

Summary of the workshop January 9-10, 2009

“Changing Approaches to Development in Cambodia”

STAKEHOLDERS’ DAY

Friday, January 9, 2009.

The second day of the workshop involved stakeholders in Cambodian development (NGOs, the private sector and government) in the discussion about and rephrasing of the research projects under the program.

The meeting was opened by the vice-president of academic affairs of PUC, Dr. Sin Meng Srun. Opening addresses were also delivered by Dr. Trond Gilberg on behalf of the Center for Peace and Conflict Studies and Prof. Dr. Heidi Dahles on behalf of the Cambodia Research Group.

The projects under the research program which will be conducted by either post-doc researchers or PhD students are:

1. Local NGOs facing many modernities
2. INGOs at the interface of Western democracy. East Asian capitalism and local practices
3. China’s investments in Cambodia: an alternative path to development?
4. The South Korean investment boom: an opportunity for Cambodian enterprises?
5. The Modernization project and the new diaspora: a comparative perspective
6. The revitalization of ethnic Chinese business networks in post-conflict Cambodia

These projects were briefly introduced by the senior researchers in charge of the supervision and/or the PhD students who are already involved in such a project.

Willemijn Verkoren spoke about the roles of NGOs in Cambodia, with a particular focus on interactions between international and local NGOs. The presentation contrasted the theory of civil society and its role in democracy in general, and the theory of civil society building in particular, with the practice found in post-conflict, developing countries. Local NGOs often feel constrained by the policies imposed on them by international NGOs acting as donors. Local organizations have little autonomy to decide upon strategy as they are embedded in a chain of funding and policy implementation. They are ‘subcontractors’ rather than independent civil society actors. Usually they do not so much act as a watchdog towards the government nor as representative of a local constituency; rather they are accountable to outside donors. Implicitly, these donors bring a particular modernization model within which the activities of their local counterparts have to fit. The weak knowledge-base of local NGOs, and their lack of opportunities to carry out research, makes it difficult for them to present convincing alternatives and thus they become part of the dominant discourse in development.

Gerd Junne and Heidi Dahles addressed different East Asian models of investment by comparing mainland Chinese to South Korean economic activities in Cambodia.

Gerd Junne elaborated on foreign direct investment (FDI) in general before focusing on China. For decades, FDI originated almost exclusively in a few OECD countries. In the last 20 years, we have seen a dramatic expansion of FDI worldwide (with more foreign investments than in the whole history of mankind before) - and the rise of new countries of origin that before were only known as destinations of FDI. Chinese investments abroad have

increased spectacularly. It started with the garment industry (to make use of the export quota of other countries under the World Textile Agreement). But investments in textiles have recently been overshadowed by large scale investments in raw materials. Actually, we experience a new global scramble for raw materials, comparable to the last decade of the 19th century, with Chinese investors playing a prominent role in Africa, Latin America and in Asia. These investments are not purely commercial transactions. They are often linked with large scale development aid to foreign governments, partly to create the infrastructure necessary for the future exploitation of raw material deposits, partly to convince host governments to provide licenses and create a positive investment climate. Governments generally welcome this new source of aid, because it helps them to escape the conditionality of support from Western countries and international institutions.

The project will have a closer look at Chinese FDI in Cambodia and differentiate between different types of investments, - some more linked to the government, some less, some of a more long-term orientation, some more oriented towards short-term transactions, some coming from mainland China, some from Chinese investors in Taiwan, Hong Kong, Singapore etc. We are interested in the development strategy underlying the investment. This will in most cases not be explicit, but has to be distilled from the analysis of day-to-day behavior of investors rather than from their rhetorics. In general, it often seems that the development strategy supported in the host country is as neo-liberal as the one supported by U.S. investors. Other questions that will be asked address the links to domestic groups in Cambodia. What are the links to national and local government, to specific ethnic groups, to individual families? What - in the case of large scale logging - will be the environmental impact? How do investors interact with NGOs and the local population? How do they react to criticism? What is their impact on sustainability? Is all the processing done in China, or does at least some of it take place in Cambodia and create employment there as well?

Heidi Dahles pointed out that the economic ties between South Korea and Cambodia have become particularly strong since the late 1990s. The Koreans apply an investment-led model: Cambodia has been a major destination for South Korean investments with a total of 1.46 billion U.S. dollars in 2008 (People's Daily 2006). An estimated 5,000 South Koreans live in Phnom Penh alone establishing a complete Korean infrastructure ('Little Korea') with their own schools, restaurants, supermarkets and commercial banks which provide financial services also to Cambodian enterprises. In contrast to mainland Chinese strategies, the South Koreans show a different economic behavior as they seem to invest in Cambodia in search for markets and cheap labor (Baldwin 2006). Contrastingly, China's investments are driven by resource exploitation. Hypothetically, the Koreans may show a more embedded approach implying opportunities for local businesses emerging from Korean investments. However, the Korean chaebol business model – a conglomerate style of firm structure – which has been the motor of the economic growth after the Korean War, does not bode well in terms of opportunity creation for the Cambodian economy. While chaebols are family-controlled and well-connected to political centers of power – in which respect they fit in with the Cambodian system of patron-client relations – they also prefer the establishment of subsidiaries within their centrally-controlled group instead of outsourcing production and services. In South Korea, this management model has shown cracks as chaebols turned out to be too inflexible in a rapidly changing global economy. While chaebols are disintegrating at home, one may wonder how Korean foreign investments are managed. The research in Cambodia is a first step towards obtaining a better understanding of the dynamics of Korean foreign investments.

Heng Sreang introduced the role of returning Cambodian diaspora in the economic development of Cambodia. This has occurred following Paris Peace Accords in 1991 when

many Cambodian diaspora returned to Cambodia. Some returnees have started up their career as NGOs / Civil Society workers, politicians, and some others work as business persons. The returnees' entrepreneurial businesses have been operating in innovative manners, which range from small and medium-sized to big business transactions: service providing sectors, restaurants, guest-houses, hotels, nightclubs, construction companies, and banks. Some of them have been working in social entrepreneurship (preferably to call themselves NGOs) with transnational networks with Khmer diasporic communities in several countries to provide the abused women, the homeless, and the disabled persons with jobs. The research on the returnees' involvement in business arena is to explore what conditions that enable, and to what extent that the Cambodian returnee diaspora contribute to the development of their home country.

Juliette Koning and Michiel Verver discussed the re-emergence of ethnic Chinese businesses and entrepreneurship. It is often argued that supported by globalization, which means increasing interconnectedness and increasing flow of ideas, knowledge and networks, - all vital pillars for entrepreneurial endeavors to develop- the world is witnessing an entrepreneurial revolution. At the same time, flourishing entrepreneurship is often awarded for creating job opportunities, self-generating economic development and as a result less dependency on foreign donors. Whereas in various other Southeast Asian countries ethnic Chinese entrepreneurs have contributed substantially to the economic development of their new home countries, it is as of yet unclear what the economic role of ethnic Chinese businesses and enterprises in Cambodia is and could be. The questions that come to mind are: Is there a similar 'success story' as in other Southeast Asian nations and if so what are the contributing factors? What lessons can be learned? What is the role of the ethnic Chinese / local business community in Cambodia's economic development? Exploring these research questions draws the interest of a variety of stakeholders such as government, NGOs and the private sector in the following: job creation, entrepreneurial skills as resource for development, less dependency on foreign donors, bridge via language and skills to mainland Chinese investments, innovation and linkages between large and small scale firms, knowledge sharing via workshops and training, membership of new networks and of the Cambodian research group and involvement in the entrepreneurship project. After the presentation, we invited stakeholders interested in these entrepreneurial development issues to explore the role and meaning of such ethnic Chinese entrepreneurship for Cambodia's further development and job creation.

The meeting was moderated by Gea Wijers who encouraged the participating representatives of stakeholder organizations to raise questions and suggest relevant additions and adjustments to the projects presented. This inventory of stakeholder interest in the research projects resulted in the forming of two clusters: one which addressed the changing role of NGOs and a second which examined the diverse investment and business activities in Cambodia. These two clusters separated for an intensive discussion. At the end of the day, they joined forces again in a final plenary meeting.

The preliminary conclusions of both clusters highlighted the differentiation that characterizes both the NGO and the business sector in Cambodia. In the NGO sector a trend towards 'economization' can be witnessed, with NGOs assuming a business-approach to their activities. The discussion in the NGO cluster affirmed the analysis presented by Dr. Verkoren that local NGOs are increasingly uncomfortable with the policy straightjacket in which their donors push them. The conversation turned to ways in which local NGOs may become less dependent on Western donors in order to gain more freedom to develop strategies and

practices. Private charity may in the future be a direction in which they can look, as wealthy businessmen who now often give donations to temples may in the future be convinced to give to NGOs as well. Some examples were mentioned of such fundraising among individual donors, as well as examples of corporate sponsoring of NGO work. However, this style of funding brings a whole new set of ethical and practical questions, which the research programme may take into account. Another field of study about which little is known as of yet is the activities of non-Western donors and INGOs vis-à-vis local NGOs in Cambodia. The activities and aims of non-Western NGO donors are virtually unknown and research into their practices needs to be generated. At the same time, differences of interest become more visible within the category of Western-based NGOs and their understanding of democracy and civil society. The activities and aims of non-Western NGOs are virtually unknown and research into their practices needs to be generated. Some representatives from local NGOs have expressed their difficulties in following up their projects in need for the people. They often become subservient to INGOs in order to get funding, for which they have to change their projects' objectives to be in line with the specified projects of the INGOs. In this case, many local NGOs cannot be able to completely run their own programs. To fulfill their work, some INGOs in Cambodia have co-opted with or outsourced local NGOs, while some other INGOs do not because they find themselves strong enough to implement their programs. Some participants have proposed that local NGOs should strengthen themselves and conduct fund raising for their own projects, and that they should play more active role in the grass-root communities. Some other participants suggested that local NGOs could do fund raising ceremonies in the communities where they run their projects by making people see the importance of their planned programs, and that Buddhist temples can be good places for the fund raising ceremonies. And local NGOs can also introduce fund raising to some business enterprises or private companies in Cambodia.

The private sector in Cambodia is characterized by increasing differentiation and rather diverse – and yet unmapped – impacts on the development of the country. There is a clear gap between the interests of foreign investors (coupled with government interests) and the ambitions and expectations of the emerging Cambodian urban-based middle class on the one hand and the needs of the majority of population on the other. Cambodia's economy largely depends on the agricultural sector, while most infra-structure is invested in the garment sector. The current recession has far-reaching consequences – factories close down, people are sent back to the rural areas - but may also offer opportunities for rural development. The ambitions of young Cambodians are tuned to a career in education. The question needs to be raised what changes in the economic infrastructure are needed to produce other output than 'teachers'. The education sector requires institutions for the establishment of quality standards and control. Therefore, research has to be done after the contribution of different investors to education and knowledge and technology transfer.

The role of ethnic Chinese businesses in Cambodian development is assessed in an ambivalent way. On the one hand, Chinese businesses are defined as 'shopkeepers' (small retailers and traders), while on the other hand local born Chinese are involved in large-scale projects – sometimes generated by mainland investments or by returning Sino-Cambodian diaspora (such as ANZ Bank, Cultural Village in Siem Reap, shopping malls). Sino-Cambodians send their children abroad to study and when these children come back, they are no 'shopkeepers' anymore, but have both the money and knowledge to enter into big business. Another ethnic group that deserves attention are the Vietnamese. Their presence in the Cambodian economy is still politically sensitive, but they are important – though invisible – players in the telecom sector, the stock-market and the garment industry (advisors).

Finally, a myriad of points were raised as to the issue of entrepreneurship in Cambodian society. Overall, the lack of entrepreneurship was pointed out as one of the major obstacles to development. There is dire need for an infrastructure that promotes and supports entrepreneurial thinking and practice. Cambodian people have to learn how to network (it was claimed that Khmer culture is not conducive to a mindset that facilitates outgoing behavior, instead supports intellectual interests), to develop trust and to understand the advantages of investment over conspicuous consumption. Solutions to lack of entrepreneurship were suggested in terms of entrepreneurship education and skill training, technology transfer, and the exposure to good practices (such as returnees starting a business).

Participating stakeholder organizations: YCC, CCH, PVDA, CPWP, CFC, CAMPRONET, Freeland Capacity Consultant, Open Institute, NDI, CICP, ICCO, First Indochina Group

EDUCATION DAY

Saturday, January 10, 2009.

The third and last day of the workshop addressed the role of Higher Education (HE) was discussed as a vehicle to share the progress of the research and to disseminate the findings. As a kick-off Dr. Vin McNamara, advisor to the Worldbank, provided an overview of the development of the HE sector in Cambodia. He identified the strengths and weaknesses of the privatization process in this sector and shared his vision for the future of HE. The analysis of the large number of academic institutions with a relatively low budget underlined the importance of capacity building in order to improve the quality of teaching and research. Among other issues, McNamara addressed the need for scholarships and research grants, the importance of international cooperation to provide benchmarking for quality levels, a tighter institutional policy and the involvement of policy makers and returned diaspora.

In order to highlight the options offered by international collaboration in the field of HE, Prof. Dr. Gerd Junne presented a case of international online education which will play an important role in the further elaboration of the research program under review and the future dissemination of its findings: The Network University (TNU). TNU is a Foundation, rooted in the University of Amsterdam, and is closely linked to several other universities, firms and NGOs. It has offered academic online programs since 1997. Prof. Junne discussed the different didactical concept of TNU which emphasizes learning in networks, participants as active content providers, highly interactive: collaborative learning and its high degree of adaptability in terms of stressing local content and the integration of learning, knowledge management and networking.

In addition, Dr. Trond Gilberg briefly presented a case of international learning: the global campus project, and Prof. Heidi Dahles launched a project on Training for Academic Entrepreneurship which will be developed in cooperation with RUPP and PUC in the near future.

The subsequent discussion showed a great support among the stakeholders for such initiatives and the willingness to become actively involved in the design and implementation of such programs.

Participating stakeholder organizations: YCC, CIO, CCH, CAMFEBA, PAC, Australian Embassy, Friends International, CAMPRONET, IFL, MUC/AAFC/JRFC, FCF, CCBEN, PLO, RULECIO, ECPAT CICP, FCF, ICCO.

