

THE KHMER REPUBLIC

THE POLITICAL SCENE

Lon Nol takes over as president -

On March 10, Cheng Heng resigned as president of the Khmer Republic, and handed over his post to Marshall Lon Nol. Previously Lon Nol had been exercising power in the republic from his position as prime minister, but it was immediately made clear that a new form of constitution was to be introduced, with the power now resting with the president. In his resignation statement, Cheng Heng claimed that he was not capable of maintaining unity, and that in order to prevent further discord it was necessary that Lon Nol assume the presidency. He later claimed that there was no disagreement between the leaders in the regime.

The next day Lon Nol accepted the resignation of the government, now headed by prime minister delegate Sirik Matak, and temporarily took over the posts of prime minister and chief of staff of the armed forces. He was officially sworn in as president on March 14 in a brief ceremony, with few if any foreign officials present. His new government was announced finally on March 22, with Son Ngoc Thanh as first minister, and Sirik Matak now not included.

- and produces a new constitution

One of the first moves by Lon Nol as president was to "end the mission" of the constituent assembly, that had been working on a new constitution. In April he produced a new draft, and declared that a referendum would be held on the 30 of that month to decide its acceptability to the people. This constitution outlined the presidential system of government, and stated that the president and vice-president would be elected for five-year terms. If such elections were not possible (because of war) then the two houses of the National Assembly could extend their mandate for a further year. This referendum was duly held, and the new constitution was accepted by 97.45 per cent of the voting population.

Presidential elections are to be held on June 4. Following his election, the president will have the authority to appoint a vice-president. The list of candidates for the election is Lon Nol, In Tam and Keo An.

The challenge to Lon Nol

Perhaps the most interesting aspect of these changes in the republic is the position of Sirik Matak. When Lon Nol took over as president it looked as if he wanted Sirik Matak to stay on as prime minister in his place. However, it soon became clear that this would not be acceptable to a large number of Cambodians, including the vocal students. For some time it looked as if Sirik Matak would be left entirely in the cold, but then in the middle of May it was suddenly announced

that he had been appointed special advisor to the president with privileges and pay equivalent to that of a premier. It is a distinct possibility that he will be Lon Nol's deputy after the presidential elections.

Sirik Matak has always been considered a friend of the USA, and this may well explain why he is not trusted by the students. He is an able administrator, and Lon Nol no doubt feels a need for this experience and ability. Also, with Sirik Matak firmly within the president's fold, he will be less of a threat to his position. The main challenge that Lon Nol faces at the election and then in the future will come from In Tam. It is rumoured strongly that he refused the prime minister-ship when offered it by Lon Nol, and is clearly attempting to rally opponents of the present regime around his banner. It seems improbable that Lon Nol would permit any serious challenge to his election prospects, but his position cannot be considered secure. There remains considerable opposition to his running of the war, and in the longer term In Tam might emerge as the central figure in an alternative government.

There are also doubts as to the exact position of Son Ngoc Thanh, the first minister. The view of some observers is that he is of comparable stature to In Tam, and that Lon Nol only invited him to power after several acceptable candidates had declined the post. He is popular with the students, and to an extent with the US. However, his support of Lon Nol is not necessarily absolute, and his appointment is a sure sign that the new president is scratching around for ways of maintaining his power. It is better that opponents be brought into the government at this stage than left outside to ferment revolt.

Russian peace initiative

There have been reports recently that the USSR has approached Lon Nol with suggestions that there could be peace in his country. It seems that they were asking him to accept a position of neutrality similar to that during Sihanouk's time. If this was accepted, then he could count on their support. The whole question of the Russian attitude is made more complex - and less comprehensible - by continued rumours about their attempts to muster a 'third force' to continue opposition to Lon Nol, while at the same time isolating Sihanouk.

At present the Russians recognise the Khmer Republic, and maintain a large embassy there. Their peace initiative was wrapped around a guarantee that if the Khmer Republic accepted the presence of NVA troops in their country, then the war would cool down. When the Vietnam issue was settled the Russians would be prepared to ensure that North Vietnamese forces moved out. Whilst Lon Nol would have a great deal to gain from such a situation, he would have to find some way of explaining why such a situation was 'treachery' under Sihanouk, but acceptable now. It looks as if this proposal has been turned down, and now the Russians have the alternative of supporting Sihanouk - who they do not trust - or mounting a new revolutionary force. This latter could be linked with the new communist party in Phnom Penh.

Sihanouk visits Hanoi

At about the same time as rumours were circulating about this peace initiative, Prince Sihanouk was visiting Hanoi, and having discussions with various senior members of the Hanoi regime. A joint statement issued when he left indicated that there was full agreement between the two parties, and it is not easy to believe that the Russians had the full agreement of Hanoi to their initiative. From Hanoi Sihanouk returned to China, where he is still receiving full support. Indeed, the Chinese have issued statements showing that they are not pleased with the Russian position with regard to the Khmer Republic, and undoubtedly are not supporting the concept of a third force at this stage.

Attacks on Phnom Penh

At the time of President Nixon's visit to Peking, the communists launched a major attack on Phnom Penh. They have openly stated that they have no real wish at this time to take over the capital, but this attack was so heavy that at the time it looked as if they might have changed their minds. However, the rockets were not followed up, and the town returned to relative peace and quiet, albeit with a battered airport and supply dumps, and a number of dead and wounded. Elsewhere the war has not been as intensive as earlier in the year, although the South Vietnamese did carry out one significant attack on NVA concentrations across the border. The republic has been used as a base for attacks on the southern areas of South Vietnam, and earlier activity there was probably to ensure the safety of these bases. Elsewhere the government has lost more territory, several of their posts on the Saigon-Phnom Penh Highway being occupied by the communists. This action has come at a time when the numbers of North Vietnamese and Vietcong forces have been reduced to a new low because they have been needed for action elsewhere. This could mean that the Khmer Rouge - indigenous communist forces - are playing an increasingly important role in the struggle in the Khmer Republic. These forces would probably be interested in continuing the struggle even if the Vietnam war was finalised one way or the other.

THE ECONOMY

Struggling along

There is very little to report on the progress of the Cambodian economy over the past few months. Figures are still not available for any of the main indicators of economic progress, of which there has been none, or of economic stability, which is being maintained to an extent. The UK government agreed to chip in £200,000 to the Exchange Support Fund, and this brings the total level of resources for the current year to around \$35 mn. All contributions have been made for a one-year period only, and there will be further negotiations in about three to six months' time to try to obtain further sums for 1973. Progress is certainly not the right word for the Cambodian economy - like Laos, it is clinging to survival.

IMF provides support

The IMF have announced that the Khmer Republic is being allowed to draw the equivalent of Special Drawing Rights (i.e. old dollars) Ffr6.25 mn. This will be in addition to normal quotas and SDR allocations, and is to compensate for temporary shortfalls in export income. The fund's compensatory financing assistance is provided to countries whose shortfall in export earnings compared with expected levels is due to circumstances beyond their control. The form of assistance was initially intended to operate when countries suffered severe droughts or other climatic or natural disasters, and this move seems to be a little away from this initial objective. In many ways it is difficult to believe that the shortfall in export earnings is temporary. No doubt the IMF has provided this assistance as part or all of its contribution to the ESF, and feels that it is the least that it can do after the major economic reforms that the republic introduced at its behest.

The exchange rate floats down

When the government announced its major economic policy changes last November (see QER No. 4 - 1971) it was stated that the exchange rate would be allowed to float according to demand and supply of foreign exchange. Many observers were a little dubious as to whether the government would really allow the rate to move too far, too rapidly, but events have proved that the rate is being allowed to truly float. The approximate rate at June 5 is for US\$1=150 riel, compared with the official rate pre-November of 55.5 riel, and the tentative rate of 140 riel set at the time of the devaluation.

Offshore oil exploration

The Khmer government is inviting offers for exploration of possible oil deposits in the offshore areas and in certain parts of the interior. Rights to the whole of the continental shelf are currently held by Elf-ERAP, but they will relinquish all but 20,000 square kilometres in October of this year.