat their first year and 7 complete primary school in six years. Only about 20 attend secondary school.
- At least one-third of Cambodians do not have enough to eat.
- At least 36 percent of Cambodians live below the extreme poverty line.
- Life expectancy for males is 52 years, females is 57.
- Cambodia's UN human poverty index ranking is 73rd out of 78 developing countries.
- Cambodia's UN human development index ranking is 153rd out of 175 countries, the lowest in Southeast Asia.

Source: Compiled from reports by UNDP [2003] and WHO [2001]

In a societal sense, these human development indicators of low education, lack of employment, and poor public health, appear to infer that there is social injustice in Cambodia. In fact, a survey conducted by the Economic Institute of Cambodia (EIC) indicates that an overwhelming 97 percent of the survey respondents in Phnom Penh believe there is no social justice in Cambodia.⁵² It shows nine out of ten respondents are not happy with their lives, and the same number indicates that their expectations in life have not been met.

The country, then, is potentially approaching another catastrophic turning point. It can maintain the current dismal status quo, which is likely to perpetuate the current socio-economic problems possibly leading to another “revolution”; or it can take on major issues associated with “social justice” and perhaps mitigate or avert another turning point. In its own effort to address the deteriorating social conditions, the current Cambodian government has consistently pledged a substantial increase in social and rural development expenditures in its

Social justice touches on a number of inter-related issues of virtues, institutions, rights, economic justice dealing with participation, distribution, harmony, and income redistribution.

⁵² Economic Institute of Cambodia, “Survey on Social Justice and WTO Membership”, Sept-Oct 2003, to be published.

budgets. Though some improvement has been made, the efforts have overall failed to make inroads into the problems, as confirmed by the human development indicators.

The main objective of this Chapter is, therefore, to consider major issues in Cambodia that relate to the concept of “social justice”, and perhaps to recommend specific policy responses for decision makers to avert another possible tragic turning point.

The Concept of Social Justice

While a generally-acceptable definition of social justice may be somewhat elusive among academia, various literatures offer a number of ideas and arguments related to the function of social justice. According to them, social justice touches on a number of inter-related issues of virtues, institutions, rights, economic justice dealing with participation, distribution, harmony, and income redistribution.⁵³ While some rely on an “invisible hand” to sort out the social justice for all, others advocate some form of artificial interventions to ensure that the social justice will indeed prevail.

Academia fails to agree on what “social justice” is; neither could the 100 Phnom Penh residents who participated in an EIC survey on social justice define the term. But they know it when they see it, to paraphrase U.S. Supreme Court Justice Potter Stewart. Indeed, 97 of that 100 pointed to many dismal social indicators in supporting their claim that social justice does not exist in Cambodia. Their examples included:

- The rich become richer and the poor become poorer.
- Unemployment is rising, especially among the poor.
- The poor cannot access public services, especially education and health.
- The judicial system is not fair, because of corruption, etc., and the poor are victims of this situation.

⁵³ Novak, M Novak, Michael, “Defining Social Justice”, First Things, December 2000; Centre for Economic and Social Justice, “Defining Economic Justice and Social Justice”, 2003, www.cesj.org; Sennholz, Hans F, “Law and Justice”, [Ideas on Liberty - January 1983](#); Williams, Walter E, “Social Justice”, Ideas on Liberty, July 1998; North, Gary, “Trickle-Down Economics”, Ideas on Liberty, The Foundation for Economic Education, May 1982.

Ninety-seven (of 100 survey respondents) pointed to many dismal social indicators in supporting their claim that social justice does not exist in Cambodia.

The respondents named the three main components of social justice as democracy (39 percent), judicial system (35 percent), and economy (26 percent). About two-thirds of the respondents indicated their belief that a better social justice would help improve their livelihood, and that the national economy and social justice are intertwined.

Within the framework of a modified Kelso-Adler model advocated by the Centre for Economic and Social Justice⁵⁴, this Chapter will first review a concept of social justice underlining the model and related issues. The model will then be used to examine Cambodian socio-economic development and issues, and finally will follow with some policy responses.

According to the Centre for Economic and Social Justice, social justice is the virtue that leads toward a creation of organized human interactions called institutions. In turn, social institutions, when justly organized, provide an access to what is good for the person, both individually and in our associations with others. Social justice also imposes on each person a personal responsibility to work with others to design and continually perfect our institutions as tools for personal and social development. Social justice also encompasses economic justice that touches the individual person as well as the social order covering the moral principles that lead to the design of economic institutions. These institutions determine how each person earns a living, enters into contracts, and exchanges goods and services with others. The ultimate purpose of economic justice is to free each person to engage creatively in the unlimited work beyond economics, that of the mind and the spirit.

The Centre of Economic and Social Justice advocates a modified system of economic justice in support of social justice as defined originally by Louis Kelso and Mortimer Adler. The modified Kelso-Adler model calls for three essential and interdependent principles: the Principle of Participation, the Principle of Distribution, and the Principle of Harmony. The Centre argues that like the legs of a three-legged stool, if any of these principles is weakened or missing, the system of economic justice will collapse.

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⁵⁴ Centre for Economic and Social Justice, “Defining Economic Justice and Social Justice”, 2003, www.cesj.org

The three principles underline the significance of the concept of equity. The principle of participation describes how one makes "input" to the economic process in order to make a living. It requires equal opportunity in gaining access to private property in productive assets as well as equality of opportunity to engage in productive work. Effectively, this principle rejects monopolies, special privileges, and other exclusionary social barriers to economic self-reliance. The principle of distribution defines the "output" or "out-take" rights of an economic system matched to each person's labor and capital inputs. It turns to the free and open marketplace, not government, as the most objective and democratic means for determining the just price, the just wage, and the just profit.

Distributive justice follows participative justice and breaks down when all persons are not given equal opportunity to acquire and enjoy the fruits of income-producing property. The principle of harmony encompasses the "feedback" or balancing principles required to detect distortions and to make whatever corrections necessary to restore a just and balanced economic order for all. This principle is violated by unjust barriers to participation, by monopolies, or by some using their property to harm or exploit others. This principle offers guidelines for controlling monopolies, building checks and balances within social institutions, and re-synchronizing distribution (output) with participation (input).

The Principle of Participation

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The Kelso-Adler principle of participation has not generally been prevalent in Cambodia. Even in the absence of official statistics, it can be easily observed that Cambodia has suffered at least from underemployment, if not extensive unemployment. Assuming that Cambodian productivity is comparable to any developing economy, the overall income per capita of the country of a mere US\$280 per annum indicates that many people have not been able to engage in productive work. It has been suggested that the underemployment rate in rural Cambodia may exceed 50 percent of the total labour force.

Cambodia's agriculture sector absorbs almost 80 percent of the country's total workforce of 5.8 million. This labour force⁵⁵ makes up

⁵⁵ Cambodia's labour force includes the economically-active population of more than 11 years of age. People who are economically active are those who are working

about 43 percent of the total population, which stood at about 13.4 million in 2002. A majority of the population is young; a majority of 52 percent are women. Wage employment is usually found in public administration and some fledgling industries, such as garment and tourism, representing about 15 percent of the total labour force.

While the participation in the agriculture sector accounts for a large portion of the workforce, it contributes only a quarter of the GDP. Most of the labour force participates in rice plantation, which is heavily dependent on weather. According to the Ministry of Agriculture, Forestry, and Fisheries, rice plantation with irrigation systems currently occupies only about 270,000 hectares, or 12 percent of the total rice plantation area. As expected, the irrigated rice fields produce better yields, amounting to about 24 percent of the total rice output.

Low productivity in the agriculture sector and lack of new land for young farmers⁵⁶ have led to an extensive migration in search for productive work elsewhere. Based on the current level of land use and productivity, the Cambodian agricultural sector is overloaded with an excessive number of workers. Currently, there are about four million potential workers in a sector that can only efficiently accommodate between one and two million.⁵⁷ Naturally this massive excess leads to migration. Young farmers leave their rural areas because they can no longer live on their farming income; the contributing factors are unreliable rainfalls and limited opportunities to learn and adopt new productive farming methods or to engage in other income-producing activities.

The land available for farming is getting smaller as children inherit only a part of their parents' fixed available land. The tough conditions on the land naturally encourage mass migration into the big cities, particularly Phnom Penh. Strikingly, the EIC survey shows that 63 percent of people migrating to work in the city possess their own land, but they simply cannot live off it. However, another notable

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or able to work. School children, retired and disabled people are not included in the labour force.

⁵⁶ In fact, it is widely estimated that there is at least 500,000 ha of new land in the deforestation zones. But these lands are primarily owned by a few large, wealthy landowners, and are not available to poorer farmers.

⁵⁷ Sok, H, Long Term Prospects of the Cambodian Economy, EIC Economic Review, Vol 1 No. 3, March 2004.

reason for leaving the farm is landlessness; about 22 percent of families left their village in 2000 after becoming landless.⁵⁸

This landlessness is becoming another critical development issue in Cambodia. According to Oxfam, which has contributed several studies on land issues, the number of landless⁵⁹ people in rural areas has risen at an accelerated rate over the last few years. In 1984, landless families accounted about 3 percent of the total number of households, which was slightly lower than the 4 percent in 1969. However, this ratio jumped in 1999 to about 12 percent, which was equivalent to about 1.2 million people; the landlessness among families headed by single women was much higher at 21 percent. Oxfam expects the trend to worsen in the near future.⁶⁰ According to their studies, causes of landlessness are numerous, but the most important ones are new marriage (22 percent), illness (21 percent), food shortage, indebtedness, and other economic reasons (13 percent).

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Nevertheless, as the country's primary engines of the economic growth for the past few years, the garment and tourism industries have provided some bright spots. The garment industry has been playing a significant role in providing employment to the low-skilled labour force in Cambodia; it accounts for about 70 percent of total employment in the manufacturing sector. However, the garment industry's impact on overall employment figures is still small. In total, it employs only about 5 percent of the total labour force. It is estimated that the textile and garment sector employed in 2002 about 200,000 people. From 1997 to 1999, the garment industry created almost 40,000 new jobs per year on average. However, the trend slowed down significantly in 2000-2002 to less than 15,000 new jobs per year, due to a sharp decline in investment level.

The tourism industry, including hotels, restaurants, bars, travel agencies, and guides, employed an estimated 70,000 people in 2002. However, only about 7,000 workers in the hotel industry and 3,000 in guide and travel agencies are well trained and well paid. The other

⁵⁸ Biddulph, Robin "Interim Report on Findings of Landlessness and Development Information Tool (LADIT) research September 1999 to April 2000", Oxfam, June 2000.

⁵⁹ The landless family is defined as a family in rural areas, which has no agricultural land and no means with which to purchase agricultural land.

⁶⁰ Biddulph, Robin, "Interim Report on Findings of Landlessness and Development Information Tool (LADIT) research September 1999 to April 2000", Oxfam, June 2000.

60,000 people are employed in restaurants and related tourism businesses, mostly as non-wage employment with meagre earnings.

In both of these growth industries, women have been the main beneficiaries. Based on a socio-economic survey in 1999, about 60 percent of employment in the tourism sector is women. And as in other countries, Cambodian women make up the largest proportion of garment workers, accounting for about 85 percent, according to the Garment Manufacturers Association in Cambodia (GMAC). Most of them have moved from rural areas to participate in the workforce.

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The fast growth of the garment industry has been accompanied by the organisation of trade groups and unions, which have increased the relative sophistication of that industry sector. The Garment Manufacturers Association in Cambodia (GMAC) was founded in March 1996 to group together about 200 garment factories operating in Cambodia. It has quickly become one of the most important players in the development of Cambodia's garment industry. It was successful in 1997 in helping the government secure special trading status (GSP and MFN) from developed countries, mainly the U.S. and European Union. GMAC also has advised the government on how to promote the garment industry in Cambodia, and has acted as a mediator in conflicts between the garment factory owners and workers.

On the workers side, the manufacturing sector has been the site of significant efforts and growth of unionism. As of September 2003, there were 482 registered labour unions in Cambodia. Most of them represent garment industry workers. All garment unions are affiliated with one of the six national labour federations. According to industry professionals, there is not yet a real collective bargaining going on in Cambodia, although some of the unions believe otherwise. The so-called collective bargaining here generally amounts to dispute settlement negotiations aimed at getting employers to comply with the law. Real collective bargaining, according to industry professionals, is when a union negotiates with an employer for an agreement on internal rules for the enterprise, including wages, leave, and other benefits. Generally the goal of collective bargaining is for workers to obtain benefits that exceed what are imposed by law.

However, beyond these bright spots, the Kelso-Adler principle of participation may have a hitch; finding an adequate job is often a

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nightmare for young Cambodians. Years of brutal war in Cambodia have resulted in a strikingly uneven population curve. Cambodia's labour force is relatively young. It is estimated that the workforce has been increasing at an accelerating rate every year since the mid-1990s. This trend is unlikely to be stabilised for the next 15 years. In 1993, the number of new entrants into the labour market was estimated to be 130,000 people; this number grew to 210,000 people in 2002.

Overall, the total number of new entrants in the labour market in the last ten years exceeded 1.5 million. Meanwhile, full-time jobs created during the period were less than 0.3 million. It would be rather optimistic, to say the least, to expect an improved rate of job creation anytime soon. The drop in level of investments in Cambodian industries that began a few years ago seems to be structural rather than seasonal; it may need a wholesale reform to reverse the downward trend.

The notion of economic justice under the principle of participation appears, unfortunately, at odds with the current system of government and the working of industries in Cambodia. The country is still enmeshed in a patronage system in which autocracy rules absolutely. According to many representatives in civil society institutions interviewed by the EIC, the intricacy of this patronage system is so entrenched that it has left the country with a government system that breeds corruption within the public administration as well as the business environment. Due to special favours from the patronage system, a number of key industries, including telecommunications, are allowed to operate like monopolies with high barriers of entry for those who are not in the loop. In fact, 61 percent of the EIC survey respondents believe that only powerful people can help in solving their problems. A mere one-third places their faith on the government's ability to do so.

The lack of confidence in government in Cambodia may be well-placed, considering that its current and past policies on social issues may have negative implications far into the future. The government policies and spending on health and education, which closely related to social justice, have not been conducive to the ideal of promoting productive participation in the economy. The public health system has been left in a state of disrepair. The private sector has had a free reign in charging for their services in health care and education – many citizens find both unaffordable. The bulk of the national

expenditures on health and education have been largely left to non-government organisations, donor countries, private sector, and individual Cambodians. Subsequently, the poor majority has been making do with inadequate health care and education systems that limit their opportunity to participate in the economic production.

The upshot of these overall economic disappointments is that poverty alleviation is going to be the biggest challenge for the government. With an estimated per capita income of US\$280, Cambodia is the poorest and least developed country in the East Asian region, and one of the poorest in the world. According to a recent World Bank report,⁶¹ the poverty rate has increased although the country experienced an average annual growth rate of about 6 percent in the past ten years. In contrast, the poverty rate significantly declined in neighbouring Laos and Vietnam during the same period. In fact, the poverty rate in Cambodia rose from 36.7 percent in 1996 to 45.5 percent in 2003. In absolute terms, according to the World Bank report, the number of poor in Cambodia subsequently increased by about 1.8 million, from 4 million in 1996, to 5.8 million in 2003. Most of the poverty is in rural Cambodia,⁶² where there is low productivity, uneven land distribution and ownership, and lack of public infrastructure including roads and irrigation.

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The Principle of Distribution

The Kelso-Adler principle of distribution in their economic justice model advocates the right of each contributor to receive a return that matches his labour and/or capital inputs into the system. It sounds fair, but the issue in Cambodia is that a large proportion of the workforce has had no adequate opportunity to productively participate. Most are either underemployed or unemployed; their labour, let alone capital, input may be restricted by limited opportunity.

If the matching concept is allowed to work freely, which it is in Cambodia, it can hardly be a surprise that income gaps have been on the

⁶¹ The World Bank, "Strong Fundamentals to the Fore: Regional Overview", April 2004.

⁶² The Cambodian poverty line was about US\$0.50 per day per capita, while that of the World Bank was PPP\$1.00 per day per capita; Ministry of Planning, A Poverty Profile of Cambodia - 1999", 1999.

According to an EIC estimate, the income gap between Cambodia's urban and rural areas is widening. In 2002, GDP per capita in Phnom Penh was about US\$1,000, while that of the provinces was US\$180.

rise. According to an EIC estimate⁶³, the income gap between Cambodia's urban and rural areas is widening. In 2002, GDP per capita in Phnom Penh was about US\$1,000, while that of the provinces was US\$180. The GDP per capita in Phnom Penh was thus 5.5 times higher than that of provinces; it was only three times higher in 1994. The GDP per capita in rural areas has sharply declined during the last seven years, while that of Phnom Penh steadily increased during the same period. The decline of incomes in rural areas was caused by successive natural calamities due to intensive deforestation, lack of irrigation, and increasing underemployment. Though Cambodia has received substantial amounts in foreign grants and loans, official statistics suggest that 60 percent of these funds have been concentrated in Phnom Penh where only about 10 percent of population resides, while most of the remote areas remain undeveloped and largely ignored.

The young farmers who left rural Cambodia and ventured into cities like Phnom Penh for better opportunities have not fared much better. The EIC survey conducted in the city reveals that about 40 percent of migrant respondents have been urban working poor for almost five years, with no better job prospects on the horizon. According to the survey, 50 percent of those workers make less than US\$50 per month – a sum that makes city life very hard. The survey also indicates that 37 percent of the respondents are in debt.

However, the distribution of income seems slightly better for workers in the fast-growing garment industry. Although garment worker unions are relatively inexperienced and immature in negotiation, they have achieved some remarkable successes for their members, bargaining within the structure of the Labour Advisory Committee that brings together the government, unions, and factory owners. Those successes include raising minimum monthly wage in 1997 for garment workers from US\$27 to US\$40, and from US\$40 to US\$45 in 2000. Unions are now wrestling with employers for further improvement in working conditions by demanding a reduction in the working week from 48 to 44 hours. There were 76 strikes in 1999 and about the same in 2000, but the number has steadily declined since then.

Overall, in terms of the Kelso-Adler principle of distribution in the context of economic justice, the vast majority of the Cambodian

⁶³ EIC is developing a provincial economic projection model (PEPM), using the government statistics of production and employment by province as main source of information.

workforce does not receive a fair compensation in return for their labour availability. The inadequate distribution is obvious from the fact that Cambodia is rife with extreme poverty. Statistics released by the United Nations show that at least one-third of Cambodians do not have enough to eat, and half of Cambodian children under age five are malnourished. According to government data, the poverty rate in Cambodia declined from 40 percent in 1994 to 36 percent in 1999. But this figure hides the fact that the absolute number of Cambodian poor has substantially increased over the years due to rapid population growth and uneven income distribution. The same statistics show that 90 percent of these poor people live in rural areas and are farmers. Moreover, a recent World Bank study showed that poverty in Cambodia has not gone down.⁶⁴ On the contrary, it increased from 36.7 percent in 1996 to 39.4 percent 1999, and accelerated to 45.5 percent in 2003.⁶⁵

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The inequity in income distribution is further reflected in government spending on social sector services – namely health and education. According to WHO⁶⁶ and the World Bank⁶⁷, total expenditures for health care in 2001 amounted to US\$30 per capita in Cambodia. The government contributed a mere US\$2; non-governmental organisations and donor countries provided about US\$4. The remaining US\$24 – fully 80 percent – of total health expenditures came out of the pockets of individual Cambodians. Compare that with the average of US\$12 per citizen that governments of other less developed countries contribute, and US\$150 per capita provided by the government of Thailand. Given the widespread poverty, seeking health care in Cambodia, particularly for a serious medical condition, can quickly push a middle class family into poverty, and a poor family into utter destitution. This limited distribution of health service benefits, in turn, is a further roadblock for poor citizens trying to participate in a productive economy.

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⁶⁴ World Bank, “Strong Fundamental to the Fore: Regional Overview”, April 2004, <http://www.orlbank.org/eapupdate/>

⁶⁵ The Cambodian poverty line is about US\$0.47 per day and per capita consumption, and in current prices and exchange rate, while the poverty rate of the World Bank is US\$1, 1993 PPP- Power Purchasing Prices per day and per capita consumption. In 2003, PPP\$1 is roughly equivalent to 0.75 current price and exchange rate.

⁶⁶ WHO, Select Health Indications, 2001 available at <http://www.who.int/country/khm/en/>

⁶⁷ World Bank, Cambodia: Public Expenditure Review, Enhancing the Effectiveness of Public Expenditure, January 1999.

The government has taken only a limited financial responsibility for education expenditures.

An arguably equal hindrance to the public is the government's poor performance in distributing national budget funds for education. The government has taken only a limited financial responsibility for education expenditures. The World Bank report indicates that donors and non-government organisations fund about 46 percent of Cambodia's education expenditures, and individual households pay 27 percent, leaving the balance of 27 percent to the government. As seen in the health sector, education in Cambodia is characterised by limited budget allocations and funding, low-quality and underpaid teachers, and the lack of a relevant national policy. School facilities are very poor and rely largely on foreign aid and private donations.

Cambodia's school enrolment decline will have a significant impact on the future development of industry and economy of the country.

Furthermore, the quality of education is also open to question. According to official figures, progress has been made regarding the literacy rate and school enrolment. However, a recent survey undertaken by the Cambodian government with the assistance of UNESCO and UNDP⁶⁸ shows that about half of those who rate themselves in the 1998 national census as being literate can neither read nor write.

Overall, the government management of education has not been a success story. The above chart on school enrolment indicates that the secondary school enrolment in Cambodia declined in the 1990's; the enrolment rate dropped from 32 percent in 1990 to 24 percent in 1999. It was initially higher than that of Laos and Vietnam; nine years later, however, the situation reversed. Within the decade, the secondary school enrolment rate in Vietnam almost doubled, from 30 to 62 percent; the Lao enrolment rate rose from 25 to 33 percent. Cambodia's school enrolment decline will have a significant impact on the future development of industry and economy of the country. Many workers will remain largely unskilled, and be left out of a productive economy.

Nevertheless, some improvement is visible in higher education as a result of significant foreign assistance and private investment. Many educational establishments have been opened offering all kinds of courses, although vocational and professional schools are yet to be well developed in Cambodia. But there remain two issues that may distort the principle of distribution – the costs of attending those schools and their

⁶⁸ So Chhun and Supote Prasertsri: "Literacy Rates Much Lower than Estimated", Cambodia Development Review, June 2000.

quality. The costs are unaffordable to the majority poor, and a substandard education would not make the distribution fair and encourage participation in the long run.

Policy Responses

The above analyses of the Cambodian socio-economic conditions in accordance with the Kelso-Adler model of economic justice suggest severe distortions in both participation and distribution principles. It is apparent that the opportunities to participate and benefit from the system have been limited to a select few, at the expense of the majority. Thus, the issue is how can these distortions be corrected or at least addressed to ensure some level of social justice.

While it may be appropriate to argue theoretically that the “perfect” free market would eventually work itself into balance, presumably with Adam Smith’s invisible hand, an artificial intervention seems necessary for Cambodia. First, the vast majority of the Cambodian population is poor or downright destitute, definitely not part of a middle class that some believe could move a step upwards to the apex of wealth, thus making income redistribution unnecessary.⁶⁹ Cambodia’s poor are caught in an ever-deepening poverty that will be difficult, if not impossible, for them to get out without external intervention. Second, the business motto of “Greed is good, greed is right, greed works” by movie character Gordon Gekko in the 1987 film “Wall Street” has been the apparent credo of a select few in Cambodia who are in a position to exploit an “anything goes” system. It would take a long time, if ever, for the humanitarian virtue of those select few to prevail and cause them to begin viewing monopolistic and anti-trust behaviours as illegal acts that are punishable by just laws.

The real challenge now is how to “artificially” provide a more-or-less level playing field for all, or for at least the majority, in Cambodia. For the sake of social harmony, there is a need to genuinely provide reasonably equal opportunity for all to participate and benefit in a free economy in the virtuous manner advocated under the Kelso-Adler model for economic justice. Such a task is usually undertaken by the government.

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⁶⁹ North, Gary, “Trickle-Down Economics”, Ideas on Liberty, The Foundation for Economic Education, May 1982.

The consensus among many think tanks and civil society agencies in Phnom Penh is that Cambodia has enough laws for good governance, but their implementation remains a huge challenge for the leadership.

Dismantling the autocratic system and improving accountability, transparency, and participation in the decision-making process is necessary for strengthening good governance. The EIC survey shows that an overwhelming 97 percent of respondents do not trust the police and the court system. They hold the complacent leadership responsible for this mistrust. In the view of local non-government organisations and donor community representatives, Cambodian leaders are still unclear about the need to distinguish between their roles in the private and public domain. Most government officials assume there is no difference between the State and a ruling party. They consider their private affairs associated with their political party as top priority, thus trivialising their public role as government officials. The consensus among many think tanks and civil society agencies in Phnom Penh is that Cambodia has enough laws for good governance, but their implementation remains a huge challenge for the leadership. Various policy recommendations to improve accountability, including sensitive issues like conflict of interest, nepotism, and red tape, seem to have fallen on deaf ears. Obviously these officials often fail in their accountability to the State.

Corruption weakens the ability of governments to carry out their functions effectively and efficiently.

Enhancement of transparency will help address the corruption issue that mars the current bureaucratic culture. Corruption is considered a serious problem in every society not only because it is a matter of economic efficiency, but it is also a moral issue, raising the question of what moral standard the society should strive to achieve. Corruption emerges from such factors as uncertainty in the political system, a loss of commitment to the common good, and civil disobedience in the entire populace. Corruption also creates political instability and a loss of mutual trust between government and people. Corruption control is also necessary to enhance government efficiency and democratic accountability. Corruption weakens the ability of governments to carry out their functions effectively and efficiently.

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It can be argued that the Cambodian government is trying to make a major commitment to institutional reforms by joining the World Trade Organisation (WTO).⁷⁰ The membership requires many reforms that, if and when carried out, will contribute to good governance. Its industries will be subject to fierce competition in the

⁷⁰ Chea, S., Sok, H., "WTO's Accession for Cambodia: Opportunities and Challenges", EIC Economic Review, September-October 2003.

international and local markets. If they succeed, there will be far-larger markets for local products, thus expanding the industrial base and employment opportunities for the country's fast-growing workforce.

An EIC survey on the WTO issue indicates that 70 percent of respondents who are classified as small and medium business operators believe the WTO membership could be helpful; for respondents who are vulnerable workers, the number rises to 80 percent. Some express their feeling that the membership would attract more investment in some sectors, especially tourism, which would foster employment for local people and possibly promote the sending of skilled labour overseas. Membership requirements for the WTO could potentially "enforce" the rule of law that Cambodia desperately needs to begin addressing corruption and other core issues of its socio-economic problems. In fact, 61 percent of the survey respondents indicate legal reforms to be undertaken after the WTO accession could help improve social justice in Cambodia.

An improvement in accountability and transparency will subsequently encourage participation of the people in the decision-making process. But in the absence of accountability and transparency, the people could still perhaps participate in the decision-making process through first accessing right and accurate information, and then making their opinions heard.

The Cambodian government seems to have made a head start in this information area, albeit reluctantly. A skeptic would suggest that under pressure from donor countries, various civil societies have been allowed to operate in the areas of humanitarian assistance, regional economic development, human rights, and democracy. The offsetting factor is that a large number of these societies are directly or indirectly under the control of people loyal to the government; for an outspoken few that seem to work against the authority, occasional intimidation and threat have become almost routine.

To help in making informed decisions and taking actions, the people have access to print media which is fairly free to present critical views on the system. However, the level of illiteracy among the adult population is fairly high, particularly in rural Cambodia, and even literate people are not generally in the habit of reading. The broadcast media, particularly television stations, are tightly controlled by the

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State; the audience of these broadcasts thus has access only to materials that may be considered of a propaganda nature. Overall, Reporters Without Borders has lowered Cambodia 10 places in its second annual press freedom ranking to Number 81, one notch above Thailand.⁷¹

Increasing Government's Commitment to Providing Social Services

The government needs to make concrete responses to social issues, in lieu of its current lukewarm reactions to the growing problems. The Cambodian government has repeatedly pledged to make substantial increase in its budget for social and rural development. Some improvements have been made, but actual expenditures have been substantially lower than what is planned. Consequently, public services, especially the areas in the social sector, remain ineffective.

It is crucial that the health sector no longer be an area of government neglect. It directly affects the ability of the population to participate productively in the economy; only healthy workers can be productive. The government needs to remove health problems that are increasingly becoming the main cause of poverty in Cambodia. With limited assistance from the public health system, Cambodian families often have to sell their small portions of land to pay for health care, and then become landless. The dire poverty is simply perpetuated.

Another aspect that needs government attention to ensure an economically productive population is education. The enrolment figures at all schooling levels need to improve. The largely privatised school system has imposed costs that are beyond the affordability of many. The government needs to have some measures to either contain costs or implement an education enrichment scheme that gives young people the chance to acquire knowledge and skill for their productive participation in the economy. The plan for accreditation and quality control for better standard of education should be taken off the back burner for immediate implementation. It is essential that the Cambodian education system meet the needs of the labour market. Cambodian students have yet to fully benefit from rapid economic growth in some sectors, such as garments and tourism.

⁷¹ The Cambodia Daily, "Cambodia's Rank Drops on Press Freedom List", 3 November 2003, p 10.

The land issue needs considerable redress; 80 percent of the Cambodian population is more or less stuck in subsistence agriculture, at least in the short run, with little prospect for full and productive employment either in that sector or elsewhere. The Kelso-Adler principle of harmony would necessitate some land reform in Cambodia to ensure that farmers have adequate plots for farming. Currently, subsistence farmers lose their land through family expansion and unexpected expenditures like medical costs. Over the years, the land of each household becomes subdivided as inheritance for the children; it is a tradition that eventually can reduce the family's farmland into non-economical and unviable size unless the family is in a position to increase its property holding. But the costs of health care, which are not discretionary in many instances, are most crippling to many households. Farmers are faced with the bleak prospects of having to sell or pawn their land with hefty interest rates that could be as much as 60 percent per year from micro-credit institutions, or up to 240 percent per annum from local money lenders.⁷²

The Cambodian agricultural sector needs to raise the proportion of its irrigated rice fields from the current 12 percent to an ideal level of 100 percent. It is vital that agriculture be moved from weather dependency to an irrigation-based system. Unsurprisingly, irrigated lands in Cambodia are providing much better yields than non-irrigated. The worrisome aspect of the Cambodian agricultural sector is that, based on the current level of land and productivity, the sector can reasonably support only about one to two million workers, against about four million currently trying to eke out a living.⁷³ This means that unless there is a wholesale expansion of arable land with higher productivity, many of the current farmers' working-age children will need to find productive employment elsewhere.

Promoting development in rural areas and better land and natural resources management are crucial to ease the pressure placed on urban areas, especially Phnom Penh, as the result of mass migration from rural Cambodia. The 1996 demographic survey and the 1998 census figures confirm an acceleration of rural out-migration during

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⁷² Green, Caroline, "Micro finance: Who's Helping Whom?", Phnom Penh Post, Issue 11/11, May 24 - June 6, 2002.

⁷³ Sok, H., "Prospects of the Cambodia's Economy: A Quantitative Assessment on WTO's Accession", EIC Economic Review, January-March 2004.

1990's. The proportion of newcomers in urban areas almost doubled between the demographic survey and the population census. The "recent" and "very recent" arrivals in urban areas rose from 17 percent in 1996 to 30 percent in 1998. This means that in 1998 about 30 percent of the urban population came from rural areas over the previous five years.

The 1998 census also shows that the flow of migrants from rural to urban areas increased from less than 150,000 people in 1994, to more than 300,000 in 1997. This movement primarily reflects growing problems associated with rural underemployment, unemployment, and landlessness. These problems are effectively being transferred to urban centres like Phnom Penh, where there may not be sufficient facilities to cope with the influx.

Generating and Securing Employment

The fast-growing proportion of youth in the labour market highlights serious concerns about youth unemployment or underemployment in the short run, and additional concerns about their employability in the long run. Their failure to participate in productive work will soon carry serious ramifications on poverty and society as a whole.

Workers' skill improvement will be a key prerequisite in efforts to foster agricultural and industrial development, and more importantly, to attract long-term investment. Competency of workers, especially in such current economic growth engines as the garment and textile industry, plays a significant role in proving Cambodia's competitiveness in the world and thus in attracting foreign investors to develop a high-tech industry. Any growth industry needs more than just cheap labour; it needs labour literacy, availability, and competency. According to a CDRI survey on educational levels of young female workers, 61 percent attended primary school, 31 percent secondary school, and only 8 percent reached high school.

Ongoing vocational training for workers is an initiative that should be undertaken on a larger scale to improve worker skill. In 1999, vocational training was undertaken within the garment industry, with the support of the Japanese Jetro, Marubeni, and Juki investors. A training centre was established to form and upgrade Cambodian

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sewing and stitching operators, to become supervisors. According to GMAC, more than 500 Cambodian supervisors have been trained in the last three years.

Another area of training that would be very useful is in education and negotiation skills for effective collective bargaining. Both employers and unions could benefit from learning skills to ensure that the garment industry, for instance, prospers in the long run, not through exploitation of cheap labour, but by forging participative cooperation of its workers. Perhaps there is a niche market in the West that would appreciate and be prepared to pay a premium price for goods and services that are produced by workers whose labour rights are fully respected under the concept of economic justice. Given the traditional fierce competition based on cheapest labour costs, Cambodia needs to develop some type of competitive advantage in order to survive and prosper.

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Income Redistribution Policy

It may be right to argue that income redistribution and theft are forms of confiscating the fruits of one's labour for the benefit of others.⁷⁴ It is assumed, of course, that the fruits are obtained in a system where economic justice is in force. But Cambodia is far from being a place where the three Kelso-Adler principles are freely at work. Subsequently, the gap between the few rich and the vast majority poor in the country has been increasing. Unless the widening gap carries no economic and social ramifications (which is unlikely), or Adam Smith's invisible hand is capable of closing the gap in due course, income redistribution has to be one of the economic instruments the government can use, at least in the short run, to somewhat level the playing field.

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Conclusion

Depending on one's definition, it would seem that social justice is a concept that either eventually prevails in a perfect free market system, or requires some external intervention to have some positive effect for common good. The latter seems absolutely necessary for Cambodia. The country has gone through devastating turning points that have severely hampered effective socio-economic development. It

⁷⁴ Williams, Walter E, "Social Justice", Ideas on Liberty, July 1998.

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is currently sliding into a situation where it would be hard pressed to justify the notion that there is any social justice for the majority poor. It needs a number of major policy responses to ensure, at least in the short run, that some degree of social justice comes to the poor.

The recent accession of the country to the WTO may just be the panacea for major changes in areas of vital importance to the country's potential prosperity. The changes are urgent, because socio-economic problems are mounting, and possibly pushing the country towards another historic turning point.

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