c. Nonresident Accounts may be opened only upon authorization. They may be freely debited for (1) taxes in the Khmer Republic; (2) miscellaneous accounting, correspondence expenses, etc., and (3) living expenses in the Khmer Republic of the account holder and his family. They may freely be credited with the proceeds from foreign currency sold on the Phnom Penh market and with interest on funds held in the account concerned. All other operations through these accounts are subject to individual licensing.

d. Foreign Currency Accounts may be opened only upon authorization. They may be freely credited with foreign exchange transferred from abroad. Account holders may use balances on these accounts (1) to cover expenses abroad, such as those related to travel, missions, and the purchase of foreign merchandise, and (2) to cover expenses of any kind in the Khmer Republic by converting balances on these accounts into riels on the Phnom Penh exchange market.

e. Internal Accounts of Nonresidents may be opened only upon authorization. Balances on these accounts may not be used for transfers abroad. The accounts may be freely credited with (1) proceeds from the sale of foreign exchange on the Phnom Penh market; (2) transfers from Foreigners' Accounts in riels; (3) wages, salaries, allowances and payments for expenses of Khmer nationals employed by Khmer firms and temporarily residing abroad; (4) income earned in the Khmer Republic by account holders; (5) redeposits of previous withdrawals; and (6) repayment of loans granted to residents out of balances in such accounts. The accounts may be freely debited for (1) living expenses in the Khmer Republic of the account holder or his family; (2) administrative expenses related to the account holder's property in the Khmer Republic; and and (3) loans to residents. All other operations through these accounts require authorization.

5. Imports and import payments

The import of certain commodities is prohibited for reasons of health or security and that of certain other goods for protective reasons. Several important import commodities have been placed on an "exclusive list;" their importation is permitted only against commercial aid financing. The list includes tobacco leaves, cotton fibres, certain vegetable oils, wheat flour, and cotton thread under the U.S. PL 480 program, and some foodstuffs, rubber and rubber products, petroleum, chemicals, timber and paper products, iron and steel, metals, cars and trucks, and U.S. equipment in general, under the U.S. Commodity Import Program (CIP). In practice, the limitations imposed by the exclusive list have been administered in a flexible manner. During 1973, shortages of green coffee, which appears on the restrictive list, quickly led to the issuance of import licenses for that commodity, while difficulties in obtaining certain goods through commodity aid programs resulted in permission to import them through the Nouveau Marche. For all other permissible imports, including those eligible for CIP financing that are not on the "exclusive list," cash foreign exchange resources have been provided until early 1974 without restrictions through the Nouveau Marche; they are referred to as general imports. From February 1974, however, there has been arbitrary rejection of bids for foreign exchange on the Nouveau Marche even when they met all the necessary requirements laid down. A negative list of transactions that could not be financed on the Nouveau Marche was introduced in May 1974,1/ and further enlarged in November 1974 to include a wide category of goods, such as agricultural products and also products which were similar to those manufactured locally.

Until May 1974, general imports of up to US$500 for each shipment could be made freely when no foreign exchange purchase was involved (sans devises) and the goods were not intended for resale. The valuation ceiling was increased in May 1974 to US$2,000, and finally abolished in November 1974. However, from that date, there has been a restrictive list that confines imports sans devises to raw materials, capital equipment and spare parts for industrial and agricultural uses. As to the procedure, the importer must sell his foreign exchange on the Marche Libre at the selling rate and repurchase it at the buying rate on the date of the operation.

All imports financed by foreign exchange purchased in the Nouveau Marche must be settled against irrevocable letters of credit opened by the commercial banks. Importers are required to submit their bids for purchases of foreign exchange to the commercial banks, accompanied by a payment in riels, the amount of which is varied from time to time. A supplementary deposit has also been required from time to time, but it was eliminated in August 1974 (See Chapter VI). Certain government agencies and commercial firms have been exempt from the supplementary deposit requirement. The supplementary deposits of successful bidders have been refunded when the shipping documents are taken up at the bank where the letter of credit was opened. Upon completion of the import transaction, importers 2/ are required to submit proof that foreign exchange has actually been used to finance imports, and that the goods have arrived and have been cleared through customs with full payment of import duty and other levies. Customs duties, the turnover tax and the "war effort" tax were taken off a large number of imports during the reform of the exchange system in September 1974; however, the authorities may reimpose most of these in the near future.

In order to facilitate the efficient utilization of commercial aid resources, preferential local currency payment facilities have been extended to importers who are willing to finance imports through aid. Until early 1974, the local currency cost of CIP imports was settled as follows: in the case of purchases from the United States the importer paid 10 per cent of the import value in riels at the time the import application was approved by SONEXIM (Societe Nationale d'Exportation et d'Importation) and the remainder at the time of the presentation of documents by the commercial bank; while in the case of purchases from "Code 941" countries initial payment was 25 per cent. The remainder, due on presentation of the documents, could be financed by commercial bank credits. On May 24, 1974, it was decided that in view of the low

1/ The value of imports of the products restricted in May 1974 amounted to about US$15 million in 1973.

2/ Each importer is required to obtain an import business license. Importers are permitted to trade with foreign countries only if they have assumed corporate status (societes anonymes). The equity capital of such corporations should be at least KR 5 million; 51 per cent of the equity should be held by Khmer nationals and one third of board membership should be Khmer.

levels of available CIP aid funds, a large group of import items previously financed with CIP funds would no longer be financed through this source; among these products were sugar, coffee, tea, textiles, and fertilizers. In addition, it was decided that freight payments on PL 480 rice imports above the 265,000 tons already negotiated and which had been paid out of CIP funds in 1974 thus far, would be financed through the Nouveau Marche. A commission was set up in the Ministry of Commerce to screen applications for CIP imports. The advance deposit requirement on CIP imports was raised to 100 per cent on March 28, 1974 (with the exception of petroleum products). For imports under the PL480 program, the formalities require 25 per cent to be deposited in advance when the letter of credit is opened, and 75 per cent to be deposited when the documents are registered.

6. Payments for invisibles

Freight and insurance costs for imports on the Nouveau Marche are normally included in the original bid for foreign exchange; CIP import costs also include freight and insurance. Until early 1974, freight and insurance on PL 480 imports were paid for with exchange purchased by SONEXIM from the National Bank, which is eligible for reimbursement by the ESF for such sales. Freight on PL 480 rice imports in 1974 have been financed out of CIP funds; but in view of the limited amount of these funds in the course of 1974, it was decided that some US$4 million of freight costs related to the import of an additional 35,000 tons of rice in 1974 would be shifted to the ESF.

Most payments for invisible transactions (except those financeable by the Marche Libre without prior authorization, see above) require authorization under exchange control regulations. Normally various types of payments may be made up to specified limits, but under the present circumstances, few payments are permitted. Regulations governing transfers on invisibles account are, in principle, as follows:

A foreigner working in the Khmer Republic and receiving a monthly salary exceeding KR 5,000 in Phnom Penh, or KR 3,500 in the provinces, may in principle transfer up to 30 per cent of his net monthly salary--after payment of taxes--plus 15 per cent of his monthly salary if a dependent wife stays abroad, plus an additional 10 per cent if dependent children, parents, or grandparents stay abroad. (The additional percentage of transferable income is 2 per cent for each legitimate child or dependent parent or grandparent, with a maximum of 10 per cent of of the net monthly income for each family.) Such transfers may not exceed the equivalent of KR 20,000 a worker per month. Transfer facilities are not granted for salaries and wages exempt from income tax. Overtime pay is considered transferable income only when it is received in payment for courses given in public educational institutions. Women of foreign nationality married to Khmer nationals and working in the private sector are not permitted to transfer savings from salaries or wages to their country of origin.

Foreign landlords domiciled in the Khmer Republic may transfer up to 30 per cent of the taxable portion of their income from rent, provided that the rent exceeds KR 5,000 for landlords living in Phnom Penh or KR 3,500 for landlords living in the provinces. Foreign landlords living abroad may transfer up to 20 per cent of the taxable portion of rent.