

Foreign Direct Investment and Capacity Building: The Different Attitudes and Results Experienced by Cambodia and Japan from an Historical to a Modern Perspective

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ABSTRACT

This paper will consider the processes and outcomes of two nations, Cambodia and Japan, in their quest for foreign ideas and people to assist in their development. It will also consider the preservation of national cultures while experiencing the actual presence of foreign nationals – with all the cultural and religious norms which come with people of radically different backgrounds and expectations. This paper compares the historical lessons to be learned from two countries, Cambodia and Japan from 1600 to the present day.

There are remarkable similarities (the same period of obscurity from the mid 17th Century to mid 19th Century) and the decade that both countries opened up to trade was the same :1860s - although in quite different ways. These different ways of opening up and learning from the 200 “missed” years provides deep insights into the way events shaped Japan and Cambodia and how those two countries shaped events.

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CHAPTER 1 : PHYSICAL DIFFERENCES AND SIMILARITIES

Japan is an archipelago of currently 6,852 islands. Cambodia is part of the land mass of South East Asia with 81 islands. Both countries have expanded and contracted over the period from 1600 to 2017. It is sometimes assumed that because Japan is entirely composed of islands it is less likely to be invaded than a mainland country. In fact the distance from Tsushima to Busan in Korea is 30 miles. The great sailor and explorer, Zheng He (1371 to 1433), of the Ming dynasty in China explored South East Asia, Western Asia and East Africa. He could easily have paid a visit to Japan and secured homage from the Shoguns and their Emperor and demanded their fealty to the "Son of Heaven" (as the dynasties of China styled themselves). The fringes of the "middle kingdom" often paid their dues to the centre of the world (as the Chinese believed themselves to be). Conversely Cambodia had powerful land neighbours (Thailand and Vietnam) and its history was dominated by this important fact.

Differences of attitude to trade from the 17th to 19th centuries

William and Rowe point out that "Lord Macartney's expedition to Beijing in 1792 bearing gifts from King George III of Britain was told that "Our Celestial Empire possesses all things in prolific abundance and lacks no product within its borders. There is therefore no need to import the manufactures of outside barbarians in exchange for our own produce."(p 145)). Ever since, Chinese have agonised over the merits of contact with the West. Some of them, like Mao, boasted of self-reliance, and those who took up his mantle wanted to believe that China could advance on its own, with limited foreign assistance. They were embarrassed, humiliated, by their country's mood of seeking Western decadence. A similar ignorance existed at that time in Cambodia of the technological advances of 'The enlightenment' and the industrial revolutions which took place in Europe. Kristoff and Wudin suggest that "Cambodia was cut off from direct contact with distant developments" (p226)

CHAPTER 2 : EARLY ATTEMPTS TO TRADE IN THE 17TH CENTURY

2.1 Japan

The Tokugawa Shogunate from 1600 to 1858 was the main power (although there were other small shogunates) in the Japanese archipelago. Traders from Europe did come to Japan in the 17th Century. However the Tokugawa rejected the Portuguese and Spaniards because, with trade they also brought religion. The Iemitsu Shogun banned the practice of teaching Christianity and the travel of Catholics to Japan (decrees issued from 1633 to 1639). The English abandoned trade in 1623 (because of a series of inadequate business links rather than religion). The Dutch were the most pragmatic about focussing only on trade and remained for the longest period on the tiny artificial island of Dejima (a landfill island) until the 1690s. In 1635 direct commerce with Vietnam flourished between Nagasaki and Hoi An (still preserved today in its 17th century architecture near Dan Nang in Vietnam). The Japanese exports consisted mainly of coins, primarily copper, as well as ceramics to Vietnam in exchange for silk and ceramics (Gordon, p10). In the 17th and 18th centuries trade did involve sending large amounts of silver to Korea and importing from China via Korea silk thread. However, Japan's main attention was on Korea (a vassal of the "Son of Heaven"). The Japanese intended to wrest Korea from the orbit of China both politically and economically. This was a long term dream for Japanese rulers – yet to be realised.

2.1 Cambodia

The Dutch and Japanese had trading posts on the Tonle Sap in Cambodia in the 1640s. These were quite successful in exporting deer skin (Cambodia's forests were abundant with deer) as well as rice, silk, spices and wood. The problems that emerged were ones of political chaos (well described by Alfons van der Kreeen in "Murder and mayhem in 17th century Cambodia").

Anthony Van Diemen (Governor General of the Dutch East India Company from 1636 to 1645) had set up a trading post in Cambodia. In 1642 a Cambodian prince named Ponhea Chan became King Ramathipothi VI after assassinating the previous King. Muslim traders in Cambodia from Malaya helped him in his takeover, and he subsequently converted to Islam from Buddhism. He then began a war to drive out the Dutch East India Company, by, first, attacking the Dutch traders, then by stealing two of their ships and killing 35 Dutch employees of the Company in addition to the Company's ambassador, Pierre de Rogemortes.

Anthony van Diemen reacted by sending a navy up the river Mekong. Batteries on either side of the river Sap trapped the Dutch navy as they turned into the river. The Cambodians defeated the Dutch East India Company's flotilla from 1643-44. It took two centuries more for European influence in Cambodia to return. This Muslim Cambodian King was captured by the Vietnamese Nguyen lords after the King of Cambodia's brothers, who remained Buddhists, requested Vietnamese help to restore Buddhism to Cambodia by removing him from the throne. In the 1670s the Dutch left all the trading posts they had maintained in Cambodia. The problem for Cambodia was that from now on the Vietnamese Nguyen dynasty controlled entrance to the Mekong and took possession of the Cambodia coastline. 200 years of nearly complete isolation followed these actions. It was an involuntary separation from the world but the powerful neighbours of Thailand and Vietnam squeezed the once mighty Khmer Empire and jealously guarded access to the interior.

CHAPTER 3 : 200 YEARS OF ISOLATION AND OBSCURITY FOR JAPAN AND CAMBODIA

3.1 Japan

The centralisation of the Tokugawa shogunate from the second half of the 17th century was completed with the institution of the Daimyo (lords with castles now restricted to one domain each), the Samurai (warriors loyal to Daimyo lords in a similar way to the knights of feudal Europe) and the Emperor (a person of divine being who conferred legitimacy on the Shoguns but was in fact a prisoner in his beautiful palace in Kyoto). Rarely did the emperor exercise any real power. In fact the imperial crown prince was held at Nikko (much further north) by the shoguns to secure the continuity of the Imperial House under Shogunate control. As Andrew Gordon says "The foreign relations of Tokugawa Japan is summed up in a single word : "seclusion", or by two words : "closed country" (p19). This policy continued until the 1850s when the Tokugawa Shogunate crumbled.

3.2 Cambodia

The Cambodians were always the object of attention from Thai kings (who seized the Battambang and Siem Riep provinces). The Cambodian monarchy was under Thai control right up to and including King Norodom's rule which started in 1863. Previous kings, eg King Ang Duong, had French friends. Most notable among his friends was Henri Mouhot who "discovered" Angkor Wat and made it famous with his posthumously published book ("Travels in Siam, Cambodia and Laos). This raised considerable interest in France of a mysterious "lost city". The Khmers were not hostile to French Christian missionaries but the opening up of the Cambodia came through their request for the protection of the French from their old enemies; the Thais and the Vietnamese. It required French presence in and eventual overlordship over Cambodia.

CHAPTER 4. THE 1860S : THE DECADE OF BOTH CAMBODIA AND JAPAN OPENING UP TO THE WEST

In 1863 King Norodom asked the French Governor general of French Indochina to a meeting at Udong, the capital of Cambodia. The result was a peaceful and mutually satisfactory treaty between the French and Khmers. Norodom hoped the French could restore land lost to the Thais and the Vietnamese. His dreams of Thai land being returned were realised in the reign following him (King Sisowath was given back the provinces of Battambang and Siem Riep) but the Mekong Delta remained (and remains) under Vietnamese control.

Economically, the French brought to Cambodia the technology of railways (they laid the line from Phnom Penh to Battambang), the concept of town planning, thousands of telegraph lines and buildings (raising the status of their client king by building him a palace modelled on the Thai royal palace). However, Cambodian companies small to medium sized enterprises were few in number. Large French companies did not invest in Cambodia despite the opportunity. For example, whilst the Michelin Company could have made rubber tyres in Cambodia they only chose to source their rubber from there. John Dreifort explains that “while British Imperialism may have been commercial, French overseas expansion resulted from a search for prestige” (p 226)

Japan’s first contact with the West was dramatic. The American naval commander, Commodore Perry, arrived in Edo (now called Tokyo) with an armed mission in 1853. A series of “unequal treaties” followed. Perry threatened force and returned in 1854 with a substantial fleet of 9 ships. The treaty of Kanagawa extended to the European powers (France, Britain and Russia) and opened 8 Japanese ports to trade. The Japanese were aware of the opium wars in China and managed to get Perry to accept that the opium trade be outlawed. The British, critically, also agreed to this condition. The Tokugawa shogunate was crumbling and the Meiji restoration in 1868 was a major watershed between the traditional rule of the Samurai and Daimyo and the Meiji government which wanted modernisation.

CHAPTER 5. WHAT HAD CAMBODIA AND JAPAN MISSED IN THE 1650 TO 1850 PERIOD (AND THEREFORE NEEDED TO CATCH UP ON) ?

5.1 Economics A completely new area of study opened up with the publication in 1776 of Adam Smith's ground breaking work "An enquiry into the nature and causes of the wealth of nations." Nobody had given much thought to how wealth was created up until then and the mercantilist view was widely held. This limited thinking on trade is a 'zero sum game' and nothing else. One country's exports were another country's imports – so the winner was the exporter. The obvious question is : "what do you do with the foreign reserves from cash earned from exports ?" Money is only paper (or precious metal) and is merely a store of value which allows you to buy things. You can delay this by saving – but saving indefinitely seems pointless and unlikely to be popular. Simplistic as it seems, Japan in the 1980s and China in the first decade of the 21st century was influenced by a passion for exporting and negativity towards importing (as least importing finished goods). Both used currency controls and an array of bogus packaging and other rules to keep imports out.

British exporters of machinery (eg steam powered looms to make cloth) were attacked by Luddites – people who didn't like their crafts being mechanised and hated even more that foreigners being given access to that technology. Another social development was the development of trade unions – who sought to protect the interests of workers and improve their conditions. The fight for the abolition of the Combinations Act was finally achieved in the UK in 1824 (allowing workers to meet, form mutual support unions and friendly societies)

5.2 Technology

The Industrial Revolution in Britain in the 1750s transformed the world. By burning coal to boil water to make steam under pressure to move valves and pistons, machinery could perform many tasks thousands of times more efficiently than people. George Stephenson (a British inventor) used the piston principle to drive locomotives forward – to speeds much greater than previously available by horse drawn vehicles. Transportation was also improved by "steam packet ships" which could drive ships forward without relying on the wind. Medicine was advanced by Louis Pasteur (vaccines) and Lord Lister (antiseptics). Most significantly, armaments were made greatly more powerful by rapid repeat firing of more reliable guns and artillery. The whole theatre of warfare had become much more sophisticated and driven by technology. In 1831, Faraday discovered electromagnetic induction, the principle behind the electric transformer and generator. This discovery was crucial in allowing electricity to be transformed from a curiosity into a powerful new technology

5.3 Philosophy

The big step from the 17th to the 19th centuries was a move away from proving the existence of God to secular thoughts about the organisation and rights of people. John Locke (the English philosopher) famously concentrated on "life, liberty and land". This idea encouraged the huge migrations to the 13 colonies on eastern seaboard of North America by attracting settlers (even indentured ones – who were given the chance to pay off their debts). Thomas Hobbes and Rousseau talked about the "social contract" between the individual and the state (with both having inalienable rights). Jeremy Bentham influenced British policy on a form of ethics called "utilitarianism" (the greatest good for the greatest number). Emmanuel Kant argued for the "categorical imperative" which stated that something that you would not allow to be done to you cannot be right for anyone (eg torture). JS Mill's book "on liberty" had a huge influence on the liberal and tolerant approaches to politics.

5.4 Religion

Christianity was going through a resurgence in the 19th century with the Methodists breaking away from the Anglicans – and both spreading their ideas globally. Religious belief sometimes followed empire and sometimes justified or led it. Baptists, Unitarians and Mormons proliferated in the USA. A revival in theology and philanthropy was one response to the extreme poverty being experienced among the “dark satanic mills”(W. Blake).

In West Africa a series of Islamic activist movements appeared from the 18th century into the 19th. There, as in Arabia, Islamic activism was directed less at non-Muslims than at Muslims who had gone astray. Sufism could play very different roles. Fellowships around particular Islamic masters could support reform and stimulate a consciousness marked by Pan-Islamism (the idea that Islam can be the basis of a unified political and cultural order).

As chronicled in the Encyclopedia Britannica “During the 19th and 20th centuries, Buddhism responded to new challenges and opportunities that cut across the regional religious and cultural patterns that characterized the Buddhist world in the pre-modern period”. A number of Buddhist countries were subjected to Western rule, and even those that avoided direct conquest felt the heavy pressure of Western religious, political, economic, and cultural influences. Modern rationalistic and scientific modes of thinking, modern notions of liberal democracy and socialism, and modern patterns of capitalist economic organisation were introduced and became important elements in the thought and life of Buddhists and non-Buddhists all across Asia. In addition, Buddhism returned to areas where it had previously been an important force (India is the major case in point), and it spread very rapidly into the West, where new developments took place that in turn influenced Buddhism in Asia.”

Catholicism provided the excuse for French occupation of Vietnam (protecting French missionaries there). Vietnam then became the springboard for creating French Indochina (with the protectorates of Cambodia and Laos). Japan had specifically rejected Catholicism introduced by the Portuguese. The Dutch were tolerated for longer as they could be quite pragmatic in pursuing trade and not introducing religion. However even they were ejected from their trading post of Dejima in the later 17th century. Catholicism returned to Japan after the Meiji restoration.

5.5 Politics

The big shift in world politics occurred in 1815 with the defeat of Napoleon of France. The Pax Britannica from 1815 to 1914 was created by Britain’s technological lead, its defeat of Napoleon and the rapid expansion of its empire. The USA went into a vicious internal turmoil from 1861 to 1865 when the country was split into two by its civil war. In 1871 a unified Germany was created and administered by its brilliant chancellor, Otto Von Bismark. Italy became a country in 1861 but Cavour (its main protagonist as a single country) died in that year – leading to increasing internal strife. Most former Spanish and Portuguese colonies in the Americas became independent in the early 19th century. In short, there were many more countries in the world of the 1860s compared to the 1660s. By the 19th century big global empires had become the norm. Very little of the world was not owned or controlled by a major (or declining) power.

In 1848 many revolts took place across Europe and Karl Marx published his *Communist Manifesto* in that year. In 1867 Marx published his definitive work *Das Kapital* with profound effects on the course of world history. Socialist Internationals were global meetings designed to promote Marxism. The forces of capitalism described by Adam Smith, Ricardo and, later, Marshall met equally passionate opponents in Marx and his followers.

The Japanese Tokugawa Shogunate looked on in horror at the two opium wars between Britain and China (first opium war) and Britain+France against China (second opium war).

CHAPTER 6 THE OPENING UP OF JAPAN AND CAMBODIA TO TRADE AND INVESTMENT

6.1 The Meiji Government of Japan actively sent people to all the richest countries in the world with the idea of taking the best ideas the world had come up with and then adapting them to work for Japan. This involved not only economics but notions of democracy, technology, philosophy and fashion. It was a profound “revolution from above” as the previous insular leaders were afraid of accepting change from abroad (they had not forgotten the Christian missionaries from Portugal and Spain).

“Travel abroad was the most educational experience for the young rulers of the Meiji State” (Gordon, p71). There were things they did like (technology and industrial scale) and things they were unsure would translate well to Japan (eg the role of women and democratic political ideas). Controversially, they had seen the great powers of Britain and France and wondered about a potential Japanese empire (inevitably including Korea, China and Formosa. The Iwakura Mission of 1871 to 1873 was the most important.

The role of government in seeding investment was seen as very important. For example the government built a railway line from Tokyo to Yokohama. Private companies then opened 14 new railway lines and doubled the country’s network to 1000 miles by 1900. In 1871 the government opened a postal system modelled on British practices. However foreign capital was not welcomed at this time. The government ran a number of so-called model enterprises : shipyards, coal and copper mines, engineering works, arsenals, cotton spinning, glass making and even beer making. The purpose was to get investment started with private financiers to follow.

A uniquely Japanese feature of emergent capitalism was the formation of the *Zaibatsu*. This literally translates as “financial clique”. Many of these started from the outset of the Meiji restoration. “Mitsui and Sumitomo had roots as trading houses dating back to the Tokugawa era” (Gordon, p96). There were also rich industry magnates in the USA (eg Vandabilt, Carnegi, Rockefeller, Duke, Morgan). The Zaibatsu invested in everything – engineering, railways, paper pulp, shipping, banking. However the founding families retained financial control but avoided nepotism. They recruited the best from outside the companies to manage them. In the 1980s a famous Japanese trade unionist, who was an expert negotiator, was recruited to the board of the company to use and reward his skills for the company. This was typical of Japanese management but unknown in the UK or USA.

6.2 Post second world war Japan

The new constitution described the Emperor as the “symbol of the state”. This is actually what he had always been (rarely the centre or initiator of power but his presence conferred legitimacy on the rulers (shoguns or governments). Having been portrayed as a God for so many centuries the transformation to Constitutional Monarch for Emperor Showa (called Hirohito in his lifetime) was quite difficult. A few extremists persisted in demonstrating for the Japanese Empire and their divine Emperor – but they were largely ignored. The Diet took on the bi-cameral Westminster model form of governments (bills which pass through both houses and signed into law by the Emperor).

In 1945 economically, Japan was ruined. The USA provided reconstruction aid and quickly saw the strategic importance of the archipelago in the cold war (establishing many military bases). The American who made the most difference to Japan was virtually unknown in his

home country. His name was Dr J. Edwards Deming. He was a statistician who had increased the output of an American munitions factory eightfold. In Japan he set about releasing his revolutionary ideas by visiting companies and in seminars showing them how to measure the standard deviations of their factory production and how **not** to intervene if blips in production were within the normal parameters. Managers who did that usually did more harm than good. He also taught them that the most important people in a company are the shop floor workers and they should meet daily and briefly in structured quality circles – suggesting and then implementing incremental improvements to the processes. Deming believed in total openness (all information was shared – including board minutes). He said that managers will know when they have fully absorbed and used his ideas when each employee comes to work saying “this is **my** company. How can I improve it” By the 1980s the millions of incremental improvements put Japan in a league of its own in terms of high quality high value products. It was referred to as the “Japanese miracle”.

However the attitude of Japanese to foreigners and foreign investment remained from cautious to hostile. Koreans who had been brought to Japan in the second world war to work in the factories were unable to return. The next generations of Koreans from this time were treated as foreigners and had to register annually to get identification authorisation and paperwork. The attitude to foreign investment was to persuade foreigners to form joint ventures with Japanese partners. This gave them some control and integration with the zaibatsu (especially in the latter’s distribution networks in Japan). Some wholly owned companies set up in Japan in the 1980s and 1990s (particularly in the financial industry).

The “Japanese miracle” was a self delusion which caused many banks to lend to Japanese companies in the roaring 1980s with little or no secured loans. A property bubble continued throughout the 1980 (particularly in the big cities) and it all had to end unhappily – as it did in the early 1990s. Banks failed, companies had ensured their survival by building plants abroad but the Japanese economy went into a downward spiral and some CEOs committed suicide.

The only economic policy the Japanese Treasury seemed to follow was Keynesian economics (major infrastructure works to re-boot the economy). However, Japan’s national debt was so high as to make this a temporary (and an unsuccessful) measure. The most recent experience with negative interest rates (where the account holder pays the bank to keep its money safe and perform services like direct debit) has also rendered little. The economic idea is encourage people to spend rather than save – but consumers cannot be manipulated quite so easily. The Japanese economy has been in the doldrums for the last 2 decades (relying on remittances back from its investments abroad). A strong US\$ is currently helping – but exchange rates are too fickle and unstable to rely on.

Privatisations (eg of the Post Office and its giant savings bank – the biggest in the world) helped reduce Japan’s debt a little. Prime Minister Abe is currently trying the monetarist approach of quantitative easing (looser money supply, encouraging banks to lend with support from the government).

6.3 Cambodia, unlike Japan, has not sought to privatise any of its industries. Instead the government has encouraged investment from international NGOs in social and medical work and infrastructure assistance. There are issues as to the sustainability of worthy foreign interventions (eg Dr Richner’s Kantha Bopha hospitals). Some NGOs have focussed only on transferring skills (not supplying money). The latter have been far more successful in capacity building. There remains, however, the political certainties between Cambodia’s old enemies : Thailand and Vietnam.

Japan sought a protector in the USA after 1945. Cambodia, more recently has sought friendship with China. The latter has provided military aid : uniforms, vehicles and loans to buy helicopters and a training facility in southern Cambodia. Between 2011 and 2015 Chinese firms have invested and lent \$5billion – accounting for around 70% of the total investment in the country. Many of the garment and food-processing factories are Chinese. Sino-Cambodian relations have also resulted in a second bridge over the Tonle Sap and a host of other infrastructure projects and hydropower investments.

What do both sides (China and Cambodia) get from these close relations ? Although the present Cambodian government is friendly to Vietnam the people are generally not (many have bad memories of the 1979 to 1991 Vietnamese occupation of Cambodia). It helps the Prime Minister of Cambodia (who was closely associated with the Vietnamese) to have support from China to counter suggestions that he is a puppet of the Vietnamese. Openness to foreign direct investment (eg from China and Vietnam) in Cambodia has been more associated with politics than in the case of Japan.

The Chinese have a firm ally in Cambodia within ASEAN. The Cambodians took the matter of the Paracel and Spratly islands off the ASEAN agenda. That help in 2015 netted an aid package of \$600million as an aid package from China (although both sides deny any connection). China is unlikely to make any complaints about any irregularities in the forthcoming 2017 election.

Capacity building has been quite successful in Cambodia but has a long way to go and is hampered by corruption. The Australian Development Programme, for example, has paid for thousands of Cambodians to undergo a year's pre-departure training and then take a degree in Austral. CamEd has been involved in Ministry of Education audits of tertiary institutions and has been impressed by the thoroughness of the audits carried out. Many Cambodians have returned from studying or living abroad and brought Western ideas with them – building hotels, restaurants, coffee shops. A venture worth mentioning is Browns' cafes – 100% owned and run by Cambodians to very high standards.

There is also an English school, ACE, which maintains international levels of teaching and has the external auditing measure of IELTS (the International English Language testing system – run by the University of Cambridge in England). This has taken over as the world's largest English language test for language skills (taken by over 3 million people a year). In the final Level 12 of the ACE programs all candidates are required to take the IELTS test – which can then be used to uncover the strengths and weaknesses of ACE's teaching. This is a genuine, externally verified cycle of improvement. Other tertiary institutions have obtained a licence to prepare and present students for international exams eg CamEd has a program to present candidates for the ACCA exam in accounting. The exams are set and brought from abroad so that only ACCA can test the students (and audit the school to ensure it meets the levels of preparation required).

However there is still the problem today that very few Cambodian companies grow beyond the small and medium sized sector. Part of the problem has been the lack of land title definition after UNTAC in 1992 (the previous Communist regimes had nationalised all land and there was extreme lethargy in rectifying this after 1992).

Cambodian government policy does not include privatising any state industries and therefore make them efficiently compete (eg Electricité du Cambodge) or to allow foreign ownership of land. Ratanakiri and Mondulkiri have been largely cleared of rainforest and the land is being re-planted with commodity plantations (eg bananas) which depend on worldwide prices. Cambodia's neighbour, Vietnam, cleared its Dac Lac province to grow

coffee and went from being a zero exporter in the 1990s to being the world's second largest producer, Brazil, by 2010. The glut of coffee on the market brought down its price sharply (leaving small holder farmers in Africa and South America with reduced incomes).

CONCLUSION

What can modern day Cambodia learn from the Japanese experience of rising from a third world country (twice – in 1868 and in 1945) to the world's second largest economy in 2000 ? Cambodia is currently ranked as 110th in GDP size (for comparison). Key factors would include :

Education : Japan started early after the Meiji Restoration in providing free primary education. Today Japanese students consistently rank highly among OECD students in terms of quality and performance in reading literacy, maths, and sciences. The average student scored 540 in reading literacy, maths and science (ref : OECD's Programme for International Student Assessment) and the country has one of the worlds highest-educated labour forces among OECD countries. Cambodia has made a start in getting over 90% of its children into primary schools. However the reason Intel sited a \$1billion plant in Saigon rather than Phnom Penh is the relative educational attainment levels. Japan's attitude to education after the second world war has been very systematic – with all school students enrolled from the ages of 6 to 18. There are also several world class universities in Japan. It might be that cultural and climatic conditions have roles to play in comparing the two countries. In Japan after 1870 school textbooks based on Confucian ethics were replaced by westernised texts as part of the Meiji government's modernisation programme. Elementary school enrollments climbed from about 30% percent of the school-age population in the 1870s to more than 90 percent by 1900. 95% of Japanese complete high school (a higher percentage than the USA's 89%). Cambodia, by contrast, had only one high school (Sisowath High School) and no universities at independence in 1955. This was due to their 90 year French colonial heritage.

Corruption Cambodia is ranked as the 156th most corrupt countries out of 176, whereas Japan is ranked 26 out of 176 (source : Transparency International). This a major deterrent to local and international investment. A few multi national companies (eg British American Tobacco, Petrobras) do operate in Cambodia but many just have sales offices in Cambodia. According to the Phnom Penh Post a sales office for Rolls (minimum price of car : US\$650,000). Corruption re-distributes money from potentially productive sources to unproductive (eg conspicuous consumption) sources. It is the primary factor in holding Cambodian economic growth down and increases poverty. Chinese companies have invested in garment factories in Cambodia but there have been several strikes to low pay and working conditions. Wood has also been exported from Cambodia to Vietnam for furniture. The amount of forest cover in Cambodia has reduced from 70 to 30% over the past 30 years

It took time for Japan to eradicate the cartel operations of the *Zaibutsu* (who took turns in sharing out government building projects and charging high prices for them). The Japanese also pay their Prime Minister, members of the Diet, policemen and civil servants well – so there is no need to take bribes. Cambodia could copy this system. To finance such a move

the simplest way would be to incrementally increase the tax on petrol and diesel until around \$10billion is raised. This can then pay for increased salaries of officials and allow some public transportation (eg rail or bus services to be created). The tax is easy and cheap to collect from the handful of oil companies and the measure would encourage greater efficiency in fuel use and make the environment cleaner.

Population Cambodia has exactly the opposite problem to Japan – the former has 68% of Cambodia's 14,805,000 people under 30 and the total population has expanded considerably from the 3million people who survived the Khmer Rouge regime in 1979. Japan's population, by comparison is falling and the number of people aged 65 or over rose by 1.1 million to 31.9 million, accounting for 25.1 percent of the population (source : kyodo news agency). Japan is short of labour and averse to foreign workers (although that attitude is changing). Cambodia, on the other hand, exports workers (eg to Korea, Thailand). Cambodian migrant workers sent home \$256 million in remittances in 2012, 1.8 percent of the country's GDP and the fourth highest percentage in Southeast Asia, according to a new report from the World Bank and the International Fund for Agricultural Development (IFAD). Latest Cambodian Ministry figures indicate that the number of workers migrating abroad legally has more than doubled over the last few years: from 53,160 in 2009/2010 to 130,000 in 2012. This is still low compared to the Philippines but the treatment of Cambodians in places like Thailand is a cause for concern. The Cambodian governments does have mutual interest agreements with Korea which give Cambodian workers a stable and attractive opportunity to work in companies in that country.

THE FUTURE

There are many parallels between Cambodia and Japan – and they are useful sources to draw lessons from. Cambodia has sustained a dependency culture from the French Protectorate in 1863 by receiving investments of Aid from China and overseas donors. This needs to move into the next stage of development – self-reliance. The Japanese have from the beginning of the Meiji restoration in 1868 developed an approach of independence – learning from developments abroad but building its economy by improvements within its own culture. To open any major business in Cambodia still requires cooperation with Government ministries.

The tendency in Japan to xenophobia has not been matched in Cambodia. However Japan, despite being resource poor in minerals and with 84% of their land mountainous and uninhabitable, has clearly used its human capital much more effectively than Cambodia. Singapore, with a population of 5.4 million produces a GDP of US\$ 298 billion compared to Cambodia's US\$15 billion. The challenge for Cambodia to up-skill its workforce and try to close the huge gap between the rich and the poor. This is an internal issue and needs to be addressed by Cambodians in their rich social culture – where people of different religions and beliefs live side by side respectfully. This is neighborliness is a great triumph for Cambodia when you look around the world where differences in religion and ethnicity divide nations.

There needs to be a coordinated strategy to raise human capital by changing the rote learning system prevalent in Cambodian schools to a more creative, thinking based educational approach. The Japanese have worked on this issue – greatly improving High school students' readiness for tertiary education. Purely relying on memory to pass exams does not serve Cambodia well (computers can remember millions of times more than humans can). What will prepare the next generation better for the future is more emphasis on building skills – presentational skills, argumentative skills (look at all sides of issues and evaluate them), analytical skills and learning more about art and music (which, research has shown, feeds into improving all subject learning and promotes lateral thinking). Sport, voluntary social work, joining youth clubs, singing in choirs or playing musical instruments, dancing and a host of other extra-curricular activities help build a stronger, more active community – giving Cambodians world class social skills and research capabilities. Relying on foreign NGOs and International Governmental aid has to taper off at some time. Ultimately, spoon feeding only teaches you the shape of the spoon ! Cambodia is starting to emerge from this dependency culture.

The culture of corruption **can** be broken but it requires a multi-faceted strategy involving paying officials much more and up-grading their status and skills through training (as mentioned before). Surveillance through cameras has taken off in the country. Maybe all policemen will one day carry such cameras on their lapels ? Cambodia is not alone in having a poor opinion of its political leaders but it has every reason to make big steps in the direction of a fairer and more productive society.

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