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DIRECTORATE OF INTELLIGENCE

29 December 1989

Cambodia: Prospects [REDACTED]

Summary

In the wake of Vietnam's withdrawal, the regime in Phnom Penh is struggling on several fronts for survival. [REDACTED]

[REDACTED]  
Phnom Penh has had a modicum of success in rebuilding the country's war-damaged economy by implementing a reform program with free market principles and the prospect of commercial opportunities is attracting the interest of neighboring countries such as Thailand and Singapore. To enhance its domestic popularity and legitimacy in the eyes of the international community, the government has introduced minor political reforms, including relaxing press restrictions and adopting Buddhism as the state religion; elections have been promised for next year, but the Communist Party is likely to retain its leading role. [REDACTED]

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**The Problems As We See Them**

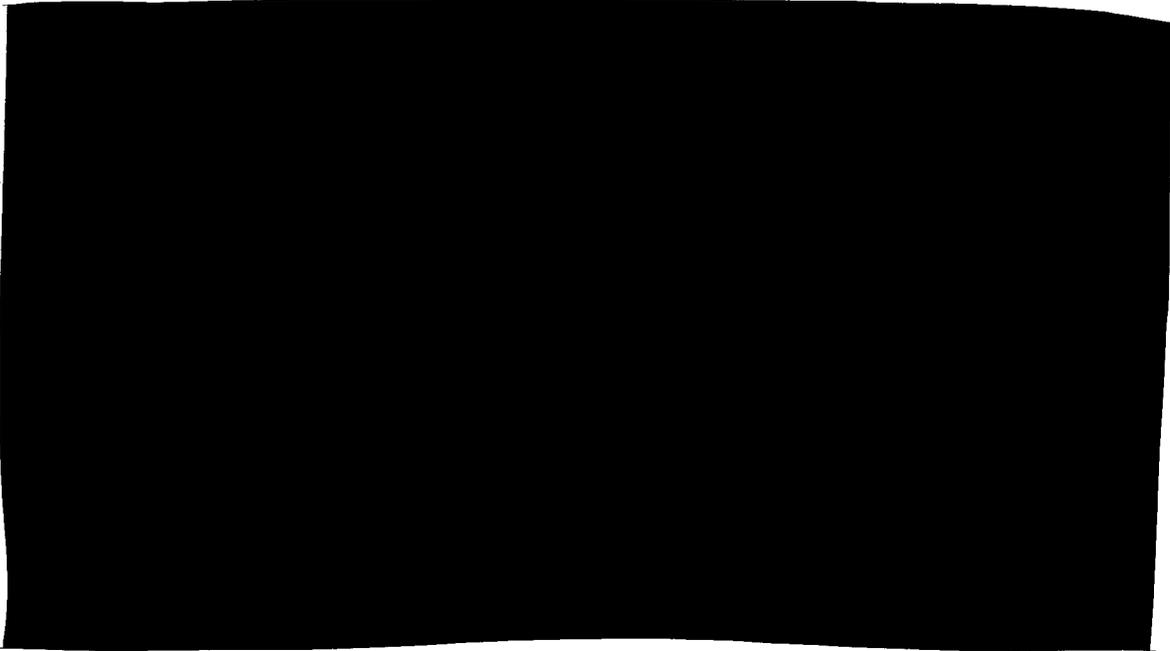
The departure of Vietnam's forces from Cambodia this year created a security vacuum that the weak State of Cambodia regime is struggling to fill.

[REDACTED]

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- o Reconstruct its devastated economy, especially in rural areas.
- o Adopt a political structure that will restore domestic confidence and bolster international credibility. [REDACTED]

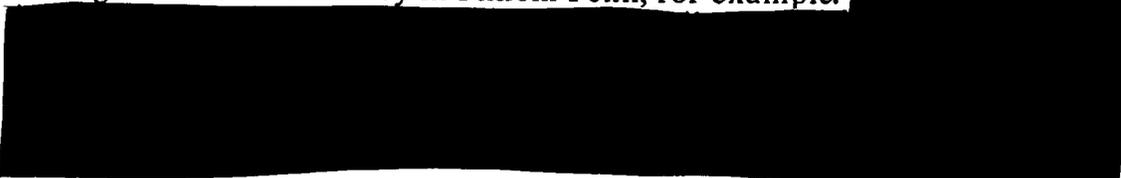
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#### Economic Reforms Under Way

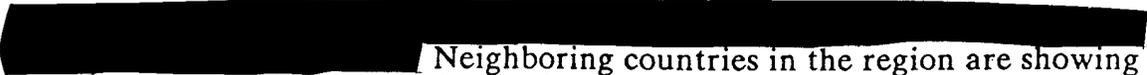
 Phnom Penh is trying to shore up its domestic support by introducing a range of market-oriented economic reforms. The regime openly admits its past mistakes in trying to dismantle Cambodia's private sector in favor of tighter state control, and is experimenting with measures to reduce government involvement in the economy, boost productivity, and allow more local autonomy. Constitutional amendments give recognition to the rights of private ownership and the private sector is being encouraged to increase its output of consumer goods. The government is placing less emphasis on agricultural cooperatives, and allowing more leeway for peasants to work private plots of land. In addition, Phnom Penh nearly tripled government procurement prices for foodstuffs to stimulate production .

Phnom Penh is also attempting to expand its economic ties with the West to speed modernization and ease the strain on the war-torn economy. Provincial authorities can now trade directly with foreign firms rather than through the Trade Ministry in Phnom Penh, for example. 



The government's economic initiatives are meeting with some success, according to press reports. Hundreds of small, private shops, stocked with Western goods have opened since the beginning of the year.   visiting journalists say the improvement is obvious in Phnom Penh and the port city of Kampong Som .



 Neighboring countries in the region are showing growing commercial interest in Cambodia. Despite the economic embargo imposed following the Vietnamese invasion in 1978, the number of businessmen from Japan, Singapore, Hong Kong, Thailand and South Korea visiting Phnom Penh to explore opportunities in logging, seafood, and rubber is rising, according to press reports. 

The government may push for additional market-oriented change in the coming months. According to press reports, state firms will be given greater autonomy to set wages and prices and will be allowed to retain a sizable—but as yet undetermined—portion of their profits. Phnom Penh also claims it will eventually turn most state enterprises over to the private sector,



#### Internal Political Initiatives

Some of Phnom Penh's political reforms appear essentially cosmetic. In April, for example, the regime made the symbolic gesture of changing the country's official name from the People's Republic of Kampuchea to the State of Cambodia, and altering its national anthem and flag to meet longstanding demands by resistance leader Prince Sihanouk. Other reforms contain more substance, including guarantees of freedom of the press and the establishment of Buddhism as the state religion. The government is also restoring aging Buddhist shrines, including the famous Angkor Wat. These actions are almost certainly aimed at improving the regime's image inside Cambodia.

[REDACTED]

the regime has promised to hold elections sometime within the first four months of 1990, though increased fighting may force their postponement, according to a press report.

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Phnom Penh has also set up a new commission to consider amendments to the constitution and extended an invitation to the resistance and overseas Cambodians to participate.

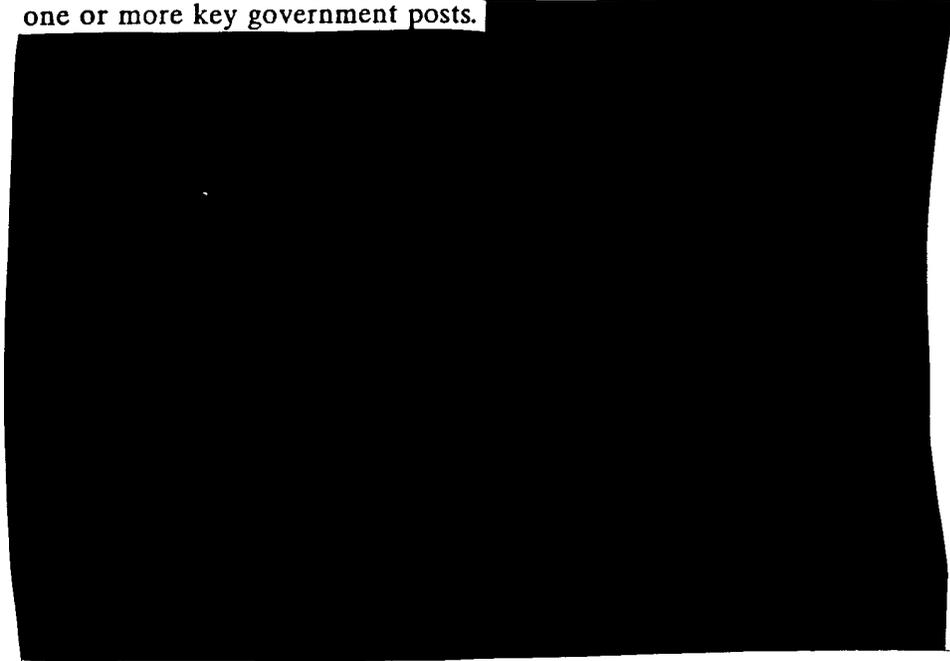
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According to a press report, the National Assembly is considering making additional amendments to the Constitution to introduce some pluralism in the elections either at an extraordinary session this month or the regular session set to start in January.

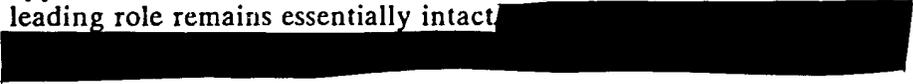
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**An Overview of Cambodia's Political Structure**

The Cambodian Government is dominated by the Communist Kampuchean People's Revolutionary Party (KPRP). All major decisions are made in party meetings, and senior party leaders serve in one or more key government posts.



Cambodia's formal administrative structure is in flux as constitutional amendments approved in April are implemented in an attempt to appeal to Khmer resistance leaders. The provision for the KPRP's leading role remains essentially intact.



**Council of State.**

The Council has the constitutional authority to appoint ministers, create and abolish ministries, promulgate laws, and reject or ratify international treaties. The chairman of the Council, Heng Samrin serves as the nation's President.

**Council of Ministers.** The Council of Ministers implements all governmental policies. The chairman, Hun Sen, serves as a defacto prime minister. There are also five vice chairmen, 15 ministers, and five other ministry-level positions such as People's National Bank Director.

**National Assembly.** The National Assembly is constitutionally empowered to control the activities of the Council of Ministers and the Council of State, and to elect and remove the top officials of both bodies. Chea Sim is its chairman.

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Exemptions: (b)(1), (b)(3)