

An hourglass-shaped graphic with a globe in the top bulb and another globe in the bottom bulb. The hourglass is light blue and has a dark blue cap at the top. The globe in the top bulb is dark blue, and the globe in the bottom bulb is light blue. The text is centered within the hourglass.

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Report RL32986

Cambodia: Background and U.S. Relations

Thomas Lum, Foreign Affairs, Defense, and Trade Division

February 20, 2008

Abstract. This report provides historical context, discusses political and economic developments in Cambodia, and raises policy issues regarding U.S.-Cambodian relations. These issues include U.S. foreign assistance to Cambodia, HIV/AIDS, human rights, terrorism, bilateral trade, the Khmer Rouge tribunal, and Cambodia's relations with China.

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Summary

Major U.S. goals in Cambodia include promoting good governance, democracy, and human rights, reducing the threat of terrorism, facilitating trade, and bringing former Khmer Rouge leaders to justice. In February 2007, the United States government lifted a ten-year ban on aid to the government of Cambodia, signaling the beginning of fuller engagement with the kingdom. Following Prime Minister Hun Sen's unlawful seizure of power in 1997, the United States prohibited many forms of assistance to the Central Government of Cambodia. The U.S. government has also withheld assistance for the Khmer Rouge tribunal, set up to try leaders of the Communist Party of Kampuchea for crimes against humanity, unless standards of judicial independence and fairness are met.

The United States and Cambodia maintain strong ties through aid and trade. Despite foreign aid restrictions, Cambodia is the third largest recipient of United States assistance in Southeast Asia after Indonesia and the Philippines. Most U.S. assistance has been channeled through the many non-governmental organizations that are active in the country. The United States is the largest overseas market for Cambodian goods, mostly textiles and apparel. With the termination of quotas on textiles by WTO member states in 2005, Cambodian exports are threatened by competition from China and other large producers. Cambodia and other least developed countries (LDCs) have pressed the United States to grant their garment exports preferential treatment. The Hun Sen government also has sought U.S. concessions on foreign debt incurred by the Lon Nol regime during the early 1970s.

Cambodia has made some notable progress, with outside help, in controlling the spread of infectious diseases, such as HIV/AIDS and avian flu, holding elections that are at least procedurally democratic, nurturing a civil society, engaging in counterterrorism efforts, and developing its economy. A number of significant problems remain, however. Weak legal and financial institutions, corruption, political uncertainty, and the autocratic tendencies of Prime Minister Hun Sen have discouraged foreign investment and strained U.S.-Cambodian relations.

This report provides historical context, discusses political and economic developments in Cambodia, and raises policy issues regarding U.S.-Cambodian relations. These issues include U.S. foreign assistance to Cambodia, HIV/AIDS, human rights, terrorism, bilateral trade, the Khmer Rouge tribunal, and Cambodia's relations with China. This report will be updated periodically.

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U.S. Interests

Major U.S. goals in the Kingdom of Cambodia, a small but strategically important country, include promoting good governance, democracy, and human rights, reducing the threat of terrorism, facilitating trade, and bringing the country's former Khmer Rouge leaders to justice.

In February 2007, the United States government lifted a ten-year ban on direct bilateral aid to Cambodia, signaling a warming of relations, according to some observers. Since 1998, foreign operations appropriations legislation had barred many forms of assistance to the central government of Cambodia in response to Prime Minister Hun Sen's seizure of power in 1997, sporadic violence against opposition political activists, and the suppression of political rights. Cambodia has made progress in several areas of U.S. interest, including the development of civil society, more credible elections, improved fiscal policies, counterterrorism efforts, anti-human trafficking measures, and the control of HIV/AIDS and avian flu.

Cambodia is the third largest recipient of United States foreign aid in Southeast Asia after Indonesia and the Philippines, much of it channeled through non-governmental organizations (NGOs). The United States is the largest overseas market for Cambodian goods, mostly textiles and apparel. Cambodia and other least developed countries (LDCs) are pressing the United States to grant their garment exports preferential treatment so that they can compete with larger economies such as China's. The kingdom also is requesting that the U.S. government reduce Cambodia's \$339 million debt burden to the United States.

Cambodia in Brief

Population: 13.9 million

Growth rate: 1.7%

Location: Borders Thailand, Vietnam, and Laos

Area: 181,040 sq. km. (about the size of Missouri)

Capital: Phnom Penh

Government: Constitutional Monarchy (King Norodom Sihamoni)

Major Political Parties: Cambodian People's Party (73 seats); FUNCINPEC (26 seats); Sam Rainsy (24 seats)

Ethnic groups: Khmer 90%; Vietnamese 5%; Chinese 1%; Other 4% (Chams, Burmese, hill tribes)

Language: Khmer (official) 95%; French; English

Religion: Theravada Buddhist 95%; Other 5%

Life Expectancy at Birth: 63 years

Literacy: total 73%

GDP per capita: \$1,800 (purchasing power parity, 2007)

GDP growth: 8% (2007)

Sources: CIA World Factbook, 2008.

Policy Debates

Some U.S. lawmakers argue that economic support for Cambodia should remain restricted until Prime Minister Hun Sen and the Cambodian government have established a record of respect for political freedoms and civil liberties and have reduced corruption. Other policy experts argue that greater U.S. assistance and involvement in Cambodia, through not only foreign aid but also enhanced trade, diplomacy, and educational and cultural exchanges, would better help to achieve U.S. goals. Furthermore, some assert, greater U.S. engagement with the kingdom may help to counter any adverse economic and political influence of the People's Republic of China (PRC) in the kingdom.¹ Another policy option is to conduct a dialogue with China and other major

¹ See Statement of Catherine E. Dalpino before the Senate Committee on Foreign Relations, Subcommittee on East (continued...)

Southeast Asian countries on how to best promote development and security in Cambodia and the region.

Modern Political History

The Kingdom of Cambodia received its independence from France in 1953 under the leadership of the popular king, Norodom Sihanouk. In 1955, Sihanouk abdicated in favor of his father, and assumed the post of Prime Minister and head of the ruling party. When his father died in 1960, Sihanouk received the title of Prince. In 1965, Prince Sihanouk broke off diplomatic relations with the United States in response to U.S. and South-Vietnamese military incursions into the kingdom and growing U.S. influence in the Cambodian armed forces. Diplomatic relations were restored in 1969. Beginning in 1969, the United States conducted a four-year, sustained, large scale bombing campaign in Cambodia aimed at North Vietnamese troops in the country. According to some historians, the American bombing helped the Cambodian communists to gain followers and recruit soldiers. In March 1970, the military forces of pro-American General Lon Nol overthrew the government of Prince Sihanouk in a coup. The Prince fled to Beijing and reluctantly formed an alliance with the Cambodian communists against the Lon Nol government. A civil war followed, culminating in the defeat of Lon Nol in April 1975 by the Communist Party of Kampuchea (also known as the Khmer Rouge). The Prince returned to Phnom Penh from Beijing only to be placed under house arrest.

During the Khmer Rouge's three-year brutal reign—which included forced depopulation of the cities and the establishment of rural communes—nearly two million out of a population of eight million Cambodians died from execution, torture, overwork, starvation, and disease. In January 1979, an invasion by Vietnamese forces drove the Khmer Rouge from Phnom Penh. Sihanouk then sought refuge in China and North Korea. A 13-year civil war ensued, in which Khmer Rouge, Cambodian nationalist (KPNLF), and royalist (ANS) insurgents fought the Vietnamese-backed regime.²

(...continued)

Asian and Pacific Affairs, June 7, 2005.

² Despite their deep differences, the Khmer Rouge, which received Chinese military support, and the KPNLF and ANS, which received U.S. military assistance, formed an alliance in 1982 against the Vietnamese.

Figure 1. Map of Cambodia



Source: Map Resources. Adapted by CRS. (6/05)

Following the Vietnamese withdrawal from Cambodia in 1989, a United Nations (U.N.)-brokered peace settlement officially ended the war in October 1991 and led to elections for a 120-seat Constituent Assembly in May 1993. Prince Sihanouk returned to Cambodia as king.³ Although the royalist FUNCINPEC Party (National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia) won a 58-seat plurality, it agreed to form a coalition government with the Cambodian People's Party (CPP), with 51 seats, after the CPP threatened that it would not accept the election. The establishment of the coalition government with Prince Norodom Ranariddh, head of FUNCINPEC, and Hun Sen, head of the CPP, as co-prime ministers brought fragile political stability to Cambodia.⁴ The United States Congress passed several of measures supporting non-communist resistance forces and humanitarian assistance in Cambodia and prohibiting direct or indirect assistance for the Khmer Rouge.

In 1997, after rising tensions between the coalition partners, Hun Sen staged an armed takeover of the government. An estimated 80-100 Cambodians, including many FUNCINPEC leaders, were killed, and Prince Ranariddh and other politicians fled Cambodia. In the face of considerable international pressure and the withholding of foreign aid, Hun Sen allowed Prince Ranariddh to return and held new parliamentary elections in July 1998, which the CPP narrowly won. Despite charges of election irregularities and post-election violence, the two parties again agreed to form a

³ On October 7, 2004, King Norodom Sihanouk abdicated the throne due to illness. On October 14, the Cambodian Throne Council selected Prince Norodom Sihamoni to succeed Sihanouk as King. King Norodom Sihamoni officially ascended the throne in a coronation ceremony on October 29, 2004.

⁴ From 1985 to 1989, Hun Sen served as Prime Minister of the Vietnam-backed People's Republic of Kampuchea.

coalition government, with Hun Sen as Prime Minister and Prince Ranariddh as President of the National Assembly. The 105th Congress cut off bilateral assistance and passed resolutions condemning a grenade attack in March 1997 on opposition leader Sam Rainsy and his supporters (S.Res. 69) and calling for free and fair elections in Cambodia (H.Res. 361).

Political Developments Since 2002

Over the past decade, voting institutions have strengthened while a vibrant civil society and lively press have developed in Cambodia. However, many problems related to political, civil, and property rights remain, including restrictions on freedom of assembly, extrajudicial killings, arbitrary arrests, and lack of protection of land ownership. Furthermore, many human rights abuses are difficult to redress due to a weak judiciary subject to political interference and lack of trained government personnel.⁵

Elections in 2002 and 2003

2002 Commune Elections

In February 2002, Cambodia held its first local (commune) elections. The Cambodian People's Party (CPP) won a sweeping victory, capturing leadership positions in 1,598 of the country's 1,621 communes. The royalist FUNCINPEC party and the opposition Sam Rainsy Party (SRP) won 10 and 13 of the commune chief positions, respectively, as well as a combined 40% of the seats on the commune councils. Although independent monitors praised election day as peaceful, orderly, and transparent, they stopped short of calling the elections free and fair.

2003 National Assembly Elections

Many observers considered the July 2003 elections to the National Assembly to be an improvement over previous elections, with relatively minor voting irregularities.⁶ However, many experts also claimed that the elections were flawed and that the election process in Cambodia still "needed work"—from reducing pre-election violence, intimidation, and vote buying to providing more balanced media coverage and more candidate debates. The CPP won 73 seats in the 123-seat National Assembly, short of the two-thirds majority needed to lead the country on its own. FUNCINPEC and the SRP, with 26 and 24 seats, respectively, formed an "Alliance of Democrats" and vowed not to work with the CPP unless Hun Sen stepped down. Without agreement on a coalition, the National Assembly did not meet and a new government was not formed. Hun Sen presided over a care-taker government pending the formation of a coalition. One year later, in July 2004, the National Assembly approved a constitutional amendment forcing a vote on a new government, and elected a coalition government with Hun Sen as Prime Minister and Prince Ranariddh as President of the National Assembly, thereby resuming their uneasy

⁵ U.S. Department of State, *Cambodia: Country Reports on Human Rights Practices—2006* (March 6, 2007).

⁶ "Summary of Observations of the U.S. Long Term International Observation Group (LTOG) during the Cambodian National Assembly Election, September 2003." Election monitoring by LTOG was administered by the Asia Foundation and funded by USAID.

partnership. Opposition MPs asserted that the addendum was unconstitutional and boycotted the vote.

Authoritarian Tactics

On February 3, 2005, the National Assembly voted, by a majority of over two-thirds, to revoke the parliamentary immunity from prosecution of opposition leader Sam Rainsy and two SRP Members, Chea Poch and Cheam Channy. While Sam Rainsy and Chea Poch fled the country to escape prosecution, Cheam Channy was arrested and charged with “recruiting soldiers for a shadow government.” In August 2005, Cheam Channy was convicted of creating an illegal armed force. In December 2005, Sam Rainsy was convicted in absentia for defamation against government leaders.

The United States government and many observers regarded these actions as politically-motivated and without legal justification. On February 3, 2005, the Administration issued a statement strongly condemning the Cambodian National Assembly’s suspension of the parliamentary immunity of the opposition MPs, saying that “these actions come at a time of growing intimidation of opposition voices in Cambodia.”⁷ On February 17, 2005, S.Res. 65 (109th Congress) was introduced, which would call upon the Government of Cambodia to release Cheam Channy and upon the Cambodian National Assembly to restore the parliamentary immunity of Sam Rainsy, Chea Poch, and Cheam Channy. In late 2005 through January 2006, Hun Sen arrested several prominent Cambodian civil society leaders, including human rights activists, union organizers, a radio station owner, and a member of the royal family, for criticizing government policies. The U.S. Senate passed S.Res. 353 (109th Congress) on January 25, 2006, calling for the release of political prisoners in Cambodia.

In February 2006, prior to the annual meeting of foreign aid donors to Cambodia, the Hun Sen government pardoned Sam Rainsy, Chea Poch, and Cheam Channy and the National Assembly restored full parliamentary immunity to them. Defamation and other criminal complaints against seven prominent critics of the government were dropped. Chea Poch and Sam Rainsy returned to Cambodia in August 2005 and February 2006, respectively. However, in August 2006, the National Assembly passed a law that would allow a Member of Parliament to be prosecuted for abusing “an individual’s dignity, public order, social customs, or national security,” parliamentary immunity notwithstanding. Some legislators feared that the law could be used to stifle freedom of speech.⁸

CPP Consolidation of Power

The CPP under Hun Sen has gained strength through elections; legal, extralegal, and political maneuvers; and its influence on the broadcast media.⁹ FUNCINPEC, the CPP’s junior partner, appears to have been losing influence as an independent political force. In October 2006, FUNCINPEC elected Keo Puth Rasmey as chairman of FUNCINPEC and President of the National Assembly, succeeding Norodom Ranariddh. Some analysts argue that this move helped

⁷ *States News Service*, February 3, 2005.

⁸ Economist Intelligence Unit, *Country Report (Cambodia)*, January 2008.

⁹ U.S. Department of State, *Cambodia: Country Reports on Human Rights Practices—2006* (March 6, 2007).

to strengthen the CPP at the expense of FUNCINPEC.¹⁰ In 2007, both Prince Ranariddh and human rights leader and FUNCINPEC Deputy Secretary Kem Sokha left FUNCINPEC to form their own parties, the Norodom Ranariddh Party (NRP) and the Human Rights Party (HRP).

2007 Commune Elections

In the local elections held in April 2007, the CPP captured 1,591 of the 1,621 commune governments and 70% of commune council seats. The SRP won in 28 communes while FUNCINPEC won in only two localities. Reported election abuses and irregularities included vote buying, voter intimidation, and administrative problems that prevented many citizens from voting.¹¹ Nonetheless, some analysts perceived the election outcome as a sign of the strength of the CPP, the decline of FUNCINPEC, and the rise of the SRP.

2008 National Assembly Elections

The fourth elections for the National Assembly are to be held in July 2008. The main parties and candidates for Prime Minister are: the CPP (Hun Sen); FUNCINPEC (Norodom Arun Rasmey); SRP (Sam Rainsy); NRP (Norodom Ranariddh); and HRP (Kem Sokha). Many analysts expect the CPP to maintain its dominance and possibly form a single-party government in 2008.¹² The Sam Rainsy Party may pose a challenge, but only through a coalition with other opposition parties. In 2007, the NRP reached out to both the SRP and the HRP, but was rebuffed by both groups.¹³

The Economy

Cambodia is categorized as a market economy by the U.S. Department of Commerce and is categorized as “mostly unfree” in the Heritage Foundation 2007 Index of Economic Freedom.¹⁴ The kingdom is one of the poorest countries in Asia, with nearly 80% of its population engaged in subsistence agriculture. Although economic prospects have improved, a limited human resource base, weak legal and financial institutions, low government capacity, official corruption, political instability, poor infrastructure, and other problems continue to hamper economic development and discouraged foreign investment.

Cambodia formally joined the World Trade Organization (WTO) on October 13, 2004. As a member of the Association of Southeast Asian Nations (ASEAN) since 1999, the kingdom is committed to participating in the ASEAN Free Trade Area (AFTA).¹⁵ Major export markets are

¹⁰ “Cambodia’s Royalists on a Slippery Slope,” *New Straits Times*, October 21, 2006.

¹¹ “Cambodia’s Hun Sen Keeps Firm Grip on Power,” *Reuters News*, April 25, 2007; “At Least 100,000 Unable to Vote in Cambodia’s Local Election,” *Xinhua News Agency*, April 11, 2007.

¹² Political parties are now required under the constitution to secure only a simple majority of members of the National Assembly in order to form a government.

¹³ Elizabeth Mills, “Ousted Royalist Leader to Create New Political Party in Cambodia,” *Global Insight Daily Analysis*, October 20, 2006.

¹⁴ International Trade Administration, United States Department of Commerce, *Country Commercial Guide FY2002: Cambodia*; The Index of Economic Freedom can be found at <http://www.heritage.org>.

¹⁵ ASEAN member countries are: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand, and Vietnam.

the United States, Hong Kong, Germany, and the United Kingdom; chief import sources are Hong Kong, China, Thailand, and Taiwan. Principal foreign investors are South Korea, China, Russia, Thailand, the United States, and Vietnam.¹⁶ According to some reports, China became Cambodia's largest foreign investor in 2005, with \$850 million in cumulative foreign direct investment (FDI) in several sectors, including garment manufacturing, power, construction materials, and agriculture.¹⁷

The Cambodian economy has grown fairly robustly since 1993, except for the 1997-98 period, when the economy suffered from the effects of Hun Sen's political coup and the Asian financial crisis. It is estimated that GDP growth surpassed 9% in 2006-2007. Textile manufacturing and tourism have fueled the surge in growth in recent years. In the first eleven months of 2007, 1.8 million foreign tourists reportedly visited the kingdom, including South Koreans, Japanese, and travelers from China and Taiwan.¹⁸ Oil and gas reserves, discovered in 2005, promise to provide a significant source of future revenue. Government budgetary performance and the investment climate also have improved.

Cambodian Textiles Exports

Cambodia's garment industry, with heavy Taiwanese investment, employs nearly 320,000 workers and contributes 80% of the country's export earnings. One-fourth of the population reportedly relies upon the industry for their economic well-being. With the termination of quotas on textiles by WTO member states in 2005, the global market for textile and apparel exports has become more competitive. China, for example, has several competitive advantages compared to Cambodia, whose factories are relatively inefficient.

In addition to low labor costs, however, Cambodia has developed a reputation for good labor practices, largely because of a U.S.-Cambodia bilateral agreement, enacted in 1999, that rewarded progress in protecting labor rights with increased U.S. import quotas for Cambodian textiles. The International Labor Organization (ILO) has helped with monitoring and promoting good labor practices in the kingdom since 2001. Such activities continue under the program *Better Factories Cambodia* with funding from the United States, France, the Garment Manufacturers' Association in Cambodia, the Cambodian government, and international buyers. It is still unclear whether or not such labor practices will help Cambodian garments to remain attractive to foreign buyers despite relatively low productivity. In January 2008, temporary safeguard measures imposed by the European Union against textile and apparel imports from China expired while those imposed by the United States are to end in 2009.

U.S.-Cambodian Trade

Some experts argue that the U.S. market provides a "larger source of aid" to Cambodia than U.S. foreign assistance. The United States is the largest overseas market for Cambodian products, accounting for 63% of Cambodia's total export revenue in 2006. Over 98% of Cambodian exports to the United States are textile and apparel items. The kingdom's exports to the United States

¹⁶ CIA, *The World Factbook—Cambodia*, January 2008; Department of State, *Background Note: Cambodia*, December 2007.

¹⁷ "China Becomes the Biggest Foreign Investor in Cambodia," *NewsTrak Daily*, October 9, 2006.

¹⁸ Economist Intelligence Unit, *Country Report (Cambodia)*, January 2008.

grew from \$3.7 million worth of goods in 1996 to \$2.18 billion in 2006. The United States exported \$74.5 million worth of goods to Cambodia in 2006, including road vehicles, machinery, and textile fibers.¹⁹ In the first eleven months of 2007, Cambodian exports to the United States reached a total of \$2.2 billion while imports from the United States totaled \$76 million.²⁰

In 1997, President Clinton designated Cambodia a Least Developed Country (LDC) under the U.S. Generalized System of Preferences (GSP). However, the GSP system does not extend preferential treatment to textiles and garments. The government of Cambodia, along with other LDCs, is pressing the U.S. government to grant trade preferences on garment exports similar to those enjoyed by some African and Latin American nations. The Trade Act of 2007 (S. 652), introduced on February 15, 2007, would allow trade preferences to some LDCs, including Cambodia.

In July 2006, the United States and Cambodia signed a bilateral trade and investment framework agreement (TIFA) to promote economic relations. Other TIFA partners in Southeast Asia include Brunei, Indonesia, Malaysia, the Philippines, and Thailand. In August 2006, the United States Trade Representative Office (USTR) signed a TIFA with ASEAN. These agreements are part of the Bush Administration's Enterprise for ASEAN Initiative (EAI), under which the United States and ASEAN countries prepare for eventual free trade agreements (FTAs).

Offshore Oil

According to some estimates, Cambodia may possess two billion barrels of oil and ten trillion cubic feet of natural gas in the Gulf of Thailand. The discovery of oil during the 1990s has excited many Cambodian government leaders and citizens hoping that oil revenues will help to lift the country out of poverty. According to some projections, oil revenues may generate \$1 billion per year by 2010. PRC, U.S. (Chevron), Japanese, and Thai corporations reportedly have obtained exploration rights. French, Singaporean, South Korean, and other Southeast Asian companies are also competing for production sharing contracts. However, some analysts have noted potential obstacles to the rapid or full realization of Cambodia's dream of turning oil into economic development. Cambodia and Thailand have unresolved territorial disputes in the Gulf of Thailand covering 27,000 square kilometers.²¹ Another problem is the possibility that oil revenues would fall into the hands of corrupt officials or fail to reach Cambodia's poor.

Foreign Assistance

Foreign aid from a variety of sources accounts for over half of Cambodia's government budget. Since 1996, the Consultative Group (CG) for Cambodia, a consortium of international financial organizations and donor countries under the auspices of the World Bank, has met annually to set economic and political reform guidelines for the Cambodian government and to extend aid packages averaging \$500 million per year.²² The European Union, Japan, the United States,

¹⁹ Global Trade Atlas.

²⁰ United States International Trade Commission

²¹ Ker Munthit, "Cambodia Faces Offshore Oil Discovery," Associated Press, November 1, 2006; Sherry Su, "Cambodia Braces for Oil Boom, China May Profit from it," *Dow Jones Newswires*, October 27, 2006.

²² *Kyodo News*, June 21, 2002.

France, and Australia are the largest providers of official development assistance (ODA) to Cambodia. Some human rights groups have criticized foreign aid donors for increasing assistance despite the Cambodian government's lack of progress in fighting corruption.

The PRC government generally does not release foreign aid figures and many other sources, such as the Organization for Economic Cooperation and Development (OECD), do not include Chinese assistance in their totals of official development assistance (ODA). However, when all forms of PRC aid are included (grants, loans, infrastructure and public works projects, technical assistance, and government-financed economic investments), China may be counted as one of the largest sources of foreign assistance to Cambodia. According to one report, Beijing extended \$800 million in aid and loans in 2006-2007.²³ Chinese-sponsored or built projects in Cambodia include a new Council of Ministers building, two national highways, two bridges, and a dam. As a possible sign of improved transparency in China's aid procedures, in 2007, for the first time, China offered aid through the Consultative Group's pledging process. The CG pledged \$689 million in assistance to Cambodia, including \$91.5 million from China. For the 2007-2009 period, out of a projected \$2 billion in total ODA to Cambodia, Beijing announced an estimated \$236 million in unspecified funding compared to the EU's \$215 million and Japan's \$337 million.²⁴

United States Assistance to Cambodia

The United States provided \$60.2 million, \$54.9 million, and \$55 million in 2005, 2006, and 2007, respectively, for foreign aid programs, especially health care, HIV/AIDS treatment and prevention, and basic education efforts. The U.S. assistance mission in Cambodia also aims to promote transparency and accountability in government, combat corruption, and strengthen civil society. Other program areas include economic reform and growth and improving the military's capabilities to protect the country's borders from transnational threats. In January 2007, the Peace Corps launched programs in Cambodia to teach English and develop sustainable community activities.

Cambodia, one of the top five countries in the world for the number of landmine casualties (approximately 800 victims per year), received \$5 million in 2006 and an estimated \$3.8 million in 2007 in U.S. de-mining assistance. Under the Administration's FY2008 budget, the country is to receive \$2.5 million in de-mining assistance. In addition, in the past decade, USAID has supported programs worth \$13 million which provided for prostheses, physical rehabilitation, employment, and related services for mine victims using Leahy War Victims Funds.²⁵

Lifting U.S. Bilateral Aid Restrictions

For several years, the United States remained the only major donor country that had not resumed bilateral or government-to-government aid to Cambodia. Restrictions on U.S. assistance largely

²³ Elizabeth Mills, "Unconditional Aid from China Threatens to Undermine Donor Pressure on Cambodia," *Global Insight Daily Analysis*, June 7, 2007.

²⁴ Economist Intelligence Unit, *Country Report (Cambodia)*, September 2007.

²⁵ According to the U.S. State Department, Cambodia is among the top five nations for the number of landmine victims (over 800 per year). It is conservatively estimated that at the current rate of demining, it will take 15-20 years to reach a "mine safe" condition. Roughly 1,119 sq. miles of land, about a tenth of its territory, remains covered with mines.

reflected congressional disapproval of Prime Minister Hun Sen's seizure of power in 1997 and concerns about ongoing strong-arm tactics. After 1998, foreign operations appropriations measures barred U.S. assistance to the central government of Cambodia and instructed U.S. representatives to international financial institutions to oppose loans to Cambodia, except those that met basic human needs. U.S. assistance was permitted only to Cambodian and foreign NGOs and to local governments. Statutory exceptions allowed for U.S. assistance to the central government of Cambodia for reproductive, maternal, and child health care, preventing and treating HIV/AIDS and other infectious diseases, basic education, combating human trafficking, rule-of-law programs, cultural and historic preservation (the temples of Angkor Wat), counter-narcotics activities, and developing international adoptions procedures. For most of these activities, however, the U.S. government collaborated with the central government of Cambodia but continued to provide direct funding only to NGOs. In August 2005, the Bush Administration allowed Foreign Military Financing (FMF) for border control and counterterrorism efforts. In February 2007, the United States government lifted the ten-year prohibition on direct bilateral aid to Cambodia, following the release of political prisoners and restoration of political liberties to opposition leaders.

Foreign Relations

Major developed countries remain committed to Cambodian development, despite the political and economic challenges that the kingdom faces. Relations between Cambodia and developed country aid donors, such as Japan, Australia, and France, are described as "cordial" but lacking the official warmth of Cambodia's relations with China. Hun Sen traveled to Australia and Japan in 2006 and 2007, respectively, and signed bilateral agreements on aid programs and investment. Australian and Japanese companies are jointly exploring aluminum mines in eastern Cambodia. Cambodian officials have stated that if the exploration turns out to be successful, Australia could become the kingdom's largest foreign investor.²⁶ Cambodia and its neighbors (Laos, Thailand, and Vietnam) are becoming increasingly economically integrated while border disputes are being discussed. Hun Sen has maintained close diplomatic and military relations with Vietnam, despite expressions of animosity among many Cambodian people towards Vietnam. In December 2007, Cambodia and India signed several economic and military agreements, including an Indian government pledge to lend Cambodia \$35.2 million for development projects.²⁷

Cambodia-China Relations

China has become a significant economic force in Southeast Asia as a buyer of raw materials, source of manufactured goods, and provider of foreign assistance.²⁸ China has also developed a prominent and friendly diplomatic presence in Southeast Asia. For the past decade, as Beijing has reached out to the region, Hun Sen has cultivated ties with China. According to many experts, the PRC is one of top providers of foreign assistance to the kingdom, mostly in the form of large infrastructure projects and economic investments but also including support for elections, the

²⁶ "Australian Investment for Cambodia's Aluminum Mines Reaches 1 billion USD," *Xinhua News Agency*, October 14, 2006.

²⁷ "India, Cambodia Sign Defense, Development Agreements," *Dow Jones International News*, December 9, 2007.

²⁸ See CRS Report RL34310, *China's "Soft Power" in Southeast Asia*, by Thomas Lum, Wayne M. Morrison, and Bruce Vaughn.

restoration of Angkor Wat, de-mining efforts, and combating transnational crime. Since the late 1990s, China also has provided some military assistance, including an army school, hospital, barracks, and vehicles, as well as military and police training.²⁹ In return, Phnom Penh has supported the “one-China” principle, despite the country’s significant economic relations with Taiwan.³⁰

Trade between Cambodia and China totaled \$932 million in 2007, an increase of 27% over 2006. However, unlike some larger countries in Southeast Asia, such as Indonesia, Malaysia, and the Philippines, which have run trade surpluses or avoided large deficits with China, Cambodia runs a huge trade deficit with the PRC (\$830 million in 2007).³¹ According to one observer, about 60% of products in Cambodian markets are from China.³²

On the one hand, some observers contend that Chinese assistance has benefitted Cambodian development, adding that many PRC aid projects face difficult conditions that other major aid donors and organizations avoid. Furthermore, they hold that China’s involvement does not preclude or undermine the kingdom’s relations with other nations such as the United States. On the other hand, other experts argue that the lack of conditions on PRC assistance and regulations on Chinese investments exacerbates corruption and environmental problems in the kingdom. Some international aid groups have criticized PRC assistance for being secretive and oriented towards “trophy projects” rather than sustainable development. Some U.S. officials have expressed worry that as PRC economic support increases, the United States and other Western countries may lose leverage in calling upon the Cambodian government to engage in democratic practices and enforce the rule of law.

The ethnic Chinese community in Cambodia reportedly has regained its former economic clout and helped facilitate PRC investment. Roughly 3%-5% of the kingdom’s population, or from 350,000 to 700,000 Cambodians, are ethnic Chinese, many of whom are descendants of settlers from southern China going back five centuries while others are part of a tide of recent immigration. Cambodian Chinese suffered under the Khmer Rouge and faced discrimination under the Vietnamese-backed government during the 1980s, but have been allowed to prosper under Hun Sen.³³ Some longtime Cambodian Chinese, however, wary of a Cambodian backlash against growing Chinese immigration and influence in the economy and mindful of the PRC’s past support of the Khmer Rouge, reportedly feel antagonistic towards China’s rising influence.³⁴

²⁹ “China to Provide Grant Aid for Cambodian Army,” *BBC Monitoring Asia-Pacific*, October 17, 2006.

³⁰ In 1997, Hun Sen expelled Taiwan’s unofficial liaison office in Phnom Penh. Economic relations have continued despite a lack of official contacts.

³¹ PRC data. Global Trade Atlas.

³² Evan Osnos, “China Turns on Charm, Wins Friends,” *Chicago Tribune*, March 20, 2006.

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About half of the ethnic Chinese population in Cambodia perished under the Pol Pot regime (from an estimated 430,000 in 1975 to 215,000 in 1979). “Dragon Herds the Paper Tigers,” *China Economic Review*, September 1, 2006.

³⁴ “China Donates US\$15,000 to Chinese-Teaching Schools in Cambodia,” *China Daily Information Company*, September 27, 2006; Bertil Lintner, “The Third Wave,” *Far Eastern Economic Review*, June 24, 1999; Jane Perlez, “China Competes with West in Aid to its Neighbors,” *New York Times*, September 18, 2006.

Other Policy Issues

Terrorism

According to U.S. officials, Cambodia has made commendable counterterrorism efforts, although potential problems remain. Some experts warn that the country's increasing economic openness, porous borders, weak government capacity, and corruption increase the likelihood that regional terrorist groups such as Jemaah Islamiyah (JI) favor it as a safe haven.³⁵ For example, Hambali, the Indonesian accused of directing the October 2002 bombing in Bali, reportedly took refuge in Cambodia in 2002 and 2003.³⁶ In 2003, Cambodian officials arrested four men—one Cambodian Muslim, two Thai Muslims, and an Egyptian—for belonging to JI and plotting to carry out terrorist attacks in Cambodia. The three non-Cambodians were teachers at a Saudi-funded Islamic school that Cambodian authorities subsequently shut down.

In September 2006, U.S. Ambassador Joseph Mussomeli stated that “Cambodia has made great strides in securing its borders and rooting out terrorists that seek to use this country as a base of operations.”³⁷ In 2004, the Cambodian government, in cooperation with the United States, destroyed 233 Soviet surface-to-air missiles to prevent them from falling into the hands of terrorists in Southeast Asia.³⁸ In 2006, the Cambodian government enacted a new counterterrorism law that was drafted with the help of Australian and British experts. In January 2008, FBI Director Robert Mueller visited Cambodia to preside over the opening of a permanent Legal Attache Office for Cambodia and Vietnam.³⁹

Cambodia's Muslims, mostly ethnic Cham people who historically practiced a tolerant, syncretic form of Islam that incorporated Buddhism and other belief systems, make up about 5% of the kingdom's population. Although the Cham generally are not politically active, some observers fear that impoverished Cham areas may provide safe harbor for terrorists. The Cham are mostly poor farmers, fishermen, and traders, whose religious and educational institutions were destroyed by the Khmer Rouge and who reportedly face harassment by Cambodian government authorities. Since the early 1990s, however, assistance from the Middle East, Malaysia, and Indonesia have helped to build new mosques and religious schools and brought conservative strains of Islam.

Khmer Rouge Tribunal

No Khmer Rouge leaders have yet been punished for the atrocities or crimes against humanity committed under their rule. Two Khmer Rouge leaders have died and other prominent former

³⁵ Jemaah Islamiyah is a Southeast Asian Islamist militant group with ties to Al-Qaeda.

³⁶ Hambali was captured in Thailand in 2003 and is being held by the United States. Verghese Mathews, “Weeding out Terrorist Camps in Cambodia,” *Straits Times*, October 27, 2004; Luke Hunt, “Cham Offensive,” *Far Eastern Economic Review*, July 29, 2004.

³⁷ James Morrison, “Embassy Row,” *Washington Times*, September 11, 2006.

³⁸ “Cambodia PM Pledges to Stop the Arms Flow to Sri Lankan Rebels,” *Dow Jones Commodities Service*, November 30, 2006.

³⁹ “U.S. FBI Chief Says Cambodia's Fast-Growing Economy Makes it Important in Anti-Terror Fight,” Associated Press, January 31, 2008.

officials are in their late 70s.⁴⁰ In 2003, after five years of negotiations, Cambodia and the United Nations agreed upon the procedural framework of an international tribunal for prosecuting former officials of the Khmer Rouge, which would operate under Cambodian law with a majority of Cambodian judges.⁴¹ The tribunal (the Extraordinary Chambers in the Courts of Cambodia, or ECCC) began proceedings in 2006 with three years of funding (\$56 million). The ECCC plans to begin its first trial in mid-2008, but it is appealing for additional funding to help it operate for four rather than three years as originally planned. The following Khmer Rouge leaders have been arrested and charged with crimes against humanity and war crimes: Kaing Geuk Eav (known as Comrade Duch), Pol Pot's "chief executioner" who ran the infamous Toul Sleng (S-21) prison in Phnom Penh; Nuon Chea, the top ideologue under the Khmer Rouge; Ieng Sary, the former foreign minister, and his wife, Ieng Thirith, the former Minister of Social Affairs; and Khieu Samphan, the former head of state.

Some observers have raised doubts about whether such a court could be independent, impartial, or free from corruption.⁴² U.S. foreign operations appropriations measures have prohibited U.S. assistance to the tribunal unless the Secretary of State determines and reports to Congress that Cambodia's judiciary is independent and that the tribunal meets internationally-recognized standards of fairness and credibility. The top foreign donors to the ECCC have been Japan (\$21 million), Australia, Britain, and France (approximately \$7 million each).⁴³ Although the United States has not provided financial support for the tribunal, the U.S. government has extended roughly \$7 million in funding as well as an endowment of \$2 million to the Documentation Center of Cambodia (DC-Cam), an archive, library, and public service center related to Khmer Rouge atrocities. Some Cambodian and foreign observers have criticized U.S. policy, arguing that more forthcoming U.S. support would help the court to succeed. In December 2007, Clint Williamson, the U.S. ambassador for war crimes issues, stated that the United States would consider giving money to the tribunal only after the court "properly addresses allegations of corruption and mismanagement against it."⁴⁴

Avian Flu

Since February 2005, there have been 22 confirmed outbreaks of the H5N1 virus in poultry while seven Cambodians have died after having come in contact with infected birds. The most recent fatality was reported in April 2006. In October 2006, the United Nations Senior Coordinator on Avian Influenza praised "rapid action" by the Cambodian government and NGOs in combating the spread of the virus.⁴⁵ Controlling outbreaks is relatively difficult in Cambodia because poultry farms are small but numerous, farmers are poor and hesitant to destroy their stocks, and the

⁴⁰ Pol Pot, former leader of the Khmer Rouge, died in April 1998; military commander Ta Mok (nicknamed "The Butcher") died in 2006.

⁴¹ The U.N.-Cambodian agreement stipulates, in part: The Trial Chamber shall have three Cambodian and two international judges; the Supreme Court Chamber shall have four Cambodian and three international judges; there shall be one Cambodian and one international investigating judge; and there shall be one Cambodian and one international prosecutor. As a safeguard against Cambodian bias, verdicts require a "super-majority"—a simple majority plus the vote of at least one international judge.

⁴² Leslie Hook, "Cambodia's Flawed Search for Justice," *Far Eastern Economic Review*, January/February 2008.

⁴³ "Japan Aid for Khmer Rouge Trials," *BBC News*, February 10, 2005.

⁴⁴ "U.S. to Consider Funding Cambodian Genocide Tribunal after Problems Cleared Up," Associated Press, December 7, 2007.

⁴⁵ UN Praises Cambodia for Tackling Bird Flu," *Agence France Presse*, October 19, 2006.

government has limited capacity. On October 12, 2005, U.S. Secretary of Health and Human Services Michael Leavitt, on a visit to Southeast Asia, signed a cooperation agreement with Cambodian officials pledging \$1.8 million to help the country guard against the spread of H5N1. In 2007, the United States government donated \$65,000 worth of equipment and provided a grant of \$1.9 million for monitoring and controlling outbreaks of avian influenza. In September 2007, the government of Cambodia and USAID signed an agreement extending \$5 million over the next year for bird flu efforts.⁴⁶

HIV/AIDS

Cambodia has one of the highest rates of HIV infection in Asia. However, United Nations Secretary General Kofi Annan stated in 2005 that Cambodia is one of three countries in the world that has “reduced the spread of HIV/AIDS effectively.” According to some reports, Cambodia has cut its HIV/AIDS infection rate from 3.3% in the 1990s to under 1% in 2005, largely through educational efforts and the use of condoms among sex workers. In Cambodia, HIV is most commonly transmitted through sexual contact between sex workers and males, who then pass the virus on to their wives.⁴⁷ Estimates of the number of Cambodians living with HIV/AIDS range from 65,000 to 130,000, with 6,000-12,000 children orphaned by the disease.⁴⁸

Foreign Debt

Cambodia’s foreign or external debt is \$2.25 billion, representing 31% of GDP, according to some estimates. Roughly one-third of the debt is owed to Russia and the United States. The United States Department of Agriculture (USDA) provided commodities totaling \$276 million on favorable credit terms between 1972 and 1974, during the Lon Nol period.⁴⁹ This debt was never serviced by Lon Nol or successive Cambodian governments. Under Hun Sen, the Cambodian government has been reluctant to accept responsibility for the loans and has challenged the amount of debt, arguing that many of these shipments never reached Cambodia. In light of these claims, the United States government has waived interest on interest arrears as well as charges for some food aid for which there is a lack of documentation. These waivers have reduced the total amount of debt owed to the United States by \$93 million. Based upon this offer, as of the end of 2007, Cambodia’s total debt to the U.S. government was \$339 million (\$185 million in outstanding principal and \$154 million in principal arrears). The kingdom also has sought to renegotiate its \$457 million debt to Russia, which the country incurred when the former Soviet Union supported the Vietnam-backed government in Phnom Penh in the 1980s.

The Cambodian government reportedly has sought additional U.S. concessions on the food aid loans. Cambodian leaders and some U.S. policy-makers have recommended that the United States government forgive or “recycle” some or all of Cambodia’s debt. For example, under a debt-swap

⁴⁶ “U.S. Grants \$5 Million for Cambodia’s Avian Influenza Program,” *U.S. Fed News*, October 1, 2007.

⁴⁷ Joint United Nations Programme on AIDS; “Cambodia Vows to Continue Fight Against HIV/AIDS,” *Xinhua News Agency*, December 1, 2005.

⁴⁸ “NGO Releases Erroneous Statistics on HIV-AIDS Situation in Cambodia,” *Xinhua News Agency*, September 20, 2007; Guy Degen, “‘Friends Helping Friends’ Living with HIV/AIDS in Cambodia,” UNICEF, May 18, 2007; 2006 Report on the Global AIDS Epidemic, UNAIDS, May 2006.

⁴⁹ P.L. 480, Title I food aid: sale of agricultural commodities under concessional or favorable credit terms. The interest rate on the U.S. loans to Cambodia is 3%.

program similar to the educational exchange program established between the United States and Vietnam, the United States government would use Cambodian payments on its debt to fund programs in Cambodia such as those related to education, cultural preservation (Angkor Wat), or de-mining.⁵⁰ The Bush Administration has argued that because Cambodia is considered neither to be heavily indebted nor experiencing an external balance of payments crisis, the country's financial situation does not merit further debt reduction, and that extending preferential treatment to the kingdom may set a poor precedent for other creditor countries.⁵¹

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<http://wikileaks.org/wiki/CRS-RL32986>

⁵⁰ In December 2000, the U.S. Congress passed the Vietnam Education Foundation Act (See P.L. 106-554, the Consolidated Appropriations Act for FY2001, Title II). The act established an educational exchange program financed by payments made by the Socialist Republic of Vietnam for debt that had been incurred by the Republic of South Vietnam prior to 1976.

⁵¹ Testimony of Scott Marciel, U.S. Department of State, before the Subcommittee on Asia, the Pacific, and the Global Environment, House Foreign Affairs Committee, February 14, 2008.