

Can we help you?

How China is wooing a poor neighbour



THE quick way to Krang Skear forest in Cambodia that the Chinese are logging is to turn off the highway in Kampong Chhnang province, a few hours north of Phnom Penh, bump along a sandy track for 25km and, just as the track peters out, take the train through the scrub for the last 30km. Or, rather, as the railway built by the colonial French was abandoned years ago, you ride a dolly improvised from a few planks and an old petrol engine, taking the whole affair apart and to one side every time you meet a similar contraption coming the other way.

The area is as poor as it gets even in Cambodia, where more than one-third of the population lives on less than 60 cents a day. It is dry and dusty, with infertile soil, and the summer rains run away too fast for a decent crop of rice. Most of the local families, living in raised single-room thatched huts without electricity, grow cashew nuts, bananas and corn for a meagre subsistence. Of the 250 families who live here, some 60, says Puy Sao, a 29-year-old mother of six, depend wholly on the forest for their livelihood, and many others in part. The nearest health clinic is in the provincial capital, 70km away, but the forest has medicinal plants. It also has resin trees that can be tapped, among other things, for oil used for lighting. And then there are wildlife products, such as beeswax. In her yard, Ms Sao is rearing a wild boar that her husband caught when it was young.

A few years ago a company from Guangdong in southern China was granted a concession to log a reputed 17,000 hectares (42,000 acres) in Kampong Chhnang province and elsewhere. That in itself is a breach of the law, which is meant to restrict concessions to 10,000 hectares per bidder. In 2004 about 100 locals, including Ms Sao, went to Phnom Penh to protest that they, too, had a claim to the forest, but police outside the forestry ministry threatened to beat them.

The Chinese have since logged 1,700 hectares at Krang Skear, replanting some of it with a monoculture of acacia, a fast-growing but poor-quality tree. A giant plough, made in China, lies abandoned, along with hundreds of smashed jars that contained the tree seedlings, also brought from China. The Chinese workers have vanished, but will presumably return to cut the less accessible virgin forest in the hills beyond. Both the company and the government refuse to talk to locals.

Cambodia is in the midst of a land grab. High politicians and fly-by-night Chinese companies suddenly crop up as owners of vast tracts of valuable hardwood forest that get cut and shipped out to Vietnam or up the Mekong River to China, now that Chinese engineers have dynamited a navigable channel into Yunnan province.

Tree of life

The problem is most serious in the deeply forested parts of the country populated by non-Khmer minorities, such as the Phnong. In these forests, households "own" particular resin trees that can be tapped for 50-60 years, bringing in perhaps \$350 a year for the most valuable resins, according to the Wildlife Conservation Society. But, says an expert at one non-governmental organisation, Chinese companies come in and cut the trees down. Sometimes they promise schools and health clinics, but they rarely deliver.

The land grabs are only the most prominent examples of Cambodia's endemic corruption, from the office of the prime minister, Hun Sen, all the way down. Recently a government minister threw a housewarming party for his new mansion which features a moat around which you can jet-ski. He boasted to ambassadors about the value of his house.

Corruption is a constant gripe of locals and of aid donors trying to help rebuild this country of nearly 15m after the ravages of genocide by the Khmer Rouge and a civil war that sputtered on until recently. The government chafes at the conditions which donors place on their aid. In recent years the World Bank has suspended several projects after discovering misappropriation in the procurement process. For instance, one project included a service centre for maintaining (Chinese) motorcycles provided for demobilised former guerrillas; the centre turned out not to exist. When the World Bank presented the evidence to the powerful deputy prime minister, Sok An, he angrily refused to read the report. Only after the World Bank threatened to suspend its whole Cambodia programme did the government pay back money the bank had shelled out.

Now the government has an ally: China. Last March Cambodia's aid-givers—including the World Bank, the Asian Development Bank (ADB) and bilateral donors, though not China—agreed at their annual gathering with the government to provide the country with just over \$600m in aid—the equivalent of three-fifths of the national budget. But at the same time they dressed the government down for the country's poor human-rights record and for letting one more year go by without passing an anti-corruption law. The aid would come with lots of conditions.



Alamy
Part of the bargain

Imagine the donors' shock last April when China's prime minister, Wen Jiabao, paid Cambodia a visit and announced that China would pony up \$600m for roads, dams, whatever—equivalent to almost the entire international aid budget. And, it seemed, with no strings attached.

Mr Hun Sen has been rubbing donors' noses in it. At a recent ceremony to mark the opening of a Chinese-built road in the country's north-east, he praised China for honouring Cambodia's "independence and integrity". All Cambodians ask, he said, "is for an equal relationship with its partners...China is a very big country...If 1.3 billion Chinese urinated all at once, they would cause a great flood. But China's leaders do good things with their partners...When China gives, it doesn't say do this or do that. We can do whatever we want with the money."

Chinese aid, however, is not always as generous as it seems. Smoke-and-mirrors accounting certainly exaggerates the sums on offer. Besides, the great bulk of aid is in the form of loans that will have to be paid back one day. In Cambodia's case, Western diplomats suspect that Chinese pressure is a factor behind delays in a United Nations-backed tribunal that is meant to be trying elderly former Khmer Rouge leaders on charges of genocide.

No messing about

Even so, some development specialists show a degree of sympathy for Cambodians wanting to take China's cash. Of the many donors in Cambodia, only the World Bank, the ADB and Japan are really building the things that people need, such as roads, schools and hospitals. Too much traditional aid is in the form of so-called technical assistance that often benefits the donor countries more than the recipients. (South Korea's help in providing "smart" national identity cards is an egregious example.) Besides, the time spent dealing with so many do-good Western agencies, each with an aid agenda that almost certainly conflicts or overlaps with others, sorely tests the government of a poor country short of institutional resources. In this light, China's offer just to get on and build the road looks tempting.

But why should China want to help in the first place? The answer is energy. An oil and gas bonanza lies just offshore in Cambodian waters. Though Chevron of America has rights to the only block where large proven reserves exist, much more oil is expected to be found, and Chinese oil majors intend to bid for it. For China, oil shipped from Cambodia has strategic value, for it would not have to pass through the American-guarded Malacca Straits—called "China's windpipe" by strategists in Beijing—on its way to the mainland. For Cambodia, a country historically overshadowed by bigger powers, oil revenues of perhaps more than \$1 billion a year will give its masters some of the respect they crave. A bit of the money might even trickle down to the people.

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