ANNEX B

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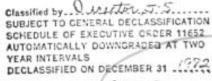
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CAMBODIA POLITICAL ASSESSMENT (U)

1. (S) Background. On 18 March 1970, both houses of the 3 Cambodian legislature met at the Government's request and 4 voted to withdraw confidence in Prince Sihanouk as Chief of 5 State. The Prince, who was in Moscow at the time, flew to 6 Peking where he decided to return to power with Communist support, which Hanoi and Peking readily offered. He 8 subsequently established his Royal Government of National 9 Union (GRUNK) and an umbrella-type political organization 10 called the National United Front of Kampuchea (FUNK), of 11 which Sihanouk is chairman. For its part, the new leadership 12 in Phnom Penh changed Cambodia from a monarchy to a republic 13 and equipped it with the necessary accouterments. In effect, 14 however, the Khmer Republic is largely the creature of Lon 15 Nol and his confidants, whose main prop is the military. 16 Political parties represented in the Government are, by and 17 large, responsive to one or other of the political elite, 18 and their influence does not extend much beyond major 19 urban areas. 20

2. (S) The Current GKR

a. In the nearly 4 years of its existence, the Government 22 of the Khmer Republic (GKR) has been plagued by internecine 23 political infighting, a problem which has often adversely 24 affected the war effort. Despite all the sniping and 25 backbiting, however, President Lon Nol remains the single most 26 effective and popular leader on the scene, and his presence 27 at the head of the GKR assures a measure of stability and 28 solidarity. As long as his health holds out and he can 29 sustain his activities, the Khmer political situation will 30 likely remain under control. In view of their preeminent 31



Annex B



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position, the Armed Forces, particularly thier of Staff	2
Sosthene Pernandez who ranks high in GKR councils, will play	3
a pivotal role in the choice of any successor to Lon Nol.	-
b. The GKR has been in fairly good shape politically for	3
the last year or so. Barring several periods of student-	
teacher dissidence, primarily over economic issues,	6
Phnom Penh has remained relatively calm. Thanks largely	7
to the efforts of Prime Minister Long Boret, who has	8
close ties with Lon Nol, relations between civil and	9
military officials have improved. Nevertheless, power	10
struggles within the ruling Socio-Republican Party and	1
interparty squabbling at the national level remain serious	13
and could undermine the viability of the GKR. Moreover,	13
corruption and maladroit leadership, endemic in all	14
Southeast Asian countries but frequently widely publicized	1
in Cambodia, remain pervasive. A growing problem	16
derives from the fact that Lon Nol and his chief aides	1
have become more and more identified with the war and the	18
worsening economic situation. Without aggressive action	19
to reverse these trends, they could in time produce	20
irresistable pressure for violent political changes/	2
the GKR's collapse.	2:
3. (S) Khmer Communist (KC) Political Infrastructure	2
a. Political Organizations	24
(1) The key organization with the KC infrastructure	2
is the Communist Party of Kampuchea (CPK). Control of	26
the insurgency at the national level is exercised by the	2
Central Party Committee. This committee probably con-	2
ducts political liaison and coordination with the North	2
Vietnamese Lao Dong (Communist) Party in Hanoi. It is	3
also likely that there is military liaison and coordination	3

with the supreme Vietnamese Communist organization	!	1
(COSVN) in South Vietnam and, possibly, the North		2
Vietnamese High Command.		3
(2) The Standing Committee of the Central Party		4
Committee handles day-to-day administrative, military,		5
and political decisions; more sensitive policy decisions		6
are deferred to the Central Committee, some of whose		7
members probably also function as the key leaders in the		8
six KC military regions in Cambodia.		9
(3) Standing Committee directives are passed down		10
to the six KC regions, which are subdivided into sectors		11
(roughly equivalent to province in echelon), districts,		12
subdistricts, villages, and hamlets. At each echelon,		13
control is exercised by a local committee responsible		14
for political, military, and administrative matters.		15
(4) CPK members fill virtually all key positions		16
within the infrastructure, especially at the higher		17
levels. Only at village, and possibly district, level		18
are non-Communist officials found. According to recent		19
reports, however, even these few personalities are		20
being retrained or replaced by CPK cadre. Purges of		21
non-Party military leaders in all areas of the country		22
since January 1974 have further strengthened the grip		23
of the CPK on the insurgent movement.		24
b. CPK Leagues		25
(1) The control and social organization of the popu-		26
lace under KC rule is also implemented by KC leagues.		27

These leagues, structured along CPK lines, are covert Party organizations which organize and direct the populace through their control of a number of front organizations. In KC-controlled territory, all persons

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re categorized by age, sex, and occupation and placed		1
nder the responsibility of the various front groups.	:	2
(2) Like other Southeast Asian Communist insurgencies,		3
(2) Like other Southeast assume the made use of national-		4
he Cambodian Communists have also made use of national-		
evel front organizations.		5
(a) FUNK. The most important of the front		6
organizations is the FUNK, which will supposedly		7
serve as the replacement instrument for the Lon Nol		B .
Government. FUNK, which exists in little more than		9
name only, was established in 1970, primarily to		10
unite and incorporate under one umbrella organization		11
the various components of the insurgency in Cambodia.		12
Thus, the front encompasses such organizations as the		13
GRUNK and the Cambodia People's National Liberation		14
Armed Forces (CPNIAF) and serves to tie together the		15
Armed Forces (CPNIAF) and serves		16
divergent Communist and non-Communist forces		17
in-country.		-
(b) GRUNK. Sihanouk formed his GRUNK in Peking		18
in 1970 after he was ousted as Khmer head of state.		19
In practice, it is little more than a figurehead		20
leadership group giving a facade of legality to :		21
Communist activities in Cambodia and serving as a		22
rallying point for international opinion.		23
(c) CPNLAF. The CPNLAF is the front organization		24
(c) CPNLAF. The CPNLAF Is the FUNK,		25
for KC-led military forces in Cambodia. Like FUNK,		26
the CPNLAF exists in little more than title only.		
Actual control resides in the Military Affairs		27

Committee of "High Headquarters," an alias for the

CPK Central Committee.

c. Role of Outside Powers. The KC depend on North
Vietnam and the PRC for materiel and political support.
However, few specifics are known about the mission and
structure of the liaison/advisory effort existing between
the KC and these two important supporters.

- Vietnamese/KC Relations. COSVN is the primary
 Vietnamese Communist headquarters that coordinates
 with and advises the KC. To this effect, a liaison
 section in COSVN was established in 1970 with the
 following missions: to exchange planning data; to train
 KC forces in military techniques and tactics; to assist
 the KC in their budget and finance systems; to provide
 medical training and establish dispensaries; and to
 collect intelligence data.
- (2) Liaison committees subordinate to the COSVN
 liaison section serve as the primary and official point
 of contact between the KC and Vietnamese Communist
 elements throughout most of Cambodia. In addition, a
 limited number of liaison/advisory cadre assist KC
 personnel at regional and sector training centers,
 although it is unlikely that any of these personnel are
 actually instructors.
- (3) In northeastern Cambodia, the North Vietnamese apparently have their own organization to deal with the KC. Some reports have indicated that an NVA security group, located in Kratie Province, serves in this capacity and that it has the following missions: to control the activities of NVA military units and Vietnamese civilian residents in the area; to maintain good relations with KC in order to facilitate the

purchase and shipment of supplies; to advise local KC military and administrative organizations; and to settle conflicts between NVA and KC regional forces.

Another NVA security group trains medics for KC regional forces.

- operated with KC tactical units since the withdrawal of North Vietnamese combat forces from Cambodia in 1972. Although the Vietnamese Communists were instrumental in establishing an infrastructure and expanding the KC insurgency in 1970, they currently retain little direct influence over the movement. How this occurred is not clear, but it is certain that the insurgency grew quickly and, perhaps, became too large to be effectively influenced by a relative handful of Vietnamese advisers. In any case, the KC have established firm control over the movement, remaining dependent on the Vietnamese for munitions and equipment. In return, the KC provide rice and travel rights to Vietnamese Communist units in Cambodia.
- (5) High-level KC cadre are aware of the possible limitations on their autonomy by overreliance on Vietnamese. The latter, on the other hand, are aware of Khmer resentment toward their presence in Cambodia and have apparently instructed the liaison committees '(estimated at 1,000-2,000 personnel) and all military units to cooperate with the KC. This policy does not, however, preclude the use of force or disruptive tactics when the KC block Vietnamese Communist objectives. Thus, the reported NVA support of Khmer insurgent splinter groups in northeast Cambodia and the fighting

which has occurred between the KC and the now deactivated NVA 1st Division elements in the southwest may have resulted from the failure of more peaceful means of achieving NVA goals. In any case, it is likely that common needs and ideology will override traditional animosities and suspicions and will insure a lasting, if somewhat strained, relationship of mutual support. There is some evidence that the North Vietnamese, concerned about the long-term reliability of the KC, have placed a ceiling on their military aid for the Khmer insurgents.

d. PRC/KC Relations. While the KC depend on both North Vietnam and the PRC for support, they are reportedly aligned politically with the Chinese. Beginning with open Chinese support for Sihanouk's government in exile in 1970, the PRC has consistently given vocal support to the KC and has funneled munitions and funds to the KC through the North Vietnamese. Although few details of Chinese aid are available, there is some evidence that much of the equipment previously thought to have been provided by the North Vietnamese may have been sent by the PRC, with the North Vietnamese acting only as transporting agents. As KC leader Khieu Samphan's China visit in April-May 1974 demonstrated, the PRC has publicly increased its support of the KC, apparently even at the expense of Prince Sihanouk. This new prestige for KC leaders provides them a political boost and could ultimately mean increased financial and logistical support from the PRC.

e. USSR/KC Relations. Moscow, in effect, signed on in support of Sihanouk in 1970 but has little influence with the KC. At present, there are no known Soviet-KC trade or military aid agreements; however, this could change if the Soviets wish to increase their influence with the KC.

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4. (8) Sihanouk/Khieu Samphan Contest for Leadership. For
the first time since Sihanouk's ouster in March 1970, a
real alternative to the exiled Prince's leadership has
emerged in the person of Khieu Samphan, KC in-country
Commander in Chief and "Defense Minister." Khieu Samphan
was given a post on the FUNK Politburo and the title of
Minister of National Defense in Sihanouk's Peking-based
government-in-exile in May 1970. He was appointed
commander in chief of the military arm of Sihanouk's united
front organization in June 1971 and acting Prime Minister in
November 1973.

a. Khieu Samphan's recent 2-month tour, which took him 12 to Peking, Hanoi, Pyongyang, and several Eastern European 13 and African states, represents a significant step in his 14 steady rise to prominence at Sihanouk's expense. Long 15 before this, however, Sihanouk had acknowledged the leading 16 role of the KC in the Cambodian insurgency, especially of 17 Samphan and other ministers in the "interior." This 18 was further evidenced when Sihanouk transferred all of the 19 remaining GRUNK ministerial portfolios to in-country KC 20 leaders in November 1973 in a move that was also designed 21 to remove the stigma of "exile" from his Peking-based 22 government. The KC leadership quickly snatched this 23 opportunity to assert an added degree of independence 24 from their head of state, and Sihanouk's personal 25 influence on the KC has declined even more since then. 26

b. Although Samphan's recent trip abroad was apparently

designed to enhance both his and the KC's international

stature, it was probably also intended to sell the argument

that the KC represent the primary political force in

Cambodia and that their views, not Sihanouk's, must be

reckoned with before any negotiated solution to the war is

possible.

c. While the KC most likely believe that they will have to	
live with Sihanouk at least temporarily after the war,	
the buildup that Samphan has received casts a shadow over	
Sihanouk's political future and will make it easier for him	-
to be dumped. At this point, however, Sihanouk is by no	-
means out of the picture, and it is doubtful that either	
the insurgents or Peking can jettison the Prince while the	
fighting continues, since he has appeal to the Cambodian	2
peasantry. For his part, Sihanouk knows he is in a poor	8
position to contest the WC threat the is in a poor	9
position to contest the KC threat to his position and may	10
in fact have resigned himself to the fact that they have	11
gained permanent ascendency. Sihanouk is remaining active	12
in the political scene to retain what influence he can. He	13
has volunteered to represent the KC at the UN session this	14
fall, perhaps in an attempt to preserve what remains of	15
his prestige.	16
5. (S) Current Developments in the Political Situation	17
a. The GKR's July 1974 Peace Initiative	18
(1) On 9 July 1974, the Cambodian Government issued	19
a new statement on peace negotiations. The formal declara-	20
tion invited the KC to enter immediately into discussions	21
at a mutually agreeable time and place to find a solution	22
to the conflict. The proposal also expressed Phnom Penh's	23
hope that such talks would in turn lead to a cease-fire,	24
withdrawal of foreign troops, and national reconciliation.	25
In addition, it appealed to all countries to assist in	26
effecting a dialogue.	27
(2) This was the GKR's first major peace initiative	28
since 6 July 1973 when it issued a proposal that stressed	29
the need for the withdrawal of foreign troops and a cease-	30
fire before negotiations could start. Phnom Penh is	880
magorial could Start. Phnom Penh is	31

optimistic that its more flexible approach to negotiations	1
will elicit favorable world reaction and gain support for	2
this fall's contest over the Cambodian seat in the United	
Nations.	4
(3) The KC response, however, has been wholly negative.	5
Prince Sihanouk, for example, lashed out immediately	6
at continued US involvement in Cambodia and categorically	7
ruled out negotiations with the Lon Nol Government. He	8
had previously contended that a peaceful solution to the	9
conflict could be reached after US support for the GKR had	
been terminated, and then by direct talks with the United	11
States.	12
(4) The KC, who have the final say on the matter, also	13
reacted negatively, but more guardedly, than Sihanouk.	14
In the past, the KC have consistently rejected any nego-	15
tiations with the present Phnom Penh leadership. Recog-	16
nizing that a withdrawal of US aid would likely cause	17
the fall of the Lon Nol Government, they have also insiste	18
on an end to US aid for the GKR as a precondition.	19
(5) Peking's comments on the GKR's peace bid have been	20
straightforward and descriptive, and the PRC has thus	21
maintained a public "hands off" attitude. Hanoi has also	22
been cautious. So far, the United States, South Vietnam,	23
and the United Kingdom are the only countries that have	24
publicly endorsed the GKR's 9 July initiative.	25
b. Teacher/Student Unrest and the GKR	26
(1) During the past year, the scene within the	27
Khmer Republic has been marked by teachers' strikes and	28
other public protests to dramatize demands for higher	29
wages. The teachers were joined on occasion by students	30
airing such familiar grievances as the government's	31
grander as the government's	

failure to reduce corruption and control inflation. On	
4 June, such demonstrations resulted in the abduction and	
murder of the GKR Minister of Education and a Presidentia	
adviser. Although the exact circumstances of their death	.1
are not clear Communistances of their death	1
are not clear, Communist complicity is suspected.	2
(2) Although the security forces kept the lid on in	6
the wake of violence triggered by agitators, the political	1 7
.situation in Phnom Penh could deteriorate drastically if	8
the GKR does not demonstrate that it is taking effective	9
action to satisfy widespread demands that the runaway	10
inflation be brought under control.	11
(3) Partly as a result of machinations by the Secretary	12
General of Lon Nol's ruling Socio-Republican Party and	13
partly because of the student disorders and murders of	14
early June, opposition party members and independents in	15
the cabinet resigned. Prime Minister Long Boret was	16
ultimately forced to tender the resignation of his entire	17
cabinet to resolve the impasse, but he succeeded in puttin	a 18
together a new government in mid-June.	_19
c. Prospects for the New GKR.	20
(1) Long Boret has exhibited vigor and executive	21
initiative but, as was the case with his predecessors,	22
has had little success in controlling divisive political	33.00
infighting, fueled by continued feuding between the	23
Cabinet and National Assembly and compounded by recurring	24
student-teacher activism, that resulted in the dissolution	25
of Long Boret's first cabinet.	
(2) President Lon Nol and the Prime Minister were	27
irritated over the Assembly's harassment of the Cabinet	28
and were also displeased over the	29
and were also displeased over its refusal to give the GKR	30
a vote of confidence for its handling of student-teacher	31
unrest. Although all 126 Assembly deputies are members	32

of Lon Nol's Socio-Republican Party, they have shown an	1
increasing disregard for party discipline. In addition,	2
many have tended to their own political ambitions first	3
and have seriously strained the delicate alliance between	4
the ruling Socio-Republicans and minority Republicans.	5
(3) The composition of the 17-man Cabinet announced on	6
16 June reflects a carefully contrived formula for damping	2
political antagonisms, but it is questionable whether it	8
will be more effective than its predecessor, since	9
professional qualifications were largely subordinated to	10
partisan political considerations in choosing the new	11
ministers. The Cabinet consists of eight members of the	12
dominant Socio-Republican Party, seven independents, and	13
two military men (including FANK Chief of Staff General	14
Fernandez). The exclusion of the minority Republican Party	, 15
which held four portfolios in the previous Cabinet,	16
was designed to placate the Socio-Republican-controlled	17
Assembly. Although the Republicans were given increased	18
representation on the Executive Council, the country's	19
top policymaking body, the GKR has been weakened by	20
inclusion of key ministers who are critics of Long Boret.	21
Thus, the future of the most recent GKR is tenuous and its	22
prospects for a long life doubtful.	23
d. The 1974 UN Representation Battle	24
(1) Once again the Phnom Penh government is preparing	25
for an autumn contest over the Cambodia seat in the UN.	26
Last year's challenge by the Royal Government of National	27
Union of Cambodia (GRUNK) was deferred, but this	28
guaranteed that a pro-Sihanouk resolution would be	29

inscribed on the Assembly agenda this year.

(2) The pro	
(2) The PRC and other countries supporting the GRUNK	s <u>1</u>
. Seat page 4	
to contest Phnom Penh's credentials at the special UN	2
session this spring, apparently i	3
session this spring, apparently in the view that a victo	ry 4
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eriort to gaining my	t <u>8</u>
ancernational town	
to sign joint communi	9
referred to an earlier and	10
referred to an earlier endorsement of the GRUNK claim to	or 11
the UN seat.	12
	13
(3) At this point, the GKR's prospects for retaining	14
recent prelimination	15
indicated that the to	16
analyin of seven votes	17
the fact that the grown	10
GKR in official recognition. As of June 1974, 55 countries	10
had established diplomatic relations with or recognized	
the GRUNK, compared with 50 for the GRR.	20
(4) Phnom Penhis off	21
(4) Phnom Penh's efforts to improve its international	22
not been as effective as be-	23
Boret and Foreign Minister F	24
gern international support	25
ents year but have been unable	26
political gains. For example, attempts to line up or regain support in Africa and the William	27
support in Africa and the Middle East, where Phnom Penh	
has lost the most ground has	28
has lost the most ground, have not been very productive.	29
GKR efforts have been limited for the most part to countries that cast favorable votes last	30
+ HVOI able votes 1-	2.1

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that cast favorable votes last year and, even in these

circumstances, there has reportedly been some erosion of	1	
Phnom Penh's position.	1 2	
(5) The support of Cambodia's Asian neighbors is critical	1 3	
to Phnom Penh's retention of its UN seat. Last year a		
number of these nations formed an Asian Working Group that	4	
helped lead the fight to postpone debate. Since then,	5	
Phnom Penh's standing with some of these nations has	6	
slipped somewhat because they believe the GKR has made no	7	
significant economic or military progress. Although many	8	
may ultimately vote for Phnom Penh, there is a certain	9	
regional reluctance to campaign for the Lon Nol side.	10	
(6) The GKR would pay a high price for failing to retain	11	
its UN seat. If that institution were to endorse the	12	
GRUNK as the legitimate growth of the	13	
GRUNK as the legitimate government of Cambodia, KC leaders	14	
would have little incentive to negotiate. On the contrary,	15	
they would likely view an international vote of no	16	
confidence in the GKR as significantly offsetting their	17	
own failure to win any lasting victories during the 1973-197	4 18	
dry season military campaign. KC resolve to achieve a	19	
military solution to the conflict would probably be	20	
reinforced.	21	
(7) A defeat at the UN would also adversely affect the	22	
domestic political situation in Phnom Penh. The inevitable	23	
loss of vital international support and recriminations	24	
within the Cambodian Government might well be enough to	25	
topple Long Boret. In more tangible terms, Phnom Penh	26	
would probably stand to lose a considerable portion of	27	
its non-US foreign economic aid. Although such aid	28	
amounted to about only \$20 million last year, not great in	29	
relation to the overall US economic and military aid	30	

expenditures, its loss would cause Cambodia's isolation

in more	sta	rk	terms.	In	the	final	anaiy	sis,	the	GKI	R's		1
loss of	its	UN	seat	could	eve	en adve	ersely	affe	ect	the	natur	e	2
and type	e of	US	suppo	rt au	thor	rized h	y Con	gress	в.				3

ANNEX C

CAMBODIA ECONOMIC ASSESSMENT (U)

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- 1. (S) Background. The Khmer Republic has an agrarian economy based largely on rice and rubber cultivation; rice and rubber have been the usual exports. Industry, consisting mostly of food processing plants and factories producing consumer goods, is small and hampered by the destruction caused by the war. Commercially exploitable natural resources are limited, and the economy is heavily dependent on foreign aid. The United States has been, and continues to be, the foremost donor of aid to the Government of the Khmer Republic (GKR).
- 2. (S) General Economic Overview. The nearly continuous interdiction of key GKR land LOCs has turned Phnom Penh into an "economic island"; essentially, the capital is dependent on Mekong River convoys for POL, rice, and other essential commodities needed for survival. Some domestic supplies of food are available but cannot be properly distributed. Production of agricultural commodities as well as manufactured goods has declined in recent years, which in turn has shrunk the tax base. Prices throughout the country, especially in Phnom Penh, have soared as steadily increasing military expenditures in the face of reduced tax revenues have led to a severely imbalanced budget. Export earnings in 1973 amounted to an estimated \$15 million, \$73.5 million lower than the 1968 level. Import requirements have increased, especially for rice, resulting in enormous trade deficits. Government foreign exchange holdings remain under severe pressure. Indeed, the economic situation in Phnom Penh over the past year can only be characterized as governed by "hyperinflation." (Rate of inflation for 1974 could reach well over 200 percent.) A more

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Annex C

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detailed discussion of GKR economic problems is contained in	1
paragraph 4.	2
3. (S) Khmer Communist Economic Base. The Khmer Communists (KC)	3
control approximately 60 percent of the land30 percent of the	4
total rice crop area. The exodus of refugees to the GKR-	5
controlled cities has, however, reduced the capacity of the	6
insurgents to maintain rice production. The KC evidently trade	7
rice, salt, sugar, animal fats, soy beans, and gasoline to the	8
Vietnamese Communists for arms, ammunition, and medicine.	9
Rice is the most important KC commodity for sale, and KC	10
in the northern provinces have made profits of up to 500	11
percent on transactions.	12
a. Population Control. It is estimated that 30 percent	13
of Cambodia's population of 8 million is in enemy-	14
controlled areas. Harsh population-control measures have,	15
however, induced more than 100,000 people to flee to	16
GKR-occupied areas this year alone. But this trend has	17
not yet significantly affected the Communist hold on the	18
countryside.	19
b. Assistance from Outside Powers	20
(1) PRC. A new open-ended military aid agreement	21
between the KC and the PRC was publicly announced	22
in Peking on 26 May 1974. The agreement states	23
that the aid remains "at previous levels, with no	24
intention of new programs." Most Chinese aid is	25
believed to consist of crew-served and individual	26
weapons, ammunition, uniforms, medicines, and medical	27
instruments.	28
(2) North Vietnam. North Vietnamese aid includes	29

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communications equipment, weapons, and vehicles.

North Vietnam also serves as a conduit for Chinese aid.

Some NVA supplies are believed to be tied to "arms for rice" agreements with the KC, reportedly made during late December 1973. Other aid arrangements are believed tied to KC assistance for NVA personnel in and transiting southern Cambodia. As previously stated in the political assessment, there is some evidence that Hanoi is providing less aid than it could to the KC.

- (3) North Korea. Pyongyang reportedly provides the KC an estimated \$1 million in military and economic aid annually.
- (4) USSR and Other Communist Countries. No meaningful data are available on the amounts of economic and military aid provided by the USSR and other Communist donors.
- (S) GKR Economic Base. The GKR's economic problems are compounded by the refugee problem, interdicted LOCs, and shortages of goods.
 - a. Refugees. The population of Phnom Penh has doubled in the last 4 years and now contains approximately 1.6 million people; some 800,000 of these are refugees. There are not enough jobs or other constructive activities for the population, and many are completely dependent on the government for support. This same problem prevails on a smaller scale in provincial capitals, particularly as people flee from the countryside to escape being caught up in the fighting and, more recently, to be free of the KC.
 - b. Interdicted LOCs. For all essential purposes, the only LOC available to resupply Phnom Penh is the Mekong River. This means that the city's reliance on imported rice has increased since 1970 as the land LOCs between

the capital and the major rice	
west have been either out or the	
west have been either cut or blocked by the KC. For example, the railroad links	
example, the railroad linking Battambang with Phnom Penh	
has been effectively closed to through traffic since 1970;	4
Route 5 to the rice-rich northwest has been closed since September 1973; and Down	
September 1973; and Route 4, between the port of Kompong Som	6
, has been closed, event for	2
period, since November 1973. During 1973, 103,100 metric	8
tons of milled rice had to be transshipped from Kompong	9
Som and Saigon to Phnom Penh via the Mekong to insure	10
GKR survival. During the first 6 months of 1974, 158,000	11
metric tons of rice and 108,300 metric tons of POL were	12
transported up the Mekong to the capital.	13
c. Shortage of Goods. Until 1972, Cambodia was a net	14
exporter of rice. Since that time the country has	15
periodically experienced food shortages, including rice,	16
thereby increasing its reliance on imported commodities.	17
In 1972, total rice imports amounted to 120,000 metric	18
tons; in 1973, 207,000 metric tons. Projections for	19
1974 indicate 291,000 metric tons of rice will be required.	20
In addition to rice and POL, the major nonmilitary	21
commodities that must be imported include iron and steel,	22
pharmaceuticals, electrical equipment, machinery, textiles,	23
motor vehicles, plastics, sugar, chemicals, and dairy	24
products.	25
d. Lack of GKR Control Over the Economy. Measures	26
taken by the GKR to stabilize the domestic economy in	27
1973 and 1974 have been aimed at such anti-inflationary	28
goals as checking monetary expansion, reducing expenditures	29
an the civil sector, and increasing the availability of	30
consumer goods. These programs have had little success.	31

SECRET

Since January	1973, the	Phnom Per	h Working	Class Consume		
Price Index h	as risen	over 500 p	ercent.	The short-	ro o	1
of consumer c	ommoditie	s was a ma	jor facto	r in this	- 53	2
inflationary	increase.	The Gove	Inment's	offerts to		3
hold the lid	on prices	did littl	e but enc	errorts to		4
operation of	hold the lid on prices did little but encourage the operation of a black market. There is very little					
prospect of a	prospect of a substantial improvement in the GKR					6
economic situa	economic situation through FY 1975.					7
	e. Dependence on US Aid. The GKR receives a nominal					₿,
amount of aid	amount of aid from countries other than the United					9
States mainly	States mainly Singapore, Hong Kong, France, Australia,					10
and Japanbut	and Japanbut for all practical purposes is totally					11
dependent on U	dependent on US support. Comparative values of US					12
economic aid to	Cambodi	a follow:		55 OF US		13
		MILLIONS)				14
	FY 73	FY 74	PV 75			15
Humanitarian	1.2	13.4		(PROPOSED)		16
Commercial Import Program		13.4	20.0			17
	45.0	62.1	71.0			18
Exchange Support Fund	20.5	18.3	17.5			19
Technical Support 5 Training			17.3			20
- Haining	0.6	1.2	1.5	- 14		21
SUBTOTAL	67.3	95.0	110.0			22
Public Law 480	27.5	170.9	77.0	5 8		23
TOTAL.	Committee of	-	-77.0			24

187.0

TOTAL

24