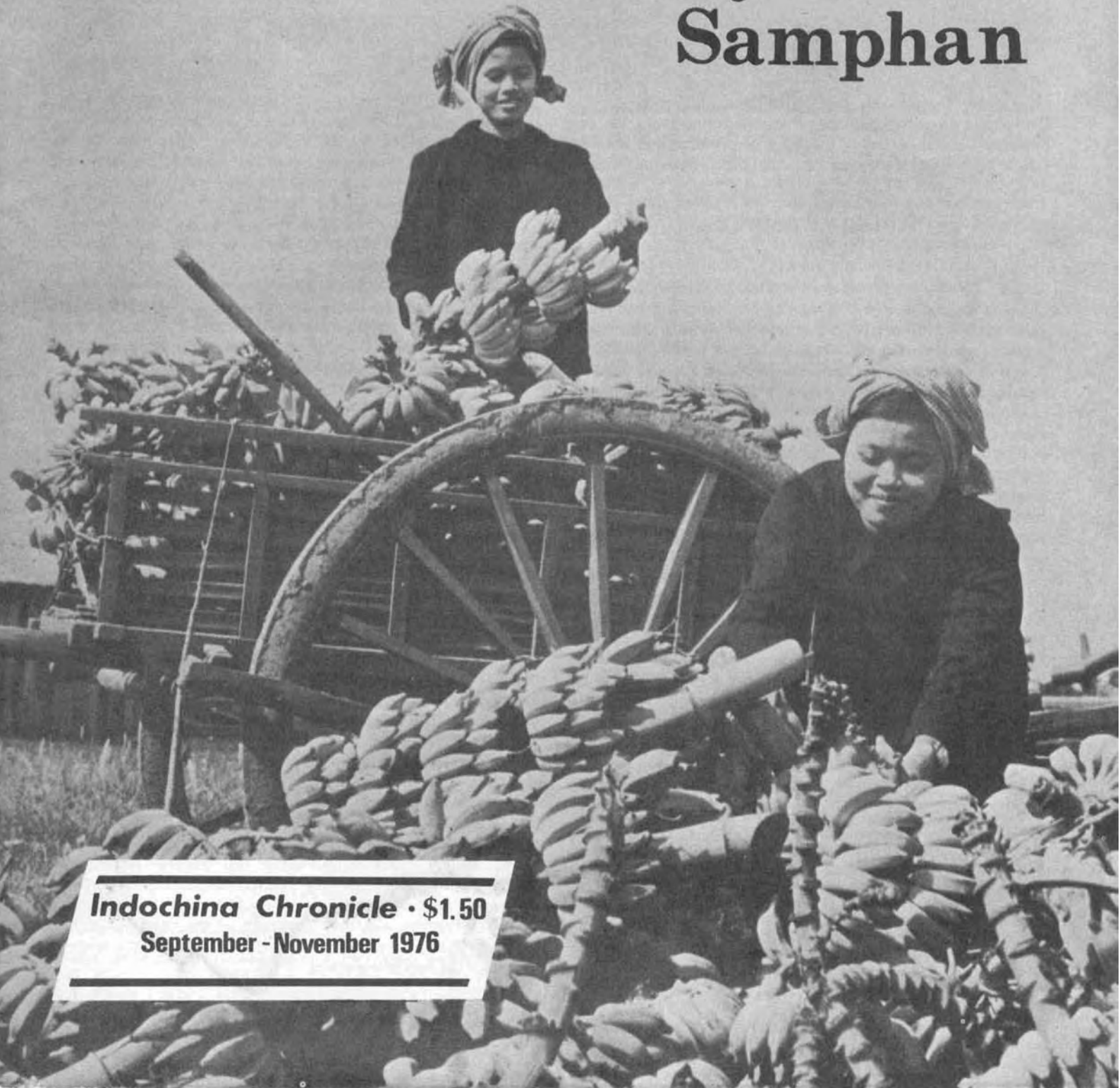


Underdevelopment in Cambodia

by Khieu
Samphan



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Introduction

Khieu Samphan's doctoral thesis,* completed in Paris in 1959, was the first systematic application of Marxist economic theory to the specific problems of Cambodia. As such, it became a basic text for a whole generation of Cambodian students in Paris during the 1960s. It was also widely studied and discussed among the left in Phnom Penh. Foreshadowing many of the policies that have been implemented in Democratic Kampuchea, the thesis is important for its influence on the leaders of the new government and for the light it casts on why they have adopted their present policies.*

Khieu Samphan

Born July 27, 1931, Khieu Samphan grew up in Kompong Cham as the son of a middle-ranking civil servant. In 1954 he received a Cambodian government scholarship for post-graduate study in France, where he became politically active. Together with Ieng Sary and Hou Yuon, he attended French political meetings, became a supporter of the Vietnamese revolutionary cause and traveled to international peace meetings such as the 1955 Helsinki Peace Conference. Back in Phnom Penh, Khieu Samphan founded the French-language weekly, *l'Observateur*. Its defense of autarkic development and economic and cultural nationalism brought the magazine into conflict with the neo-colonial and neo-aristocratic Sihanouk regime. *L'Observateur* was banned in 1960 and Khieu Samphan sent to prison for a month.

After a period as a teacher at a school for talented students from low-income families and as a contributor to a Khmer-language newspaper, Khieu Samphan was elected to the National Assembly in 1962. He served briefly in Sihanouk's cabinet as Secretary of Commerce. Khieu Samphan and Hou Yuon, then Secretary for Planning, were forced to resign in June 1963. For Khieu Samphan, this experience confirmed that his analysis of Cambodia's situation was correct, but it convinced him that his earlier hopes for reform were overly optimistic. In the Sihanouk government, he confronted directly the western-oriented elite which owed its existence to

* "Cambodia's Economy and Problems of Industrialization," forthcoming in a complete translation by Laura Summers, who teaches in the Department of Politics of the University of Lancaster in Lancaster, England. This issue of the *Indochina Chronicle*, based on her translation in progress, was edited by Martha Winnacker, Lowell Finley and Candace Falk. We would like to express our thanks to Ms. Summers for background information which has been incorporated into this introduction.

* For a detailed study of the new government's policies, see *Indochina Chronicle* No. 47, "Cambodia: The Politics of Food."

Cambodia's position in the world trade system. At the same time, the conditions he had analyzed in his thesis grew steadily worse, making the need for change more acute.

Out of the cabinet, Khieu Samphan made a point of familiarizing himself with peasant problems in order to defend their interests. In 1966 he won one of the largest parliamentary majorities in the country, although Sihanouk publicly opposed his reelection. But that election brought a conservative majority, which chose Lt. Gen. Lon Nol as premier. In a draconian effort to improve the faltering economy, Lon Nol's government used the army to force peasants to sell rice to the government at a price lower than the cost of production, sparking a rebellion in Battambang province early in 1967. When the army struck back, peasants burned government buildings and fled into the bush with their families. In Phnom Penh, Khieu Samphan and other leftist deputies organized a demonstration calling for the resignation of the Lon Nol government and withdrawal of troops from Battambang. Soon afterward, Sihanouk named Khieu and four other deputies as instigators of the rebellion. Khieu Samphan, Hou Yuon and Hu Nim disappeared from Phnom Penh.

Underground, the three deputies worked to develop armed struggle against Sihanouk's government, which they saw as increasingly dominated by right-wing urban commercial interests. By the beginning of 1969, the "Khmers Rouges," as Sihanouk called them, controlled large areas in northern and southwestern Cambodia. Threatened by the revolutionary movement and envious of American support for the Saigon regime, Phnom Penh's commercial and parliamentary elites conspired to overthrow Sihanouk and secure American support against the revolutionaries. In the spring of 1970 the U.S. dutifully entered Cambodia six weeks after Sihanouk was overthrown.

Khieu Samphan and other revolutionaries immediately rallied to Sihanouk's support. Viewing him as a true nationalist because of his consistent anti-U.S. and anti-imperialist positions, they objected only that he had never transformed his speeches into concrete development policies. Though the prince's support was valuable to the revolution, the most significant factor in the post-coup growth of the revolution was the support and mobilization of Khmer people in all walks of life.

Khieu Samphan's qualifications in economics, education and political leadership, plus his experience in the underground, made him a logical choice, first as Defense Minister during the resistance struggle, and later as First Deputy Premier and then President of the new Democratic State of Kampuchea. He is generally regarded as the leading figure in the new government.



A cabinet meeting in the jungle. Khieu Samphan is second from left.

NUFK photo.

The Thesis

The analysis centers around the idea that underdevelopment is caused by colonial exploitation, which distorts the colony's economy so badly that it cannot develop. This theory of underdevelopment has been carried further by other Third World scholars, many of whom also studied in Paris during the 1950s and 1960s.

In a recently published study,* African scholar Samir Amin, who studied with Khieu Samphan in Paris, explains why underdevelopment and mass poverty occur. Amin's thesis distinguishes between "central" and "peripheral" economies, which develop along entirely different paths. The primary "motors" for the central economies—the U.S., Western Europe and Japan—are the production of capital goods (machinery and raw materials used in production) and that of goods for mass consumption. Since industries producing for mass consumption cannot function unless there is a market for their goods, the system as a whole must keep wages high enough to allow workers to consume. This accounts for the affluence of the "first world." Third world economies, however, have been integrated into the world economy chiefly to supply cheap labor for foreign capital. The growth sectors of their economies produce goods for export and for luxury consumption by small elites at home. Goods for mass consumption are produced by subsistence farmers and impoverished small craftspeople. Since there is little capitalist production for a mass market, there is no requirement that wages be kept above minimum survival levels. As long as such economies remain part of the world economy dominated by the central states, this pattern of growth will continue, perpetuating and even deepening inequality and poverty. The cycle can be broken only by withdrawing from the world

economy and restructuring the local economy on a self-centered basis. After this restructuring is accomplished, the country may be able to reenter the world economy—but on its own terms. Such a withdrawal and restructuring is unlikely without a revolutionary upheaval, as the system has created a small but powerful elite committed to its continuation.

Khieu Samphan applies this theory to Cambodia, although its concepts were not completely formulated at the time he wrote.

The thesis is arranged in two parts. An abridged version of Part I, "The Economy in Cambodia," is presented here. In Chapter I, Khieu Samphan describes the structure of the Cambodian economy in the 1950s and analyzes the way in which it had developed under nearly a century of French colonial control. He shows that the structure of the economy is largely pre-capitalist, with a large stagnating semi-feudal agricultural sector and a small, weak industrial sector. He goes on to argue that the continued existence of this structure is the direct result of French intervention in the economy before Cambodia had developed the essential elements of a capitalist system. As a result, Cambodia could not develop along the course earlier followed by France and other western capitalist countries, and it became instead an appendage of the dominant French and international capitalist economies. Khieu Samphan sees the role of the United States, which was expanding rapidly at the time of his writing, as essentially identical to that of the French.

In Chapter II, Khieu Samphan shows that foreign investments are heavily concentrated in export production (56 per cent) and activities that support the export sector (20 per cent). He attributes this partially to the earlier destruction of Cambodia's handicraft industries. This had undermined the buying power of the mass of Cambodians and left no internal market to attract investment in production for internal consumption. As a result, export agriculture, intermediary commerce and luxury production for the small group of Cambodians benefitting from the import-export trade developed. Rather than contribute to the even development of

* For a more detailed presentation of Amin's theory, see box on page 18.

the Cambodian economy, this kind of development makes it more difficult for the country to develop a balanced system.

In Chapter III, he describes Cambodia's chronic foreign account deficit—the country's pattern of spending more each year for imports than it earns for its exports. The underlying cause of the problem, he concludes, is the tendency of the prices of goods from developed countries to rise faster than those of underdeveloped countries like Cambodia while Cambodia's import needs increase and those of the developed countries decrease.

Both chapters II and III—deleted here—are further arguments for the theme Khieu Samphan has developed in Chapter I: Cambodia's backwardness stems from its integration into the international capitalist system as a dependent, marginal element. He argues that increased trade within the structure of the world markets dominated by the large capitalist countries, and the aid that sometimes goes with it, will never help Cambodia out of its underdevelopment. It is precisely because of its integration into this international system that Cambodia is backward. This situation meets the requirements of the dominant, developed countries, but not those of most Cambodians. The solution he offers is simple and direct: Cambodia must withdraw from the "entanglements of integration" in order to engage in autonomous development.

Part II consists of three chapters on "problems of industrialization," in which Khieu Samphan outlines a program for reorganizing Cambodia's relations with the outside world. He argues that a combination of fiscal and monetary measures can make foreign trade yield a profit which can be used for development. This program calls for restructuring the tax system to reduce taxation of the poor while increasing the tax on corporate earnings and imposing stiff levies on imported luxury goods. And Khieu Samphan calls for nationalization of foreign trade in primary export commodities (rice, corn and rubber). This would cut private speculators and banks out of the foreign money market and give the state control over the money supply.

After a brief history of the origins of the Indochinese piastres and the Cambodian riel—which includes much damning information on the central role of the French-controlled Bank of Indochina in the development of the colony's economy, he suggests strict control of all foreign exchange by the state rather than foreign banks. He also calls for the use of import controls to restrict consumer goods imports and increase capital goods imports. In a long section on the national budget, he suggests austerity in the use of personnel, proposing that many civil servants could be transferred to state-run industries. To complement this control of foreign trade, Khieu Samphan calls for state industries working in conjunction with state supported rural producer and consumer cooperatives.

Reviving rural industry, however, calls for some political action in the countryside, and he points out that these economic reforms are fundamentally political. Although in his view, the urban industrial structure can be reorganized by fiscal and monetary reforms, the pre-capitalist agricultural sector can be reformed only if the power of large landowners and usurers is curbed. Hence, Khieu Samphan advocates reforms in the rent structure and assurances to peasants that the government would support them. Landlords must be required to invest in local industries, while state-supported cooperatives should give peasants access to credit and low-cost goods. With some equivocation, he says this can be done

without redistributing land, although he admits landlords and usurers will have to be dealt with authoritatively.

Part II, which modifies considerably the force of Part I, was made obsolete by history. In the 1960s Cambodia's worsening economic situation and Khieu Samphan's experience in government led him to abandon any hope that non-revolutionary reform of Khmer society and economy was possible. As the old order continued to oppose real change even in the face of a deteriorating situation, he and others like him were left with fewer and fewer political options. After his brief term as Secretary of Commerce, he confided to a friend that the only way to reform the system was to overthrow it.



Sihanouk with members of the Cambodian resistance.
AKI/VNA photo.

Cambodia's Economy and Problems of Industrialization

By Khieu Samphan

Translation by Laura Summers

Preface

As its title indicates, this essay is concerned with "Cambodia's economy and problems of industrialization." We will not conceal the danger involved in addressing such a vast topic in any way especially when multiple difficulties attaching to insufficient historical and statistical documents are compounded by lack of personal experience and practice. Still, in order to determine the prospects for economic development in our country, it is absolutely essential to attempt to grasp the linkages and interdependence of differing components of the development process affecting social life. Accordingly, we will endeavor to examine those characteristics which seem most critical.

This work will be divided into two parts. In the first, we will attempt to demonstrate the objective necessity of industrialization and autonomous development by studying Cambodia's contemporary economic structure, the mechanism underlying this structure and its influence on the rhythm of ensuing economic development. In the second part, we will evaluate some problems of industrialization properly speaking: In particular, we will try to determine how structural reform can be effected to ensure a solid base for industrialization and what the prerequisites of such reform are . . .

Paris, May 1959

Contemporary Economic Structure

A. AGRICULTURE

1. Vast precapitalist sector

Approximately 5 million people live on Cambodia's territory of 182,000 square kilometers (69,800 square miles). The active population numbers about 2 million people, and of these, about 85% are engaged in agriculture where their productive energies are constrained by primitive means: a few draught animals per village; wooden ploughs; and the labor power of isolated individuals subject to unruly forces such as

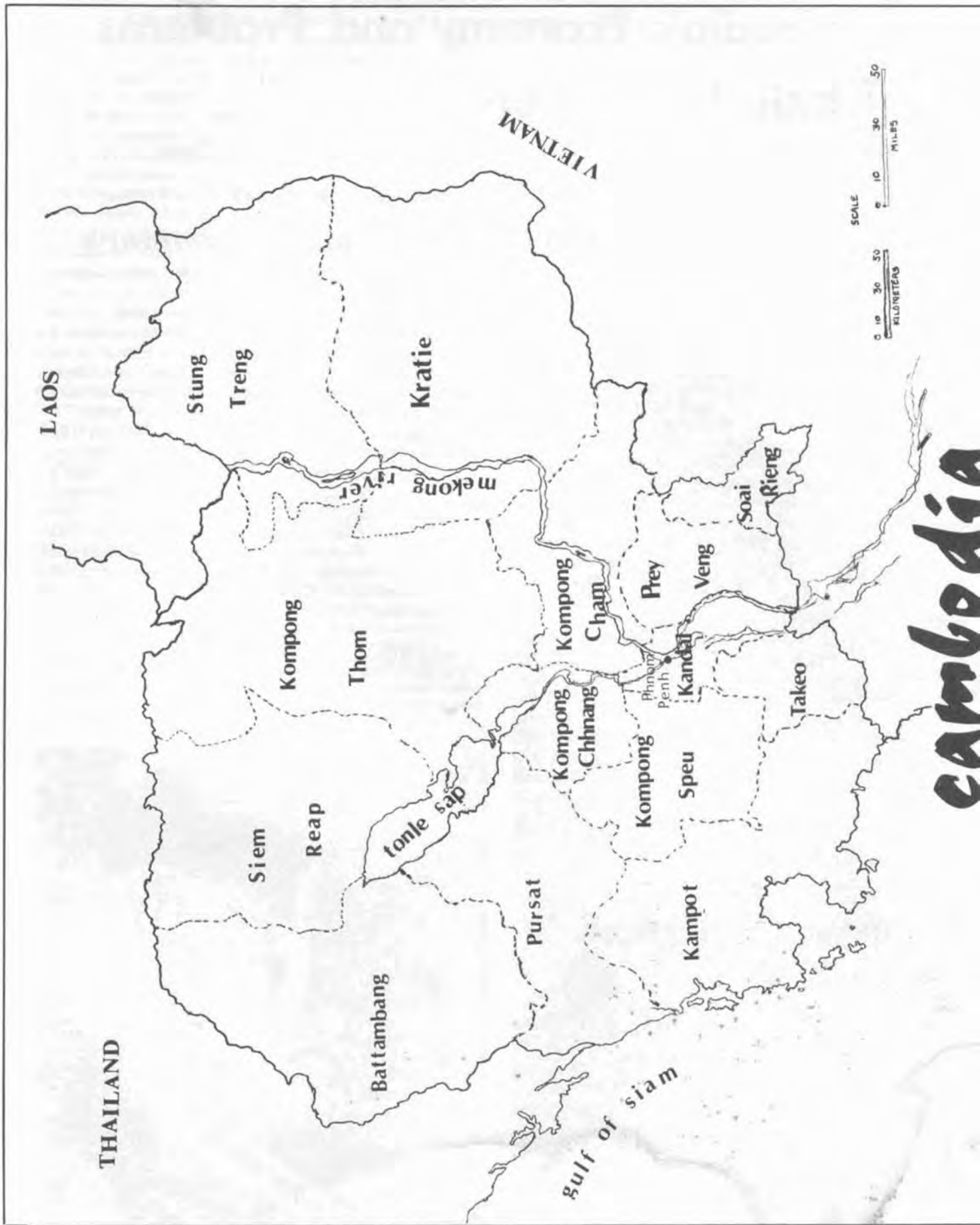
drought, flood and disease. Thus, agriculture remains a basically family activity.

An important distinction must nevertheless be made between family undertakings devoted to rice cultivation in the internal plains and those devoted to chamcar cultivation along the river banks.* Both these forms of activity invariably qualify as family enterprises as they employ only the manual labor of the family—the cultivator, his wife and children.

In these two forms of cultivation, the cost of tools is only one to two per cent of total operating expenses. The small family paddy lands, however, are more backward than the small family river bank chamcar. Being essentially oriented towards direct consumption, they resemble the type of family agriculture practiced in medieval Europe while the small, family chamcar are market oriented. In principle, these small, commercial enterprises might provide a base for genuine capitalist development (based on production utilizing capital and wage-labor). Until now, the river bank region is the only

* Chamcar is Khmer for "garden." Cambodians use the term to denote any cultivated area that is not a rice paddy or in specific reference to garden farming. The author's reference to the river bank region shows he is using the term in this latter sense.—Tr.





cambodia

area where we encounter evolved elements composing a sort of rural bourgeoisie. But in the absence of national industries, nipped in the bud by competition from foreign imports, development of commercial and capitalist production in these parts is linked to the production of agricultural exports. The selection of crops and the amount produced are subordinated over the years to fluctuations in world prices for different commodities.

The river bank and backwater region occupies only an area of about 500,000 hectares* around the branches of the "x" made by the intersection of the Mekong-Tonle Sap and Bassac Rivers at Phnom Penh. The fragile, small merchant, capitalist mode of production there appears unable to extend itself beyond the banks. Roughly 1,500,000 hectares of rice paddy, three quarters of all land cultivated in Cambodia, are worked under a feudal mode of production. The peasant family grows rice primarily to pay land rents and debts; what is left over is consumed directly with no thought of exchange or monetary gain.

2. Capitalist Sector Attached to Large International Units

There is, nonetheless, an island of capitalist agriculture which cuts into this vast traditional base. This is the rubber plantation sector. In contrast to family enterprise, rubber plantations were set up by large capitalist firms making extensive use of capital and hired labor (about 17,000 workers).

[Rubber production in Cambodia is wholly controlled by five companies, each of which belongs to a large "international unit." The plantations occupy 32,200 hectares of land and produce 27,500 tons of rubber, all of which is exported.]

* one hectare = 2.471 acres—Eds.

B. INDUSTRY

The basic characteristics of Khmer industry can be summarized as follows:

- (1) it is weak and unstable;
- (2) it is part of an ensemble whose center is located abroad rather than part of an integrated national ensemble.

1. Industry is Weak and Unstable

The weakness of industry is shown by its small contribution to gross national production.

Cambodia's statistical yearbook for 1937-1957 attributes 1.2 billion riels* (approximately \$34.2 million) to industrial production. This includes the "value added" by numerous individual craftsmen dispersed throughout the country, family noodle and soya sauce manufacturers, stone masons, jewelry makers, joiners' shops, housewares shops, weavers, marble sculptors, leather cutters, wooden shoemakers, bake shops, etc.

Such workshops, almost exclusively employing family labor, are more properly classified as artisan or craft industries, as petty merchant and precapitalist forms. They should not be considered "capitalist industries." Furthermore, as the artisan sector clearly predominates in industry, its gross production

* In 1956, 1 Cambodian riel = 10 francs. Thirty-five riels = \$1 U.S.—Eds.

could be estimated at 600 million riels, a sum which should be subtracted from the figure above. Industrial production then amounts to approximately 600 million riels, or only 8.6% of the GNP (estimated at 7 billion riels).

The sugar refineries, cigarette factories, hand operated saw mills, charcoal factories, kilns, brick and tile works, soap factories, oil distilleries, fish sauce factories, silk weaving shops, potteries, shoe and dyeing works, blanket factories and cotton mills are all workshop type installations using little fixed capital* such as those of 17th and 18th century Europe. Similarly, the rice mills, distilleries, mechanized saw mills, ice houses, soft drink factories, power plants, printers, blacksmiths and foundries, and mechanical repair shops resemble factories of the 17th and 18th centuries more than they do "modern" factories.



Artisans making carts and baskets. AKI.

The Water and Electricity plants are steam generating stations of low efficiency. In 1957, power emitted was 11,579 kilowatts requiring 9,350 kilowatts to produce. Benefiting from a position of absolute monopoly (the two existing companies being owned by the Bank of Indochina) and concerned to secure immediate returns, these firms did not invest large amounts of capital to install a hydro-electric system or to improve the steam installations to furnish cheaper electricity. They were satisfied with inefficient generators promising quicker returns on investment, even though they produced electricity at prohibitive cost. For this reason only 21.7 million kwh were consumed in 1955 out of a total production of 27.5 million kwh while at the same time, all national and foreign firms were obliged to acquire their own generating sets to obtain the electrical energy they needed. The major consumers of electricity produced in Cambodia are the public services and a thin layer of the population. Electricity remains a luxury commodity for the large majority.

* Fixed capital is machinery, structures, and equipment of a relatively permanent character.—Eds.



Modern cement factory: post-liberation scene reflects the low level of technology characteristic of Cambodia in the twentieth century. AKI photo.

The blacksmiths and foundries could be expected to play an important role in the process of industrialization, but until now they have been reduced to the task of repairing ships and steam engines. In addition to old naval yards, we must note the presence of a French company previously established in Haiphong which was relocated in Cambodia in 1955. This is SOKREC.* With its assembly line for the 2 CV (hp) Citroën, installed at the end of 1957, SOKREC is slightly more than a garage for the sale of imported automobiles, but only slightly.

Other major industries are rice mills and rice alcohol distilleries. Other consumer goods are produced either by artisans or by workshops of much less importance employing very little capital (tobacco processing, weaving, notably). Most of the population smokes hand rolled cigarettes. Manufactured cigarettes and carbonated drinks are totally inaccessible to the mass of peasants due to their extremely limited purchasing power. For this reason, such products must be regarded as "luxury" goods. Finally, the prosperity of the rice alcohol distilleries stems from systematic poisoning of the population.

This examination of industrial structure permits us to point to its insubstantial nature. Most of the workshops and factories resemble those of the early Middle Ages. This structure is, moreover, profoundly out of balance for it is not oriented towards meeting the needs of the mass or towards satisfying developmental needs of Khmer society.

2. Industry and Crafts Depend on a Foreign Center

Apart from the fact that Khmer industries and crafts are weak and unbalanced, they do not constitute an integrated, autonomous national whole. Each separate component is

* SOKREC is the acronym for Société de Constructions, Représentations et Etudes du Cambodge. SOKREC was based in Phnom Penh with naval yards in both Phnom Penh and Sihanoukville. It specialized in industrial repair and assembly. Among other installations, it assembled the water purification plant in Chamcar Mon, military fuel depots and the television tower for Radiodiffusion Nationale Khmère.

rather more a part of an ensemble centered abroad. Thus, industrial development is totally dependent upon outside circumstances over which Khmer society has very little control. This is not a matter of interdependence of discrete economic units but clearly and certainly a case of unilateral dependence of Khmer components upon the ensemble made up of industries from advanced capitalist countries. This dependence is demonstrated by the fact that:

(1) Major enterprises of a capitalist type are owned directly by "large international units" with foreign headquarters.

(2) Industry and crafts are totally dependent upon foreign supplies of primary and semi-processed materials.

Let us examine these two points in turn.

(1) Major capitalist enterprises directly owned by "large international units" with foreign headquarters.

We have already considered the situation of the rubber plantations. For other industrial enterprises, the Bank of Indochina predominates. It owned both the water and electricity companies until their plants were ceded to the Cambodian government at the beginning of 1958. The Bank also controls Distilleries de l'Indochine, which originally had a total monopoly on the industrial production of rice alcohol. It produced 7 million liters (100% pure alcohol) out of a total Cambodian production of 9.6 million liters. After it lost its monopoly, it maintained this market position in spite of serious competition from the large American firm, "Green Spot."*

* The Société Française des Distilleries de l'Indochine was established by the colonial regime in 1902 as a means to regulate the sale and production of alcohol to obtain government revenue. Local industries produced for a thriving underground market. After 1933, the Société Française lost its official monopoly but held its market position because of superior technology and commercial organization. Green Spot was established in Cambodia after independence.—TF.

2. Industry and crafts are totally dependent upon foreign supplies of primary and semi-processed materials.

Industry (factories and mills) and crafts experience only an incomplete cycle of development precluding all possibilities of economic independence. The breweries and ice houses, for example, import sodium bicarbonate, sodium citrates, phosphoric acid, citric acid, caustic soda, orange concentrate, oil of laurel, blue dyes, orange coloring, pins and nails of diverse sizes, not to mention fuels, lubricants and spare parts. The only local raw material these "transformation industries" process is water from the Mekong.

All other examples are equally striking. The components of industry are more a part of a foreign whole rather than a national whole. Local enterprises are welded to industries in advanced capitalist countries and totally ignore the rest of the national economy: the cigarette mills process foreign tobacco, the soap factories use foreign copra, and both completely ignore "indigent" tobacco and copra. Thus, industrial activities issuing from international integration of the economy are more accurately thought of as extensions of the industries of advanced capitalist countries while agriculture vegetates under the weight of a profoundly precapitalist structure.

C. NATIONAL INCOME

On the basis of this overview, we can say that Cambodia's economy is agricultural and backward. The retarded character of this structure is shown by Cambodia's low national income.

According to official statistics, the net national product was 12 billion riels in 1956, the equivalent of 120 billion

francs (\$343 million) at present official exchange rates. This amounts to 24,000 francs (\$68) per capita.

In our judgment, the figure of 12 billion riels is contentious. In point of fact, the total national product is quite a bit less. Indeed, the calculation of the national product included the "value added" by administration, defence, commerce and the banking sector. It seems clear, however, that these branches of activity add no value to the society from the perspective of the economy as a whole. They simply profit from a transfer of value issuing from other productive activities within society (agriculture, crafts, small industry). And the transfer of produce within society does not enlarge the total value of production obtained by the society in any way. The distinction made by the Scottish economist Adam Smith between productive and unproductive work deserves to be carefully considered here.* This is far from saying, for example, that a civil servant or a soldier would be useless to society. However, the greater the reduction in numbers of individuals concerned with general social organization, the greater the number who can contribute to production and the faster the enrichment of the nation.

If this distinction between productive and unproductive activity is correct, a distinction made from the perspective of

Moreover, if the cost of maintaining a soldier represents a necessary expense, as it certainly does in Cambodia's case, such expenditures remain nonetheless unproductive. The situation is clear: the struggle for peace in South East Asia and against military pacts figures in the framework of our economic development efforts.* Finally, the "unproductive" character of commerce will emerge once we have studied the mechanism which underlay and underlies its overdevelopment.

Champagne, etc.

In order to have an idea of the disequilibrating impact of consumer demands from [the] rich strata here is [an] analysis of the import structure for Indochina. It is valid for Cambodia in isolation as confirmed by external trade statistics.

a) Products imported for "Europeans," landlords, compradores, high civil servants: preserves, flour, fruit, candies, perfumes, cosmetics, spirits (champagne, cognac, whiskey, etc. . . .), glassware, procelain, silk, electric lamps, automobiles, furniture, raincoats, cigarettes in packets and boxes, cigars, hats, concentrated milk, chocolate, fish and shell fish, birds nests, onions, shallots, fresh and dried vegetables, raisins, starches, fresh and preserved fruits, shark fins, gasoline . . .

These imports, consumed by less than 10 percent of the total population, make up 49 percent of the value of all imports.

b) Products consumed by the mass, 90 percent of the population: cotton in raw, fibre or woven form; petrol, tools, fireworks, incense sticks, candles, household articles, betel nuts, various condiments.

These imports represent four percent of all imports.

Khieu Samphan, Chapter 3



Fortune-teller plies his trade.

* Adam Smith, *The Wealth of Nations*, Guillaumien French translation, 1843.

* This is an indirect but specific reference to aggressive efforts by members of the South East Asia Treaty Organization (SEATO) to bend Cambodia's foreign policy to "free world" will. In the months immediately preceding completion of this essay, SEATO powers sponsored a clandestine military movement and a major coup attempt against Prince Sihanouk.—Tr.

the economy as a whole without any pejorative intent, it follows that we must deduct the sum of about 5 billion riels entered into account as "value added" by administration, defense, trade, and the banking sector. The net national product thus becomes 7 billion riels (\$20 million) (12 - 5 = 7 billion riels).

This figure more closely approximates reality in Khmer economy. Income growth has no meaning unless it reflects material growth. It seems to us that growth in productive potential is the only valid criteria for measuring the degree of development of an economy. We are of the opinion that reasoning couched in purely monetary terms lacking reference to "real" factors of production can only lead to disappointments.

Causes of Economic Backwardness

From a strictly economic point of view, the effect of French intervention in Cambodia from 1863 was to "open up" the country to trade with France. According to the act of January 1892, metropolitan (French) goods entered Indochina without duty and Indochinese produce imported by the metropole was exempt from duty. As a general rule and in accordance with terms of the same act, foreign goods entering Indochina paid the same duty as they would have paid for entry into France. Thus, the customs device forbade entry of merchandise from other capitalist countries but established free trade between France and Indochina within which Cambodia was dissolved.

The present economic structure of Cambodia issues from this free and unfettered contact between a basically precapitalist Khmer economy and a more advanced, French capitalist economy.

When two capitalist countries come into contact (suppression of protective tariffs and import quotas, free transfer of capital and earnings), they are able to play symmetrically active roles as long as they are at about the same level of economic development. The two economies interpenetrate in a gradual way until they form a perfectly integrated whole. It goes without saying that this process of reciprocal integration isn't accomplished without conflict or crisis, but at the end of the struggle only small and medium sized business, the marginal businesses of the two countries, will be eliminated. The large industries of the two countries will emerge in a stronger position and will profit from a larger "economic space" in which they can deploy capital and labor as they desire.

The process is profoundly different in relations between capitalist and precapitalist economies if relations are established *on the principle of freedom of commerce* of the sort developed in the mid-19th century between France and Cambodia. The confrontation here is unequal. One of the economies concerned is already more advanced and more dynamic, propelled by exchange and search for profit. The other is stationary, living essentially on the principle of immediate gratification of needs and ignoring exchange and profit. Contact does not break the precapitalist character of

the latter, which becomes underdeveloped. In trade between France and Cambodia, Cambodia was unable to play a role symmetrical to that of France, a developed capitalist country. Only France played an active role, integrating its partner, which was subjected to integration, into a foreign capitalism. In this situation lies the essential reason for Cambodia's present economic backwardness.

From 1955, Cambodia's international trade was enlarged to include other advanced capitalist countries, in particular the United States of America. After two wars, the United States enjoys unrivalled economic dominance in the Western world. It took advantage of payment difficulties encountered by Cambodia as well as the majority of underdeveloped countries, to build up trade on the old principle of free trade. Indeed, American economic aid embodies this principle as it is mostly commercial aid, and contains, in rudimentary form, the means of integrating Khmer economy into the new dominant economy, a process which can only strengthen precapitalist structure in the national economy.

We mentioned relations premised *on free trade* and emphasize this premise because contact with advanced capitalist economies need not necessarily result in disequilibrium. Under other circumstances which we will attempt to define in the course of this essay, contact is, in contrast, not only beneficial for Cambodia but for both parties.*

To begin, let us try to analyze more closely the mechanism which gave rise to the present structure.

* This position on international contact was affirmed by the new Kampuchean government at the recent Non-Aligned Nations Summit Conference in Sri Lanka.—Eds.

A. CAMBODIA'S ECONOMIC STRUCTURE IN THE MID-19th CENTURY

An in-depth study of Khmer economy prior to its contact with France would give us a better understanding of characteristic aspects of contemporary Cambodian economics. In the absence of such a study, we can only present a tentative overview of principal traits of the present structure.

Cambodia's economy in the nineteenth century was still a precapitalist agricultural economy: Agriculture is the principal occupation and resource, the primacy of which is reflected in court rituals and state organization as much as in literature and popular traditions.

This agriculture rested upon agrarian organization approximating the feudal form. The feudal character of rural Khmer life had specific nuances linked perhaps to technical conditions of rice cultivation and most certainly to historical and geographical conditions of the country. There were no large single owner agricultural domains; only small village concerns. But the peasant mass was imprisoned within the village or *srok** under a feudal form of authority, that of the *sethey*,* a landowning and mandarinal oligarchy. Even though the king was in theory exclusive master of the soil and its beings, the earth was concentrated in the hands of *sethey*, feudal lords

* The *srok* is a Khmer administrative unit comparable to the Western county or province.—Tr.

* *Sethey* denotes "the enlightened ones."—Tr.

and mandarins even more powerful than ministers. The capital was after all distant with respect to the means of transportation of this period.

At the beginning of his reign the king entrusted management of his property to his people, by proclaiming: *Water, earth, forest and mountains in the provinces of the Kingdom cannot be taken by us. I leave them to the religious communities, to all people and to all animals in order that they may there find their subsistence with integrity.** In fact, the large class of mandarins and notables that the king could not satisfy divided the land up for themselves. This land was then cultivated by peasants reduced to servitude and slavery. Could it be otherwise when, as Paul Collard noted: "The tyrannical influence of mandarins has penetrated the heart of this country so profoundly; it is so well inlaid, that the peasant is nothing more than an abstract being."*

Thus, rural Khmer life surely presents a feudal character. Under this feudal shroud, an active handicrafts sector emerges. Although artisan exploitation and transformation of subsoil wealth seems to be primarily the work of the king and feudal lords through use of their slaves or pols, free craftsmen are actively engaged in silk, cotton, rattan, palm sugar, wood, ivory, and leather. . . .

[In his 1874 dissertation, *Le Cambodge Economique*, Pierre Dreyfus noted a variety of flourishing crafts, some of which were sold over considerable distances. However, he also reported that the silk industry was beginning to decline due to competition from cheaper Chinese silks. In his account, he labels the Cambodians "apathetic."]

. . . The apathy of Cambodians is frequently mooted and freely attributed to a particular trait of the race. But would it not be more appropriate to locate the cause of this "apathy" in the economic and social structure of the time, more precisely in this "tyrannical influence" of mandarins and feudal lords which diminished people to nothing more than "abstract beings"? Was the Cambodian who lived under the conditions of feudal society more apathetic than the French serf in the Middle Ages? It seems not. It was the economic and social structure which forbade Khmer peasants and craftsmen from developing their full potential.

It must not be forgotten that Khmer industry in the mid-19th century evolved under conditions fundamentally similar to those experienced by French craftsmen throughout the Middle Ages. The transformation of an essentially "static" subsistence economy into a more dynamic mercantile economy had barely commenced. In this respect, Cambodia's economy was still lagging behind India's where manufactured products were already appearing. It also lagged behind its neighbor, Viet Nam, where handicrafts had already detached themselves from agriculture and were centered in specialized villages or "village assemblies" where each village as a unit executed all necessary operations in one area of production. But [in Cambodia] the existence of some specialized villages (silk, cotton weaving and pottery villages); the appearance at this time of centers of exchange in kampong* (floating or river



Photo by Steve Cagan.

bank); the fact that some products, especially pottery, were already the object of extended commerce; all demonstrates that the social division of labor was already relatively advanced, and that merchant economy had already made certain progress. Ancient handicrafts were already technically advanced. Here is an impression of the situation recorded by one of the first French administrators:

And yet, when one sees the wonders of solidity executed by the Cambodians for carts so light and elegant, the vigorous hardiness of their pagoda frames, the finish of all the instruments they employ, and the taste with which they are made, curved and graciously sculpted, the science of combining design and color employed in the weaving of their marvellous silk sampot, one cannot help but believe in the possibility of rapid industrial development by this race.

[However] it is impossible to achieve further industrial development unless the precapitalist economy is assisted in the process of disaggregating* feudal society and in giving birth to national capitalism.

Contact with France did not accelerate the expansion of this national capitalism. Rather, the integration of the transitional economy into an international market dominated by the most advanced countries sidetracked development onto its contemporary semi-colonial and semi-feudal path.

Let us attempt a closer examination of this mechanism of structural transformation.

* De Coulgean, French Vice Consul. "Report on Cambodia," *Bulletin économique de l'Indochine*, 1902, p. 420.

* The term "disaggregating" here appears to mean the "separation" of various sectors of the feudal economy from their place in an historic, organic whole, so that they can be reintegrated into a new national-capitalist structure. —Eds.

* Adhemard Leclerc, *Codes Cambodgiens*. "Sainte regle et sacre royal du roi Sauryapearn," p. 42.

* Paul Collard, *Le Cambodge et les Cambodgiens*.

* Kampong is Khmer for river town or port.

B. STRUCTURAL IMPACT OF CONTACT WITH FRANCE FROM THE MID-NINETEENTH CENTURY

At the time of the Renaissance, the development of capitalism in European countries was a process evolving within the manor economy itself and traversing two stages:

- (1) Transformation of subsistence economy into simple merchant economy. This stage was completed in the course of the Middle Ages when new technological innovations enabling growth in productivity required separation of agriculture and craft functions. Craftsmen left agriculture in order to specialize in the production of household goods and farm tools. The cultivator ceased making these goods and tools for himself. There was now a market for selling and purchasing goods which emerged from this initial division of labor within the society. It stimulated currents of exchange between agrarian and craft sectors, and later, within agrarian and manufacturing sectors themselves.
- (2) Transformation of simple merchant economy into capitalist economy. As the social division of labor and the development of exchange progressed, competitive relationships were established among individual producers, each striving to sell at better prices and to buy more cheaply. This resulted in the strengthening of those who were strong and the ruin of others, which in turn led to the transformation of independent producers into salaried workers and the transformation of a number of small establishments into manufacturing enterprises.

Competition continually forced the first capitalists to modernize their enterprises, to resort to larger and more intensive use of capital. One enterprise in a single sector deciding to bring new equipment into use was sufficient to force its competitors into making comparable investments lest they be out-distanced. Thus, technology advanced rapidly along with production.

Admittedly, things are not quite so schematic in historical reality. First of all, the two processes evolve simultaneously in part: the transformation of simple merchant circuits into capitalist circuits accelerates the monetarization of sectors still excluded from the exchange process. Next, the process of transformation of a simple merchant economy into a capitalist economy is accelerated by foreign exchanges: Merchant "adventurers" become rich from the sale of spices and foreign goods to big feudal lords, and this facilitates their initial accumulation of formerly hoarded wealth. These prospering merchants became manufacturers. But all these considerations should not obscure the essential, that is, the fact that there was an initial division of labor *within* the society and development of *internal* exchange.

The process observed in precapitalist economies subjected to international integration is profoundly different.

We will see this in the course of examining the case of Cambodia.



1. Structural Impact of Foreign Trade

a. Decline of handicrafts. While indigenous capital investment and the creation of light industry to take over production of goods previously furnished by craftsmen was the basis of European capitalist development, the penetration of foreign and French industrial products is the basis of Cambodia's underdeveloped economy. French businessmen set up shop and flooded the local market with manufactured goods. The relative cheapness of these goods signaled the decline of much of the national craft sector. Silk and cotton weaving nearly disappeared completely because of competition from French-manufactured rayon and cotton cloth. The demise of weaving industries led by extension to a decline in family dyeing enterprises.

Sugar-based industries faced competition from refineries installed in Viet Nam by the company Raffineries de l'Indochine. Local rice alcohol distilleries encountered the same from Distilleries de l'Indochine. Imported foodstuffs having seized part of the market, craftsmen who processed agricultural products subsisted only by meeting the needs of a fraction of the population too poor to buy foreign merchandise. The same thing happened to the tinware, pottery, basket weaving and esparto* crafts. An important part of their market within the rich and middle strata of the population was cornered by similar, substitute products manufactured more cheaply by foreign industry.

Monsieur De Coulgean, whose impressions of Khmer craftsmanship we have already cited, was astonished:

... and yet individually, the Cambodian is industrious and

* Esparto is a grass used to make cordage, shoes, and paper. —Eds.



skillful; he can make everything he needs by way of tools utensils, clothes and house . . .

and a little further on:

Thus, while the Khmer is a fine potter, an able woodcutter, an admirable boat builder, a tasteful and adroit manual worker, lacking neither courage nor patience, nor even a certain entrepreneurial spirit, he has not, to date, been able to bring about anything of industrial significance.

Wouldn't the reason for this apparent contradiction lie in the direct and indirect competition of imported goods? In Europe, entrepreneurial spirit emerged only with the birth of capitalism. And capitalism, under effective protection from customs barriers, required a long time to work its way through medieval feudal society.

In Cambodia, the merchant economy was still in its early stages. It evolved slowly within the framework of feudal society in the mid-19th century. Handicrafts had already attained a high technical level but were not yet separate from agriculture. The introduction of goods from more developed foreign industries could only weaken and discourage craftsmen from breaking down the intricate network of feudal relations of production.

More recently, during the Second World War, a few craft industries were able to emerge when forced autarky* reduced foreign competition. These were mainly soap, cotton, blanket, silk, palm sugar and paper crafts. The paper mills soon disappeared as imports were resumed. Other enterprises were also placed in jeopardy. In its report of 11 October 1956, the

* Autarky is national economy self-sufficiency and independence. —Eds.

Mining, Industry and Crafts Administration notes: "... our industrial situation is all the more critical because of uncertainty about the future." Referring to the Tan-y-Sine sugar refinery set up during hard times caused by the war and which now produces 700 tons of sugar [per year], the same report says: "... it could produce enough to cover the needs of the country if sugar imports were prohibited." In point of fact, this refinery incurred a loss of 174,172 riels (\$4,976) in 1954 because of competition from imported sugar (2,086 tons in 1954).

Competition from foreign industry or its commercial "antennas" carries on. The crafts sector "lights up and fades away." One must not, however, conclude that it will soon disappear altogether. Actually, only some artisans succumb. Others subsist by satisfying the needs of the impoverished portion of the society whose precarious purchasing power denies them access to foreign goods. Still other artisans survive in the wake of large foreign industry and find themselves responsible for service and repair work on goods manufactured abroad. This is the case with all sorts of repair and maintenance men who service such items as radio, automobile and electrical equipment. Handicrafts and small industries thus tend to become an appendage of large foreign industries. This of course means increasing vulnerability of craftsmen to the fluctuating of advanced capitalist economies. From that point onwards, developmental prospects offered by foreign capitalism are tightly linked to the evolution of the international situation.

As long as business is lively, handicrafts receive a share of the profits, albeit modest, but sufficient to ensure a certain level of activity and to improve it in new ways. While "traditional craftsmen" continue to slide into secondary occupations, part of the crafts sector can even attain industrial scale by modernizing itself and enlarging its labor force.

If, in contrast, a recession comes along, the "push" towards industry stops; small capitalist industries will be obliged to reduce their activity and will tend to draw back into artisan ranks. This particular sort of "reinforcement" does not, however, amount to any quantitative enlargement of handicrafts because it is more than made up for by the simultaneous decline and bankruptcy of many existing businesses.

b. Reinforcement of precapitalist structure in the countryside. The decline of handicrafts, a part of which quite paradoxically owes its survival only to the extreme impoverishment of a significant portion of the population, signals a retreat to subsistence economy. The enfeebled crafts industry is no longer capable of moving out of the agricultural sector and persists only under the title of "secondary activities" of peasants. The process of the disintegration of feudal structure is thus halted.

In advanced capitalist countries, the "industrial revolution" was accompanied by profound upheaval in agrarian structure. In certain countries, notably France, the lordly domain was destroyed by revolutionary confiscation and division of feudal properties. The peasant became the exclusive force in agriculture, transforming himself into a capitalist farmer. Feudal landlords in other countries (England, Germany and Japan) under the influence of strong exchange currents from new, emerging industry "reorganized" their property, replacing ancient and backward methods of cultivation (sharecropping, renting) with capitalist methods of cultivation (capital investment and use of salaried workers). This brought an

Cambodia's Major Industries and

Nature of Industry	PRIMARY MATERIALS	
	Local	Imported Annually
I. HEAVY INDUSTRY		
<p><i>Electrical Plants</i> Number: 10 Annual Production: 28,400,000 kwh</p>	None	<p>a) <i>spare parts</i>: motor, metallurgic products (copper, iron, brass), cables, tubing, castings, water meter b) <i>electrical fittings</i> c) <i>chemicals</i>: aluminum sulfate and others d) <i>miscellaneous</i>: insulated, supple and plain wiring; 107,530 tons of gaz oil and diesel fuel; 100,033 tons of grease</p>
<p><i>Ironworks, Foundries</i> S.O.K.R.E.C.</p>	None	<p>a) <i>semi-processed goods</i>: hoop iron 450,000 t. iron sections 1,200 t. rod iron 250 t. black sheet metal 200 t. ordinary sheet metal 100 t. aluminum 5 t. window blinds 120 roll bent and straight tubing 100 t. b) <i>spare parts</i> c) <i>fuels</i>: gaz-oil, diesel oil d) <i>lubricant</i></p>
<p><i>Carbonated Drink Factories</i></p>	Water	<p>a) <i>semi-processed goods</i>: sodium bicarbonate, sodium citrate, phosphoric acid, citric acid, caustic soda, orange concentrate, various oils: essence of sarsaparilla, of African kola, peppermint concentrate, oil of laurel, blue and orange colorings, caramel . . . b) <i>supplies</i>: hooks, corks, horns, clamps, etching needles of different sizes d) <i>lubricants</i></p>
<p><i>Bicycle Parts Factory</i> Number: 1 Production: 36,000 parts</p>	None	<p>a) <i>semi-processed products</i>: plywood 15 t. steel tubing 15 t. duralumin tubing 15 t. b) <i>parts</i>: bolts and nuts, soldering rods, pressure gauges c) <i>fuels</i>: gaz-oil, diesel oil, oil d) <i>miscellaneous</i>: grease</p>
<p><i>Rice Mills</i> Number: 33 Production: 305,000 tons of rice and bristle</p>	Paddy	<p>a) <i>parts</i>: conveyor belts and parts, rubber belt slips b) <i>chemical products</i>: emery powder, magnesium cement, magnesium chloride c) <i>fuels</i>: gaz-oil, diesel oil d) <i>lubricant</i>: oil</p>
<p>Source: Report of the Mining Industry and Handicrafts Administration, Phnom Penh, 11 October 1956. (Partial listing.)</p>		

their Annual Import Needs

Nature of Industry	PRIMARY MATERIALS	
	Local	Imported Annually
<p><i>Mechanized Textile Plants</i></p> <p>Number: 5</p> <p>Tan Pa & Sons 68 looms</p> <p>Seng Thai 60 looms</p> <p>Tran I 26 looms</p> <p>Chip Tong 24 looms</p> <p>Bory Ky 10 looms</p> <p>Annual Production: 1,173,120 meters</p>	None	<p>a) <i>parts</i>: spare parts for looms and generators</p> <p>b) <i>semi-processed goods</i>: raw silk (93,850 kg.), glue, tracing paper, jacquard frame, bridging thread, marking string</p> <p>c) <i>fuels</i>: gaz-oil, diesel oil</p> <p>d) <i>lubricant</i>: oil, grease</p>
II. LIGHT INDUSTRY		
<p><i>Mechanized Weaving Ateliers</i></p> <p>Number: 8 having 67 wooden looms</p> <p>Annual Production: 453,360 meters</p>	None	<p>a) <i>semi-processed goods</i>: 36,350 kg raw silk</p>
<p><i>Paper Mills</i></p> <p>Number: 1</p> <p>Production: 4,800 reams (packing papers, toilet tissues, boxes)</p>	Corn husks, paperwaste, old sacks, kapok fruit husks	<p>sodium 40 t.</p> <p>calcium chloride 40 t.</p> <p>ascetic acid 40 t.</p> <p>chrome alum 50 t.</p>
<p><i>Glue Factory</i></p> <p>Number: 1</p> <p>Production: 60 t.</p>	Offal of pigs, cattle, firewood, paddy husks	calcium carbonate drying plates
<p><i>Bottle & Flask Factories</i></p> <p>Number: 1</p> <p>Production: 625,000 items</p>	Broken glass, bottle fragments, firewood	bits of glass fireproof clay for firing and molding tubing, ventilators, bellows
<p><i>Cigarette Factories</i></p> <p>Number: 3</p> <p>Production: 1,376,800,000 cigarettes, 60,000 packets of tobacco</p>	local tobacco (556 t.), honey, rice flour starch, wood	<p>foreign tobacco 1,300 t.</p> <p>labels, sulfite papers, aluminum foil, cellophane, cartons, Kraft paper, bisulfite paper, gummed Kraft bands, glycerin, copper powder</p> <p><i>Equipment and spare parts</i>: boilers, sprayer, insecticide, <i>ferging</i>* humidifer, shredder, cigarette packing machine, sealer and cellophane wrapper.</p>

* Unknown to translator. -Tr.

increase in productivity and a reduction in the number of peasants per hectare of cultivated land.

In the same way, according to Colin Clark, the agricultural population in the United States increased from 4.97 million workers in 1850 to only 10.5 million in 1935, while land under cultivation increased at a faster rate. In Great Britain, the population employed in agriculture declined from 2.06 million in 1861 to 886,000 in 1930; in France, from 6.3 million in 1860-69 to 5.5 million in 1930. In these two countries, the area under cultivation can be considered stable throughout the period cited. At the same time, agricultural production in these countries, estimated in international units, rose from 298 to 669 for the United States; from 581 to 827 for Great Britain; and from 435 to 500 for France.

In Cambodia, as in other underdeveloped countries, it seems the inverse phenomenon took place. Information is lacking on population movements as well as on land under cultivation, because available annual statistics were in fact only estimates made by central authorities from the number of land registrations or from frequently imprecise declarations by local authorities. Nevertheless, as the method of estimation was constant over the years, it is reasonable to assume that the resulting time series might reflect developments in population and land cultivation. Thus in 1900-1913, the area given over to rice paddies was estimated at 620,000 hectares.* Taking into account areas seeded in cotton, corn, tobacco, pepper, etc., which Cambodia was already exporting in large quantities, the total land under cultivation might reasonably be estimated at 650,000 hectares. In 1950-51, the area under cultivation reached 1,320,000 hectares, an increase of 103 percent.*

What about changes in rural population? With no precise statistics, we can make inferences about changes in the

* H. Brunier, *Essai d'atlas statistique de l'Indochine française*, 1914.

* *Bulletin de la Banque Nationale du Cambodge*, No. 3, 1955.

agricultural population by looking at the exodus of rural residents from the countryside. In 1900-1913, towns being barely developed, we can estimate that approximately 95 percent of the total population of about 1.5 million people lived in the countryside, giving 1.43 million rural residents (see Brunier).

In 1951, the number of people living in the countryside rose to about 3.54 million (87 percent of the population), a figure obtained by subtracting the population of the provincial towns (529,127) from the total population (4.07 million).* From 1900-13 to 1950, therefore, the agricultural population increased by 149 percent.

<i>Cultivated Area</i>	<i>Agrarian Population</i>
1913 = 100	1913 = 100
1950 = 203	1950 = 249

The increase in number of cultivators per hectare of land is partially concealed by the availability of easily cultivated land in Cambodia. Nevertheless, this trend is discernible.

Moreover, each year when work in the rice paddies and other fields is finished, a mass of impoverished and ruined small producers is observed descending into town in order to find jobs. Dock workers, taxi drivers, coolies for road and bridge construction, porters and domestics are recruited from this reservoir of casual labor. A developing industry capable of assuring stable and remunerative employment could have "fixed" this seasonal "excess" which shunts back and forth between town and countryside. Life in the countryside is hard for impoverished peasants, but towns offer only a mediocre alternative. The majority of them are thus obliged to cling to the land, divide family holdings into infinite pieces, submit to heavy rents and other sorts of painful exploitation which serve only to reinforce the monopolistic position of landlords.

* See *Annuaire statistique du Cambodge, 1949-1950-1951*.



Is it precise to speak of a landlords' monopoly in Cambodia? Are there any big landed estates there? The generally accepted view tends to deny it. Justification for this view is based on the fact that the Cambodian countryside is dotted with small and medium-sized family holdings. But it seems to us that the parcelling of land doesn't mean the absence of large properties. In his dissertation, *La paysannerie du Cambodge*,* Mr. Hou Yuon correctly pointed out that a large property does not consist of a single rice paddy, field or lot. As of 13 January 1950, he noted that 437,883 registered property owners owned 3,168,920 lots. If the city of Phnom Penh is excluded, 3,157,533 lots were held by 435,744 owners, i.e., 7.22 parcels per property owner. Large property holdings must be defined not in absolute but in comparative terms. The study conducted by Yves Henri in 1929 and 1930 in the five Cambodian provinces that contain more than half of all the country's rice fields (Sway-Rieng, Prey-Veng, Kandal, Kampong Cham and Battambang) reveals that very small land owners (one hectare or less) are indeed numerous. They represent 12.9 percent of all rice paddy owners in Sway-Rieng, 18.5 percent in Battambang, 28.3 percent in Prey-Veng, 48.6 percent in Kampong Cham, and 64.1 percent in Kandal. They are even more numerous on the river banks: 81.1 percent in Kandal, 88 percent in Kampong Cham. The large number of these smallholdings only strengthens the economic position of large estates (10-50 hectares) in spite of their small number. The 1929-30 crash and subsequent economic development means only that this disparity will be increased.

Historically speaking, although the "constitution de propriété" (decreed by Governor Thompson in 1884) met only with indifference and total neglect from the Cambodian population, it did favor the consolidation and organization of large holdings by elements of the old feudal landlords, mandarins, and dignitaries who implemented the policy, after, of course, settlers and large plantation businesses had taken enormous chunks of land for themselves for rice cultivation and rubber plantations. (European landowners held 139,759 hectares on 31 December 1951.)*

From all this, one must not however come to the conclusion that big property enjoys absolute primacy in Cambodia. Though it is very difficult, let us try to put the structure of landholding into very approximate perspective. According to the *Annuaire statistique de l'Indochine*, the distribution of rice-paddy owners according to size of their holding in Cambodia's three major rice-producing provinces—Battambang, Prey-Vieng and Sway Rieng—in 1930-31 was as follows:

Property Category	Number of Owners	Percentage
Less than 1 ha.	25,000	20.9
1-5 ha.	72,000	60.3
5-10 ha.	18,000	15.0
10-50 ha.	4,400	7.3
50-100 ha.	100	0.1

* Paris, 1955. Hou Yuon, 46, joined the Resistance in 1967, and is currently Minister of the Interior, Cooperatives and Communal Reform.—Eds.

* European holdings included more than one-tenth of the total cultivated area.—Eds.

Sihanouk on Khmer Rouge

"Cambodia will become Communist, and it is only right that it become Communist, because the revolution that the Khmer Rouge have made in the liberated areas has succeeded. I was convinced of this by seeing it with my own eyes. The Khmer Rouge are serious people. They know how to build up a country and they have done things that I never succeeded in doing. . . .

"In the liberated areas, they no longer lack anything: neither meat nor vegetables, fruit, rice, clothes. Despite the war, rice production has doubled. When I was head of the state, they produced a ton and a half per hectare. Now it is two and a half tons per hectare. Or three. Products are good and prices are low. . . . And when one sees such results, one must admit that those who have obtained them have the right to govern the country. . . . It is quite right that I should congratulate the Cambodian Communists and tell them: You are fine people. You deserve to stay in power forever and nobody should push you out. Not even Sihanouk. Sihanouk should no longer rule instead of you because he has not succeeded in doing what you have done. He wanted to, he dreamed of doing it; but he was not able to accomplish it. Besides, Sihanouk does not count. What counts is Cambodia. So, even if one day you may throw him out, he will think as he does now. Yes, because he is bizarre. But he is not dishonest; and he is not a fool."

Prince Norodom Sihanouk, quoted in *New York Times Magazine*, August 12, 1973

Under Cambodian economic and social conditions, landowners with 7 to 10 hectares cannot work with family labor alone; usually, they augment the family labor force with salaried labor or rent off part of their land. In the context of Khmer society, these are already rich peasants. The majority of property owners with 10 to 50 hectares are able to extract most of their livelihood from renting their lands without having to cultivate anything for themselves. These are, therefore, large landlords. A property of less than two hectares is insufficient to meet the subsistence needs of an average family of five people. The family is thus obliged to work on the land of others either as tenants, sharecroppers or salaried workers. They belong therefore in the category of small landowners. A medium-sized property consists of about two to seven hectares. . . .

[Thirty percent of the landholders own less than two hectares, the subsistence minimum. The next 60 percent own between two and seven hectares, and in most cases work the land themselves without hired labor. This leaves the top 10 percent of the landowners in control of 40 percent of the land, most of which is worked by sharecroppers, renters, or hired laborers. In-kind rent varies from 25 to 60 percent of the harvest.—See *La cooperative agricole en Indochine*.]

. . . Rent in Cambodia is consequently not a capitalist rent which is levied on the surplus of the average profit of the farmer, but a feudal, precapitalist rent issuing from a monopoly of landownership and personal dependence of the

peasant vis-à-vis the landlord, dependence most conspicuously manifested by the persistence of rent in labor combined with rent in kind and in money, by the practice of voluntary corvees (labor days, community husking of paddy and rice polishing), by traditional gift-giving and by debt service.

From this we can draw two conclusions:

(1) Commercialization of agriculture initiated by large foreign monopolies did not come from a radical disruption of the feudal mode of production. Impetus initially came from two quarters: It issued from big landlords renting their land in small lots. Prior to international integration of the economy, landlords directly consumed their rent product which was paid in kind. After integration, an opening for the export of the rent product emerged. The big landlords sold produce to export companies or to their intermediaries in order to buy imported merchandise. Rent was more and more sought in the form of money, to be sure. Accordingly, peasants were obliged to put more and more merchandise on the market. They then

fall into the hands of all manner of commercial intermediaries, usurers and other agents of commercial agriculture.

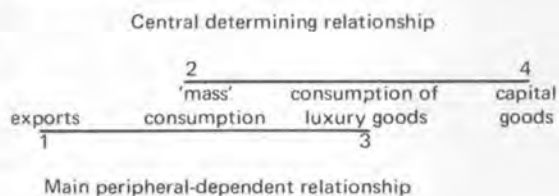
In this manner and by means of tax levies, rent and usury, surplus rice has been extracted each year for export at the expense of peasant consumption.

(2) The preservation or strengthening of feudal organization in its most crucial aspects means that economic forces are now embedded in a dense network of backward economic relations. How does this affect the peasant mass? It is kept in a state of perpetual moral prostration as a result of semi-servitude, land rents and usury. Consequently, progress in its activities, knowledge and initiatives becomes very difficult. As for landlords, rent and usurious interests are their best possible investment. The use of fertilizers would bring no more than 50-60 percent return in a year. Loaning of money and renting of land is therefore more profitable than refurbishing soils, improving irrigation or drainage, or rational use of modern agricultural equipment. Nothing prompts landlords to save or

Theory of

*In chapter three of the dissertation, deleted here because of space requirements, Khieu Samphan refers to the 1957 doctoral dissertation of his contemporary, Samir Amin, entitled "The Structural Effects of International Integration on Pre-capitalist Economies." Amin, who was born in Egypt, was also a student in Paris in the 1950s. He is now director of the U.N.-sponsored African Institute of Economic Development and Planning in Dakar, Senegal. He is the author of Accumulation on a World Scale (Monthly Review Press, 1975). Because their approaches are so similar, Samir Amin's analysis of the systematic, global character of underdevelopment and the choices it presents to scores of Third World countries is of particular interest. These are excerpts from one of his recent articles.**

The diagram below sums up the difference between a self-centered system and a peripheral one:



The economic system is divided into four sectors which may be considered both from the point of view of production and from the point of view of distribution of the active population engaged in the above-mentioned productive activities.

SELF-CENTERED SYSTEM

The determining relationship in a self-centered system is that which links sector 2 (the production of 'mass' consumption goods) with sector 4 (the production of capital goods intended for the production of sector 2).

* Samir Amin, "Accumulation and Development: A Theoretical Model," *Review of African Political Economy*, No. 1 (August-November) 1974.

This determining relationship has been the characteristic feature of the historical development of capitalism at the center of the system (in Europe, North America and Japan). . . . The level of development of the productive forces is expressed through the social division of labor: The division of the labor force, in suitable proportions, between sectors 2 and 4 . . .

PERIPHERAL MODEL

The model of capital accumulation and economic and social development at the periphery of the world system is not in any way related to the one we have examined above.

In the periphery the process began when under an impulse from the center, an export sector was created. This was to play a determining role in the creation and shaping of the market. We shall not get very far by repeating *ad nauseum* the platitude that the products exported by the periphery are mineral or agricultural primary products. These are obviously products in which a given region of the periphery has a particular natural advantage (abundant supply of ore or tropical products). The underlying reason which rendered possible the creation of this export sector must be sought in the conditions which make the establishment 'profitable.' . . . The reason for creating an export sector therefore lies in obtaining from the periphery products which are the basic elements of constant capital (raw material) or of variable capital (food products) at production costs lower than those at the center for similar products (or obviously of substitutes in the case of specific products such as coffee or tea).

This is therefore the framework for the *essential* theory of *unequal exchange*. The products exported by the periphery are important to the extent that—*ceteris paribus*, meaning equal productivity—the return to labor will be less than what it is at the center. And it can be less to the extent that society will, by every means—economic and non-economic, be made subject to this new function, i.e., providing cheap labor to the export sector. . . . [O]nce society is subjected to this new function—becoming in this sense dependent—it loses its traditional character since it is not the function of real, traditional societies (i.e., pre-capitalist) to supply cheap labor for capitalism. . . .

to invest. Their incomes are used for the consumption of imported goods.

Thus, no one takes the initiative in technical progress. It is not surprising that the Khmer economy has remained just as it was at the time of Angkor.

The question of foreign investments then arises and, in so much as they exist, why they have been unable to contribute to development. This is the subject to which we now turn.

2. Generalization of Capitalist Networks after Penetration of Foreign Capital

a) Private Investment. The exact amount of private foreign investment in Cambodia is difficult to estimate. In 1954, the French High Commissioner's Office evaluated the "capital investment of major enterprises to date" at about 2,975 billion piasters (\$85 billion).

This figure is suspect given the circumstances of the period: In 1954, there was great political uncertainty and firms



Changing of the guard. 1957 photo by Wilfred Burchett.

Underdevelopment

Under these conditions the domestic market, born out of the development of the export sector, will be limited and distorted. The smallness of the internal market explains the fact that the periphery attracts only a limited amount of capital from the center although it offers a better return.

... In addition, the methods used to ensure a low return to labor correspond with a strengthening of the various parasitic internal social classes which serve as conveyor-belts: latifundists in some places, Kulaks in others, comprador commercial bourgeoisies, state bureaucracies, etc. The internal market is thus mainly based on the demand for 'luxury goods' from these social classes, ...

From the 'social' point of view, this model leads to a specific phenomenon: the *marginalization* of the masses. By this we mean a series of mechanisms heterogeneous in nature which impoverish the masses: proletarianization of small agricultural producers and cottage industry workers, rural semi-proletarianization and impoverishment without proletarianization of peasants organized in village communities, urbanization and massive increase in urban unemployment and underemployment, etc. Unemployment in this case differs from unemployment under the central model of development. Underemployment, in general, will have the tendency to increase instead of being relatively limited and stable, cyclical variations apart. Unemployment and underemployment thus have a role different from that

under the central model: the high level of unemployment ensures a minimum wage rate which is relatively rigid and frozen both in sectors 1 and 3; wage does not emerge both as a cost and an income which creates a demand, vital to the model, but on the contrary only as a cost, demand itself originating elsewhere: from abroad or out of the income of the privileged social classes, ...

The analysis thus brings us back to the fundamental question: development for whom? To the extent that we regard development as meaningful only in so far as it integrates the masses and serves their interest, the model of dependent peripheral capital accumulation is a dead end. A strategy of development for the masses should adopt as its

initial basis a fundamental review of priorities with regard to the allocation of resources, which presupposes a rejection of the assumptions of profitability within the system. ...

The changeover from the peripheral model (based on sectors 1-3), to the model of real, autonomous, self-centered development (based on sectors 2-4) constitutes the essential element of *transition*. ...

Since England was the birthplace of industrial capitalism, all other developed countries have at some stage been 'backward' in comparison with it. But none of these countries had ever been peripheral in the sense that we have defined it. Gradually the Continent and North America caught up, and in the case of the USA and Germany, overtook England in ways largely analogous to those of the English model. ...

Now, this road is barred to the countries of the present periphery precisely because of the advanced development of marginalization, the considerable and increasing gap between the modern technology set up by ruling capital and the necessity for an immediate improvement in the conditions of the masses, etc. These are the alternatives: either dependent development according to the model above, or self-centered development, necessarily *original* in comparison to those countries already developed. It is in this direction that we discover the law of unequal development of civilizations. The periphery is forced to transcend the capitalist model (even if it is state capitalism). It cannot catch up with it. ...

Seen in this light, the concrete strategies of transition appear above all as those of *self-reliance*. Self-reliance, which must be understood on different levels, and which must democratically respect the true popular social groups which constitute the nation: the village, the region, ... the state and, eventually, groups of states. The level of development attained may force one country for a time to consider only the most elementary levels of concrete, transition strategies so that transition must be seen in very long perspective. It is within this framework that we place the question of 'small countries.'



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Ad and cartoon from 1972 issue of Khmer Republic, official organ of Lon Nol regime.



operating in Indochina could have overestimated the value of their plants in the hope of making a profit out of a possible withdrawal. However, to the extent that these investments were made, why were they unable to contribute to the development of capitalism in Cambodia? The reason is that the multiple effects of investment are destroyed (1) by the export of profits, (2) by the transfer of the locus of the accelerator* outside of the economy.

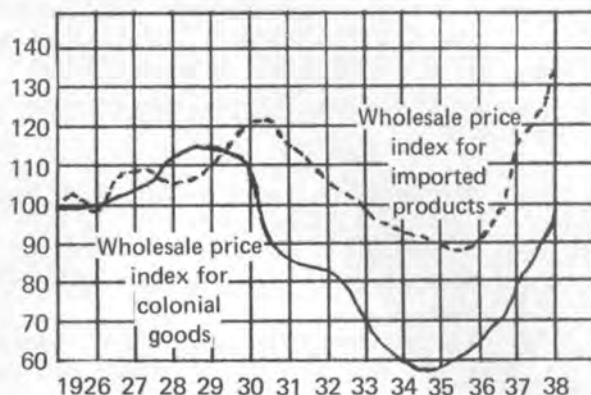
Let us examine these phenomena in turn.

Export of Profits

In a country where capital resources are hardly used, even a moderately more intensive use results in a relatively large

* The "accelerator" refers to the way increasing consumer demand for products leads manufacturers to make major investments in new production equipment, tools, buildings, etc., thus spreading the original increase in demand. —Eds.

The Scissor



Source: From data in the *Annuaire Statistique de l'Indochine*

These curves are extremely eloquent. Note that,

- 1) the "scissor" only begins to open in 1930, and
- 2) from 1930, it continually opens wider and wider.*

This tends to confirm that disequilibrium is latent from the time of the "great crash" and can only secondarily be blamed on war damage.

Is it necessary to point out the absence of any improvement in the terms of exchange since 1938 and that, on the contrary, deterioration is only more pronounced when increasingly acute competition from synthetic rubber aggravates the permanent factors already cited?

Khieu Samphan

* The "scissor" refers to the graphic image produced when the prices Cambodia must pay for imported goods rise relative to prices it receives for goods it exports. —Eds.

increase in production and subsequently, in saving. This, then, provides the basis for significant "secondary" investment. The real multiplier effect* of productive investment should not be confused with the simple artificial inflation in demand emanating from unproductive investment (commerce, administrative and military expenditures) where artificially created purchasing power is lost in fruitless price increases. In the situation of international integration, however, the multiplier effect from even productive investment is annulled because the profits made are not reinvested locally but exported.

* The "multiplier effect" refers to the normal recycling of income through the economy, where one person's expenditure becomes another person's income, which is then expended, etc. —Eds.

It is difficult to speculate on the amount of profits exported each year before 1954 because Cambodia was dissolved in "L'Union Indochinoise." For the years after 1954, if earnings pressing through legal channels as recorded in the balance of payments are scrutinized, we observe that 381 million riels (\$10.9 million) were exported in 1957. This sum includes earnings from 1955-56 which could not be transferred until 1957 as a result of difficulties related to the liquidation of the quadripartite monetary union and the establishment of a new monetary system. Earnings exported annually by legal channels therefore equal about 190 million riels (\$5.4 million). These statistics underestimate the total amount of annual earnings exported, as it is necessary to count locally reinvested earnings twice: first as exported profits, and then as newly imported capital that subsequently generates supplemental earnings for export. We will return to this point later. Certain value transfers are concealed by the pricing policy of foreign firms inside the country. All sorts of manipulations are possible due to extreme concentration of commercial and financial relations with foreign markets. For example, the equivalent of some 300 million riels (\$8.6 million) transferred from Cambodia to foreign markets are, in fact, handled by two or three foreign banks inside the country. Export and import of goods thus allows exchange operations on a grand scale. Importers and exporters declare the value of their goods to customs and the exchange office. The exchange operations required for payment are executed on the basis of these declarations. . . . [Since fraud is difficult to detect], foreign currency is easily acquired by padding the cost declared for imported products and by undervaluing the price declared for exported products. An average fraud of five percent on the value of all commercial transactions in 1956 would amount to 210 million riels (\$6 million). In reality, much more than this could easily be exported each year.

Earnings exported in this way might well be close to 400 million riels per year (\$11.4 million), more than six percent of the national income. Figures of this order are considerable. They suggest, contrary to some opinions, that total net saving in the country is equal to if not greater than that in developed countries in percentage terms (though certainly not in absolute terms). Without this considerable leakage, development of the country might well proceed at least as rapidly as that of European countries.

The effects of the export of earnings must be measured against total profits made in the country, for profit is the essential source of finance for investments in a capitalist regime. Exported earnings represent at least 40 percent of gross profits made in the country by foreign and national companies. Therefore, these exports are a considerable drain on the Khmer economy and curb its developmental momentum in the extreme.

2. Transfer Abroad of the Accelerator Effect

The accelerator effect can be initiated as a result of demand for capital or intermediary goods:

a. A large portion of foreign investment is used to acquire capital goods in the country of origin. The accelerator effect induced by this demand is, therefore, transferred abroad; it has not thereby contributed to the generalization of capitalist networks inside Cambodia. Paul Bernard illustrates these points well in noting that barely half of the 8 billion francs of public and private capital invested in Indochina between the wars was in fact distributed within the country.



Route 5, 1968. Photo by Steve Cagan

On this point Cambodia cannot delude itself. In the course of its industrialization, it will need to import capital goods for a long time, perhaps indefinitely.*

The deleterious effect of the transfer of the accelerator effect can be estimated if it is recalled that Cambodian industry experiences only an incomplete cycle of development and imports its spare parts, chemicals, lubricants, fuels and even materials for processing (see Table 1, page 14). Import of these capital goods, spare parts and intermediary goods amounts to the integral transfer abroad of the locus of the accelerator induced by the demand for these goods.

b. To the extent that foreign and national investments channel cash incomes to indigenous laborers, this should enhance the development of merchant economy. Indeed, this did happen. "Primary" cash incomes generated local demand for foodstuffs or handicrafts which encouraged local producers to become merchants, that is, to produce more and more in order to "sell." From this "primary" income, it was therefore possible to create an internal market, a current of autonomous internal exchange.

Whenever income distributed inside the country results in a demand for imported goods, and since foreign goods are relatively cheap, this occurs frequently in a situation of international integration, the locus of the accelerator process is transferred abroad. Foreign investment does not become a pole of development; it attracts neither additional foreign investment nor local investment. When foreign profits are re-invested on the spot, the second flows of capital cannot be attributed to the first. There is only repetition of autonomous flows of foreign investment lacking induced effects. This is why we believe it is necessary to count re-invested earnings in two distinct ways: first as re-exported earnings and again as newly imported capital.

Moreover, it becomes clear that once the flow of foreign investment ends, so does growth. There is no induced national capital formation capable of taking up the slack. This is what happened in Cambodia.

b. Public Investment. To facilitate the integration of Khmer economy into that of the metropole, a public development program was essential. According to estimates by the Bank of Indochina, public investments up to 1939 for all of Indochina amounted to 14.162 billion francs (1939 francs). These were allocated in the following way:

50% for railway construction

25% for military installations

11% for agricultural irrigation

14% for the Post Office, maritime ports, public building and roads.

It is difficult to say exactly what share of this investment went to Cambodia. Development work there basically consisted of 300 kilometers of railway; 3,300 kilometers of roads, including 1,090 kilometers with asphalt surfaces and 2,143 kilometers of gravel roads; basic furnishings for the post office and for Phnom Penh's river port. No seaport was built. Furthermore, no important irrigation projects were undertaken during this period. Cambodia's share of these public investments was probably one-fifth of the total or about 2.8 billion (1939) francs.

* See *Indochina Chronicle* no. 47, February/March 1976, pp. 14 and 19. —Eds.



Bananas for Phnom Penh.

A Consistent View

Radio announcements by the new Cambodian government in the first months after the liberation of Phnom Penh reflected the consistency over the years of Khieu Samphan's analysis of the basic economic problems facing his country—and the key role it played in the economic development strategies of the movement he leads. On June 11, 1975, Phnom Penh radio declared: "The old and new aggressors have caused the weakness of our country. If there had been no foreign attacks, Cambodia would have become a powerful country." The broadcast accused France of having prevented the development of weaving and handicraft industries during its 90-year control of the country. It went on to blame Japan and the U.S. for similar harm done to the economy, saying that the old and new colonialists "wanted to keep our country in a colonial situation. They stole our raw materials to ship them to their own countries." The broadcast accused the developed countries of bringing their own goods to Cambodia to compete with local products.

Contradicting Western press reports that the new government would enforce a radical return to a traditional peasant society, Phnom Penh radio announced as early as May 9, 1975 that: "Our people do not seek to produce only rice, but also to produce goods for industrial use—cotton, rubber, textile fibers. Our soldiers, our people, our workers, our youth and our monks believe we can develop our industry and economy in a short space of time."

Compiled from Reuters news service

To what extent did these investments contribute to the generalization of capitalist circuits in Khmer economy? The co-efficient of generalization of capitalist or merchant circuits was reduced by several intervening factors:

(1) As in the case of private investments, a large portion of the Indochinese loans was used in the metropole to acquire capital goods.

(2) The distribution of local incomes issuing from public investment was considerably reduced by use of the large "corvée."^{*} The incomes obtained by European or indigenous administrators, a large portion of the monies distributed, were spent on the import of consumer goods and did not affect demand for local agricultural products, the only type of demand that might have contributed to the generalization of internal exchange.

(3) Although Cambodia no longer pays for interest and repayments on metropolitan loans to finance public investments, this has not always been the case. Thus, of the 825 million piasters spent between 1900 and 1937 on public works in all of Indochina, the Indochinese budget had to pay 575 million, partly as a direct local contribution and above all, in arrears on and repayment of metropolitan loans. These levies and taxes fell mostly on indigenous peoples. The rigorous fiscal regime falling on the indigenous populations discouraged any capitalist inclinations on one level (this was especially the case with patents, taxes on commerce, taxes for validating weights and measures) and on another, threw the peasants into the hands of grasping businessmen and money lenders, the invaluable accessories of foreign import-export businesses.

In the final analysis, therefore, public investment had a very limited effect upon the generalization of merchant networks.

(4) All of the preceding considerations are nonetheless insufficient explanations of why public investment failed to develop capitalist networks in Cambodia. The principal and

^{*} Corvée is the use of forced labor for the construction of public works.
—Eds.

permanent reason, in our view, lies in the fact that these investments were made under terms imposed by economic intergration into world trade. Leaving aside military and political development, these investments mostly financed an economic infrastructure of railways and roads. In an independent, non-integrated national economy, roads, railways, bridges and ports contribute to the expansion of internal exchange between and among villages and towns within the country, and in so doing, they enlarge a national market and facilitate autonomous, national capitalism. In contrast, in the present state of economic integration into advanced capitalist economies (freedom of external trade), investments in infrastructure, regardless of secondary conditions attaching to them, can only facilitate still greater penetration of foreign industrial goods, allowing them to compete in the last nooks in the countryside left to national handicrafts, and then facilitate the extraction of Cambodian agricultural produce to meet the needs for raw materials of these same industries. In a word, investment intensifies international integration which, as we have already seen, is the root cause of underdevelopment of the Khmer economy.

Examination of the annual railroad statistics shows that 80 percent of the transported tonnage was made up of imported manufactured goods or agricultural goods (rice) destined for export. Internal exchange among the various Khmer provinces along the rail line represented, at most, only 20 percent of the total traffic. These percentages reveal the traditional structure of rail transport. The accounts also give a general sketch of road and river transport in Cambodia which is altogether different from the situation in advanced capitalist countries such as that in France, for example, where at least 80 percent of the merchandise transported internally is for autonomous, internal exchange, between several towns or among regions of the country. In Cambodia, each communication channel has essentially two opposing streams of traffic (export of agricultural products, import of manufactured goods and foodstuffs) that only come together by way of capitalist



Pottery and other crafts remained in artisan workshops.

countries.

Under the present terms of international integration, investments made in the area of infrastructure only favor export-import activities to the exclusion of any autonomous, internal exchange. This is also the case, more recently, with American investments in this area.

In conclusion, therefore, the multiplication effects of private foreign capital are very weak and cannot compensate for the opposing effects of international integration. Public foreign investments tend to reinforce this integration because they are directed into infrastructure.

At the present time, the effect of American aid is not fundamentally different.

C. AMERICAN AID AND THE STRENGTHENING OF INTERNATIONAL INTEGRATION

1. Investments

Of the total 172.2 million U.S. aid dollars allocated in the program for the years 1955-56-57, \$112.9 million, or 66 percent of the total, was military aid. This tends to expose the "aid" program as more a part of the U.S. "security" program than aid for Cambodia's economic development. The point seems all the more evident when it is remembered that our two neighbors who benefit in addition from the active sympathy of the United States use their "aid" in arms and planes to provoke multiple border incidents.

This military aid, far from solving the country's security problem, contains the seeds of grave difficulties. Only one

example, which we borrow from the person in charge of the Khmer economy, Monseigneur, the Prince Norodom Sihanouk, need be cited:

Suppose, in fact, that foreign aid were cut or abruptly reduced by substantial proportions. We would then have insurmountable difficulties in meeting our obligations to the personnel of our army and would be threatened with social disorder: non-payment of salaries, difficulties with re-integrating commissioned soldiers into civilian sectors.

Our budget could not underwrite the cost of the cars, lodgings and fine food required by officers and soldiers accustomed to "great comfort." And this army, transformed into an easy living caste, would no longer relate to our little people who lead simple and frugal lives.

As for difficulties with our neighbours, these would nonetheless remain. Our American friends habitually say to us: "We can't choose sides between two friends or judge them" ...



Is it necessary to point out that this eventuality restricts a country's political options?

Let us now turn to U.S. economic and technical aid. This is therefore reduced to \$59.3 million. Where does it go? The following table gives the distribution of allocated funds in thousands of U.S. dollars:

* "Résumé exercice 55-57," from *L'aide américaine au Cambodge*, brochure published by the American Aid Mission in Phnom Penh, p. 11.

Transport	31,853	(56%)
Agriculture and Natural Resources	6,717	(12%)
Education	5,864	(11%)
Hygiene and Purification	3,715	(7%)
Miscellaneous	2,990	(5%)
Public Administration	2,445	(4%)
Industry and Mining	2,206	(3%)
Urban Development and Housing	1,045	(2%)
TOTAL	56,835	100%

Balance of Trade

	IMPORTS (millions of riels)	EXPORTS
1953	1,492	1,937
1954	1,750	2,188
1955	1,665	1,402
1956	1,980	1,282
1957	2,043	1,811
1958	2,670	1,852
1959	2,447	2,104
1960	3,322	2,441
1961	3,395	2,220
1962	3,583	1,903
1963	3,751	3,116
1964	2,863	3,367
1965	3,603	3,690
1966	3,888	2,356
1967	3,365	2,907
1968	4,043	3,098
1969	4,202	2,729
1970	2,893	2,125
1971	4,191	827
1972	12,158	1,204
1973	19,871	675

Source: United Nations Yearbook of International Trade Statistics, 1974

As we see, infrastructure absorbs the most (56 percent). In principle, it is good for Cambodia to have ports, roads and an airport, but we have already seen that infrastructure doesn't foster autonomous national development in the case of international integration. . . .

[American aid does not encourage the Khmer national economy. Sugar refineries, textile mills and other national production facilities capable of meeting all the needs of the country are operating far below capacity due to competition from imported goods.]

. . . Other goods imported under the rubric of American aid come in as publicity samples to raise demand for luxury goods and to nourish the "demonstration effect" of Duesinberry-Nurkse, that is, to encourage the desire of a particular part of Khmer society to imitate the American way of life. As a result of this aid, artificial circuits emerge in support of the import of non-essential goods. This is especially the case for automobiles, motors and accessories (\$3.8 million, or 6.6 percent of total aid), electrical appliances (refrigerators, radios, etc.: \$2.3 million, or close to 4 percent of total aid). All of these durable consumer goods embody future import needs of complementary goods: gasoline, accessories and spare parts.

This aid cannot fail to affect the orientation of Cambodia's foreign trade. During 1946-54, the U.S. share of the value of Cambodia's foreign trade was thus 11 percent. For 1955-57, Customs and Excise accounts revealed that the U.S. share of Cambodia's foreign trade was 12.3 percent, representing 7.46 percent of Cambodia's total imports and 17.24 percent of its exports. But these figures neglect goods of American origin purchased in Hong Kong, Singapore, South Viet Nam, Thailand, and Indonesia (whose petroleum products belong to Caltex). The Hong Kong share of Cambodia's imports is 21.9 percent; South Viet Nam's, 13 percent; Indonesia's 5 percent; Thailand and Formosa's, 3 percent. Finally, America's ally Japan takes a 15 percent share of Khmer imports. Together these countries supply 52.9 percent of Khmer imports. A large percentage of the goods are of American origin or come from subsidiaries of large American firms set up in these countries. If all of these considerations were taken into account, American exports to Cambodia would be at least 40 percent of the total value of all Khmer imports and not 7.46 percent, as it might first appear.

Apart from that, French exports which made up about 60 percent of the value of Cambodia's imports before 1954 fall to only 20 percent. There is, therefore, a clear withdrawal from a pole of "domination."

It seems quite clear that American aid is not the kind which allows development of the economy. On the contrary, it tends to intensify its integration into the world market dominated by the United States, integration which is at the very root of present underdevelopment. Consequently, the small per-

centage of aid given over to development of agriculture, natural resources, industry, education, hygiene, and urban development would appear to be window dressing designed to ease the passage of integration rather than demonstration of a desire to aid the economy.

At the end of this first chapter, we can, therefore, conclude that Cambodia's economy is a backward agricultural one where two different sectors coexist, an atrophied capitalist sector and a predominant precapitalist sector, both being in addition integrated into foreign capitalism through the channel of foreign trade. The pole of "domination" is shifting away from France and moving closer to the United States. The International Cooperation Administration in Phnom Penh which distributes American aid credits has become a magnet even more powerful than the Bank of Indochina. . . .

Conclusion

The Necessity of Autonomous Development

The task of industrializing Cambodia would appear above all else to require a prior, fundamental decision: development within the framework of international integration, that is, within the framework of free external trade, or autonomous development.

International integration has apparently erected rigid restrictions on the economic development of the country. Under the circumstances, electing to continue development within the framework of international integration means submitting to the mechanism whereby handicrafts withered away, precapitalist structure was strengthened and economic life was geared in one-sided fashion to export production and hyperactive intermediary trade. Put another way, agreeing to international integration means accepting the mechanism of structural adjustment of the now underdeveloped country to requirements of dominant, developed economies. Accepting international integration amounts to accepting the mechanism by which structural disequilibrium deepens, creating instability that could lead to violent upheaval if it should become intolerable for an increasingly large portion of the population. Indeed, there is already consciousness of the contradictions embodied in world market integration of the economy.

Self-conscious, autonomous development is therefore objectively necessary. . . .



Important Events In Recent Cambodian History

- 1945 France regains control over its colony, which had been proclaimed independent under Japanese auspices. King Sihanouk refuses to sign a modus-vivendi agreement with France, demanding increased self-government.
- 1946 Franco-Khmer accord makes Cambodia an "autonomous state within the French Union" while France retains veto power over important areas of policy.
- 1949 France grants Cambodia legal independence but retains control of police and army.
- 1950 U.S. establishes diplomatic relations with Cambodia. Nationalist insurgency increases as critics attack Sihanouk's gradualist approach to independence.
- 1951 Democratic Party, calling for immediate independence, wins overwhelming electoral victory. Struggle between king and parliament.
- 1952 Sihanouk dissolves Democratic government as nationalist and communist anti-government activity increases.
- 1953 Sihanouk makes world tour to publicize Cambodia's desire for complete independence, goes into exile vowing to lead a "holy war for independence." Non-communist nationalists take up arms against French. France grants total independence to prevent two-front war in Indochina.
- 1954 Geneva Conference on Indochina calls for removal of Vietminh forces from Cambodia. U.S. and South Viet Nam refuse to sign final accord, and John Foster Dulles begins negotiations for anticommunist SEATO treaty. U.S. provides military and economic aid to Cambodia.
- 1955 Sihanouk announces Cambodia will conduct neutral foreign policy. Sihanouk abdicates throne to run in national election; his party wins overwhelmingly. At Bandung Conference, Sihanouk agrees on peaceful coexistence with China, renounces SEATO "protection" of Cambodia.
- 1956 Thailand and South Viet Nam impose economic blockade in retaliation for Cambodian aid agreement with China. U.S. suspends aid.
- 1958 South Vietnamese army units invade Cambodia border areas. U.S. refuses request to restrain Saigon. Cambodia proposes diplomatic relations with China, U.S. organizes anti-Sihanouk Khmer Serei movement with help of Thailand and South Viet Nam.
- 1960 National referendum supports Sihanouk's policies.
- 1962 Sihanouk calls for new Geneva Conference to extend international protection to Cambodia.
- 1963 Khmer Serei activities increase. Sihanouk cancels U.S. aid agreements. Pentagon calls for direct intervention in Cambodia.
- 1964 U.S. and Cambodia open talks in New Delhi. U.S. offers to support Cambodian neutrality if Cambodia excludes NLF and DRV forces from its territory.
- 1965 Cambodia severs diplomatic relations with U.S. in protest against US-ARVN border violations.
- 1966 U.S. voices support for Cambodian neutrality, charges abuse by Hanoi and NLF. Rightwing opponents of Sihanouk win parliamentary elections; Lon Nol becomes prime minister.
- 1967 Leftist demonstrations in the countryside and Phnom Penh topple Lon Nol cabinet. Cambodian army moves against communist insurgents. Khmer Rouge organization forms as leftists are forced underground. Sihanouk refuses U.S. request for talks on use of Cambodian territory by Vietnamese NLF and PLA troops.
- 1968 Chester Bowles mission to Cambodia threatens U.S. invasion to attack Vietnamese forces. Sihanouk gives tacit consent to "hot pursuit." Sihanouk accuses Cambodian communists of fomenting civil war in northwest.
- 1969 Rightist opposition, including Khmer Serei, surrender to Sihanouk, are absorbed into army and police. Sihanouk offers to restore relations with U.S. in exchange for recognition of territorial integrity. U.S. agrees, while its planes bomb border regions. Sihanouk announces new Lon Nol cabinet will reexamine U.S. economic aid question. Lon Nol's government dismantles Sihanouk's economic program by removing restrictions on banking and commerce.
- 1970 Cambodian army begins to attack Vietnamese bases in Cambodia. Sihanouk ousted in Lon Nol coup. U.S. recognizes new government while Sihanouk plans government-in-exile. Lon Nol announces willingness to accept U.S. military aid. China supports Sihanouk's exile government and resistance movement. Joint U.S.-Vietnamese attacks to "clean out" communist bases in Cambodia. More than 50,000 U.S.-ARVN troops involved. U.S.-South Vietnamese naval blockade of Cambodia. Lon Nol declares martial law while U.S. begins military aid. Lon Nol establishes a republic. Sihanouk publicly hopes for revolutionary victory even though it will end his political role. Claims NUFK controls two-thirds of Cambodian territory. U.S. Senate approves \$255 million aid for Cambodia.
- 1971 U.S. air war in Cambodia escalates, Saigon increases its forces there. U.S. finances Vietnamese Cambodian operations. Phnom Penh population, swollen with refugees, reported to have doubled in first year since Lon Nol coup. U.S. announces promising off-shore oil areas in Southeast Asia. Guerrillas take offensive. Intellectuals increasingly join the insurgency while students demonstrate in Phnom Penh for reforms.
- 1973 U.S. Congress halts U.S. bombing in Cambodia (after more than 539,000 tons have been dropped) but allows military aid to continue. Lon Nol government controls only cities and major waterways, but war goes on, causing destruction and suffering throughout the country.
- 1974 Khmer Rouge forces enter final stage of war, gradually tightening noose around Phnom Penh. Phnom Penh swollen with refugees who depend on imported rice for food. Starvation and disease spread.
- 1975 Final victory for Khmer Rouge forces who liberate Phnom Penh April 17. All residents evacuated to countryside in emergency measure to prevent starvation. Khieu Samphan becomes first deputy premier as political, economic and social reorganization of the country begins.
- 1976 New constitution adopted in January, renaming country Democratic State of Kampuchea. People's Representative Assembly elected March 20. Sihanouk resigns as head of state, Khieu Samphan elected President. At Non-Aligned Nations Summit Conference in Colombo, Khieu Samphan reaffirms Kampuchea's commitment to independence and non-alignment.

Conferences

The National Council for Universal and Unconditional Amnesty (NCUUA) and FRIENDSHIPMENT have joined together to organize working conferences on the issues of amnesty and postwar reconstruction aid to Viet Nam. The conferences are being held this fall in five cities across the country; the first one was held September 18 in Los Angeles, the second in San Francisco October 9.

Organizers of the conferences hope that they will result in unified regional strategies which will help to influence the postwar policy of a newly elected administration. Your participation is essential.

For more information, contact NCUUA/FRIENDSHIPMENT, 235 E. 49th St., New York, NY 10017, 212-688-8097 or 212-486-0580.

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Atlanta/KY, W VA, TN, NC, MISS, AL, GA SC, FLA region
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Contact: Jay Lamday 404-881-6660(o) or
404-237-7146(h)

Washington D.C./Mid-Atlantic region
October 30

Contact: Bea Robbins, 301-622-0229

Oklahoma City/Colo., KS, MI, NM, OK, ARK, TX, LA
region

October 30-31

Contact: Don Parker, 405-521-0416

Boston/New England region
November 6

Contact: Anita Greenbaum, 617-332-9072

Washington (specific site undetermined)/WA, OR, ID, MT,
WY region

early November

Contact: Merlin Rainwater, 206-632-0500

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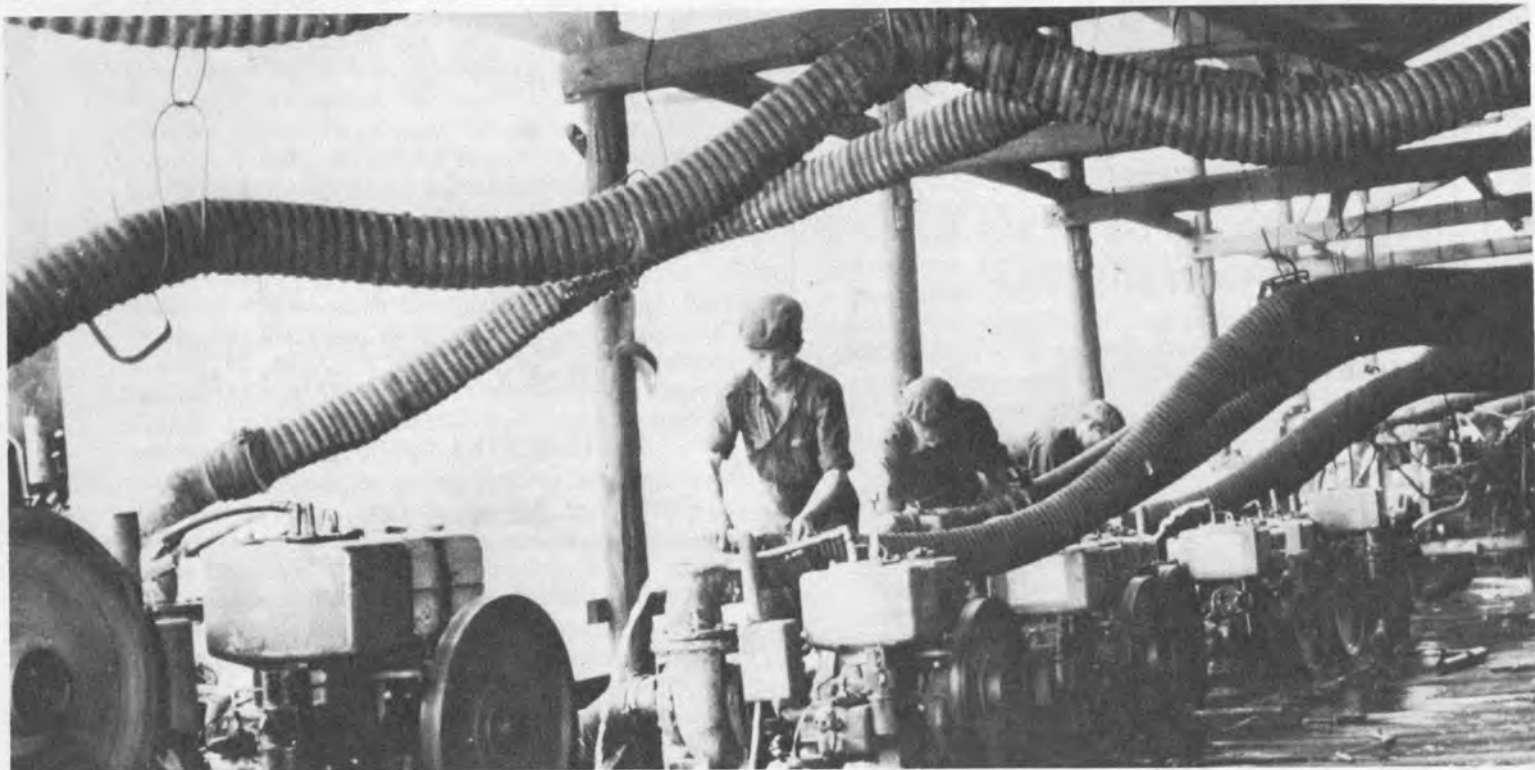
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Newly commissioned pumping station in Pursat province, northwest of Phnom Penh, can pump 30,000 cubic meters of water a day. Such pumping stations, which supply water to farmland, are part of the new government's effort to increase agricultural productivity. VNA photo.

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