

# Everything but Democracy and Human Rights: EU Conditionality in Cambodia

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Effectiveness of EU Conditionality as a Mechanism to Promote Democracy and Human Rights  
in Cambodia in the Context of the Everything but Arms Agreement Withdrawal.

A Thesis in partial fulfilment for the Degree of Master of Arts in European Union Studies

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## Abstract

Development assistance is a vital feature of the international system in the pursuit of a better world for all. The European Union (EU) and its Member States form one of the world's largest development aid donor body's, particularly in the championing of the values of democracy, human rights and rule of law. The effectiveness of aid has been a central theme in development studies for a number of years with research producing mixed results. Aid effectiveness is reliant on a number of interlacing and fragile factors, therefore how development aid is delivered and what forms it takes is important.

Conditionality has been used as mechanism to help achieve better standards of these values through aid, particularly through the EU's Aid for Trade (AfT) agreements such as the Everything but Arms Agreement (EBA). The EBA is a preferential trade scheme that supports Least Developed Countries (LDCs) in becoming economically self-sustainable through increased capacity and access to the global trading system.

This thesis uses Cambodia as a case study to investigate whether the EU has been effective at promoting the values of democracy and human rights through the use of conditionality. The question will be examined in light of the 2018 Cambodia Election, after which the EU launched the procedure to withdraw the EBA from Cambodia based on "serious and systemic violations of democratic and human rights principles" (*European Commission, 2019*). The research aims to answer the question of whether the EU has been effective in its promotion of democracy and human rights and whether it's appropriate to attach these kinds of conditions to aid in a cross-cultural context, as well as investigating the relationship between preferential trade agreements and democracy and human rights.

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## List of Acronyms

AfT – Aid for Trade  
CDRI – Cambodia Development Resource Institute  
CPP – Cambodian People’s Party  
CSDGs- Cambodia Sustainable Development Goals  
CSOs – Civil Society Organisation  
EBA – Everything but Arms Agreement  
EC – European Commission  
ECCC – Extraordinary Chambers in the Courts of Cambodia  
EU – European Union  
FUNCINPEC - Front Uni National pour un Camodge Indèpendent Neuture Pacifique et Coopèratif  
GDP – Gross Domestic Product  
IFI –International Financial Institution  
ILO – International Labour Organisation  
LDC – Least Developed Country  
MDGs – Millennium Development Goals  
MFF – Multiannual Financial Framework  
MoU – Memorandum of Understanding  
NGOs – Non-Governmental Organisation  
NSDP – National Strategic Development Plan  
ODA – Official Development Assistance  
RGC – Royal Government of Cambodia  
SDGs- Sustainable Development Goals  
UN – United Nations  
UNTAC – United Nations Transitional Authority to Cambodia  
US – United States of America  
WTO – World Trade Organisation

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**Participant 1:** Government Official

**Participant 2:** NGO

**Participant 3:** Development Researcher

**Participant 4:** International Political Institution

**Participant 5:** NGO

**Participant 6:** CSO

**Participant 7:** CSO

**Participant 8:** International Economic Institution

**Participant 9:** NGO

**Participant 10:** NGO

**Participant 11:** NGO

**Participant 12:** Government Official

**Participant 13:** NGO

**Participant 14:** NGO (Not Cited)

**Participant 15:** NGO (Not Cited)

## 1. Introduction

The effectiveness of conditionality as a mechanism to promote democracy and human rights in developing states has been a debatable concept in aid policy. This is particularly relevant in the case of Aid for Trade (AfT), a relatively new initiative formalised by the World Trade Organisation (WTO) in 2005. AfT comes in the form of preferential trade agreements in order to support and increase the exports of Least Developed Countries (LDCs), in turn stimulating economic and social development through increased capacity and access to the global trading system (*wto.org, 2019*). The effectiveness of aid in the sustainable stimulation of development is reliant on a number of interlacing and fragile factors. Therefore, it is important how development aid is delivered and what forms it takes. The European Union (EU) and its Member States are one of the world's largest Official Development Assistance (ODA) donors and a contemporary defender of normative values. They have been a world leader in the use of conditionality to promote the values of democracy and human rights through aid, particularly in AfT. The research question for this thesis asks whether the EU has been effective at promoting the values of democracy and human rights through the use of conditionality in their AfT programmes and whether it is appropriate to attach these kinds of conditions to aid in a cross cultural context.

Using Cambodia as a case study, this research investigates the effectiveness of EU conditionality in the promotion of the normative values of democracy and human rights in autocratic states. This is examined during the timeframe of the 2018 Cambodian Election, after which the EU launched the procedure to withdraw their preferential trade agreement, the Everything but Arms Agreement (EBA) with Cambodia in February 2019. This was based on claims of “serious and systemic violations of democratic and human rights principles” (*European Commission, 2019*). The EBA withdrawal in this case, is an example of EU conditionality as being practiced through their AfT programmes. The research question for this study is:

*How effective is EU conditionality as a mechanism to promote democracy and human rights in Cambodia though the context of the Everything but Arms Agreement withdrawal?*



This research will contribute to and extend on existing literature, examining the questions surrounding aid effectiveness and conditionality in the light of contemporary Cambodian politics. A contextual review is necessary to define Cambodia's history, its relationship with the EU, and a description of the EU/Cambodia aid and trade partnerships. This chapter also highlights current events that help to put the research question into context. The literature review chapter helps to explain the deeply seated problems in aid and its often contradictory nature, not just in Cambodia but in many aid recipient countries around the world. It also discusses, potential solutions to these problems as identified through literature on the topic of aid effectiveness. This helps to illustrate how and why Cambodia is in the position it is in now, in terms of its dependency on grant and loan based aid, and AfT agreements such as the EBA. This is relevant to recommendations made in this research on how to increase effectiveness of aid to Cambodia.

The conceptual framework outlines how aid conditionality is used as a tool to promote normative principles, as well as outlining the pre-established debate around the effectiveness of conditionality at promoting democracy and development. The conceptual framework builds upon the effectiveness argument, as outlined in the literature review, and explains how conditionality is used in practice by the EU. This chapter will apply theory to the context of the withdrawal of the EBA in Cambodia.

The findings and discussion chapter contributes to answering the research question through the application of qualitative analysis to primary data gathered through interviews with local and international Non-Governmental Organisations (NGOs), Civil Society Organisations (CSOs), international economic and political institutions, and government officials. The research sub questions are directly addressed as well as an investigation into the economic and social effects of a withdrawal. This helps to build a well-rounded understanding of all the implications and areas of impact, while illustrating how these impacts have an effect on democracy and human rights themselves, as values the EU are trying to protect. Findings from this data are then supported through references to newspaper articles, joint statements, press releases, and official government statements. This is compared to previous examples where the EU has exercised a similar type of conditionality in other countries.

Finally, the summary of findings and conclusion bring together all research gathered through previous chapters. This will answer the research question of whether the EU has been effective in its promotion of democracy and human rights in Cambodia through conditionality as employed by the EBA withdrawal. This chapter also provides recommendations toward more effective EU action in Cambodia based on addressing the Sustainable Development Goals (SDGs) in order to work toward more effective promotion of democracy and human rights through development assistance.

This research is unique in that the launch of the procedure to withdraw the EBA is the first event of its kind and the final decision of outcomes is yet to be made. Therefore, it is important to remember that the conclusions of this study are somewhat speculative. Nonetheless, this research is significant in that it investigates aspects of political decision making in aid policy and analyses the political, economic, and social implications of such actions. A considerable amount of literature exists on aid effectiveness that supports the conclusion that aid, in its current form, is a contributor to the problem it is attempting to relieve. It is imperative to understand the multi-faceted implications of development assistance, reform aid policy in such a way that it works as intended and reflects ideologies around sustainability, ownership, and mutual respect of values in a cross-cultural context.

## 2. Contextual Review

This chapter outlines Cambodia's history to illustrate the country's experiences in the past and how this has impacted its economic and political position today. Cambodia's international partnerships in both aid and trade and the EU and Cambodia relationship will be of focus. Recent events must also be considered, including the 2018 Cambodian election and Cambodia's relationship with China. This will help to give a contextual understanding of the many factors that have impacted the EU's decision to withdraw the EBA from Cambodia and how Cambodia has responded to these actions.

### 2.1 Historical Background

Cambodia's history is marked with periods of both peace and chaos. Despite this, there has not been strong liberal or democratic institutions, or traditions throughout Cambodia's past and into its present. Instead, an autocratic system has been of preference based on "endemic distrust" (*Chandler, 1998, p. 43*). This has ultimately made circumstances impossible for stable policy, participation rights, and minority representation to exist.

In terms of its modern history, Cambodia gained its independence from France in 1953. Replacing French colonial rule with a constitutional monarchy, Cambodia has since been ruled by His Majesty Norodom Sihanouk. Throughout the 1960's, Sihanouk's Populist Socialist Community regime began a movement of agrarian reform. This was achieved through the commissioning of various agricultural and construction projects nationwide, as well as placing a large importance on state owned enterprise (*Ear, 2007, p. 73*). For this period of time, Cambodia enjoyed relative peace and prosperity. However, in 1970, a coup led by Sihanouk's Prime Minister Lon Nol, steered the beginnings of the Khmer Republic. Cambodia then abandoned its political neutrality in a global context and proceeded to side with the United States against North Vietnam during the Vietnam War. In 1975, Cambodia's capital Phnom Penh fell to a Communist movement (The Khmer Rouge) resulting in the exile of Sihanouk and his government. Under the Khmer Rouge, Cambodia adopted a Maoist economic model and implemented aspects of Maoist Communist Authoritarianism. During the next four years, approximately 2 million people would lose their lives due to Khmer Rouge policy. Pol Pot, leader of the Khmer Rouge and head of state, renamed the country Democratic Kampuchea

and banned all currency and private property. The Khmer-led terror ended in 1979 after Vietnam's victory over the Kampuchea regime, which left over a quarter of the population dead. The civil war continued until 1991 with global interference and support on both sides. The non-communist resistance groups in Western Cambodia were mainly backed by China, Thailand and the United States (US), while the new regime led by Prime Minister Hun Sen, depended on the support of military alliance from Vietnam, in addition to financial assistance from the Soviet Union.

The end of the Cold War would mark a period of relative peace for Cambodia. Post-Cold War, western backed peacekeeping occurred throughout the country, acting as a stabilising influence after decades of violent conflict. Cambodia suffered considerably due to the turbulent circumstances throughout these decades, including massive loss of human resources, countless deaths, disease, and famine due to war and the corresponding displacement that inevitably followed. Thousands of Cambodians became refugees with many resettling in neighbouring third-world countries, who were also struggling with domestic and regional strife. By this time, it was estimated that a majority of the educated population of Cambodia were living outside the country as a result of being considered a threat and therefore, targeted by the Khmer regime. "The University in Phnom Penh had almost no books, few professors and only a handful of classrooms that weren't shot to pieces, as the Khmer Rouge raged into Phnom Penh" (*Gibson, 1993*).

## 2.2 The Paris Peace Agreement on the Comprehensive Political Settlement of the Cambodia Conflict and United Nations Transitional Authority to Cambodia

The 'Paris Peace Agreement on the Comprehensive Political Settlement of the Cambodia Conflict' was signed on the 23<sup>rd</sup> of October 1991. This treaty was signed by the United Nations and Cambodia in order to help settle conflict and prepare the country for democratic elections. In February 1992, the United Nations Security Council authorised the establishment of the United Nations Transitional Authority to Cambodia (UNTAC). The USD \$2-billion-dollar mission was conducted under a broad mandate which included the supervision of ceasefire, an end to foreign military assistance, and the withdrawal of foreign military forces, personnel, and

material. It also targeted a 70% level of demobilisation, control and supervision of all government administrative structures, including the Cambodian police. UNTAC's purpose was to assist the country in conducting general elections and to ensure greater accountability in maintaining human rights responsibilities (*Peacekeeping.un.org, 2003*).

UNTAC has come under considerable criticism in review. It is now suggested that UNTAC did more harm to the implementation of democracy in Cambodia than good. UNTAC's power was theoretical at best with little ability to compel Cambodian authorities into compliance with its mandate. Furthermore, the broadness of the mandate itself has been called into question. These combined factors have been cited as the main contributors to the ineffectiveness of UNTAC and its mission. "UNTAC sowed the seeds of failure of democracy in Cambodia". What the UN seems to have not understood was that "an election alone did not a democracy make" (*Ear, 2013, p. 5*).

In 1993, the National Assembly of Cambodia adopted a new constitution which led to the first democratic elections held in May of that year. The effectiveness of UNTAC, although widely boasted by the international community, failed to disarm the Khmer Rouge leading to interference in the voting processes and political violence. As well as this, the large presence of UNTAC foreign troops led to a tripling of prostitution. At the time Hun Sen stated, "The most UNTAC left in Cambodia was AIDS disease" (*Ear, 2013, p. 4*). This helps to highlight how Cambodians viewed UNTAC. Instead of delivering on promises, UNTAC merely added to further social unrest.

Cambodia's new constitution reflects the liberal values of democracy, human rights, rule of law, and the separation of powers. However, the reality of Cambodia's current political situation exposes the dissimilarities between the constitution and practice. The United Nations Security Council announced the withdrawal of UNTAC from Cambodia following the deemed 'successful' May 1993 elections. Post UNTAC withdrawal, the losing party (Cambodian People's Party (CPP)) led by Hun Sen violently forced winning party FUNCINPEC (Front Uni National pour un Camodge Indèpendent, Neutre, Pacifique, et Coopèratif) into a coalition government. This was to continue and expand of the control they already had over state administration and the military prior to the election. In 1997, Hun Sen led a coup against

FUNCINPEC and reinstated his sole leadership. In 1998, another round of elections took place with violent upsurges, which left Hun Sen and his party unchallenged and in complete control. Since then, each scheduled election has suffered similar circumstances and has continuously proven to hold weak democratic values, which in turn has deteriorated the capacity for oppositional political action in the country.

## 2.3 Cambodia’s Relationship with the European Union

### 2.3.1 Trade Statistics for the 2014-2018 Period

As can be seen in **Figure 1** Cambodia exported €5.3 billion worth of goods to the EU in 2018 making up 0.3% of the EU’s total imports, with Cambodia representing 0.2% of the EU’s total trade.

*Figure 1: Key Figures for Cambodian Trade with the EU*

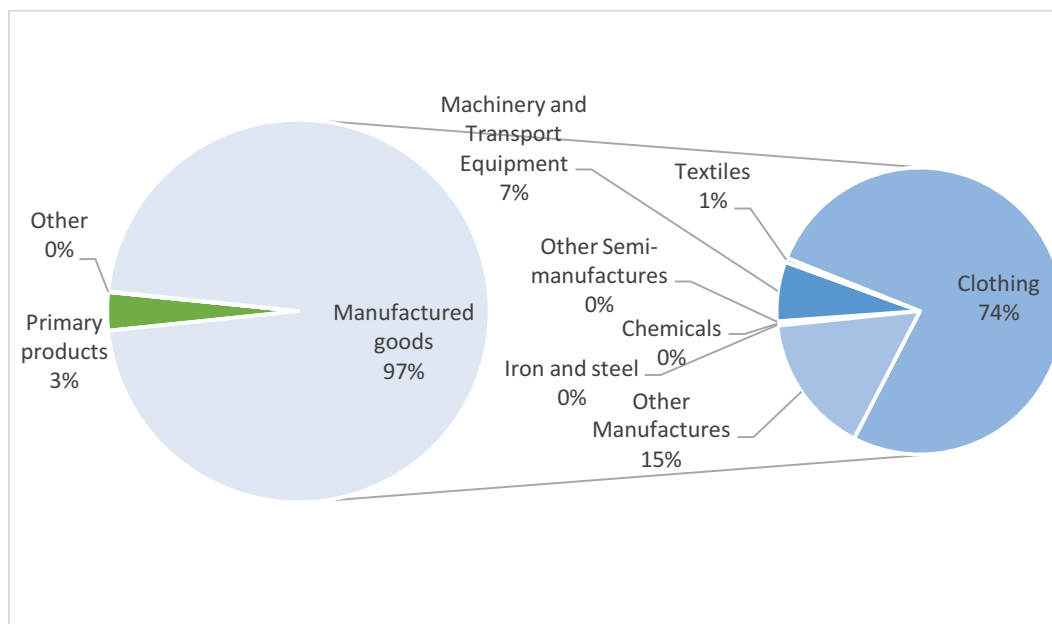
Indicator	Unit	Period	Imports	Exports	Total trade	Balance
Last year	Mio euros	2018	5,360	774	6,134	-4,586
Rank as EU partner		2018	45	98	56	
Share in EU trade	%	2018	0.3	0	0.2	

(Source: *Ec.europa.eu,2019*).

Industrial and agricultural goods are the two main exports between Cambodia and the EU, with industrial goods accounting for 96.4% of exports to the EU (€4.83 billion) and agricultural goods (prominently rice) accounting for 3.6% of exports to the EU (€181 million).

As can be seen in **Figure 2**, the top three categories of exported goods were: textiles (garments) amounting to €3.47 billion (74.9%) of total exports; footwear and headwear amounting to €643 million or 12.8% of total exports; and transportation equipment (bicycles) €291 million, or 5.8% of total exports. Cambodia accounts for 18% of all EBA imports into the EU. Clothing/Garments are the most significant Cambodian export to the EU – their share has increased from 0.4% in 2001 to 3.8% in 2017 (i.e. of total EU imports by value).

Figure 2: Cambodia's exports to the EU by category of goods



(Source: *Ec.europa.eu*, 2019).

In terms of this data's importance to Cambodia, the EU is the largest importer of Cambodian clothing, followed by the US and Japan. In 2016, the EU imported more than 40% of Cambodian garments. In 2017, 40.3% of Cambodia's exports went to the EU Member States. These exports accounted for approximately one quarter of Cambodia's Gross Domestic Product (GDP) (*Ec.europa.eu*, 2019). The clothing market is particularly significant to Cambodia as it supplies jobs for over 700,000 factory workers, most of whom are women from rural areas. This data shows the significance of the industry in the support of the livelihoods of this demographic. These products are the market that will be most affected by the withdrawal of the EBA. In the case of a full withdrawal, 93% of these products will fall under the Most Favoured Nation (MFN) tariff rate of 12% (*World Bank Group*, 2019, p.g. 25). This will have devastating effects for those working in the industry through the loss of jobs.

### 2.3.2 Development Assistance Statistics for the 2014-2020 Period

Dependence on foreign aid has been pointed to as a sizeable reason as to why the country's development outcomes over the last few decades have been disappointing. Cambodia is 'aid dependant' in the fact that its external aid percentage is so large in comparison with its GDP, export earnings, and government revenue. This creates a distorted economy and hinders government incentive to respond to economic problems (*Godfrey et al.*, 2002, p. 335). In 2017,

Cambodia received €751 million in Official Development Assistance (ODA) which made up 28% of the governments total expenditure. This ranked Cambodia 43<sup>rd</sup> in the world in terms of net ODA and official aid received in total (*Data.WorldBank.org, 2018*).

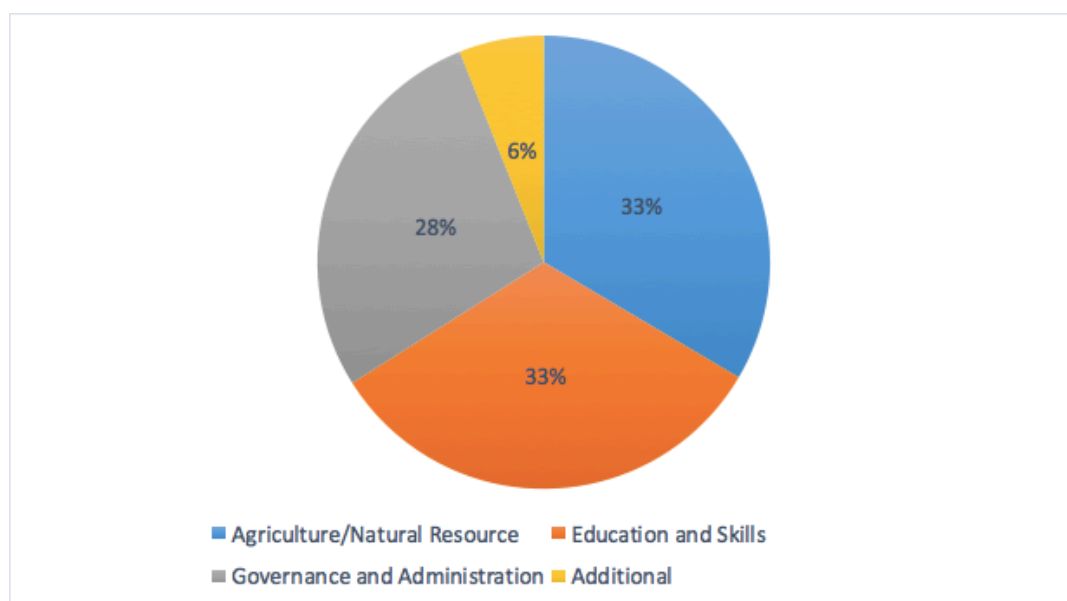
The EU has played a significant role in Cambodia's development since the signing of the Paris Peace Agreements in 1991. The funding from the EU is regulated through the EU Multiannual Financial Framework (MFF). The framework determines the parameters for the EU budget as well as the timeframes. The current budget for 2014-2020 is set at €410 million (*European Commission, 2014, p. 11*). This budget aims to support regional policies, in particular the 'Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia' and the 'National Strategic Development Plan' (NSDP). The MFF also follows EU policy, particularly those set out in the 'Agenda for Change' adopted in 2011 which sets the basis for EU development policy and focuses on effectively facilitating poverty reduction around the globe (*European Commission, 2011*).

The EU and its Member States form the largest percentage of grant development aid donated to Cambodia. The EU financial assistance to Cambodia is conducted through bilateral cooperation, which in turn forms the largest portion of EU aid. ODA from the EU and its Member States is estimated to amount to €892 million for the period of 2014-2020 in grants and €478 million in loans. This equates to a total budget of €1.37 billion (*EU Development Aid in Cambodia, 2015*). Aside from the EU, there are currently 10 Member State donors active in Cambodia: Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Sweden, Spain, and the United Kingdom.

For the period of 2014-2020 (**Figure 3**) the EU will be spending €410 million in ODA to Cambodia. This is an increase of over 50% as compared to the 2007-2013 budget of €170 million. Of this total agriculture/natural resource management will receive €144 million, education and skills will receive €140 million, and €120 million will be spent on governance and administration. A total of €26 million go towards additional EU/Cambodia support measures (*European Commission, 2014*).



Figure 3: Allocation of EU ODA in Cambodia per sector as percentage



(Source: European Commission, 2014).

## 2.4 European Development Cooperation Strategy for Cambodia – 2014-2019.

The significance of this strategy is that it puts statistics previously outlined above into practice through policy. This is important to note as it provides both a timeline and for the study within the current MFF budget, as well as illustrates the working relationship between the EU and Cambodia. The aim of the ‘European Development Cooperation Strategy for Cambodia 2014-2019’ is to evaluate progress made in the 2016-2018 period, where Cambodia’s European partners provided support towards the development agenda. Its focus is to help create dialogue between the Royal Government of Cambodia (RGC) and other stakeholders, as well as to realign priorities and initiatives with the RGCs ‘Rectangular Strategy Phase III’ for the upcoming period. This report also provides a basis for the upcoming ‘Joint Cooperation Strategy’ which will begin in 2020. European partners prioritise support to the governance sector, with emphasis on effective and accountable institutions and increased transparency in the use of public resources (EEAS, 2018).

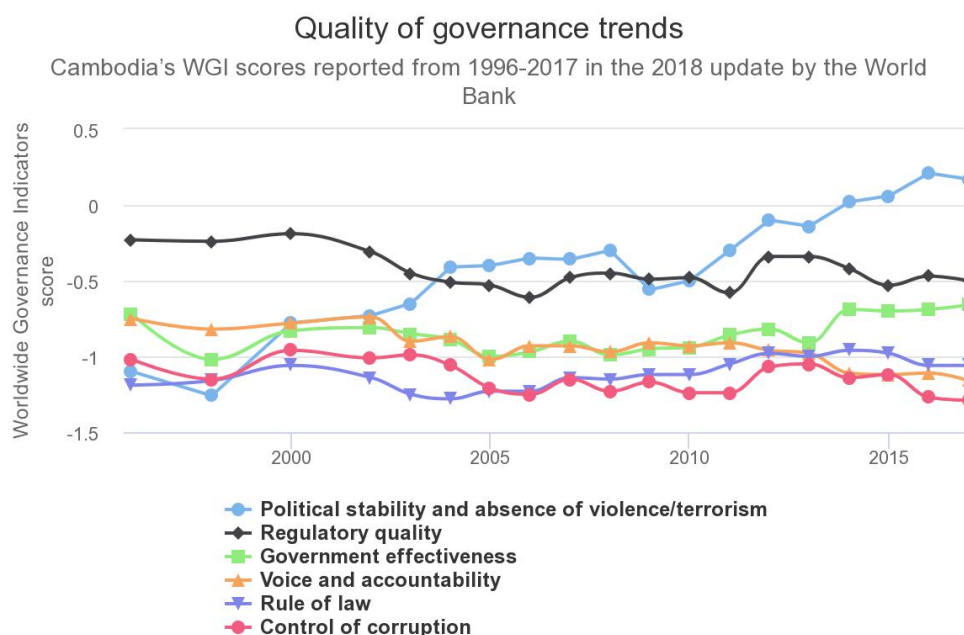
The ‘Joint Cooperation Strategy’ outlines this support for governance through six points of action. The first is reform which aims to increase budget credibility and transparency to support linkages between budget and policy priorities. This will should help increase

accountability. Secondly, increase decentralisation reform which focuses on enhancing dialogue and increasing development funds to help build national and sub-national capacity. Thirdly, work towards electoral reform through voter education and domestic observation. Fourthly, to help Extraordinary Chambers in the Courts of Cambodia (ECCC) operational funds to both sides of the Court, in order to help improve standards of justice, reflecting international standards. The fifth point focuses on gender equality, primarily looking at issues around equal rights and the ability for women to participate in policy and government processes. Finally, it will focus on increasing participation through multi-stakeholder dialogue, engagement in civil society, promotion of civil political rights, freedom of expression, access to information, and support for the rights of minorities. (EEAS, 2018, p. 6).

Results of the 'European Joint Strategy Monitoring Report for 2014-2019' as well as the 'NSDP Mid-Term Review' evaluated the success of the government reforms as outlined in these initial strategies. This is significant as it illustrates where the EU is focusing its efforts in terms of key development areas for Cambodia, as well as shows how well the EU is tackling these problems through budget allocation. These reports found that the quality of governance overall in Cambodia had continued to improve over this outlined period, however further efforts are necessary to keep on target for the 2030 agenda. (EEAS, 2018, p. 10). The strategy briefly mentions the concerns of the EU in terms of Cambodia's recent political developments including the 2018 election. However, the EU states it is still committed to assisting reform.

As can be seen above through **Figure 2**, governance and administration is allocated almost a third of the overall budget. The effectiveness of this action in terms of Cambodia's improvement in governance quality is illustrated through **Figure 3**. This table has been sourced and referenced from Open Development Cambodia. The table shows the level of good governance in Cambodia through the measurement of six key indicators, of which 'political stability and absence of violence/terrorism' has made the most improvement. Despite this, the country's 'control of corruption' and 'rule of law' ratings remain low, with a decline in 'voice and accountability' in recent years. These indicators suggest although quality of governance overall has improved for Cambodia, key indicators signifying democratic practices have declined.

Figure 4: Quality of Governance Trends in Cambodia



(Source: Open Development Cambodia (ODC), 2019).

Note: Measurement of governance performance ranges from -1.5 (weak) to 5 (very strong).

## 2.5 Aid for Trade

In an attempt to improve development mechanisms and take steps towards more self-sustainable development, the World Trade Organisation (WTO) formalised a new approach to development assistance in 2005. Article 57 of the ‘Ministerial Conference’s Declaration’ was signed calling for more support for Least Developed Countries (LDC) to expand their trade capacity and encourage various multilateral trade agreements between LDC’s and developed nations. (Bassnet et al, 2012). The signing of this declaration marked a significant change in the history of development policy by defining the importance of trade as a sustainable mechanism of development assistance. Aid for Trade (AfT) encourages developing countries to increase their trade capacity and infrastructure in order to benefit from market openings through multilateral trade agreements (wto.org, 2019). The function of AfT is not to replace ODA, but to strengthen and reinforce ODA efforts through long-term economic arrangements in order to support LDCs in becoming economically self-sustainable through increased capacity and access to the global trading system. AfT is not just limited to trade agreements but includes a wide range of efforts between development partners. This includes technical assistance, the building of trade related infrastructure and telecommunications, investment in industry, a

reduction in the costs associated with trade such as tariffs, and preferential trade schemes for LDC's over developed nations. Since the time of the implementation of AfT, there has been an increase in donor spending on development related programmes and projects related to trade (*Bassnet et al, 2012*).

In response to the WTO AfT initiative, the EU adopted the 'Aid for Trade Strategy' in 2007. This aims to help LDCs integrate into a "rules-based world trading system" and to more effectively use trade as a mechanism to help in the goal of poverty eradication in the context of the Millennium Development Goals (MDGs) (*Council of the European Union, 2007, p. 2*). The EU's Generalised Scheme of Preferences (GSP) is a mechanism of this strategy that allows all countries that qualify for LDC status to pay less or no duty on their exports into the EU. The GSP offers tariff reductions on two thirds of all product categories, while the Everything but Arms Agreement (EBA), a sub category of the GSP scheme, offers full tariff free access for LDCs on all export products except for arms and ammunition (*International Cooperation and Development – European Commission, 2019*).

## 2.6 The Everything but Arms Agreement

The EBA was adopted by the resolution of the European Council No. 416/2001 under the EU's GSP. The EBA grants full duty free and quota access to the EU single market for all products with the exception of arms and ammunition. In terms of its conditions, a country may be granted access to the EBA if it is listed as an LDC by the United Nations Committee for Development Policy. The purpose of this preferential trade scheme is to support LDCs in liberalising their economies and allowing space for them to enter the global trade market.

The EU provides a transition period of three years for countries graduating from LDC status. This helps to alleviate any negative effects of which may be caused by the removal of preferential trade. To date, only five LDC countries have graduated from LDC status, of which only four are under the EBA scheme: Cape Verde (2007), Maldives (2011), Samoa (2014), and Equatorial Guinea (2017) (*Bhattacharya, 2018, p. 26*). There are currently 5 LDC's that are expected to graduate between 2019 and 2024 including: Vanuatu (2020), Angola (2012),

Bhutan (2023), Sao Tome and Principe (2024), and Solomon Islands (2024) (*United Nations Economic Analysis and Policy Division, nd*).

EBA status may also be withdrawn under exceptional circumstances in violation of human rights principles as outlined in the fundamental human rights and labour conventions (*Regulation (EU) No. 978/2012*). In the event of serious violations of the core 15 United Nations (UN) and International Labour Organisation (ILO) conventions, the European Commission (EC) can initiate an investigation if it believes there are appropriate grounds to justify such withdrawal. This procedure is built on a case-by-case basis and is specific to the situation of each country. The EC will use key sources, reports and recommendations from the UN and ILO, as well as information collected by the EU Delegation, EU Member States, the European Parliament, CSOs and other international human rights bodies, and academia or information gathered directly from the beneficiary of the country to the EC in order to make its assessment (*European Commission, 2019*).

## 2.7 2018 Cambodian Election

The legitimacy of the July 2018 election in particular, has been called into question by some of Cambodia's largest development assistance donors, including the EU and the US and Japan. During the lead up to the election the government controlled courts had dissolved any opposition to CPP by banning all 118 members of the opposition party from participating in politics. CPP took over all media, bankrupted or silenced independent newspapers, and ordered independent radio stations to cease broadcasting any independent news broadcasts. Journalists in the country were jailed for espionage and those who stood up for the victims faced vitriol. Under these conditions the CPP secured a landslide victory, winning all 125 parliamentary seats. In response, many foreign donors including the EU and the US withdrew aid, refused to send election observers, and placed sanctions upon the country. On the 5<sup>th</sup> of October 2018, the EC began talks to consider temporary suspension of Cambodian preferential trade access to the EU under the EBA. This was due to Cambodia's deteriorating democratic and human rights situation, throughout and post-election.

George Edgar, EU Ambassador to Cambodia, stated that the suspension of the EBA won't affect the ongoing development projects in the country funded by the EU. Nonetheless, the country should prepare for dramatic consequences and economic hardship if they do not choose to comply. This may include the loss of jobs for thousands of Cambodians, mostly from the garment and textile industries which employ more than half a million Cambodians, particularly women (*Suy, 2018*).

## 2.8 Launch of Procedure to Withdraw the Everything but Arms Agreement

The decision to launch procedure to withdraw the EBA was officially published on February 11th 2019 in the EU Official Journal. This hoped to prompt a situation where Cambodia moves towards alignment with its obligations under the core UN and ILO conventions. One year prior to the launch of procedure, and six months prior to the election, the High Representative for Foreign Affairs and Vice President of the EC, Frederica Mogherini warned the Royal Government of Cambodia that “Without more conclusive action from the government, the situation on the ground calls Cambodia’s participation in the EBA scheme into question. As the EU, we are committed to a partnership with Cambodia that delivers for the Cambodian people. Our support for democracy and human rights in this country is at the heart of this partnership” (*European Commission, 2019*).

The withdrawal began with a six-month period of intensive monitoring and engagement with Cambodian authorities. This will be followed by another three-month period for the EU to produce a report based on its findings. After a total of 12 months, the Commission will conclude the process with a decision on whether to partially or fully withdraw (*European Commission, 2019*).

In its communications with Cambodia, the EU had been clear about the issues that need to be addressed in order to prevent withdrawal. The key areas that have led to the withdrawal include: denial of political rights, restrictive actions towards civil society and trade unions, and Economic Land Concessions. The EU has also outlined a number of areas in which Cambodia is expected to work towards improving. These include: a political environment in which

opposition parties, civil society, trade unions and media can operate freely, and to address other issues including an inclusive and transparent compensation related to Economic Land Concessions (*Council of the European Union, 2018*).

It has been noted by the EC in their initial press release that the RGC have taken a number of positive steps since the withdrawal procedure was announced in 2018. This incorporated a number of steps to reduce restrictions on civil society and trade union activities. As well as reviewing of cases of a number of detained political figures, civil society activists, and journalists in August and September 2018. However, it is not expected that the opposition party will be fully reinstated, as this would be a costly political move for Hun Sen and his government. The EU does not deem these steps to be sufficient in fully addressing inadequacies previously outlined in these areas (*European Commission, 2019*). The RGC remain unalarmed regarding the potential negative impacts Cambodia's economy may face if the EBA is lost.

On the 12<sup>th</sup> of February 2019, the RGC released a statement in response to the EBA withdrawal. RGC stated that the withdrawal was “an extreme injustice and a disregard of the concrete and substantial progress made by the RGC in adherence to conditions set out by the EBA in terms of its progresses with the strengthening of civil society spaces, promoting labour rights and addressing land issues and sugarcane economic land concession” (*Royal Government of Cambodia, 2019*). The RGC also expressed in this response that it does not believe the EC to be acting in “good faith” and “fairness” and has set unachievable expectations for “perfect implementation” of EU aid conditions. The RGC states that by launching the EBA withdrawal, the EU is risking the loss of 20 years of economic development efforts.

Following the launch of the procedure to withdraw, Prime Minister Hun Sen and the RGC have attempted to propagate that Cambodia's economy and people will not be adversely affected by the consequences of the withdrawal. This is a direct contradiction to the response the RGC provided to the EU in saying the EU fails to take into account “the fate of nearly 1 million female workers” and the “interests of EU businesses in Cambodia” (*Heng and Var, 2019*). Hun Sen has been quoted to have said that he and his government regards this as an act of interference

with national sovereignty and that “Cambodia with not exchange sovereignty with aid” (*Heng and Var, 2019*).

## 2.9 Cambodia and China

It is important to address the relationship between Cambodia and China in the context of this study for two reasons. Firstly, Cambodia and China’s bilateral relations in terms of aid and trade have increased significantly post Khmer Rouge. Secondly, Cambodia’s relationship with China affects its relationship with the EU, in that China also provides aid to Cambodia and has an impact on Cambodia’s dependency problem. Economically speaking, China significantly contributes to Cambodia’s development as a foreign investor, aid donor, and trading partner. A vast majority of China aid comes to Cambodia in the form of corporate investment and concessional loans. As China doesn’t donate its aid through traditional channels it is difficult to track exact figures. Open Development Cambodia estimates that China’s official investment into the Cambodian economy has totalled nearly €4.3 billion since it began in 2004 (*Open Development Cambodia, 2016*).

In response to the EU’s actions over the EBA withdrawal, China has pledged €520 million to Cambodia for the period of 2019-2021, has called to increase its rice imports from Cambodia, vowed to push bilateral trade to €9 billion by 2023, and encourages more Chinese investment (*Reuters, 2019*). On top of this, China’s ‘Belt and Road Initiative’ which aims to boost trade and economic growth across Asia through infrastructure development, is a very attractive concept for undeveloped Asian nations. Cambodia has committed its support to this initiative through the signing of a Memorandum of Understanding (MoU) in 2015 (*Xinhuanet, 2017*). Cambodia expresses it sees China not as a threat, but as a balancing power against foreign political interference and military threats (*Chanborey, 2019*).

With both the EU and China playing major roles in the development of Cambodia, it is important to look at how this effects Cambodia’s responses towards the EBA withdrawal. Chinese aid is particularly attractive to Cambodia because of its non-conditional nature in terms of normative values, unlike that of the EU’s. A major reason for Cambodia’s negative response to the EU may well be the fact that increasing Chinese aid and trade to the country



means that Cambodia is no longer as dependent on the EU for these resources. This has resulted in a loss of EU leverage affecting its ability to successfully exercise conditionality clauses in the EBA in terms of democratic reform and respect for human rights principles. Politically, China has been one of Cambodia's oldest and closest allies. More importantly, due to their long diplomatic relationship, Cambodia and China have much stronger cultural ties than Cambodia and the EU (*Pheakdey, 2012, p. 58*). This poses a threat to the democratic governance model that the EU is attempting to promote in Cambodia. It is worth noting that none of the countries surrounding Cambodia practice a liberal democratic model. So it is unsurprising that the RGC's interests in terms of its own governing model, rejects that of the EU in favour of a model based off its neighbouring counterparts.

### 3. Literature Review – Aid Architecture in Cambodia

The benefits of development assistance have been widely debated for a number of years. Arguments have been made that aid can produce largely positive effects under a particular set of conditions and is a necessary asset for accelerated development in third world countries. The opposite is also widely disputed as aid is not programmed to induce self-sustainability in a recipient country after a period of time. Because of this it often does more harm than good to the economic and political welfares of these countries. Therefore, it is important how development aid is delivered and what forms it takes.

Historically, the large amounts of EU aid in Cambodia do seem to reflect the issues surrounding its aid dependency, which can be associated with the country's increase in corruption, worsening bureaucratic systems, and erosion of the rule of law. Development aid in Cambodia has been largely donor driven. As a result of this, Cambodia has not received enough ownership over its development objectives which largely effects the results of development programmes within the country, both when donor governments are present and once they are withdrawn.

Self-sustainability has arguably been a liable factor of failure in Cambodia's development problems, despite its large amount of development investment. In light of these past aid mechanisms, a new initiative has been called into place. Aid for Trade (AfT) is a more modern solution to the problems ODA seems to have caused in terms of self-sustainable development. It was found that countries which follow an investment and trade liberalisation route to development have been far more successful in terms of growth (*Jayasuriya, 2006, p. 60*). Donor countries sign LDC's into preferential trade agreements that give LDC's preferential access to their markets through the cutting of tariffs on export products. How effective these agreements are at promoting sustainable development practices in LDC's are also reliant on a particular set of conditions and the nature of these agreements. This literature review outlines several important aspects within the nature of development assistance and puts it into the context of Cambodia. It is important to understand these factors in answering the research question as it helps to illustrate Cambodia's position with the EU in terms of it dependency and the influencing factors that have contributed to Cambodia's responses towards the EBA withdrawal.

### 3.1 The Problem of Donor Driven Aid

Cambodia's experiences since 1993 have shown that programme design in terms of development aid have been largely donor-driven in its planning, design, and implementation stages. This ultimately has a negative effect on the capacity for development in Cambodia. ODA supported development programmes often have little to do with the recipient government, this complicates project implementation and threatens post-project financial sustainability (*Godfrey et al., 2002, p. 371*). Berg critiques the donor driven nature of development assistance. He argues that excessive supply driven aid leads to inefficient aid allocation and weak local ownership, instigating a lack of commitment from the recipient government. This leads to poor decision making and further contributes to aid dependence which weakens local institutions and capacities, and stifles economic growth. (*Berg, 1993, p. 246*). Other effects of donor driven aid include weakening state bureaucracies as foreign aid crowds out local sectors, which in turn de-industrialises the economy.

Commonly referred to as the 'Dutch Disease', donor projects have deterred government incentive in Cambodia, by placing foreign agencies in charge of what would usually be the government area of services and provisional responsibilities (*Ear, 2007, p. 70*). Cambodia's scarcest resource – educated people, are being siphoned away from locally owned businesses and toward employment with donor agencies and NGOs. Working for donors, these employee's incentives will naturally become donor driven. While the general goal for aid may be development, in bilateral aid this serves the donor countries foreign policy and national interest more (*Ear, 2007, p. 76*). At the same time, donors and NGOs virtually take over the funding for projects in education, health care, social welfare, and rural development. This leaves no incentive for the government to take on these responsibilities, and so spend ODA mostly on military and security (*Godfrey et al., 2002, p. 123*).

### 3.2 Aid Dependence

Donor driven aid in this context results in aid dependence, which has been directly linked to questions of worsening quality of governance in recipient countries. Bräutigam and Botchwey (*1999, p. 2*) argue that the pre-existing quality of governance determines the extent to which aid undermines institutions. This hypothesis is backed up by a case study conducted by Knack

(2001), which found a negative correlation between aid dependence and quality of governance. Knack (2001, p. 253) states,

“Aid dependence worsens quality of governance by weakening institutional capacity, siphoning off scarce talent from the bureaucracy, weakening accountability, encourages rent seeking and corruption, stimulating conflict over control of aid funds, and alleviating pressures to reform inefficient policies and institutions”.

Knack's (2001) findings help to legitimise the reality of some very serious problems when it comes to international development aid. The World Bank report entitled 'Cambodia at the Crossroads', includes a chapter on 'Improving Aid Effectiveness' which offers some insight into this issue. The World Bank (2004, p. 108) states;

“There is much that donors can and should do to make their assistance to Cambodia more effective. There are numerous examples of how donors have behaved, individually and collectively, which result in inefficient and ineffective aid; or which even make things worse by contributing to (or exacerbating) a culture of corruption and patronage in the use of public resources. Poorly managed aid can inadvertently impede the evolution of a coherent Government vision of long-term development or undermine the capacity of institutions or the state and de-legitimise civil society organisations”.

Corruption is the outcome of Cambodia's past and aid dependence only seems to intensify and reinforce these problems into its future. What seems to be lacking is the political will from both donor and recipient governments to change this ethos of corruption that has become so deeply embedded within the institutions and society of Cambodia. This contributes to its dependency and illuminates the reason why the RGC and the EU have come to an impasse in terms of the EBA withdrawal. According to Post et. al. (2008, p. 114) “Political will can be thought of as support from political leaders that results in policy change”. Hammergren (1998, p. 12) defines political will as the “‘sine qua non’ of policy success which can never be defined except in its absence”. These quotes help to illustrate

what is fundamentally broken in the structure of aid relationships and capacity building. By no means is this relationship a simplistic one, however, one must lead by example.

### 3.3 Ownership

In the context of the 'Paris Declaration on Aid Effectiveness' (The Paris Declaration) and the 'Accra Agenda for Action', ownership is defined by the recipient countries capacity to carry out two main objectives. Firstly, to practice effective leadership in terms of its development policies and strategy. Secondly, to be able to co-ordinate efforts made by the multitude of development actors within these programmes (*OECD/DAC, 2005/2008, p.3*). The operational ability of a country's development strategy, as well as its ability to pursue country wide development policy, and whether these priorities and policies are linked with a budget, are all important features of most effectively and efficiently using development resources.

Van de Wall and Johnson (*1996 p. 54*) state that "a recipient government can be said to 'own' aid activity when they believe it empowers them, and serves their best interests". To elaborate, this means that ownership is indicated by the extent which the recipient government plays an active role in the design and implementation stages of a development programme. The Cambodian Development Resource Institute (CDRI) conducted interviews with government officials, project managers, agency heads, technical assistance, and other development counterparts in Cambodia. The results of these interviews showed that a majority of its respondents felt that the Cambodian Government had only partial ownership in terms of project design and implementation, particularly in multilateral projects, which were demand-driven by donors as opposed to national policy (*Godfrey et al, 2002 p. 363*). Government ownership in this sense depends on the extent to which the department officials are able to exert control over these programmes. The tight control that donors tend to exude over development programmes funded by them, demonstrates not only the recipient's low capacity to obtain ownership, but also the donors trust in the recipient governments capacity.

Recipient ownership is an important concept for several reasons. Conditionality as a mechanism of pressure used by donors to enforce specific values, undermines recipients claim to ownership over policy reforms. This is important to note, as it helps to connect Cambodia's

aid effectiveness problems with the question of effectiveness of conditionality to promote development. If recipient ownership has been identified as a potential solution, then conditionality directly undermines this. A study conducted by Adam et. al. (2004, p. 1060), state that the efficiency of budgetary aid lies in recipient ownership in that strong recipient ownership benefits all parties in aid transactions. They state, this is firstly as the donor government is only able to exert a certain amount of control over recipient government, it is within the donor's best interests that both priorities align. Secondly, it benefits domestic ownership is that it may help to initiate quicker response times in the case of unexpected economic and political events or problems, that may have not been identified in the initial policy programme drafting. Finally, and perhaps most importantly, ownership is vital for local democratic accountability to retain meaningfulness in the recipient country, particularly in retaining legitimacy.

Sjöstedt (2013, p. 114) reiterates the above points in stating that there are two main features that are newly emerging in terms of aid architecture. Firstly, there is a greater emphasis on recipient country ownership of development strategy, where donors must align and coordinate themselves. This new approach is highlighted by the 'Paris Declaration on Aid Effectiveness', which aims to instigate a move away from donor fragmentation and forced conditionality. The second main feature is also echoed by the Paris Declaration. Sjöstedt (2013) states that aid needs to be allocated based on performance of a country's policy and be driven by measurable results. David Booth (2011, p. 534) in his article titled 'Aid effectiveness: bringing country ownership (and politics) back in', restates this in suggesting that "development aid should be coordinated and, for example, channelled directly into the central budget of the recipient government in line with its priorities".

Commitments have been made by both the RGC and external aid donors to improve upon the management functions of ODA. EU frameworks such as 'The European Cooperation Strategy for Cambodia' aligns with the RGC's 'Rectangular Strategy Phase III' which is operationalised by the NSDP. These have been put into place in order to mitigate the issues of ODA functionality and coordination in Cambodia. In this framework, donors to Cambodia tend to agree that aid can be most effective when it is closely linked with the countries own development policy and strategy. The NSDP and the Cambodia Sustainable Development Goals

(CSDGs) reiterate this, in conjunction with an aim to build government capacity and strengthen national institutions.

### 3.4 A New Approach - Aid for Trade

The previous topics discussed traditional forms of ODA and the paradoxical problems these mechanisms seemed to have caused. An emphasis on more modern solutions to development assistance will now be of focus. Historically, aid has been the most favoured tool in terms of supporting development in LDCs, as it was seen to be extremely effective at supporting economic growth. However, it has been shown that countries which follow an investment and trade liberalisation route to development have been far more successful in terms of growth (*Jayasuriya, 2006, p. 60*). This realisation prompted a shift in development policy to more heavily consider the benefits of trade on the route towards development.

In terms of aid effectiveness, self-sustainability has been a common problem in the past. ODA alone as a means for development has led to issues around dependency, lack of recipient ownership, and fragmentation. Gradeva and Martinez-Zarzoso (*2009, p. 3-4*), examine the effectiveness of AfT as a new form of development assistance. They compared this form of assistance with ODA and found that the effectiveness of an EBA scheme at encouraging economic growth alone was low. However, when combined with ODA, the effect on economic growth was much higher. Their findings indicate that for development assistance to be fully effective, it must include elements of both aid and preferential trade assistance. 'The European Development Cooperation Strategy for Cambodia 2014-2019' does reference this. It commits to including both mechanisms in its current strategy as it recognises the importance of sustainability in terms of growth. It also mentions concerns around the current political affairs of the RGC and so is in the process of considering a withdrawal of the EBA, leaving only traditionally funded development assistance programmes in place (*EEAS, 2019, p. 8*).

Trade preferences act as a counterbalance to aid distributions by helping to offset some of the comparative disadvantages that come with aid. It also helps to increase incentive for recipient governments to invest in industry and regain ownership over their development objectives. AfT must also come with the right political incentives. The sustainable aspect of preferential

trade relies on sustainable industries in LDCs. Gradeva and Martinez-Zarzoso (2009, p.7) explain that GSP programmes do not necessarily cover all products. Countries then tend to lean towards the production and exporting of products that provide the highest profit margin rather than those that can be produced most efficiently. Promoting industries that have little potential for growth outside of these schemes means that once preferential trade is withdrawn from the country's main export market, there is nowhere for these products to go. This can cause industry collapse as preference schemes lock beneficiary countries into unsustainable industry, a particular problem for LDC's such as Cambodia, where worker skill-set is low. When these industries collapse people lose their jobs. With low skill sets, it is extremely difficult for these people to shift into other industries. LDC's export earnings and national income are now dependant on these preferential trade schemes as they are not competitive on the global market due to investing in inefficient industries. Another issue that arises here is that preferential trade schemes tend to divert trade flows rather than create new ones. Based on the fact that production diversity is relatively similar in many LDC's, this means that the growth of some countries will come at the expense of others (*IMF/World Bank, 2001, p. 4 and Messerlin, P., Neilson, J. and Zedillo, E., 2005, p.172*). Another problem that surfaces with preferential trade is that it is driven by developed countries, causing a similar problem to donor driven aid. Developed countries are free to design these schemes however it suits them. As a consequence, LDC's have little input and security in terms of the longevity of these agreements and what they will include (*Gradeva and Martinez-Zarzoso, 2009, p.8*).

Another point of controversy in terms of preferential trade as a tool for development is the that these agreements are often subject to a set of conditions. As mentioned above, preferential access is tentative for LDCs and subject to change or withdrawal from donors in terms of non-trade conditionality (*Messerlin, P., Neilson, J. and Zedillo, E., 2005, p. 171*). These agreements can be used as a bargaining tool for LDC's to comply with a particular set of conditions set by the donor country across a broad set of areas. Conditions may include trade or unrelated political issues and can be temporarily withdrawn at any time. For example, the EBA scheme contains a clause that allows the EU to temporality withdraw access in the case of "serious and systematic violations of principles as laid down in certain international conventions concerning core human rights and labour rights, so as to promote the objectives of those conventions" (*Regulation (EU) No 978/2012 Clause 24*). The non-reciprocal nature of



these agreements, as well as tying trade preferences to conditions unrelated to trade, turns these schemes into a type of tied aid, in that the aid is 'tied' to particular performance outcomes or conditions. Lack of supply capacity, diversification, high production costs, poor infrastructure, weak institutions, low skill capacity, lack of ownership, and risky political environments are all major issues for LDC's in the export trade market (*Gradeva and Martinez-Zarzoso, 2009, p. 9*). All these combining factors make it difficult for LDC's to become self-sustainable once they enter the global trading market through these schemes. It creates an unstable environment for their economies while removing ownership of their own development objectives. Economies become reliant on these preferential trade schemes and when withdrawn may have disastrous effects not only on the economy of the country, but the people whose livelihoods are reliant on these markets. This shows that the modern solutions to aid effectiveness that are supposedly provided by AfT are directly undermined by its own set of problems, again mostly pertaining to conditionality and dependency.

## 4. Conceptual Framework – Conditionality as a Mechanism to Promote Democracy and Development

### 4.1 What is Conditionality?

Conditionality has been chosen for the conceptual framework as it represents the specific action or mechanism the EU uses in order to achieve development outcomes in relation to the key principles of democracy and human rights. Therefore, determining whether this kind of conditionality is effective is of both practical and theoretical importance to this research. Although other definitions for the concept of conditionality exist, for the purposes of this research, conditionality will be defined by using two definitions. The first definition comes from Saltnes (2013, p. 1) who states “Political conditionality refers to a situation where the validity of an international agreement is made dependent on the partner’s mutual respect for certain principles, normally related to human rights, democracy, good governance and the rule of law”. The second definition comes from Stokke (n.d, p. 12) who states that conditionality is “the use of pressure by donors through threatening to terminate aid, or actually terminating or reducing it, if such conditions are not met by the recipient”.

Conditionality has been commonly separated into two main types, ex-post and ex-ante, and positive and negative. Dipama and Parlar Dal (2015, p. 113) explain that ex-ante conditionality is defined whereby conditions must be fulfilled before the conclusion of an agreement between donor and recipient. Ex-post conditionality means that the donor imposes conditions within the pre-existing framework of such arrangement or agreement. Subsequently, the relationship between donor and recipient becomes dependent of the recipient’s fulfilment of such conditions. Ex-post conditionality is widely deemed to be more effective as it gives the donor more leverage and capacity to act in situations where the recipient country is not showing positive results in terms of pre-agreed conditions. It also helps solve issues of sovereignty violation and donor credibility. Therefore, arrangements must be agreed to by both parties prior to commencement in turn giving them a stronger legal standing. The second main distinction according to Dipama and Parlar Dal (2015, p. 113-114), is between positive and negative conditionality. Negative conditionality is the practice of reducing, suspending or terminating aid or trade, or diplomatic benefits as a form of punishment for violating terms of

conditions. This form of conditionality is widely criticised because of its potential effects on the most vulnerable of the recipient country's population as opposed to achieving government targets. Positive conditionality is the practice of rewarding a country's democratic performance through increased allowance of aid. In other words, increased levels of democratic governance and respect for human rights is rewarded. This helps tie aid to positive change, as opposed to allocation as per pre-existing levels of democratic governance. These distinctions are important in defining the context of the research question further. The EU employs a negative ex-post form of conditionality through the EBA agreement with Cambodia.

Research into the effectiveness of conditionality has been studied over a number of years. In the early 1960's the 'Naïve Theory of Sanctions' was devised by a Norwegian sociologist and mathematician, Johan Galtung. This theory states that,

"Economic sanctions are actions initiated by one or more international actors (the "senders") against one or more others ("receivers") with either both or two separate purposes: to punish the receivers by depriving them of some value and/or to make the receiver comply with certain norms the senders deem important" (1967, pg. 379).

In this case the senders are the EU, the receiver is Cambodia, and the norms are principles of democracy, human rights, and rule of law. This theory states that economic sanctions should act as leverage in order to pressure the receiver into policy or political change. Criticism of this theory states there is no direct connection between effectiveness of economic sanctions in inducing economic hardship, as this is subject to recipient country's economic reliance on the sender country in question. A second subfield into conditionality theory formulated by Drezner, is called the 'Sanctions Paradox'. As quoted by Morgan (2000, p. 762) in his review, this theory suggests that sanctions are more effective at encouraging political change under the premise of a positive relationship between sender and receiver. If there is an expectation of conflict, the sender will be more willing to impose sanctions, and the receiver will be less willing to compromise. Sanctions between allies will be more effective but less likely and sanctions between adversaries will be less effective but more likely.

Specific to the EU case, research into conditionality in the past has found that aid providers like the EU, were predominantly 'reactive' aiming to sanction human rights violations and cases of democratic decay. Post millennium, donor governments were seen to "broaden the scope" of conditionality, allowing it to be both a method of reward or punishment. In 2007, the EC published the 'Governance Incentive Tranche'. This proposed an increase in amount of aid as a reward if the recipient government is willing to negotiate with the EU in order to implement political reforms. (*Molenaers and Nijs, 2008*). The aim of this proposal was to implement a way of applying democratic governance as an objective, but also a condition of EU aid. This denotes that EU conditionality can both reward and sanction recipient behaviour, and so be both proactive and re-active in terms of the recipient governments domestic affairs. The EU also imposes ex-post conditionality in its preferential trade agreements such as the EBA. As stated previously, the EU's EBA scheme contains a clause that allows the EU to temporarily withdraw access in the case of "serious and systematic violations of principles of core human rights and labour rights, so as to promote the objectives of those conventions" (*Regulation (EU) No 978/2012 Clause 24*).

The 1997 the 'World Development Report' looked at reassessing the role of governments in development. It states that good governance should not be a luxury only available to already developed nations but an important precondition towards development in any country (*World Bank, 1997*). This was seen to respond to the growing consensus between policy makers and researchers that destructive institutions, corruption, and the support of authoritarian regimes damage both the political and economic reforms that are necessary for economic growth and development. Although there has been no proven correlation between democratic regimes and development, generally the western consensus in terms of the most effective governing model states that democratic regimes are more effective than autocratic regimes at stimulating development in terms of good governance. The 'Assessing Aid Report' (*Dollar and Pritchett, 1998*) shows that the effectiveness of foreign aid on development is pre-conditioned by the recipient countries quality of governance. This includes not only economic policy and financial management, but also the level of democracy. However, it could be argued that to base the giving of aid on already established settings would be contradictory to what the nature of aid should be. If aid is given in this case, then it would leave a majority of the

undeveloped world behind, including Cambodia. Thus defeating the purposes and promises of globally accepted goals such as the SDGs.

## 4.2 Does Democracy Equal Development?

Democracy seems to be at the forefront of the debate when it comes to asking the question of how we increase development in the third world. Montinola's (2010, p. 360) research suggests that the efficiency of conditionality depends on the recipient countries level of democracy, as the value of aid to these governments depends on regime type. This theory suggests that if governments primarily seek to maintain power, then aid should be of value to them. As it creates an incentive to abide by aid conditions, to whatever degree it helps to preserve their power. This research shows that the impact of aid on political survival is greater for democrats than autocrats, as political competition encourages democratic leaders that wish to maintain power to spend all aid received. Conversely, autocratic leaders tend to "stockpile" aid for future use and still maintain power (Buono de Mesquita et al, 2003 and Yuichi Kono and Montinola, 2009). As aid disbursement is more vital for democrats than autocrats, this suggests conditionality is more effective in democratic countries where donors would have greater leverage over recipient governments. Montinola's conclusions suggest that the effectiveness of conditionality in itself is conditional, as per recipient government regime type. This supports the hypothesis that conditionality in Cambodia is not an effective mechanism for development because of its autocratic regime. Cambodia's government does not hold much incentive to comply with conditions of democratic reform as these conditions do not promote the political survival of the CPP government. This presents a challenge for the EU when asking the question of how effective EU conditionality is in Cambodia in the promotion of democracy and human rights. The above explanation would suggest that conditionality is futile in this sense due to Cambodia's regime type. However, the issue of Cambodia's economic dependency on aid also comes into play. The factor that Montinola did not observe was that conditionality effectiveness not only relies on regime type, but their overall dependence on donors to survive in a global economic context. For Cambodia this a prominent concern. Their development has largely been focused on liberalisation and integration into the world economy based on export, particularly to the EU through the EBA scheme. This should suggest that the Cambodian government does in fact hold an incentive to

perform under aid conditions, as withdrawal of this agreement would drastically effect Cambodia’s ability to perform economically. The anomaly in this case is that the RGC has seemed to respond completely contradictory to what would have been predicted in light of both existing theory, and potential consequences. This may be due to other players in the game such as China. China plays a large role in Cambodia’s development assistance as described in the contextual review. This impacts issues of dependency which directly influences Cambodia’s responses to the EU in the threat of an EBA withdrawal. This is interesting, particularly as it provides potential for a new narrative, or evidence of the fact that one size does not fit all. In light of current circumstances, the EU may not be successful in their application of conditionality through the withdrawal.

Another problem that arises when looking at this research is that there are an increasing number of recipient countries that now sit in the ‘grey area’ between democracy and autocracy. It is vital that aid addresses the gradual shift in governmental dimensions. **Figure 5** illustrates these shifts through a table of Freedom House democracy ratings in South East Asian countries over a 20-year period, with a score of 1 being the most democratic and a score of 7 being total autocracy.

*Figure 5: Democracy ratings in South East Asian Countries over the period of 1999-2019*

Country	Democracy rating in 1999	Democracy rating 2019
Cambodia	6	5.5
Indonesia	3.5	3
Vietnam	7	6
Thailand	2.5	6
Malaysia	5	4
Singapore	5	4
Philippines	2.5	3
Laos	6.5	6.5
Myanmar	7	5
Brunei	6	5.5
Timor-Leste	5	2.5

*(Source: Freedomhouse.org, 2019).*

The transition from an autocracy to democracy is not linear or uniform, and quite often recipient countries act under different combinations of hybrid regimes. For example, anocracies or illiberal/defective democracies (*Santiso, 2001, p. 8*). Literature in this area on aid effectiveness has suggested that aid should be selectively given to countries with a higher democracy rating, and should function as a tool for political and institutional change. However, this solution suggests that it is acceptable to ignore some of the most vulnerable populations in the world, through selectively given aid as per their already existing regimes and institutions. This would be contradictory of the normative values the EU aid is built on in the first place.

### 4.3 Does Aid Increase Democracy?

In light of the above paragraph, we must now ask the question of how we increase democracy in developing countries in order to increase aid effectiveness? Here we have somewhat of a causality dilemma. Knack (*2001, p. 251*), explains that development aid can contribute to the democratisation of a country in three ways. The first being via technical assistance in focusing on electoral processes, helping to strengthen legislatures and judiciaries, and the promotion of CSOs and free press. Secondly, through conditionality. Finally, by improving education and increasing income per capita. This is correlated with a civil demand increase for democratisation. However, aid can also have adverse effects on good governance by undermining accountability, deterring incentives, and even promoting violence or political coups. Many foreign aid donors, particularly the EU, include democratic reform as a condition to which the recipient government must adhere to in terms of receiving aid. Knack's study provides an analysis on the impact of conditionality and democratisation in a large sample of recipient countries over the period of 1975-2000. His findings suggest that through the use of several different democracy indexes and measures of aid intensity, that there is little to no evidence to show that aid specifically promotes democracy. However, he does state that this evidence does not necessarily show that democracy promoting programmes funded by ODA don't work as intended. The programmes that are successful in this function are too few to impact the data significantly. Aid can influence democratisation through the promotion of modernisation in the funding of programmes related to health and education. Literacy and increased incomes in particular, can be attributed to an increase in demand for

democratisation. The problem here remains around the circular causality of the variables of increased democracy and increased aid effectiveness.

Molenaers et al. (2015, p. 4) suggests that “aid should be given selectively to those countries that are well governed in order to increase aid effectiveness because the impact of aid on growth and poverty reduction is mediated by regime characteristics”. This is a form of ex-post selectivity, as aid in this context is disbursed during or after the recipient government has reached these political reforms. Santiso (2001, p. 13) suggests that using this form of selection constructs democratic governance as a pre-condition for aid. Such aid can then be implemented in a fully donor driven, low interference manner, since the donors can now decide which criteria to implement when disbursing aid. Thus facilitating local ownership of development objectives. Santiso (2001, p. 9) furthers this argument in saying that conditionality may also be used as a form of political leverage. This implies that the support of democratic reform is an objective rather than a condition, which is a more productive approach to promoting or supporting political reform in recipient countries. Dollar and Pritchett (1998, p. 50-53) argue that conditionality has ultimately failed in the past as it concentrated on an ex-ante system of aid disbursed, based on the promise of future political reform. Which in turn gave the recipient little ownership over their development plans. Subsequently, ex-post techniques were adopted, so conditions could be negotiated, consensual, and results orientated. This helps to reduce the ownership difficulty, as well as helping to implement increased pluralism in terms of policy making and implementation. The general consensus here was to ‘get the incentives right’, which has ultimately led to a more diverse way of approaching support and promotion for democratic reform in developing countries.

The EU has adopted the ex-post system, in order to link aid and performance. Performance here is measured in terms of definitive objectives rather than performance measured against intermediate targets. For example, reduced infant mortality rates as opposed to number of children receiving treatment. By the end of 2001, the European financing mechanisms for countries supported by their development programmes included at least some element of ex-post conditionality through mechanisms such as the EBA. However, in the nature of bureaucratic reform, some countries experienced traditional conditionality being practiced alongside this amendment. This resulted in some countries not being able to fully experience



the potential for improvement in domestic ownership and accountability, and improved coordination between donors (*Adam et al., 2004*).

#### 4.4 A Violation of Sovereignty?

To understand the implications of conditionality on national sovereignty, it is important first to define what sovereignty means in an aid partnership context. Brown (2013, p. 266) investigates the relationship between sovereignty and conditionality, addressing three main definitions. “A state of self-containment or inviolateness that exists before intervention” (*Harrison, 2004, p. 25*), “The freedom of a nation or society to pursue its ends without external control or intervention” (*Williams, 2008, p. 36*), and “A realm of political action free from foreign influence” (*Whitfield and Fraser, 2009, p. 7*). What these three definitions have in common is that sovereignty ultimately means a government’s ability to exercise control over a given territory, and for that government to enjoy constraint free control over policy outcomes. Brown (2013, p. 267) states, conditionality’s impact on sovereignty in an aid partnership context can be looked at through the lens of two claims. Firstly, “sovereignty is being eroded by aid policy” and secondly, “the politico-legal independence of the state itself is being challenged”. Historically, the former has undeniably been the case while the second has not. From a legal standpoint as explained by Zormelo (1996, p. 18), sovereignty means that states should obey the international laws they formulate or accede to. Zormelo discusses the legal standing upon an International Financial Institution (IFI) perspective. This definition can still be applied to the EU, although not an IFI. The EBA is an agreement approved to by both parties and the democracy and human rights clauses are built into and agreed upon by both parties from its establishment. On a strictly legal basis, the EU is not going beyond its powers in exercising conditionality through the withdrawal of the EBA from Cambodia as per the original agreement. However, Zormelo (1996, p. 18) considers the fact that there is often no alternative for the recipient country. In this case they often have no choice but to agree. Following from this, the recipient country cannot negotiate with the donor country from an equal standpoint in terms of strength. The desperate positions of the recipient countries make them more willing to adopt such policies. Further, Zormelo states that is it not uncommon for donor countries to use this to their advantage in the promotion of their own national interests by using policy to steer the recipient country in preferred directions. The influence of the donor

countries over aid policy is high, and so questions the neutrality of conditionality clauses in the EBA and whether or not the legal standpoint of sovereignty is truly recognised.

#### 4.5 Is Conditionality Effective?

The answer to whether conditionality works varies in accordance with the level of political and economic leverage between donor and recipient. This is subject to change over time. A study conducted by Donno and Neureiter (2017, p. 336) found that conditionality clauses in EU political and economic agreements with developing countries, that specifically enforce democratic reform and human rights, are only provisionally effective in promoting these values. The study found that this kind of conditionality is only effective in countries that are heavily reliant on the EU for aid and/or trade. In other words, as a catalyst for democratic reform and respect for human rights, the effectiveness of conditionality is increased the more dependent the country. The promotion of democracy and human rights are at the heart of the EU's normative power identity. The question arises around whether conditions pertaining to the promotion of democracy and human rights that are imbedded in EU's aid and trade agreements are actually effective in reducing repression, and secondly, should conditionality be implemented in this sense at all?

The Donno and Neureiter study found that human rights clauses in EU aid agreements are in fact associated with improved respect for both political and physical integrity rights, but only at higher levels of aid dependence. Trade dependence does not exert such an effect. This study also found that in most cases of conditionality enforcement due to violations of political rights, political coups, and flawed elections EU aid suspension is the typical form of punishment. These are correlated with improved human rights conditions, again more so in aid dependent countries. Evidence collected in this study suggests that the governments of more aid dependent states are forced to take external pressure more seriously. Suggesting the effectiveness of such mechanisms is entirely subject to the country's level of external economic vulnerability. The economic dependence of Cambodia on the EU has most definitely been a factor in the past. However, as suggested earlier in this chapter, this dependence has dissipated with the increased presence of China in Cambodia. Directly impacting the effectiveness of conditionality mechanisms employed by the EU in this circumstance.

The EU defines itself as a 'normative power' in a global political context as its influence relies on its "ability to shape conceptions of normal in international relations" (*Manners, 2002, p. 239*). These values are typically listed as democratic principles, respect for human rights, and rule of law (*Donno and Neureiter, 2017, p. 338*). The EU aims to promote its norms through socialisation and control of monetary power in interest of spreading these norms and values (*Manners, 2002, p. 245*). This has sparked debate on whether we can classify normative values as global values. In the context of the EU relationship with Cambodia and the conditionality clauses in their aid and trade frameworks, it may well be that the 'EU way' is not the best way forward for Cambodia. Acceptance of alternative governing models could be a more efficient route towards development, with the examples of Singapore and China having enjoyed steady economic development in the last few decades, under capitalist autocratic regimes. Conditionality is used as a tool to achieve the adoption of certain political values by many donors. However, none of the donors use it in the broad manner in which the EU employs such tools which helps with a more general enforcement over a broader spectrum of issues. Since 1995, this conditionality clause has been included in all new EU economic agreements and partnerships. The incentives for developing countries to come to such arrangements with the EU are high as it grants access to preferential trade. Signing onto these types of arrangements enables a direct link between aid and trade benefits, and the respect for human rights and democracy. Agreements such as the EBA help to serve as a framework for aid and trade benefits. Cooperation agreements are primarily linked with trade. This includes aid as a mechanism for political dialogue and cooperation (*Wu, 2013 p. 348 and Miller, 2004, p. 21*).

## 5. Methodology

This research examines the effectiveness of the EU as a promoter of normative values through the use of conditionality attached to their aid and trade agreements. Both conditionality and AfT models are relatively new concepts in aid policy. The effectiveness of such mechanisms in the delivery of development outcomes, as well as the promotion of democratic and human rights principles are still in question. To examine these issues, this research will investigate the effectiveness of EU conditionality in the promotion of the normative values of democracy and human rights in autocratic states, using Cambodia as a case study. This question will be examined in light of the recent political events of the 2018 Cambodian Election, after which the EU launched the procedure to withdraw the EBA with Cambodia based on “serious and systemic violations of democratic and human rights principles”. To reiterate, the research question for this study is:

*How effective is EU conditionality as a mechanism to promote democracy and human rights in Cambodia though the context of the Everything but Arms Agreement withdrawal?*

To provide clarity and cohesiveness in answering the research question, there are 5 sub-questions to consider to help reflect the main areas of interest in the study.

- 1. Has the EBA been effective at promoting democracy and human rights in Cambodia in the past?*
- 2. How will a withdrawal of the EBA effect Cambodia’s economy?*
- 3. How will a withdrawal of the EBA effect Cambodia’s society?*
- 4. How will a withdrawal of the EBA effect standards of democracy and human rights in Cambodia in the future?*
- 5. How can the EU improve in its promotion of democracy and human rights in Cambodia through development assistance?*

Data has been collected through means of semi-structured interviews held in Cambodia with employees and experts from local and international NGOs, CSOs, international economic and political institutions, and government officials, of which there were 15 in total. The participants were selected based on their field of work and expertise. It was important to include

participants in all working sectors, as well as a mix of both Khmer and international participants, in order to provide a well-rounded sample from differing perspectives. Interviews were recorded on a password protected recording device, then downloaded and transcribed using NVivo. NVivo was chosen as it aids in the structuring and organising of data collected, as well as helping in the efficiency of analysis through securely storing all primary data. NVivo was chosen particularly for its transcription software which aided in the collection and transcribing of all 20 interviews. It also helped to improve the accuracy of qualitative study collected to ensure nothing was missed. The analysis process was broken down into three main sections. Firstly, answers were read through thoroughly and main points extracted and organised into category of the research question with key themes summarised. Secondly, answers were then colour coded to show either a positive, negative, or neutral response. Some questions were not of this nature, so interesting/main points were highlighted for analysis. Due to the sample size and the type of analysis, quantitative analysis was not possible. Findings from this data is then supported through references to newspaper articles, joint statements, press releases, and official government statements as well as a comparison to previous examples where the EU has exercised a similar type of conditionality in other countries. Findings are then supported by previous research identified in the contextual, literature, and conceptual review chapters. This research analyses societal, economic, and political effects of the withdrawal, and helps to conceptualise the withdrawals usefulness as a tool to promote normative values such as democracy and human rights in an autocratic state such as Cambodia. The use of qualitative analysis in this study helps to contextualise the effects of the withdrawal, through the perspective of those working and living in Cambodia. It is important to acknowledge the data collected in this study is based on personal opinion of participants. Although all were chosen due to their expertise in the area of study, answers provided are still speculative. This is still helpful in answering the research question in that it provides perspective into the potential effects that are not obvious or quantifiable.

Considerable literature exists examining the effectiveness of EU aid in Cambodia, as well as the use of aid conditionality as a tool to promote democracy and human rights. However, no literature has been found that examines these variables in light of the recent events in Cambodia, a prime example of negative ex-post conditionality. At present, it has been observed by the EU that there has been serious violations of respect for human rights and

democracy in Cambodia, particularly in throughout the 2018 Cambodian election period. With just over 20 years of international assistance and attempts from the international community to encourage reform in these areas, the question is raised of why these efforts have not been effective in achieving such outcomes. There is a considerable amount of literature on the topic of aid effectiveness that supports the conclusion that aid (in its current form) is a contributor to the problem it is attempting to relieve, hence why it is important to reform aid policy in such a way that it works as intended.

For scoping purposes, this research will primarily focus on the most recent development strategies in both the EU and Cambodia (period of 2014-2020), 2018 Cambodian Election, and the current situation unfolding with the EBA withdrawal. The EU is renowned as a leading force in the use of conditionality as a tool to promote the normative values of democracy and human rights. Evidence so far suggests that recent events such as the threat of withdrawal shows a lack of priority in actual implementation of these values when it comes to EU development assistance in Cambodia, as a withdrawal will likely damage the protection of these values in the future.

## 5.1 Limitations

Due to the contemporary nature of this study, the research is only able to speculate about the possible effects of the EBA withdrawal. It is also limited by the fact that there are no previous studies on this topic and so comparison is not possible. Current information and research is limited to interviews held during the data collection stages of this research, as well as official government statements, newspapers, and press releases on the activities and discussions between the EU and Cambodia. No theoretical or analytical studies on Cambodia's experiences with the EBA and potential withdrawal have been found. This is also the first time the EU has launched the procedure to withdraw from the EBA agreement from any country under these circumstances. Its uniqueness poses a limitation as there are no other examples to draw from when looking at potential impacts. As the withdrawal is a 12-month long process, the final decision of whether the EU will withdraw partially, completely, or at all will not be made until February 2020. This also poses a limitation to the research in that this thesis will be submitted in June 2019, approximately six months before the withdrawal decision date. It is important to

remember that conclusions made throughout this study are speculative and focus on researching the impacts of multiple potential outcomes. At the time this thesis is submitted, the EU has already launched the 12-month long procedure to withdraw. This has been met negatively by Cambodian government in stating it does not intend to comply with EU requests. The importance of this research lies in the fact that it investigates aspects of political decision making in aid policy and analyses the political, economic, and social implications of such actions.

Another limitation for this study is due to its qualitative nature, the language barrier between researcher and participants was substantial. A translator was used in all interviews where the first language was Khmer, to ensure context was not lost or confused in the data collection process. Difference in culture also proved to be limiting in the planning and collection of this data as there was a difference in expectation of the organising and scheduling of interviews. Not only did the language barrier make it difficult to schedule interviews, but at many points there was confusion around the legitimacy of verbal confirmation versus written confirmation. A large restriction to this study was the sensitive nature of this research and interview questions. This meant that participants were less able to speak freely due to the socio-political situation of Cambodia and the positions they held in their organisations. Most participants indicated they would like their identity to be kept completely confidential, which presents a challenge in the findings section as the quotations are not able to be attributed to the participant. Any further details about the participants cannot be shared in this research.

Finally, the implications of Brexit marks another large limitation. Brexit may have large implications on EU ODA as Britain is one of only four Member States that meet the 0.7% or more of Gross National Income towards the EU ODA requirement. Brexit is purposefully not discussed in this study as developments in this area fluctuate so heavily at this given time. Any claim to implications of Brexit's effect on Cambodia's situation has the potential to become irrelevant and may take away from the solidity or relevance of others points, particularly if arguments of Brexit are used to build or validate other conclusions made in this research.

## 6. Empirical Findings and Discussion

This study explores how effective EU conditionality is at promoting democracy and human rights in Cambodia through the mechanism of the EBA agreement as used in an AFT framework. Using the EBA withdrawal as context, this research investigates whether the EU shows political will in terms of helping Cambodia towards democratic reform and improved respect for human rights. As well as how the EU is perceived in Cambodia as a development partner. This research examines possible societal, economic, and political effects the withdrawal of the EBA will have. This helps build a well-rounded understanding of all the implications and areas of impact, as well as illustrating how these impacts have a large effect on human and social rights themselves, as values the EU are trying to protect. Finally, this sections will conclude with a rationale for a better approach to ODA assistance in the form of support for democracy and human rights in Cambodia.

Primary data collected through interviews in the field is used in answering the research questions, as well as using examples from press releases, official statements, and newspaper articles to further support recommendations and conclusions. These results are presented as a narrative to discuss the relationship between Cambodia and the EU, how the EBA is intended to work, and compares this to the current situation that is unfolding in Cambodia around the EBA withdrawal. Firstly, this research looks at the current nature of the relationship between the EU and Cambodia. An important pretext for understanding EU perceptions and how a withdrawal might affect the diplomatic relationship between the two in the future. Secondly, how effective the EBA has been at promoting democracy and human rights in the past and how a withdrawal may effect these variables in the future is considered. This leads into a discussion on the economic impacts that a withdrawal may cause and the effects this has on democracy and human rights in Cambodia. Finally, this research presents data collected on EU perceptions in Cambodia in relation to the EBA withdrawal, whether or not people tend to agree with the EU's decision to withdraw, and suggestions on how the EU can improve on these in order to help Cambodia achieve better standards of democracy and human rights in the future.



## 6.1 Perceptions on the Relationship Between the European Union and Cambodia.

Perceptions of the EU in Cambodia is an important variable as it provides insight into EU rhetoric versus reality, in terms of EU aid effectiveness. The consensus between participants studied indicates the relationship between Cambodia and the EU in the past has been positive and is appreciated in civil society, NGO, and governmental settings. It is recognised that the EU plays an important role and is a strong development partner for Cambodia. The EU has opened a window for Cambodia through the EBA in terms of trade and economic growth through the textile industry, which as stated by one participant has become “somewhat of a backbone for the economy”. Evidence of the EU’s commitment to Cambodia can be seen through the EU’s financial support following the signing of the ‘Paris Peace Agreements’, as well as frameworks such as the EU’s ‘Agenda for Change’, ‘EU Aid for Trade Strategy’, and the ‘European Development Cooperation Strategy for Cambodia’. Participants from all working sectors interviewed believe that the potential of the EBA withdrawal has created tensions in some areas. However, outside of the EBA there are still many positive working relationships within European industries in Cambodia, political dialogue, cultural relationships, and tourism. Development assistance also offers leverage for discussion as the EU provides budgetary support that also address the challenges in the governments support to CSOs, and reform of the country. The EU has stated will continue this assistance if the EBA is withdrawn.

Participants representing the CSO and NGO sectors expressed some concerns about the recent activity around the EBA and how this is going to effect the future of Cambodia’s economy, as well as flow on consequences of this in terms of EU perception in Cambodia. There is a general feeling of fear that a withdrawal will affect the Cambodian economy negatively and cause economic downturn. Over 700,000 of the population are factory workers in the garment industry, most of whom and women from rural areas. They will be heavily effected through the loss of jobs if the EU choses to withdraw their preferential trade access in these areas. One CSO participant commented,

“Politics in Cambodia is difficult right now, because of the EBA withdrawal which has prompted a large concern for factory workers and farmers. It all challenges the

way we maintain democracy and human rights in Cambodia. I think the EU should put more effort into this and find a concrete solution on how to solve these kinds of issues” (*Participant 1*).

This comment is important in highlighting the potential for negative flow on effects not only in terms of Cambodia’s economy but also EU perceptions as a development partner in Cambodia. Not only does the threat of a withdrawal negatively affect the EU’s relations with the RGC, but also may have negative consequences on societies perceptions of the EU and their role within Cambodia as a champion of normative values. As discussed in the conceptual framework, this is an important part of the EU’s development assistance agenda in terms of EU expansion. One NGO representative reflected this in stating “Cambodia is prone to negative perception being spread around easily and people get really panicked. The perception could add to the negative impact overall” (*Participant 2*).

The position of the RGC can be summarised by an official statement released in response to the EC’s decision to launch the procedure to withdrawal. The RGC argued that a withdrawal of the EBA based on its current grounds would be an intrusion into international sovereignty. “The EC has not shown due respect to Cambodia’s sovereignty when their EBA demands are tantamount to acts of interference with the political development in the country” (*Royal Government of Cambodia, 2019*). This reflects the deteriorating relationship that participants seem to be perceiving in light of the events unfolding around the EBA.

To understand these comments from the RGC we should consider Zormelo’s (1996, p. 16-17) arguments on conditionality and sovereignty. Once a recipient country voluntarily signs on to an agreement like the EBA there can be no legal standing for this kind of statement. However, it is important to understand what is happening on the periphery of these agreements such as power balance and coercion. If we define sovereignty as stated by Whitfield and Fraser (2009, p. 7) “a realm of political action free from foreign influence”, the moment a country accepts assistance in any form from a donor body, they are no longer free from foreign influence, as discussed in the literature review chapter on the experiences of dependency and ownership. The way in which aid policy is built makes it impossible for these systems to be free from foreign influence. Under this definition, it is impossible to have total sovereignty over

development objectives in the acceptance of development assistance. Another important perspective to understand the RGC claim from, is the fact that Cambodia and the EU are culturally very different. Therefore, it is not surprising that the RGC rejects the EU's promotion of their own governing model. None of Cambodia's neighbours follow a liberal democratic model, despite success in economic development under autocratic systems. The RGC also expressed in the official statement that the EU is acting "unfairly" towards Cambodia as there are many other countries that enjoy EBA preferences that do not fully comply with these international conventions and to which the EU has "closed a blind eye" (*Royal Government of Cambodia, 2019*). This may support Zormelo's claim that donor countries tend to use conditionality to their advantage to pursue their own political interests. We have seen from the lack of compliance from the RGC that the leverage the EU is attempting to exercise here may not be working as intended.

## 6.2 Has the Everything but Arms Agreement Been Effective at Promoting Democracy and Human Rights in Cambodia in the Past?

When discussing the question of how effective the EBA has been at directly promoting democracy and human rights in Cambodia, a majority of participants felt that it is not directly effective at promoting these ideals, however it is a good basis to set standards. The EBA is seen in Cambodia as more of a mechanism for economic growth through the creation of jobs as opposed to a tool that solidly imposes democratic reform and respect for human rights. One participant stated "The EBA at the least provides some pressure. It doesn't directly affect the government as much as it does the population" (*Participant 3*).

There seems to be a distinct gap in the relationship between the use of the EBA as an ideal promoter and how this mechanism actually works in practice. This can be explained through looking at the the connection between trade agreements and human rights. This relationship was described by one participant as "ambiguous at best" (*Participant 4*). Trade measures are imposed to try and improve certain political rights, but this may be at the risk of economic and social rights, as all rights are interdependent and interrelated. The EU attempts to inforce measures to improve democratic performance and human rights standards, but this could be

at the expense of Cambodian people's livelihoods through the loss of jobs and salary that support not only the workers in affected industries, but also their dependants. Connecting government performance of these values with a market that supplies the livelihood of a population, results in this demographic suffering the repercussions through a loss of jobs and stable income, while the government remains unpersuaded to reform. Most participants in the study agree that the EBA contributes toward the support for democracy, but hasn't been directly effective at imposing it in the past as development strategy and the economic actions of a country are not necessarily directly linked.

The EBA functions as an ex-post, negative form of AFT conditionality, which previous studies, as indicated in the conceptual framework chapter, have shown to be only provisionally effective at promoting democratic reform in authoritarian regimes. These results show that in the case of Cambodia, this form of conditionality has not been productive at achieving these goals, as the RGC has not responded positively towards the launch of procedure to withdraw. The reason behind this may be explained through Drezner's "Sanctions Paradox" theory which indicates that there is no direct correlation between effectiveness of economic sanctions at inducing economic hardship, as this is reliant on the recipient countries economic reliance on the donor country in question (*Morgan, 2000, p. 762*). As Donno and Neureiter (*2017, p. 336*) found, conditionality clauses in EU political and economic agreements that specifically enforce democratic values and respect for human rights, are only effective in countries that are heavily reliant on the EU for both aid and trade. Evidence collected in this study suggests that the governments of more aid dependent states are forced to take external pressure more seriously, which suggests the effectiveness of such mechanisms is entirely subject to the countries level of external economic vulnerability. Although dependency on the EU may have been the case for Cambodia in the past, the RGC has been seen to be taking measures towards addressing the dependency issue through liberalising its trade portfolios with countries such as China and Vietnam. In this case, the EU may no longer hold the leverage needed in order to successfully enforce this kind of conditionality through the EBA. Further, studies have shown there is little to no evidence that conditionality directly impacts democratisation. One participant noted,

“You can’t bring democracy from the outside. It can be a good basis for dialogue and for trying to encourage reform, but as to something that’s going to create a democratic state if there is no willingness. But there has to be a minimum of standards kept. So in saying this, there is limited impact overall in the EBA imposing democracy here” (*Participant 1*).

AfT may be effective at promoting the modernisation of a countries economy, however it may only impact democratisation as a flow on effect of this. As democracy is not necessarily a definitive outcome of modernisation. Effectiveness of conditionality at promoting democracy and human rights also comes down to recipient governments political will to engage and compromise on such topics, which has been shown to be low in the case of Cambodia.

### 6.3 How Will a Withdrawal Effect Democracy and Human Rights Standards in Cambodia in the Future?

Participants’ response to the question of how a withdrawal will affect the current standards of democracy and human rights in Cambodia, as well as the protection of these rights in the future, were overwhelmingly negative. All participants seemed to share the view that a withdrawal of the EBA will not work as intended as it will remove any leverage the EU currently possesses in being able to have an influence in this area. One participant stated,

“There is a large concern for the future of democracy and human rights in Cambodia. There is currently one ruling party, which is not a democracy. Under this model, I don’t think a withdrawal will help with the opportunity for democracy now and will not be good for democracy and human rights going into the future” (*Participant 5*).

Another participant affirmed “If the EU is unable to apply pressure on the government, then any hope for democracy will be lost in this country. A withdrawal removes any hope to be able to fix that” (*Participant 6*). Participants seem to feel that the only hope of a withdrawal having a positive effect on human rights and democracy in the country, is if it is successful in pushing the government towards judicial reform of the 118 banned political activists, as well as

successfully helping to promote increased space for dialogue between civil society and the government. One participant expressed positivity towards this in stating that “The EBA has prompted this institutional dialogue, so in this way it could have a positive influence on democracy, public participation and dialogue” (*Participant 4*). The possibility of judicial reform is unlikely. However, it would be incorrect to assume this absolutely won’t happen. The EBA withdrawal process is built on a timeline of 12 months, so at this point, there is still time for these circumstances to change as one participant affirmed,

“There is still a way for the government to buy time from the EU. They might not improve on conditions now, but in the next six months they might decide it is time to compromise. In this way, the government sees these 18 months as a process of buying more time” (*Participant 7*).

It is also possible that a withdrawal will have the opposite effect that the EU is hoping for in that it could prompt the government to recede and further take away space for free speech. This could widen the gap between civic and political participation, further worsening the space for dialogue and so reform on human rights and democracy.

“Once people feel they have been punished for the wrong reasons, the government could react in a different way, they could put more distance in the space between civic and political participation and that would be negative. If people are losing their jobs, or if there is panic in the market, this will create a much more complex challenge to manage” (*Participant 2*).

There is also the possibility that a full withdrawal could prompt the government to take more serious measures when following in the footsteps of the China model, a direction Cambodia already seems to be headed towards. The following quote noted the importance of China in this narrative.

“The government is playing a game between China and the EU. They have stated they are prepared for a withdrawal and they don’t care, China has stated they will

fill in the gaps. But what will happen to democracy and human rights in Cambodia then? China does not care about this” (*Participant 3*).

Prime Minister Hun Sen commonly refers to “The Model” when addressing media about the issue of the EU’s democracy promotion in Cambodia. At the 2019 Cambodia Outlook Conference in Phnom Penh, Hun Sen responded to calls from the EU and the US for Cambodia to respect democracy and human rights by stating “Cambodia has its own laws, you eat bread and I eat rice” (*Sokhean, 2019*). He explains that you can implement one kind of system in a country, but that doesn’t mean it will work everywhere. Insinuating that Cambodia works best as a one party system. This mind set seems to be reflected frequently in Hun Sen’s responses to the EU’s decision to launch the procedure to withdraw. It paints a clear picture of the RGC’s stance on the issue and therefore shows how the government may intend on responding if a full withdrawal does occur. The interests of the Cambodian government are far better reflected in the Cambodia/China relationship than they are in the EU/Cambodia relationship through culture, governance, and economic models.

In order to forecast the effects that a withdrawal may have on democracy and human rights in Cambodia, it is worth investigating instances of conditionality being used in the past. Although the EBA has never been withdrawn under these circumstances before, we may be able to understand the consequences of exercising this kind of conditionality through different circumstances. Dipama and Parlar Dal (*2015*), conducted a case study comparing the effectiveness of EU conditionality at promoting democratic reform and respect for human rights in three countries: Zimbabwe, Ivory Coast, and Niger. Conditionality is exercised in these three countries through the suspension of development cooperation due to violations of democratic and human rights principles, as stated in the Cotonou Partnership Agreement. Dipama and Parlar Dal (*2015, p. 124*) found that except in the case of Niger, conditionality practiced through means of political dialogue, consultations, and sanction measures were not effective at creating sufficient pressure for democratic reform and respect for human rights. Although each case significantly differs, all share different circumstances not dissimilar to Cambodia’s.

In 2000, the EU criticised the Zimbabwean government on a number of issues, particularly pertaining to the free and fair elections promised to be held in May of that year. The Zimbabwean government in response to threats of sanctions by the EU, refused to comply. After nearly a decade of little to no changes in terms of democratic reform and respect for human rights principles, the 'Global Political Agreement' was signed by both governments in 2009. This led to progress being made in terms of political rights, democracy, and civil liberties within the country (2015, p. 119-120). The EU in this case used negative ex-post form of conditionality based on violations of democratic and human rights principles, just as in the current situation in Cambodia. This example shows that negative conditionality did work in Zimbabwe, but only after nearly a decade of political and civil unrest.

In the case of the Ivory Coast, following the political coup of 1999, the EU imposed positive ex-post measures. However, there was no improvement seen in terms of democracy, political, and civil rights. Following the coup, the openness and accountability of the October 2000 elections was criticised and ended in a series of violent clashes between running parties. Another round of elections was held in 2001 regulated by the EU. This was also followed by civil and political violence as political leaders continued to fail to keep promises. Three rounds of consultations were opened by the EU during this time, as well as a series of failed elections. In summary, although the measures imposed by the EU on the Ivory Coast were softer than those imposed in Zimbabwe, there was little positive impact on the political situation of the Ivory Coast during this time (2015, p. 120-121). Again, there are many similarities to this case and that of Cambodia's mostly pertaining to issues around free and fair elections and the political violence that followed. Although in this case the EU used positive measures, as opposed to negative measures, we are seeing the same mixed and rather delayed results in effectiveness that may or may not be able to be attributed to EU intervention.

The experiences of Niger as described by Dipama and Parlar Dal are far more positive than that of Zimbabwe and the Ivory Coast. However, because of this stark difference in experiences, it is important to note the Niger experience in order to see the circumstances in which conditionality may work. The political experiences of Niger were relatively positive during the first and second term of President Tandja from 2005 to 2009, until the impending expiry of his second term. Political rights and civil liberties began to worsen during this time as the



opposition parties, media, and members of civil society were harassed by the party in power in the lead up to the elections. Due to this, the EU opened consultation and cooperation was suspended. A second round of consultation was opened by the EU in 2010 and elections held successfully in 2011 (*2015, p. 121*). This is another form of positive ex-post measures taken by the EU, which in this case seemed to have a constructive and timely influence on democracy and human rights in Niger.

The limit to the validity of this comparison between these three examples and Cambodia is substantial as the circumstances surrounding the nature of conditionality being used differs greatly. As well as the difference in geo-political factors. However, under the circumstances that the EBA has never been withdrawn in the past, this is the best available approach in using past examples to examine the potential effectiveness of an EBA withdrawal on the future of democracy and human rights in Cambodia. All three examples share similarities with Cambodia's case, however none are precisely similar. Because of the disparity between these three examples, as well as the difference between these three examples and Cambodia's experiences, it is important to include details of them all in order to produce a more well-rounded picture of the potential future effects of a withdrawal. As this study revealed, apart from the case of Niger, political dialogue, consultations, and sanctions (in Zimbabwe's case) did not produce positive outcomes in terms of democracy promotion. Dipama and Parlar Dal (*2015, p. 124*) state that a reason for this may be due to a lack of consistency and coherence which damages the EU's credibility when attempting to enforce normative values. The EU seemed far more reluctant to impose harsh measures on the Ivory Coast and Niger, even though the violations of principles were similar. The EU seems to contradict its own stance on normative principles by not acting in the same way in all three examples. This may tell us why the RGC may not be feeling pressure from the EU in the way it is intended. The RGC in their official response to the launch of procedure to withdraw has pointed to the fact that the EU is not exhibiting the same moral stance for other countries showing similar violations. It is clear the integrity of the EU is coming into question in their attempts to enforce conditionality based on normative principles, which affects the way their actions are perceived by their developing counterparts.

## 6.4 How Will a Withdrawal Effect Cambodia's Economy?

Most participants predict that a withdrawal will have a negative impact on Cambodia's economy. However, it is worth noting that there will be both short and long term impacts. The short term impacts are likely to be substantial. Economies are resilient and Cambodia's will likely recover in the long term, particularly if the government expands its trade portfolio not only with China, but also with other countries.

"If it is a broad suspension a withdrawal will have significant impacts. Growth, which is currently hovering around 7% will likely diminish to around 4%, with impacts on workers and poverty levels" (*Participant 4*).

It is important to remember that in Cambodia's case, a wide margin of the population is 'near poor' and it would only take a minor economic shock to shift that population back into poverty. With diminishing economic growth in these areas and a predicted spike in poverty levels due to loss of jobs, a withdrawal will have substantially negative short term impacts on the Cambodian economy. This may have longer term impacts if the Cambodian economy can't find a way to diversify.

As stated in the contextual review, statistically speaking EBA exports are significant for the export margins of Cambodia. Cambodia accounts for 18% of all EBA imports into the EU; Garments are the most significant Cambodian export to the EU. In 2017, two categories (Knitwear and Woven) accounted for 74.9% of Cambodia exports to the EU, while exports of footwear were 12.8%, and cereals were 3.6% (*Ec.europa.eu, 2019*). If the EBA is lost, more than 93% of exports would then fall under the MFN tariff rate of 12% (*World Bank Group, 2019, p. 25*). The repercussions of a withdrawal will not only have detrimental effects on garment exports which account for approximately 40% of Cambodia's GDP, but many garment factory workers will likely lose their jobs as garments account for roughly 80% of Cambodia's total exports to the EU market (*World Bank Group, 2019, p. 25*). If the EBA is suspended, tariffs will increase the price of the products exported from Cambodia to the EU. This will lead to a decrease in the quantity of products exported and so have negative repercussions for the garment industry. Cambodia's factories supply global fashion brands such as H&M, Nike, Puma,

and Adidas. Adidas publically stated that it calls for the EU to “thoroughly consider the economic, social and human rights impacts of such a withdrawal”. Adidas said 24% of the brands products are manufactured in Cambodian factories. Adidas stated “it cannot be expected to absorb these losses...and so automatically leads to a reallocation of further investments in sourcing” (*Chheng, 2019*).

Those working in the industry are not the only ones to feel direct economic impacts of a withdrawal. Their family members and dependents will also. This would make the number of total people negatively affected by a withdrawal approximately triple those just working in the industry. The other issue these workers will be facing is that it will be very difficult for them to find work in other industries due to their low skill level.

“There will be two main impacts, the first is people losing their jobs and salary, which has a trickle-down effect as many of these people have family member’s dependent on these incomes also. We are talking about Cambodian labourers who are not very highly skilled. You can’t shift them into another type of job easily. You cannot suddenly shift and change a whole population of people who are skilled at sewing to be construction workers” (*Participant 2*).

If the garment industry crashes due to a withdrawal as predicted, there will be nowhere for these single skilled workers to go, rendering them redundant. This will have negative effects in terms of mass-unemployment, likely shifting this population back into poverty. As was explained in the literature review through reference to Gradeva and Martines-Zarzoso (2009, p.7), these kinds of GSP programmes tend to promote industries in LDC’s with little potential for diversification and growth. If these GSP schemes are withdrawn before the country is able to graduate from LDC status, it may cause industry collapse. If these industries are large enough, like the garment industry in Cambodia, a withdrawal may trigger an economic downturn. This will also likely induce panic in the market resulting in disinvestment. This panic could further add to the negative impact overall. The RGC has been trying to mitigate this by removing some of the red tape for business owners. However, regardless of how the RGC prepares for a withdrawal, panic is not something that is easily put to rest and it is unlikely the government will be able to totally absorb these flow on impacts.

## 6.5 What Groups Will be the Most Effected by a Withdrawal?

All participants labelled: garment workers, middle class, people living in or near poverty, and women, as well as their dependents to be the most effected by a withdrawal.

“Because of the pro-poor system, shock will be more distributionally diverse. The people that will feel it first and the most will be those that work in the industry. Workers, operators and owners will absorb the costs” (*Participant 8*).

This is most concerning for Cambodia’s rural women who make up 85% of the total 700,000 garment factory workers. While the cumulative effect of a withdrawal will threaten the income of another 3 million people, including dependents and service providers from the hospitality, accommodation, and transportation sectors (*Eurocham, 2019*). It was also frequently noted that a decline in the availability of jobs will likely cause an increase of migration. “If people cannot work in their communities, they will have to migrate to other countries to find work” (*Participant 9*). The consequences of this migration could also have negative flow on effects. For example, trafficking and labour exploitation are two major problems that were regularly referenced by participants in the study. There is a general concern that not only will the labour and human rights situation worsen politically, it will also worsen socially as people will be forced to take desperate measures in order to find work.

There is a large proportion of Cambodia’s population in the value chain of the EBA. In 2018, Cambodia has been measured to have a 13.5% poverty rating which has been halved since 2007 with a rating of 47.8%. Many of these people only remain above the poverty line by a small margin, with 4.5 million people remaining ‘near poor’ (*World Bank, 2019*). These people’s livelihoods are fragile and they are vulnerable to falling back into poverty at the slightest economic shock. Particularly those that live in rural communities. In the case of a full suspension, EU official participants stated that the Commission intends to take some mitigation measures for the workers of the industries most affected including the garment industry. However, there has been no official statement released by the EU that outlines how they intend to fill the gaps that a withdrawal will cause. Another risk mentioned was the government

may try to promote exports that would impact on minimum salary which will put pressure on the workers. One participant stated that “The EU will try to take measures to mitigate this, but ultimately it is up to the Cambodian government to try and find a solution” (*Participant 1*). In terms of general effects of a withdrawal on the people of Cambodia, it is worth noting the effects on human rights and democracy itself. As stated previously, participants are worried about the loss of EU leverage without the EBA as a mechanism of control.

“There will also be a negative impact on human rights and democracy in general, because once there is nothing to lose, there is nothing that holds to government to try and promote the democratic system and respect human rights” (*Participant 1*).

CSO participants seem to be positive that the process is underway as they hope it will bring about positive change. However, they are also afraid that if the agreement is withdrawn, the situation would tighten even more. It is briefly noted that civil society are more worried about the impacts on democracy and human rights as these are less likely to be overcome, whereas the economy will recover.

It is vital for the EU to consider if these losses are worth it, particularly as these measures appear to have little to no effect on the RGC at this time. The current mechanisms and procedures are clearly not producing the desired result. This, as well as the experiences of Zimbabwe, the Ivory Coast, and Niger show that the EU needs to revise how they work these conditions into preferential trade agreements such as the EBA. If the mechanisms are defective in the first place, then it is unlikely the exercising of these tools will reap intended outcomes. Although the use of leverage and political pressure are valuable, they are tantamount to discussion, dialogue, and compromise when it comes to the promotion of democracy and human rights. The EBA may be one tool to exercise the elevation of these values, it should not be the only tool.

## 6.6 Perceptions on the European Union's Choice to Launch the Withdrawal Procedure

Perceptions in terms of the general agreement or disagreement of the EU's choice to launch the procedure to withdraw is important to note as it provides a contrasting perspective as to whether these measures should be deemed appropriate. Many participants noted they understand why the EU is taking these measures and that it is fully within their political right and power to do so. The EU must 'show teeth' and respect their own principles above all else. However, most participants agree that withdrawing the EBA is not the correct route towards ensuring democratic reform and the betterment of human rights standards in the country. They believe that these actions by the EU will worsen the situation. One participant suggested,

“What the EU and Cambodia really need to look at is a win-win strategy. If most parties are going to be negatively affected, there should not be a withdrawal, just communication and negotiation to find a solution. If you simply withdraw then no one wins” (*Participant 9*).

As far as the Cambodian governments reaction to the EU, it seems they remain relatively unalarmed. The Cambodian government has been propagating that a withdrawal will not negatively affect the countries “thriving economy” and urged CPP officials to not trade Cambodia's sovereignty for the EBA. “This is our outright decision which is our stance. We do not bow down our head for trade with foreigners. With or without the EBA Cambodia will not die” (*Narim, 2019*). The potential of a withdrawal is already having the opposite effect intended with Hun Sen stating that the withdrawal of the EBA will mean the complete dissolution of the opposition party.

“The withdrawal of the EBA will be tantamount to killing the opposition party.....we will eliminate former opposition forces and the CNRP's network and there will be no possibility of them contesting the 2022 and 2023 elections” he furthered “we have to eliminate the political careers of traitors by using the EU's measures taken against us” (*Narim, 2019*).

There are other avenues the Cambodian government can take that do not threaten their power, for example further acceptance of Chinese assistance. It is true the EBA provides some leverage, but it appears that it does not have enough leverage to enforce changes through a withdrawal context. Participants expressed they felt a withdrawal will not help this.

“I suspect the withdrawal will not be very effective as the government is already preparing for a withdrawal through taking measures to reduce costs on business, finding new markets and removing a lot of the red tape. This will reduce business costs which would make the equation much better if the EU were to withdraw. They are also liberalising trade with Vietnam and China trying to neutralise things already, so I am suspicious of the effectiveness of these mechanisms” (*Participant 8*).

Some participants expressed they understood the need for the EU to prioritise its own principles in order to be seen as a credible partner.

“In terms of the agreement, they have the right to withdraw based on these circumstances. The EU must comply with internal policy and guidelines, however the problem post withdrawal then becomes how do we solve issues in democracy and human rights without it?” (*Participant 10*).

It was noted by participants’ multiple times that the current mechanisms need to be changed when it comes to human rights and democracy promotion through the EBA.

“If they present the same procedures, it will not help the people of this country. If the EU wants to help they need to change the mechanisms. Don’t try and force things to change, rather work with what you have. If they choose to keep the EBA, then things still need to change to make these mechanisms more effective” (*Participant 11*).

A press release was announced by European Chamber of Commerce Cambodia (EuroCham) which urges the EU not to withdraw the EBA due to the concern around the negative impacts

this will have on current and future business between the EU and Cambodia as well as businesses in Cambodia. EuroCham also organised a letter addressed to Cecilia Malmström at the EC, signed by 38 representatives from Cambodia's private sector stating,

“The consequences of such a decision will impose serious economic damage on Cambodia and would neglect the tremendous efforts undertaken by the Cambodian private sector to align its values and policies with the economic model championed by the European Union” (*EuroCham, 2019, personal communication*).

It is expressed that these actions jeopardise the past and future achievements of the partnership between Cambodia and the EU. Concerns were also expressed over “sending the wrong signals” causing panic in the market resulting in the threat of disinvestment. This would have countless flow on effects. EuroCham views this decision as largely counterproductive to the aims of the EU's GSP and EBA schemes which aim to eradicate poverty in underdeveloped nations through improving their export competitiveness through the opening of EU markets to these countries (*Eurocham, 2019*).

Another joint statement signed by over 70 NGOs, Associations, Trade Unions, and members of Cambodian civil society also express their concerns about the EU's decision to launch the procedure to withdraw. It states that they fully understand the EU's position and decision, however, they believe it will directly and negatively impact Cambodian people's welfare and livelihoods (*CENTRAL, 2019*). The EuroCham press release and letter to the EC, as well as the NGO and civil society joint statement, align well with the feelings of participants regarding the idea that constructive dialogue and cooperation are the most useful tools for the EC to address concerns around democratisation and human rights. As opposed to confronting these issues through mechanisms of economic pressure. It is widely felt that the way in which the EU is going about attempting to instil these values is counterproductive and will not further the EU's cause in Cambodia.



## 6.7 Perceptions on How the European Union Can Improve in its Promotion of Democracy and Human Rights in Cambodia

Perception is an important aspect in the answering of this research question, as it provides a bottom-up explanation of how effective the EBA withdrawal can be in the promotion of democracy and human rights. It also provides comment on how the EU can improve on these measures in the future. Many participants agree that in order for the EU to help Cambodia the EBA must be kept. Several participants noted that they felt the EU is a strong partner for Cambodia and they appreciate the EU's efforts as they feel the EBA is a key point in this. A few participants suggested the EU needs to work on more strategic ways to promote an open dialogue and encourage compromise with the Cambodian government to ensure they strengthen their communication and partnerships to work together towards sustainable and future orientated solutions. Another main theme that arose in solution building was improved space for civil society to engage with the government. It was noted by participants that the EU should focus on saving space for civil society, and improved dialogue about human rights and democracy to ensure the population are aware of their own rights. This way they are able to make informed decisions and communicate these decisions more effectively in a bottom-up framework. Solutions are pitched by the direct stakeholders and specifically tailored to ensure sustainability and effectiveness.

A bottom-up approach has been shown to be effective in policy making and helps alleviate issues around local ownership of development outcomes as recognised in the literature review. Therefore, it is important to understand why it is vital the EU continue to support and protect space for civil society. "The EU needs to listen to what the real needs of the Cambodian people are, they need to see how their funding can be used more directly and efficiently" (*Participant 10*).

It was also noted by one participant that if the EU concentrates on directing their efforts towards education systems and adequately preparing the population for the job market, then democracy will naturally follow with the new generation.

“Youth are really engaged with democracy in Cambodia. 98% of youth prefer democracy, so this is going to mean something for the future when the population ages. The EU needs to focus on helping people towards a better livelihood and education and I think democracy would come as a result of this” (*Participant 3*).

This claim has also been supported through literature as discussed in the conceptual framework. As Knack’s (2001, p. 251) study suggested on aid and democratisation, aid can influence democratisation through the promotion of modernisation, in the funding of programmes related to health and education. Literacy and increased incomes in particular, can be attributed to an increase in demand for democratisation. As a consequence of the EU’s increased expenditure in better education in Cambodia, increased demand for democracy may follow.

The topic of the ‘governing model’ was also raised in this set of responses. The question of whether the “EU way” is the best way forward for Cambodia seems to be at the forefront of the debate on how the EU should be engaging with the country. “It’s hard to find the right moral compass in a globalised world. There needs to be a governing model that suits the needs of the narrative” (*Participant 2*). In a generalised sense, the Cambodian government wants to focus on economic development, improve public services and access to health and education, and focus on the country graduating from an LDC to a middle income country by 2030.

“We have seen these alternative models work in places like China and Singapore. There is proof that if you can control civil space to a certain level where there is not much divergence, then you can achieve efficiency. People are strongly believing that the chaotic capitalist democracy model is not the way to go” (*Participant 2*).

This participant is conveying that Cambodia needs to find a model that suits their cultural and societal needs, which are different than that of the EU’s. Not only is it the EU’s efforts, but those of other development partners and international institutions such as the UN, which have been unsuccessful in terms of democratising the country.

## 6.8 The Future of Trade and Aid in Cambodia

The RGC's main goal for the coming years is economic growth, as they aim to become a middle income country by 2030. This may be achievable if the EU decides to keep the EBA agreement in Cambodia. Cambodia has enjoyed growth of up to 7% per year over the last decade, much of which can be attributed to the preferential trade scheme. If the EBA is lost, then Cambodia will have to fill this gap by expanding its trade identifying new export markets or growing existing ones. Still, participants feel positive about Cambodia's ability to trade and recover economically post withdrawal.

"I think it's going to get better. Trade is something everyone prioritises, so I'm glad the EU chose not to prioritise trade over their principles. So I think the market will only grow and will become much more diverse, with more actors" (*Participant 2*).

China has already been shown to be a large player in the future of Cambodian aid and trade. Multiple participants identified that ODA is decreasing and foreign direct investment is increasing. One participant expressed,

"The Belt and Road' initiative definitely has a presence. There's an imbalance in terms of the EU and the US interests and China's. If there is a withdrawal, the balance will change, and not in Cambodia's favour" (*Participant 4*).

Many participants noted the importance of Cambodia finding trade with other countries. If the EU withdraws, participants do not seem concerned about Cambodia's ability to find new trade, as trade in a globalised environment is inevitable. However, in the case of a withdrawal this may be difficult as the country is in competition with its surrounding regions. Recovery in this way would be slow, and would require some intensive structural changes.

The consensus among CSO and NGO participants was that Cambodia is still in need of development aid. A few participants noted that Cambodia is still in a fragile position, as much of the population is still poor or near poor. In this way, they believe that ODA from the EU is still necessary in order to work towards other values such as improved respect of human rights

and better health care and education. This differs from Chinese aid which focuses mostly on economic growth through industrialisation. If the EU chooses to withdraw the EBA, participants felt there would be much less western investment and influence in the country in the future.

Grant and loan based aid is disappearing and new mechanisms, such as AFT initiatives like the EBA are being trialled. One participant affirmed, “Aid is declining, moving away from grant and loan based aid and more towards technical assistance. So conditionality is where things seem to be moving towards” (*Participant 8*). When commenting on the future partnership between the EU and Cambodia, EU official representatives noted the importance of future orientated development strategy.

“We need to look at the long term. Cambodia is reaching the end of a cycle, soon there will be a generation of change and we need to focus on how to engage with these new generations” (*Participant 1*).

The Khmer Rouge generation is ageing and soon it will be the time for the younger generations to take power. This will be a generation that did not come from a time of the Khmer Rouge and so may hold different ideas and values. Cambodia has a unique and recent past and the environment from which its current political climate has been set means other values may need to be more of a priority. The government official representative furthered,

“It is difficult in the sense that the history of Cambodia sets an environment for where arguments of peace and stability win over arguments of making sure human rights are respected. There is a certain level of the population that want democracy and human rights, but arguments of stability win” (*Participant 1*).

When asked about the future, one government representative participant called for “more coordination in order to create more stability, particularly related to communication between the EU and the Cambodian government” (*Participant 12*). In terms of increasing EU effectiveness in its development partner role, CSO and NGO participants called for better control and monitoring mechanisms on the ground, as well as strategies and policy to be set on a case by case basis in order to target the right groups.

“Everyone benefits from the EBA but those who will feel the impacts from the withdrawal are not the ones causing the problem. We need to target and identify these groups and apply pressure directly to them, not the whole community” (*Participant 10*).

One participant summarised this problem in providing a metaphor, “The driver of the cart is angry with the cows, but instead of hitting the cows, he hits the cart” (*Participant 3*). This statement sums up well the actions of the EU in terms of the withdrawal. Conditionality mechanisms used by the EU need reform so that the RGC is targeted and feels the impacts of such actions, rather than society. If the EU continues to target the wrong groups, they are not providing the correct pressure in order to produce democratic reform and respect for human rights, rather just inducing conditions harmful for the lower socio-economic classes.

## 6.9 Summary of Results

The purpose of conducting these interviews was to investigate through a Cambodian lens how effective the EU is at promoting democracy and human rights in Cambodia through the mechanism of the EBA agreement as used in an AfT context. Data was collected from a wide range of development sectors in order to obtain understanding into perceptions on the current and future relationship between the EU and Cambodia, and insights into what a future post-EBA withdrawal may look like for Cambodia and its citizens. This research also investigated the economic and social implications of a withdrawal. This helps build a well-rounded understanding of all the implications and areas of impact, as well as illustrating how these impacts have a large effect on human and social rights themselves, values the EU are trying to protect. Finally, the findings and discussion concludes with alternative ways in which the EU might approach democracy and human rights promotion in the future. This study concluded that employing the use of conditionality through the withdrawal of the EBA is unlikely to result in the desired outcomes. This may be attributed to other actors such as China who are at play in influencing Cambodia’s reactions towards the withdrawal. This research found that it is likely that Cambodia will suffer a large economic downturn in its garment industry which employs

over 700,000 citizens. Most of whom are women from rural areas. Participants surveyed do not agree with the EU's position in terms of withdrawing the EBA, as they conclude that this will result in a complete breakdown of democracy and human rights in Cambodia, as opposed to prompting reform in these areas. Thus resulting in the opposite outcome the EU was trying to achieve.

Loss of leverage for the EU is of prominent concern and through this loss it is likely the future of Cambodia it headed in the direction of a China model, as opposed to a European model. It is clear that these mechanisms need to change in order to become more effective in promoting the values of democracy and human rights in Cambodia. However, it was noted throughout the study that the legitimacy of the European model in an Asian context is being questioned in Cambodia by both its government and its citizens. This is unsurprising due to the fact that none of Cambodia's neighbours follow the liberal democratic model the EU is trying to promote. Although all participants conveyed the promotion of democracy and human rights is still imperative to society and politics in Cambodia, there seems to be a consensus that the EU is not practicing the promotion of these values in an effective and efficient way. All participants surveyed believe that the EU should continue to pursue the agenda of human rights and democracy promotion in Cambodia, as this is within Cambodian citizen's interest. It is clear that the mechanisms in which this agenda is pursued needs reform, as the current strategy does not seem to be yielding positive outcomes for the advancement of democracy and human rights in the country.

## 7. Conclusion

### 7.1 Directions for Future Research

As discussed in the limitations section, this research was limited by issues around timing and scope. There are five broad areas future research could investigate that would build on topics raised and findings from this thesis. The most promising area for future research would be to investigate the issues around conditionality and the EBA after the withdrawal decision has been made in February 2020. The EU is still yet to decide if they will employ a full or partial withdrawal, or if they will withdraw at all. This leaves an open end for this research in that the conclusions are somewhat speculative. Future research could be done looking back at the EU's

decision and the actual consequences and impacts, as opposed to the potential. This would vastly change the outcomes of the research and help with some limitations faced while producing the research at this time.

Secondly, further research into the 'governing model' that was referenced to in the findings chapter would help to expand conclusions found in this research. This relates to Normative Power Europe theory (NPE) in that it challenges the ideas around the appropriateness of the global expansion of values, particularly looking at the impacts of this in a cross-cultural context. It is important to note the difference between development in a purely economic context or development in terms of human prosperity, and where these two intersect.

A third area of research that would expand on current literature are the issues surrounding aid conditionality as a violation of sovereignty. As discussed briefly, there is a small amount of literature explaining the legality of this concept. However, little literature exists on the violation of sovereignty through aid as a theoretical concept. This both challenges ideas around how aid is delivered and received as well as the appropriateness of conditionality clauses attached to aid and AfT agreements.

Fourthly, research into the Cambodia and China relationship and the 'Belt and Road Initiative' effects on developing countries would be an increasingly important area for future study. The 'Belt and Road Initiative' is a fast expanding economic and trade initiative that many developing countries are turning towards for solutions to problems of economic growth and development. Whether or not this is their saving grace is yet to be understood. As this initiative mostly concentrates on infrastructure development and trade routes, it is speculative as to whether or not this plan will produce development in all areas for recipient countries. Further limitations are that China aid is notoriously difficult to track as they don't typically share these totals through traditional reporting methods.

Finally, the China topic also produces another area of study through how this initiative effects the EU's relationships with its ODA recipient countries. The 'Belt and Road Initiative' is an increasingly attractive option for developing countries. This has had a large impact on how Cambodia has reacted towards the EU in terms of its employment of conditionality and

promotion of normative values. China is also attempting expansion of its own ideals through the 'Belt and Road' so this poses a threat to the EU in that China is providing an alternative route for development. This promotes an authoritarian model which is unsurprisingly more appealing for governments like the RGC.

## 7.2 Conclusion

This thesis investigates the effectiveness of EU as a normative value promoter through the use of conditionality built into their aid and trade agreements. More specifically, this thesis explored the effectiveness of the EU in using the EBA withdrawal as a form of conditionality to promote democratic reform and respect for human rights in Cambodia. This thesis began with a contextual review to outline Cambodia's history, its relationship with the EU in aid and trade partnerships, as well as outlining contemporary political events that have impacted the EU's decision to launch the procedure to withdraw the EBA. The 2018 Cambodian election can be pointed to as the pinnacle occasion that began the escalation of events surrounding the launch of procedure to withdraw. The EU criticised the legitimacy of the 2018 Cambodian elections by claiming "serious and systemic violations of democratic and human rights principles as outlined by core UN and ILO conventions" (*European Commission, 2019*). These accusations were based on actions of the CPP during the lead up to the election including banning all 118 members of the opposition party, the taking over of all media, as well as the impinging of civil rights through the severe reduction of civic space. The EU launched the procedure to withdraw Cambodian preferential trade access to the EU under the EBA due to the deteriorating democratic and human rights situation throughout and post-election. These actions have been met negatively by the RGC who rejected these claims and refuse to meet EU demands in order to prevent a withdrawal.

In order to create an understanding of these events and why they unfolded in this way, this thesis investigates the architecture of aid in Cambodia through a literature review. This chapter helps to explain the deeply seated and paradoxical problems within aid and aid policy, as well as illustrating the how and why of Cambodia's aid dependency problems in both the past and the present. The relationship between aid and its contemporary equivalent 'AfT' is discussed in order to draw the connection between problems of aid and how the EBA withdrawal is



connected. AfT agreements such as the EBA are designed to address the dependency and ownership problems of traditional aid methods. When these initiatives are attached to normative value conditionality, these issues are further exacerbated and the wrong groups are punished.

The conceptual framework outlines how aid conditionality is used as a tool to promote normative principles, as well as outlining the pre-established debate around the effectiveness of conditionality in promoting democracy and development. The first three chapters of this thesis provide the tools to understanding the situation surrounding the EBA withdrawal from Cambodia. This builds upon existing theory to help with analysis of findings of the primary data collected. Finally, this thesis included qualitative analysis of primary data collected through interviews with employees and experts in the field, in local and international NGOs, CSOs, international political and economic institutions, and government officials. The research sub questions are addressed directly to investigate the economic and social implications of a withdrawal. This builds a well-rounded understanding of all the implications and areas of impact, and illustrates how these impacts have a large effect on democracy, human and social rights themselves. This data is then supported and expanded through references to newspapers, joint statements, press releases, and official government statements, as well as a comparison to some previous examples of EU conditionality being used in other countries. Findings are then supported by previous research identified in the contextual, literature, and conceptual review chapters.

This research concludes that the EU has not been directly effective at promoting democracy and human rights in Cambodia through the EBA. The EBA is seen in Cambodia as more of a mechanism for economic growth through the creation of jobs as opposed to a tool that is able to solidly impose democratic reform and respect for human rights principles. It would appear from the reaction of the RGC that a withdrawal will not produce the EU's intended outcome of increased respect for these values. There are two main reasons for this. Through China's increased presence in Cambodia, as well as their pledge to help fill the gaps that the EBA withdrawal may cause, the EU has lost the necessary leverage needed in order to create the kind of pressure required to persuade the RGC to reform in these areas. China at this time is a more attractive partnership option for the RGC, for a number of reasons. Firstly, the interests

of the RGC are far better reflected in the China agenda than that of the EU's. Secondly, Cambodia and China have much stronger cultural ties, which poses a threat to the liberal democratic model the EU is attempting to promote in Cambodia. Finally, the 'Belt and Road Initiative' provides Cambodia with access to one of the world largest economic and trade initiatives, condition free in respect to democratic and human rights principles. Under these circumstances it is unsurprising that the RGC have chosen not to take positive steps towards the EU and instead is favouring assistance from China.

The second reason the withdrawal is not having the desired effect on the RGC's performance in these areas is there seems to be a distinct gap in the relationship between the use of the EBA as an ideal promoter and how this mechanism actually works in practice. This can be explained through investigating the connection between trade agreements and human rights. The relationship between the two is ambiguous, as trade measures may be imposed to try and improve certain political rights but may come at the expense of other economic and social rights. It is important in this circumstance to remember that all rights are interdependent and interrelated. The way the EU is imposing conditionality connects government performance with a market that supplies the livelihood of thousands of Cambodian people. If the EBA is withdrawn, then the people that will feel the repercussions of this are Cambodian society rather than the government. Conditionality practiced in this way, punishes the wrong groups and so it is a direct contradiction of EU rhetoric in terms of human rights principles. Conditionality clauses may contribute towards these values in the way that they provide a basis to set standards. It has been shown that conditionality in the form of the EBA is not directly effective at imposing democratic reform and respect for human rights principles in Cambodia under these circumstances.

In terms of the EU's relationship with Cambodia in the future, the findings show that open dialogue and encouraging compromise may be the best way forward for the EU in terms of strengthening cooperation and partnerships built on sustainable and future orientated solutions. It is also vital for the EU to continue their funding and programmes that work towards increased space for civil society in Cambodia. This helps to increase community awareness of civil and political rights, and builds toward a framework of better communication

between both civil society and the EU, as well as civil society and the RGC. Both vital aspects towards sustainable, community orientated development.

Education was another area in which the findings show, needs the EU's continued attention. As was shown in the conceptual framework, it is vital funding is continued to be invested in education as this not only serves the direct needs of Cambodian people, but also produces positive flow on effects in education and awareness around democracy and the importance of civic participation. This directly helps to address the SDG goals of: poverty eradication, quality education, and gender equality (*United Nations Sustainable Development, 2019*).

A withdrawal of the EBA will be directly counterproductive towards the aims of the EU's GSP and EBA schemes which aim to eradicate poverty in underdeveloped nations. As findings show a full or even partial withdrawal will have a negative effect on Cambodia's economy and will have damaging consequences for the livelihoods of over 700,000 people in the garment industry. It seems contradictory to withdraw the EBA in an effort to improve on democracy and human rights based on violations of those same issues, as this will only worsen the protection of these rights in the future.

The EU must uphold their principles, however, the EBA must not be the only tool towards achieving these outcomes. Cambodia's dependency and development problems are multi-faceted which require multi-faceted solutions. The solutions here are designed to work alongside development initiatives such as the EBA, to ensure adequate enforcement of these values in a bottom-up framework, as well as help to promote action on the SDG's as listed above. As Cambodia inevitably expands its trade portfolio, the EU must look toward other ways in which they can assist in the promotion of these values in a productive way both diplomatically and in the communities living in recipient countries. It seems a loss of leverage for the EU under these circumstances is inevitable if they choose to withdraw the EBA. If the EU wish to keep a stronghold in the promotion of democracy and human rights, they must look to other creative and resourceful solutions in order to avoid dead-lock with the RGC in these areas in the future. It is vital the needs of the people are put first in aid policy and development assistance. The societal impacts of a withdrawal must not be ignored in favour of politics. It is vital that these principles are addressed in Cambodia. Rather than drawing ambiguous

connections between trade measures and social rights, AfT policy needs reform in such a way that it works productively alongside development programmes rather than in contradiction when conditionality is employed.

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