

# **CHAPTER 1**

## **Introduction**

### **1.1 Principle and Rationale of the Study**

Maintaining relations between neighboring countries is crucial especially to keep a good relationship between nations in terms of economics and politics. It leads to income generation from border trade that stimulates the economic growth of both nations. Regional economic growth will promote mutual interdependence between countries. Especially with the upcoming of ASEAN Economic Community (AEC), the integration to be on December 2015, to investigate and maintain sustainable relationships between countries is something needed to take into serious consideration. When a nation fails to establish a good relationship with another neighboring country, in return, the situation risks to be under deficits and shortfalls. This may lead to conflicts between the neighboring countries in a less serious meaning than war. The situation undermines the economic collaborations and activities along the border. Thus, it could cause a slowdown to both economies.

It is not yet that the relationship between Cambodia and Thailand is officially confirmed that to be stable politically and rationally. This requires an experiment to prove this argument. This study will serve this target: the need for metrics to measure the relationship between Cambodia and Thailand is very essential for nations, markets, and society as well as the upcoming AEC in order to maintain international peaceful relations as neighborhood countries. It will conduct an experiment to deliver a more complete and appropriate set of information between two countries. Afterwards, it measures the attitude of Cambodians, their decision to make friends with the Thais, and the intention to establish friendship rationally or irrationally. The study will be the pioneer in doing this research that brings about the front line which focuses on the effects of being rational or irrational as decision makers. To measure the perceptions, this requires a start at civil

levels in terms of decision making towards other nations because the decision could strongly affect individual everyday life or even many lives depending on the positions of the decision makers. Although there are countless factors which affect the decision making process, to investigate and understand the decision making process would help to stimulate good ones, and, on the contrary, prevent the bad ones from happening. Having stated that, this could link good outcome as a peaceful decision of one nation to another nation. It will serve well with econometric analysis of the primary data. Finally, it adds empirical works to strengthen Economics of Information as well as political economies.

### **1.1.1 Historical Background of Cambodia**

Cambodia has undergone various economic transitions for almost four decades in terms of regime development, creating chaos internally after officially receiving independence from France in 1953 under the monarchy power of Sihanouk King. Hughes (2003) noted “The Cambodian State has undergone three transitions since the 1980s from command economy to free market economy; from war to peace; and from authoritarian rule to democracy.” Tragically, in the 1975 Cambodian economic system failed entirely due to the Pol Pot Regime. Chheang (2008) stated there were houses, but no people living in them, there were no businesses or economic activities during that regime. It all was about genocide and physical punishments to the mass population that lived in misery. It was called “year zero” or “ground zero” which everything was shut down until the resurrection in 1979 (Chheang, 2008). Afterwards, the Cambodian government was created yet adapted from the Vietnamese model of command economy, which outputs and prices were determined by the state, or very rare for the private property ownership. Significantly, Soviet Union and Vietnam were the most active trading partners to the nation. A few years later, in late 1986, Cambodia introduced a new economic reform, given an extraordinary economics foundation of liberalization, and enabled private ownerships, and hence, led to grow in number in terms of private family businesses nation-wide within a very short period of time (approximately 4 years) to boost economic growth (Than, 1992).

The reformation of economy led to the country failing to extremely difficult situations by losing foreign financial aids, more importantly the failure of being in partnership with Vietnam in 1989. Chheang (2008) mentioned that government budget

deficit was the most serious issue for the nation since government spending in military went double, reaching 30% of the national budget. A new era for Cambodia was started by the defeat of cold war. Peace started to settle, initiated under the privilege of the Peace Agreement Accord in 1993, and upheld to be the liberal democratic principles and opened to market economy, which is presently named as the Kingdom of Cambodia until this present day. The reformation has contributed to the country's economic growth dramatically since then.

Tourism is the main driving sector for Cambodia's economy. In 1997, one of the prominent policies implemented "Open Sky Policy" provided the accessibility mainly for the tourism sector which enables direct flights from various destinations to travel directly to Cambodia's most well-known destinations such as the Angkor Wat, Siem Reap, and the southern sites of the country so on and so forth. Along with other sub-sectors of the industry such as hotels, restaurants, and some other supporting services industries, this increased the positive economic growth within the nation. The country's welfare is being upgraded and thus peace and travel will happen more frequently both inbound and outbound.

Furthermore, Cambodia was acknowledged with a remarkable event for its dramatic economic liberalization in 1999 under the name of an ASEAN member state and being a member in the World Trade Organization in 2004 (Ojendal, 2005). The regional benefits outweighed more than the cost to Cambodia, and helped expand its economic interest and political legitimacy to the world at large. Chheang (2008) claimed that the changes in regionalism have led to economic regional development and modernization through investment and trade.

### **1.1.2 Cambodian-Thai Relations**

Geographically, located in the same region, as neighboring countries in Southeast Asia, sharing similar cultures, traditions, appearances, Cambodia and Thailand both have diplomatically shared an amicable relationship. For the last six decades, the relationship between Cambodia and Thailand was focused strictly on the historically-bound nationalism that has been neglected by the domestic forces of the two states, yet foreign policies between Cambodia and Thailand should be scrutinized in terms of products of

interests, ideologies, and strategies (Deth 2014). The relationship between Cambodia and Thailand got harsh and cold in the 1950s, politically and diplomatically. The dilemma could have come from international pressures and domestic forces to the nations resulting in foreign policies, and consequently, the priority that should be considered is domestic forces. In 1950, Thailand was the first country that recognized Cambodia as an associated state from the France's colony which the relation considered more remarkable for the two states. Later, Thailand had extended its fully diplomatic recognition of Cambodia from the French in 1953. Thailand had granted official scholarships to Cambodians to receive training in Thailand in various categories such as the educational field, health, forestry and so on (Deth, 2014). This had explicitly showed that the relationship was very positive between the two countries during that era.

Out of expectation, the relationship of the two states became cold during the transition of Cambodian's political power in 1955 from Democratic to Sihanouk Monarchy. The border conflict occurred between Cambodia and Thailand, and Thai troops had been deployed to the ancient temple of Preah Vihear on the Dangrek Mountain range in early 1954, which caused even more hostile conditions making the domestic and regional factors worse (Deth, 2014). Meanwhile, the transferring power of Thailand's prime minister of the next term worsened the situation and appeared to be undeniably stern. In 1958, Thailand considered Cambodia as the pro-communist state since the King Sihanouk had got influence from the People's Republic of China. According to Deth (2014) in the aide-memoire published in December 1958, the Thai Minister of Foreign Affairs was quoted "even the question of frontier delimitation affecting the ruins of that ancient temple, Khao Phra Viharn (in Thai), which is named in Cambodia and internationally as Preah Vihear Temple, could be resolved in an amicable way according to the elementary principles of International Law and Justice. But unfortunately, foreign influences have hindered the consideration by Cambodia of this question objectively and practically and have spontaneously stimulated the susceptibilities of those directing affairs of that country as to make this question a thorn in her relations with Thailand."

The dispute of the temple has been taken for years between the two states, and according to the media coverage, was also widespread and violently struck on each other. Breaking the record, once the king of Cambodia, Sihanouk, brought the case to the

International Court of Justice in 1959, Cambodia got 9 to 3 votes, which meant the temple belongs to Cambodia (Touch, 2009). There was then an order to Thailand to withdraw the troops from vicinity and the main site of the temple. Afterwards, the temple has been internationally known that it belonged to Cambodia. Out of expectation, there was a tragedy and negative signal to Cambodia since the 1960s. It was slowly moved to the regime of the future crisis, and while Thailand was under military power, the relationship remained a tactical strain about the question on the Preah Vihear Temple from Thailand.

Economically, there was a positive recognition of the two nations, signed up to be the members the Association of Southeast Asian Nations (ASEAN) in the middle and end of the 1990s (Chin and Guan, 1996 and Hughes, 2003). The relationship between the two states has been strengthened up in regards of economic growth, regionally. Economics development is the primary force to drive the growth for integration within the community. Since the early 1990s, trade relationships between Cambodia and Thailand improved significantly. With the noticeable figures of trade increasing among the two nations, from 2002 until 2006, bilateral trade had soared up from 445 million to 1 billion US dollars (Chheang, 2008). The relationship remained strong and high until 2003. Nonetheless, the good relation required to be reexamined since there was an incident between the two countries addressed as Anti-Thai rioting in Phnom Penh (Hinton 2006). By the time, the root cause of the riot, a so-called illusion, came from a Thai celebrity who went for the TV interview and claimed that she would never go to Cambodia unless Angkor Wat Temple was returned to Thailand, which was a very sensitive case to Cambodian people, since Cambodians have owned the temple historically with international recognition.

In response, there were several attacks at the Thai Embassy as well as companies in the capital that caused the Thai government to shut down the border with Cambodia after the incidents (Deth, 2014). To solve the problem, Cambodia had officially offered an apology and compensated the Thai side with an amount of 60 million US dollars for the riot damage. Respectively, the tension was loosened up since then by Prime Minister Thaksin's swift response swiftly to the public about the incident (Deth, 2014). Soon after, the borders were opened again and cooperative trade and investments from Thailand resumed to causal business in the latter years. There was a significant relationship

between Cambodia's Prime Minister Hun Sen and Thai's Prime Minister Thaksin, until he was ditched out from the country by military coup at the end of 2006 due to its internal political crisis.

Until 2008, after the inscription of Preah Vihear Temple listed in the World Heritage under the name of Cambodia, there was another awakening border issue that exploded again which has given a strain to political relationship internationally and nationally. The Thai army forced entry into Cambodia, then led the protest against the official registration of the temple to Cambodia. They decided to deploy the troops to the temple, causing battles for both states and created casualties for both sides. Due to these recent years of border-temple conflict, the conditions at the dispute site are still considered as the main battle of the two nations. There have been reports once every few months about the clashes of the troops there, and reported dead and injured soldiers (Deth, 2014).

Despite a few hiccups in terms of political and governmental issues for the past decades, the two nations have constantly managed to maintain and strengthen the international relations well. Deth (2014) mentioned Cambodia and Thailand relation from the 1990s until 2000s had positively returned to better economic and governmental relations. Statistically, trades and investment's projects between the two countries were seen actively for these few decades. In the addition of the signed agreement of Tourism Corporation between Cambodia and Thailand in March 1998, tensions were widely lessened. Nevertheless, until today, their economics and political relationship are still very much vulnerable to the legacies of both states' history, cultural, and border issues.

This study attempts to analyze the broader perception of Cambodia toward Thailand, due to the recent characteristics of the two states in the individual levels. Although Cambodia and Thailand share similar characteristics in terms of norms, cultures, and religion as Buddhism, the two states still differ from each other in terms of economic status due to the political diversity, and the inequality to present individually to the whole world to be known. Historical circumstances, Cambodia's elders, as well as young generations, still remember about the history of their nation and how it is tied with Thailand in the past.

There are some existing fairytales Cambodians still read and remember until today, which could lead the mindset of the citizens to hatreds toward Thailand. The instances are the story of 'Preah Ko Preah Keo', which the protagonists crossed borders of Cambodia to Thailand, is one of the standpoints of the novel rationale for Cambodia. Ngoun (2006) conducted research on the Cambodia-Thailand relation; Khmer people have negative existing perceptions toward Thais. The Thais were considered as invasive, greedy, and creepy known as in the study. Until present time, Cambodia still believes in the fairytale and believe that the main idea in the story is truthful, which Thailand has invaded Cambodia's invaluable property. In addition to the recent border issues, the stir from history and past fairytale, this research is being conducted in order to investigate the truthful characteristics and perspectives of Cambodia towards Thailand, and how information and decisions are being analyzed once they have finished with the survey. Simultaneously, this has led the study to investigate further on the characteristics of Cambodians towards Thais on the contribution to the analytical information and their perceptions which posited in the research question.

The fundamental issues in this study involve mainly with rationality theory which is the most essential part. The research is being conducted in order to investigate correlation of being rational in terms of making a decision of Cambodians toward Thailand. It is believed that people make their decision based on the information they have and environmental surroundings. Furthermore, the outcomes of decision they have made might lead to unfair information being distributed. Therefore, this research studies on the primary database in order to reach out the micro political and economic levels to evaluate the perceptions of Cambodians toward Thailand. Due to this historical fact and pre-existing history between two nations, this study aims to seek for answers of these following questions:

- How to analyze Cambodians' characteristics on their perceptions to decide to create friendship with Thais?
- What are the principle determinants of Cambodians' on the choice of decision making?
- Are there any limitations on Cambodians' decision to make friends and get involved with the Thais?

## 1.2 Objectives of the Study

Rationality on Cambodians' decision to make friends with the Thais has been measured by distributing questionnaires which postulated on the studies of Cambodians' characteristics and perspectives on Thailand and their people. In this study, therefore, it is important to establish the impact evaluation on the attribute of the intervention between Cambodia and Thais' attitudes based on rationality. To analyze the impacts of limited rationality on the decision making of Cambodians to establish relationship with the Thais in a peaceful mean. There should be some factors yet in this study. They have been narrowed down to two inquiries to be examined. Firstly, to find determinants of the decisions to make friends with the Thais since measurement on the effects and impacts on behavioral choice of Cambodia with existing perceptions under bounded rationality. While the attitude has been already measured on Cambodian's perception towards the Thais distributed individually and politically. Secondly, to find determinants of intentions to create friendship with the Thais by category involved with their rational decision making. The monitoring on the rational limitation that impacts on the decision making between Cambodia and Thailand which is concluded as the two main objectives as following.

- To find the determinants of Cambodians' decision to make friends with the Thais under limited rational choice theory.
- To find the determinants of limited rational intentions to get involved with the Thais in a peaceful mean by category.

## 1.3 Advantages of the Study

The finding and investigation of the factors of the determination in this study are being known and analyzed in Cambodians' decision making toward Thailand with the most

recent dataset by using online primary survey. Whether the decision they have decided has rationality or any limitation behind the outcomes or not, this will contribute to Cambodians society in the socioeconomic context. Never had before in the previous studies or even in Cambodia's and Thailand relation. Additionally, this pioneer will contribute to the next research of the relationship between the two nations for most kinds

of social sciences' researchers. Ideally, this contribution will alleviate negative perspectives of Cambodians' towards Thais and better analyze factors which lessen the tension between two countries.

After evaluation in the qualitative analysis on this prospective of Cambodia toward Thailand, rationality on establishing friendship in a peaceful relation between Cambodia and Thailand is being identified and the weaknesses found will be strengthened a better relationship in terms of economics and social factors.

#### **1.4 Scope of the Study**

This research is conducted in the primary level to respondents in which they have accessed to the internet, generally to Cambodian citizens as the target group. Online questionnaires are electronically launched from the initial date of approval on the proposal with attached questionnaire from the committee of faculty.

#### **1.5 Definition of the Terms**

Bounded Rationality or also known as limited rationality, and its association with choice theory mainly concerns with the cognitive limited processes on making decisions (Simon, 1947). Rationality alone is explained as the act of reasoning. Simon, the well-known initiator of bounded rationality on decision making, defined that human rationality is bounded by cognitive limits. Human ability to digest the information they obtain is restricted and if they could, they would be improperly process it to their decision-making procedure.

#### **1.6 Organization of the Study**

This entire graduate academic thesis is classified into five chapters. To start with the first chapter is from general to specific which will discuss the rationale of the study with other minor details. Chapter 2 discusses the theoretical framework and literature review with previous studies from other papers. Following with chapter 3, the research methodology and presentation of the models with relevant data is discussed. Chapter 4 is about empirical result analysis and discussion from the regression, and the last chapter is about the overall conclusions for the study.