

# CRS Report for Congress

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## Cambodia: Background and U.S. Relations

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### Summary

Although Cambodia has made some progress in establishing democratic institutions, developing export industries, and nurturing a vibrant civil society, U.S.-Cambodian relations remain strained. In response to strong-arm political tactics by the Cambodian Prime Minister, Hun Sen, the Cambodian government's delays in bringing former Khmer Rouge leaders to justice in a UN-backed international tribunal, and other issues, the United States has limited foreign assistance mostly to non-government organizations in Cambodia. This report provides background and analysis regarding U.S. policies and interests toward Cambodia, including foreign aid restrictions, trade, the bilateral textile agreement, human trafficking, illegal drugs, and HIV/AIDS. This report will be updated as warranted.

### Background

After receiving its independence from France in November 1953, the Kingdom of Cambodia has seen its recent history plagued by conflict. In 1970, the military forces of U.S.-backed General Lon Nol overthrew the government of Prince Sihanouk. The Lon Nol government was then defeated in April 1975 by the North Vietnam-backed Khmer Rouge. During the Khmer Rouge's subsequent three-year brutal reign – which included imprisonment and torture, depopulation of the cities, and the establishment of a system of rural communes – an estimated 1 to 3 million people died through execution, starvation, overwork, and disease. In January 1979, an invasion by Vietnamese

#### CAMBODIA IN BRIEF

**Population:** 12.5 million

*Growth rate:* 2.25% (2001 est.)

**Location:** Borders Thailand, Vietnam, and Laos

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

**Capital:** Phnom Penh

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

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

**Religion:** Theravada Buddhist 95%; Other 5%

**Life Expectancy at Birth:** female 59.12 years; male 54.62 years (2001 est.)

**Literacy:** total 35%; female 22%; male 48% (1990)

**Inflation Rate:** 1.6% (2000 est.)

**Gross Domestic Product:** \$3.2 billion (2001); *Per Capita* \$257; *Growth Rate* 5.3% (2001)

**U.S. Trade:** exports to U.S. \$964 million; imports from U.S. \$ 28 million (2001)

**Sources:** CIA World Factbook; U.S. Department of Commerce; DRI-WEFA; U.S. Embassy Country Commercial Guide.

forces drove the Khmer Rouge from Phnom Penh into the countryside and sparked a 13-year civil war. A United Nations (UN)-brokered peace settlement officially ended the war in October 1991 and led to elections for a 120-seat Constituent Assembly in May 1993. Although the royalist FUNCINPEC (National United Front for a Neutral, Peaceful, Cooperative, and Independent Cambodia) Party won a 58-seat plurality, it agreed to form a coalition government with the Cambodian People's Party (CPP), which won 51 seats, after the CPP threatened that it would not accept the election. The establishment of the coalition government with Prince Ranariddh, head of FUNCINPEC, and Hun Sen, head of the CPP, as co-prime ministers brought fragile political stability to Cambodia. In September 1993, the Constituent Assembly adopted a new constitution, which proclaimed Cambodia a "multi-party liberal democracy" under a constitutional monarchy, headed by King Sihanouk.

In 1997, after rising tensions between the coalition partners, Hun Sen staged an armed takeover of the government. Many FUNCINPEC leaders were killed, and Ranariddh and other non-CPP politicians fled Cambodia. After considerable international pressure and the withholding of aid by donors, Hun Sen allowed Ranariddh to return to Cambodia and held new parliamentary elections in July 1998, which the CPP narrowly won. Despite charges of election irregularities, the two parties agreed to form a coalition government, with Hun Sen as Prime Minister and Ranariddh as President of the National Assembly. The coalition since then has held together, and a sense of normalcy has emerged. The death of Pol Pot in April 1998 and the subsequent collapse of the Khmer Rouge has contributed to the current period of relative stability.

## Recent Developments

**Local Elections.** On February 3, 2002, Cambodia held its first local elections since independence, with the election of commune councils and chiefs. Prime Minister Hun Sen's party won a sweeping victory, with CPP members securing the commune chief position in 1,598 of Cambodia's 1,621 communes. FUNCINPEC and the opposition Sam Rainsy Party won 10 and 13 of the commune chief positions, respectively, as well as a combined 40 percent of the seats on the commune councils. Prior to this event, communes – administrative units consisting of four to seven villages – had been led by CPP appointees, which arguably contributed to CPP's domination of political power at the local level. According to some analysts, the overwhelming CPP victory may bring Hun Sen, who has often been vilified by the international community for his strong-arm tactics, much-needed credibility. Three critical factors will be the CPP's handling of post-election commune power-sharing, the legitimacy of the legislative elections scheduled for summer 2003, and Hun Sen's performance during Cambodia's one-year chairmanship, beginning in July 2002, of the Association of Southeast Asian Nations (ASEAN).<sup>1</sup>

The run-up to the commune elections was marred by allegations of political killings and intimidation. The United Nations reported 15 election-related deaths in the year leading up to January 15, 2002, and press reports indicate that four other candidates or political activists were killed in the few weeks prior to the elections, bringing the total to 19. Nearly all of the victims were from FUNCINPEC or the Sam Rainsy Party.

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<sup>1</sup> ASEAN, founded in 1967, now includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

According to the UN, local officials and police were responsible for most of the pre-election intimidation and violence.<sup>2</sup> Cambodian government officials denied that the deaths were politically motivated, attributing them to robberies, traffic accidents, and illness. Although independent monitors praised election day as peaceful, transparent, and a logistical success, these monitors also stopped short of calling the elections free and fair, citing human and political rights concerns such as pre-election deaths of candidates, intimidation of voters, and uneven access of the contending parties to the state media.

**Khmer Rouge Trial.** In February 2002, after almost five years of negotiation, the UN unexpectedly pulled out of the planning for a genocide tribunal for former Khmer Rouge leaders, reportedly because the court, as currently envisaged, “would not guarantee independence, impartiality, and objectivity.”<sup>3</sup> The key issue leading to the impasse was apparently Cambodia’s insistence that its August 2001 law on the joint tribunal dictate the trial process. The UN, on the other hand, argued that the law should conform to Cambodia’s agreement with the UN. Supporters of the UN’s pullout, including some Members of the U.S. Congress, claim that the Cambodian government – many members of which were former Khmer Rouge fighters, including Hun Sen himself – has blocked UN efforts to make the court impartial, by restricting the trials to Cambodia with a majority of Cambodian judges and attempting to limit the number of former leaders to be tried. Also, China, the Khmer Rouge’s chief supporter from 1975-79, reportedly used its position on the UN Security Council to oppose the tribunal. China’s actions appear to be motivated by concerns that such a tribunal would present evidence of its involvement with the Khmer Rouge, which Cambodian investigators claim includes support of Tuol Sleng prison, where an estimated 14,000 people were tortured and murdered. Other countries, including France and the United States, have pressed the UN to reconsider its decision, arguing that the international body’s involvement is necessary to ensure an impartial and credible trial.<sup>4</sup> After initially maintaining that Cambodia would hold a trial with or without the UN’s assistance, Hun Sen stated in July that Cambodia would be willing to compromise with the UN by amending the tribunal legislation.<sup>5</sup>

Although the top Khmer Rouge leader, Pol Pot, died in 1998, several other leaders live freely in Cambodia, including former Prime Minister Khieu Samphan, former Foreign Minister Ieng Sary, and Nuon Chea, a top member of the Khmer Rouge Politburo. Hun Sen has repeatedly stated that he will not allow prosecution of Ieng Sary, whose defection to the government in 1996 triggered the collapse of the Khmer Rouge. Two other Khmer Rouge leaders – military commander Ta Mok and Kaing Guek Iev, the commander of the Tuol Sleng prison – are in jail. No Khmer Rouge leaders have yet been tried for the atrocities committed during their rule.

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<sup>2</sup> Economist Intelligence Unit Country Reports – Cambodia, May 1, 2002.

<sup>3</sup> Edith M. Lederer, “U.N. abandoning Cambodia talks on genocide court to try Khmer Rouge leaders,” Associated Press, February 8, 2002.

<sup>4</sup> Ek Madra, “Cambodia says will press ahead with K. Rouge trial,” Reuters, February 8, 2002; “Key Republicans Back UN on Trial,” *Far Eastern Economic Review*, March 7, 2002; “U.S. urges U.N. to resume Khmer Rouge trial talks,” February 9, 2002.

<sup>5</sup> Chhay Sophal, “Cambodia urges U.N. to revive Khmer Rouge trial,” Reuters, July 3, 2002; “U.N. wants mandate before resuming talks on Khmer Rouge trial,” Kyodo News, July 30, 2002.

## Economy

One of the world's poorest countries, with a per capita income of \$260 (or \$1,440 in purchasing power parity terms), Cambodia's economy was adversely affected in the late 1990s by the Asian financial crisis, political turmoil, cuts in foreign aid, and severe flooding. The value of foreign direct investment (FDI) in Cambodia fell from \$750-\$800 million per year between 1995 and 1998 to \$270 million in 2000 and \$233 million in 2001. Major sources of FDI include Hong Kong, China, Malaysia, Taiwan, and Thailand.<sup>6</sup> Key challenges for economic development include educating the population, building economic infrastructure and legal and banking systems, reducing official corruption and military spending, developing rural areas, and attracting foreign investment. Despite the above problems and difficulties, Cambodia's economy grew by 5.3% in 2001 and is expected to grow by 4.5% and 6.1% in 2002 and 2003, respectively, according to the Asian Development Bank. Two of the most promising sectors are garments and tourism.

Cambodia is negotiating to accede to the World Trade Organization (WTO). A third meeting of Cambodia's Working Party reportedly may be held in the second half of 2002. The WTO's technical assistance program, the Integrated Framework (IF), which works with other multi-national organizations such as the UNDP and IMF to help incorporate trade into national development and poverty-reduction strategies, is being tried on a pilot basis in Cambodia and two other "least-developed" countries.

Cambodia relies heavily upon foreign aid, which accounts for over half of its government budget. The United States is the third-largest foreign aid donor after Japan and Australia. Since 1996, the Consultative Group for Cambodia, a consortium of seven international financial organizations and 22 donor countries under the auspices of the World Bank, has met annually to set economic and political reform guidelines for the Cambodian government and to extend an aid package averaging \$500 million per year.<sup>7</sup> In June 2002, the Consultative Group, meeting in Phnom Penh, pledged an aid package of \$635 million. They conditioned future aid on Cambodia's progress in improving its legal, judicial, and governing systems and in protecting its environment. In addition, some donors have suggested that increased foreign aid may depend upon whether the national legislative elections, set for July 2003, are "free and fair" and whether former Khmer Rouge officials are tried in an impartial and credible international tribunal.<sup>8</sup>

## U.S.-Cambodia Relations

**Trade.** In 1996, the Clinton Administration signed a trade agreement with the Kingdom of Cambodia, and the 104<sup>th</sup> Congress granted Cambodia normal trade relations status. The U.S. market is now the largest overseas market for Cambodian goods and the destination for nearly half of Cambodia's merchandise exports. In 2001, Cambodia exported almost one billion dollars worth of goods to the United States, mostly textiles

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<sup>6</sup> "Foreign investment in Cambodia still low," Reuters, July 8, 2002.

<sup>7</sup> Kyodo News, June 21, 2002.

<sup>8</sup> Mike Jendrzeczyk, "Cambodia's Friends Should Get Tough," *International Herald Tribune*, June 19, 2002.

(compared to \$3.6 million in 1996). Cambodian imports from the United States have remained relatively flat. The country imported \$28 million worth of goods from the United States in 2001. In 2001, U.S. companies invested approximately \$1 million in new economic projects in Cambodia.<sup>9</sup>

In 1999, with imports of Cambodian clothing items growing exponentially, the United States and Cambodia finalized a three-year bilateral textile agreement that established quotas for many apparel products and included an unprecedented provision that rewarded improvements in labor rights with increased access to the U.S. market. Under the agreement, Cambodia could receive annual, one-time “bonus” increases in its quotas if a U.S. interagency panel found working conditions in the garment sector to be in “substantial compliance” with internationally-recognized labor standards and Cambodian labor laws. Cambodia received bonuses of 9% (out of a 14% maximum) in 2000, 2001, and 2002. In December 2001, the U.S.-Cambodia textile agreement was amended and extended for another three-year period, with the potential quota bonus raised to 18%.

**U.S. Foreign Assistance.** The United States remains the only major donor country that has not resumed bilateral or government-to-government aid to Cambodia. Restrictions on U.S. assistance to Cambodia largely reflect congressional concerns about Prime Minister Hun Sen’s seizure of power in 1997. The Foreign Operations, Export Financing and Related Programs Act, 2002 (P.L. 107-115), Section 563, prohibits U.S. assistance to the central government of Cambodia unless the Secretary of State determines and reports to the Committees on Appropriations that progress is made regarding democratic elections, human rights, and environmental protection. U.S. representatives to international financial institutions are instructed to oppose loans to the central government of Cambodia, except loans that meet basic human needs. However, U.S. assistance may be provided to non-governmental organizations (NGOs) – American, international, and Cambodian – and to local governments. Statutory exceptions allow for U.S. assistance to the central government of Cambodia for basic education, controlling human trafficking, treating and preventing HIV/AIDS, helping mine victims (Leahy War Victims funds),<sup>10</sup> and mitigating natural disasters. These exceptions have allowed USAID to collaborate with the Cambodian government on some assistance programs, although nearly all U.S. assistance to Cambodia is still channeled through NGOs. U.S. foreign assistance to Cambodia, which totaled \$37 million in 2001, includes voter education and legal aid, child and reproductive health services, HIV/AIDS education and medical care, assistance for mine victims, and rural credit.<sup>11</sup>

Some U.S. lawmakers argue that foreign aid to Cambodia should continue to be restricted because they claim that Prime Minister Hun Sen’s power is not legitimate. Others argue that keeping Cambodia engaged with donor nations dissuades the country

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<sup>9</sup> Major U.S. investors in Cambodia include Caltex, Coca-Cola, and Pepsi. In August 2002, ChevronTexaco announced plans to begin drilling for natural gas off the coast of Cambodia in 2003.

<sup>10</sup> Cambodia is among the top five nations in the world for the number of land mine victims, with over 800 casualties per year.

<sup>11</sup> See CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

from turning to other benefactors such as China, which provides moderate assistance but without criticism of Hun Sen's actions. Many experts contend that Cambodian reforms and democratization need foreign assistance to succeed because of the country's lack of human and institutional capacity – the products of 30 years of warfare and genocide. If more restrictions were lifted and the central government of Cambodia were deemed to be a reliable partner, the State Department proposes using International Military Education and Training (IMET) funds for human rights and rule of law training to help professionalize the Royal Cambodian Armed Forces and Economic Support Funds (ESF) for national election programs.

**Human Trafficking.** In its 2002 Trafficking in Persons (TIP) Report, the State Department placed Cambodia in Tier 3, the worst category, down from its Tier 2 spot in 2001. According to the TIP Report, the Cambodian government “does not fully comply with minimum standards for the elimination of trafficking and is not making significant efforts to do so.”<sup>12</sup> Under the Trafficking Victims Protection Act of 2000, countries placed in Tier 3 as of the 2003 TIP Report may face U.S. sanctions, such as termination of non-humanitarian, non-trade-related assistance, as well as U.S. opposition to assistance from international financial institutions. All or part of the sanctions may be waived by the President.

On December 21, 2001, the U.S. Immigration and Naturalization Service (INS) announced an immediate suspension of the processing of adoption petitions for children from Cambodia, due to concerns that, in some cases, the children were not orphans, but rather had been brought to orphanages through fraud, human trafficking, baby selling, or abduction. In order to examine the pending cases affected by the suspension, a joint U.S.-Cambodian government task force was set up in March 2002. As of June 20, the task force had cleared 142 Cambodian children for final adoption. The Department of State and the INS have stated that the suspension will remain in effect until the Cambodian government implements adoption laws and procedures that meet international norms.

## Other Issues

**Illegal drugs.** Cambodia is a transit country for Southeast Asian (Laotian and Burmese) heroin destined for international drug markets. Parts of Cambodia have also become production centers for marijuana and methamphetamines. Criminal organizations engaged in illicit drug production or connected to foreign drug rings have reportedly defied local governments and corrupted some national-level officials. However, because there has been reportedly no evidence of heroin transiting Cambodia coming to the United States in recent years, in late 2001, the Bush Administration dropped Cambodia from the United States' annual list of major drug-producing and drug-trafficking countries. Cambodia had been on the list since 1996.

**HIV/AIDS.** According to USAID, Cambodia is home to the fastest growing HIV/AIDS epidemic in Asia, with an estimated 180,000 people infected. The Cambodian government is working with local and foreign NGOs to respond to the problem. The infection of pregnant women reached an alarming rate of 3 percent before falling to 2 percent following aggressive AIDS prevention efforts in recent years.

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<sup>12</sup> U.S. Department of State, Trafficking in Persons Report, June 5, 2002.