

Cambodia

Status Index 4.3 (Democracy: 2.0 / Market economy: 2.3)		Management Index 3.6	
System of government	Autocracy	Population	13.5 mill.
Voter turnout	94 % (1998)	GDP p. c. (\$, PPP)	1,860
Women in Parliament	11.4 % (1998)	Unemployment rate	n. a.
Population growth^a	2.5 %	HDI	0.556
Largest ethnic minority	n. a.	UN Education Index	0.64
		Gini Index	40.4 (1997)
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.			

1. Introduction

The year 1998 marked a turning point in Cambodia's recent political history: a national election was held in July for the first time since the UN-organized election in 1993. Cambodia was embroiled in wars of varying intensity from the 1960s through 1998. After years of conflict, the Khmer Rouge seized power in 1975 and imposed an autarkic totalitarian regime so extreme that the word “autogenocide” was coined to describe its policies.

The Khmer Rouge were ousted in 1979 by an invading Vietnamese army which occupied the country for a decade and installed a government on the Vietnamese communist model, with a state-directed economy and a lack of personal and political freedoms. In 1991, an agreement among warring factions was reached and under UN auspices, reasonably free and fair elections were held in 1993. The royalist FUNCINPEC party garnered the most votes, but the incumbent Cambodian Peoples Party (CPP) rejected the election results until it was made a partner in a coalition government.

The elected government faltered because of feuding between the coalition partners, and in 1997 the CPP faction led by Hun Sen violently ousted its FUNCINPEC coalition partner led by Prince Norodom Ranariddh. Under intense international pressure, new elections were held in 1998. Both elections were marred by violence, intimidation, and bribery of voters, but were rather well administered in a technical sense. In 1998 The Cambodian People's Party won against a divided opposition. The

opposition parties rejected the results in street demonstrations, but agreed to the formation of a government after several months. A CPP-FUNCINPEC coalition was again formed, but animosity between the partners persists. The Sam Rainsy Party (SRP) emerged as the only official opposition party. Early in 2002, Cambodia held the first local elections, resulting in a near monopoly of political power for the CPP.

An evaluation of the 1998-2003 period shows that political stability has increased, but political and economic liberalization remains unconsolidated, due largely to the growing dominance of the CPP, weak institutional structures, and weak performance in the public and private sectors. The overall transformation management was inefficient; the key strategic tasks for the medium term remain formidable.

2. History and characteristics of transformation:

The economic and political transformation processes in Cambodia did not proceed contemporaneously, although economic liberalization began only a few years earlier than political liberalization. In 1989, the socialist regime under the leadership of top CPP members adopted a policy to institutionalize economic reform by moving away from the planned economic system. This was followed by intervention from the UN, which was given the task of creating a neutral political environment for free and fair elections. The election took place in 1993 and gave birth to new electoral politics.

FUNCINPEC won the election and Prince Norodom Ranariddh became First Prime Minister, who agreed to share power with Hun Sen of the CPP, who became Second Prime Minister. Although the election was certified as free and fair by the UN, a parliamentary system was established, and a new coalition government was formed, political instability remained. The country was still at war with the Khmer Rouge, whose leaders had pulled out of the electoral process weeks before polling day in 1993. Political violence against members of the opposition and media took place frequently.

Coalition politics also proved to be unstable, as the new government partners, the CPP and FUNCINPEC, continued to maintain antagonistic relations. The situation deteriorated in the mid-to-late 1990s to the point where any hope for peaceful reconciliation was lost. In early July 1997, Hun Sen's troops defeated Ranariddh's armed loyalists in a military coup. Following reconciliation, the CPP consolidated its power when it won the 1998 election, although it failed to obtain the two-thirds majority required by the constitution for the formation of a new government; it thus had to share power with FUNCINPEC once again. During the 1992-1997 period, Cambodia can thus be characterized as volatile and prone to highly factional politics that were antithetical to both stable political and economic development.

3. Examination of criteria for democracy and market economy

3.1 Democracy

Over the past five years, Cambodia has made some progress on the political front in several areas under the subject of evaluation. But a number of shortcomings remain, especially in areas of political representation and the rule of law. Although the overall level of political stability has increased, democracy remains unconsolidated.

3.1.1 Political organization

(1) Stateness: There is no stateness crisis in Cambodia. There is almost no restriction on the state's monopoly of power over the entire country, except in one area, Palin, where former Khmer Rouge guerrilla fighters retain a limited degree of autonomy despite the fact that they have been officially reintegrated into the national armed forces. They no longer pose a threat to the state.

The issue of citizenship is no longer as politically sensitive as it once was. Cambodia has the good fortune to be dominated by a single, relatively homogeneous ethnic group within a well-defined territory. The citizenship status of the ethnic Vietnamese minority is a small point of continuing contention. Most ethnic Vietnamese, even if born in Cambodia, cannot claim automatic "Khmer citizenship" under the restrictive nationality law.

Although Buddhism is recognized as the state religion, the political process is largely secularized. The state and religion are almost entirely separate. State control over religious practice is evident in very few exceptional cases, particularly during election times when anti-government monks are under pressure from their patriarch not to vote.

The country has a poor administrative system, and inadequate public safety and order. The administrative structures extend beyond the maintenance of law and order under the military and security apparatus. Cambodia has a rudimentary administration of justice, which is still subject to military and political manipulation. However, the administrative structures of the executive branch are reasonably well elaborated at all levels from local through national. Simple justice or dispute resolution may be carried out at the village or commune chief level. However, the formal judicial system is ineffective and limited to a few provincial courts and the national courts. They are beyond the reach of the average citizen seeking redress.

(2) *Political participation:* There are constitutional guarantees for universal suffrage, free and fair elections, and certain administrative structures in place. In practice, there are some real constraints on the electoral process. Cambodia's elections of recent years do not meet the standards of established democracies for fully free and fair polls. Notable defects include using state personnel and resources on behalf of the governing party's campaigns; giving gifts to voters and intimidating them; committing some election-related violence; and limiting media access by opposition parties.

Nonetheless, recent elections have been vigorously contested and parties opposed to the ruling CPP have received large numbers of votes – in the 1998 national elections, FUNCINPEC and the Sam Rainsy party combined received more votes than the CPP. The election flaws probably did not grossly distort the results, which may be considered to reflect reasonably well what the voters intended.

Members of Parliament and Government are elected, but parliamentarians or lawmakers remain subject to political manipulation by government leaders. The CPP-dominated government has tight control over the media, particularly television and radio. Members of the media remain subject to threats, suspension, and detention without warrants.

Political parties and civil society organizations enjoy a limited degree of freedom. New political parties, human rights-related organizations, and labor unions can be formed and are free to express their views critical of government policies, but remain vulnerable to some restrictions imposed by the government in defense of 'national security'. The country's major opposition party, the SRP, has not been authorized to install a broadcast media outlet of its own, although it has been allowed to operate print-media outlets. In recent years, however, no journalist has been killed or injured. Labor unions emerged and have expanded, but any members actively engaged in protests are often subject to punitive measures, such as arbitrary dismissal.

The government effectively controls the political content of the broadcast media, which present government activities in a favorable light and devote little attention to the opposition or critical views, with the exception of legally required access surrounding national elections. In contrast, the government does not control the content of newspapers. Newspapers run by the opposition Sam Rainsy party routinely savage the government in the strongest terms. Of course, newspapers reach a much smaller audience than radio and television, and in addition occasionally journalists are threatened, and newspapers are suspended. This has not caused them to cease their criticisms.

(3) *Rule of law*: A system of checks and balances exists, in theory. There exist three branches of government: legislative, executive and judicial. In reality, however, the legislature -- consisting of the National Assembly and the Senate -- remains extremely weak. As the supreme law-making body, the legislature remains subservient to the executive branch, which is dominated by the CPP. The judiciary remains even less independent because most of its members, particularly judges, were appointed by the CPP and are not usually expected to make judgements in the interest of justice.

Judges often make decisions on the basis of power and wealth. They usually find it much easier to rule against members of opposition parties than against members of the ruling party. Judges are generally corrupt and remain subject to manipulation by members of the military and security apparatus. The court system seems powerless in cases where high-ranking military officers confiscate lands from members of ethnic minorities in provinces far from the capital city. Prisoners are still subject to torture as well as deprivation of medical care and are often denied access to family members. Although rare, summary executions happen. The legislature has yet to pass the draft Statute of Judges to ensure independence of the judiciary.

The lack of judicial independence and accountability has often led to violations of civil rights through 'mob violence,' when people on the streets take justice into their own hands by beating to death those accused of theft or robbery.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Democratic institutions, including the administrative system and the system of justice, exist, but they are not resilient. They do not have sufficient human and material resources to function properly or efficiently. It should be stressed that institutional stability varies. The Ministry of Justice, for instance, receives a small fraction of the national budget (between 0.3 % and 0.5 %), whereas the Ministries of Defense and Interior receive very large amounts.

Within the National Assembly, confrontation between the ruling and opposition parties occurs, but not to the extent that decisions cannot be made; the CPP remains the most powerful party. The elected coalition government remains stable, despite a minor coup attempt led by members of the so-called CFF in November 2000. The government forces defeated the coup elements and arrested those alleged to have been involved in the event. Demonstrations by members of labor unions and opposition party members still occur, but they are usually peaceful. They are not anti-government, and their protests are generally aimed at pressuring the government to pay attention to demands for social justice.

The multi-party system is young and not highly institutionalized. There were 39 political parties registered in the 1998 election and eight in the 2002 local elections. Overall, the party system remains fragmented. Only the CPP can be considered cohesive because of its strong (or least-divided) leadership; there is little sign of internal divisions. The other parties, particularly FUNCINPEC, have become increasingly fractionalized, as discontent with the leadership has grown.

The differences in political stability among political parties stem somewhat from their individual histories. The CPP leadership has been in charge of the country for the most part since 1979 and has been successful in maintaining control over much of the country. The 2002 elections resulted in the CPP losing only 1 % of the 1,621 communes. The CPP's success resulted largely from its effective control over rural areas. FUNCINPEC and the SRP hold control of only 10 and 13 communes, respectively. Electoral politics remain largely based on coercive means and personality. Inter-party relations remain troublesome. Top leaders of the two coalition government partners are barely on speaking terms and remain suspicious of each other's intentions.

The overall level of social integration is extremely low. Recently, concern about declining interest in democracy has become more evident, as the number of eligible voters registered to vote has decreased. In the 2002 elections, only 83 % of the eligible voters registered to vote, compared with 98 % in the 1998 election.

Besides labor unions and human rights organizations, there are national non-governmental organizations which help spark or conduct public debate on such issues as environment, good governance, human rights, democracy and elections. They have some limited influence nationally on government policy, but are mostly absent at the local level. Large businesses and particular sectors such as the garment industry are also influential on issues affecting them. Labor unions representing garment workers also have a public voice through strikes and rallies. Other sectors, such as the subsistence rice farmers who are about 80 % of the country's population, remain poorly represented.

Social self-organization and the construction of social capital are not well advanced. The labor union system has grown stronger, in spite of government attempts to constraint its activities. Thousands of garment workers have gone on strike, pushing for better working conditions and higher monthly wages. There are now more than 40 human rights-related organizations working to prevent state-sanctioned violations of human rights and to ensure free and fair elections, but their influence is weak.

It is unclear whether citizens' interest in democracy has declined. Both national elections (1993 and 1998) enjoyed a very high voter registration and an enthusiastic

turnout of about 90 % of registered voters. The local elections of 2002 were less well attended, but that could simply be consistent with the common observation that local elections attract less interest than national ones. An alternative explanation advanced by the opposition party is that the government discouraged opposition supporters from registering to vote.

3.2 Market economy

3.2.1 Level of socioeconomic development

Key indicators show that the level of development remains very low. Measured in terms of Human Development Index (HDI), social exclusion on the basis of poverty or education or gender discrimination is both quantitatively and qualitatively extensive and structurally ingrained. The HDI score was 0.541 in 2001, ranking Cambodia 121st among 174 countries. Moreover, the Gender Related Development Index (GDI) of 0.514 is also among the lowest in Asia. Although women's participation in the labor force is high, their representation in legislative, management, and professional occupation remains quite low. The Gender Empowerment Measure (GEM) score is only 0.283. The score on the Human Poverty Index (HPI) is 42.53, high in relation to the country's per capita income. The number of people living below the poverty line (50 cents per day) remains large, about 36 %.

3.2.2 Market structures and competition

Cambodia is fundamentally a subsistence economy, but increasingly market-based. The state no longer owns the means of production and its regulation of commerce is very lax. Foreign investors and companies dominate big business: they own the garment factories, major hotels, telephone systems, logging operations, etc.

While companies operate with few official restrictions, and special incentives and streamlined procedures are available for foreign investors, they must all contend with corruption and arbitrary government decisions. The fundamentals of market economy-based competition suffer due to extremely weak institutional regulations.

There seems to be some freedom of pricing. Since 1993, Cambodia has adopted a floating exchange rate policy and has relied on tight financial policies to ensure a certain degree of stability in the foreign exchange market. Due to the fact that the market-based economic system is new, there is no anti-cartel legislation in place. Monopolies and oligopolies are not evident, although some entrepreneurs have established near-monopolies or monopoly-like positions for themselves.

Between 1998 and 2001, 7,800 firms were registered 16 % of which were sole proprietor companies. Most are very small; only 1,000 had modern management and equipment. Foreign trade is still being liberalized, but the state has been unable to implement the rules it has established. The financial system remains woefully weak. The National Bank has sought to prevent capital flight, but without any real success, due to the lack of a clear policy framework. Although Cambodia's interest rates are high compared to other countries, the market system remains non-competitive. In 2001, the amount of savings through the banking system reached \$1,350 per capita, but 54 % of lending was to investors outside the country. Overall, the National Bank is independent to the extent that it has been able to maintain price stability.

3.2.3 Stability of currency and prices

Due to the fact that Cambodia has a very highly dollarized economy, the currency has remained stable. Although Cambodia still owes money to the US (\$300 million) and Russia (\$1,400 million), the government does not recognize its debt. The donor community, particularly the IMF, helps finance budget deficits (\$204 million in 2001). The National Bank has prudently implemented monetary policy and fiscal discipline and has maintained low inflation and a stable exchange rate.

3.2.4 Private property

Private ownership was formally promulgated in 1989. Almost 90 % of the country's organized solidarity groups organized in the early 1980s for collective farming were disbanded. Transportation, health care, education, and most state markets were partially privatized. Property rights and the right to the acquisition of property now exist in the constitution, but there is no clear guidance concerning policy directions and implementation.

Cambodia's land ownership system is in a chaotic state. There is little documentation of title to land. Over the last quarter-century, much land changed owners through war and occupation by squatters. Such ownership makes property vulnerable to land-grabbing by powerful persons, a persistent problem given the ineffective judiciary. Therefore, land disputes, especially land-grabbing and unlawful evictions, have become pervasive.

3.2.5 Welfare regime

Rudimentary measures to avert social risks, (i.e., poverty, illness and disability) exist, but are extremely segmented in terms of territory and social stratum. The government has now developed a vision to transform Cambodia into a socially cohesive, educationally advanced and culturally vibrant country, a country without poverty, illiteracy, or disease. But the state has allocated a tiny budget for social welfare; it could not combat poverty systematically on its own, and has had to rely on the donor community.

The state has been unable to meet the basic needs of the disabled, the elderly, and the unemployed. The government is facing a growing unemployment problem, as the labor force (5.6 million in 2001 or 43 % of the population) has continued to rise (200,000 per year). Overall, society remained highly fragmented. There are no effective public or private institutions to help compensate for gross social differences. Only a small self-organizing association for the elderly has been established. Women in particular still have only limited access to higher education and public office. Women's associations exist, but are unable to make progress for women's rights.

3.2.6 Strength of the economy

Key economic indicators continue to show that the overall economic performance has been weak. Growth of per-capita GDP between 1998 and 2001 appeared to have been effectively growing, but the current GDP growth rates in percentage terms are not high enough to meet country's needs. As it now stands, the economy benefited from low inflation and low budget deficits, but has experienced trade deficits (\$339 million in 2001) and sharply increased new foreign debts (reaching \$558 million in 2001). The economy as yet cannot meet the demands of the labor force, and trends in foreign investment are likely to remain unfavorable unless institutional reforms are successful.

3.2.7 Sustainability

In recent years, after much pressure from the donor community, ecologically tolerable growth has been taken into account, but has remained subordinated to growth efforts and vulnerable to corruption. Cambodia lacks adequate environmental policy, does not have an effective law on the environment, and remains structurally weak as far as enforcement is concerned.

The country's institutions for education, training, research, and development are quantitatively and qualitatively low. About 400,000 children between 6 and 11 years do not attend school. About 47 % of children do not complete Grade 5 and 37 % of the population age 15 to 35 is illiterate. Public investment in education and training as well as research and development has been low. The budget for education rose from 16 % of the national budget in 2001 to 18 % in 2002, but this is still inadequate. Private academic institutions have sprung up, but are of poor quality and seem unable to prepare students for future tasks.

4. Trend

(1) *Democracy*: When compared with the pre-1998 period, trends in these three areas have showed some improvement. The issue of state identity has become unquestionable. The rule of law has been only slightly strengthened, but elections seem not truly free and fair. Democratization has made some headway in some aspects, such as the repeatability of elections and the irreversibility of election outcomes.

Before 1998, several coup attempts were made, including 1997's successful coup against Prime Minister Ranariddh. The problem of post-election power transition has since become less controversial. However, this may be because election outcomes are more certain; the dominant party, namely the CPP, is likely to win in future elections; opposition parties are most likely to lose. Cambodia is therefore likely to be a semi-democracy in the sense that elections may take place on a regular basis, but the ruling party will always win.

(2) *Market economy*: Since 1998, the overall level of socioeconomic development has improved slightly. The HDI score rose from 0.427 in 1997 (which raised Cambodia's rank from 153 to 140, just below that of India and Pakistan) to 0.512 in 2000 (a rank of 136) and then to 0.541 in 2001 (a rank of 121).

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP Index	UN Education Index	Political representation of women	GDP p.c. (\$, PPP)
1998	0.427	n. a.	0.42	0.64	11.4 %	1,257
2000	0.512	0.514	0.45	0.44 (1999)	11.4 %	1,446

Sources: UNDP, Human Development Report, 2002, ADB, Asian Development Outlook 1998; ESCAP, Economic and Social Survey of Asia and the Pacific 2002, UNDP, Human Development Report, 2000, <http://hrd.undp.org/reports/global/2000/>; ADB, Key Indicators of Developing Asian and Pacific Countries 2002, http://www.adb.org/Documents/Books/Key_Indicators/2002/PAK.pdf

The institutional environment did not improve significantly. Institutions, such as rating agencies, auditors, and consultancy firms, still have a limited presence. Deficiencies in the organization of the economy and competition remain serious. Corruption still prevents the country from becoming more competitive internationally. The state has failed to speed up the pace of reform. Overall economic development has improved satisfactorily in quantitative terms. Real GDP growth rates, in percentage terms, have become more or less stable: 2.1 % in 1998, 6.9 % in 1999, 7.7 % in 2000, and 6.3 % in 2001.

Table: Development of macroeconomic fundamentals (1998-2002)

	1998	1999	2000	2001	2002
Growth of GDP in %	2.1	6.9	5.4	5.3	4.5
Export growth in %	13.1	17.4	55.6	8.4	n. a.
Import growth in %	7.4	16.5	48.6	6.0	n. a.
Inflation in % (CPI)	4.8	4.0	-0.6	-0.6	3.0
Unemployment in %	5.3	0.6	2.6	n. a.	n. a.
Budget deficit in % of GDP	-6.0	-4.4	-5.7	-6.2	n. a.
Current account balance in % of GDP	-8.0	-9.0	-10.2	-9.1	n. a.

5. Transformation management

5.1 Level of difficulty

Cambodia's income level is extremely low. One of the difficulties Cambodia still faces is the extremely low level of education. The adult illiteracy rate, when coupled with semi-literacy, remained unacceptably high, at over 60 %. The UN Education Index was 0.44 in 1999. The state is inefficiently administered. The rule of law is weak. Cambodia also has an extremely weak civil-society tradition.

It wasn't until after the UN mission began in 1992 that civil society organizations, particularly NGOs, began to appear. Until 2002, they remained structurally weak and were not self-sustainable, for the most part. However, Cambodia is fortunate in the sense that it is an ethnically homogeneous society, with ethnic minorities representing only about 4 % of the population. Between 1998 and 2003, there were no serious or large-scale ethnic or religious or sectarian conflicts.

5.2 Reliable pursuit of goals

Under the guidance of foreign experts, the government has established long-term goals to rebuild the country by way of reforming the administrative system, rebuilding the economy, and promoting democracy. In policy terms, it has also established priorities, with reduction of poverty the country's main concern.

Democracy has received less attention. Overall, the government has lacked the political will to overcome considerations of short-term political gain. Government ministries have remained seriously under-funded and staffed by incompetent and corrupt bureaucrats. Inter-ministerial relations are not well coordinated. The CPP and the other main political parties remain unwilling to work cooperatively. By and large, the social and business players still have low confidence in the state's reliability.

5.3 Effective use of resources

There have been signs that the government sought to make more efficient use of the available resources by seeking to strengthen budgetary discipline, establish fiscal rectitude, and clean up public finances. The government has spent less on defense and security and more on the social and economic sectors.

Partly financed by foreign aid and increased domestic revenue, the current budget since 1999 experienced a surplus relative to GDP: 1.6 % in 1999, 1.5 % in 2000, and

1.2 % in 2001. But there is no real transparency. Cash management among line ministries at the national and provincial levels remains largely inefficient. Corruption remains rampant, and anti-corruption efforts have been unsuccessful.

The auditor-general was appointed only recently, in August 2001, and the National Audit Authority did not issue its first report (auditing the Ministry of Economy and Finance's draft budget for 2001) until the end of 2002, and it was far below international standards. There is no cultural heritage as a resource for liberal reform, due to Cambodia's anti-democratic traditions, which are based on patron-client relations, nepotism, and the rule of man.

5.4 Governance capability

The leading political players over the period have seemed to be aware of the mistakes and failed policies and to have wanted to make changes. However, the changes implemented have been so marginal that newly adopted policies have not been realized effectively, because they threaten the interests of corrupt and self-serving stakeholders, especially high-ranking military and security officers and top bureaucrats, who have continued to benefit from the status-quo.

Since 1993, Cambodia has had two consecutive coalition governments whose political partners were former bitterly enemies, and they have often worked at cross-purposes, within both the legislative and executive branches of government. Although the government has taken account of the allocative impact of its policies, it has made no serious effort to improve the efficiency of the market. The leadership has had a very limited choice of tools and strategy for implementing its reform policies, largely due to political resistance and restraints. Political leaders remained preoccupied with political tensions surrounding the 1998 and the 2002 elections.

5.5 Consensus-building

On the ideological front, the major political players agree in principle on the need to build a market-based democracy. They have come to realize that Cambodia can no longer afford to reintroduce the policy of socialist autarky. There is no strong anti-globalization movement in the country, despite a few peaceful demonstrations by textile factory workers unhappy with work conditions.

By and large, corrupt officials have continued to block the path of reform. Powerful military and economic groups, particularly those involved in illegal logging, human and drug trafficking, illegal immigration, and the smuggling of goods across

Cambodia's porous borders, prefer to see reform efforts thwarted, because the status-quo policy-making environment is not strong enough to hamper their activities. Government leaders have often found such resistance to be quite formidable.

Cambodia is not yet a consensus-based society, nor does it seem to be likely to become one in the near future. Irreconcilable differences are often subdued only when one party threatens to use force or when it achieves a preponderance of power. The government has also done little to promote solidarity among citizens or social groups, apparently because its past socialist policy to promote social solidarity had failed and it has not had the resources necessary to encourage this objective. The government has done virtually nothing to reconcile victims and perpetrators of past injustices.

5.6 International cooperation

Cambodia remains one of the world's most aid-dependent countries. Due to the coup in 1997, the donor community did not hold the annual Consultative Group Meeting in 1998. Cambodia's political leaders since then have actively sought foreign assistance from bilateral and multilateral donors, who disbursed about US\$4.1 billion over the 1992-2001 period. They have tried to present Cambodia as a reliable and predictable partner and sought to convince donors that they were capable of giving donors' demands for reform serious consideration, but they have continued to show no real credibility in the eyes of most donors.

As far as its neighbors are concerned, Cambodia made serious efforts to join the Association of Southeast Asian Nations (ASEAN) and succeeded in doing so in April 1999. In November 2002, Cambodia hosted the 8th ASEAN Summit. Prime Minister Hun Sen always viewed international support as a form of political legitimacy given to his regime. This international involvement also promotes the legitimacy of Hun Sen's political regime.

6. Overall evaluation

Based on the originating conditions, current status and evolution achieved, and the political players' management, this report arrives at the following conclusions:

(1) Originating conditions: The starting conditions for transformation can be rated as very difficult. Up to the observation period, the country had few functional, in most cases very ineffective, market-economy structures. Although the basic issue of state identity was never a problem, the state was structurally weak and in need of strengthening. The country had no political traditions that favored democracy, the

rule of law, or civil society, although democratic politics was introduced after World War II. During the period under evaluation, Cambodia witnessed some political and economic transformation: a national election and commune elections were held and considered largely acceptable, if not truly free and fair. The political system remained relatively stable, due to a power-sharing arrangement between the two largest parties, as well as a weak and largely self-restrained party as the main opposition.

(2) *Current status and evolution:* Cambodia became a relatively stable semi-democracy because the CPP continued to dominate the political arena but remained unable to improve conditions for further democratic consolidation. Evident in the lack of democratic consolidation were the structural weaknesses of the system of checks and balances, a highly politicized legislature, an incompetent and corrupt judiciary, lawlessness, and some erosion of citizen support for the democratic system.

The process of transformation in the market system also appeared to be stagnant, despite increased political stability since the 1998 election. Although the political leadership sought to stabilize macroeconomic development and succeeded in doing so, economic growth was less than desirable. Foreign investment declined, despite some improvement in the tourism industry. The government sought to strike a balance between pro-social welfare and pro-market policies, but achieved neither.

Although aware that more must be done, the government found itself unable to combat powerful military and economic interests, especially in the areas of corruption and transnational crime. Overall, however, political and economic liberalization was not reversed, as the government continued to defend a market-based democratic system in principle.

(3) *Management:* As far as management performance is concerned, evidence during the period under evaluation shows that the government sought to adopt strategies to promote political stability and economic growth. Government leaders came under pressure from the donor community to do more to enhance national and local governance (political decentralization has been the main focus on this effort) and to reform public institutions, particularly the military and judiciary.

Another main objective was to make Cambodia more competitive in market terms. Overall, however, management performance faced several ongoing challenges deeply rooted in coalition politics, a bloated bureaucracy, corruption, and a weak rule of law.

7. Outlook

The overall picture of transformation is more positive than negative. Obstacles to the process of political and economic liberalization are still formidable. Cambodia is no longer at war, and coalition politics has become more stable, but the CPP is likely to win future elections, with FUNCINPEC and the SRP playing critical but relatively powerless roles. Because of the extremely high poverty level and less-than-desirable economic growth, Cambodian democracy is unlikely to become more stable or mature.

The key strategic tasks for the medium term lie in the enhancement of public institutional efficiency, the depoliticization of key government institutions, more equitable representation for women, credible anti-corruption policy action, and the strengthening of the rule of law. Opposition parties and civil society will no doubt continue to apply pressure on the government to promote transparency in the decision-making process, to ensure respect for human and democratic rights, and to combat corruption.

But these tasks will bear little fruit unless the existing multiparty system and emerging civil society are strengthened. Unfortunately, these political and social forces are likely to remain weak in the foreseeable future, subject to state control and retribution whenever they become too critical of government policies. The international donor community has been generous, and the country would face an uphill battle if foreign assistance were to run dry. The country cannot yet stand on its own feet.