

Aid Dependence in Cambodia: How Foreign Assistance Undermines Democracy.

By Sophal Ear. New York: Columbia University Press, 2013. Pp. 208.

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The impact of foreign aid on patterns of governance, for better and often worse, has in recent years become the subject of extended critique and discussion amongst scholars of the politics of the developing world. Both incisive analyses, and some rather more polemical tracts have emerged to chart the benefits and detrimental effects of aid. Sophal Ear's recent book on Cambodia offers a pungent, grounded contribution to this topic. Dr. Ear notes at the outset his strong personal motivations for wanting more for Cambodia, a country he fled as a child, than the contemporary ruling elite have been able or willing to deliver. In this regard, his in-depth study of the political economy of aid in the Cambodian context aims to contribute to broader debates over the role and perils of its provision.

Dr. Ear argues that foreign aid, from the time of the United Nation's sponsored peace process onwards, has had a pathological impact on Cambodia's development. The continued granting of aid to a government that perennially fails to meet its promises related to the promotion of democracy and economic development has permitted "the Cambodian government to remain unaccountable, corrupt, and lacking the political will to solve the nation's problems and create a truly firm foundation for democratic governance" (p. 6). Dr. Ear notes that "corruption is entrenched as a political system in today's Cambodia and aid is either blind to it or is inadvertently fueling the problem" (p. 11). He argues, "... Cambodia values and rationalizes corruption as a standard operating procedure" (p. 11), and that aid has exacerbated the scope and propensity to engage in "corrupt" conduct. Thus he suggests "with respect to control of corruption and rule of law, Cambodia may be in worse shape now than it was a decade ago. It is also apparent that ODA has made it more feasible, through fungibility, to divert resources and engage in other corrupt practices. The failure to mitigate corruption shows how hard it is for donors to be tough on a country that is genuinely aid-dependent for the survival of much of the population" (p. 48). This may well all be true but are his explanations as to why it is the case sufficient?

The book is framed as an investigation into the relationship between what is termed "aid dependence" and "governance". The key elements of his argument are firstly that aid dependence has made it difficult if not impossible "for Cambodia to take ownership of its own development". Second, foreign aid has crippled the government's political will to tax. Third, without taxation, the link between government accountability and popular elections is broken, and as a consequence "[c]orruption is the logical outcome" (p. 12). This is because "[w]hat authorities will not tax officially for the treasury, they can collect privately for the ruling Cambodian People's Party or their pockets". Because foreign aid weakens accountability, it "harms governance, by increasing the incentive for corruption and diluting political will". Ultimately, "poor governance" makes development difficult, if not impossible.

The core of Dr. Ear's argument is that aid has purchased a pinch of stability at the cost of what he calls "voice" and "accountability". Chapter 1 considers this connection theoretically by examining whether "aid dependence" "worsens governance" and provides an overview of Cambodia's political economy. Chapter 2 then attempts to explain recent economic growth in Cambodia in the context of the claim that aid is bad for governance and this in turn is bad for development. The vibrancy of the garment industry is compared to the less promising outcomes achieved in relation to creating a complex of regionally competitive, efficient rice processors and a livestock industry able to supply the domestic and international markets. The first survives as an island of manufacturing supported by an unusual set of external factors including ILO involvement in monitoring labour conditions. The

later two, in contrast, are burdened by a range of deleterious factors typical of Cambodia's contemporary political economy. These factors have proven resistant to "reform" and aid provision has probably enhanced rather than undermined this resistance. Chapters 3 and 4 go on to consider how aid flows have influenced the evolution of health policy and human rights activism.

There are a number of strengths to the analysis, which provides an original perspective on mid-level tensions and fragmentation within the Cambodian state and on the nature of business–state connections. Apart from dealing with aid in a variety of issue areas, the book examines the nature of the elite and broader state's responses to the dynamics of aid flows. In one telling section, the author notes how data is manipulated via a process of "backward projection" in order to be able to claim that some incremental improvement has occurred. He cites cases of deployment of this practice in relation to the measurement of declines in the rate of infant mortality and poverty, but the practice seems more widespread. This reviewer observed its use in manipulating measurement of rates of deforestation. Thus Dr. Ear notes:

With respect to poverty reduction, indications as of early 2005 were that little or no progress had been made since 1994. This changed by late 2005 and early 2006, when the World Bank ... announced a significant 12 percentage-point decrease in poverty over the previous decade based on household consumption data collected in 2004. The bank had recalculated the national poverty rate from 39 percent in 1993/1994 ... to 47 percent using backward projection.... Thus, instead of announcing that poverty had decreased very modestly from 39 to 35 percent from 1993 to 2004, the bank announced that poverty had decreased from 47 to 35 percent. From 1993 to 1994, only 56 percent of Cambodian villagers and 65 percent of rural areas were accessible to researchers; the remainder of the country was largely controlled by the Khmer Rouge.... The backward projection assumed that these areas were much poorer than the accessible portion of the country. (p. 34)

Passages like this point to how the Cambodian government and aid donors are regularly engaged in a game of smoke and mirrors, whereby outcomes are endlessly manipulated, and goals redefined so long as the most powerful or forceful of both sets of actors get what they want in terms of legitimacy, money, and career advancement.

For all its strengths, and the lucidity of Dr. Ear's writing, the analysis is not without its limitations. One concerns the methodological approach, set up as the search for a causal link between what are at foundation two normative claims ("quality of governance" and "aid dependence") parading as concepts. Rather than treating these ideas in explicitly normative and historical terms, the author attempts to render them into pseudo-scientific foundations for his analysis. This leaves the analysis more slippery than Dr. Ear seems willing to admit. None of the six dimensions of "governance", the quality of which the author aims to measure (voice and accountability; political stability; governmental effectiveness; regulatory quality; rule of law; control of corruption) can be understood in objective terms. Likewise, "dependence" on aid can be understood and measured in a multitude of ways. This is not to deny that bringing these two ideas into comparison is an unproductive scholarly exercise. What is limiting is the pretence that such a comparison can be undertaken as a causal analysis robust enough to escape its normative underpinnings. A more historically grounded, reflective, treatment of these two terms would have made the analysis stronger, rather than have weakened it as the author might have feared. Thus some sections of the book seem to downplay enduring patterns of Cambodian history. Dr. Ear claims (p. 11): "Corruption is one outcome of Cambodia's past, and aid dependence has exacerbated it. Corruption became a problem in Cambodia in the 1960s and

began spiralling out of control in the 1970s.” Arguably, there has always been a particular type of blurring of “public” and “private”; and between “family”, “society”, and “state” in the operation of the Cambodian polity. As in many other parts of the developing world, the Cambodian elite of all political stripes adjusted to independence from the French and the brief UN trusteeship of the early 1990s by reverting to versions of pre-colonial practices, albeit practices that could become especially rapacious due to the provision of foreign aid. It may well be that aid has made some dimensions of elite behaviour less socially anchored and thus less accountable than would have been possible in its absence, but the pathological characteristics of the Cambodian system of governance Dr. Ear charts have managed to endure with aid, during periods such as Democratic Kampuchea when it was largely absent, in pre-colonial times, during the colonial and into the post-independence period; and during both civil war and more recent peace. As Michael Vickery observed of the pre-colonial appanage system, “the mentality which went with it persisted” and as a result all state employment “was ranked on a scale of desirability according to the possibility it provided for private profit, now termed graft.”¹ Certainly aid has done little to ameliorate the worst aspects of the Cambodian polity’s distinctive character, but whether there are other things donors could have done whilst still providing aid is not fully addressed.

In this regard, the analysis does not provide much differentiation between the activities of donors. Within the universe of aid projects and technical assistance programs donors sometimes do different things, but they also often follow each other in implementing wrong-headed programs. Demobilization, forest policy reform and land titling are notorious examples in this regard. This points to the puzzle of how donor agencies “think”. Do they recognize that their approaches to aid and relationships with ruling elites contribute to the governance problems Dr. Ear cogently raises? Why were no on-the-record interviews conducted with donors? After all, journalists regularly obtain for-attribution quotes. Dr. Ear has worked as a consultant for some of these donors such as the World Bank. He must know a great deal about their internal machinations including disputes over projects and policies and the suitability of particular aid agency staff and consultants for the positions they occupy. Medical practitioners risk being censured or sued for malpractice, however the development practitioner faces no risk of litigation and little risk of being censured for even the grossest of negligence in the type of advice they provide. The architects of Cambodia’s subdecree on so-called “Economic Land Concessions” were, for instance, richly rewarded for drafting the legislative vehicle that the government subsequently deployed to bring misery to many rural Cambodians in the name of development. Dr. Ear provides no information about how the game of consultancies works. How are they used to drown out, buy off, or marginalize critics of development policy orthodoxy? Dr. Ear could have told us much about such matters that go to the heart of the pathologies of the development industry in Cambodia.

Ultimately Dr. Ear seems to claim that aid must promote integration if it is to further economic development, contending (p. 138): “[T]argeting aid to economic development means removing – as much as possible – gatekeepers who stand between a country’s national economy and the international system”. This sounds very much like development policy orthodoxy, and a pipedream given the skill and persistence of Cambodia’s most powerful gatekeepers. Further, he claims (p. 143): “For accountable growth to take hold, foreign aid has to be tied to improved domestic and tax revenue performance”. But this is not new in Cambodia either. It is exactly the link the IMF made in relation to logging and why it cancelled tranches of a structural adjustment loan in the mid-1990s. Such pressure comes and goes. The elite know this and there is no reason to expect this politics to change. Foreign aid is, at core, an element of international politics motivated by the

1 Michael Vickery, “Looking Back at Cambodia, 1942–76,” in *Peasants and Politics in Kampuchea, 1942–1981*, eds. Ben Kiernan and Chanthou Boua (London: Zed Press, 1982), p. 101.

same machinations of foreign affairs apparent in other spheres of activity. University-based scholars are drawn deeply into this dynamic by the attractions of consultancy work and research grants funded via bilateral aid programs. Such incentives are likely to ensure that criticisms remain muted and consultants end up, for the most part, defending orthodoxies. This needs to change, and we must hope that the future work of scholars such as Dr. Ear can show the way.

Economic History of Lower Yangzi Delta in Late Imperial China: Connecting Money, Markets and Institutions.

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For not a few readers, the “Lower Yangzi” (Jiangnan) is now a region name associated with the pre-history of present-day China’s economic growth. This collection of essays aims to shed light on the historical trajectory of the market economy in the Jiangnan area during the late imperial period. The book is made up of two parts. According to the editor, the first part is about “economic value,” specifically money, prices and productivity; the second part concerns “social space,” including urbanization, institutions and networks (Chapter 1). To put it more plainly, the editor is trying to place the former part within the sphere of the “market” in a narrow sense, the sort of thing dealt with by orthodox macro- and microeconomics. In the latter part, the editor uses “social space” or “institutions” as strategic terms to encompass the various spheres beyond the narrow “market” equilibrium.

In Chapter 2, Richard von Glahn shows that Chinese society has experienced three upheavals in the silver economy: the Southern Song (1127–1276), the “Silver Century” (1550–1650) from the late Ming to the early Qing, and the late Qing when the flow of silver reversed in the nineteenth century. By summarizing his own research and making thorough use of secondary scholarship, especially in Japanese and Chinese, he explains convincingly that during each cycle silver played a critical role in daily transactions, and more importantly, functioned in different ways according to time and space. During the first cycle, society and local governments had a demand for silver as means of exchange and for making governmental payments, especially on the southeastern coast and the Upper Yangzi. The diversity (sometimes geographical, but not always so) of monetary use doubtlessly conditioned the economic environment of China, even after the second cycle when global inflows and outflows of silver increased dramatically. Sycee or silver coins of varied purity were exchanged simultaneously with flexible rates. For anyone outside of the many “payment communities,” the use of money in itself inevitably increased transaction costs. Glahn’s biggest contribution, as well as that of the avant-courier Kuroda Akinobu, is that he does not simply write a monetary history of China in the context of the cross-border dynamism of economic activity. A complex of “institutions” as such also regulated the circulation of money. Sui-wai Cheung, in Chapter 5, describes how silver-denominated grain prices in Jiangnan fluctuated in response to the rise and fall of silver inflows from abroad during the Qing period, and yet such a vulnerability to exogenous variables was not always the case. Indeed, the Chinese economy exhibited a certain degree of robustness in the face of silver flows during the eighteenth century.

In Chapter 3, Harriet T. Zurdofer deals with the growth of the industrial sector and domestic demand. In a skillful way, she sorts out facts and discussions about cotton growing, the development and the spatial pattern of cotton spinning or textile production, managerial and market structures, the transfer of technologies, and the role of the Ming-Qing government. Chinese and Japanese