An Economic History of Cambodia in the Twentieth Century

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We are at a decisive turning point in our history. A radical change in almost all domains is being made. The time of improvising, of making decisions without reflection, of temper tantrums, of irresponsible advice is gone. Something solid, reflective, and studied should take its place. A certain stability … in the political economy is desirable.

Sim Thai Pheng

On 18 March 1970, at one o’clock in the afternoon, the plenary session of the National Assembly and the Council of the Kingdom voted unanimously for the dismissal of Sihanouk as Cambodia’s head of state. Cheng Heng, president of the National Assembly and interim head of state during the prince’s absence from the country since January that year, was sworn into the post. The Cambodian elite had chosen to cast off two thousand years of monarchy and launched the ship of state into very perilous seas. Given the sharp escalation of the American War in neighbouring Vietnam and the growing presence on Cambodian soil of North Vietnamese troops for the purposes of sanctuary and transit, it is probable that there was U.S. involvement in the coup that overthrew Sihanouk, who had tolerated their presence in his country. The nature and extent of that involvement, however, has never been publicly revealed. Nevertheless, the critical factor that precipitated the coup was dissidence from powerful conservative elements within the state, political elements that were almost certainly backed by the small but very influential business elite.
Since August 1969, the “national salvation” government had been led by General Lon Nol, who concurrently held the post of Minister of Defence, and his deputy, Prince Sisowath Sirik Matak whose outspoken opposition to many Sangkum policies had kept him abroad in ambassa-
dorial posts for much of the previous decade. These men were given wide authority to revive the stagnating economy. Sirik Matak was a vocal advocate for the resumption of U.S. aid to ease the problems of the economy, especially the mounting budget deficit. He had also opposed the nationalisation programme and, while the still vacillating Lon Nol was outside the country for a couple of months at the end of the year, he devalued the currency, removed state control over foreign trade and banking and set about implementing a policy of disengagement, or reducing state involvement in economic enterprises.

Sirik Matak was undoubtedly the driving force behind the coup, but he had little popular appeal and, more significantly, he lacked the essential khsae, the strings of patronage, to influence the military. Lon Nol had the necessary credentials but he proved to be an inept leader, driven by a strange mix of occultism and ruthless ambition. In the first week of March 1970, anti-Vietnamese demonstrations, almost certainly orchestrated by Lon Nol himself, broke out in Phnom Penh and provincial towns. The embassies of North and South Vietnam were sacked and youths stormed unchecked through the Vietnamese quarter of the capital, looting and smashing for three days. Quelling the disturbances was the immediate excuse for the coup which itself was bloodless and, strictly speaking, was only a coup de chef d’état since the legislature, popularly elected on 2 December 1966, remained virtually unchanged and the administration also stayed more or less intact. Some analysts argued that the coup plotters never intended that Cambodia should become a republic. The motive, it seems, was to remove Sihanouk, not to abolish the Khmer monarchy. Following a near-unanimous vote in the National Assembly on 5 October, however, the republic was proclaimed. The urban middle-class, Justin Corfield notes, were “quickly buoyed with a new sense of patriotism and national identity.”

During the last week of April 1970, the American War in Vietnam escalated into the Second Indochina War. In a bitter riposte to his enemies in Phnom Penh, Sihanouk, now in exile in Beijing, had granted legitimacy to the communist guerrillas, the Khmer Rouge, by joining forces with them in the FUNK (National United Front of Kampuchea). Six weeks after the coup, on 29 April, U.S. and South Vietnamese forces crossed the border into Cambodia to destroy the Vietcong sanctuaries. The Cambodian government was not forewarned of the invasion by 12,000 ARVN ground troops, accompanied by the terrifying firepower of American air
support. The effect of the invasion was to drive the North Vietnamese forces farther inside Cambodia where they joined with the Khmer communists to mobilise and organise thousands of peasants who joined the FUNK at the summons of their king. Thus, when the main forces of the U.S. invasion withdrew on 30 June that year, a brutal civil war had already begun and the Cambodian government had lost control over approximately half of the countryside. It was a civil war that the republican government never admitted until the final year before defeat. As far as the government leaders were concerned, they were locked in battle with troops of North Vietnam and the Vietcong; the army of Sihanouk, they deluded themselves, was an “imaginary” one.3

A state of martial law would commence on 1 June, Cambodians were warned via a radio broadcast delivered by Lon Nol approximately one week before the decree was implemented. Later that month, the government issued a further decree-law on general mobilisation. This did not, however, amount to official conscription. The new regime, lacking legitimacy, hardly had the authority to enforce such draconian measures. Nevertheless, thousands of students left their studies to volunteer for Lon Nol’s “holy” war against the thmils, the unbelievers. At the beginning of the dry season in December, Lon Nol launched the first of two major offensives against the North Vietnamese forces in Cambodia. The Cambodian troops, many of them raw recruits, were no match for their adversaries and the 1971 dry season offensive was also the last. David Chandler believes that the government survived for a further four years, “largely because of U.S. military assistance and heavy bombing and because the Vietnamese Communists were unwilling to help their Cambodian colleagues take Phnom Penh before they managed to liberate South Vietnam.”5

Given the precarious military situation, the economy faltered, foreign trade dwindled, almost all the rubber plantations stopped tapping, the tourist industry built around the ruins at Angkor was no more, and plans for investment loans were shelved. On the other hand, corruption flourished. Justin Corfield reported an incident in January 1972 when a colonel was charged with attempting to sell a truckload of medical supplies to the insurgents.6 Far from this being an isolated incident, it was part of a flourishing illicit trade with the enemy. The most widespread form of corruption within the armed forces was the enlistment of ghost soldiers whereby officers added extra names to their unit payrolls and pocketed the salaries. The foot soldiers then paid the real cost by having to fight in under-strength units.

Despite suffering a debilitating stroke in 1971, Lon Nol, now promoted to marshal, increased his power over the republic at the expense of
Sirik Matak and Cheng Heng, the nominal head of state. Sirik Matak's resignation from a brief, five-day term as Prime Minister was accepted on 15 March 1972; in May, he was appointed “special adviser” to the president, a position still reserved for those who represent a potential threat to ultimate power holders in the Cambodian polity. The government dissolved further into tragi-comedy or farce with the appointment as Prime Minister of Son Ngoc Thanh, Sihanouk’s old nemesis, who had spent the previous 27 years in the political wilderness. The constitution of the Khmer Republic was eventually approved by popular referendum on 30 April 1972 and on 3 July, Lon Nol was invested as president. In September that year, elections were held for the National Assembly as well as for the Senate, the legislative review chamber, formerly called the Council of the Kingdom.

By 1973, the Khmer Republic barely existed outside of Phnom Penh, plus a narrow corridor along Route 5 to Battambang and the Thai border, and a few provincial towns. The rest of the country was either already firmly in communist hands, or insecure and contested. That year began with the signing of the Paris Peace Accords between North Vietnam and the United States of America on 27 January. The Khmer Rouge refused to participate and they suffered the consequences of their intransigence. Their inevitable victory over the republican forces was delayed by massive U.S. aerial bombardment of the Cambodian countryside, some of it in the most densely populated regions. In a little more than six months, until 15 August, over 100,000 tons of bombs rained down, almost incessantly. This was the climax to years of saturation bombing. Craig Etcheson calculated that between May 1969, when American bombing of Cambodia began and mid-August 1973, a total of 539,129 tons of ordnance fell on the country, equivalent to 15,400 pounds of explosives for every square mile of Cambodian territory (or almost three tons per square kilometre). Phnom Penh swelled to bursting point with refugees fleeing from the bombs.

With the end of U.S. air support, however, the forces of the Khmer Republic could not hold. Despite the government’s three desperate and unheard appeals to the other side for unconditional negotiations throughout 1974, Phnom Penh fell to the communists on 17 April 1975.

Policies

The influential Chamber of Commerce immediately threw its support behind the republic, declaring in the first re-issue of its bulletin after the coup:
The continuity of the Khmer state has not been put at risk…. If this bulletin can appear in the present exceptional circumstances, it is thanks to the support of H.E. General Lon Nol who thus manifests his wish to promote the economic and social progress of the country…. The Chambre Mixte de Commerce et d’Agriculture will do all in its power to assist the Government of Salvation to relaunch business and to restore confidence by trying to erase the stagnation born of the ill-considered 1963 economic reforms.8

This close collaboration was confirmed on 9 April 1970, when the secretaries of state for labour and social action (Chau Seng Ua), and for commerce and industry (Prom Thos) addressed the Chamber of Commerce to explain key policy issues affecting the economic and social situation in the country.9 The officials declared that the republican government’s goal was that economic expansion should benefit the whole population, not just a narrow clique as in the past. The immediate objective, however, was to ensure the regular provision of vital supplies for Phnom Penh and the areas threatened by insecurity. In the medium-term, some sectors of the economy would be transformed into a “war economy” for the production of national defence needs, precautions would be taken to protect local food products from black marketeering or bottlenecks in supply and distribution, and special attention would be paid to protect the cultivation of export crops such as maize, rubber and beans.

The government, the officials said, was seeking the cooperation of the private sector to achieve its long-term policy goals. The Sangkum objective of providing farmers with manufactured goods at reasonable prices was still a priority, as was identifying favourable markets for agricultural produce. Small private enterprises would be created to supply potable water and electricity for the countryside. For the industrial sector, the government envisaged enterprises where the employees, workers or technicians could become shareholders, in fact, part-owners of their own workplaces. In addition, “associations” of technicians would be created, and “leading cadres from the great schools” would be attached to enterprises in order to improve production, create new jobs and “to elevate the prestige of the private sector.”10 Merchants and industrialists were reassured at the meeting that the government would proceed with further liberalisation of foreign trade, “allowing merchants to carry out their own commercial operations.”

The 1963 reforms, when foreign trade, banking and insurance were all nationalised, had left the Phnom Penh business elite deeply resentful. Confirmation that the policy of economic liberalisation initiated by Sirik Matak and enacted into law by two kram (numbers 425 and 426) issued
on 12 February 1970 would continue was really all that the Chamber of Commerce wanted to hear.\footnote{Sirik Matak's address to the National Assembly on the occasion of the investiture of the first republican government on 6 May 1971 gave that assurance, but he emphasised that the government's priority was winning the war:}

Our first objective will be to defeat our aggressors (Vietcong/North Vietnamese).... Secondly, we will accelerate the work of elaborating the constitution of the Khmer Republic so it can be promulgated with the shortest possible delay in order to establish progressively republican foundations.... Thirdly, we must solve our economic, financial and social problems by finding an acceptable equilibrium that does not compromise our war effort, which remains essential for the survival of our nation. In this regard, we will perfect the application of the policy of economic liberalisation taken in August 1969. The government, however, will not hesitate to take over management of some industrial and commercial sectors if, for the war effort, the liberal mechanisms are not functioning in a satisfactory manner. The government will not hesitate to take measures to protect domestic industries when the too rapid application of liberalisation measures puts them in peril.

In the economic domain, I must stress the importance of prices. The government will do all in its power to improve the system of supply and transportation. The price of products of first necessity will be fixed and controlled. Severe sanctions will be taken against speculators. We will use foreign aid effectively so that it profits the masses. In the social sphere, we will deploy all our efforts to raise the standard of living of the population and protect workers .... our final aim being, without doubt, social justice.... In these exceptional, grave circumstances .... we ask the National Assembly to honour us with its confidence by awarding us full powers.... In foreign policy, the new government will continue to respect the principles of active neutrality: we will collaborate frankly with those who declare themselves to be our friends. We affirm our will to develop regional cooperation.... In ending this brief speech, I solemnly declare before the nation that our soldiers and civil servants should all fulfil their roles with order and discipline. That is an absolute necessity if we want to have victory over our aggressors and then organize a republican society where our children can live in security and prosperity. Everything that contravenes this elementary rule of discipline constitutes treason against the Khmer Republic.\footnote{State coercion was probably the only means the government had to enforce its economic policies under war conditions. Given its tenuous legitimacy, however, the government of the Khmer Republic rarely used}
coercion, except against minority ethnic groups like the Vietnamese. Despite official rhetoric, therefore, there were no sustained efforts to adhere to policy. Even more than during other regimes, the gap between stated policy and actual practice assumed the dimensions of a bottomless gulf during the Khmer Republic. The appeals to merchants to be satisfied with honest and reasonable profits fell on deaf ears. Greed and corruption ruled the Khmer Republic and sealed its fate, in equal measure with the cynicism of the Nixon Doctrine and the determination for victory by the other side.

**Administration and Governance**

Almost immediately after the coup, the government was at war. In these exceptional circumstances, it may be harsh to judge the fledgling regime as incompetent and misdirected. Some analysts excuse the failure of the Khmer Republic on the grounds that Sihanouk had never allowed his ministers and officials to learn the ropes of good governance, to make independent decisions and to follow through on established policies. To some extent, this was true. On the whole, however, the regime proved unwilling to cope with the war or to accept responsibility for its economic, financial and especially its social consequences. It was a regime that wore blinkers for fear that it would be startled by the reality of a situation that was spinning rapidly out of its control.

The new constitution was two years in the drafting. Sirik Matak had given the constitution his second priority after ensuring victory in war, and a month or so after his investiture speech, on 16 June 1971, a special committee was charged with the task of preparing the constitution. Lon Nol refused the first draft and dissolved the committee. He then decreed constituent powers on the National Assembly, but its draft went the way of the first. On 10 March 1972, Lon Nol unilaterally proclaimed himself president, dissolved the Assembly and two weeks later set up a new committee for drafting the constitution. A draft was finally approved and it was put to popular referendum on 30 April. The constitution of the Khmer Republic was promulgated by Ordinance No. 19/72 on 10 May 1972.

It was a constitution that reflected the events surrounding its formulation. The preamble declared, in part: "We, the Khmer people … are determined … to defend our republican system against any attempt to restore the monarchy and against any establishment of personal power." The first article defined Cambodia as "an independent, democratic and social republic," but the democratic rights enshrined in the constitution were limited, in almost every case, by a proviso. Political parties, for
instance, could be freely organised, “[h]owever, the state shall encourage every effort to reduce the number of political parties in order to achieve a two-party system.” Capital punishment was abolished except when the nation was deemed to be in danger. Freedoms of expression, association and assembly were granted, but they were all conditional and proved easy to revoke. Similarly, economic freedom as such was not guaranteed; only the state's protection of that freedom “in the artisanal trades, agriculture, commerce and industry” was assured. Article 16 declared that the state had “the duty to regulate that freedom with a view to co-ordinating the national economy for social ends and preventing monopolies or any attempt at monopoly in commerce and industry.”

The constitution provided for several new institutions including the Supreme Judicial Council, a Constitutional Court, a High Court of Justice with the power to judge the president, the vice-presidents, cabinet members, national assembly deputies and members of the Supreme Court, a Council of State, and separate councils for education and culture, the armed forces, economic and social affairs, as well as two offices: the Government Comptroller's Office with power to examine and investigate personnel implicated in abuse of their positions, and the General Mobilization Office. All of these bodies were decreed into law, but it was not the time for institution building. Nevertheless, the careful system of checks and balances that institutions such as those defined in the constitution might, in different circumstances and given the necessary political will, have helped the Cambodian political system to evolve in the way that some republican supporters envisaged. The political system c. 2000 was still grappling with the complexities of instituting some of those watchdog bodies that the true republicans valued.

In the chaos of war, refugees, inflation, destruction of communication routes, and an ever-shrinking food resource base, the old habit of official corruption thrived and fed itself like a glutton on massive offerings of American aid. As the Sangkum had blamed the French Protectorate for the legacy of official corruption, so the Republic blamed the Sangkum; the ruling elite never held themselves to account. In fact, it was generally known that high-ranking military officers, even Lon Nol himself, either directly or through their families were involved in the transport of contraband supplies and munitions from China to the Vietcong via the maritime port at Sihanoukville well before the coup. Graft and corruption were long-entrenched habits of the administration. During times of peace, a measure of corruption was tolerable. In war, however, corruption represented more than just a financial threat to the state. One of Sirik Matak's first circulars from his office as first vice-president of the Council of
Ministers was addressed to public servants concerning their duty to serve loyally and to serve well:

In my circular No. 10-PCM/AP/C of 27 March 1970, I asked all functionaries to adopt the motto: “To serve loyally and to serve well.” I invite you to apply the rules strictly so that our country can free itself definitively from the rotten regime and become a modern state equipped with a healthy, efficient and devoted administration. The sacred duty of all functionaries is to bear themselves as servants, representatives of the state, animated with new ideas complying with the aspirations of the people…. I count on you to punish all forms of corruption and all activities judged dangerous for the security of the country…. Our country has to confront a mortal threat. It is more than ever imperative that all functionaries, of whatever level, are conscious of their responsibility, and that they have the heart to work to re-establish justice in the spirit of genuine democratic freedom for the happiness of our dear Kampuchea.15

Where there are no independent institutions with the power to enforce a code of conduct such as that ordered by Sirik Matak, corruption continues to rise with the level of opportunity. Rarely have opportunities for corruption been as plentiful as they were in Cambodia during the few brief years of the Khmer Republic. The United States government provided economic and military aid in increasingly generous quantities. Both forms of assistance were exploited for private gain but military assistance was the most lucrative. The American academics Hildebrand and Porter noted, “By some estimates, fully half of the $350 million in U.S. military aid provided in 1974 was never used for military purposes but was sold by the generals, colonels, and majors for private profit.”16 Ammunition, weapons and other military supplies, as well as medicines, and rice were sold by the military to merchants who resold them on the free market or to Cambodian and Vietnamese revolutionary forces. This trafficking in goods became so important to the governing elite that there was an unspoken understanding that individuals in the most lucrative posts would be rotated every few months. Thus Phnom Penh observers spoke of the “merry-go-round” of executive positions.17

Consequently, while thousands of refugees and the urban poor of Phnom Penh were starving, the elite indulged their taste for luxury as never before. The hypocrisy of the regime whose constitution declared its firm commitment to social justice for all citizens reached one of many peaks in August 1971 when two merchants, both of Chinese ethnic origin, were sentenced to death by firing squad for harming the economy and
aiding the enemy. Specifically, they had trafficked in vehicles and profited from the deterioration of the economy by sharply increasing their prices. Lon Nol had ordered that these “traffickers” be taken before a military tribunal as an example to others.¹⁸

In March 1972, Lon Nol gave an order to his government to examine the possibility of organising general elections for a new legislature. The Khmer Rouge would be invited to take part, he declared, and the signature of a formal ceasefire agreement was not a condition for their participation. The minister of information, Keam Reth, reconfirmed that the government was continuing its efforts to bring about a ceasefire. “But so far Hanoi has not responded to proposals for negotiations with Lon Nol,” he said, “while the absence of a recognized leader of ‘Khmers on the other side’ and the different factions among them renders contact difficult.”¹⁹ The elections were set for 3 September. The country was divided into 61 electoral districts, and each district would have two seats in the new National Assembly. This arrangement allowed for an enlarged assembly, in line with population growth, but it ignored the fact that much of the country was no longer under the republic’s control.

The elections proceeded without incident, and later the same month elections were also held for the Senate. The new government was led by Hang Thun Hak, but like his predecessors, he was unable to deal with corruption and his administration was doomed almost as soon as it was formed. Hang Thun Hak’s was the fifth government of the Khmer Republic and four more would stumble before the surrender on 17 April 1975.

**Population**

The Cambodian demographer, Ea Meng Try, made the interesting observation that although Cambodia’s involvement in the Second Indochina War caused greater insecurity, the birth rate actually increased during the first years of the war.²⁰ The increase, he argued, was due to “a relaxation of social mores, parental insecurity prompting early marriage of daughters, and the decline of unemployment as a result of military recruitment. The fall in the birth rate began in 1973.”²¹ Generally speaking, however, demographic estimates show that the rate of growth of the Cambodian population was depressed by the war. In view of rapidly declining fertility and the simultaneous rise in mortality, Jacqueline Desbarats argues that the growth rate fell to within the range of one to two per cent.²² Of the various estimates, she found those of the U.S. Census Bureau the most plausible, that is, a growth rate declining steadily from 2.7 per cent in 1971–72, to 2.3 per cent in 1973, 2.1 per cent in 1974, and finally only
1.5 per cent in early 1975. In her opinion, “A period of absolute population decline began in 1974–75.”

The first official 1962 census had enumerated the population as 5.7 million. This figure was ruled to be an undercount and was later adjusted to six million. Population growth rates were subsequently revised to 2.83 per cent for the early 1960s and to 2.95 per cent for the late 1960s, indicating an accelerating growth rate. The United Nations put the average annual increase at 2.8 per cent for the period 1965–70, whereas World Health Organization projections prepared in 1968 used a rate of 2.2 per cent for the low-growth assumption and of 3.0 per cent for the high-growth assumption. An annual growth rate around 2.6 per cent would have yielded a population of about 7 million by 1968 and 7.3 million in 1970. Jacqueline Desbarats offers the following table to illustrate these various estimates of the Cambodian population up to 1974, the last full year of the Khmer Republic:

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (millions)</th>
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<tbody>
<tr>
<td>1921</td>
<td>2.40</td>
</tr>
<tr>
<td>1948</td>
<td>3.75</td>
</tr>
<tr>
<td>1962</td>
<td>5.70</td>
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<td>1968</td>
<td>7.00</td>
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<td>1970</td>
<td>7.30</td>
</tr>
<tr>
<td>1974</td>
<td>7.92</td>
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Life expectancy at birth, which had been around only 35 in 1945, rose to 45 by the early 1960s. International organisations then reported a crude death rate of between 18 and 20 per 1,000, which remained virtually unchanged until 1970. After that year, according to Jacqueline Desbarats, mortality levels are largely a matter of conjecture. Ea Meng Try estimated that the rate was as high as 28 per 1,000 by 1975, due in part to the very high levels of infant and child mortality in the period leading up to the fall of Phnom Penh and the concomitant drop in life expectancy to 35 years in the early 1970s. Nevertheless, Desbarats suggests, this and other mortality rates, which did not take into account an estimated 600,000 victims of violence during that period, are likely to be too low. She supports the United Nations proposed average mortality rate of 22.5 per 1,000 for the whole period 1970–75, which was about 1.5 points
above the arithmetic average of Ea Meng Try’s estimates. “This figure is probably closer to the truth,” she noted, “implying as it does a total of about 750,000 deaths over the five-year period for a population around seven million, a figure compatible with the generally accepted estimate of 600,000 war casualties during the Lon Nol period.”

Estimates of war casualties for the period 1970 to 1975 range from a very low 200,000 to a very high one million. The table below was collated by Craig Etcheson and apart from the extremes, it shows that estimates from both sides more or less concurred that between 600,000 and 700,000 Cambodians lost their lives as a direct result of the war. The number of deaths caused by U.S. bombing, however, remains very controversial, as the table suggests. Furthermore, given the nature of civil war, it is practically impossible to give separate figures for civilian casualties and those of combatants.

Table 3.2 Death in Kampuchean War

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<tbody>
<tr>
<td>W.J. Sampson</td>
<td>0.20</td>
<td>Combat:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– combatants</td>
<td>0.10–0.80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– non-combatants</td>
<td>0.05–0.30</td>
</tr>
<tr>
<td>Ieng Sary</td>
<td>0.60</td>
<td>U.S. Air Power</td>
<td>0.03–0.50</td>
</tr>
<tr>
<td>Norodom Sihanouk</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. State Department</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saloth Sar</td>
<td>0.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Khieu Samphan</td>
<td>1.00</td>
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</table>

Apart from war casualties, the Cambodian population also suffered a significant migratory deficit during this period. The most substantial loss was due to the forced repatriation of about 200,000 Vietnamese, or around half of the total Vietnamese population in Cambodia, soon after the coup. In the final months before the Khmer Rouge victory of April 1975, many more Cambodians, especially those of Vietnamese and Chinese origin, left the country for fear of reprisals. Rémy Prud’homme put the number of Vietnamese residents in Cambodia at 250,000 in 1967, or four per cent of the total population. Jacqueline Desbarats believes the real number was probably closer to twice that figure; as the level of insecurity increased in neighbouring South Vietnam more and more Vietnamese took shelter inside Cambodia.
By 1975, Cambodia’s Vietnamese community barely existed. Lon Nol employed traditional Khmer hostility towards Vietnamese to rally popular support for his regime and for his anti-communist campaign. “Vietcong” was used as a derogatory term and applied indiscriminately to all Vietnamese residents. There were selective arrests, detention camps sprang up in the city and the countryside, and there were massacres. In one incident, 800 Vietnamese men, most of them skilled labourers from the community at Chrui Changvar on the peninsula directly opposite the centre of Phnom Penh, were herded onto boats, shot and their bodies were dumped in the river. On 27 April 1970, the Lon Nol regime admitted that more than 3,500 non-combatants, many of them Vietnamese civilians had been killed in the preceding month.\textsuperscript{27} The persecution of Vietnamese continued with the seizure of their homes, mandatory detention and the threat that those who remained would be assumed to be communist sympathisers and shot. Hildebrand and Porter noted that between 100,000 and 150,000 Vietnamese Cambodians either fled the capital or were deported after the April massacres.\textsuperscript{28}

The reprisals taken against Vietnamese Cambodians also panicked the local Chinese population. Discrimination was practised against the Chinese, but not nearly on the same scale as that suffered by the Vietnamese. Chinese schools and newspapers were shut down and Chinese citizens were harassed by the police and charged with being Khmer Rouge sympathisers. A Sino-Khmer butcher from Kompong Cham province told Penny Edwards that after the coup, the Lon Nol government gave Chinese special identity cards and charged them a special tax.\textsuperscript{29} Therefore, she added, “While Chinese names figured prominently in the daily list of donors of funds on behalf of Lon Nol’s defence forces and some Chinese took advantage of their business networks to turn the war to their profit, a great number of Chinese in Cambodia were unsympathetic to Lon Nol.” Many ethnic Chinese students moved to the liberated zone and many Chinese in rural areas responded to Sihanouk’s call for resistance to the republican regime. As noted previously, many wealthy Chinese Cambodians left the country before the final victory of the Khmer Rouge, but, despite this, Jacqueline Desbarats estimates that by 1975, the Chinese population had grown to about 425,000.\textsuperscript{30}

The most significant migrant flow was from the countryside to Phnom Penh. The escalating war, the U.S. bombing, and the increasingly strict rule in the liberated zones sent perhaps as many as two million rural people fleeing for the relative safety of the city. Phnom Penh was radically changed by the war from the proud, multi-ethnic “Pearl of the Orient” with a little over 400,000 citizens at the time of the 1962 census,
to a city around five times that size, the majority of the inhabitants being provincial and rural Khmer refugees.

**Human Development**

The World Bank reported per capita income of US$130 for an estimated Cambodian population of 7,692,000 at 30 June 1971. Meanwhile, in reality, the government in Phnom Penh was grappling with an ever-worsening food situation in the capital and the provincial cities.\(^{31}\) That month, the Mixed Economic Commission was given the task of forming convoys to supply the urban population with rice and other provisions. During its first year, 149 convoys were organised between the capital and Battambang (117 convoys) and Kompong Som (32 convoys), delivering over a million sacks of milled rice to the capital, as well as more than half a million sacks of rice derivatives and 75,870 tons of various merchandise.\(^{32}\) From Kompong Som, trucks and remorques transported salt, beer, cement, sawn timber and tons of imported goods. Convoys at the rate of three per month also came up the Mekong bringing important supplies of petroleum products. During that first year, the convoys returned with 26,888 metric tons of exports destined for Hong Kong and Singapore.

Despite the convoys and the government appeals to the population not to stockpile food, market prices rose at a staggering rate. From 10 riels per kilogram in December 1971, within two years the price of rice had risen to 125 riels.\(^{33}\) By the middle of February 1975, a kilogram of rice cost 340 riels on the free market. The government aimed to provide subsidised rice to Phnom Penh residents at the rate of 15 kilograms per family every ten days; in August 1972, a kilo of subsidised rice cost 117 riels and by then the number of needy families in the capital had risen to 216,936.\(^{34}\) Just two months before Phnom Penh fell, the maximum that could be obtained at the subsidised price was just 270 grams per person daily, which was only 60 per cent of the minimum nutritional requirement set by the World Health Organization.\(^{35}\) In fact, even that tiny amount was not reliable because corrupt officials diverted subsidised rice to the black market.

In these circumstances, inflation was unstoppable. In October 1971, Sok Chhong, the second vice-president of the Council of Ministers responsible for financial and economic affairs acknowledged that the consumer price index for the middle class had risen from 354 at the time of the coup to 770 by August 1971.\(^{36}\) Hildebrand and Porter claimed that the small middle class was virtually wiped out by runaway inflation that reached 280 per cent in 1974.\(^{37}\)
The cost of the war was not borne equitably, as the republic’s last Prime Minister, Long Boret, acknowledged in his first speech to the two chambers of parliament on 28 December 1973. “It is essential that the cost of this war imposed on us by the North Vietnamese aggressors be supported equitably by all social classes,” he said, “but at present it is the opposite. The elite, which consumes a large part of imported merchandise, have suffered rises in the cost of living far less noticeable than the middle and working classes.”

The highest cost of all was paid by the refugees. The tide of refugees into Phnom Penh was so vast that in 1972, in an effort to manage the flood, the city planners undertook an administrative subdivision into 8 khan (municipal districts) comprising 30 sangkat (municipal communes). Each khan was advanced half a million riels for administrative purposes and awarded a provisional budget of between one and two million riels according to the size of its population. The main function of the khan, at this critical point in the republic’s history, was to cope with the problem of refugees. At the same time, Lon Nol made an international appeal for humanitarian assistance for Cambodians displaced by the war. While the plight of refugees in Phnom Penh was severe, the worst-affected regions were in the south and the southeast of Cambodia near the border with South Vietnam. There, he said, the North Vietnamese forces and their Vietcong auxiliaries had displaced the population, forcing the inhabitants of many villages to follow them and be regrouped in the forested zones.

He added:

Thousands of Khmer inhabitants have been displaced under inhumane conditions and thousands of others have taken flight to escape the invaders and their constant exactions. This is particularly the case in Svay Rieng where the provincial capital has already grown with more than 47,000 refugees since the beginning of the general offensive.... But it is not only in this province where the number and the misery of refugees is increasing day by day. Refugees are flocking to Phnom Penh and other towns.... This influx poses problems that are becoming more and more difficult to resolve.

In his speech to the two chambers at the end of 1973, Prime Minister Long Boret spoke of the “great misery” that had settled on his country and of the “almost insupportable and excessively complex socio-economic problems” that continued to grow despite the efforts of the government in cooperation with some international aid organisations. “The government is taking charge of this problem in its entirety,” he told the parliament. Journalist Elizabeth Becker, who was an eyewitness to this misery, described government policy towards its civilians as “criminal neglect.” Wartime
Phnom Penh, she wrote, was a seedy city where army officers and their subordinates fleeced refugees at roadblocks, confiscated anything of value and bought young girls to stock their brothels. “By 1974,” she noted, “the U.S. had delegated the task of caring for the homeless to private American charities which had to plan, build, staff and purchase everything for the expanding population…. Malnutrition was commonplace among the children.”

**Health**

The escalation of the war after March 1970 led not only to a rapid decline in the nutritional status, but also to the deterioration and destruction of many health facilities. During the Sangkum, there had been a highly satisfactory development of the health sector. A WHO estimate in 1969 had put the number of hospitals throughout the country at 40, and the number of hospital beds at close to 5,500. Within six months of the outbreak of hostilities, however, only 27 hospitals remained in operation and this number had fallen to 13 one year later.

Given the widespread starvation that came to be associated with the regime of Democratic Kampuchea after 1975, the severe malnutrition and death from starvation, particularly among young children in the refugee camps in Phnom Penh and other centres after 1972 is usually forgotten. The average daily calorific intake fell from an already meagre 2,190 in 1972 to just 1,884 in 1974. The average body weight of a two-year-old child in January 1975 was 27 per cent less than it had been before the war. During the last five months of the war, Hildebrand and Porter believed that 250 deaths per day from starvation was a conservative estimate. Many other malnourished children were stunted both physically and mentally.

**Education**

The provincial universities in Battambang, Kompong Cham and Takeo had to close because of the war, and public instruction in many parts of the country was similarly affected. Nevertheless, for obvious reasons, education remained as important to Lon Nol’s regime as it had been to Sihanouk’s.

As Sihanouk had declared the ideology of Buddhist socialism to be a fundamental element of his state development policy, so Lon Nol formulated his beliefs into the state ideology termed, in official French
translation, *Neo-Khmerisme*. This was an obscure, eclectic blend of political notions and religious values compiled into a slim catechism representing “our formula of national salvation through struggle, nation-building and renaissance.”\(^{45}\) It explained, “Neo-Khmerism is especially Khmer with concrete signification, fusing the spirit of liberty, equality and fraternity from Europe with the very deep influence of Buddhism (egalitarianism) with its discipline and compassion and the march of evolutionary progress in the world.” Its primary objective was to build a nationalistic spirit in the young, and Lon Nol’s concern for the renaissance of what he called the “Khmer-Mon race” did indeed strike a chord with the young, especially with high school and university students.

In terms of educational policy, neo-Khmerism had three core elements, namely civics education, Khmer as the language of instruction, and the mobilisation of students to take direct action against the enemy.\(^{46}\) Some students joined the armed forces, but David Ayres argues that the majority of them were mobilised for public information campaigns, not for battle. Youth battalions were also formed in the schools to act as a militia to defend school property.

The refugee situation also impacted upon Phnom Penh’s education infrastructure. By the start of the 1970–71 academic year, almost 40 per cent of students attending primary schools in the capital were refugees. “Double, and in some cases triple shifts were established within schools to cater to the eligible students,” Ayres noted. “Teaching materials were scarce … while the impoverished and malnourished state of many children … was not conducive to effective learning.”\(^{47}\)

**Economic Activity**

*Agriculture and Food Supply*

The last full year of the Sangkum, 1969, had started with a poor rice harvest of 2,503,000 metric tons, which was 748,000 tons less than the previous harvest. This was mainly due to a severe drought in the primary rice-growing regions. The drought, as well as the defoliation caused by U.S. aircraft in Mimot and Krek during May, reduced rubber production by 2,600 tons. Maize and tobacco were similarly affected by the drought.\(^{48}\)

The following year, the rice harvest was exceptionally good and it had been collected and stored well before the outbreak of hostilities at the end of April. The harvest of 3,595,000 metric tons was gathered from 2,444,000 hectares (compared to only 1,944,000 hectares the previous
year), giving a satisfactory yield of 1.47 tons per hectare. Maize production also rebounded and the predictions for the jute harvest were exceptional. Only rubber continued to decline, with the average yield falling to 1,086 kilograms per hectare, compared to its peak of 1,448 kilos in 1966.49

Therefore, it was with justifiable confidence that the Ministry of Finance issued a communiqué at the end of May 1970, confirming that “the Cambodian economy … remains relatively healthy and active” despite the enemy attacks on road and rail infrastructure in the south and east of the country.50 Outside those areas, the communiqué stated, the people were going about their normal occupations and exportable surpluses of the paddy harvest had been collected and stocked in Phnom Penh by the responsible bodies, namely OROC, SORAPA and Sonexim. Stocks of rice and rubber had been moved from areas at risk such as Prey Veng and Kompong Cham.

Until 1972, this confidence was shared by almost everyone except the French planters. At the end of June 1970, the president of the Rubber Planters Association, Jacques Therron, advised that because of the war, half of the year’s production would be lost. At that point, only one of the five big French-owned plantations, Chamcar Andaung, was still operating, but the communist forces had blocked all transport of rubber towards Phnom Penh. Of one hundred planters before the war, only 20 remained. Some of those planters, Therron said, had left permanently. The plantations had suffered great damage and the cost of repairing Chup Plantation alone would be at least three million pounds sterling.51 In November, the economic journals were reporting no operations concerning rubber; in fact, there had been no tapping on the big plantations since April.

At the beginning of 1971, the newly-reorganised Ministry of Agriculture had assigned special projects to its five general commissariats for agronomy research, rice production, rubber production, cattle raising, and hunting and fishery. It was also buoyed by the prospect of another relatively good rice harvest. The area to be harvested totalled 1,792,000 hectares in 13 provinces, which, the ministry said, was only 217 hectares less than that of the previous year. The combined wet and dry season harvest was estimated to be 2,732,000 metric tons.52 Harvesting would be difficult not only because of the insecurity but also because of the seriously depleted labour force since so many young men had been enlisted into the army. Nevertheless, the ministry believed that the harvest would be sufficient to meet the needs of the population. The government even proposed meeting some of their export orders. Planned exports from the agricultural sector in 1971 and their value in riels were as follows:
Table 3.3  Planned Exports for 1971

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice and derivatives</td>
<td>120,000</td>
<td>607,634,000r</td>
</tr>
<tr>
<td>Rubber</td>
<td>20,000</td>
<td>55,860,000r</td>
</tr>
<tr>
<td>Total planned exports</td>
<td></td>
<td>795,212,000r</td>
</tr>
</tbody>
</table>

In fact, there was little cause for optimism. The cultivated area had not fallen below 1.8 million hectares since 1955, the first year of the Sangkum, and the estimated 1970–71 harvest was actually less than that for 1963–64. In general, the ministry’s policy was to maintain current yields and production by ensuring that farmers received essential supplies and that there was sufficient protection for the work of harvesting, collecting and transporting produce. In and around the main centres, there would be intensive production and stockpiles had to be built against foreseen difficulties of supply. Draught animal stocks had to be protected from illegal exports and thoughtless slaughtering, and there would be a relaxation of forestry regulations in order to facilitate the transport of forestry products. There was also thought for the future and development plans were established for all branches of the ministry because “[it] will be called to play a very important role once the war is over.”

After the failure of the 1971 dry season offensive, the course of the war only worsened for the republican side and more and more of the important rice-producing regions fell outside government control. By the end of 1973, when Kompong Thom and Takeo had also fallen, the government could rely only on parts of Battambang province to supply its food needs. In 1974, Hildebrand and Porter estimated, the total cultivated paddy land had fallen to about 500,000 hectares. “Primarily because of loss of control over productive land,” they noted, “and secondarily because of lower yields in the remaining areas, paddy production in the Khmer Republic zone fell from a high of 3.8 million tons in 1969–70 to 493,000 tons (at a highly favourable estimate) in 1974–75 — an 87 per cent decline. Thus Cambodia, which had exported some 230,000 tons of rice in 1968 had to import 282,000 tons during calendar year 1974 under the PL-480 program.”

**Industry**

The most significant change in industrial policy was the disengagement of the public sector and the resumption by private enterprise of its role as the motor of commercial and industrial development. The law of 12
February 1970, *KRAM* 425/70-CE, reserved only the production and distribution of electricity above 500KVA and the production of arms and munitions as monopolies for the public sector; rail transport and the post and telecommunications services were also state preserves. The private sector therefore believed that apart from these areas, free enterprise should have unrestricted access.

The mixed economy companies, however, remained a structural feature of the republican economy and they presented a challenge both to private entrepreneurs and to the government. The Chamber of Commerce argued that the state’s original role in these businesses was a temporary one, to be cast off once the enterprise was able to stand alone. “The state was supposed to play just the role of a go-between and progressively the enterprises would be able to work alone, keeping only a percentage or a sufficient authority to safeguard the national interest against speculative activities by some greedy capitalists,” the editor of its bulletin wrote in January 1971. After 1963, however, “impromptu statisation of some mixed economy companies and the eviction of private shareholders, put an end to the harmonious marriage of public and private capital.” In fact, by the end of the Sangkum, many of the mixed economy companies were *de facto* state companies and they were run by state functionaries who, Michael Vickery argues, ruled them like the *apanages* of pre-colonial Cambodia:

> Under royalist-Buddhist socialism the state industries and nationalized enterprises after 1964 became in effect appanages for Sihanouk’s favourites, who grew wealthy while the account books showed red. Periodic scandals served to spread the wealth around, placing some in temporary eclipse while others took their turn at the trough. It was a continuation of the traditional practice of officials extracting a percentage of what they collected for the state and no one in the elite was ever severely called to account or forced to repay what he had collected from the public till.57

The Chamber of Commerce claimed not to be opposed to the existence of the mixed economy companies, only to their management practices. “Undoubtedly, mixed economy is not the best formula, but in a developing country like ours, it is perhaps the least bad formula. The essential point is that things move freely and that management is organized according to private norms.”58

The economic liberalisation policy of the republican government met its first test over the ownership of *l’Electricité du Cambodge* (EDC), one of the most profitable companies of the national economy. Officially,
EDC was a mixed-economy enterprise and according to the Commercial Code (Article 386b), private investors were entitled to at least a 20 per cent share of the ownership. In fact, under the Sangkum, the state had run the company as a monopoly. The Chamber wanted the state to recognise its own law in this regard and suggested, “It would be very desirable if the private participation rate could be increased … because the state has to use what little capital it has at its disposal for the imperatives of national defence.”

While economic liberalisation served to benefit the handful of big investors in the country’s economy, as far as the small industrialists who constituted the vast majority of those engaged in the industrial sector were concerned, liberalisation had few advantages. Almost 90 per cent of the estimated 1,480 industries were small and they operated on very little capital. The removal of protective tariffs at the end of 1969 hurt them badly because they could not compete with imported products in terms of either quality or price; they were also severely affected by inflation, as well as rising costs and salaries for their workers.

Towards the end of 1972, Khuon Chhiek, secretary of state for industry, discussed some of the problems of industry caught between war and peace, of trying to meet the immediate needs of the army and the civilian population while also preparing for post-war reconstruction. “When the war is over,” he said, “there will be many things to do — jobs for youth, for those who left the countryside because of war and do not want to return, and for the demobilized soldiers who may want to stay in the towns. With what [little industry] we have, it is not possible to envisage absorbing 5,000 new workers and technicians each year.” He said he was helping to prepare a government plan for reconstruction with a view to creating economic development zones in Phnom Penh, Kompong Som and Battambang.

The Labour Law of the Khmer Republic was promulgated by Ordinance No. 2/72 on 14 January 1971 but it was never implemented. Galloping inflation and rising food prices created worker discontent, especially among civil servants whose salaries, always disproportionately small, rapidly lost purchasing power. In July 1972, Lon Nol made a national radio broadcast, promising them higher wages. In part, he said:

I know that the small salaries in the public services have not seen an improvement in those workers’ situation. I must find money to improve the situation for those whose salary is below 2,500 riels. For them, their salary will be increased to 3,500 riels. For those whose salary is between 2,500 and 3,500 riels, it will be a small increase. For those
whose salary is above 3,500 riels, I ask them to be patient because the
country can do nothing in their favour at the moment. For “floating”
workers, I have decided to award them a minimum of 80 riels per day.
This measure will take effect from 1 July 1972.\(^\text{61}\)

The official exchange rate was then 159 riels to one American dollar
and the black market rate was well in excess of that; at the end of 1971,
when rice was still only 10 riels per kilogram at the official rate, one
dollar fetched 370 riels on the black market. Two years later, the cost of a
kilogram of rice had increased more than ten times and labour strife had
grown commensurately. Following demonstrations and then a general
strike at the beginning of 1973, the government finally fixed and paid a
minimum wage of 3,500 riels per month to take effect from January that
year.\(^\text{62}\) The striking workers had also demanded administrative reforms,
family allowances, improved accommodation, social security and a 40-
hour week, demands that were in line with the government’s own labour
code. In response, the Ministry of Labour and Social Action promised
them a 40-hour week “after the war.”

**Foreign Aid and Trade**

In July 1969, Cambodia restored diplomatic relations with the U.S. and
Ambassador Emory Swank presented his credentials in September the
following year. By then, diplomatic relations had also been restored with
Thailand, South Korea and South Vietnam. In 1969, Cambodia also
completed all the formalities for joining the International Monetary Fund
and the World Bank (then the IBRD) and had regained its membership
in the Asian Development Bank. Subsequently, the National Bank, in its
report for the 1969–70 fiscal year announced that in order to consolidate
its economic independence and in view of the country’s increasing defence
needs Cambodia was actively seeking external finance.

The Ministry of Finance was convinced that large-scale international
collaboration would soon resolve the economic and financial difficulties
that Cambodia was experiencing. In May 1970 the ministry issued a
communiqué promising that “the diabolical plan of the communists to
paralyse our economy will not be achieved.”\(^\text{63}\) The IBRD mission had
concluded that Cambodia’s economic and fiscal situation was “relatively
good,” so the ministry could report, “Our country will be able to count
on annual aid of US$10 million from friendly countries and an annual
loan of a further US$10 million at five per cent interest reimbursable in
12 years, including two years of grace, without any inconvenience because
the level of our foreign debt is low and the conditions of self-regulation are very favourable.”

Economic assistance, however, was not immediately forthcoming once diplomatic ties were restored with the U.S. The Asian Development Bank approved a US$1.6 billion loan funded mainly by Japan and the U.S. for hydroelectric and other infrastructure work and by June 1970, some military aid had been received from the U.S., Thailand and South Vietnam, but the first shipments of U.S. economic aid did not start arriving until after 23 June 1971. According to William Rosoff, “Washington, it seems, was putting pressure on Phnom Penh to de-nationalise the economy as a prerequisite for receiving [economic] aid.”

The second of the two laws of economic liberalisation issued on 12 February 1970, Kram No. 426/70-CE, allowed the private sector “to exercise competitively with the public sector the profession of exporter and importer.” According to this law, the state retained its exclusive monopoly over exports of rice and derivatives, maize, rubber, and precious or semi-precious stones, and the commerce ministry would continue to regulate goods that could be imported with foreign currency, but otherwise the private sector could compete equally with the public sector in trade operations. The revised legislation must have satisfied the U.S. because in August, three weeks before the new ambassador presented his credentials, the State Department announced that it had approved an aid programme for Cambodia worth more than $100 million per year. This aid would be delivered in a variety of forms: as direct financial support to the Cambodian budget, as credit for Cambodian purchases from the U.S. (under the Commodity Import Programme, CIP, as before 1963), and as technical assistance. An extra $40 million was added to military aid for the 1970–71 fiscal year in the form of light arms, munitions, communications equipment, training and uniforms.

No doubt reassured by the promises of economic and military assistance, the National Assembly, on 14 October, voted for an additional bill to liberalise the export of rice and its derivatives and maize. The government press release concerning the new law explained, “The measures of liberalisation respond to the current need: we must end blind statism and l’économie en vase clos imposed on the country by the catastrophic experiences and so-called socialisation of the dictatorial Sihanoukist regime, responsible for the severe economic and political crisis which endured for years and from which we still suffer the effects.” The end of state monopoly over the export of grains and cereals saw the dissolution of the state companies Sonaprim, which had been responsible for the distribution of imports, and Magétat, which ran the state food shops.
The Chamber of Commerce members naturally responded to the law with satisfaction and the added hope that removal of the remaining state monopolies on the export of natural rubber and precious stones would represent the last stage of full liberalisation.

The further liberalisation of the economy received the endorsement of the U.S. Senate Commission on Foreign Affairs, which approved $255 million in aid to Cambodia on 29 December 1970. This figure represented almost half of the total American aid commitment to Southeast Asia that year. Australia had also promised A$3.7 million in aid under the Colombo Plan, and Cambodia had requested US$20 million from Japan as special grant aid for humanitarian purposes, for communications, and for ambulances and medical supplies.

Thus, by the end of 1970, the Lon Nol regime was securely hooked up to the drip-feed of aid. Hildebrand and Porter calculated that the Khmer Republic received a total of almost $1.9 billion in U.S. assistance. Like an addictive drug, however, the aid that the regime received from the U.S. only served to weaken it. Most analysts are scathing in their assessment of the role the Nixon government played in the destruction of Cambodia in the 1970s, not only by aerial bombardment but also by the way it delivered aid. Elizabeth Becker observed that Lon Nol’s belief that the U.S. commitment to the war effort was a “blank cheque” was one of his most serious errors:

Lon Nol never received public, long-term support from the United States, there was not even a common agreement on goals…. American troops but not American money would be withdrawn. The U.S. would support its allies’ war effort until American objectives had been reached … [but] Nixon and Kissinger had no intention of fighting a war against Asian communism to the finish…. A dance of deceit and manipulation ensued between the American president and the U.S. Congress, and between the president and his ally Lon Nol in Phnom Penh.

The aid, she wrote, was sent first to the military where it could be best disguised and where U.S. interests were centred. On the other hand, the U.S. gave no humanitarian aid until 1971, “and then not nearly enough to care for the growing number of refugees, the wounded in crowded hospitals, and the thousands going hungry as rice fields became battlefields.”

It is difficult to track and calculate this aid because, as Elizabeth Becker said, it came in many guises. The Commercial Imports Programme, the main form of U.S. aid to Cambodia before November 1963, was resumed. Under the CIP, Cambodian importers could repay
the U.S. in riels (at preferential exchange rates) for goods purchased with foreign exchange such as petroleum, spare parts, machinery and chemical products, and these riels were then placed in a special fund for technical aid projects or for the army. Agricultural products, including cotton, tobacco, vegetable oil and flour, were imported under PL-480, Public Law 480, which in America funded a programme to provide free food for the poor. In Cambodia, according to Hildebrand and Porter, it too was used to generate Cambodian riels for the army.\textsuperscript{70} There were also categories for technical aid, humanitarian aid, and aid to the Exchange Support Fund. All of this was termed “economic assistance” to distinguish it from “military” aid, but it hardly mattered because most Western observers agreed that all but a tiny fraction was diverted to support purchase of military equipment or to pay military salaries.

Humanitarian aid amounted to almost nothing compared to the total aid budget. For the 1974 fiscal year, for example, the total amount of non-military aid provided by the U.S. was $236.5 million. That year, humanitarian aid accounted for only a little more than half of one percent of the total but, according to Hildebrand and Porter, the unspoken understanding was that “the U.S. provided military and economic aid and it was the policy of the U.S. to encourage other countries to assist Cambodia with humanitarian needs.”\textsuperscript{71} The following table shows how the total disbursement was broken down that year:

\textbf{Table 3.4} U.S. Civil Aid to Cambodia for the 1974 Fiscal Year\textsuperscript{72}

<table>
<thead>
<tr>
<th>Programme</th>
<th>Amount (millions of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Imports Programme (CIP)</td>
<td>52.0</td>
</tr>
<tr>
<td>Public Law 480 (PL-480)</td>
<td>170.7</td>
</tr>
<tr>
<td>Refugees (humanitarian aid)</td>
<td>1.6</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>0.7</td>
</tr>
<tr>
<td>Exchange Support Fund (ESF)</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>236.5</strong></td>
</tr>
</tbody>
</table>

By 1974, the area of the country still controlled by the Khmer Republic had shrunk drastically. This amount of non-military aid, therefore, was destined only for the population of Phnom Penh and a few provincial towns, or around half of the highest total population estimate of just under eight million Cambodians. Hildebrand and Porter calculated a total U.S. civil aid bill of $748 million for the previous fiscal years (1971,
Therefore, the total amount spent on non-military aid to the regime of the Khmer Republic was close to one billion dollars, from the U.S. alone. The fact that children starved to death in the Phnom Penh slums and that civil servants had to strike in order to draw attention to their plight only highlights the scale of official corruption.

The amount of military aid, so termed, was greater than the total amount of civil aid, but it was not vastly greater. The following table is based on figures provided by General Sak Sutsakhan, a respected republican and a resistance leader throughout the 1980s. According to his figures, the total amount was almost $1.2 billion:

<table>
<thead>
<tr>
<th>Table 3.5</th>
<th>Disbursement Schedule, U.S. Military Assistance Programme, Khmer Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>180</td>
<td>220</td>
</tr>
</tbody>
</table>

Note: All figures are approximate amounts in millions of current U.S. dollars per fiscal year.

The amounts reported by the Chamber of Commerce bulletin are a little different. The following table is a composite derived from various issues between 1970 and 1975, inclusive; it calculates that a total of $904.8 million was given as economic assistance. The figures for military assistance, unfortunately, are incomplete, but are roughly consistent with those above for the three financial years, 1972 to 1974.

<table>
<thead>
<tr>
<th>Table 3.6</th>
<th>U.S. Economic and Military Assistance to the Khmer Republic (for fiscal years, 1 July–30 June, in millions of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>78.5¹</td>
</tr>
<tr>
<td>Military</td>
<td>Not Given²</td>
</tr>
</tbody>
</table>

Notes: ¹ $70m under CIP and the remainder under PL-480.
² On 24 August 1970, the State Department gave an “extra” $40m in military aid. In December 1970, a global figure of $255m in aid to Cambodia was announced.
³ Sirik Matak told reporters in September 1971 that the figure was $200m. On 2 June 1972, the U.S. Senate Commission on Foreign Affairs fixed a limit of $275m in military assistance to Cambodia (not including the cost of aerial operations).
⁴ In December 1973, U.S. Under-Secretary of State, Kenneth Rush, requested an extra $200m for munitions, matériel, transport and distribution, and maintenance for the Lon Nol government.
Therefore, it is not an exaggeration to claim that the government of the Khmer Republic received, from the United States of America alone, two billion dollars in combined economic and military assistance between March 1970 and April 1975, the bulk of it in just two years. Far from aiding the war effort, this level of support destroyed political will along with the national economy. An unknown quantity of this aid was diverted by corrupt military officers to support the enemy side.

**Trade**

In May 1970, the atmosphere was still positive. From the perspective of Phnom Penh, the combined U.S. and ARVN operation in the south and east of the country was engaged in driving out the Vietnamese communist troops from Cambodia. This was supposed to be the prelude to peace, not war. Meanwhile, the excellent 1969–70 wet season harvest had been successfully collected and stored. The Ministry of Finance anticipated earning 5,255 million riels from exports in 1970, with rice exports accounting for almost half of that amount. In the first quarter of 1970, in fact, exports had already earned about one-fifth of the plan. Export earnings were needed to help reduce the budget deficit that had risen rather alarmingly from 945 million riels in 1968 to 1,505 million riels in 1969. Due to the hostilities, there had been a few difficulties getting the export products to the port in Kompong Som, but the government was confident that all would proceed normally, despite a recent fall in rubber stocks. The 1970 annual plan estimated that total imports would be worth 3,703 million riels, excluding imports for the needs of the Forces Armées Nationales Khmères (FANK). Military imports were considered a priority, the finance ministry advised, and were confidential. Between April and June, however, the situation changed dramatically. The export plan was halved, the security of Route 4 leading to the maritime port was in jeopardy and traffic along the Mekong to the port at Phnom Penh was possible only with the protection of armed convoys.

The general impression of foreign trade during the time of the Republic is that of a one-way traffic of massive stocks of imported agricultural products and war matériel arriving at Kompong Som port, or of petroleum products reaching Phnom Penh by armed convoys along the Mekong from South Vietnam, with very little going the other way. In fact, Cambodia continued to export rubber, for instance, at least until the middle of 1973. Stocks of rubber sheets and crepe had been transferred out of the conflict zone before the outbreak of major hostilities, and there were also small plantations that continued to operate around
Kompong Som after the plantations in the east were no longer viable. Therefore, Cambodia was able to fill orders for rubber for some time after the main supply of latex dried up. During the first half of 1973, for example, Sonexim shipped 10,641 metric tons of rubber worth US$3.674 million. Most of this rubber was sold to Singapore, followed by Malaysia and France.\(^7^8\)

Nevertheless, export revenue declined drastically as a result of the war. The government of the Khmer Republic had to seek alternative sources of income to cover its rapidly increasing costs.

**Public Finance**

The war, along with the massive amounts of foreign assistance that were supplied to pursue it, destroyed the productive base of the Khmer Republic. The economic assistance programme known as CIP was supposed to maintain the supply of commodity imports and to replace losses of production caused by the war. In this way, the CIP should have helped to avoid excessive inflation and other major economic problems. The habit of official corruption, however, destroyed any hope of that. As noted previously, many of those imports were diverted to the private sector and sometimes even sold directly to the enemy forces. Consequently, there were insufficient stocks of food and other supplies for distribution by government agencies, and inflation was the unavoidable consequence of demand exceeding supply.

Seven months before the coup, on 18 August 1969, the riel was devalued from 35.07 riels against the U.S. dollar, to 55.65 riels, or, in gold terms from 25.3905 milligrams to 16 milligrams. This devaluation was not entirely unforeseen or unwelcome. The official rate of around 35 riels had not been adjusted since the riel was first issued in 1955. The National Bank of Cambodia, in its report for the fiscal year ending 30 June 1970 noted with satisfaction, “This new definition of the riel compared with gold and its new parity is closer to the real value of the national currency by comparison with other foreign currencies.”\(^7^9\) Furthermore, the report added, “Reserves in gold and foreign currency of the [bank] can thus be estimated at their real value, being 3,500 million riels rather than 2,600 million riels, and the rate of cover of the riel has gone from 42 per cent to 56 per cent.”

The years of the Khmer Republic coincided with years of uncertainty in the international money market. In the two years between August 1971 and August 1973, the U.S. dollar was devalued twice, the price of gold
Trebled and strong currencies such as the deutschmark were revalued three times. None of these fluctuations, however, compared with the collapse of the riel. On 28 October 1971, the National Bank of Cambodia ordered the commercial banks to suspend all foreign exchange operations pending measures to stabilise the economy, including establishing a “flexible” rate for the riel which had to be “realistic and reasonable.” At that point, some optimists believed that the riel would settle at 150 riels to the dollar, but already, while the official rate was 140 riels, the dollar was selling for between 200 and 370 riels on the black market.

By late 1971, the Cambodian economy was showing deep scars from one and a half years of war. The level of budgetary expenditure had risen sharply from 8,391 million riels in 1969 to 14,324 million in 1970 and 18,700 million in 1971 in order to finance war needs and soldiers’ salaries for an army which was six times larger than it had been in March 1970. At the same time, Sok Chhong, second vice-president of the Council of Ministers, responsible for finances and the coordination of economic and financial affairs, admitted that the dislocation of domestic production, the shrinking of trade and other important economic activities had resulted in a substantial loss of budgetary receipts.

Various measures were taken to stabilise the economy. The only way to combat inflation, according to Sok Chhong, was by reining in monetary growth and increasing the supply of consumer goods on the market. The success of the stabilisation programme, he admitted, would depend on external assistance to a large degree, but he also called for sacrifices on the part of the people. “The measures are classic ones,” he said, “limit the deficit by reducing expenses and increasing normal receipts.” He added:

We will issue treasury bonds to finance part of the budget deficit. We will have bank credits only for essential operations of production, export, import and distribution. It will be forbidden to use these credits to finance losses by state enterprises and public services. We will substantially increase interest rates and strengthen control the National Bank has over commercial banking operations through the introduction of minimum obligatory reserves for the banks…. Instead of price control, we will introduce special official programmes to ensure the continued supply of essential food items at reasonable prices.

Sok Chhong advised that the government would introduce new taxes, guided by the principle of asking those who could afford them to pay the heaviest price. For instance, imported rice and salt was now to be charged the minimum tariff, while import taxes on less essential items were raised from 35 per cent to 60 per cent.
The commodity aid programme, the CIP, accounted for almost two-thirds of total imports. It had proved difficult to administer, however, and the long delays between ordering and delivery had made importers reluctant to utilise the programme, despite the preferential credit facilities that it offered. The government tried to introduce lists of import items that were available exclusively under the CIP, but the private sector demanded full liberalisation of trade. Aware of the U.S. stand on free trade, the government eventually abandoned its lists and instead opted for a preferential exchange rate for commercial aid imports purchased in the donor country.

The Exchange Support Fund for the Khmer Republic made up the budget shortfall to try to secure the economy. Twelve countries: Australia, the Republic of Korea, U.S.A., U.K., Indonesia, Italy, Japan, Malaysia, New Zealand, Philippines and Thailand, along with IMF representatives, took part in a conference held in Phnom Penh in January 1972 to discuss pledges to this fund. Sok Chhong explained the broad features of the government’s economic stabilisation programme since its inception at the end of October 1971. These included, he told the participants, the decentralisation of economic management, the lifting of direct import and exchange controls, and the introduction of a flexible exchange rate. These strategies, he claimed, had succeeded in restraining growth in the consumer price index (CPI) for the working and middle classes, figures for which had risen alarmingly by around 100 per cent for the whole of 1971. Fluctuations in the CPI were admittedly seasonal, but in December 1971, at least, the CPI had remained stable, which was an encouraging sign. Nevertheless, he noted, “We do not believe that lasting price stability will be attained quickly … and the prospects are for continued monetary expansion on account of the 1972 budget deficit.”

During the first year (January to December 1972) of operations of the Exchange Support Fund, it was estimated that the Khmer Republic would require US$35 million to support its budget. The total Khmer contribution for 1972 would amount to US$15 million, including $6.25 million borrowed from the IMF. The Exchange Support Fund was indeed “extremely precious aid” as Prime Minister Long Boret told the U.S. chargé d’affaires, Thomas Enders, at the ceremony signing the agreement for 1974. It would be used, he said, to arrange the budget and “regulate some social problems resulting from lack of salaries.” Thomas Enders said the aid was intended to allow the Khmer Republic to buy imports it needed to combat inflation and to reduce the budget deficit.

By 1974, according to Hildebrand and Porter, the military budget was half as big again as the total liquid assets in the hands of the public.
at the end of December 1973. By then, they added, 95 per cent of domestic revenues were drawn from U.S. assistance. The March budget of 1970, the first budget of the government of the Khmer Republic, had anticipated that aid funds, grants and loans would represent only 7.3 per cent of total government revenue. When that budget was brought down, of course, the war had not yet begun.

The mounting deficit, commonly given as an excuse for the coup of March 1970, rose from 8,889 million riels in 1970 to 10,107 million riels in 1971. Ironically, between 1968 and 1969 it had risen from only 945 million to 1,505 million riels, an increase that had given cause for great alarm at the time. In December 1971, the economic commission of the Asian Parliamentarians Union presented a report on the situation in Cambodia to its general assembly. The report noted that monetary mass had increased by 123 per cent since March 1970. It included an inventory of war damage, completed in July 1971, still very early in the war, that already amounted to US$300 million; of this, basic infrastructure had suffered $85 million worth of damage, the rubber industry $46 million, and private industries $40 million. In those circumstances, no amount of foreign assistance could put the economy together again.

**Conclusions**

It is not possible to judge the economic performance of the Khmer Republic as anything other than a failure. Despite massive inputs of foreign assistance, it could neither feed its people nor defend them. By the end of the regime, the population growth rate had halved and life expectancy had fallen to only 35 years, the level it had been at the end of the Second World War. Damage to the nation’s economic infrastructure during the civil war, which began only one month after the coup, was massive. By its final year, the national budget was almost totally dependent on foreign aid. The regime left future generations of Cambodians with an external debt of around $300 million owed to the U.S. alone. Repayment of this debt was still being negotiated c. 2000.

It is tempting to dismiss the five years of the republic as an anomaly in Cambodian history, a failed experiment to govern without the traditional, perhaps essential, synergy between the monarch and the people. The removal of the king from executive power, however, seems to have had little effect on the political economy. In fact, if the war had not intervened, the transition from kingdom to a republic might have represented merely a further stage in the evolution of the Cambodian state. As far as urban dwellers and the middle class were concerned, the coup signified
the fulfilment of the modernisation process that started with independence from French colonisation; it was a “turning point” in Khmer history as the Chamber of Commerce chose to call it. There were, certainly, demonstrations in the provinces against the coup and thousands of peasants joined the communist insurgents in the maquis at Sihanouk’s call for them to do so. On the other hand, thousands of young people in the city and towns, especially students, rallied to the republican side during the Chenla offensives in the dry seasons of 1970 and 1971. The government ordered a general mobilisation, but force was not generally necessary to conscript the people, even though the army grew six times in size.

The coup was popular in Phnom Penh. As Justin Corfield noted, the citizens there were buoyed with a new sense of patriotism and national identity. Big businesses, both foreign and locally owned, backed the republic from the outset. The policy of economic liberalisation was for their benefit, although small industrialists and artisans suffered from the removal of protective tariffs and competition from cheap imports. The big businesses also stood to gain from the policy of disengagement of the state sector from those enterprises that had been created under the Sangkum. Some mixed-economy enterprises, including Sonexim and l’Electricité du Cambodge, survived but only under sufferance from the big private entrepreneurs. It is not an exaggeration to claim that the coup of 18 March 1970 represented a victory for big business and the indigenous capitalist elite over efforts by Sihanouk and leftist elements to promote local industries and to encourage private domestic savings.

The private sector soon realized that its demands for more and more economic liberalisation were backed by the U.S. government which faithfully rewarded the government of the Khmer Republic with ever larger quantities of economic and military assistance for each step it took towards full deregulation. As the government was financially dependent on this assistance for its very survival, to the extent of 95 per cent by 1974, whatever plans it had for managing a war economy or for post-war reconstruction had to be scrapped.

The government of the Khmer Republic had to rely on foreign assistance because it quickly lost the traditional source of the surplus it needed to fund itself. The republican government lost control of half of the Cambodian countryside within the first few months of the regime. After that, despite some minor military reversals, more and more of the food-producing resource base fell outside its administration until, by the end, fewer than half a million hectares of paddy were still producing rice for the republic. The war was disastrous for the whole agricultural sector.
Rice fields, as Elizabeth Becker wrote, turned into battlefields and a once proud rice-exporting country, within a few short years, became a rice importer. By the end of the regime, imported rice was being dropped from aeroplanes to feed urban enclaves that were besieged by communist armed forces. Natural rubber, the other mainstay of government receipts was also an early war victim. The big French-owned plantations were severely damaged by defoliation and aerial bombing, and their location in the far east of the country made them ideal sanctuaries for enemy forces. Tapping there stopped in the first month of the war, in April 1970. The forestry and fisheries sectors also suffered from the expanding war.

Generous foreign assistance was provided to support the war effort, to compensate for losses in production caused by the war, and to combat inflation. During the five years of the Khmer Republic, the U.S. alone provided around two billion dollars in combined military and economic assistance. Economic assistance was offered in the form of commodity imports supplied at preferential exchange rates, food aid, humanitarian relief, technical assistance, and budgetary support through the Exchange Support Fund. Much of this “economic” assistance was also diverted to pay for the growing military budget, and an unknown, but presumably large amount of all foreign assistance was stolen for private gain. Corruption was endemic in official and military circles and at all levels. There were new political institutions, but no political will, to deal with corruption.

As an urban phenomenon, the Khmer Republic stimulated new ideas and discussion about governance, the economy, and the future direction of the country. Its constitution was radically different from that of the Sangkum. Despite the limitations it imposed on genuine civil liberties, constraints which may be understandable in terms of the war, it was a liberal document which focused on the rights of the people rather than on the privileges of the ruler, as the previous constitution had. It introduced political concepts of human rights and social justice, and it provided for institutions to protect those rights. In practice, however, most glaringly in relation to the treatment of refugees, workers and the urban poor, these concepts had little application. Institutions that guaranteed constitutional rights and protections were decreed into law, but there is little evidence that they ever did the job for which they were intended by the constitution.

The republicans believed that they had made revolution in their country’s polity. Little, however, genuinely changed. Despite the Americanised constitution and liberal flourishes in official rhetoric, the political and economic leaders proved that they were unprepared to forego the old habits and privileges on which they relied for their wealth and status.
It was difficult for Westerners to understand, Prime Minister Son Ngoc Thanh told a journalist in 1972. “The Khmer revolution is not like Western politics,” he said, “it is not strictly logical, it is more like a complex piece of Angkor sculpture that unfolds slowly to the viewer.”

The real Cambodian revolution, of course, was already taking shape in the countryside and it had little in common with the delicate traceries of Angkorian sculptures.
Smallest unit of currency prepared for Democratic Kampuchea but never issued
Smallest unit of currency prepared for the People’s Republic of Kampuchea, circulated in 1980
One riel note prepared for Democratic Kampuchea depicting workers digging an irrigation channel.
Five riel note prepared for Democratic Kampuchea, 1975, depicting Angkor Wat
Ten riel note prepared for Democratic Kampuchea, depicting soldier working with peasants.
Fifty riel note prepared for Democratic Kampuchea, depicting peasants transplanting rice.
One hundred riel note prepared for Democratic Kampuchea depicting industry
Note worth half of one riel, the People's Republic of Kampuchea
Ten riel note of the People’s Republic of Kampuchea depicting pepper farming
Fifty riel note of the People’s Republic of Kampuchea