Cambodia: The Immediate Outlook
Frank Frost
Foreign Affairs, Defence and Trade Group
7 July 1994

Parliamentary Research Service

Current Issues Brief No. 13 1994
Cambodia: The Immediate Outlook

Telephone: 06 277 2440
Facsimile: 06 277 2475
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Annex A
Australian Aid to Cambodia
Executive summary

The paper surveys Cambodia since the successful United Nations sponsored elections in May 1993 with special emphasis on major developments in 1994.

The paper argues that progress has been made in Cambodia since the elections and the end of the United Nations mandate but significant problems continue. The Royal Government which was inaugurated in September 1993 remains locked in conflict with the Khmer Rouge which retains the capacity to offer substantial resistance. The government's position has not been enhanced by the military reverses it has recently sustained after its major 1994 dry season campaign.

The Royal Government continues to be based on a coalition between two major parties which remain highly suspicious of each other. The country's administration, weakened by years of destruction and isolation (especially during the Khmer Rouge years in power), is inefficient and prone to corruption. Substantial reconstruction funds are available from the international community but the ongoing armed conflict is holding back Cambodia's chances for investment and recovery.

After outlining the experience of the government in the 1994 dry season, the current political situation in mid 1994 is assessed. Recent attention in Cambodia has focussed on the government's proposal to outlaw the Khmer Rouge, a concept which has revealed divisions in the government's ranks on how best to handle the Khmer Rouge challenge. Controversy has also been aroused by a recent proposal by King Sihanouk that he should assume executive powers to promote 'national reconciliation'. Tensions between elements of the two major ruling coalition parties (FUNCINPEC and the CPP) have been revealed by a major controversy over a recent decision by the co-prime ministers to hand control of the lucrative logging export trade to the Defence Ministry, a decision criticised strongly by the country's Finance Minister. An apparent coup attempt led by two dissident members of the CPP on 2-3 July was easily contained by the government but has added to the climate of uncertainty.

Cambodia's efforts to redevelop its foreign relations are discussed, with special emphasis on the sensitive relationships with Vietnam and Thailand. The paper notes the progress attained in economic recovery but this is still hampered severely by the continuing atmosphere of conflict and instability. After outlining Australia's current emphases in policy towards Cambodia, the paper provides a concluding evaluation of Cambodia's current situation and the major factors which will affect prospects for stability and recovery in the near future.
1. Introduction

On 20 June 1994, the Khmer Rouge left Phnom Penh after the failure of the latest round of talks aimed at ending the conflict between the party and the elected Royal Government of Cambodia. The failure of the talks underscored the problems which continue to beset Cambodia just over a year after the United Nations sponsored elections in May 1993 attracted a massive voter turnout and raised hopes for peace and reconstruction after over two decades of conflict.

Progress has been made in Cambodia since the elections and the end of the United Nations mandate but significant problems continue. The government remains locked in conflict with the Khmer Rouge and the government's position has not been enhanced by the military reverses it has recently sustained after its major 1994 dry season campaign. The government continues to be based on a coalition between two major parties which remain highly suspicious of each other. The country's administration, weakened by years of destruction and isolation (especially during the Khmer Rouge years in power), is inefficient and prone to corruption. Substantial reconstruction funds are available from the international community but the ongoing armed conflict is holding back Cambodia's chances for investment and recovery.

Intense debate has continued in Cambodia on how best to deal with the Khmer Rouge (formally the 'Party of Democratic Kampuchea' - PDK). Discussion is underway on a government-sponsored law that would outlaw the party and impose severe penalties on anyone supporting it. A number of Cambodians, including the King and some members of the royalist FUNCINPEC party, have reservations about the proposal and continue to argue for negotiations and attempts at national reconciliation. The debate has been initiated in an atmosphere of political tension in Phnom Penh, tension which was exacerbated by a coup attempt on 2-3 July mounted by two dissident members of the other main ruling party, the Cambodian People's Party.

This paper will provide a concise review of major recent developments in Cambodia and the immediate prospects for stability and recovery in the wake of the dry season fighting, the failure of the latest series of attempted negotiations, and the current controversy over moves to outlaw the Khmer Rouge.
2. Background: Developments after the May 1993 elections

The United Nations involvement in Cambodia encountered many difficulties, especially the failure of the Khmer Rouge to honour the commitments which they had made as a signatory to the Paris Agreements (October 1991), but the elections on 22-28 May attracted participation from nearly ninety percent of registered Cambodians and were conducted successfully. The elections produced a result which necessitated cooperation between the major successful parties. The major winners were the pro-Sihanouk FUNCINPEC (National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia) with 45.5 percent of the vote and 58 out of 120 Constituent Assembly seats and the formerly dominant Cambodian People's Party (CPP) with 38.2 percent and 51 seats; the smaller Buddhist Liberal Democratic Party gained 3.8 percent and 10 seats (one seat went to a minor party - Moulinaka). FUNCINPEC led the vote but had limited administrative resources and a small military force. The CPP had come a clear second but controlled by far the largest armed forces and the administration of the country. Since a new constitution had to be ratified by a vote of two thirds of the new assembly (80 out of 120 seats) some cooperation between the FUNCINPEC and the CPP was essential.

The incumbent CPP was unhappy at the results and a brief secession was mounted by CPP elements in early June in four eastern provinces (probably with the aim of exerting pressure on FUNCINPEC to compromise on sharing power). With the collapse of the secession attempt within a few days, a coalition arrangement was developed between the two major parties which paved the way for the formation of a provisional coalition government between FUNCINPEC and the CPP and the adoption of a new constitution by the Constituent Assembly on 21 September. Prince Sihanouk was reinstated as a constitutional monarch who would 'reign but not rule' on 24 September and Prince Ranariddh (FUNCINPEC) and Hun Sen (CPP) became First and Second Prime Ministers of the new Royal Government of the Kingdom of Cambodia. The control of the major ministries was shared among FUNCINPEC (which gained ministries including foreign affairs and international cooperation, finance, commerce, trade, mines and energy and public works) and the CPP (whose ministries included interior, defence, agriculture and telecommunication); deputys and parliamentary secretaries were appointed on an alternate basis to give both major parties representation in each ministry. A similar complex power sharing arrangement has been introduced at provincial level.

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This coalition arrangement involved obvious sources of tension between the CPP which had dominated Cambodia since 1979 and FUNCINPEC which had fought against it (in a loose coalition including the Khmer Rouge). In fact in the latter part of 1993, Prince Ranariddh and Hun Sen appeared to develop an effective working relationship and they cooperated to begin to open up a new set of international relations for Cambodia. A reconciliation effort also took place in the armed forces; the units of the former Phnom Penh regime (the State of Cambodia) joined with those of FUNCINPEC and the Khmer People’s National Liberation Front (KPNLF) to form the Royal Cambodian Armed Forces (RCAF). In late 1993 the RCAF appeared to begin to operate effectively against the Khmer Rouge.

Economically the international community made its commitment to reconstruction clear at a meeting of the International Committee for the Reconstruction of Cambodia (ICORC), a group established through the Paris Agreements. The ICORC members committed just under $US1 billion in assistance and Cambodia was also able to re-establish relations with both the World Bank/International Monetary Fund and the Asian Development Bank. Progress also began to be made in economic management. The energetic new Finance Minister, Sam Rainsy (FUNCINPEC), took steps to reorganise financial management and to increase revenue collection and government finances improved sharply by the end of 1993.

In 1994, progress in a number of areas has continued but it has been accompanied by substantial ongoing problems, many compounded by the Khmer Rouge's continuing effort to maximise its influence by force, and by the government's faltering attempts to contain them.

3. The political and security situation

The Royal Government in 1994

The new Royal Government emerged in late 1993 amid considerable optimism, particularly after the notably successful elections. However, the image of the government in 1994 has been tarnished by several developments, notably the unsuccessful military offensive, continuing internal tensions, delays in the operations of the National Assembly and continuing crime, banditry and corruption.

The elections were a major political reverse for the Khmer Rouge, whose intimidation failed completely to dissuade the population from voting. In the wake of this failure, the new Royal Government was keen to keep up pressure on the Khmer Rouge which it hoped to marginalise into the status of an insurgency against a legitimate and recognised government. The Khmer Rouge showed signs of internal
disaffection and fatigue in the aftermath of the elections; over 2,000 guerillas were reported to have defected to the government in the latter part of 1993. However, the Khmer Rouge refused to agree to peace proposals that would involve it in giving up control of its territory and armed forces in return for participation in the Phnom Penh government; talks between First Prime Minister Ranariddh and PDK President Khieu Samphan on 17 December produced no agreement. In the wake of the failure of the talks, the Royal Government decided to try to maintain military pressure. But the government’s offensive against major base areas in early 1994 exposed the government’s own weaknesses.

In early 1994 the government attempted to assault two major Khmer Rouge base areas; Anlong Veng and Pailin. Pailin has been especially important to the Khmer Rouge because the area contains both gem deposits and timber reserves which Thai interests have been eager to exploit. The Khmer Rouge as a result have been able to earn a large income from offering gem and timber concessions to Thai individuals and business interests. This income has been crucial for the Khmer Rouge at a time when it has lost the material support it had obtained from China. The Khmer Rouge in 1994 are not necessarily a particularly strong force; they are thought to retain armed forces of possibly 9,000-12,000 and they do not now have the capacity to defeat the government or to seize power. However the Khmer Rouge remain well-funded, have a dedicated and experienced leadership, and maintain well-organised armed forces. In the context of Cambodia’s economic debilitation, weak institutions and anaemic administration, and the Royal Government’s much larger but inefficiently organised armed forces, the Khmer Rouge continue to pose a substantial challenge.

Government forces assaulted and captured Anlong Veng on 5 February and Pailin in late March. However in both cases the Khmer Rouge employed classic Maoist guerilla tactics and withdrew before the government forces arrived. Government forces were able to briefly occupy both areas but the RCAF forces suffered from inadequate leadership, poor morale and badly organised logistics; having occupied the positions, they made no effective efforts to establish defences. In each case within a few days, the Khmer Rouge were able to isolate the government forces and force them to withdraw. It is thought that the Khmer Rouge forces which achieved this were in fact substantially numerically smaller than the government forces they ousted. After the withdrawal from Pailin, a relatively small Khmer Rouge force of about 500 was able to briefly threaten Cambodia’s second largest city, Battambang, before the government contained the situation. The fighting caused substantial casualties to the government side and also
forced the displacement of up to 40,000 civilians in the areas of fighting.\footnote{Battambang under threat from KR push, \textit{Phnom Penh Post}, 6-19 May 1994.}

The fighting exposed the weaknesses in the government forces' leadership, logistical capacities and morale. The areas occupied by the RCAF were taken essentially because the Khmer Rouge had withdrawn. There was considerable looting of property especially in the prosperous Khmer Rouge town of Pailin. When the Khmer Rouge launched counter assaults the RCAF were not able to offer effective resistance. Many of the RCAF’s soldiers, who had often been unpaid for months, showed little enthusiasm for conflict. The outcome also brought into question the wisdom of the government’s leadership in ordering the operations. Vietnamese forces had attempted from 1979 to combat the Khmer Rouge with a far more effective army but without achieving a decisive victory, for example in a major dry season offensive in 1984/85.

By May it was estimated that the Khmer Rouge controlled at least as much if not more territory as they had at the outset. The Royal Government, which had appeared to be establishing a substantial psychological advantage over the Khmer Rouge in late 1993, has therefore suffered a blow to its image and prestige.

The government's military reverses focused renewed attention on the problems of the RCAF. Cambodia emerged after the elections with armed forces which were large but ill-trained and organised. The force structure is highly artificial with up to 2,000 'generals' and 10,000 'colonels' in a force which is notionally about 120,000-130,000 strong but which is thought to contain many 'ghost soldiers' who exist purely on payrolls for the benefit of corrupt officers. After the illustration of the ineffectiveness of the RCAF in the Anlong Veng and Pailin operations, foreign governments have been highly reluctant to provide assistance in the form of weapons and supplies. It is widely considered that Cambodia needs a military which is smaller, better trained, properly paid and much more efficiently organised. The government is now seeking the assistance in training and logistics which would support this but commitments have been very limited so far.

While trying to combat and contain the Khmer Rouge, the government has faced additional problems and challenges. The coalition between FUNCINPEC and the CPP has continued to function, but strains have been evident. The CPP has remained the more powerful partner with its continuing strong influence in the bureaucracy and the armed forces. FUNCINPEC has found it difficult to challenge CPP influence in ministries partly because of its own lack of skilled and trained members. The problems FUNCINPEC has faced in asserting influence have led to some internal dissatisfaction at the party's seemingly limited degree of political influence in the post election period.  

Tensions between FUNCINPEC and the CPP have contributed to the slow pace of operations of the National Assembly. The Assembly's operations were inhibited by a dispute over the issue of membership of two controversial CPP figures, Sin Song and Prince Norodom Chakrapong. Sin Song was Interior Minister in the former State of Cambodia (SOC - the regime in Phnom Penh in power at the time of the conclusion of the Paris Agreements and which had been established with Vietnamese assistance in 1979) and Chakrapong, a half brother and rival of First Prime Minister Prince Norodom Ranariddh, was a defector from FUNCINPEC who had become an SOC Vice Premier in 1991. Both men were elected to the Assembly in May 1993 but did not take up their seats. Chakrapong and Sin Song led a brief secession movement in four eastern provinces in early June 1993 in the immediate aftermath of the elections. After the collapse of the secession, both men departed for Malaysia but subsequently returned and attempted to reclaim their Assembly seats. The dispute contributed to delays in the Assembly's consideration of a number of pieces of legislation which are needed to flesh out the structures and operations of the government. For example, although King Sihanouk

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has been ill and undergoing treatment for cancer in China, the legislation necessary to establish the procedures prescribed by the Constitution for choosing a successor have not yet been enacted. Delays have also been experienced in adopting a new law for foreign investment (see below).4

After over two decades of conflict and debilitation, Cambodia also faces major problems of crime, banditry and corruption. Crime and banditry have been prevalent both in urban and rural areas. The presence of well paid UNTAC personnel with many attractive items of property (including vehicles) was one stimulus for crime in 1992 and 1993. The large number of poorly paid or unpaid soldiers in the countryside has encouraged banditry; robberies have been common and kidnappings have also occurred (including the two Britons and one Australian - Kellie Wilkinson - detained on 11 April on the road from Phnom Penh to Sihanoukville and not yet released). The prevalence of crime has been an obvious disincentive to investment and particularly tourism, which offers Cambodia one of its best economic prospects.

Corruption poses further intractable problems. Cambodia’s administration was severely debilitated by the years of conflict and it remains poorly paid. Not surprisingly corruption has been extensive. Military units in the assaults in early 1994 are reported to have sold considerable amounts of ammunition to the Khmer Rouge. Corruption is also a major issue in education; underpaid teachers and administrators have been willing to receive payment for passage in examinations. As a result, student motivation and morale has been affected badly.5 The issue poses obvious challenges to the prestige and capacity of the government.

The Royal Government, the Khmer Rouge and intra-government tensions

The armed resistance of the Khmer Rouge remains the major obstacle to recovery and stability in Cambodia. The Khmer Rouge do not have the strength to regain power in the medium future but the ongoing conflict with the government is a severe disincentive to investment and growth. Debate continues on how the government should respond, with opinions divided between advocates of confrontation and proponents of reconciliation led by King Sihanouk. The Khmer Rouge challenge has also been the focus for tensions and divisions within the ranks of the government which were manifested in mid 1994 in several

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ways, notably in debate over the government's proposal to outlaw the Khmer Rouge, and in a major dispute over the export of timber.

The Khmer Rouge remain determined to press their claim to a role in Cambodia's government and their confidence appears to have been bolstered by the outcome of the recent fighting. The Khmer Rouge may well have hoped that in the wake of the 1993 elections FUNCINPEC could be relied upon to lobby for a settlement process that would include them in a government of national reconciliation. However the Khmer Rouge have been reported to have become disillusioned with FUNCINPEC and to have determined to continue to exert military pressure to achieve their goal of a place in a coalition government. An internal Khmer Rouge document recently noted that 'Up to now Hun Sen and Ranariddh have not expressed any intention of compromising. So unfortunately we are obliged to push more on the battlefield to convince them they will not get anything more by military means'.

The response of the government so far has been to hold talks with the Khmer Rouge while seeking to bolster its own capacities to resist them. The talks in 1994 followed proposals first advanced by the government in 1993: Prince Ranariddh in a statement to the UN General Assembly on 4 October had said that the government was prepared to accept the Khmer Rouge into the army and into the government as advisers. However in return he demanded that the party accept the same responsibilities as the other signatories to the Paris Agreements and agree to a ceasefire and dismantle their army, their administration and their separate zones. Talks were held in Pyongyang, North Korea, at the end of May and in Phnom Penh on 15-16 June but they produced no result. Faced with a continuing armed challenge the government in May requested military assistance from a number of countries involved with the peace process. While seeking to contain the Khmer Rouge militarily, both Prince Ranariddh and Hun Sen have emphasised that they see the long term solution to the Khmer Rouge challenge as resting ultimately on successful economic and social development; they have pointed to the example of Malaysia and Thailand in this respect. Ranariddh stated in May that

My goal is to do what Malaysia did to marginalise the Malaysian communists, who, after all did not have someone like Pol Pot... The people are terrified about his [Pol Pot's] return and it is

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6 Nate Thayer, 'Govt crisis as military option fails', Phnom Penh Post, 20 May - 2 June 1994.
psychologically much easier for us. The weapon we want to use is development. 7

With the failure of the peace talks in mid June, the government went on to propose a bill that would outlaw the Khmer Rouge. Under the proposed law 'acts of secession, of destruction against the royal government and incitement of the population to take up arms' could result in prison terms of up to 30 years. The law would provide a two month amnesty for low ranking officials and supporters to rally to the government but this would not apply to the movement's leaders.8

The proposed law has caused substantial controversy in Cambodia. Supporters of the measure (especially in the CPP) have argued that its adoption would force Thailand to take a clear stand on the party and would end the current ability of Khmer Rouge leaders to enter Thailand using their own travel documents. Any external support for the Khmer Rouge would now involve assistance to a party clearly in violation of Cambodian law. Critics of the proposed law, however, argue that it may escalate the conflict with the Khmer Rouge and could lead to a 'witch hunt' by the government against its opponents. Finance Minister Sam Rainsy was quoted at the end of June as complaining about pressure on members of FUNCINPEC to support the measure; all FUNCINPEC MPs had been required to sign the draft law. Rainsy said that, "There is very strong pressure for all MPs. Those who oppose the law, openly, publicly, will have problems with the authorities, so who dares?" Rainsy commented that 'They should arrest the king first' noting that the king is against the outlawing of the Khmer Rouge and favours a negotiated solution. Rainsy added: 'The regime is going to be repressive if this law is adopted'.9

At the time of writing, the issue was still very much in contention. King Sihanouk was reported to be reluctant to sign the bill but was expected to do so. The bill was before the National Assembly but was not expected to be voted on finally until after 18 July. On 6 July the National Assembly approved the first article of the bill which formally outlaws the PDK and its armed forces. Prince Ranariddh was reported to have said that the ban did not rule out the possibility of further

8 'Debate begins on outlawing Khmer Rouge', Reuters, 30 June 1994.
talks in the future and he reaffirmed his support for human rights to be protected in the bill.\textsuperscript{10}

The government's recent problems in confronting the Khmer Rouge have also been accompanied by consideration of other alternative approaches. King Sihanouk promoted considerable discussion in mid June when he stated in an interview that he would be willing to assume increased executive powers in the interests of seeking national reconciliation. In an interview on 11 June, King Sihanouk argued that 'the current government has shown that it is not capable of stopping the process of deterioration of the situation'. Sihanouk stated that he would 'certainly say yes' to a proposal, which could be advanced by the parliament, that he should assume wider powers. Sihanouk said that under his proposal he would be both the head of state and the head of government: the regime would have four vice presidents: Ranariddh, Hun Sen, Finance Minister Sam Rainsy and PDK President and nominal Khmer Rouge leader Khieu Samphan. Sihanouk said that 'My government can only be one of national unity with all parties. I will give important portfolios to the Khmer Rouge'.

Sihanouk noted that the concept would only be feasible if the parliament proposed it with the necessary two thirds majority and that it would have to have the support of both major parties (FUNCINPEC and CPP): he claimed that in recent months a number of senior 'politicians, figures in the military and in the administration' had urged him to assume substantive power. Sihanouk stated that his program would be substantially the same as that of the current government, 'the rehabilitation and reconstruction of the country... The only difference is no war with the Khmer Rouge and the Khmer Rouge in my government'.\textsuperscript{11}

The interview by King Sihanouk produced considerable dissension within the government and highlighted both differences between FUNCINPEC and the CPP and differences within FUNCINPEC. Second Prime Minister Hun Sen reacted sharply to the King's interview. In a letter to the King on 18 June Hun Sen rejected the proposal that the King should assume executive powers on the grounds that this was not in accord with the Constitution. Hun Sen also suggested that the interview had been used to foment instability: he said that '... a group of people in Phnom Penh who are unscrupulously greedy of power are using this article to poison the atmosphere, going so far as to tell Thai businessmen not to work with the current

\textsuperscript{10} Sheila McNulty, 'Despite pressures, law to law banning Khmer Rouge may be stillborn', Phnom Penh, Associated Press, 2 July 1994; 'Coup fears as MPs outlaw Khmer Rouge', Canberra Times, 7 July 1994.

\textsuperscript{11} Nate Thayer, 'Last Act', \textit{FEER}, 23 June 1994.
government because it is about to collapse and to wait to work with the new government. The CPP has in fact been reported to want two senior FUNCINPEC ministers, Foreign Minister Prince Norodom Sirivudh and Finance Minister Sam Rainsy, dismissed because of their alleged support for the concept of national reconciliation advocated by the King. The letter by Hun Sen represented the first occasion since the elections and the inauguration of the new constitutional regime in Cambodia that a member of the government had expressed a view clearly contrary to that of the king.

Sihanouk's proposal and his advocacy of reconciliation with the Khmer Rouge has also highlighted differences within the ranks of FUNCINPEC. First Prime Minister Ranariddh has come under pressure from elements in his party for cooperating too closely with the CPP and for agreeing to the expulsion of the Khmer Rouge from Phnom Penh. Foreign Minister Sirivudh indicated that he did not support the decision to expel the Khmer Rouge. Finance Minister Rainsy, interviewed in mid June, stated that 'Hun Sen has said that anyone who opposes the government must leave the government. Ranariddh is facing the most important decision of his life: split with the king or split with Hun Sen.' Prince Sirivudh was quoted by the Far Eastern Economic Review as stating: 'I will resign as secretary general of Funcinpec if anybody touches any Funcinpec minister or member. My party needs to support the king. I have informed my president (Ranariddh) of my position of supporting the open door policy towards the Khmer Rouge.'

On 18 June King Sihanouk in a message to Hun Sen said that he would not be seeking to become prime minister and that he would need further medical treatment which would effectively keep him in Beijing until the end of the year. While this may have eased one of the immediate focuses for tension in the government, the divisions which have been revealed appear to be serious. These divisions were highlighted by another policy controversy which was revealed at the end of June.

The issue of timber exports has been a highly sensitive one in Cambodia. The country's timber reserves are one of its most important resources but have been exploited rapidly for profit by the government, the Khmer Rouge and business interests operating illegally. A United Nations sponsored report in 1992 estimated that

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12 The Nation (Bangkok), in BBC Summary of World Broadcasts, 24 June 1994
14 Ibid.
timber extraction was occurring at least five times the replacement rate. Concern about excessive timber cutting led to a ban on log exports in 1992 during the UN mandate and a ban was reaffirmed by the Royal Government. However extensive smuggling has continued which both costs the government heavily in lost revenue and is highly damaging environmentally. In one five day investigation in Koh Kong province in southern Cambodia in May 1994, an anti-racketeering taskforce reported seeing over 1,000 trucks heading for Thailand carrying illegally exported timber.15

The issue of timber exports became a source of controversy at the end of June when details were revealed of a letter on 17 June from Prince Ranariddh and Hun Sen to Thai Prime Minister Chuan Leekpai. The letter indicated that an agreement had been concluded between the Cambodian leaders and Thailand which would give control over timber exports to the Ministry of Defence. Exports had previously required the agreement of the Ministries of Agriculture, Forestry and Fisheries, and International Cooperation, and Finance and Economics. The new arrangement may well be aimed at giving the Ministry of Defence increased funds to enable it to purchase further military supplies.

The agreement produced heated reaction from Finance Minister Sam Rainsy because it contravened directly the efforts he has been sponsoring with international support to regularise financial administration in Cambodia. Rainsy was quoted by Reuters as stating that:

> The Ministry of Defence is the ministry in charge of implementing the decision and of conducting the wood export business... It (the deal) goes against our budget law which states that all state revenues should be centralised in the budget. It can certainly cause very serious damage to our forests, to our environment if there is not enough control and I would say no control at all on wood cutting and on the export of timber.

Rainsy added: "This is a decision of our two prime ministers - what can I say."16

The controversy over the timber export deal has served to emphasise the pressures exerted on the Cambodian government by the continuation of the Khmer Rouge's insurgency. It also illustrates the tensions within the government and especially FUNCINPEC on key

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15 Bangkok Post, 7 June 1994.

policy issues. The issue seems likely to add to tensions within the government.

The 'coup' attempt of 2-3 July

The potential for instability in Cambodia was illustrated further by the dissident activity led by Prince Chakrapong and Sin Song on 2-3 July. Initial reports suggest that about 200 to 300 military personnel approached Phnom Penh on the evening of 2 July acting at the behest of Sin Song and Chakrapong. Sin Song is reported to have said that their plan was to arrest military chiefs and senior officials. The soldiers were stopped and disarmed at Dey Eth, 30 kilometres from Phnom Penh. The government's radio claimed that 'in the afternoon of 2 July until 2 am July 3, there was an attempt to create an uprising in Phnom Penh by a group of people'. The government claimed to have controlled the situation without bloodshed. Sin Song was arrested and Chakrapong was placed on a flight to Malaysia. The 'coup' attempt appears to have produced no visible public reaction in the capital.17

The motivation and degree of seriousness of the 'coup' attempt remained unclear at the time of writing. Chakrapong had recently given an interview in which he was highly critical of the performance of the government.18 Chakrapong has remained a controversial figure, regarded highly within sectors of the CPP but widely disliked in FUNCINPEC. As Nate Thayer recently observed:

Both Prince Chakrapong and Sin Song are widely viewed as near heroes within some senior CPP circles for what they consider their role in forcing a power sharing agreement in the aftermath of the elections that allowed the CPP to retain a lions share of the power in the current government, despite coming second in the elections. He [Chakrapong] is, in turn, widely despised by senior members of Funcinpec who view him as corrupt, as traitorous for his defection [from FUNCINPEC in 1991], and culpable for the deaths of Funcinpec party members.19

The motives of Chakrapong and Sin Song were not clear at the time of writing. One immediate motive could have been the apparent


19 Nate Thayer, 'Prince is both hero and villain', Phnom Penh Post, 20 May-2 June 1994.
failure of their attempt to gain seats in the National Assembly. A statement seized from Sin Song's residence was reported to have stressed the friendship among CPP members, questioned why the Khmer Rouge should be brought into the government [if negotiations to this effect were successful] and a CPP decision not to allow him and Chakrapong to become MPs. However, the precise rationale for the 'coup' remained unclear. Sin Song and Chakrapong's chances of establishing an alternative regime and overturning the constitutional government would appear to have been minimal; their move would have met with hostility both in the region and among the international community whose financial support is crucial for Cambodia.

The removal of Chakrapong and Sin Song from the political scene may be of some benefit to the government since the dispute over their attempts to gain seats in the National Assembly had been a major disruption to its operations. The coup attempt, however, although apparently relatively minor in scale, has also added to the impression of instability in Cambodia at a time when the government has been anxious to try to reassure foreign investors and aid donors.

Cambodia and its neighbours

After the formation of the Royal Government in September 1993, Cambodia was able to begin to reduce its international isolation. A number of visits by the two prime ministers and by Foreign Minister Sirivudh were pursued in 1993 to re-establish contacts with neighbouring states (principally Vietnam, Laos and Thailand) and to seek further sources of aid. However, Cambodia's international relations remain at an early stage of development and in some areas are fragile. This is particularly the case with its immediate neighbours, Vietnam and Thailand.

Cambodia has received solid support from the international community for reconstruction aid; this was reaffirmed at the latest ICORC meeting in Tokyo in March (see below). However, there has been substantial reluctance internationally to become involved in directly supporting the government with military assistance. Several countries have considered providing some assistance to Cambodia's military. The United States has agreed to provide 90 specialists to assist in mine-clearing and engineering tasks, including road building. France has been investigating the provision of training assistance as has Australia. However by late June, no major commitments of assistance had been revealed.

21 Bangkok Post, 6 June 1994.
Cambodia's regional relations are also still in the process of being established. Bilateral relations have recently been pursued with ASEAN members including Malaysia and Indonesia. Cambodia has 'guest' status with ASEAN but is still developing contacts with the regional grouping. Meanwhile, Cambodia's most important regional relations, those with its two large neighbours, Vietnam and Thailand, remain sensitive.

Relations with Vietnam have been developed cautiously after a visit by Prince Ranariddh and Hun Sen to Vietnam in August 1993. Tensions have been evident over the issue of Vietnamese residents and recent immigrants in Cambodia, who have been the target of intense Khmer Rouge propaganda. The Khmer Rouge were responsible for a number of attacks on ethnic Vietnamese in 1992 and 1993 and over 20,000 Vietnamese fled to Vietnam in early 1993. Tensions also remain over border issues: Vietnam has not expressed concern about this issue but many Cambodians suspect Vietnam of having made border 'adjustments' to Cambodia's detriment. A joint commission has been established to examine the border issues. The question of the status in Cambodia of people of Vietnamese ethnicity (many of them long term residents) has also yet to be clarified.

Vietnam for its part has made it clear that it seeks good relations with Cambodia but is not willing to provide any direct assistance to the government despite its strong opposition to the Khmer Rouge. Vietnam's Vice Foreign Minister Le Mai stated in early June that Vietnam was concerned about developments in Cambodia but would not be providing any assistance to the government:

People are talking about some military support for the government to fight the Khmer Rouge today. It is not the Vietnamese duty to do that. Vietnam did once and that's enough. Now its the turn of other countries to help if they want to help the government to fight against the Khmer Rouge.22

Relations with Thailand continue to be contentious, particularly because of ongoing contacts between elements in Thailand and the Khmer Rouge. The Thai government announced in late 1993 that it was winding up the special military unit ('Unit 838') which had been responsible for contacts with the Cambodian resistance factions. Thai government spokesmen at the time affirmed strongly that Thailand would deal only with the duly elected government of Cambodia. In 1994 Thai spokesmen have continued to deny that Thailand provides any assistance to the Khmer Rouge and have criticised Cambodia's government for suggesting this. Thai spokesmen have also expressed

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the view that external military assistance to the government is undesirable and that national reconciliation should be pursued by political means.

Prime Minister Chuan Leekpai in May criticised the concept of providing military assistance to the Cambodian government and called on ASEAN not to support this.\(^\text{23}\) Also in May Foreign Minister Prasong Soonsiri stated that 'When they (govt troops) lose (on the battlefield) they always find a scapegoat or someone to blame'. Defence Minister Vijit Sookmark said that 'If there is still military support to one faction [by which he meant the government] the fighting will be prolonged and never end'.\(^\text{24}\)

However despite repeated Thai official denials, reports have persisted of ongoing contacts between elements in Thailand and the Khmer Rouge. Economic links between Thai business and the Khmer Rouge have been extensive and continue to operate.\(^\text{25}\) The issue of possible links between elements of the Thai military gained extensive recent attention when the existence of a large collection of weapons stored at a site in Chantaburi Province was disclosed in December 1993. Most of the weapons were evidently originally from China, and they appeared to be under Cambodian guards in Thai territory. The discovery of the weapons came after a search by a Thai police contingent of a truck on its way to Cambodia with five tonnes of weapons. A Cambodian arrested by the police identified himself as a member of the Khmer Rouge and said that the weapons belonged to Khmer Rouge Defence Minister Son Sen and that they were being delivered to Pallin. The discovery of the weapons was followed by conflicting statements by Thai military spokesmen who sought to deny any connection between the weapons and the Khmer Rouge. They did not explain the alleged presence of Cambodian guards at the weapons site or the statement by the arrested Cambodian.\(^\text{26}\) The incident illustrated sharply the dilemmas posed for both the Cambodian and Thai governments by the apparent continuation of some links between elements of the Thai military and the Khmer Rouge, links which the


\(^\text{24}\) 'Prasong hits back over claims by Cambodia', Bangkok Post, 18 May 1994.

\(^\text{25}\) See for example 'Thais now smuggling timber to recoup loss', Bangkok Post, 11 May 1994.

civilian-led coalition government in Bangkok may well find difficult to monitor and curtail.

In late May 1994, Morton Abramowitz, a former US ambassador to Thailand wrote in the Washington Post that elements in Thailand wish to continue contacts with the Khmer Rouge both for strategic and economic reasons.

Some Thais want to keep a hand in Cambodian affairs and create a sort of permanent buffer zone against a renascent Vietnam. A senior Thai official told me in 1992 that protecting the Khmer Rouge was an important element of Thai security. The Thai publicly proclaim the opposite and provide economic assistance to the Phnom Penh government, but even if it doesn't condone the military's complicity with the Khmer Rouge in violation of Cambodia's sovereignty, it has not controlled the practice. Perhaps it cannot, given the Thai government's weakness relative to the army. Whether by graft or statecraft, Thailand has become Pol Pot's best ally.27

Thailand officially rejected Abramowitz' comments. Nonetheless the issue of Khmer Rouge links with elements in Thailand continues as one of the most contentious and difficult aspects of the continuing conflict in Cambodia. The issue is also cited by the Cambodian government as one of the key justifications for the proposed measure to outlaw the Khmer Rouge.

4. Economic developments

Cambodia has made some significant progress towards economic recovery since the elections. The inauguration of the Royal Government provided a boost to economic confidence in Cambodia, particularly because it opened up the prospects of increased access to aid and an improved climate for investment. In the latter half of 1993 the value of the riel strengthened and Cambodia was able to normalise relations with both the International Monetary Fund/World Bank and the Asian Development Bank. The new Finance Minister, Sam Rainsy, introduced measures to increase state revenues and improve financial management.

An important step was taken in January 1994 with the adoption of a new financial structure law sponsored by Rainsy which had the objective of centralising revenue collection under the Ministry of

Finance. 'Prior to this', as the Asian Development Bank (ADB) has commented, 'individual ministries and provinces collected and allocated their own taxes without consultation with any central government authority'. As the ADB observed: 'Improved revenue mobilisation is essential if more rapid progress is to be made in allocating resources in infrastructure, health, education and other social services'. The government has continued efforts to improve management in 1994, for example by inviting an external consultant to control the revenue collections of the customs service. However the new agreement reported on timber exports in June appears to have compromised significantly the efforts which Minister Rainsy has been making in this area.

Cambodia's access to international assistance was also recently endorsed by the meeting of the International Committee for the Reconstruction of Cambodia (ICORC) in Tokyo in March 1994. The government presented a blueprint aimed at the doubling of national income in the next decade through reliance on 'private entrepreneurship and the market'. The ultimate goal, Finance Minister Rainsy optimistically stated, is to 'extend the East Asian miracle to Cambodia'. The aid donors responded positively at the meeting and additional funds were pledged.

These positive developments have been matched by continuing problems. Cambodia's capacity for recovery continues to be hampered by severe shortages of skilled personnel. Delays in decisionmaking in the National Assembly and the government have held up the adoption of much needed regulations. A new law on foreign investment was being prepared in June; its adoption has been seen as crucial to encourage foreign investment.

The weakness of Cambodia's government and administration has left the country wide open to smuggling and illegal and environmentally damaging resource exploitation (including excessive rates of timber cutting). The ADB estimates that half of Cambodia's rubber exports in 1993 were smuggled across the border to Vietnam. A ban was imposed on the export of logs in 1993 but this has been widely evaded. In June, First Prime Minister Ranariddh warned that the environmental situation in Cambodia had been 'pushed to the brink' and that the country faced dire consequences if the situation was not addressed. Cambodia faces problems ranging from uncontrolled logging (as already discussed) to flooding caused by war-damaged irrigation systems. The government is preparing new environmental laws but its capacity to enforce them remains very limited.  

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29 'Cambodia drafts new environmental laws', Bangkok Post, 6 June 1994.
Cambodia also faces a continuing severe problems from the millions of small mines littering much of the countryside causing many deaths and injuries and damaging the process of recovery in agriculture.

Economic recovery is also severely hindered by the ongoing conflict between the government and the Khmer Rouge. Much investment has been discouraged and the climate of insecurity has damaged one of the country's best economic prospects, tourism. In 1993 Cambodia's tourism industry made considerable progress and the country received 120,000 visitors, an increase from 87,000 in 1992. However, tourism in 1994 has been affected badly by the reports of increased fighting (including the danger of kidnappings); the occupancy rate in Phnom Penh's leading hotel, the 'Cambodiana', fell from around 90 percent in January 1994 to 20 percent in June and a number of hotel investment projects have been placed on hold. In May, the World Bank's Director of East Asia and the Pacific region (Callisto Madavo), while reaffirming support for Cambodia, stated: 'We are all concerned obviously because political stability is absolutely essential for economic progress to be realised'.

5. Australian policies

As an active advocate of and participant in the UN involvement in Cambodia, Australia has remained closely interested in the evolution of the situation since the elections. Australia has a substantial aid program in a range of development areas and has provided $A2 million in assistance to help support mine clearance. Since May, Australia has supported in principle the concept of military aid being given to the Cambodian government by countries which supported the peace process but the provision of additional military assistance is being considered cautiously by the government and investigation into the issue are still underway.

Australia's aid program is outlined at Annex A. The government in its 1994/95 budget announced a forward commitment to Cambodia of $92 million over the four year period 1994/95 to 1997/98. Australia has also worked actively to boost Cambodia's access to multilateral aid by contributing to the ICORC process and by participating in the consortium of donors who enabled Cambodia to restore full membership of the International Monetary Fund/World Bank. A number of Australian non-governmental organisations, who pioneered


Australian aid programs in Cambodia when the country was isolated in the 1980s, remain actively involved and receive government support for their projects.

Australia is monitoring closely the developments in Cambodia. The major recent issue for consideration has been the request by the Cambodian government in May for military assistance. In a comment in May, Foreign Minister Gareth Evans indicated that Australia would support a negotiated end to the Khmer Rouge's resistance against the government on acceptable terms and if necessary would support some military assistance to the government. In a letter to the Sydney Morning Herald (14 May) Senator Evans noted:

The Khmer Rouge problem is bound to continue in one form or another until either a political or military solution is found. ...Australia could accept a political solution which included some return by the Khmer Rouge to the mainstream political life of the country - but only if that arrangement were acceptable to the elected Cambodian government. I cannot see that government accepting anything less than the Khmer Rouge giving up its territory, laying down its arms and accepting the legitimacy of the 1993 elections.

A military solution would clearly require a significant upgrading of the Royal Cambodian Armed Forces. This is acknowledged by everyone, including the Cambodian Government, which has formally requested assistance from Australia and others. We are considering that request very seriously.

The request for assistance from the Cambodian government has been followed by further discussions. In June talks were held in Australia with delegations led by Keat Chhon, State Minister and Deputy Chairman of the Committee for the Development of Cambodia, and later with the Commander in Chief of the RCAF, General Ke Kimyan. After the meetings with General Kimyan Defence Minister Robert Ray indicated that an Australian reconnaissance mission would be sent to Cambodia to assess the needs of the Cambodian armed forces. Senator Evans commented at the same time that the Australian government was 'sympathetic to the need to give some additional assistance, to get the armed forces into some sort of working shape - which means basically more training and institutional support. I don't think there is a great deal of belief that it would assist anybody very much for us to be supplying lethal material'.

The Australian government is monitoring the debate over the proposed law to ban the Khmer Rouge and is understood to be concerned that the law should not contain

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provisions which contravene human rights principles such as the prohibition of detention without trial.

6. The immediate outlook

One year after the elections, Cambodia continues to face major problems of political division and economic debilitation. The conflict between the government and the Khmer Rouge remains in a position of stalemate which seems unlikely to be lifted rapidly. The problems experienced by the government this year in trying to confront the Khmer Rouge have exacerbated tensions within the government as developments in June have suggested.

The events of the first half of 1994 have dissipated some of the advantages which the government enjoyed after its inauguration in September 1993. In the latter part of 1993, the new Royal Government assumed office with the prestige of being an elected and constitutional regime. It also had (and still has) substantial international goodwill. The Khmer Rouge by contrast had suffered a severe and public repudiation when nearly ninety percent of the Cambodian people went to the polls in defiance of the Khmer Rouge's threats, although the party remained a viable military force. The unsuccessful military confrontation of the Khmer Rouge has damaged the government's domestic and international image and exacerbated internal divisions while reinforcing the Khmer Rouge's image of resilience. The government appears to have lost much of its early political advantages for no commensurate gain.

The conflict between the government and the Khmer Rouge now appears to be in a position of stalemate, with neither side able to defeat the other. The Khmer Rouge are not in a position to try to take power in Cambodia: their forces are not large (compared to those of the government), they remain highly unpopular in many areas of the country, especially in the cities, and any major bid by them for more territory would produce a hostile international reaction. On the other hand, the government does not appear to have the capacity to remove Khmer Rouge influence from the areas the party controls: the government's forces lack capacity and effective organisation and the Khmer Rouge retain financial resources and access to supplies from Thailand.

Two major approaches have been recently considered to try to resolve the deadlocked conflict between the government and the insurgent Khmer Rouge; continued and enhanced confrontation, and attempted national reconciliation. The dilemma for Cambodia is that each path has substantial problems and neither appears likely to resolve the issue decisively.
The government is at the time of writing pursuing the option of trying to isolate the Khmer Rouge by declaring them an outlawed party. This could be effective in imposing increased pressure on the Khmer Rouge, especially by making it harder for Thailand to justify elements in Thailand maintaining contacts with the movement. The Khmer Rouge, however, would still have the capacity to maintain their organisation and are likely to be able to maintain some access to Thai economic contacts. Outlawing the party is not likely to have any rapid effect in reducing its strength.

The alternative policy (advocated by the King) of a negotiated solution to the conflict which would bring Khmer Rouge elements into a wider coalition government also involves obvious problems. The Khmer Rouge would be likely to be a source of major friction in a coalition government given the intense hostilities between them and the CPP in particular. The Khmer Rouge would be likely to use their presence in a 'government of national reconciliation' not to promote effective government policies but to advance their own power. It is also uncertain whether the Khmer Rouge would ever in fact be prepared to give up their territorial control and their armed forces since these two factors have been the basis of the party's survival in Cambodia since they lost power in 1979.

The way in which Cambodian politics will evolve in the near future will depend on the outcome of several major factors.

One key issue is whether the government can contain the potential for divisions in its own ranks. The conclusion of the dry season military campaign and the proposal for more executive powers for King Sihanouk has seen the most significant indication of intra-government and intra-party strains since the election. These tensions have the potential to damage the government. If, for example, the government through internal conflicts were to lose through resignation senior ministers such as Prince Sirivudh and Sam Rainsy its international image would be likely to suffer.

A second important issue will be the capacity of the government to pursue military reform with international assistance. The 1994 campaigns have illustrated how much this is needed. However, pursuing improved training and leadership, well-organised payment, and enhanced logistics for the RCAF is likely to be neither easy or rapid.

A third issue is the capacity of the government to encourage and sponsor productive economic change, especially in rural Cambodia. This will necessitate more rapid moves to encourage foreign investment and action to reduce corruption, foster rural development and promote environmental protection.
The problems which Cambodia is continuing to experience are a product of the legacy of destructive political conflict of the past two and a half decades and of the severe weakness of the country's institutions. Despite the problems being experienced, Cambodia still retains many benefits from the United Nations involvement, particularly because the international community remains committed to supporting redevelopment through the ICORC. Continued support for economic development accompanied by institutional and military reform remain the best way for the international community to assist Cambodia in its troubled search for stability and recovery.
MAIN ACTIVITIES IN THE BILATERAL PROGRAM

The following is a summary of the main activities under the Australia aid program to Cambodia.

Australia has exceeded its original aid pledge to Cambodia. The bilateral allocation of $16.8 million for 1993/94 will be supplemented by emergency assistance to bring total aid flows to over $21 million.

The Australian government in its 1994/95 Budget statement issued a new pledge of a $92 million to Cambodia over the four years 1994/95 to 1997/98.

Infrastructure

- a project involving technical assistance to bridge authorities and reconstruction of up to 16 medium span bridges is to commence in July 1994 ($8.75m);

- under the new pledge, consideration is being given to increasing infrastructure activities, including administrative/legal/public sector development. An identification mission is programmed for late 1994.

Education

- the Australian Centre for English, established by the International Development Program (IDP) supported by AIDAB, providing English language training to ministry officials through to 1996 ($1.2m);

- a Bachelor of Education (Teaching English) program at the University of Phnom Penh, jointly managed by IDP and the University of Canberra ($3.0m);

- the development of an intermediate English language teaching program by Radio Australia with broadcasting commencing mid 1994 ($0.5m)

- a planning advisor has been placed in the Ministry of Education. AIDAB is currently considering placing a second advisor and specialised short-term consultancies.

- under the new pledge, it is intended to develop a program of student fellowships under the Australian Sponsored Training Award Scheme (ASTAS).
Agriculture

- funding of the Cambodia Rice Research Institute, managed by IRRI, aimed at improving food security in Cambodia, has been agreed for the five year period 1991 to 1996;
- a planning advisor to the Ministry of Agriculture. AIDAB is currently considering the placement of a second advisor and specialised short-term consultants;
- consideration is also being given to an adviser with the State Secretariat for Environment;
- an agricultural extension training project and small scale irrigation and water supply projects managed by NGOs;
- consideration is being given to further Australian assistance in the agriculture sector, particularly in agricultural extension training.

Health

- continued assistance has been provided to UNICEF national programs in child immunisation (polio, neo-natal tetanus) and water supply and sanitation ($2.0m);
- a number of NGO activities in maternal and child health, and in primary health care.
- under the new pledge, additional initiatives covering polio eradication, neo-natal tetanus, HIV/AIDS and malaria are being considered, with an identification mission planned for August/September 1994.
- an adviser is to be placed in the Ministry of Health assisting in Maternal & Child Health issues

Special Assistance Program & Community Development

- a Special Assistance Program was established to enable Australian NGO groups to assist in the reintegration of refugees into Cambodian society. A total of 15 activities valued at $5.5 million targeting areas such as agricultural recovery, primary health care, income generation, water supply and sanitation, and refugee assistance have been approved for implementation.

Human Rights

- current commitments of $60,000 per year will be increased to approximately $200,000 per year. Specific activities are still to be identified.
Budget Support & IMF Arrears

- assistance has been given with clearance of Cambodia's arrears to the IMF ($2.5 million) and budget support of $1.5 million for the provisional Royal Government of Cambodia.

Refugees and Emergency Funding

- **Carere**: Subject to further evaluation of effectiveness of our current program to CARERE ($0.6 million) possible further assistance will be considered.

- **CMAC**: Demining commitments for 1993/94 has exceeded $2 million. Subject to further effectiveness evaluation consideration is being given to continued assistance for demining activities up to $2 million per year.

- **Food Aid**: A total of $5.4 million of food aid will be provided.

Material supplied by AIDAB.