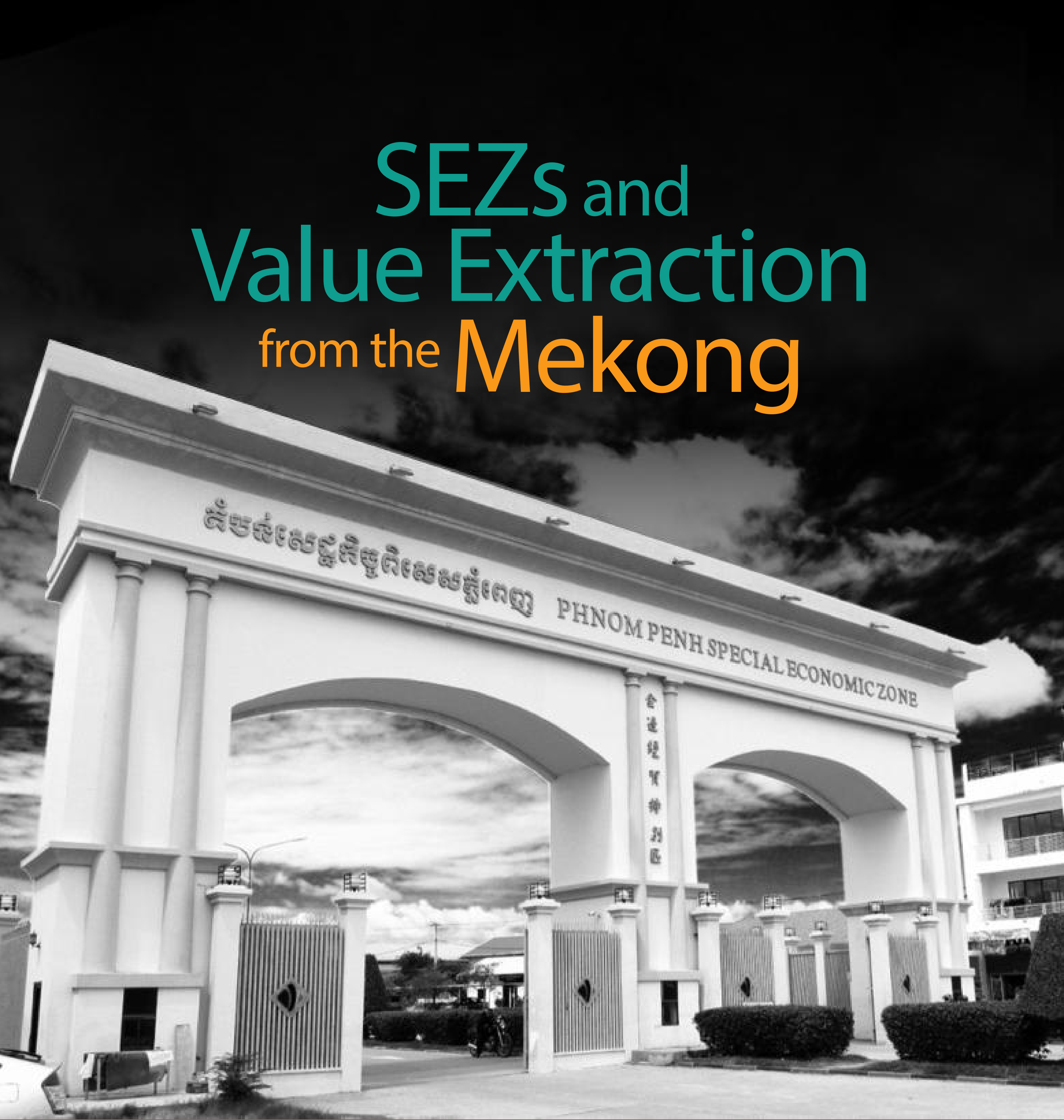
SEZs and Value Extraction from the Mekong



A Case Study on the Control and Exploitation of Land and Labour in Cambodia and Myanmar's Special Economic Zones

JULY 2017

FOCUS ON THE GLOBAL SOUTH

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Title
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Date
July 2017

Published By
Focus on the Global South
c/o CUSRI, 4th Floor Wisit Prachuabmoh Building
Chulalongkorn University, Bangkok, Thailand
focusweb.org

ROSA
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STIFTUNG
SOUTHEAST ASIA

Published with the support of Rosa-Luxemburg Stiftung with financial means of the Federal Ministry of Economic Cooperation and Development.

Not for Sale

Layout Design
Amy Tejada

Cover Photo
By Charlie Thame
Gates to Phnom Penh Special Economic Zone

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(First) Dawei small port
(Second) ITD worksite
(Third) Dawei small port
(Fourth) Dawei landscape

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TABLE OF CONTENTS

TABLE OF FIGURES

EXECUTIVE SUMMARY

Special Economic Zones (SEZs) have been built worldwide since the 1960s to facilitate global free trade and integrate developing countries into global production and distribution networks, and have been mushrooming in Southeast Asia in recent years. They remain controversial, and are attracting growing interest from policy makers, investors, civil society, and the general public. Supporters praise them for spurring foreign investment, creating jobs, building infrastructure, and helping host countries to diversify their economies; critics argue that they entail more costs than benefits, negatively impact local communities, undermine workers' rights, and cause environmental harm and degradation. Asking why, and to what end, SEZs are being developed in the Mekong, this study develops two case studies of special economic zones in Cambodia and Myanmar, of the incentives and assurances offered to investors weighed against the protection and benefits to local communities, workers, and the environment.

It finds that SEZs have played a central role in the Greater Mekong Subregion Economic Cooperation Scheme (GMS-ECP) since the mid-1990s, a regional integration and development model of the Asian Development Bank (ADB); and are being integrated into China's One Belt, One Road initiative. Although generous enticements and guarantees are

ITD worksite (July 2017) Photo by Ridan Sun offered to investors, similar commitments have not been extended to locals. While national and international laws and standards pertaining to land, labour rights, and environmental protection officially apply to SEZs, they have not been implemented effectively. SEZs have been developed with limited transparency and locals have been displaced without proper consultation and adequate redress. Workers face obstacles protecting rights they are entitled to under domestic and international law, and have been violently supressed for asserting them. Environmental impact assessments have not always met international standards, and environmental regulations have been enforced selectively in some zones.

The study concludes that the legislative and governance structures covering the development and operation of SEZs have been skewed toward the interests of investors and against those of locals and the environment. It contends that SEZs have been used as tools enabling investors to capture and exploit Cambodia and Myanmar's most productive assets, their land and labour, and are facilitating the financial extraction of value from the Mekong. It also suggests that weaknesses in SEZ governance structures, and the lack of transparency and accountability in the development and administration of the zones, are heightening the risk of capture of the state by political and economic elites: whereby public power may be exercised for private gain, and preferential treatment for certain individuals or firms is woven into the institutional framework of a state.

Affirming that SEZs are essentially policy tools that can be wielded to different ends using various means, the study recommends that: 1. SEZ legislative and governance framework be revised to mediate interests of investors and locals more sustainably and fairly; 2. Governments reduce their reliance on foreign investments in land and labour intensive industries, and instead invest in local industries and public infrastructure; 3. Governments meet international standards of transparency and accountability in SEZ investment and governance arrangements to mitigate the threat of capture of the state and minimize further financial extraction of value from the region; 4. Civil society continue to work with communities affected by SEZs and engage with public officials and the private sector, as well as holding misfeasors to account. Civil society could also develop new strategies to deal with more recalcitrant stakeholders, to contribute to a more equitable and liveable region for its inhabitants.

ACKNOWLEDGEMENTS

The author would like to thank all contributors to this study, which was possible only with the kind support of many individuals and organisations. The Rosa Luxemburg Foundation provided financial support, with further financial and logistical assistance provided by Focus on the Global South. Sophea Chrek and Ros Sokunthy provided invaluable assistance during data collection, while numerous other individuals and organisations, villagers and workers, in Cambodia, Myanmar, and Thailand, also generously shared their time, experiences, and thoughts. Sophea Chrek, Shalmali Guttal, Robert Finch, Sean Bain, Robert Nash, Penny Thame, and various anonymous reviewers provided helpful suggestions to strengthen the arguments. They enriched the study immeasurably.

Dawei small port (July 2017) Photo by Ridan Sun

INTRODUCTION

Purpose and Methodology

This paper has been written for Focus on the Global South as part of a series exploring trans-boundary investment trends in the Mekong region. To this end, it develops two case studies of Special Economic Zones (SEZs) in Cambodia and Myanmar, focusing on rights and protections offered to investors compared with rights and protections offered to affected communities and workers. The primary purpose of the paper is to explore and show the impact of investment policies in the Mekong region on social and economic policy, using SEZs as an area of study, to better understand support given to investors weighed against the support and benefits given to local people. Following a background section that introduces readers to the Mekong region and the concept of special economic zones, Part 1 presents a case study of Cambodia's SEZs with a focus on Phnom Penh SEZ and Sihanoukville SEZ. Part 2 presents a case study of Myanmar's SEZs with a focus on Dawei SEZ. Both case studies are based upon findings from interviews and focus group discussions, supported where appropriate by findings from document review and desktop research. Drawing on these findings, Part 3 includes analysis and discussion of thematic areas from a regional perspective. Findings are summarised in the conclusion.

Focus on the Global South is a non-governmental research and advocacy organisation which works with a range of actors including civil society organisations, social movements, academics, researchers, policy makers, and local communities. Rather than speak on their behalf, the organisation strives to amplify the voices of these communities, social movements, and civil society; the structure of the report seeks to reflect this. Parts 1 and 2 presents the views of respondents from the two case studies, which grounds the regional and thematic analysis developed in Part 3. Findings are summarised in the Conclusion, followed by recommendations for the governments of Cambodia and Myanmar, and for civil society.

A scoping study was conducted by Focus in June 2016 to consult key stakeholders, delineate parameters of the research, and identify potential respondents. Findings and recommendations were circulated internally among Focus's partners and a shortlist of respondents was developed by the author based on the scoping study and his own network of contacts. Additional respondents in the public and private sector were included for balance and objectivity, and interviewees were invited to participate in the study by the author, Focus staff, or by local partners. The author conducted field visits to SEZs in Cambodia (Sihanoukville and Phnom Penh) and Myanmar (Dawei) in July and August 2016, with document review and desktop research conducted both before and after fieldwork to supplement and build upon a range of prior research and broaden the study's empirical base.The Myanmar case study builds upon numerous earlier studies, and draws upon further primary data collection previously conducted by local civil society organisations.

Sixty respondents directly contributed to the study and hundreds of documents were reviewed. A total of 27 respondents were from Cambodia. Two focus group discussions were held with 15 workers (f=7, m=8) from Sihanoukville SEZ and Phnom Penh SEZs. In addition, semi-structured key informant interviews were conducted with three labour union representatives, seven Non Governmental Organisations (NGOs), two staff members from a government-related organisation, and one industry representative.[1] In Myanmar, there were 29 respondents. One focus group discussion was held with 12 respondents (m=11, f=1) from a village directly affected by the construction of the Dawei SEZ.[2] Nine interviews were held with NGO representatives, one with an industry representative, two officials from the Tanintharyi regional government, one advisor to the National League for Democracy (NLD) government, one academic based outside the country, one investment advisor, one former Thai Human Rights Commissioner, and one independent researcher.[3] Interviews were also held with four NGO representatives in Bangkok to address regional issues and to include respondents based outside Cambodia and Myanmar who had first-hand experience with either Cambodia and/or Myanmar's SEZs.

Aims and objectives of the research were explained to participants, including the voluntary nature of participation, and verbal consent to participate obtained, before focus groups and interviews. Due to the sensitivity of the topics discussed, potential impact on their work, and the poor and deteriorating conditions for human rights defenders in the region, respondents participated anonymously in the study.[4] Respondents were assured that any quotes attributed to them in the report would only be attributed to, for example, "a female worker in Sihanoukville SEZ", or "a male villager in Dawei SEZ affected area", or "a female NGO representative in Yangon" to protect their identity and minimise the risk of recriminations. A full de-identified list of respondents to the study can be found in the Appendix. A draft report was completed in December 2016 and circulated among respondents for feedback. Further consultations were held by Focus with partners and respondents in Myanmar, Cambodia, and Thailand in March, April, and May. Revisions were made during June and July 2017, and a final draft incorporating comments and feedback completed in July 2017.

Background

The Mekong

The Mekong is a region of remarkable cultural, ethnic, linguistic, and biological diversity, populated by some 330 million people from hundreds of ethnic groups. The region has been called Asia's "rice bowl" and its "fish basket" with approximately 80 percent of the population reliant on forestry, fisheries, or agriculture for their livelihoods at a subsistence or near-subsistence level, sustained by the Mekong river and its tributaries.

Since the end of the Cold War, concerted efforts have been made by various actors and institutions to support development of the region through industrialisation and economic integration.[5] One vehicle driving such efforts has been the Greater Mekong Subregion Economic Cooperation Program (GMS-ECP), established in 1992 by the six states in the region—Myanmar, Thailand, Cambodia, Laos, China, and Vietnam—with the support of the Asian Development Bank (ADB), a Japanese-led multilateral financial institution. The GMS-ECP is essentially an investment-promotion programme that seeks to establish favourable conditions for the private sector through multilateral investments in infrastructure, trade, and tourism across contiguous sub regions, with the aim of increasing employment, generating income, and reducing poverty.

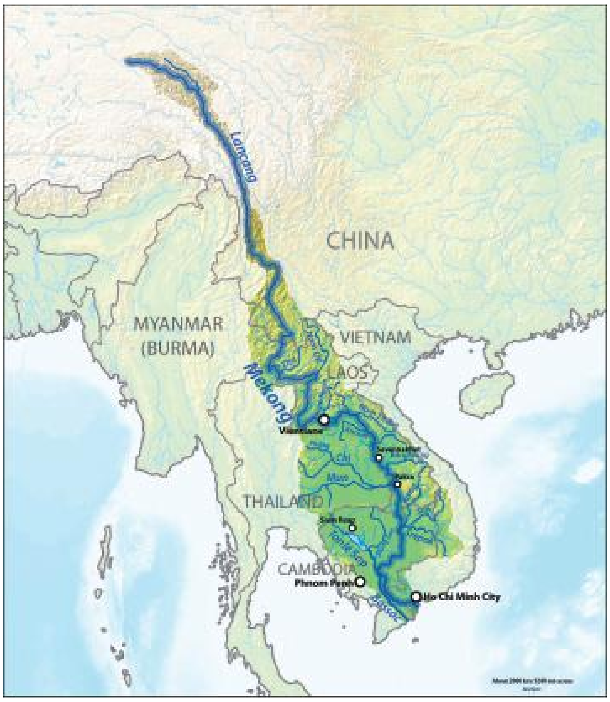

Figure 1: The Mekong Region (Demis Map Server)

Five of the six GMS-ECP (hereafter GMS) States are also members of the Association of Southeast Asian Nations (ASEAN). These are two highly complementary organisations which both aim to create a single market and production base in the Mekong region and Southeast Asia more broadly through the elimination of tariff and non-tariff barriers to intra-regional trade, and the integration of GMS economies into regional and global production networks and markets.

Figure 2: GMS "Economic Corridors" (ADB)

To this end, a range of trade-liberalisation agreements have been formalised, backed by significant investment in infrastructure, including roads, railways, ports, bridges, power stations, high-voltage transmission lines, and telecommunications. The ADB has supported these with $6.7 billion in investment loans and $124.9

million in technical assistance between 1992 and 2016,[6] but remains only one of several sources of finance for infrastructural investment in the GMS; this figure excluding private finance facilitated by the ADB. Indeed, the ADB's direct investment in infrastructure is increasingly dwarfed by other sources, which will be explored in Part 3. The adoption of an 'economic corridor' approach has been central to the ADB's aim of developing an enabling environment for private investment in trade and industry in the Mekong since 1998. These economic corridors are essentially trans-boundary infrastructure such as roads, railway, and power supply lines, bundled with other infrastructure including industrial estates and ports, which criss-cross the region to facilitate intra-regional transportation and trade.[7] Special economic zones have been developed as strategically placed 'nodes' on this developing network of infrastructure.

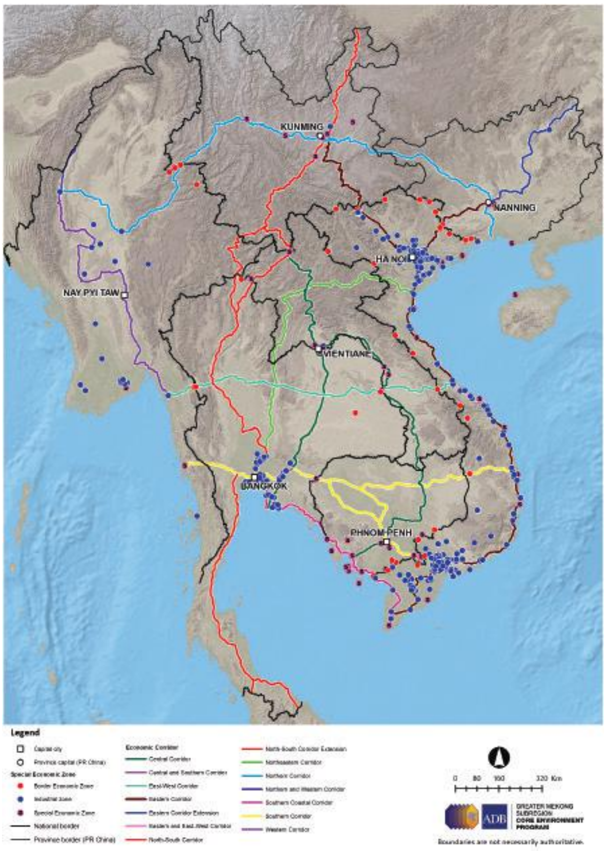

Figure 3: SEZs as "Nodes" on the Mekong's Economic Corridors (ADB)

Special Economic Zones

The term 'special economic zone' (SEZ) refers to an area within a national territory, and sometimes between territories, wherein special administrative rules apply. SEZs come in a variety of forms, including free ports, free trade zones, export processing zones, free industrial zones, and enterprise zones. Rules inside these zones are designed to be business- and investment-friendly, and which often involves bypassing or weakening labour and environmental protections, reducing tax and customs levies, and relaxing controls on the movement of goods and capital, with the aim of promoting or attracting different kinds of economic activities such as commerce or industrial production. SEZs are usually accompanied by a dedicated governance structure to administrate the territory, which may be centralised, decentralised, or a combination of the two, as is the case in Cambodia and Myanmar.[8]

SEZs have proliferated in recent years, from nine globally at the end of the 1960s, to 500 in 1995, snowballing to approximately 4300 in over 130 countries by 2015.[9] Over 68 million workers worldwide were employed in SEZs in 2007, according to the ILO; 40 million of whom were in China.[10] Some trace the history of SEZs back to free-trade zones in ancient Phoenicia, or European free ports in the twelfth century,[11] although others argue there to be a qualitative difference between these free ports and modern SEZs, and that such narratives serve to legitimise economic enclaves by presenting them as timeless practices.[12]

Figure 4: Number of SEZs Worldwide 1959-2015 (The Economist)

The crucial difference between modern and pre-modern zones are that free ports (ancient and modern) are designed to facilitate international trade though the suspension of customs duties and taxes, while many modern SEZs are principally designed as Export Processing Zones (EPZs) to encourage industrial production, primarily for export to international markets. In addition to a dedicated governance structure to administrate the territory, SEZs are also distinguished from other types of zones, such as industrial zones, by the extension of relaxed taxation and administrative regulations to investment arrangements, management practices, and labour laws.

The first modern SEZ is generally regarded to be Shannon Free Zone, established in Ireland in 1959, with Kandla SEZ in India the first in Asia (1965).[13] Taiwan established Kaohsiung EPZ in 1966 and South Korea established Masan EPZ in 1970.[14] Promoted in the 1970s by United Nations (UN) organs United Nations Industrial Development Organisation (UNIDO) and the United Nations Conference on Trade and Development (UNCTAD),[15] and by AMPO, an English language periodical published by Japan's Pacific Asia Resource Centre,[16] many more EPZs followed across Asia in the 1970s as countries in the region (e.g. Thailand, Malaysia, Sri Lanka, the Philippines) began to transition from import-substitution to export-oriented growth strategies to encourage industrialisation and development.[17] This transition reflected a worldwide trend in the 1970s and 80s towards promotion of global free trade, led primarily by the Global North, and spurred by neoliberal economic and political reforms undertaken domestically in the United Kingdom and United States.

Whereas in the 1950s and 1960s development was thought to largely depend on the state, which would promote modern industries over agriculture through direct ownership or protection and subsidies, free marketeers advocating privatisation and market incentives to spur growth later gained the upper hand.[18] Import-substitution protects national industries through trade restrictions, while export-promotion strategies incentivise manufacturers to produce for export through tariff and custom incentives.[19] A major attraction of SEZs was that they allowed countries to experiment with the latter without abandoning the former, serving as a tool that allowed states to carve out areas within their territory so that free-trade policies could be applied in relative isolation from the broader economy. The clearest example of this application of SEZs as an experimental tool for policy reform is that of Shenzhen SEZ, established by China in 1979 as part of its ‘open door’ policy. Four SEZs, including Shenzhen, opened doors to foreign companies to do business in China within demarcated areas, allowing the government to experiment with market-oriented reforms before rolling them out nationwide.[20] China has since recorded record levels of economic growth and industrialisation for various reasons, but the perceived success of Shenzhen SEZ has served as a siren call for policy makers in other countries keen to industrialise to mimic China’s model.

SEZs have now become a cornerstone of trade and investment policy for countries around the world, but particularly for developing countries seeking to integrate into global markets and attract labour-intensive manufacturing from multi-national corporations to drive domestic economic growth and development.[21] Core aims include to: i) Attract Foreign Direct Investment (FDI); ii) Create jobs; iii) Encourage industrial upgrading and diversification; and iv) Experiment with policy reform.[22] They also allow developing countries to: i) Support export-promotion objectives; ii) Generate foreign exchange; and iii) Encourage regional development.[23] From the perspective of transnational investors, commonly recognised attractions of SEZs include: i) Access to low-cost labour; ii) Preferential access to markets under international trade agreements; iii) Security of investment; and iv) Lowering costs of production to support home-market competitiveness and extend product life-cycles.[24] Oft cited criticisms include that SEZs may: i) Entail more costs (e.g., incentives, subsidies) than benefits; ii) Encourage a ‘race to the bottom’ in terms of environmental and labour protections,[25] and tax regulations;[26] iii) Decrease net contributions to social welfare from business; iv) Pay low wages, especially to women; v) Have poor occupational health and safety standards; and vi) Encourage reliance on labour intensive and low value-added activities.[27]

As a catalyst for industrialisation and economic growth, the EPZ model was a child of its time, which may be nearing its end. The model spread in an era of global trade liberalisation led by the United States and Western Europe, which facilitated the ‘second unbundling’ and the offshoring of production.[28] However, world trade is slowing and barriers to international trade are being lifted, manufacturing as a share of GDP is stabilising or shrinking, and market-oriented policies have been widely adopted by developing countries worldwide. As a result, SEZs have been subject to increasing scrutiny, even from organisations known for promoting them, such as the World Bank and ADB.[29] Introducing a World Bank study on SEZs, Thomas Farole notes that zones have a ‘mixed record of success’, with many investments in infrastructure resulting in ‘white elephants’, or instances in which industry has taken advantage of tax breaks without producing substantial employment or export earnings.[30] A more critical assessment of their present utility for promoting economic development has been drawn by the ADB’s Economic Research and Regional Cooperation Department. Following a comprehensive review of SEZs in Asia, they conclude:

> Special economic zones have a chequered history—a few have matched or exceeded expectations and contributed substantially to economy-wide development … [S] everal SEZs established in the 1970s and the 1980s were well suited for the times and truly catalytic. Others have remained enclaves but nevertheless have been sources of jobs, exports and GDP growth. Numerous others have failed—and as we close in on the present—successes have become fewer; no SEZ established since the turn of the century has come close to matching the performance of Shenzhen or of the zones set up in Taipei, China and in Malaysia in the 1970s. But hope springs eternal in spite of lengthening odds against the likelihood of a zone returning an adequate return on investment—policy makers continue to pin their hopes on the potentially galvanizing role of zones and, like venture capitalists the world over, believe that one outstanding success will compensate for a dozen failures.[31]

Such critical assessments of SEZs from erstwhile advocates notwithstanding, SEZs continue to be championed by various multilateral and government-related institutions, and are mushrooming across Southeast Asia. In part, this can be explained by their role as an element of a regional model that supports economic integration.[32] While accurate and up to date numbers are hard to come by, a 2007 ILO database on EPZs listed over 900 in Asia, accounting for 84 percent of total EPZ employment worldwide.[33] In the mid-2015, UNIDO reported a total of 47 SEZs (not including industrial parks) in Mekong countries (15 in Laos, 18 in Vietnam, 3 in Myanmar, and 11 in Cambodia); although this was an underestimate at the time and is already out-dated. Thailand announced the establishment of 10 SEZs in 2015, and the Japan External Trade Organisation (JETRO) listed 38 approved SEZs in Cambodia in mid-2016.[34] Laos also has also declared its intention to establish up to a total of 41 SEZs, and Vietnam recently announced plans for another three.[35]

Although most research on SEZs in Asia has focussed on newly industrialised economies such as China, Korea, and Taiwan, interest in SEZs in the Mekong is growing.[36] Critical studies have been emerging since 2012, led mainly by NGOs and academics documenting on-the-ground experiences of SEZs. Land grabbing and forced evictions,[37] environmental degradation,[38] adverse impacts on livelihoods, disproportionate impacts on women and ethnic minorities,[39] and exploitation of workers, plus harassment, intimidation, physical violence, arbitrary detention, abuses of fair trial rights, restrictions on freedoms of assembly, association and expression[40], have all been documented at zones in Myanmar, Thailand, and Laos.[41] Two recent studies on Myanmar and Cambodia's SEZs conducted by the International Growth Centre (IGC) and the ADB do not reflect such concerns, however.[42] Both worked within narrow parameters. The ADB's study on Cambodia's zones included primary data collection, but only with firms, managers, and operators invested in SEZs, while the IGC recommends that Myanmar develop SEZs based merely on an analysis of the country's secondary trade data. Both are one-sided and technical, bereft of engagement with those proximately affected by the zones: workers, labour unions, local communities, and civil society organisations. Zones are helping to reshape the political economy of the region, often with significant and adverse impacts on local communities, workers, and the environment.[43] Yet such costs are often obscured and treated as externalities, and crucial questions of political economy are left unasked. Who benefits and who suffers as a result of their development, and whom does such investment serve?

Two recent studies on SEZs in Myanmar by Oxfam and the International Commission of Jurists (ICJ) oppose this trend, exploring the social and environmental costs of the development of SEZs in Myanmar. Oxfam draws lessons from other SEZs in the region for Kyaukphyu SEZ, while the ICJ report presents a legal analysis of Myanmar's SEZ legislative framework based upon a case study of Kyaukphyu SEZ. Both highlight lack of transparency and accountability associated with Myanmar's SEZs, without which, according to Oxfam: 'SEZs are more likely to result in harmful environmental and social impacts and fail to deliver expected benefits, with local populations being the losers in such investments'.[44] As noted by the ICJ, several national and international laws and standards do apply to the development and operation of SEZs. States are obliged to follow the United Nations Guiding Principles on Development-Based Displacement and protect the rights of people who may be adversely affected by economic activities, including in the development of SEZs. International labour laws and standards as found in the United Nations International Covenant on Economic, Social, and Cultural Rights (ICESCR) and the International Labour Organisation (ILO) Conventions, such as workers' rights to freely organise, are binding on states and pertain to the operation of SEZs. While labour laws in Cambodia and Myanmar are often inconsistent with these standards, they nonetheless also apply in the zones, as do national land and environmental laws. In practice, however, these laws and standards are often not implemented effectively. In Myanmar, ICJ found that lack of clarity regarding the implementation of land, labour, and environmental laws in the zones has meant that legal principles have not been followed and accountability for rights violations is not clear, restricting access to redress. Moreover, they found that Myanmar's SEZs have been developed in the absence of meaningful consultation with local communities, many of whom have been forcibly relocated from their land with limited access to remedy.[45] Both the Oxfam and ICJ studies contribute to a growing body of evidence that SEZs are failing to serve the interests of the people most proximately affected by them. Incorporating a case study of Cambodia's SEZs and an analysis of various efforts to spur industrialisation and development in the region, the present study draws a similarly critical conclusion, further contributing to an emerging and increasingly negative perspective of the role that special economic zones are coming to play in the Mekong.

Dawei landscape (July 2017) Photo by Ridan Sun

PART 1. CAMBODIA'S SEZS

Background

Cambodia has been implementing reforms to encourage private sector development and attract Foreign Direct Investment (FDI) since the signing of the Paris Peace Accords in 1991, which marked the end of foreign occupation and civil war. The country has been given preferential access to world markets, holding the UN status of "Least Developed Country" since 1991, and has been a member of the Association of Southeast Asian Nations (ASEAN) and the World Trade Organisation (WTO) since 1999 and 2004 respectively. As a result, items produced for export have been given duty and quota free treatment by the EU, Canada, Australia, New Zealand, and Norway, with many items also eligible for such treatment by the US and Japan. Similar treatments have been extended by the Republic of Korea and China, while duty-free access to ASEAN's six founding members' markets is provided for under the ASEAN Integration System of Preferences (AISP). In the context of this international trade regime, former-Communist Cambodia has enthusiastically pursued export-oriented growth strategies, embracing the free market as the 'engine of economic growth and poverty reduction'.[46]

Cheap labour has been a major source of Cambodia's comparative advantage for many years, helping the country to attract FDI, which has grown as a percentage of Gross Domestic Product (GDP) to 80 percent, the highest in ASEAN by a wide margin. Government budgets have become heavily dependent on private sector investment. The government has targeted $26.8 billion in investments during the 2014-2018 period, 71 percent of

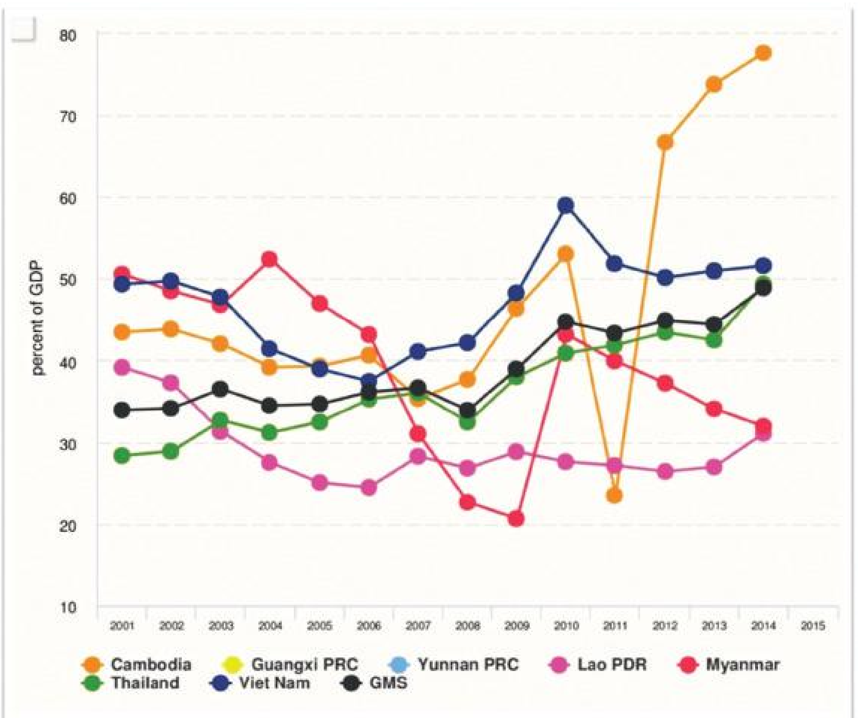

Figure 5: FDI as a % of GDP in the GMS (ADB)

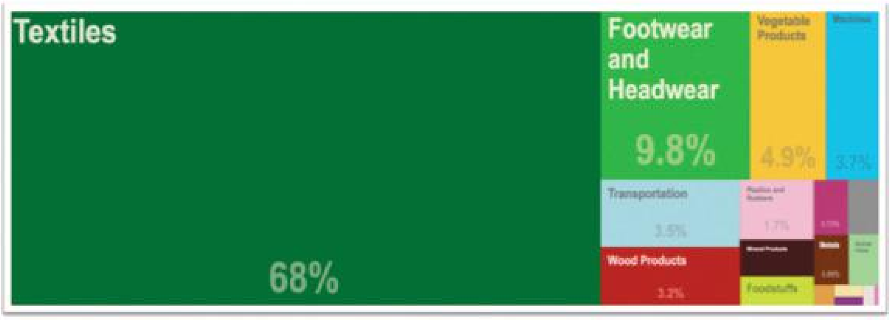

Figure 6: Cambodia's Exports (Observatory of Economic Complexity/ UN COMTRADE)

which must come from the local private sector, and half of that (49.9 percent) from foreign sources.[47] Coupled with its open investment regime and preferential treatment under international trade regulations, particularly with the United States (US) and European Union (EU), Cambodia's exports are now dominated by the garment and footwear industry, which accounted for approximately 80 percent of Cambodia's total export and foreign trade in 2014. The top export destinations were the US (22 percent), Germany (10 percent), the United Kingdom (10 percent), Japan (6.1percent), and Canada (5.9 percent).[48]

An open and liberal investment regime was established with the passing of the 1994 Law on Foreign Investment, entitling foreign investments to generous incentives including a low corporate income tax rate of 20 percent, up to nine years tax holiday, full duty exemptions, no exchange rate controls, no restrictions on repatriation of profits, no restrictions on investments in any sector, and no restrictions on company ownership.[49] The Cambodian Development Council (CDC) was established under the law and tasked with attracting and retaining private sector investment in the country.[50] The CDC is composed of senior ministers from related government agencies and chaired by the Prime Minister. Potential investors in Cambodia must obtain government approval as a Qualified Investment Project (QIP). Qualifying firms are granted certain benefits such as import and tax exemptions, as well as guarantees against discriminatory treatment as foreigners and against nationalisation of investments. Eligibility depends on certain minimum capital investment requirements and firms can locate either inside or outside SEZs and receive similar privileges. In addition to further exemptions from Value Added Tax (VAT) and special customs procedures, the main incentive for a firm to set up inside an SEZ is the hard and soft infrastructure established to support the zones.[51] This includes electricity and water provided by the SEZ developer, and the SEZ governance structure provided by the state.

Legislation and governance framework

SEZs have been prioritised by the government, used as a tool to encourage private sector investment and development and to integrate the Cambodian economy into the regional economy.[52] Zones have been developed since 2005, when the Cambodian Special Economic Zone Board (CSEZB) was established under the CDC and the SEZ Sub-Decree was passed.[53] This sub-decree currently governs the zones. The CDC website mentions that the Law on the Special Economic Zones was developed in 2008, but it has not yet been passed.[54] A key feature of Cambodian SEZs is that the government has left the establishment and management of the zones to the private sector (referred to here as the SEZ developer), mostly limiting its own involvement to the licencing process.[55] As of mid-2016 there were officially 14 SEZs in the country, although the Japan External Trade Organisation (JETRO) listed 38 approved SEZs at varying stages of development.[56] Eight are currently operating, including Phnom Penh SEZ, Sihanoukville SEZ, Manhattan SEZ, Koh Kong SEZ, and Poipet SEZ.

Figure 7: Cambodia

SEZ developers must possess more than 0.5km^2 of land, sufficient capital and the means to develop the infrastructure inside the zone, including land, roads, electricity, and water supply, and provide security to 'ensure good public order in the zone at all time.'[57] Potential SEZ developers must themselves be registered as a Qualified Investment Project (QIP) and request approval from the CSEZB. Land concessions may be provided to developers by the State for SEZs in isolated regions or border areas, but SEZ developers must otherwise own the land, which they lease to firms (referred to here as SEZ investors) along with a package of services.[58] The CSEZB is responsible for supervising SEZ operations and for establishing "One Stop Service Centres" (OSSCs) in each zone, housing representatives of all government ministries necessary to process all documentation required by firms for export, import, employment, and other regulatory matters. Zone developers pay the government for this service, and include it in service fees charged to SEZ investors. Issues that cannot be resolved by the on-site SEZ administration may be taken to the SEZ Trouble Shooting Committee, located within the CDC, which is mandated 'to receive any complaints, and find solutions to such complaints' filed by Zone developers or Zone investors, reporting directly to the Prime Minister (see Figure 16).[59] The law makes no mention of mechanisms for receiving and resolving complaints from local communities affected by the zones, nor from workers inside them.

SEZ developers commonly include prominent business tycoons with close ties to Cambodia's ruling party.[60] Phnom Penh SEZ is owned and managed by the SEZ developer Phnom Penh SEZ Co. Ltd., which is 78 percent Cambodian and 22 percent Japanese-owned. The Chairwoman of PPSEZ also chairs Poi Pet SEZ and SAHAS PPSEZ, the firm that

Figure 8:
Gates to PPSEZ
(Charlie Thame)

provides security to PPSEZ.[61] At least four Chinese companies entered into a joint venture with a Cambodian company, Cambodia International Investment Development Group Co. Ltd. (CIIDG), to establish Sihanoukville SEZ, with the backing of China's Ministry of Commerce.[62] CIIDG is chaired by the wife of a ruling party senator.[63] The couple also own Pheapimex company and their business practices and relationship with the ruling party have been the subject of media and NGOs' scrutiny.[64]

Phnom Penh SEZ

Phnom Penh SEZ (PPSEZ) was established in April 2006 with investments of $92 million on 3.52km^2 of land 18 kilometres outside Phnom Penh on the ADB's East-West Economic Corridor.[65] Designed and developed by the Japan Development Institute, construction of the first of three phases was completed in January 2008, with the other two phases completed in mid-2016.[66] SEZ investors are permitted to lease land from the SEZ developer on a 50-year renewable contract and are charged approximately $50 per square meter for industrial land, plus service fees to PPSEZ Company.[67] The zone is considered a success as it has attracted the highest number of investors among Cambodia's approved SEZs and is the leading destination for Japanese investment in the country. Approximately 16,000 workers were employed in the zone in 2016, which is managed by a Cambodian Chairwoman and Japanese CEO.[68] In addition to Cambodia's preferential access to regional and world markets, PPSEZ advertises its strategic location on the East-West Economic Corridor as a draw, because it provides easy access to Japan, Singapore, Thailand, and the rest of the GMS and ASEAN via ports in Ho Chi Minh City and Sihanoukville as well as cross-border links to Thailand. It also touts long-term renewable leases, a 'young and cost effective workforce,' and 'close coordination' with government

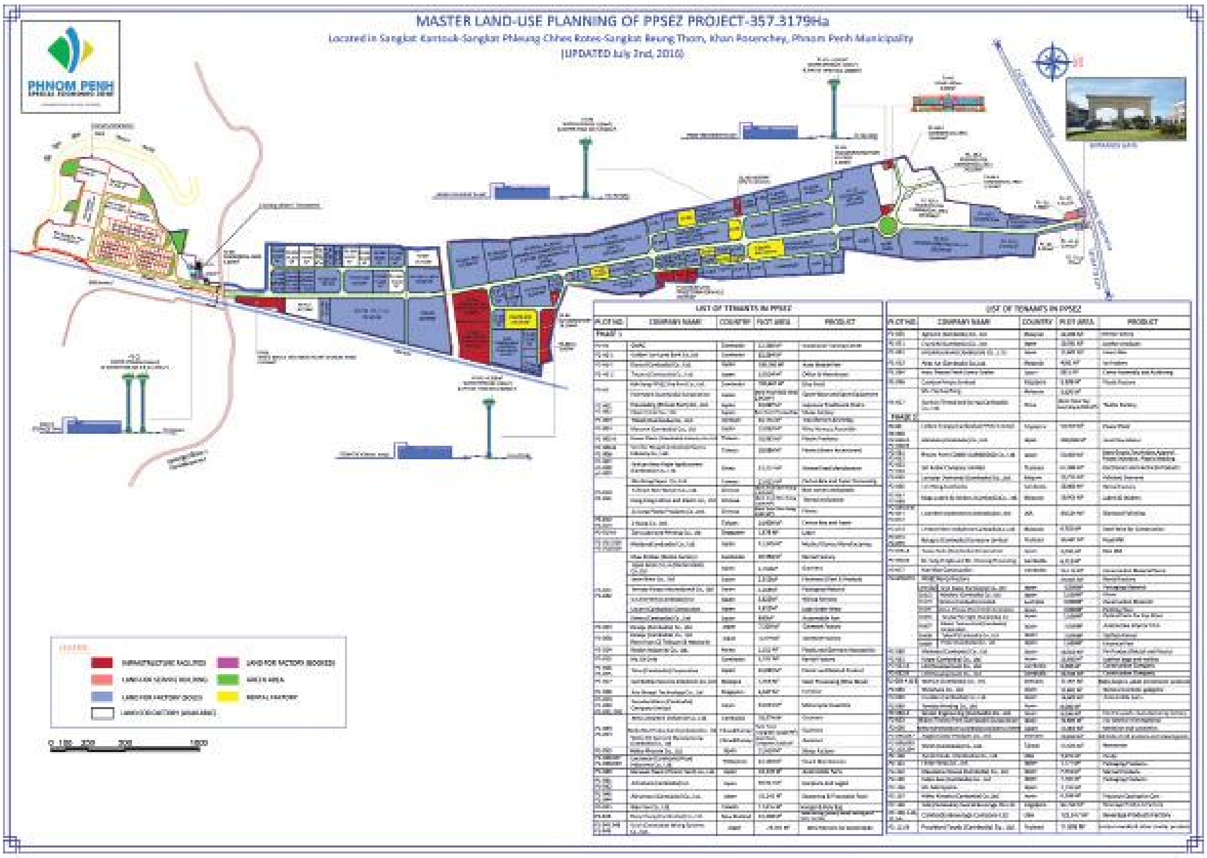

Figure 9: PPSEZ Plan (PPSEZ)

authorities to 'create a more investor-friendly environment' as incentives for firms that would invest.[69] In addition to garments and footwear exported worldwide, factories in the zone supply automobile parts for assembly of vehicles in Thailand and Japan (including Denso) and the agro-industry in Thailand (including Betagro). Coca-Cola and Yamaha also have factories, and the backlight on iPhones are produced in PPSEZ and supplied to Shenzhen.[70]

Figure 10: SSEZ Concept (Khmer Times)

Sihanoukville SEZ

Sihanoukville SEZ (SSEZ) is one of three SEZs in Sihanoukville, a coastal town in the southwest of Cambodia on the Gulf of Thailand boasting the country's only international sea port. It opened in May

2012 and is currently the largest SEZ in Cambodia; a total of 16.8km^2 was approved for development in 2008.[71] SSEZ firms employed between 6,000 and 13,000 workers as of late 2016, but 80-10,000 could be employed in the zone once all phases are complete.[72] A joint venture between a Chinese conglomerate and Cambodian company, SSEZ receives official support from both governments and has been subject to a bilateral agreement between China and Cambodia since 2012.

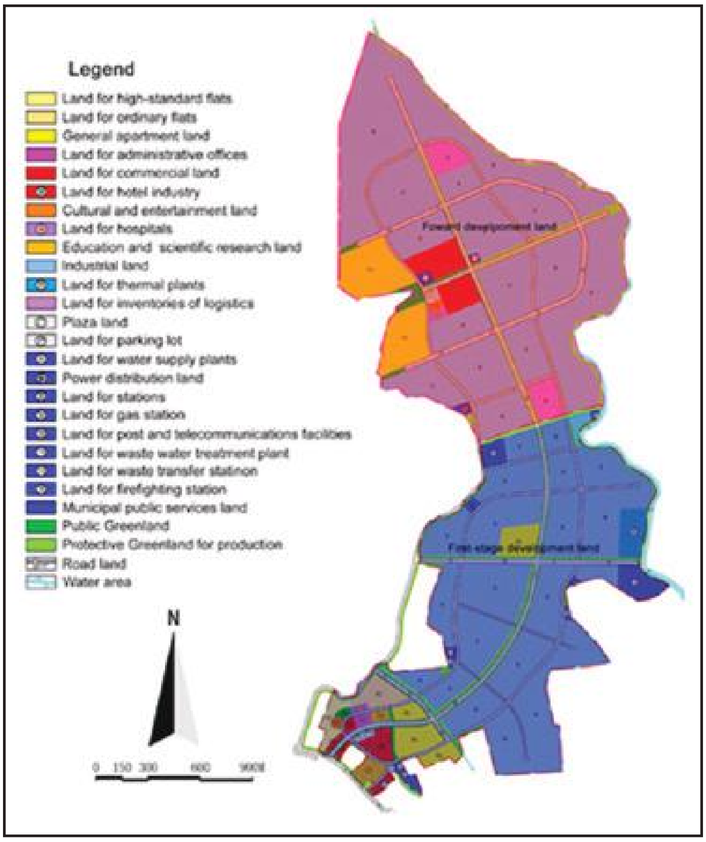

Figure 11: SSEZ Plan (SSEZ)

The zone was among the first batch of zones approved by China's Ministry of Commerce (MOFCOM) in 2006 under its Overseas Economic and Trade Cooperation Area (OETCA) zone promotion subsystem, through which MOFCOM exports the Chinese development zone or industrial park model.[73] The SEZ developer's vision is for the zone to become 'Cambodia's Shenzhen' and it is a key model for China's One Belt One Road (OBOR) scheme and Maritime Silk Road.[74] It is also promoted as an "investment and trading platform especially for Chinese enterprises to extend their business in ASEAN and all over the world."[75] Developers planned to invest \$3 billion between 2008 and 2015, and anticipated an annual export trade of \$2 billion by 2015. As of June 2016, 100 companies were operating in the zone with total investments of \$280 million.[76]

Conditions for workers in Cambodia

While incentives for businesses to invest in Cambodia are generous, conditions in Cambodia's manufacturing industry are notoriously poor and labour protections weak, and often simply not enforced. Following nationwide protests that turned violent and deadly, for workers, Cambodia's minimum wage was increased from \$US61 in early 2013 to \$140/month in 2016. Yet Cambodia's Ministry of Planning has estimated workers in the garment sector need at least \$157 for a living wage, while research conducted by a Cambodian union concluded \$177 was needed by those residing in Phnom Penh.[77] As well as low pay, several reports on the garment sector have documented ways in which the widespread use of short-term fixed duration contracts nationwide are used to exploit workers and prevent them from asserting their rights.[78] This has enabled oppressive practices in Cambodia's factories to restrict fundamental rights to freedom of association and collective bargaining; force overtime; restrict holidays; deny the right to maternity leave; dismiss pregnant workers; force quotas, resulting in mass faintings.[79] Coupled with unscrupulous employers and violent and sometimes deadly military crackdowns on worker protests, these conditions conspire to enthral many Cambodian workers in a situation that some call modern day slavery (see Box 1).

Restrictions on Cambodian Workers

'People are put into modern day slavery with two handcuffs and one weapon behind.

The first handcuff is the short-term contracts. With these you have to accept any condition the employer wants you to be in. You have the hot, stuffy environment in the factory, and if you complain the contract will not be renewed. If you are not healthy, you want to go home, you cannot say no to overtime. You want to take care of your kids? You cannot. You don't want to travel with the crowded trucks but you have to accept, because your job security is not there. A contract term is just two months, or three months. Even when the female worker is pregnant, you are worried about your job security, so you cannot maintain your pregnancy, you have to force yourself to get an abortion. You look at the age of the female workers: they are at reproductive age. A new report, from The Guardian, tells about female workers and unsafe abortion: they drink the herbal medicines to force a miscarriage. Of the 10 people who do it, only one will tell us. The others stay silent. You have to accept any condition. That is one handcuff.

Another handcuff is low wages. In principle you need enough income to survive. But your only way as a worker to get extra income is overtime—not corruption, not bribes—only working overtime. But when you are unwell, or do not want to work, you cannot reject overtime, because if you reject it, your monthly income will not be enough. You have to take care of your children, or pay the neighbour to take care of the kids. So you have to accept. The law says people are required to work eight hours, with a guaranteed minimum wage which guarantees decent living conditions with human dignity. But no workers work that: they work ten, twelve, or fourteen hour days, sometimes Monday to Sunday.

When you stand up, to demand higher wage, better working conditions, you are going to face the weapon behind you. Either violence or criminal prosecution. You will face violent crackdowns: the shooting of three workers in the Puma supply chain in 2012, or the five garment workers shot dead in January when twenty three others were arrested. Or people will face criminalisation. All the prominent union leaders have been charged and convicted for inciting workers to go on strike and destroying peoples' property. But organising is the job of union leaders. All those leaders are put under court supervision: they cannot meet workers in public, to mobilise the workers, or to organise a strike.

As long as your fundamental rights are oppressed, it is hard to expect change.'

A2. NGO Representative. Male. Phnom Penh. August 2016.

Box 1: Restrictions on Cambodian Workers

The same rules pertaining to minimum wages and contracts apply to both inside and outside the zones, and working conditions appear to depend more on employers than on whether or not firms are located within SEZs. Surprisingly, in some cases working conditions inside SEZs were reported to be better than outside, although they vary considerably between SEZs and between employers. Although often poor, conditions in PPSEZ were still considered better than in rural SEZs such as SSEZ, with those located in border areas reported to beeven worse. Notably, workers and union leaders viewed Japanese firms more favourably than Chinese ones, with the former providing better pay, conditions, and benefits to workers.[80] This perception also applied to larger firms producing goods for internationally recognised brands.[81] A union leader cited canteens provided by Japanese employers, and several workers at one Japanese firm were complimentary about their supervisor, who was responsive to workers' concerns.[82] However, workers employed by Chinese firms in SSEZ producing non-branded generic textiles reported a much more authoritarian management style, with one recounting physical abuse in retaliation for challenging what they considered an unfair dismissal of ten co-workers: 'The supervisor said they were not happy with me, and pushed me out of the office. I told them they had to respect the law. He pushed me to the corner and pushed my head against the wall. One other guy pushed me onto the floor. Another came to kick me.'[83]

Like frogs in a well

Officially, national labour laws apply in Cambodia's SEZs.[84] Nonetheless, it seems this may have been a concession to placate international stakeholders such as the ILO and import countries including the US and EU,[85] and workers face significant restrictions asserting their rights in practice. The 2005 SEZ Sub-decree affirms that the rights and protections contained in Cambodia's Constitution apply in the zones.[86] The Constitution enshrines the right for all citizens to form and be members of trade unions (Art.36), a right also recognised in the UN's ICESR (Art.8) and International Covenant on Civil and Political Rights (ICCPR) (Art.22) as part of the right to freedom of association. Both the ICESR and ICCPR are directly incorporated into Cambodian domestic law by virtue of being ratified by Cambodia in 1992, with such incorporation confirmed by a decision of the Constitutional Council dated 10 July 2007, which stated that 'international conventions that Cambodia has recognized' form part of Cambodian law. The right to freedom of association is also protected by the ILO Freedom of Association and Protection of the Right to Organise Convention (No. 87), which Cambodia ratified in 1999. Art.8(d) of the ICESCR also protects the right to strike.[87] Regardless, rights to freedom of association and collective bargaining are severely constrained in the zones. A civil society source consulted by lawmakers in the planning stages of the 2005 SEZ Act reportedly claimed that lawyers 'were approached by the Ministry of Commerce for technical advice and one of the things was, "well, how can we make the zones union free?"'[88] This was supported by an NGO respondent: 'the government was attempting to propose a new law that would only cover the SEZ, so that labour law would not apply in the zone. The draft law was too bad. There was no right to organise, to collective bargaining, and to strike. We opposed it and the ILO supported us. The government also came under pressure from the US, the EU, and other import countries to cancel the plan.'[89]

Despite omitting such restrictions from legislation it appears tacit agreements may have been made between SEZ management and SEZ firms that zones would remain union- and strike-free. In a survey conducted for the ADB, SEZ firms reported labour costs, labour relations, and "especially freedom from strikes" as key factors influencing their decisions to invest in zones.[90] All union representatives we spoke to reported challenges in communicating with workers, often prevented from entering SEZs by security staff.[91] One union representative told us that employers in the zones "were more aggressive than normal" and "have strong backup'. They explained: "When organising a single factory outside the zone, normally we are only challenging one owner. But in the zone we have two opponents. The factory owner and the one that owns the zone [i.e., the SEZ developer], so it is difficult to negotiate or campaign'.[92] Moreover, workers inside SEZs were "definitely more timid," according to one Civil Society Organisation (CSO) member, who reported: "There is clear communication to them: "Do not speak to outsiders, beware of unions, don't let them come in here and organise." They claimed that employers "deliberately instil a culture of fear to keep unions and activists out," surmising, 'It's all about protecting their investments.'[93] As a result, another told us: "Most workers in SSEZ do not seem to know what are their rights in the workplace: about dignity, advocacy, and safe working conditions. They are like frogs in a well."[94]

Obstacles to dispute resolution

Another respondent reported they considered the main difference between inside and outside the zone was that it was harder to ensure that businesses would act responsibly inside SEZs due to even weaker enforcement mechanisms than outside. They claimed that factories inside SEZs have 'gang protection' from zone owners, explaining:

> Whether investors are foreigners or locals, they have links with high ranking officials. So the factories inside the zone don't care [about breaking the law]. According to the law, every business needs to apply for an environmental permit. But some factories inside the zone do not. We have found in some zones they don't care about the environment. [According to the law] a single factory needs to apply for an environmental permit for waste disposal, liquid and solid. But some factories in the zones just don't care; they just rely on the zone [management]. The waste disposal, the water treatment, even the legal documents on environmental protection, they don't care.[95]

When we asked if government authorities listened and responded to investors' concerns, a respondent from an organisation providing advice to Japanese investors told us: "We have bi-annual meetings with the government. All the Japanese join. We have an agenda, such as reducing the customs fees and under-the-table costs, which are very high. The government considers [the issues] and give us a reply. This happens twice a year. The Cambodian government is very kind."[96] SEZ firms also reported regular meetings with SEZ administration within the zones, on average of six per year.[97] However, the government is not so responsive to workers in SEZs. A union representative told us that letters regarding issues such as unfair dismissals were supposed to be submitted to labour inspectors posted inside the zones but that they were physically blocked from doing so, only able to deliver them to security guards at the gates to the SEZ. They added: 'if they reject the notice, we cannot submit the letter.'[98] Those who did manage to submit complaints reported that authorities had little interest in addressing them, and believed officials cared more about SEZ investors than Cambodian workers:' When we lodge a complaint with the authorities, it seems they don't care about who made the mistake, they just stay silent and say something to protect the company, not the victim.'[99] When asked if the government listened to their concerns a worker told us: "The zone has a representative from the Ministry of Labour who facilitates the [dispute] conciliation process. However, when I take a case to him he makes it easy for the Chinese manager to speak, he gives them lots of opportunities, but not to us to share our concerns."[100] A union representative told us that even after time-consuming and costly conciliation and arbitration processes, SEZ firms sometimes simply ignored rulings. They added: "The government's role is to protect their people based on labour legislation. But they just want to help the rich get richer so they can get income."[101] The SSEZ website advertises the support it receives from local government, citing the provincial governor as follows:

> The Sihanouk government is the powerful supporter of the SSEZ and the SSEZ Company can communicate with the government frequently. If the SSEZ Company has the difficulties during the construction of the SSEZ, the government will make efforts to solving these problems, including illegal worker strikes. If the strike or parade spread to the Sihanouk, the government will conduct a correct guidance and help the SSEZ Company to take the precaution measures positively[sic].[102]

A worker commented:

> We are Cambodian. The government should support us since this is Cambodia, so why do they support the investors? I feel they are corrupted; they don't care about the [Cambodian] people. They never give fairness in the conciliation process: They care 99 percent for the Chinese manager and one percent about us. It was really hurtful when I joined the negotiation process. Looking at the [other] workers waiting for our help. Seeing the Cambodian people under exploitation, it really hurt.[103]

Restrictions on organising

In addition to restricting union access to zones, several workers reported restrictions on workers organising. Freedom of assembly and expression (such as protests) are both freedom of association issues, officially protected under the Cambodian Constitution and the ICCPR, but routinely blocked in practice. One worker told us: "Some factories move into the SEZ because they have the protection. They can stop the workers' contracts, and dismiss workers without informing them. If the worker wants to do something, the factory owner can control it. It's easy for them; they have security in the zone and military support."[104] Another alleged: "One of the local union leaders was beaten by the soldiers, given electric shocks, and had drugs placed in his motorbike. This is how they threaten the workers not to establish unions in SEZs."[105] Another explained security inside and outside factories left workers in a catch-22 situation: "To hold demonstrations [in the SEZ] is not allowed. When we want to do something inside the factory the [zone] security won't let us. So we have to do it outside the factory. They will call the military to stop us demonstrating outside the factory and force us back inside."[106]

Although workers are not allowed to organise, it appears that employers and management committees do. One union representative told us: "[Members of the garment industry association] seem to have a tight agreement to not pay more than the minimum wage. Several years ago, when workers were negotiating for pay increases, employers were telling the workers that they were not allowed to pay the workers any more."[107] Another alleged: 'There are secretaries[108] inside Sihanoukville SEZ, informal ones. They seem to represent a group of employers and they work against the trade unions.'[109] Two workers in SSEZ told us: 'Inside the SEZ they have a big building that they can call all the owners from the factories together and discuss how to break the union solidarity. When they hear there will be action, they discuss how to break it. They hear and intervene quickly; it makes other workers scared and stops them from following. Workers have seen that we have been dismissed, and it makes people scared.'[110]

Workers dismissed by one employer may be blacklisted, preventing them from working for other firms. One worker told us: 'The factory owner dismissed me and shared my photo inside the SEZ, it made it very hard for me to find a job.'[111] Another reported: 'When I applied for work in another factory, I spoke to the Chinese who controls the list of people. I saw my photo on their computer screen. I asked why they had my picture, and they asked if I was a member of the union. They said they didn't want people to work for them who had been posted in the "control system"'.[112] Said another: 'When I drive into the SEZ on my motorbike the guard will call and follow us and ask why we are coming here. Actually the photos of all of us [involved with the union] have been stuck on the wall in the security guard's office and they will stop us coming in.'[113] The SSEZ website mentions that a platform for communication between employers in the zone was created in 2014 to help provide 'opportunities for companies to communicate with each other, share information and develop together.'[114] One aim of this is to: 'Strengthen the development of platform to encourage the information share such as some practical experience to improve the management abilities, efficiency and benefits [sic].'[115] An industry representative dismissed workers' claims when asked to comment, stating: '[Union] blacklisting is a convenient excuse. We are subject to ILO monitoring, even if we were to say the Ministry of Labour are unwilling or incompetent, the ILO are not; they can still act. What you are hearing, there is no proof to substantiate it.'[116]

Cambodia's corporate—military nexus

When workers have managed to mobilise to strike or protest for wage increases, the military has been called in. One told us:

> We used to demand wage increases. They put the containers in front of the SEZ and beat the workers. It happened in 2013. They closed the gate. When something happens inside, they put the container to block the road; the workers inside cannot run away. And then the military police or security have big muscles, and we are very small. Sometimes they use guns.[117]

A union leader confirmed that PPSEZ workers demanding wage increases from $90/month during nationwide strikes in December 2013- January 2014 were suppressed by the military: 'Four or five were shot dead, and 20 went missing.'[118] An NGO representative alleged that the military had been called in by PPSEZ management: 'We didn't get the same hard evidence as we did from the Korean Embassy, they were almost bragging, the Japanese were a little more discrete.'[119] The use of violence against protesting workers is not an isolated incident in Cambodia's SEZs. Three workers were allegedly shot by the City Governor in 2012 during minimum wage protests at Manhattan SEZ in Bavet. He was summoned, but was not prosecuted.[120]

Figure 12: "Go to Work Happily": Sign in SSEZ (Charlie Thame)

Workers in Phnom Penh SEZ believed that the military were deployed to the zone because of links between the SEZ developer and the government. It is not uncommon in Cambodia for prominent business persons to develop close relationships with the ruling party. Sometimes these relationships may be formalised, and justified in terms of facilitating closer cooperation between the private sector and government in Cambodia's national interest. For example, the title "Okhna" is traditional status of nobility bestowed by the King and resurrected by a government sub-decree in 1994. Around 20 business people bore the title in 2004, their number ballooning to more than 700 in 2014.[121] A donation of $100,000 must be made to acquire the title, along with a commitment to direct wealth towards the public good.[122] Following a sub-decree in February 2010, Okhnas have been encouraged to make financial donations to Cambodian military units.[123] Critics argue that awarding the honorific is part of an 'elite pact' between businesses and the ruling party,[124] and that the 2010 sub-decree merely formalised long-established relationships between Cambodia's military and business tycoons, officially sanctioning a 'guns-for-hire' scenario 'where businesses get military protection in return for financial backing.'[125] The 42 official partnerships announced in 2010 reportedly rose to more than 100 by 2015, including foreign firms such as China's Unite Group, which is a sponsor of the Prime Minister's Bodyguard Unit.[126]

Figure 13: Military Base Adjacent to PPSEZ (Charlie Thame)

Whereas military support for PPSEZ remains implicit, SSEZ's security—from its own workers—is touted as one of its major selling points to potential SEZ investors. The list of 42 sponsors in the original sub-decree named the local partners of SSEZ and Koh Kong SEZ,[127] and SSEZ management advertises the support the zone receives from elite units of the Cambodian military on its website. During the nationwide strikes in 2013-2014, a unit of Cambodia's National Counter Terrorism Special Forces (NCTF) was deployed to the zone, led by the NCTF's Chief of Staff, who was quoted by SSEZ as saying: 'It's one of [our] most important tasks to take responsibility for the stability and harmony of all the SEZs in Cambodia … and to eliminate signs of unrest initiatives.'[128] The SSEZ website boasts: 'Due to the security and stability supplied from Cambodian government, SSEZ didn't receive any impact during the nationwide strike at the beginning of this year', adding the Prime Minister: 'Inaugurated SSEZ to provide the powerful political security for the better and faster development.'[129]

Cambodia's corporate-political nexus

Cambodia is perceived as the most corrupt country in Southeast Asia, having dropped behind Myanmar in Transparency International's Corruption Perception Index in 2015.[130] According to the World Bank, Cambodia is also amongst the worst in the world (12.5 percentile rank) in its control of corruption.[131] This index captures perceptions of the 'extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.'[132] Administrative corruption is the type most people are likely to be acquainted with, referring to the selective implementation of existing laws and regulations by officials to provide benefits to a party as a result of illicit payments to public officials. This includes extortion and/or 'grease payments' to gain licenses, be given preferential treatment, or to expedite delivery of public services. State capture, on the other hand,

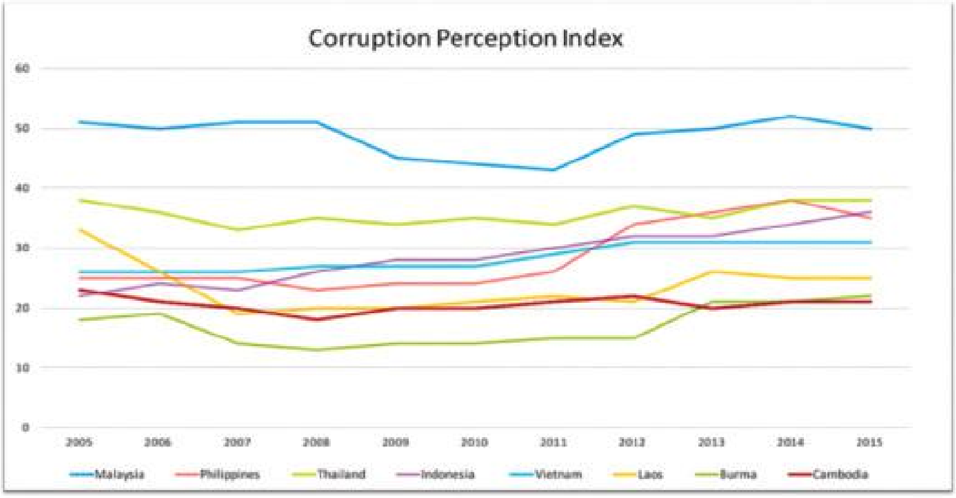

Figure 14: Corruption Perception Index: Southeast Asia (Chan Vincent/ The Cambodia Times/Transparency International)

is essentially a form of systemic political corruption whereby private firms or individuals exert undue influence on a state to shape its legal and regulatory framework to their own advantage. Coined by the World Bank in the 2000s, it describes a situation common in post-Communist 'transition' economies whereby preferential treatment for particular individuals or groups is essentially woven into the basic institutional framework of the state.[133] Both forms of corruption are distinguished from other forms of influence by the mechanisms through which private interests interact with the state. While lobbying is considered a legitimate part of the democratic process, in most mature democracies it is regulated for transparency and accountability. State capture, on the other hand, occurs when individuals, groups, or firms unduly influence the formation of government policy to their own advantage as a result of the' 'illicit and non-transparent provision of private benefits to public officials."[134] These benefits may be conveyed through opaque financial transactions, such as deposits into offshore bank accounts; but also when the boundaries between the political and business interests of state officials are blurred: when an official has an undeclared stake in a company over which they exert regulatory authority, for example.

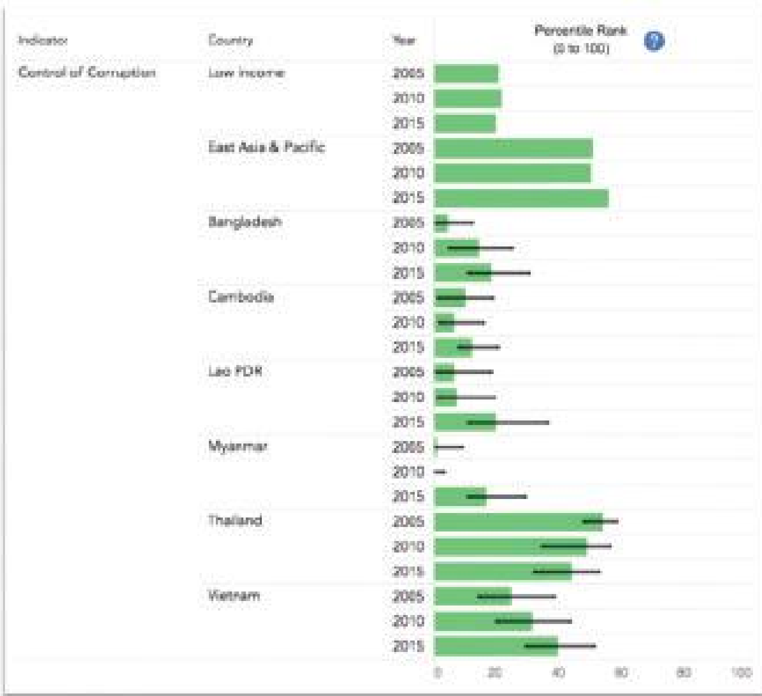

Figure 15: Control of Corruption in the Region (World Bank Governance Indicators)

The issue of corruption related to SEZs is well established. In the 1990s, SEZs in Kazakhstan had to be scrapped due to corruption and rent-seeking.[135] A 2014 ILO study estimated 10 percent of Cambodia's GDP is lost annually to corruption nationwide.[136] Given that over a quarter of Cambodia's total exports (26.6 percent), with a value of $1.2 billion, were produced in SEZs in 2015, there are significant financial incentives for corruption in the governance and administration of Cambodia's SEZs.[137] According to the ADB, Cambodia's SEZs are 'not corruption-free', with SEZ firms reporting 'additional payments and "gifts" are demanded by government officials in most interactions.'[138] A CSO respondent linked this to the problem of low wages; gauging that eliminating corruption would mean that the minimum wage could be more or less be doubled, based on the ILO estimate.[139]

The World Bank suggests anti-corruption efforts should include scrutiny of the internal organisation of the political and bureaucratic system,and addressing structural factors enabling corruption, such as ensuring there are adequate institutional restraints on state officials and limiting their discretionary power to intervene in the economy.[140] In Cambodia, however, the governance of SEZs and all foreign investmentis highly centralised. SEZs are governed by the Cambodian Special Economic Zone Board (CSEZB), which is located within the Council for the Development of Cambodia (CDC). The latter reviews all investment applications nationwide, while the CSEZB reviews those for SEZs. Both are chaired by the Prime Minister, to whom the SEZ Trouble Shooting Committee reports directly, giving him and his council members significant power over Cambodia's investment decisions and authority over their governance. At the operational level, One Stop Service Centres (OOSC) are established in the zones. These are a common feature of SEZs worldwide and may have been promoted by the World Bank. Allowing SEZ investors to obtain all necessary paperwork quickly and onsite, they are promoted as an efficiency tool and a way of undermining petty corruption from government officials looking for 'under-the-table' money.[141] Rather than being devolved to local authorities, the administration of these OOSCs also remains highly centralised under the CDC. Local sources reported that they do not work well and do not necessarily prevent corruption, suggesting that their impact may instead be to refocus rather than reduce it.[142]

The opaque nature of channels of access between state captors and public officials means that illicit activity is notoriously hard to prove. Nonetheless, an independent and effective judiciary, a civil service with monetised, adequate pay, effective implementation of conflict of interest and asset declaration rules, and a strong political opposition and vibrant civil society to hold officials to account, are all recognised as crucial key tools in the fight against corruption.[143] Cambodia, however, was ranked 112 out of 113 for rule of law by the World Justice Project in 2016[144], and public sector pay is low and 'does not adequately support civil servants' daily living requirements'.[145] A few days after criticising the unusual wealth of the Prime Minister and his family, and calling for greater transparency following the publication of a report from an international NGO that explored their business interests, an outspoken Cambodian political analyst was murdered in broad daylight in the capital, Phnom Penh. Meanwhile, Cambodia's opposition party leader has been living in exile since 2015, and local civil society is facing an increasingly restrictive environment.[146] While at least one official at the CDC has been prosecuted for soliciting bribes, conditions in Cambodia are not currently conducive for addressing the risk of corruption at higher levels of government.[147]

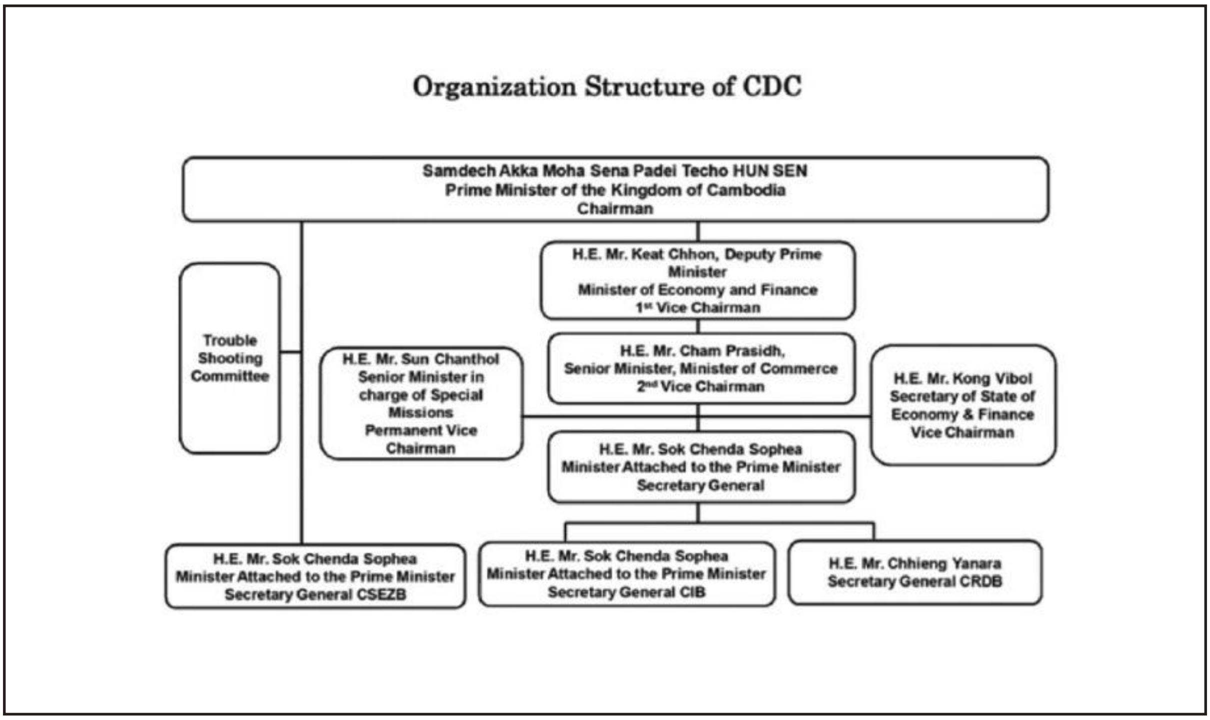

Figure 16: Organisational Structure of Cambodia's CDC (CDC)

Dawei small port (July 2017) Photo by Ridan Sun