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**TERMINATION REPORT**

**USAID/CAMBODIA**

**BOOK I of III**

**SUMMARY, EVALUATION AND  
PHASE-OUT OPERATION**

**JUNE, 1964**

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## I. INTRODUCTION

### A. SUMMARY OF EVENTS

The United States Government was requested in a Foreign Office note dated and delivered on November 20, 1963, to the Embassy in Phnom Penh to terminate all economic, cultural and military assistance to Cambodia. This request for termination was made after the United States had provided economic assistance to Cambodia since 1951.

Following the request for termination, the USAID took immediate steps to halt all further assistance and prepare for the withdrawal of the USAID Mission. On January 15, 1964, the U.S. Embassy informed the RKG that the USAID was terminated except for a small group located in the Embassy in Phnom Penh and supported by an office in Saigon. The retention of this group was required to make the final settlements of accounts, assist in the removal of the remaining USAID property, and arrange for the sale to the RKG of specified equipment belonging to the Vinnell Corporation, the contractor undertaking rehabilitation of the Khmer-American Friendship Highway. The RKG indicated agreement that this group remain. All the household effects of all USAID employees and all USAID property with the exception of one vehicle were removed from Cambodia by March 5. The sales agreement for the Vinnell equipment received its final signature on February 14 and confirmation that payment had been made in dollars was received in Phnom Penh March 27. Agreement was obtained from the RKG on the final disposition of the Counterpart Special and the Technical Assistance Trust Fund accounts on February 19. The remaining fiscal matters related to the Counterpart Special Account, the Technical Assistance Trust Fund, and the Commodity Import Program were transferred to the residual controller

in Saigon on May 15, 1964, and as of that date USAID Cambodia ceased to exist.

## B. ORGANIZATION OF REPORT

This report consists of three volumes. Book I presents a summary and evaluation statement of the program, a discussion of the factors leading to its termination, the probable effects on the Cambodian economy of the termination, recommendations in the event any future economic aid to Cambodia should be contemplated, and lastly, a description of the actual operations involved in closing the Mission.

Book II presents a more detailed description and evaluation of the program by field of activity and individual project. Book III provides the available financial and statistical summaries of the program from its inception until its termination. The data contained in Book III have been derived from a variety of sources. While they have been reviewed by the USAID Controller neither time nor staff were available for detailed verification with the records of the Controller's Office.

Should there be differences between the data presented in this report and official reports of the Controller's Office, the latter should be accepted as correct.

## C. PREPARATION OF REPORT

This report was prepared under the direction and with the participation of Peter M. Cody, Deputy Director of USAID, Cambodia, who became Acting Director upon the departure of the Director, Curtis Campaigne, on January 11, 1964. Mr. Cody wrote the major portion of Book I assisted by Clayton McManaway, Acting Program Officer.

The detailed program sections of Book II were prepared by Mr. McManaway, assisted by William Faulkner, Program Analyst and Quang Sang, Program Assistant who prepared the statistical data used in Books II and III. Initial drafts of the Public Health and Agricultural sections were prepared by Dr. John Kennedy and Carl Van Haeften, Chiefs of these divisions at the time of termination. The report was compiled from and draws heavily on numerous end-of-tour reports and other available material prepared over the years by the technicians and staff members of USAID Cambodia. The sections relating to the management aspects were prepared from reports compiled by members of the Executive Office who remained to carry out USAID termination operations. These included: Mr. Robert Martinez, GSO; Messrs. John Popovich, Bernie Prosser, Anthony Liberti and Monroe Scott, Assistant GSOs; and Mr. Manuel Silberstein, Personnel Officer. Mr. Remo Ray Garufi, as Acting Controller, participated in the preparation of the sections on the Commodity Import Program and in preparing and reviewing the fiscal data. The overall organization, compilation and editing of the Report were done by Messrs. Cody and McManaway.

## II. SUMMARY AND OVERALL EVALUATION

A. SUMMARY AND EVALUATION1. Introduction

In September of 1951, Cambodia, then a nominally independent country within the French Union, signed a bilateral agreement with the United States providing for U.S. economic and technical assistance. Initially this assistance was made available through the Special Technical and Economic Mission (STEM) established in Saigon to administer aid for all the states of the French Indochina area. The available records are lacking in any detail as to the quantity and type of aid provided to Cambodia under this arrangement and virtually non-existent as to how it was administered. Though US STEM personnel made occasional visits to Cambodia for programming and inspection purposes, such assistance as was provided apparently was administered, in effect, by the French and agencies of the United Nations. After Cambodia attained its full independence from France, agreement was reached that a separate U.S. aid mission be established in Cambodia. The agreement was signed in November of 1954 and the initial deposit of funds required to operate the mission was made in January of 1955. Later, during the same year another agreement was signed providing U.S. military assistance to Cambodia.

With a national history going back to the ninth century, a relatively homogeneous population, except for the Chinese and Vietnamese minorities concentrated in Phnom Penh and provincial capitals, a common language and a monarchy recognized throughout the country, Cambodia had the potential to develop its limited resources in a program of economic and social development. The chances for development were further

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enhanced by having successfully weathered the period of Viet Minh insurgency without loss of territory through military and guerilla action or at the Geneva conference table. The major limitations to growth were the lack of mineral resources and industrial plant and more importantly the dearth of trained manpower in practically all fields. The potential for a successful economic assistance program, however, was certainly present and progress in the development of a number of the preconditions to self-sustained growth was achieved during the 1955-1963 period. The fact that greater progress was not made, particularly in the all important agricultural area upon which significant increases in national per capita income depended, was due to a variety of political and economic factors. The greatest limitations to more rapid growth was the lack of institutions or trained manpower at all levels after the departure of the French and an inability to motivate the rural populace to change their age-old, traditional agricultural practices.

Despite the potential for growth Cambodia emerged as a sovereign nation almost totally unprepared in the way of institutions and trained people for the effort of effecting rapid economic progress. Its only contact with the west had been France. The status of the Cambodian economy at the time of independence was roughly as follows:

Economic Setting

Economically, Cambodia was and will remain for the foreseeable future primarily agricultural. Cambodia does not have sufficient important mineral resources, such as coal, oil or iron ore, to attain self-sufficiency in terms of the diversified needs of a developing

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economy. The principal natural resources of the country are a relative abundance of agricultural land, timber and fresh water and marine fish. The climate is tropical with an abundance of rainfall during half the year. Cambodia has traditionally been self-sufficient in terms of food supply and the simple requirements of an agricultural and fishing society.

- Agriculture

Cambodian agriculture was and remains dominated by rice culture both for domestic consumption and export. Cultivation is based on traditional methods producing only one crop per year in small, family held units. Large holdings, other than rubber plantations, and absentee or state land ownership are the exception. At the time of independence there were no effective government agricultural services in either the technical or credit fields. A number of minor crops were known and grown in small quantities by Cambodian farmers but statistically they were unimportant. The second most important agricultural product has been rubber. However, rubber continues to a very large extent to be produced on French owned plantations in a world apart from the Cambodian farmer and to a large extent from the government. Fresh water fish are relatively abundant particularly in the Great Lake and provide a stable but far from fully exploited natural resource. Marine fish resources are exploited to an even lesser extent. Timber constitutes another potentially exploitable resource which still remains basically unutilized. There is a considerable livestock population but it is affected with a variety of diseases. The larger animals are utilized to a large extent as work animals and care of swine and poultry is poor. Since

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Cambodia has abundant rainfall during only half the year there is a need for irrigation during the dry season. At the time of independence irrigation facilities were extremely limited.

Industry

The industrial plant left by the French was limited to one large distillery, plus a relatively large number of individual family run and operated rice mills, brick kilns, sawmills and small repair and simple machine shops. A commercial community dominated largely by French and Chinese existed capable of meeting Cambodia's trade and financial needs. These commercial establishments remained and grew in size and number after independence.

Public Works

In the public works area the French had constructed a reasonably adequate road network between major cities and towns (except for bridges over the major rivers). Minimal urban water and electrical facilities had been constructed but many were old and in need of repair when French rule was terminated. A railroad line existed from Phnom Penh to the Thai border. There was no ocean port and unloading at Phnom Penh was done by barge at a point below the city.

Education

The educational system and facilities were extremely limited. Elementary education was limited by the paucity of classrooms, teachers and textbooks. Literacy was estimated at approximately 35 per cent and over three-fifths of the elementary school age children were not in school. The facilities for secondary schools were staffed largely by

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the French and were restricted to a far narrower base. At independence there were practically no higher education facilities. The content of the existing school system was based on antiquated French concepts no longer applicable even in France. The supply of professionally and technically trained people was extremely limited. Artisans were generally found only among the Vietnamese and Chinese minorities.

- Internal Security

In the Police, all authority and administrative matters had been dominated by the French until 1953 with very few Cambodians gaining any experience other than at low levels. The French had provided no training to the Cambodians other than very limited on-the-job training and the sending of a select few to France, mainly for political reasons. As in other areas the French had used Vietnamese and Cambodians who were pro-French for all but the low ranks. When it assumed authority, the RKG further compounded its problems of staffing in the police by immediately purging all personnel associated with the French regime. Although the Police were armed, the great variety of arms and ammunition and their poor condition left the Police virtually defenseless. The army was perhaps developed to a greater extent and had some experience in the war against the Viet Minh. Here too, however, there were few Cambodians with command experience and almost none with logistic or technical skills.

- Health

In the Health field, Cambodia was left with the formidable problem of trying to provide medical care and essential health services to fill the void created by the departure of most of the French colonial

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medical staff. The general health of the people was poor and over half the country was malarious; 10-30 per cent of the people had yaws; over five per cent of the people had active tuberculosis. Smallpox was prevalent, dysenteries and intestinal parasitism were universal and the level of sanitation and public knowledge about health was extremely low. The French had done little community public health work and although they had built a network of provincial hospitals between 1910-1920, these were now outmoded, poorly equipped and in poor repair. Even more critical was the almost complete lack of trained Cambodian physicians, nurses and auxiliary medical personnel and local institutions in which to train a professional and technical health staff.

- Administration

During the period of the French protectorate Cambodia had little opportunity to participate in governmental administration, and most administrative functions for Cambodia were centered in Saigon. Governmental services performed in Cambodia were executed mainly by French officials assisted by Vietnamese clerks. The RKG thus had to develop and staff its public services from the most rudimentary sources, low educational standards and salary levels and a widespread lack of experience in Government have made for poor administrative performance. Administratively, the government was at best a loose grouping of separate agencies whose heads, the only ones willing or able to make judgments or decisions, were more interested and adept in politics and personal gain than administration or advancing the economy. Graft and the bribe are a way of life in the East and Cambodia was, and is, no exception.

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Coupled with this lack of skill and basic equipment was a reluctance on the part of most of the Cambodian Government administrators to accept foreign technical advice due both to questions of face and pride as well as a distrust of the motives of the foreign experts.

In the context of these limitations the U.S. economic aid program attempted to complement Cambodia's efforts to construct needed facilities, build institutions and greatly expand the supply of trained manpower in all fields and at all levels. The end result was designed to increase both agricultural, and to a lesser extent industrial, output while at the same time developing a cohesive, viable society in the face of the considerable political problems to be found in South East Asia.

Cambodia has greatly improved its public facilities and developed a number of educational and public service institutions. At the same time a relatively stable government, accepted nationwide, has evolved. Since it is hinged largely on the person of one man, Prince Sihanouk, its durability is yet to be fully tested. The results in terms of increases in agricultural and industrial output have been less measurable and in fact disappointing in terms of goals set both by the aid planners, and by the Cambodians themselves. Undoubtedly the various programs were overly ambitious relative to the U.S. and Cambodian capacities for comprehension and implementation. On the basis of necessary trial and error experience a greater understanding was being achieved and a seemingly more realistic program being developed at the time the Cambodian Government requested an abrupt termination of the AID program. As explained in Section II-B below this action was taken for political reasons largely extraneous to the content of the aid program itself.

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2. The AID Program

Introduction

The initial objective of U.S. assistance to Cambodia was to provide material and financial support for the repair of the physical damage resulting from neglect during World War II and the damage that occurred during the Viet Minh fighting. When Cambodia gained full sovereignty a more comprehensive program was initiated for the purpose of assisting Cambodia maintain its newly won independence, establish and maintain internal security and achieve a measure of economic development.

The AID program consisted of two main sectors or programs: a non-project sector and project sector. The initial assistance was provided in the form of individual projects. When a more comprehensive program was begun, these projects were continued and made up the project sector and a commodity import program (CIP), which was established to generate pre-determined local currency requirements, made up the non-project sector. Two thirds of all aid was provided through the non-project sector.

Non-Project Program

The non-project program began in 1955 with a \$12 million cash grant to establish a fund of local currency to meet program commitments. In addition, a deposit of \$7 million equivalent in local currency was transferred to the Cambodia program from the Counterpart account in Saigon which had serviced the entire Indochina program. At that time the decision was made to establish the Commodity Import Program in order to maintain a continuing supply of local currency

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without further resort to cash grants. In addition to the CIP, local currency was generated by a small PL 480 program and Section 402 agricultural commodities.

The Agreement in 1955 to provide military assistance under a MAP program coupled with the local currency requirements for project activities led to a substantial demand for U.S. generated local currency and the incorporation into the aid program of a non-project or largely Commodity Import Program that in dollar terms dominated the economic aid program. Over the life of the program from 1955 to 1963 non-project aid accounted for 78.5 per cent of total obligations. Of the non-project total 81 per cent was the CIP.

In agreeing to the provision of military hardware and training by a U.S. advisory group the two governments also developed a program of Military Budget Support. This provision of local currency was largely allocated to the pay and allowances of the armed forces (FARK) but also was calculated to finance the local currency of certain military construction projects in which MAP provided equipment was installed. The available record is unclear as the written documentation of the commitments upon which the provision of this budget support was made. The understandings seemed to have been in part verbal. However, a specific formula subsequently was developed by which the U.S. support for pay and allowances was being reduced by 10 per cent per year though in some years the RKG was able to convince the U.S. to maintain a higher level. The percentage of total RKG military budget expenditures financed from the counterpart account decreased from 60.8 per cent in 1957 to 25.3 per cent in 1963 both because of the declining U.S. contribution and because of the increasing total amount provided by the RKG for the FARK budget.

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While these amounts were specifically allocated for the FARK pay and allowances they were more in the nature of general budgetary support since presumably they would have been largely met by the RKG in any event. The local currency provided for the economic projects and military construction financed activities that were less likely to have been undertaken if funds had not been specifically allocated for these purposes.

In retrospect, and in light of the political events that followed, it can be argued that the provision of general budgetary support for economic purposes would not have aroused the same degree of political sensitivity as military budget support. There is evidence that following the November 1, 1963 military coup d'etat in South Vietnam, Prince Sihanouk became disturbed by the fact that the U.S. was directly involved in the payment of his armed forces and hence the existence of this support may have been one of the factors leading to his request for a termination of the program.

As indicated, the development of a large requirement for local currency to finance U.S. commitments was responsible for the commodity import program through which the local currency was generated. This program in itself had a considerable impact on the Cambodian economy and the role of the U.S. in Cambodia. This fact too, turned out to be a sensitive point in Prince Sihanouk's evaluation of the U.S. role. It is difficult to ascertain the extent to which Prince Sihanouk's criticisms represented real fears that the program was developing an unwelcome dependence on U.S. financed imports, or were after the fact justification for terminating a program which meant financial loss for many influential Cambodians.

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The Commodity Import Program was never justified by the U.S. on the balance of payments or resource requirements but rather on a local currency generation basis. However, the importation of U.S. financed goods in such large quantities obviously had a profound effect on the balance of payments, as well as consumption patterns and the structure of the commercial community in Cambodia. In addition, resources were provided that contributed to the economic growth that did take place, particularly in Phnom Penh but to a lesser extent in areas outside the capital city.

The fact that the decision was made, and never changed, to import goods at the official and increasingly artificially high exchange rate of 35 riels to the dollar led to a far larger CIP than would have been needed to meet local currency requirements. Just prior to the termination of the program consideration was being given to attempting to change the rate of riel-dollar deposits although this would have been extremely difficult to negotiate after the long history of a fixed rate.

One result of the artificially high rate and the determination of CIP requirements on a local currency generation basis was a build-up of foreign exchange reserves over most of the life of the program. Only during the last several years did the demands of an expanding economy whose export surplus was not noticeably increasing, combined with a declining aid program, result in a CIP import of less than the gap in the balance of payments. In the meantime Cambodia had acquired foreign exchange reserves of over \$100 million. In 1955 they totalled 50 million dollars.

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In practically all underdeveloped countries initial growth has occurred in the commercial and construction sectors, usually concentrated in the capital city. Cambodia was no exception and the CIP played a significant role in this process. FOL products, transportation and construction equipment and machinery, building materials and textiles constituted almost two thirds of the total obligations under this program. Industrial machinery was approximately 10 per cent and became a declining amount after world wide procurement was abolished under AID policy directives designed to combat the gold outflow from the U.S. While there are specific examples of light industry that were established with CIP imports (an efficient rubber sandal factory for example) this potential was undoubtedly under-utilized and in fact the CIP was utilized to provide a growth of commercial activity and urban consumption out of proportion to the growth of self-sustaining, income-producing, facilities. The abrupt termination of the aid program already has caused a reduction in commercial activity and urban incomes. Present indications are, however, that satisfactory adjustments at a lower level of commercial activity are being made without immediate political repercussions.

c. Project Program

As stated, the arrangement of administering the aid program through Saigon lasted until November, 1954, when the U.S. established a Mission in Phnom Penh for the purpose of administering its aid to Cambodia. Since there were no technicians in Cambodia, the assistance provided during the period up to 1955 was almost solely in response to requests from the Cambodian Government, prepared for the most part by French advisors.

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The recognized needs of Cambodia at that time were for the repair and improvement of its transportation system, more educational and health facilities, the control or eradication of specific diseases, irrigation systems to stimulate increased agricultural production and public communications facilities. Local currency financing, supplies, vehicles and other commodities were furnished to meet these needs. While there were some small technical assistance projects in the field of education, agriculture and health begun during this period which later were expanded, the great bulk of assistance was for transportation and public works to rebuild and repair Cambodia's transportation system.

The newly established Mission was staffed slowly and the characteristic of commodity and financial assistance without effective technical guidance continued until about 1957 when efforts to reorient the program towards the needs of Cambodia began to take effect.

A major exception to this shift away from an emphasis on public works projects was the initiation of a project in 1956 to build a 135 mile highway from Phnom Penh to Sihanoukville, Cambodia's only potential seaport (then under construction by the French). This project was implemented through a contract with an American engineering firm, and provided technical assistance by training operators of road building equipment.

One of the major factors that made difficult the development of a timely cooperative program was the fact that the period from 1951 to 1957 established a precedent of providing commodity and financial assistance without accompanying technical guidance. The attitude of

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the Cambodians developed toward American assistance during this period strongly affected the subsequent effectiveness of aid efforts. It was during this period that Cambodians had their first contact with American aid and the concept of the U.S. as a quartermaster was their first impression which was only beginning to be overcome in the last several years of the program. There are indications that the French encouraged this attitude even after a Mission was established in Cambodia. This attitude of the Cambodians toward American technical assistance consistently undermined efforts in several project areas, especially the police.

The programming practice during the STEM period of responding to specific requests from the Cambodian government led to the establishment of a separate project for each request which led in time to a multitude of unrelated activities. This tendency continued for some years after the USAID began, partially due to a lack of staff and partially to a lack of awareness of the importance of having an integrated program on the part of many of the first technicians, who were transferred from Saigon where the operation had been geared to the demands of the war. Very little programming of projects was done during this period and projects were not planned on a sequential basis or on realistic assessments of capabilities.

The activities carried on in the early period are in many cases hardly identifiable today as U.S. financed projects. In many areas Cambodian efforts continued in the same fields and the total effort has been merged. For those projects which continued into the period when the U.S. economic aid program became more institutionalized and other

aid donors entered the field on a competitive basis the U.S. contributions are more evident and separate. After 1957 the U.S. assumed an increasingly direct responsibility in selected areas in an attempt to insure that the various projects were completed in accordance with agreed upon specifications and time schedules.

Many problems arose in the construction of the facilities and a number of criticisms can be levied on the way in which individual projects were undertaken. In some cases Mission resources were not adequate to effectively carry out these responsibilities though despite this fact new commitments for construction programs continued to be made. In the architectural and design field one can find examples of unimaginative if not faulty construction (the police academy), lack of adequate on-site inspection (the model primary and secondary schools) and failure to devise contract and other implementation procedures that enabled construction to go forward in a reasonable time period. (The five city water projects) These inadequacies did not manifest themselves equally in all project activities and there were some that proceeded on schedule and in an acceptable manner such as the Kompong Kantuot Teacher Training Center.

There was, in fact, no program as such until FY 1957. Until then a host of separate projects and groupings of projects which were either continuations or extensions of activities begun by STEM formed the fiscal year's program (the FY 56 "program" included 68 projects). Efforts had begun, however, with the arrival of technicians in Cambodia and gradually the separate projects were pulled together in an attempt to integrate a program of institution building and technical assistance.

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designed to have a discernable and significant impact on the Cambodian economy and social structure.

The next few years were absorbed by the effort to change the emphasis of the program from construction to institution building. In terms of allocation of funds, the emphasis on transportation continued until 1959, when the road to Sihanoukville (called the Khmer-American Friendship Highway) was completed (and 1962 when the funds for the rehabilitation were obligated), but in terms of planning, the emphasis after 1957 was on institutional and human resources development, and by FY 1959, the emphasis of the program had been shifted to the establishment of the institutions and facilities needed for Cambodia's economic and social development, with the agriculture and education programs increasing in importance.

Beginning in 1961, the addition of a series of new major construction commitments to build several large institutions, in addition to the completion of existing programs, resulted in a recognition of the urgent requirement to improve the Mission's ability to adequately supervise a major construction program. By 1963 a public works capability had been established within the mission which, coupled with the agreement with the RKG on new contracting procedures, provided the basis to effectively move ahead on all phases of the construction program. The Mission for the first time also began to draw upon U.S. architectural and engineering firms to prepare specifications and provide inspection services.

The Khmer-American Friendship Highway was a story in itself. This was in many ways the major effort of the U.S. economic project

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program. It was by far the largest project in terms of cost. (30 per cent of the total project program) It was the project identified by the Cambodians as the symbol of American aid. It was also extremely important to the Cambodians in terms of prestige and their desire for economic independence since it is their only route from Phnom Penh to the port of Sihanoukville. It therefore had political value as an alternate route to the Mekong flowing through South Vietnam. It was considered as an example of U.S. engineering capacity. Lastly the highway was the Cambodian project that received the most publicity in the United States.

This project was begun in 1956 and completed in 1959. A U.S. contractor was employed to construct the highway and a U.S. engineering firm was contracted to provide the design, inspection and supervision under the general guidance of the USOM Public Works Division.

Shortly after the highway was completed major faults became evident in the central section and it became increasingly evident that a major rehabilitation would be required. Responsibility for the initial failure has yet to be fully established though the issue is currently being considered by the appropriate agencies of the U.S. Government. In 1963 the Bureau of Public Roads issued a technical report on the "causes of failure".

In undertaking the rehabilitation an inter-agency agreement was made with the Bureau of Public Roads (BPR) to design the specifications and provide the inspection and supervision and a BPR Division was established within the Mission. A U.S. contractor was employed to undertake the repair. At the time the program was terminated the rehabilitation

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was proceeding satisfactorily and was approximately one-third complete. Unfortunately it is doubtful that the Cambodians will satisfactorily complete the remaining work and may well allow the work done to date to deteriorate despite the fact that they purchased the contractor's equipment at the time the program was terminated.

The project, as left, was not a success and at least in Cambodia, the U.S. engineering reputation may suffer. There were, however, a number of positive benefits. The port of Sihanoukville has grown many-fold since the road was opened and there has been considerable growth and development in the formerly largely uninhabited area traversed by the highway. In addition the major road building organization of the Cambodian Government was established on the basis of equipment provided from the initial construction and most of the employees of this organization received their training and experience from working on the highway. Had the Cambodians not terminated the aid program prior to the completion of the rehabilitation the objectives of the project would have been fully met though at a cost well in excess of the initial estimates.

While the major initial emphasis of the U.S. aid program was on the construction and repair of facilities, the mission also undertook in the early years a series of largely unconnected small projects involving the provision of equipment or local currency. A total of 114 individual projects costing less than \$200,000 are on record as having been completed. Of this total 50 projects involved less than \$25,000 each. These projects included equipment and supplies for health, education, agriculture, public works and information facilities as well

as emergency relief supplies. As indicated above the record is not clear as to the degree of U.S. participation in these activities apart from the provision of funds. Nor in many cases is the rationale for these activities in terms of any long term plan or objectives clear. Many of these activities have long since been forgotten and probably made no lasting impact but they represented the early trial and error process by which a program that seemed to be directed toward significant goals and in a manner designed to make a lasting impact on the basic structure of the Cambodian society and economy was developed.

#### Education

After the initial phase of numerous and seemingly unconnected small projects a more coherent pattern of program orientation begins to emerge from the record. In education two major trends of program planning appear to begin in about 1957. These were community education and teacher training. The community education program involved the building of a training center at Tonle Bati for village workers with technical assistance provided primarily by UNESCO fundamental education experts supplemented by several USAID technicians. Another aspect of this program was the construction of village community centers in which the graduates of this institution would work. The communications media program was also partially oriented toward this effort and coordination was attempted with the USIS programs to reach the rural population. This community education program was not a success and by early 1962 had been dropped from the USAID program. With many delays involving both construction and administrative problems the Tonle Bati Community Education Training Center was built and still receives assistance from

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several UNESCO experts. However, the plant has been poorly maintained, the number of students, particularly women, is well below the planned capacity, few Cambodian faculty members other than sporadic part-time lecturers have been obtained and little or no follow-up is provided in assisting or even ascertaining the work of the graduates in rural areas. Neither the RKG official concerned nor the UNESCO experts really welcomed U.S. assistance other than the construction of physical facilities.

Assistance in teacher training both pre-service and in-service proved to be a more fruitful field. The improvements needed in this area were apparently more clearly recognized by Cambodian officials and the contribution that the U.S. could make more fully understood. In addition, or perhaps because of this fact, a number of the Cambodians assigned to direct the various phases of this program proved to be more dynamic, competent and cooperative. This is not to say there were no problems in the development of this program or that it evolved with constant progress. However, it can be said that a program was being developed that was improving the quality of instruction for the majority of elementary school teachers and was having some impact at the secondary level. In addition, certain institutions necessary to insure continued improvements had been established and gave promise of continuing to exert an influence for continued progress. The initial USAID efforts were simply to provide funds (local currency) to construct and improve both elementary and secondary schools with little or no influence on the training of the teachers or the content of the instruction. However, beginning in 1957 various steps were taken to add some substantive content to the building program of which the most noticeable success was

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the construction and development of the Kampong Kantuot Elementary teacher training center.

The development of educational facilities in Cambodia adequate to the country's development needs was hindered by the heritage of the colonial French system installed during the period of French administration. In addition to the fact that physical facilities were limited to only a portion of the population, instruction was based on rote learning methods oriented to qualify the few secondary graduates as functionaries in government service. Literacy and an appreciation of things French were obtained, but little instruction was given in the practical skills required to develop the country.

A number of Cambodians, including Prince Sihanouk, came to realize these limitations. They were able to do so without losing their appreciation of French culture but at the same time recognizing the contribution the U.S. could make in developing the practical activities aspect of the education program. It was this mutuality of interests and goals that accounted for the progress that was being made in the pre- and in-service teacher training program.

The French have continued a substantial cultural program which consisted primarily of providing approximately 300 secondary teachers. However, a division of fields had been achieved which permitted both the French and U.S. programs to continue with little conflict and without close contact. As indicated above, the U.S. assisted at the elementary level through the preparation of new teachers and workshops for the in-service staff held in the model schools and the teacher training centers. At the secondary level assistance was provided through

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the U.S. financed Ministry of Education's Bureau of Technical Services. This service was formed to introduce various practical courses such as industrial arts, pre-vocational agriculture and English language instruction largely as supplements to the existing French oriented program. In addition certain specialized secondary schools such as the Arts and Trades and Khmer American high school were being established outside the regular secondary program.

U.S. assistance in higher education was much more limited. At the time of the program termination there were prospects of upgrading the Kampong Kantuot center to this level but no real progress had been made. The second center at Siem Reap was to have been at the junior college level. A commitment had been made to develop an engineering school but its implementation had been complicated and delayed by the entry of the Russians and the United Nations Special Fund into this field and there was some doubt as to whether the project would go forward. In the early period the U.S. had financed some of the construction of the Medical School but had no role in its operation. The School of Agriculture was destined to be upgraded to the college level but this project was in its early stages of accomplishment at the time the program was terminated.

In summary although there was increasing promise and some concrete results in the Education program, particularly as the construction activities were brought under control and the ideas of practical education were taking hold, the major benefits remained largely to be realized at the time of termination. The Education program's major contributions were the provision of new and enabling the improvement of old school facilities, the teacher training center at Kompong Kantuot the apparent

acceptance of the introduction of practical activities and, potentially, the participant training program. The Kompong Kantuot Center, in terms of inducing change, was by far the most important.

The participant training aspect of the Education program, which is continuing with over 100 students presently in the U.S., holds out continued promise for influencing the thinking of Cambodia toward American education, and the U.S. in general.

- Agriculture

By 1963, the agriculture program had succeeded in initiating considerable institutional development and a beginning had been made, and was gaining momentum toward the end of the program, in the use of the young institutions. The possibility of crop diversification and increased yield through the use of modern methods and fertilizer had been demonstrated and these demonstrations were reaching more and more farmers though still in limited numbers. The extension service was just beginning to put significant numbers of trained agents in the field in 1963.

Nevertheless, this, and the support of the cooperative movement which was having notable success and showed considerable potential, was the extent of the effect of the agriculture program by 1963. With the exception of corn production, there had been no appreciable increase in agricultural production in either the traditional crops or through diversification.

In evaluating the agriculture program it should be recognized that the very same factors which contribute to the social stability of Cambodia -- plentiful land, self-sufficiency in food, an anti-

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materialistic religion and culture -- make also for a lack of incentive for the things western cultures consider important. Even Prince Sihanouk has had little success in convincing the Cambodian farmer that he should or can change his ways in order to increase the amount of rice he produces.

In spite of there being no significant increase in overall production, the program can claim success in establishing the requisite institutions, particularly in view of their virtual non-existence in Cambodia in 1955. By 1963, there was an operating Ministry of Agriculture which included Fisheries, Forestry and Veterinary Services and organizations in the field of crop development, plant protection and extension. In 1963, important progress was made in convincing the Cambodian officials of the value of combining these functions in a land grant college system to be provided by the U.S.

An important lesson re-learned in Cambodia with regard to agricultural development is the length of time required to effect change in agricultural methods in a society based on subsistence agriculture wherein a change in farming practices is in fact a change in the farmer's way of life. Such efforts may have to be measured in decades instead of years.

- Police

The provision of MAP aid and the allocation of local currency budget support through the CIP to the FARK were designed to meet certain internal security and political objectives. It is beyond the scope of this report to comment upon the effectiveness of these efforts. However, at the same time that the FARK was receiving this

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support the aid program was attempting to assist in the development of the Cambodian Police (RKP) in the achievement of the same objectives; i.e. provide the RKG with the capability to maintain internal security so as to retain its territorial integrity and independence.

Ironically the assistance to the RKP began on a seemingly organized and planned basis prior to the development of such programs and goals in education and agriculture, but had considerably less potential for success or possibility for lasting impact at the time of the termination of the aid program.

There were two basic problems in developing a successful police program. First of all police activities were considered more sensitive to foreign intrusion than other areas. The same sensitivity was apparent in other fields, particularly education, but it did prove possible, with some difficulty, to find areas of agreement for joint activities in these other areas. While some improvement had been made at the time of the program termination in working relations with the police, it still remained doubtful that U.S. participation would be permitted to the extent necessary to achieve the program objectives.

The second major limitation was that the special emphasis given by the U.S. to public safety activities led to the design of programs well in excess of the Cambodians capacity to implement or maintain them. An important criteria, at least considered in all other programs, was the RKG ability to assume responsibility of the program after the withdrawal of U.S. participation. This included consideration of both financial and human resources. As a result, elaborate plans were made and equipment and supplies provided for police programs that never

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were brought into existence. One partial exception was the communications effort of the project which installed a nationwide primary radio network which had been operating for about one year at the time of termination. A planned secondary network was not installed, however, although the equipment had arrived in Cambodia. Upon examination none of 48 mobile platoons for which equipment had been provided ever existed and much of the equipment that had been diverted for other uses was deadlined or was deteriorating in storage. It was only in the latter stages of the program that the RKP was made to realize that the aid program was not a source of equipment for which little or no realistic accounting need be made. Only a small beginning was made in convincing the police that training and maintenance were required if this equipment was to have more than prestige value. There were certain exceptions to this lack of progress and understanding, particularly in the municipal police of Phnom Penh, but in total the police assistance program was only beginning to be cast in realistic terms and considerable doubt remained as to whether even a more realistic approach was going to bring forth the desired results.

Health

The early efforts of the Health program, initiated between 1952-1955 by STEM, were aimed at the control of certain highly prevalent public health diseases, notably malaria, smallpox and yaws, the improvement of community water supplies and the creation of the infrastructure needed to train doctors, nurses and midwives. Most of these early activities were initially developed by the World Health Organization (WHO), American assistance being largely limited to

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supplying commodities and helping finance local operating costs.

With the exception of the malaria project the efforts to control or eradicate specific diseases, notably yaws and smallpox, and the projects supporting health training and the expansion and improvement of health facilities were largely successful. The malaria project was begun by WHO as a control demonstration project in 1951, and in 1952 the US began assistance through STEM by supplying imported commodities and defraying local operating costs. This remained the characteristic of U.S. assistance to the malaria project - no technician was provided.

In 1958 WHO expanded the pilot control project to one with the objective of eradication. By 1961, after considerable effort, it had become clear that the basic foundations of communications and health services were not sufficiently developed in Cambodia to support an eradication program and WHO curtailed the program, limiting it to a pre-eradication pilot project. In 1962 U.S. assistance was stopped on the basis that it was not required for this limited effort.

The effort to provide potable water in provincial capitals and rural areas, begun in 1956 and 1958, was considered to have had great potential but was hampered in its implementation to the point of dissipating any impact. A project to provide five provincial city water systems was nearing completion in 1963 after seven years of sporadic implementation due primarily to the lack of continued competent technical personnel on both the RKG and USAID staffs.

A rural well drilling program of proven potential and technical success became embroiled in commingling; diversion of equipment; coordi-

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nation and local financial problems. After exceptionally difficult negotiations resulted in the signing of the FY 1963 Project Agreement, the RKG did not adhere to its commitments and the USAID suspended the project. Although the suspension was lifted in October of 1963, the project never regained operational status.

In the area of rural health, it was planned in 1961, after a joint survey of most of the health facilities of the country, to create a rural health training area in a region of about 150,000 people in Kampot province. The plan was to build a health center in the largest village in the region with two sub-centers in smaller villages. The project held considerable promise but construction of the center had barely begun when the program was terminated.

Transportation and Public Works

From 1951 to 1957, 57 percent of all project assistance was for transportation and public works. In addition to the Khmer-American Highway, two thousand kilometers of road were repaired, 66 bridges were built or repaired, and five airfields were repaired or improved. The port of Phnom Penh was deepened and the Mekong River near Phnom Penh kept navigable with equipment and financial support provided by the U.S. In addition, the USAID provided two river ferries which greatly facilitate communications between two large areas of Cambodia. Although the impact of this program on the economy is not measurable, the importance of a transportation system is obvious.

The only transportation project remaining in 1963 was the rehabilitation of the Khmer-American Highway which was scheduled for completion in June, 1964. The Highway had already proven its economic value in

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providing a link with Cambodia's only seaport. The port of Sihanoukville increased markedly in importance between 1960 and 1963 in terms of cargo handled and the number of ships calling. Traffic at the port had outstripped the port's capacity by the summer of 1963 when a number of ships were forced to cancel their calls at Sihanoukville because of the delay. The Cambodians are attempting to obtain French assistance in expanding the port. The majority of the cargo entering and leaving the port was carried over the Khmer-American Highway.

The major portion of the rehabilitation was not completed, however, and although the RRG purchased the contractor's equipment to complete the repair, it was using the equipment elsewhere and no work was being done as late as May, 1964. It is estimated that, if remedial action is not taken, the road will be passable only with considerable difficulty by the middle of the coming rainy season i.e., September-October, 1964.

One additional major public works project that might have developed after the program termination was the Phrek Thnot Hydroelectric dam. Based on a Japanese feasibility study the U.S. was being asked (and favorable consideration was being given to the request) to participate along with France, Japan and Australia in financing this project. The U.S. contribution as well as that of France and Japan, would have been a \$2-3 million loan repayable in hard currency. This would have been the first US dollar loan project in Cambodia.

Participants

The U.S. economic assistance program in Cambodia, almost from its beginning, included a participant element. A total of approx-

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imately 1000 Cambodians were sent on observation, in-service training or study programs during the life of the program. In accordance with the concept of AID and its predecessor agencies, this program was largely project oriented. Cambodians were sent abroad for study or observation in specific fields with the intention that upon their return to Cambodia the knowledge and experience gained would make a contribution to joint project activities being carried out by the U.S. and the RKG.

In the early years of the program, the almost complete dearth of trained people or even people who had a clear idea of the problems to be tackled in achieving the first steps toward economic development necessitated sending a number of government officials to neighboring countries on short visits to observe the institutions of development in situations similar to Cambodia. From 1955 to 1959 a total of 137 Cambodians in 15 groups made such short term observation visits. This type of training was designed to supplement such daily on-the-job training, in-country training courses and workshops as were given with the assistance and under the direction of the USAID technicians assigned to the Cambodian program.

As the USAID program became more concentrated in the development of specific institutions, particularly in the educational and agricultural fields, the emphasis of the participant program was shifted in 1959 to send Cambodians to the U.S. to enroll in U.S. Universities in degree programs in order to qualify them as future faculty or government technicians.

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When the program was terminated, there were 197 students studying in the U.S. plus four in Canada and one in France. Only eight have returned to Cambodia ahead of schedule thus far and four completed their studies in January, 1964. An additional 10 were scheduled to complete their programs at the end of the 1963-64 academic year.

All of the USAID participants in the U.S. at the time of the program termination had been funded through the 1963-64 academic year, in some cases through the summer and in a few cases to winter of 1964. In concurrence with the State Department, AID/W decided to provide the necessary funds (\$1.9 million) to enable these participants to complete their academic programs. The entire funding requirement has been met with FY 1964 funds. In addition selected students will be offered the opportunity of continuing their studies for a graduate degree, to be financed by both the State Department and possibly by AID.

A full evaluation of the participant program is not possible on the basis of the available data and the experience to date. Only in the last year or two of the program had the USAID attempted a follow-up program and this was only in the beginning stages. The vast majority of those who went on short term visits were not evaluated. Most of the technicians with whom they were working had long since departed the post leaving little if any comment as to whether these visits were in the long run productive and, if so, how.

There are examples of some officials who went on longer observation tours to the U.S. who have attempted to make some application of what they have seen and learned. Some of the enthusiasm for the practical activities program in the Ministry of Education stems from these visits,

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though here again the results are not well documented.

In the case of the degree programs it is too early to tell. The few people who have returned have been reasonably well integrated into the RKG but only on a case by case basis. When they begin to return in large numbers, there may be more substantial problems, particularly now that U.S.-RKG relations are strained and the institutions in which they were to serve, particularly the School of Arts and Trades and the School of Agriculture, are not going forward as planned.

Other

In addition to these major programs, the USAID had several activities in public administration, industrial development and communications media. In the public administration field the Mission participated in a project to improve budget procedures and supplied the RKG treasury with an electronic computer accounting system. The activity was slow to start, but appeared to be making a small but positive contribution. The project was being completed in 1964.

The USAID's activity in industrial development consisted of financial assistance in the creation of a loan fund for small industry which was jointly administered with the RKG, and the provision of an Industrial Development advisor to stimulate and assist Cambodians in the establishment of small industries. Although several projects of major potential were actively considered and encouraged, such as a textile mill, a jute mill and a sugar refinery these encountered either negative Washington policy decisions or inability to organize on the part of the Cambodians. Although the loan fund made 28 loans and was responsible for helping a number of small industries, the RKG's

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cumbersome procedures stifled its administration and the project was terminated in 1963. As separate endeavors, local currency loans were made to the Cambodia Railroad and the Office of Dredging.

The USAID also assisted Cambodia in the early years of the program in developing its mass communications facilities. The activity had several phases, some more successful than others. The earliest assistance provided was in the form of radio receivers and generators and mobile units which were distributed to information centers throughout the country. This assistance was provided through numerous separate projects administered by STEM until 1956 when they were consolidated into one effort. The project was successful in creating adequate production facilities for and training personnel of the Ministry of Information and provided some equipment and financed some construction for Cambodia's radio station (the latter activity became involved in a commingling problem and no further assistance was given).

The project also included an activity undertaken with the USIS to produce films for use by the technical divisions of the USAID. Although some films were produced, the activity did not meet anticipated goals and was terminated. Another activity involving the production of materials for different RKG ministries also made only limited progress and the project was terminated in FY 1961.

Conclusion

The history of the aid program in Cambodia is one of a constant struggle to induce the officials of the Cambodian Government to accept technical advice and U.S. participation along with the provision of commodities and the construction of physical facilities. In large

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part this attitude derived from Cambodia's policy of neutrality and jealousy of its sovereignty. Cambodia's historical suspicion of its neighbors so closely allied with the U.S. made active participation of the U.S. in its development efforts difficult. In addition, an attitude toward U.S. assistance as being the provision of commodities without technical assistance developed during the STEM years of the program and apparently was encouraged by the French. Given this inability to fully coordinate and communicate, the program entered into a wide variety of activities, some of which eventually developed into constructive and mutually agreed upon programs, others did so to a less extent and some not at all.

It was also true that some activities or commitments were undertaken for their immediate political impact without full consideration of their long range potential or relation to basic developmental objectives. In addition, the overall level of aid provided, particularly commodity imports to generate funds for military budget support, was probably in excess of either the amount required for the political objectives being sought or the pace of economic development possible under the circumstances. Once, however, a magnitude of aid was established it was difficult to achieve a rapid reduction.

In 1961, new programming policy from AID/W calling for the elimination of projects having only supplementary or peripheral importance to the major objectives of the program and for concentration on those areas and activities with the most promise of lasting impact provided considerable impetus to the USAID's efforts to consolidate the project program.

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Five program goals were established and projects not clearly in support of them, or considered desirable for other reasons, were scheduled for termination. The goals were educational development; increased agricultural production; development of basic health services; maintenance of internal security; and the development of small industry.

The effort to consolidate the program was intensified in 1962 and 1963. The goal of Industrial Development was dropped and the remaining four goals were refined with the Education and Agriculture programs being given increasing importance. The health program while seemingly worthwhile and directed toward priority needs was limited to only a small portion of the total public health problem. This effort was the main theme of the program from this point in its history to termination.

Thus by 1963, many of the extraneous elements had been removed from the AID program and the aid planned for ensuing years was concentrated into a more manageable content as well as directed toward reasonable development goals capable of achievement. In addition, the new educational institutions planned contained built-in elements of technical assistance which were expected to considerably increase their future effectiveness. After the experience of nine years, joint understanding of objectives and methods of implementation was much clearer and the Mission was more fully staffed than had ever been true before for the program ahead.

As indicated, moves to consolidate the program date back to 1957, with varying degrees of success, but the tendency to expand and over-extend the available resources of both the RKG and the USAID was continuing characteristic and the cause of much disagreement and struggle

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within the USAID and with AID/W, resulting in a great deal of wasted effort and time.

There was an underestimation of the difficulties and time involved and overestimation of the capabilities of both the USAID and the RKG in many phases of the program. The undertaking of activities beyond the capability of the current USAID staff was particularly true in the area of construction. This was especially serious in the Education field, where for several years educators were making engineering and architectural decisions and were spending a great portion of their time on construction activities.

In addition to the lack of specific specialties in the Mission over long periods of time, there was a damaging lack of continuity of personnel. Months and even years of effort to establish relationships and understandings were lost when there were long breaks between technicians. Equally important was a serious lack of continuity of personnel with meaningful background and understanding of the social, economic and political environment in which the program was being implemented. Given the inherent resistance to technical assistance, this was particularly unfortunate in Cambodia.

The political factor posed an additional problem in the negotiation of the program. The constant changes of government did not always mean changes of individual ministry officials but frequently did, and many times the negotiations of agreed projects would have to begin all over again. This problem can be overstated, but when coupled with the great lack of competent counterparts and the tendency of U.S. technicians to prefer to agree for the USAID to assume RKG responsibilities rather

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than allow implementation to stop, it becomes a problem of importance to consider in weighing the effectiveness of the program.

The tendency for those coming last to view the most recent developments with optimism and insufficient perspective is recognized, and the history of this program is an excellent illustration of the fallacy of such a view. Nevertheless, it does appear that the RKG requested that the aid program be terminated at a point when it held the greatest promise of activity and impact of any time in its twelve year history.

Many problems had been overcome, and many problems remained. While there was the promise of lasting effect, the project program had barely reached the beginning of the end of the necessary first phase of institutional and human resources development when it was terminated, and aside from the assistance provided in establishing social infrastructure cannot be judged to have had a long lasting effect on the economy or people of Cambodia.

For detailed histories of the project program by field of activity see Book II of this Report.

TOTAL PROGRAM  
FINANCIAL SUMMARY  
(Expressed in Thousands of Dollars)  
FY 1964

	<u>Position at 7/1/63</u>	<u>Obligations</u>	<u>Deobligations</u>	<u>Position at 11/20/63</u>	<u>Obligations</u>	<u>Deobligations</u>	<u>Position at 3/31/64</u>
<u>Project Aid</u>							
Technicians	8,399	1,005	(1) /2	9,405	343	4	9,744
Commodities	28,862	28	(46) /2	28,936	-	2	28,934
Contract Services	22,531	-	63	22,468	1	2,436	20,033
Participants	2,706	55	6	2,755	11	5	2,761
Other Costs /1	2,703	22	5	2,720	-	-	2,720
	<u>65,201</u>	<u>1,110</u>	<u>27</u>	<u>66,284</u>	<u>355</u>	<u>2,447</u>	<u>64,192</u>
Non-Project Aid	<u>190,441</u>	<u>5,750</u>	<u>233</u>	<u>195,958</u>	<u>-</u>	<u>7,613</u>	<u>188,345</u>
<u>Other Aid</u>							
Cash Grant	12,000	-	-	12,000	-	-	12,000
Custom Duties	25,210	523	-	25,733	202	-	25,935
Indochina PA's	7,408	-	-	7,408	-	-	7,408
P.L. 480 Title II	2,343	-	-	2,343	-	-	2,343
Emergency Disaster Rel.	16	-	-	16	-	-	16
	<u>46,977</u>	<u>523</u>	<u>-</u>	<u>47,500</u>	<u>202</u>	<u>-</u>	<u>47,702</u>
TOTAL ALL AID	<u>302,619</u>	<u>7,383</u>	<u>260</u>	<u>309,742</u>	<u>557</u>	<u>10,060</u>	<u>300,239</u>

/1 Includes support services

/2 Represents increase in prior year obligations

Bk. I - II-A-38  
Bk. II - I-B-4  
Bk. III - I-1

NON-PROJECT AND TOTAL PROGRAM  
FINANCIAL SUMMARY  
(Expressed in Thousands of Dollars)  
FY 1964

	<u>Position at 7/1/63</u>	<u>Obligation/ Commitment</u>	<u>Deobligation/ Decommitment</u>	<u>Position at 11/20/63</u>	<u>Obligation/ Commitment</u>	<u>Deobligation/ Decommitment</u>	<u>Position at 3/31/64</u>	<u>FOOTNOTES</u>
Military Pay and Allowance	122,288			122,288		14,970	107,318 /3	1) Represents net amount
Military Construction	11,845			11,845		1,512	10,333 /4	2) Amount inflated because no commitment reflected against FY 64 PA's
Economic Projects - L/C	58,214		973 /1	57,241		10,497	47,744 /5	
TATF	14,099	2,361		16,460			16,460 /9	3) Reduced to actual expenditures. However, per agreement with RKG remaining counterpart after adjustments for refunds to importers will be utilized for military pay and allowance
Admin. Local Currency	1,886	142		2,028			2,028	
Special Budget Project	888			888			888	
CAM's	386		66	320		320	/6	
Custom Duties	25,210	523		25,733	202	725	25,210 /7	4) Represents actual expenditures plus amount due contractors still to be paid.
P.L. 480 Title II	2,343			2,343			2,343	
Emergency Disaster Relief	16			16			16	5) Represents actual releases to Ministry of Plan
Project Dollars	65,201	1,110	27	66,284	355	2,447	64,192	6) Decommitted since CAM's cancelled
Uncommitted Balance - Net	<u>243</u>	<u>4,053</u>		<u>4,296</u> /2	<u>20,411</u>		<u>24,707</u> /8	
	<u>302,619</u>	<u>8,189</u>	<u>1,066</u>	<u>309,742</u>	<u>20,968</u>	<u>30,471</u>	<u>300,239</u>	7) Reduced to actual expenditure level. Difference between receipts and expenditures will remain in the Counterpart Special Account and utilized after adjustment for refunds to importers for military pay & allowances

Bk. I - II-A- 39  
Bk. II - I-B-3  
Bk. III - I-2

- 8) Represents a clearing acct. As future deobligations are effected this amount will automatically be reduced
- 9) Will be reduced in the future by amount returned to Counterpart

RECORD OF FUNDS OBLIGATED AND COMMITTED PER FUNCTION OF FUNDS AS OF NOVEMBER 20, 1963  
PROJECT PROGRAM SUMMARY - ALL IN THOUSANDS OF US DOLLARS

	DIRECT DOLLARS							LOCAL CURRENCY (Dollar Equivalent)						
	Total \$	Technicians \$ No.	Participants \$ No.	Contract Services \$	Commodi- ties \$	Other Costs \$	Total Rials	Total C/P	Total TATF	Techni- cians TATF	Parts. TATF	C/S TATF	Other Costs TATF	
ALL YEARS	63284	9405	2755 (1022)	23197	30770	157	70660	54884	15776	8529	875	2803	3569	
FY 64	1110	1005 (47)	55 (14)	13	36	1	555	0	555	154	13	8	380	
FY 63	4583	1615 (95)	722 (129)	511	1734	1	9830	6294	3536	802	182	1305	1247	
FY 62	12338	1358 (93)	618 (70)	9093	1268	1	6626	3555	3071	1454	112	870	635	
FY 61	6712	1289 (87)	568 (94)	991	3837	27	7160	4555	2605	1287	119	347	852	
FY 60	3827	1196 (82)	290 (133)	521	1795	25	3367	1633	1734	1236	101	166	231	
FY 59	4514	1071 (71)	186 (197)	2139	1118	0	4501	3022	1479	1026	127	107	219	
FY 58	9041	813 (60)	128 (161)	4288	3722	90	10938	9653	1285	1185	95	0	5	
FY 57	10727	560 (47)	138 (176)	1008	9021	0	7880	7038	842	757	85	0	0	
FY 56	10983	379 (33)	41 (46)	3592	6971	0	6481	5978	503	463	40	0	0	
FY 55 & Prior	2449	119 (7)	9 (2)	1041	1268	12	13322	13156	166	165	1	0	0	
Total \$	66284													
Total LC	70660													
Total \$+LC	136944													
										Total Technician Man/Years (estimated)		622		
										Total Number of Participants		1022		

Note: Local Currency funding total differs from total in L/C shown in Controller's 11-20-63 report due to riel/dollar conversion rounding.

Bk. I - II-A-11; Bk. II - II-M-2; Bk. III - II-2

B. ANALYSIS OF CAUSES OF PROGRAM TERMINATION

The basic reason for the termination of the USAID program in Cambodia lies outside the aid program itself. The apparent motivating force for the termination was that Prince Sihanouk came to believe the existence of the aid program did not contribute to the attainment of his political objectives, and that its termination would assist in the attainment of these objectives. Despite Prince Sihanouk's reiterated criticisms and basic lack of comprehension of the program, the termination does not appear to have stemmed from dissatisfaction with the actual performance of the program. In fact the program was terminated just at the point when the level of activity and its benefit to Cambodia were reaching a maximum.

If one accepts the basic premise that Prince Sihanouk's primary objective is to maintain Cambodia's independence and territorial integrity from encroachment by his neighbors, whether oriented to the Free World or the Communist Bloc, then his policy toward both the United States and China can be interpreted in light of his attempts to have these two powers restrain the Thais and Vietnamese by control, persuasion, or threat. After Independence, Prince Sihanouk initially attempted to obtain U.S. support in restraining these traditional enemies. At that time, mainland China was less of a world power than it is today and the Cambodian struggle against the Communist Viet Minh was fresh in Prince Sihanouk's mind. He undoubtedly felt that the presence of U.S. economic and military aid missions would provide the U.S. with some stake and incentive in preventing Thai and Vietnamese encroachment. In addition, the missions were undoubtedly

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desired in and of themselves for the economic benefits, the military equipment, and prestige items they could supply.

Prince Sihanouk has become progressively disenchanted with his ability to obtain his political objectives through U.S. support. In his view, the U.S. has not restrained the Thai and Vietnamese from violations of Cambodian frontiers nor caused them to abandon their dreams of territorial expansion at Cambodia's expense. He views the U.S. position in South Vietnam and Laos as hopeless. Should these two countries fall under Communist China's domination as Prince Sihanouk anticipates, in view of the enhanced position of Communist China in his estimation, he may anticipate a considerable shift in the Thai position away from the West.

The Chinese Communists and the Soviets have gone to considerable lengths to woo Prince Sihanouk and treat him as a world leader, a status he fervently desires. The U.S. has been far more generous in economic terms than the Bloc and the U.S.-financed projects have been more successful, but the U.S. has not played up to his vanity nor been willing to make statements of undying support and guarantee of his neutrality. To the Bloc these statements are almost costless and presumably will be ignored if future events so require. To the United States, they can only be made in good faith, and to make them would create problems with the Thai and Vietnamese.

In addition to these basic factors lying behind the termination of the aid program, there have been over a period of time a series of incidents, which Prince Sihanouk has interpreted as confirming his basic lack of faith in American intentions. In addition to a series

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of border incidents and airspace violations, Prince Sihanouk frequently cites the Dap Chum affair of 1959, in which it was alleged the U.S. Government supported a rebellious provincial military governor, and the alleged U.S. prohibition against the use of U.S. provided military equipment to repel a Vietnamese incursion into Stung Treng in 1958.

In the period immediately preceding the request for the termination of aid, the most irritating issue in Cambodian-American relations appeared to be the right-wing anti-Sihanouk Khmer Serei radio allegedly operating in South Vietnam and Thailand (and subsequently Laos) with U.S. (CIA) support. While Prince Sihanouk was no friend of Diem, the coup d'etat in Vietnam apparently indicated to him the ability of the U.S. to topple governments, specifically through the withholding of military budget support. Since Prince Sihanouk views San Ngoc Thanh, the leader of the Khmer Serei, as the most serious potential threat to him, his fears and suspicions of U.S. support for this movement are highly disturbing to him. Another disturbing incident that occurred after the notice of termination of economic aid, but during the negotiations for orderly phase-out, was the Cambodian celebration that followed the death of the Thai Prime Minister Sarit and the U.S. reaction (which described the celebrations as "barbaric") when it appeared that President Kennedy was included in a radio broadcast among the enemies of Cambodia who had recently died.

A continuing problem in U.S.-RKG relations has been the unwillingness of the U.S. to agree on Cambodia's terms to attend a conference to guarantee Cambodia's neutrality. The initial proposal for this conference was made in 1962 but was temporarily abandoned when the

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Western nations showed little enthusiasm. Beginning in the fall of 1963 the proposal was actively revived, and its acceptance was almost the sine qua non for continuing good relations. The U.S. and Britain have been particularly singled out as the nations responsible for delaying the conference and attempting to prevent its occurrence. Most of the heat generated by this issue, however, occurred after the decision to terminate U.S. aid was announced.

In addition to these over-all problems in relations between Cambodia and the U.S. which influenced the Cambodian decision to terminate aid, there were features of the aid programs which were not entirely to the liking of the Cambodians, though in and of themselves these features were not likely to have caused the RKG to request termination. In the first place, the obligation of funds (the aid level) was declining. The Cambodians were well aware of Congressional criticism of the world-wide program, the desire to reduce the overall appropriation, and demands that the U.S. be more selective in choosing the recipients of aid. While over the long run it was certainly true that the prospect of a decline in the aid level for Cambodia was justified, the amounts of new money being provided Cambodia were far larger and certainly more regular than those it received from any other source, or could reasonably hope to receive from other countries by terminating the U.S. program. In the case of the USAID, the level of activity, particularly in the project section being undertaken at the time of the termination, was approaching a peak level as funds obligated in prior years were being expended. The highway rehabilitation is the most striking example. At the time of termination the contractor had

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established his camps, imported his equipment, developed his internal sources of supply, completed the major portion of the work on the less damaged first and third sections, and was beginning the major work on the more difficult and more seriously damaged section. Certainly Prince Sihanouk and probably many others in authority within the Government were not meaningfully aware of the content and status of the USAID program and its contribution to the Cambodian economy, despite repeated, and on occasions elaborate, attempts to make these facts public and directly available to Prince Sihanouk.

Before and after the termination notice, there was much talk regarding the "conditions" under which aid was given by the U.S. As regards the USAID program, there were basically three types of conditions: 1) Regulations and procedures plus day-to-day supervision to ensure that the aid be utilized for the jointly agreed economic and social objectives for which it was given; 2) increasing requirements that it be channelled in such a way that it not adversely affect the U.S. balance of payments; and 3) that there be <sup>no</sup> commingling of U.S. and Soviet-Sino Bloc aid. Only 3) could reasonably be called "political", and it was agreed to as desirable on several occasions by the Cambodian Government and reportedly by Prince Sihanouk himself.

The problem of insuring that economic aid was put to the uses for which intended undoubtedly caused frictions in both the project and non-project sectors. In the project area a built-in cause of friction was the U.S. concept of economic and technical assistance which involves the principle that jointly undertaken activities should be an integral portion of the host government's developmental efforts. The Cambodians

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do not conceive of external assistance in this manner. To them aid projects tend to be extrabudgetary and outside their own program until they are completed and turned over to the Cambodian Government. Under this concept the donor country should restrict its activities to supplying equipment or building the physical structures which are then given to the host government with a minimum of further assistance or control, or it should limit itself to "turnkey" operations, in which it develops the entire institution such as a school or a factory and turns the completed institution over for incorporation into Cambodian government operations.

This concept made it difficult to reduce the local currency element of ongoing projects in accordance with AID/W desires. The Cambodians were willing and in some cases eager to undertake activities similar but separate to those financed by the U.S. This was particularly true in education. They did not, however, normally wish to devote national budget funds (other than for salaries of counterparts) toward projects in which the USAID was actively engaged. The well-drilling program was a case in point. As long as the USAID supplied the local currency through counterpart, they could understand the USAID's concern for the proper expenditure of these funds. When the RKG, at USAID's insistence, appropriated the monies, they then resented attempts to insure that the funds were available and used as the Project Agreement required. They found it difficult to accept the USAID concept that the provision of the dollar commodities and technicians should give the USAID an effective vote in the utilization and proper expenditure of the RKG monies. This problem would have been

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an increasing one, since AID policy required a continuing increase in RKG local currency contribution on a project by project basis.

The administration of the non-project program, of which by far the largest part consisted of the Commodity Import Program (CIP), involved complex and often lengthy administrative procedures, designed to insure proper pricing and accountability, adequate opportunities for U.S. small business to compete for AID financed business, prevention of fraud or diversion, and denial of AID business to communist-dominated firms. No one of these objectives was in itself objectional to the RKG although there may well have been a question as to the unilateral designation of firms within Cambodia as communist-dominated.

There were charges that the CIP benefited only the rich and that it constituted a temptation to corruption. These were probably not basic objections, but rather after-the-fact pretexts for condemning the program and answering the opposition of the commercial community and well-placed Cambodians who were fearful of the economic effects of terminating aid. In fact, most of the regulations and pre and post audit requirements were specifically designed to insure that there was no profiteering from the CIP. Since the commodities were imported through the commercial community, they did normally become the property of the higher income groups. However, the commodities were such that their ultimate employment was designed to facilitate economic growth or provide essential supplies for the daily operation of the economy with benefit to a much broader base of the population.

The refund procedure by which AID attempted to disassociate itself from improper transactions was never really accepted by the RKG.

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This was true even of those officials who were fully aware that the refunds would be made available for further importations and hence constitute no net loss to the RKG. It was perhaps unfortunate that refund requests were occasioned indiscriminately by minor infractions for marking procedures, lapses in terminal contracting and delivery dates along with cases of outright fraud by suppliers outside of Cambodia as well as local firms. Administrative violations could have been handled separately and more thoroughly screened by AID/W before being forwarded to the field.

The RKG was probably willing to accept the responsibility under the refund procedure for cases of willful fraud occurring within Cambodia. It objected, however, to accepting responsibility when the fraud was committed by the supplier outside of Cambodia, and hence beyond its control. Prince Sihanouk made public reference to this situation on several occasions.

The AID prohibition against commingling elicited some harsh comments from Prince Sihanouk during the recent period. Previously this policy had been accepted and even endorsed by the RKG and despite some sensational publicity in the U.S. in 1962, had not caused any serious problems in RKG-U.S. relations. Had the U.S. remained firm in its insistence on the no-commingling policy but been less insistent in demanding new written reaffirmations from the RKG (initiated as a result of the RKG decision to obtain Russian MIG aircraft), the political repercussions might have been smaller. The best way to avoid commingling, at least in the CIP program in a neutral country accepting bloc aid, is to design the program in a manner that the

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opportunities for commingling are minimized. It is extremely difficult, if not impossible, to control the distribution of commodities made available to the commercial market. Of course it is easier and generally more reasonable to insist that commodities made available directly to the Government not be used in conjunction with Bloc activities.

In the project sector it is more difficult to discontinue or shift activities in mid-stream to avoid commingling problems than is the case for non-project program. These difficulties were well illustrated in Cambodia by the well-drilling program. In the case of the well-drilling project, agreement to incorporate the well-drilling rigs purchased by the RKG from Russia after the inception of the U.S. project would have permitted the USAID project to continue without interruption (assuming other problems in this project had been resolved) and, after the initial period of experimentation, would have demonstrated to the Cambodians the clear superiority of the U.S. rigs and led to the non-utilization of the Russian machines. Adherence to an inflexible policy prohibiting commingling was probably not in the U.S. interest in this instance.

Apart from sporadic comments from Prince Sihanouk in moments of pique, there seemed to be little or no dissatisfaction on the part of the RKG with the content of the project program though, as discussed below, the implementation of the well drilling program was not proceeding favorably (in fact it had been suspended by USAID). Nor did there appear to be any serious concern regarding the numbers of U.S. and third country technicians required for its implementation. Considerable comprehension and appreciation of the program objectives

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existed among officials concerned at the Ministries of Education, Agriculture, Finance, Public Health, and Public Works. The content of the non-project program came under more attack than the project program, but mostly after the decision to terminate. As discussed above Prince Sihanouk lashed out particularly at the budgetary support for military pay and allowances as contrary to Cambodian dignity and independence and in this he may have been influenced by the alleged role our withholding of budgetary support had in the fall of Diem. While Prince Sihanouk expressed some concern over such a heavy dependence on the U.S. for POL products, there was no basic objection to the composition of the CIP. The left-wing press had attacked the importation of canned milk and wheat flour as products catering only to the tastes of the rich. In fact these products had wide distribution, and the same press has refrained from criticizing the Bloc countries for importing canned milk in order to meet the local currency requirements for Bloc projects.

In summary, while there were irritants in the formulation and implementation of the USAID Program, these were minor considerations in the decision to terminate the U.S. economic and military assistance programs to Cambodia.

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C. ANALYSIS OF EFFECTS ON CAMBODIAN ECONOMY OF TERMINATION OF U.S. AID

The termination of the U.S. economic and military aid programs to Cambodia will undoubtedly have some noticeable and serious effects on the Cambodian economy, particularly the monetized sector. An evaluation of these effects is complicated, however, by the fact that the Cambodian Government has at the same time taken a number of additional measures in the commercial and financial field which will also affect the economy. The most significant were the nationalization of the export-import community and announced intention of nationalizing all private banks in July 1964.

Discussed below are the strains on the Cambodian economy resulting from the discontinuance of aid followed by a discussion of their effects on the various sectors of the economy.

1. Increased Drain on Foreign Exchange Reserves

During 1964 approximately \$15 million of USAID-financed commodity imports were scheduled to arrive in Cambodia. The bulk of this would have come from the \$20.2 million pipeline existing at the time of the termination on November 20, 1963. The annual rate of new obligations in FY 1964 was projected at \$11.3 million and \$10.2 million in FY 1965. Hence actual arrivals would have continued at an annual rate of \$12 to \$15 million over at least the next several years. Of this total, approximately \$6-7 million would have been POL products. Judging by presently reduced consumption, the RKG will make at least \$5 million available of its own funds to purchase POL products. An additional one million dollars will be required annually to purchase jute bags, though this requirement may be reduced in 1964 due to the failure to

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harvest the entire rice crop, in turn a result of the announced intention of nationalizing the bank, which drastically curtailed credit. The demand for certain items such as motor vehicles (trucks) for which \$2 million a year was programmed, will decline and also these items may be available to an increasing extent from Bloc sources. After running down stocks, which cannot continue beyond 1964, Cambodia may be forced to expend possibly half a million dollars annually on replacement vehicles and spare parts. Iron and steel products, chemicals, industrial machinery, tractors, pharmaceuticals, and rubber products accounted for the bulk of the remaining products in the U.S.-financed Commodity Import Program. Planned obligations for FY 1964 were \$4.6 million for these items. It can be assumed that after running down stocks in 1964, the RKG will need to make additional foreign exchange available for \$2 million of these products annually. In total, the RKG may feel compelled to make available up to \$9 million annually to replace the items scheduled for importation under the commodity import program.

In addition to the loss of Commodity Imports under the aid program, Cambodia will feel the loss of the commercial consumables provided to date through MAP. Of the total \$1.8 million anticipated for FY 1964, they will probably have to make at least one million dollars of foreign exchange available to maintain minimum supplies particularly POL products for the FARK. While it is not anticipated that the RKG will purchase U.S. military equipment to replace what MAP would have provided, they still will be faced with a parts problem. Whether they will simply allow U.S. equipment to be cannibalized and then deadlined

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and replaced as possible by French and Bloc equipment remains to be seen. If they wish to continue to utilize the U.S. provided equipment, they will have an annual spare parts requirement of one-half million dollars by 1965. Given the difficulty of procurement problems it seems unlikely they will make this expenditure.

The USAID program was to have provided approximately \$1.8 million in commodities for project activities outside of commercial channels. The bulk of these items were for activities which no doubt will be discontinued, and hence, the items will not be necessary. Possibly a total of no more than \$1 million will be purchased with RKG foreign exchange in order to maintain previously provided equipment, particularly for the police.

The initial foreign exchange requirement for the purchase of the Vinnell equipment was \$1,778 thousand. The subsequent annual requirement for spare parts (not replacement) will total one-half million dollars.

The estimated total minimum additional requirement for foreign exchange expenditures resulting from the discontinuance of the aid programs is approximately \$11 million. As discussed below, this will not be a net effect in the balance of trade since there are off-setting declines in other imports.

2. Increased Local Currency Requirement for the RKG National Budget

The \$15.5 million Commodity Import Program for FY 1964 was designed to generate an equivalent amount of riels at the rate of 35 riels to one U.S. dollar. Of this total, \$10 million was to be utilized for FARK pay and allowances. The RKG will have to make up this entire

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amount. The RKG will probably discontinue most of the activities that would have been financed by the remaining amount. At most a total of one million dollars will be provided from the National Budget to continue activities financed by USAID in addition to FARK paid allowances. This would include at least a portion of military construction, certain operations of OROC, and USAID support for the American Aid Section of the Ministry of Plan. Another item increasing RKG riel requirements, as reflected in the budget, (as well as foreign exchange) is the absence of the commercial commodities previously furnished under the MAP program. These items were previously made available directly to FARK at no charge in local currency. The RKG will now have to purchase them from the local commercial community.

3. Employment Effect

In addition to the approximately 1,000 USAID and MAAG local employees who are not unemployed, many of the commercial and construction concerns have reduced their employment due both to the lack of USAID and MAAG business and, as a result of the RKG actions in the financial and commercial field, which, to date, have generally depressed business conditions and expectations. Estimates of increased unemployment run from ten to forty thousand, with practically all of the effect concentrated in Phnom Penh.

4. Effect on Prices, Money Supply, and Income

The curtailment of imports has created an upward inflationary pressure on prices in the initial period since the termination of aid. However, there have been offsetting factors limiting the increase. The termination of aid plus the government actions taken have tended to

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depress incomes and reduce both consumer and business spending. Construction activity has largely halted so that despite a decrease in the importations of cement and other building materials and the initial decline in the value of the riel in terms of hard currency, the prices of these items have fallen on the local market. The cost of living index, however, has continued to rise, since it is more heavily weighted with foodstuffs and other basic items for which demand has been maintained and supplies curtailed.

Over the long run, continued restriction of supply and extended deficit financing will create a continuing pressure on domestic prices which will also be influenced by the rise of prices in imported items. The rate at which the price of imported items rises will depend in part on whether the RKG can effectively limit imports. If there are many persons with an access to the back door of the National Bank, an accelerated decline in reserves could initially forestall rapid price increases in imported goods.

The RKG's efforts to increase revenues, if effective, could also raise prices, though again there could be an offsetting income effect.

Assuming no substantial action such as a devaluation of the riel or the receipt of considerable credits from abroad, the next year or so should see both a contraction in economic activity, particularly in the commercial sector, a much diminished supply of imported goods whose prices should rise substantially, and an upward but not spiraling movement in the price of basic cost of living items. If present government policies (or lack thereof) result in a major loss in the rice harvest this year (and thereby diminish incentive for planting next

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year), this trend will be accelerated and its effects will be more widespread throughout the economy in 1965. Such a situation would reverse the trend of an increasing participation of the population in the money economy. A continuing decline in the world price of natural rubber will also affect foreign exchange earnings, though it would not have the direct effect on the rural population that a decline of rice exports will have, since rubber is grown on large plantations, largely French owned.

Diminished economic activity certainly will tend to decrease the amount of currency in circulation and be reflected in reduced bank credit (the restrictions on the banks is one of the factors reducing economic activity). This reduction is of course offset by government deficit spending. To date the money supply has continued to rise. Depending upon the extent to which government spending is restricted to Phnom Penh and other urban areas, the previous slow movement to expand the monetized sector of the economy may be reduced or even reversed. Certainly the percentage that gold and foreign exchange are of the money supply will continue to decline and thereby exert continuing upward pressures on the prices of imported goods if the available money in circulation grows considerably in excess of the imported goods made available on the local market.

The lack of foreign exchange and increasing difficulties in producing and marketing exports may induce the Cambodians to rely more heavily on trade and clearing agreements, largely with the Bloc countries, provided these countries are patient in clearing these accounts. This may be so despite their growing realization that the terms of

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trade they have obtained in the past have not been entirely favorable and that there is some indication that they have been undercut in traditional markets (French/African), by resale of goods they provided to the Bloc countries.

5. Balance of Payments

The factors noted above indicate the strong likelihood of a continuing, if not accelerated, weakening in the RKG's balance of payments position. Until 1962, Cambodia was increasing its Foreign exchange reserves. The contribution of foreign aid, a higher world price for rubber and an initial low level of import demand which only grew as Cambodia expanded its tastes and dependence on imported goods (petroleum imports, for example, expanded from \$3.7 million in 1955 to approximately \$9.5 million in 1963), permitted Cambodia to increase reserves from \$50.0 million at the end of 1955 to high point of \$126.6 million at the end of September 1962. On the other hand, Cambodia has not substantially increased its foreign exchange earning capacity nor developed local industries in any appreciable quantity to replace foreign imports. In agriculture, they have and are continuing to expand rubber production, but in the light of world price conditions, this at best will allow them to hold their own. The area of rice production has increased, but despite known methods of improved production, only in one province (Battambang) have improved practices been introduced to any significant extent. Existing marketing practices are not such as to encourage production, and the latest attempts to nationalize and control marketing and credit facilities have had the opposite effects.

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Indications are that not only are rice exports going to be low in 1964, but also the elimination of the traditional merchants will remove the source of quality control formerly accepted by the buyers and hence rice designed to be exported at a one price grade will in fact only be accepted as a lower grade. Whether this will be a continuing factor depends upon the extent to which the new RKG import-export office operates through the previous private and customary channels. A good crop year for rice and rubber resulting from favorable weather conditions can certainly produce a more favorable short run balance of payments position, providing the crop is harvested and exported, but this does not meet the basic problem.

Cambodia has not made notable progress in developing alternative crops to rice and rubber. Corn has been the most successful in terms of quantity, marketing practices, and quality. Initial success in cotton was considerably negated by an inept government price policy. This presumably can be rectified and the French are continuing to provide technical assistance in this field.

The timing of the termination of the USAID agricultural program sent the technicians home after the experimental and institutional development work was largely completed, but when efforts were just beginning to try and bring the results to the farmers. It remains to be seen whether the experimental and organizational efforts will be effectively utilized. This second phase is almost always the most difficult element of technical assistance to realize.

The progress in the industrial sector was disappointing. USAID efforts in this sector were largely confined to the importation of

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limited amounts of machinery, equipment and supplies, primarily for the service industries. Managerial talent and appropriate government encouragement has been lacking for the private sector. The state owned factories provided under Chinese aid have not been successful. Cambodia has had the capability to service loans for productive enterprises since independence, but has been unwilling to join international financial institutions, such as the IMF and the World Bank, which could have provided invaluable assistance in effectually mobilizing these resources. Only recently Cambodia has accepted the principle of foreign loans, but there is considerable question as to whether at least some of the initial projects are particularly wise choices (a palm sugar refinery, for example). At the moment there is little likelihood that Cambodia's present policy, if it can be called a policy, of promoting the development of appropriate small industries is likely to substantially alleviate her long run balance of payments problems.

Another potential foreign exchange earner, not fully exploited by Cambodia, is tourism. In addition to an ineptness in attracting and servicing tourists, Cambodia's exchange rate policies tend to eliminate a large part of the potential market by reason of price alone.

In total the balance of payments picture for both the short and longer run is not encouraging. According to official statements, reserves have only declined to \$94.8 million from the high point of \$126.6 million in 1962. There is some speculation that these figures are not accurate and reserves, in fact, are much lower. How much

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of these reserves are blocked, francs, or other "unusable" assets is not known. The official government figures for anticipated rice and rubber exports in 1964 are such that, if realized, reserves would increase by a limited amount if imports are held to \$70.7 million as the RKG hopes. However, earnings from these two principal crops are more likely to be 30 to 5 per cent lower respectively than the government hopes, and given the factors indicated above, reserves are likely to decline from \$95 million to \$85 million during the next year depending upon events. They could continue to drop as much as \$10 million per year unless some remedial action is taken or Cambodia is willing to accept a considerably reduced level of imports and standard of living in the urban areas, whose standard of living more heavily depends upon imports from abroad.

6. The Government Budget

The termination of the USAID Mission has an appreciable effect on both the expenditure and revenue accounts of the government's budget beginning in 1964. On the expenditure side, the biggest impact is on the military budget. Also the large amount indicated for the five-year plan may in some measure represent an effort to offset the loss of various development programs previously provided by USAID. On the revenue side, reduced imports will lower customs returns and the lower level of general business activity will diminish other forms of government revenue.

The budget will obviously again show a deficit in 1964, disguised in part by drawing down "Treasury reserves." The balance of the deficit will be financed by borrowings from the National Bank and

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possibly from abroad. The economic effects of utilizing treasury reserves are the same as National Bank borrowings. Depending upon revenues realized, the deficit may be as high as 33-35 per cent, or 2,000 million riels, with a potentiality of increasing the currency in circulation by 25 per cent or more. While this action is potentially inflationary, it is likely to be offset, at least in part, by the depressed level of economic activity.

The more important criteria by which the budget should be judged is whether the government is effectively providing needed services and basic elements for economic growth. On the revenue side, an essential question is whether fiscal policies hinder or promote (or affect at all) the expansion of productive capacity.

Unfortunately, the fixed element of the government budget tends to be the payroll. It is politically and administratively difficult to discharge employees. Reductions in expenditure usually are made in materials and supply, thereby limiting even further the effectiveness of the government services and reducing the domestic market of contractors and commercial suppliers. There is a tendency to underestimate building costs and a lack of any real attempt to designate priority items for economic development and insure that funds are made available for these activities.

In summary, the forthcoming government deficit, while likely to be bigger than advertised, is not likely to be a serious problem in and of itself though it is symptomatic of some of the basic economic imbalances in the Cambodian economy. The Cambodians fiscal authorities, however, do place considerable stock in following more orthodox fiscal

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policies, and may take various measures to limit and disguise the deficit. These are often wasteful in the sense that numerous projects are left half built for long periods of time when appropriated funds are exhausted or diverted. An obviously more productive policy is to limit the number of projects started rather than to leave them uncompleted.

7. Gross Domestic Product and National Income

The net effect of the present situation is that the possibility of achieving any appreciable increase in gross domestic product is considerably diminished by the termination of aid and the government's recent economic measures. Given the rate of population growth, per capita income in real terms is likely to decline over the next five years, though year to year fluctuations may occur as the size of the various agricultural crops varies with weather conditions.

National income was tentatively estimated at the equivalent of \$660 million in 1962. Assuming the value of this year's rice and rubber crops at \$138 million and \$20 million respectively, the 1963 national income level, at market prices, will not exceed 643. This assumes a 10 per cent decline in the commercial and construction sectors. Given a price increase of 12 per cent between the two years and a continued population increase of 2.2 per cent, the real per capita income will have declined by 17 per cent, a substantial amount. The 1964 level may reflect the disruptions caused by the termination of AID and other economic actions taken by the RKG. Presumably by 1965 there will have been more time for readjustment. If due to political conditions Mekong traffic should be closed to Cambodia then the

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dislocation may be even more profound. At this date no meaningful projection of the effects of such an event can be made.

D. RECOMMENDATIONS IN REGARD TO FUTURE ECONOMIC ASSISTANCE

1. Background and Recommendations

Cambodia now opposes all economic assistance not "freely offered" and with "conditions". The stipulation that aid will not be requested inspired the various maneuvers by which Cambodia attempted to have the United States continue the rehabilitation of the Khmer-American Highway without making a formal request.

The USG has taken the position that in light of the continuing criticism of the US aid programs the USG can not provide any additional aid without an official written request by the RKG. In the present political context this policy appears justified and should be maintained.

In the event that as a result of improved RKG-US relations or because of economic necessity, the RKG should request additional economic assistance to which the USG would be inclined to respond favorably, the following recommendations are made after review and consideration of the USAID experience to date:

One: Even if conditions appear otherwise favorable, little or no aid be delivered in response to an official request until a sufficient period has elapsed for the present controversies over aid to have subsided and, possibly, for a greater awareness to have arisen of the benefits of U.S. aid and the consequences of the abrupt termination thereof.

Two: Aid should be restricted to a small area of activity and not be designed to cover the broad range of economic development and internal security needs.

Only two or possibly three projects stand out (see 2 below) as

being worthy of continuation on the grounds of considerable and seemingly successful investment to date.

Three: Far fewer AID resources than hitherto be concentrated in the internal security area.

Four: A significant portion of aid be provided in loan form at reasonable commercial terms.

Five: If counterpart is required, the imported commodities be limited to a selected group of items available and acceptable from the U.S., in regard to which problems of commingling, end use investigation and refunds are minimized. This could include certain PL 480 products.

## 2. Construction Projects in Process of Completion

### a) The Khmer-American Highway

Any future Cambodian request for aid is most likely to be for assistance in the rehabilitation of the Khmer-American highway. Present indications are that the RKG will experience considerable difficulty in organizing the use of the equipment it has bought and in mobilizing its own limited manpower resources for this purpose. During the 1964 rainy season, the Highway will probably be kept open only on a minimum basis and largely by hand labor methods. Given the lateness of the season, the U.S. could not undertake any commitment to keep the road open in 1964. Should the U.S. be requested to provide force account personnel to assist the RKG in their own efforts, it is recommended that such a request not be granted. Experience has shown that U.S. personnel under RKG supervision cannot be effective. The U.S. should respond favorably only to a request to make a contract

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with a U.S. firm under Bureau of Public Roads supervision. An essential requirement should be that the equipment purchased from the Vinnell Corporation and other necessary equipment owned by the RKG be made available to the new contractor.

In addition to the fact that this project could constitute the means to reestablish an aid program if the U.S. Government should consider it in its interests to do so, this project would have merit for its own sake. Sihanoukville is the only commercial ocean port of Cambodia and if the rehabilitation is completed the commercial importance of the port undoubtedly will continue to grow. In addition the large area traversed by this road is capable of considerable development as evidenced by the growth to date. There is also validity in the argument, sometimes overstated, that this project, far more than any other, is the symbol of U.S. economic aid to Cambodia and its deterioration is taken as a reflection on U.S. engineering capabilities.

Experience to date has shown it would be essential to have an experienced French speaking AID representative to handle the continual small and large administrative problems that would arise with the RKG. If the rehabilitation is the initial project, the same representative should also have the responsibility for program development in the event further reasonable and feasible requests for assistance are received and granted.

b) School of Arts and Trades

Among the construction projects that were stopped mid-way to completion the School of Arts and Trades most clearly stands out as being of obvious priority to be resumed, if political and other

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conditions permit. As of November 20, the four large classroom buildings were virtually complete. Construction had begun on the shop buildings. Practically all the future faculty are presently studying in the U.S., and 40 per cent of the school equipment had arrived in Cambodia. In addition this project makes eminent good sense in terms of Cambodian skilled manpower requirements for economic development or even maintaining the present economy. At present there are few skilled Cambodian artisans. Such trained personnel as are available are largely employed by the Cambodian Government. In the private sector most skilled workers are local Vietnamese.

c) Rural Health Center

A second project for which construction had begun and which, if effectively implemented, would have made a considerable contribution to Cambodia, was the demonstration rural health center at Kompong Trach. In this case, however, construction was much less further advanced, only 17 per cent. Approximately 85 per cent of the equipment for the center had arrived in Cambodia. There remained, however, a number of problems to be resolved to insure that the center would be used for training purposes and not just as a small hospital, reaching only a limited rural population. The major questions of assuring that the RKG would first provide sufficient staff for training and second, local health workers as students to be trained in the center once operable had not been presented for resolution though RKG agreement was given in the Project Agreement.

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d) Other Projects

The remaining education and agricultural facilities under construction at the time of termination of the mission were sufficiently close to completion that the RKG should be able to complete them without further U.S. assistance though there will be a delay while funds are found within the RKG budget. Two of the five city water projects are in the same category. The remaining three probably will not be completed without additional U.S. participation, but these are not high priority projects in terms of U.S. objectives and have been "problem" projects since their inception, though at the time of the mission termination they appeared to be finally on the road to completion.

Of the other projects which envisaged substantial construction: the Siem Reap teacher training center, the Khmer-American Friendship School, the School of Agriculture and the Public Works Engineering Schools, none were far enough advanced to warrant the recommendation that they be continued if a request were forthcoming because of the investment made to date. Only in the case of the Khmer-American School were the plans and specifications prepared. The resumption of these projects would have to be judged on other grounds as discussed immediately below.

3. Recommendations in Regard to Program Concentration

a) Education

Apart from the highway rehabilitation, the concentration of USAID project activity under the terminated program was in the education, agriculture and police sectors. The greatest both actual and

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potential impact, in terms of a contribution to the modern development and the attainment of U.S. objectives was evidenced in certain phases of the education program. Considerable progress had been realized in bringing about the facilities and organization required to institute needed fundamental changes and improvements in Cambodia's educational system. These were changes desired by Prince Sihanouk, as evidenced by his public statements, and by many key officials in the Ministry of Education. The basic principle upon which the program was based was to assist the Cambodians in modernizing their curriculum and to provide pre-service and in-service training to elementary school teachers in order to introduce certain practical aspects into Cambodian public school education. Prior to such efforts Cambodian elementary education was restricted largely to the attainment of literacy and preparing the small proportion of students who continued on to secondary school. The role of secondary schools had been primarily to prepare students to become government functionaries in office or clerical jobs. While the USAID did not participate in the pre-service training of secondary teachers (except for English language teachers), in-service training programs were being developed in industrial arts and pre-vocational agriculture through the Bureau of Technical Services of the Ministry of Education. The industrial arts program is being continued by the RKG after the departure of the USAID. In support of this program, assistance was being provided to the RKG in developing text books specifically directed to Cambodian's needs. Heretofore only the teacher had a text, and the students copied information written on the blackboard.

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This program, of "educational reform" of the existing school system designed eventually to reach all elementary and secondary students, was to have been supplemented by the construction and development of four specialized schools: A second teacher training center at Siem Reap (the USAID had already built a successfully operating center at Kampong Kantuot), a secondary level school of arts and trade (discussed above), an English language secondary school in Phnom Penh and a school of engineering.

In the seemingly unlikely event that the Cambodian Government should again request broad scale assistance in the field of education it is recommended that the various elements of the previous program to improve the existing educational system be considered for resumption as well as the teacher training center and the arts and trades school. The teacher training center was to be an integral part of the education reform program. The arts and trades school was designed to meet an obvious need for skilled manpower and be an extension of the industrial arts program being introduced into the Cambodian curriculum. The engineering school was considered a further extension of technical education, but, in light of the fact that the Russians are building an engineering school and the Ministry of Public Works will receive assistance from the United Nations Special Fund in the expansion of its school, U.S. participation in a third engineering school would be of lower priority in a new program.

The English language secondary school was designed more as a political impact program than one designed to meet basic development needs, though there is economic justification for more Cambodians.

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learning English. It is not recommended that this project be included in any priority list of possible programs.

b) Agriculture

The long range goals of the previous agricultural program were as important to Cambodia's economic development as the education program, if not more so. However, considerably less progress had been made in bringing new ideas and practices to the populace, though the necessary institutional beginnings were being made, and the ultimate goal of a rural development program significantly affecting agricultural production and income seemed possible. It is not recommended that the U.S. re-embark on a program of this nature which is necessarily of very long duration in addition to the education program, until more experience with a new aid program is obtained. However, within the education program additional emphasis could be given to the pre-vocational agriculture program. The work done in the past in developing the competence of the officials of the Ministry of Agriculture could provide a basis for renewed assistance in agriculture at a subsequent date if conditions warrant. Also there is evidence that the French will now assist in the development of the School of Agriculture.

c) Civil Police

The third major area in which the USAID had a substantial program was civil police. While the internal security arguments for the development of an effective, efficient and publicly oriented civil police force are unassailable, it is doubtful that the previous USAID program contributed much to achieve this goal. With the exception of a few limited areas, the Cambodian police paid little heed to

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and in fact did not want the USAID's recommendations on organization and training and considered the USAID mainly as a source of equipment. In general, this equipment was poorly employed and not adequately maintained. In addition, the USAID program created an equipment requirement for replacement items, spare parts and supplies well in excess of any reasonable local currency or foreign exchange budgets that the Cambodian government is likely to provide the police. The Civil Police represent a sensitive area for Cambodia, and technical assistance in this field is not welcome. Despite expressions of interest by individual police officials, in general the police grudgingly agreed to accept technical guidance only as the price to be paid for equipment.

Another argument raised in the past in favor of assistance to the police was the objective of excluding the Bloc. However, this argument can be overstated. It is doubtful that Bloc technicians would have more success than the U.S. has had. The RKG's reluctance to have foreign involvement in their police force probably would also extend to the Bloc.

d) Military Budget Support

The other area of USAID internal security support was the substantial, though declining, contribution to the local currency costs for the pay and allowances of the FARK and military construction projects. This area of U.S. assistance received strong criticism from Prince Sihanouk and requests for its resumption are unlikely, though conceivably requests might be forthcoming for the commodities that generated the local currency for these purposes. While such aid has

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obvious monetary benefits to the RKG, it also makes for considerable uneasiness, since it creates an unwanted feeling of dependency. It is specifically recommended that budgetary support not be provided for the PARK or for any other general budgetary purpose even if other components of an aid program are requested and provided.

e) Public Health

USAID activities in the field of public health at the time of the program termination were limited to the demonstration and training rural health center mentioned above, a village well project and a pilot study and trachoma treatment project in the model elementary schools. Prior to the termination of aid, the village well project had in fact been suspended due to commingling problems and U.S.-RKG differences over the administration of the project. This history would preclude reactivation of this project. As indicated above, the rural public health demonstration and training center, if utilized as envisaged, could make a substantial contribution to the improvement of Cambodian public health without being overly ambitious in terms of Cambodia's present development in this area. The essential question is whether or not the RKG would make the health workers available for training. On balance it would seem to be a worthwhile project to reactivate if a request for aid were made.

The small school health study and trachoma treatment program had considerable initial success and could be reactivated at very small cost within the education program and possibly in cooperation with the World Health Organization.

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4. Other

The remaining projects in several fields such as public administration and the small industry loan fund, while having made some contribution, probably should not be reactivated if the recommendation is followed to develop a relatively integrated and concentrated program of economic and technical assistance.

5. Loans

Within the past two years there has been a marked shift in the policy of the Cambodian Government toward the acceptance of foreign loans. Initially the RKG was not prepared to accept foreign loans of any sort. This position was subsequently modified, and loans were accepted from the Bloc countries, with repayment tied to trade agreements. Cambodia now appears willing to consider Free World loans for selected projects requiring hard currency repayment without relation to trade agreements. Prior to the termination of the USAID there was a possibility that the U.S. would have participated in the financing of the Phrek Thnot hydroelectric dam on a loan basis. It is recommended that, should an economic assistance program be requested and reinstated, the U.S. be prepared to make loans on commercial terms to finance the foreign exchange costs of worthwhile projects either of a public or private nature. Appropriate guarantees of repayment should be given. It is not recommended that the U.S. make as a condition of any loans that the RKG take steps to overhaul its international financial policies as was previously desired. Even under the present situation of an overvalued currency there are loan prospects that can be justified on their merits and for which full repayment with interest is entirely possible.

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Should a request be forthcoming and the decision made to re-establish and aid program, an offer to provide loan funds for worthwhile projects should be made in lieu of any request to reinstate a large scale commodity import program on a grant basis. In providing loan funds to individual projects the Cambodians should be required to meet all the local currency costs.

#### 6. Local Currency Generation for Project Requirements

Should an economic aid program be re-established along the lines indicated above, there would be a continuing requirement for local currency to support the grant projects. The temptation would be to insist that the Cambodians meet all the local currency costs. However, this is not recommended for grant technical assistance projects for two reasons. First, experience has shown that, despite signed agreements, the funds would not be forthcoming in sufficient quantities and on time. Implementation of the projects would be continually delayed and frustrated by lack of funds. The self-help criterion of AID/W policy which entails the host government paying its "fair share" of joint projects, provides an added reason for limiting at least an initial program to the education field. This is an area to which the RKG devotes a substantial and noteworthy proportion of its budgetary resources and meets the self-help criterion in general if not in contributing proportionately to specific projects. Hence even if the U.S. were to provide the bulk of the local currency to the individual projects, this would only represent a small proportion of the overall RKG effort in the education field.

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A second reason for agreeing to finance a substantial proportion of the local currency for individual projects would be that this would provide considerably more leverage by which the USAID technicians could obtain acceptance of their guidance. If a project were established on an extra-budgetary basis, initially financed in large part by the USAID, then the USAID technicians would be given a considerably greater role in its development. It would have to be understood and agreed by the RKG that, upon completion, the operational costs of the program would have to be incorporated into the RKG budget. The village well program was an excellent example of this point. While the USAID was providing the local currency for in-country materials, as well as the dollar commodities, considerably more guidance was accepted from the USAID technicians, and progress was made in developing an RKG well drilling capacity. After the RKG agreed to provide the local currency, not only were the funds not forthcoming but also the RKG counterparts no longer felt they had to accept USAID guidance since national budget rather than counterpart funds were being used. At this point the number of wells drilled rapidly declined, and relations between the USAID technicians and their RKG counterparts deteriorated. It should be borne in mind, however, that any future aid program should not develop projects with a future budgetary support requirement in excess of the anticipated ability of the RKG to support.

The recommendation that the U.S. support the local currency costs of grant projects and require RKG local currency support of loan projects is not contradictory though it may appear so. First

of all the loan-financed projects would be much more discrete endeavors usually involving largely the construction phase only. Without continuing technical assistance, the financial requirements for both parties can be much more explicitly defined prior to the granting of the loan. In the case of loans to private borrowers, the availability of the funds can be more fully assured. Lastly, the borrower is still required to make repayment even if the project is not fully implemented due to any delay in availability of local currency.

#### 7. Commodity Imports

While the recommendation is made that the U.S. generate local currency through a small commodity import program to support grant projects, the rate at which the riel and the dollar are equated should be negotiated at a level more commensurate with actual price relationships than the present artificially high official rate of 35 riels to one dollar. The U.S. could and should insist on a rate more equivalent to actual price relationships. This could be done without requiring an overall devaluation or other changes in financial policy which the Cambodians would construe as interference in their internal affairs and hence an unacceptable "condition" of aid.

If the recommendations made above were followed, the magnitude of the commodity import program would be far smaller than was previously the case. It would be possible to limit a program to a few select commodities which were both manageable and of U.S. origin for which a ready demand exists in Cambodia. POL non-fuels, and U.S. trucks, tractors, and construction equipment and their spare parts are examples. Obvious direct commingling in significant quantities could

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be eliminated on this basis though the use of these commodities on Bloc projects or equipment by second round buyers may not be entirely preventable in Cambodia or any other country that accepts Bloc aid.

It also might be possible to generate local currency under a food-for-peace (PL-480) program if there were still unmet demands for condensed milk and wheat flour. The proportion designated for U.S. uses could be used to offset at least a portion of the local currency costs of mission support that were previously met from trust funds.

8. Participants

The projects recommended above for inclusion in any new aid program, would include a participant element. If there is a genuine demand for training in the United States, participants could be sent in other fields as well and in that way the U.S. could continue, though indirectly, to exercise some influence in the program areas where previous USAID activities would not be reactivated.

9. Total Program Cost

The detailed project descriptions in Book II of this report provide the basis for estimating the approximate costs of implementing the various projects recommended above for consideration, should the decision be made to re-establish an aid program in Cambodia on the basis of an improvement of the present political tension and a request from the Cambodian Government. The total cost of a program based on these recommendations should not exceed \$5 million a year. This figure does not include the Khmer-American highway which it was estimated early in 1964 would require an additional \$5 million to reactivate and complete.

### III. PROGRAM TERMINATION NEGOTIATIONS AND THE USAID PHASE-OUT OPERATION

#### A. INTRODUCTION

As discussed above, the U.S. Embassy in Phnom Penh was notified on November 20, 1963, by the Cambodian Government through the Ministry of Foreign Affairs that the Cambodian Government wished to terminate all U.S. economic, cultural and military aid. The U.S. Military Advisory and Assistance Group (MAAG) terminated its mission on January 10, 1964, and the last member of the MAAG departed Cambodia on the following day. The U.S. Agency for International Development officially closed its Mission (USAID) on January 15, though the last USAID personnel residing in Phnom Penh did not depart until May 19, 1964.

On December 12, 1963, AID/W designated Hong Kong and Bangkok as relocation centers for unassigned personnel not required for the termination activities and for all dependents. This action was taken in light of continuing critical comment from the RKG and from Prince Sihanouk regarding the considerable number of people remaining after the notice to terminate. Also the Foreign Office had informed the Embassy that protection for USAID and MAAG personnel was only assured through January 15. On January 10, a subsequent note extended this protection indefinitely but by then the relocation effort was largely over. The BPR personnel not required to remain in Phnom Penh plus two USAID secretaries previously assigned to the BPR Division plus all the BPR dependents were relocated in Bangkok. A few dependents accompanied their principals to Saigon and the remainder were

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relocated in Hong Kong. A USAID Liaison Office was established in Hong Kong to provide administrative support for relocated personnel.

By February 11, this group was reduced to 11 persons, and the Liaison Office was closed. The number of employees and dependents remaining under USAID supervision and their location from the period of November 20 to April 17 is included in the statistical summary to this section.

A small USAID contingent was established in the Embassy in Phnom Penh including the Deputy Director in charge of the termination activities, the Contract Officer, several property officers, and the remaining Bureau of Public Roads personnel. In addition, a small group from the Vinnell Corporation remained in Cambodia. In order to keep

the group in Phnom Penh to a minimum size, an office of USAID Cambodia was established in Saigon including the Program Office, the Office of the Controller, the General Services Office, and the Personnel Office. The Deputy Director, while resident in Phnom Penh, made regular visits to Saigon to supervise both operations. The tasks of this reduced group included the following:

- Disposal of the Vinnell Corporation and Bureau of Public Roads equipment supplies imported into Cambodia for purposes of the highway rehabilitation.
- Packing and shipping, from Phnom Penh and the transshipment point in Saigon from Cambodia, of USAID Government property.
- Packing and shipping of the household effects of USAID employees.

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- Return to the RRG of their property that had been held by the USAID.
- Termination and final settlement of all USAID contracts and leases.
- Preparation of travel orders and other documentation for the reassignment of USAID personnel.
- Resolution of remaining accounts of the Commodity-Import Program.
- Final liquidation of the Counterpart Special Account and Technical Assistance Trust Fund with the Ministry of Plan.
- Preparation of final reports on the Program status to the Ministry of Plan and AID/W.

Continuing fiscal accounts will be handled by the Controller of USOM Saigon who has been delegated the residual controller function. All remaining property accounts for U.S. Government and employee personal property have been provided to USOM Saigon.

All files, excepting those of the Controller and Program Offices, were reviewed for disposition and either destroyed or prepared for storage and shipped to AID/W. The Controller and Program Office files were taken to Saigon for use in the Phase-Out operation. When the Acting Director and the Acting Program Officer proceeded to Washington in March, certain of the Program files were mailed to Washington and the remaining files were sent to storage.

Summary of the Phase-Out Negotiations

The note from the Cambodian Government requesting the termination of the MAAG and USAID Missions also requested the initiation of joint

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discussions for orderly phase out. The Cambodian Government designated the Minister of Plan as chairman of the Cambodian delegation which also included representatives from the concerned technical ministries and the Ministry of Foreign Affairs. The U.S. delegation was headed by the U.S. Ambassador to Cambodia and included the Deputy Chief of Mission as well as USAID and MAAG representatives.

The initial meeting on December 29, 1963, produced the following results:

- 1) The RKG was informed of the steps that had been taken to halt all aid including the halting of all construction and other activities currently underway in Cambodia, the cancellation or diversion from Cambodia of all project and non-project commodities on order or en route to Cambodia, and the termination of all contracts.
- 2) The RKG indicated to the U.S. delegation that under their interpretation of their note they felt the USG had acted unilaterally. They contended that only "new" aid should be halted and that on going projects in which they had a legal vested interest (droit acquis) should continue. When it was pointed out that the entire USAID program consisted of projects already underway, some of which would require the presence of USAID for two years or more, the Minister of Plan indicated that the USAID could remain as an economic and technical office attached to the U.S. Embassy. The USG position was that in view of the Foreign Office note, which seemed eminently clear, and in light of continuing official pronouncements indicating the desire for the termination of aid, the USG could not continue any aid activities without an official request from the RKG. They were told that

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any such request would, of course, be given serious consideration. The RKG position remained that they could not request what was already theirs by right.

3) It was agreed to form four technical subcommittees to prepare status reports on their respective areas. These committees were:

- a) Military aid
- b) Commercial aid (Commodity Import Program)
- c) Construction (including the highway rehabilitation)
- d) Direct aid (Project aid less construction)

This meeting was the only formal session of the plenary committee. Subsequent to the first meeting, the U.S. Ambassador and the Director of USAID met with the Minister of Plan on several informal occasions without resolving the fundamental difference of whether the U.S. should offer to continue certain projects or whether the RKG should make a request for the continuation. During this period the incidents relating to the Cambodian celebrations attending the death of Prime Minister Sarit of Thailand and, by implication, that of President Kennedy occurred, and first, three, and then two conditions were imposed upon the U.S. which Prince Sihanouk indicated must be met before any questions of aid could be discussed. On December 14, the Embassy received a Foreign Office note indicating that the negotiations were thereby terminated and the security of the remaining USAID and MAAG non-diplomatic personnel could only be guaranteed through January 15, 1964. As indicated above this note was subsequently modified by a note received January 10 indicating that the deadline had been postponed to an unspecified future date.

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During the period following the initial meeting, the four subcommittees met and status reports were prepared by the commercial aid and construction subcommittees. The military subcommittee achieved agreement for the termination of MAAG and the disposition of all MAAG properties. The Direct Aid committee, which was chaired by the Director General of Plan for the RKG and the Deputy Director of USAID for the USG, continued to function in order to resolve the remaining property and fiscal questions covering the entire USAID program.

During the informal discussions with the Minister of Plan and the meeting of the subcommittee on Direct Aid, the issue of the status and future of the USAID participants studying abroad was resolved. It was agreed that this program could be considered as apart from normal "aid" since such programs were often carried on between countries even when there was no formal aid program. Hence all the participants who wished to continue their studies would be permitted to do so as long as they maintained their scholastic standing. AID agreed to fund all participants through the school year, and has since decided that additional funds can be obligated for subsequent years. Administration in Cambodia of the USAID participant program was transferred to USIS on January 13, 1964.

During the formal negotiations and for some time thereafter it appeared the Khmer-American Highway project would be made an exception to the termination request. The RKG and Prince Sihanouk appeared anxious to have the road completed with U.S. financing. They would not request that the U.S. continue the project, however, clinging to

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their position that it was theirs by acquired right, and the discussions finally ended when the RKG stated in a Foreign Office note February 20, that they would complete the road themselves.

The following sections discuss the events leading to the termination, the actions of AID to terminate the program, the termination negotiations and the USAID phase-out operation in more detail. It should be noted that these sections are based on the files and records available to the writers of this report and their personal recall. With regard to those sections concerning the events leading to the termination and the U.S. response thereto, the record available was not complete but, it is believed, contained the major events and reactions. The recording here of the U.S. response is a summary only, omitting many detailed discussions of minor points between Washington and the Embassy and USAID.

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B. TERMINATION NEGOTIATIONS

1. Introduction

The occasion of the 1963 presentation of the USAID program to Prince Sihanouk in July, 1963, and the departure of General Scherrer, former Chief of MAAG, led to the invitation from the Prince to the Ambassador and senior USAID and MAAG personnel to spend two days as his guests at his villa in Sihanoukville. This was the last high point in recent U.S.—Cambodian relations, as related to the economic and military assistance programs. Shortly thereafter, the anti-Sihanouk Khmer Serei radio broadcasts, silent since 1959, renewed their attacks on Prince Sihanouk and his policies both from Thailand and Vietnam. Increasingly the press and Sihanouk himself in various speeches accused the US (CIA) first of not exercising their control in halting these broadcasts and later to outright support of the Khmer Serei. Prince Sihanouk also began to question the need for U.S. and at one point all western aid, initially indicating that while such aid was a necessary evil there were "other possibilities" open. Eventually, as related below, Prince Sihanouk decided to terminate American aid on the grounds of alleged American involvement in a movement to overthrow the RKG.

2. Events Leading to Termination

The press campaign and series of speeches and press articles signed by Prince Sihanouk mentioned above revolved around his lack of faith in and suspicion of the Western powers in general, the U.S. in particular, and the West's foreign policy errors due to its lack of comprehension of the East. The speeches and articles, becoming increasingly

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shrill and threatening, were repeated and elaborated upon by all segments of the press. In a speech October 3, to key members of parliament and the High Council of the Throne, Prince Sihanouk made a vehement attack on the renewed Khmer Serei activity. In an editorial appearing in the Realites Cambodgiennes several days later this speech was quoted, and the editorial went on to present, in effect, a summary of Prince Sihanouk's suspicions of alleged U.S. activity in support of plots or actions directed against the RKG or Prince Sihanouk himself, beginning with the "Dap Choun affair" of 1959 and continuing on through the "Sam Sary affair" to the Khmer Serei and the plot to kill Liu Shao-Chi during his visit to Phnom Penh in 1963. On the previous day, October 2, Prince Sihanouk had directly linked the CIA to the Dap Choun affair in a signed article entitled "A Tragic Mis-Understanding," mentioning a former Embassy employee. The charges of U.S. involvement in the semi-official Realities were considered to have Prince Sihanouk's approval and, in fact, were linked to his article in the editorial.

The press campaign continued to mount with the leftist press taking the lead. On October 8, even the more moderate newspaper, Phnom Penh Presse, felt constrained to appeal to the U.S. to stop the Khmer Serei broadcasts from Vietnam. On October 9, Prince Sihanouk continued his attack in a speech in Kampot and published a lengthy article in the Cambodian language weekly Neak Cheat Nyum, the official publication of the Sangkum political party. In his speech the Prince stated that China had offered military support and in his article he made the strongest accusations to date of U.S. complicity with the Khmer Serei, blaming South Vietnam and Thailand for the resumption of broad-

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casts, supported with funds from the U.S. He also stated (somewhat confusedly) that the U.S. does not apply the amount of pressure to South Vietnam as it has to Cambodia on the question of preventing the slightest commingling of U.S. and communist aid. As discussed above in Section II, the Embassy and the USAID had been making representations to the RKG in order to receive assurances that U.S. commingling policy would be respected with regard to the Russian military equipment recently received. This was also the period of suspension of the village wells project, at least partially due to the commingling problem. It was also during this period that the Embassy made representations to the RKG through elder statesman Nhiek Tioulong concerning the smuggling through Cambodia to the Viet Cong of potassium chlorate.

The lead editorial in the October 16 issue of Realites entitled "The Plot Exposed" stated the real purpose of the Khmer Serei anti-Sihanouk broadcasts was to prove the existence of "strong internal opposition" to Prince Sihanouk's regime which would justify an "army of Liberation" led by Son Ngoc Thanh and Sam Sary, supported after initial success by Thai and Vietnamese troops; the entry of South Vietnam and Thai troops would be justified to safeguard the security of SEA and to permit anti-communist Cambodians to establish a regime in Phnom Penh the Cambodians really want. The editorial claimed the real responsibility for this eventuality, which would take place if Thai and South Vietnam activities were not stopped, would rest on certain "American adventurers."

The Prince began a new series of articles October 25, entitled "Our friends...and the Others" in the weekly Neak Cheat Niyum. The first article analyzed Cambodia's relation with the Free World. The

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most significant point in the present context was the continued accusation that the U.S. wished to eliminate him, that the U.S. was conspiring with the Khmer Serei, and that he, Prince Sihanouk, had no reason to like Americans since certain organizations and "services" of the U.S. have worked, are working and would always work to replace him by Son Ngoc Thanh or Sam Sary. Prince Sihanouk's article was also carried in Realites, which printed an editorial the same day entitled "Washington and the CIA" relating various "adventures" of CIA (Mosadegh, Guatemala, etc.) and stating that the "adventure" most concerning Cambodia for several years was the Khmer Serei. The editorial made a distinction between a Government and "Adventurers", saying it likely that the White House and Department of State were not aware of all the criminal activities being undertaken in the Far East and stated its lack of confidence in CIA's "discipline" and loyalty to the Kennedy Government, and expressed certainty that CIA elements were working hand in hand with Thai and Vietnamese "special" services supporting the Khmer Serei.

An editorial published in the Neak Cheat Niyun November 1, asked rhetorically where the Khmer Serei were getting their transmitters, arms, training and pay and clearly implied the USG was the known source. Referring to earlier Prince Sihanouk charges that the CIA was assisting the Khmer Serei, the editorial stated that "very official" USG sources had protested the accusation as being directed against the USG, and that this objection might lead well-intentioned people to suppose CIA equals State Department, a supposition that all American Press agencies reject with "proof and indignation".

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The press, with its anti-American campaign under full steam, reacted sharply to the end of the Diem Government in Saigon November 1. The immediate assertion was made that the U.S. was behind the coup, "whether coup conceived by CIA or State Department of little importance," and, further, that now the South Vietnam Government was 100 per cent American, the U.S. could no longer claim South Vietnam was not responsive to U.S. requests.

The impact on Prince Sihanouk of the coup in Saigon, particularly the violent end of Diem and Nhu, was also quickly evident. On November 5, in a radio speech, Prince Sihanouk indicated that if the Khmer Serei broadcasts were not stopped by December 31, he would take the following three actions: 1) renounce all Free World aid and economic and military assistance missions, (but would retain diplomatic relations); 2) renounce his policy of neutrality; and 3) request Communist China to assist in the formation of a new form of "solution". Prince Sihanouk included in his speech a request that the U.S. make no further protests either to the Foreign Ministry or to Prince Sihanouk's senior advisor Penn Nouth and stated he had made it clear he placed no faith whatever in U.S. assurances that it was not involved with the Khmer Serei or that the U.S. does not control Vietnam and Thailand. He asked the National Assembly and the RKG to begin immediate consideration of necessary measures in the event aid was terminated. Concluding his speech in a highly emotional vein, Prince Sihanouk stated that if the free world wished to kill him, it should do so before December 31, because it would be too late after that date.

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The November 5 speech marked the beginning of an even more strident and bombastic series of speeches by Prince Sihanouk and an even more violent press campaign. In speech after speech, sometimes two and three a day, Prince Sihanouk repeated old charges and old threats, made new threats and took new positions and, then modified the new positions.

On November 10, he announced that Cambodia would take defensive steps against the design of the Thais, the Vietnamese and their Free World mentors, to fight corruption and to guard against the day when the U.S. aid to Cambodia would be cut: 1) nationalizing all import and export companies January 1, 1964, and nationalizing all private banks July 1, 1964; and 2) taking military preparations for eventual armed conflict. On November 12, the National Assembly unanimously approved Prince Sihanouk's policy of renouncing friendship with the Free World if the Khmer Serei broadcasts were not stopped by December 31; the nationalization measures indicated above; and a new proposal of Prince Sihanouk leaving the country for one month if the broadcasts didn't stop, to allow the Khmer Serei to come in and try to establish a Government. On the same day Prince Sihanouk made a 3½ hour speech during which he modified his anti-Free World position with regard to the French, and indicated he was now only going to request five Chinese advisors. Further, he emphasized that his actions with regard to U.S. aid were not being made solely because of the insults of the Khmer Serei but also because the aid intimidated him and all Cambodians more and more and he wished and suggested an accord be concluded putting an end to American aid to Cambodia at the end of the current year

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in order to "put an end to humiliations which are intolerable to us."

On November 13, in yet another speech, made, according to Prince Sihanouk, because high-ranking Government officials were afraid he was turning the country over to the communists, Prince Sihanouk seemed to begin backtracking somewhat, stating that he would leave the question of the continuation of military aid up to the FARK; as for economic aid, he recognized its useful accomplishments and implied he might continue to receive aid from both sides if the countries concerned were willing to give it. The official version of this speech, published November 15, quoted Prince Sihanouk as saying that in principle withdrawal of American aid would not be requested unless the Khmer Serei broadcasts continued, but that Cambodians could not know whether the U.S. would continue its aid or withdraw after the "changes in our national life" (presumably a reference to the economic measures he had forecast November 10). He stated it was probable that the U.S. would withdraw aid to the private sector, and went on to say that this aid was detrimental to Cambodia.

In subsequent speeches, the Prince's new position gradually evolved into the one announced at a special press conference held November 16, reportedly to clarify the situation for western correspondents. The position as explained at the conference was: 1) If the Khmer Serei broadcasts did not stop, Cambodia would renounce all American economic and military aid; 2) If the Khmer Serei broadcasts stopped, and the U.S. decided to continue aid, Cambodia would accept it, not ask for it, if given without any conditions. In considering

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aid, there were two categories: 1) Military and 2) Economic. Further, under economic aid there were three types, according to Prince Sihanouk: a) cultural b) equipment c) financial or commercial. Any military aid would be without a military mission and without "exclusivity"; with regard to economic aid he would prefer "equipment" aid such as roads, bridges, factories, schools, built on a "turn-key" basis; he would no longer accept financial aid such as that used to pay the FARK and to import certain goods. The official version of the press conference softened the last point to preferring other kinds of aid to financial assistance. This press conference was the clearest example yet of Prince Sihanouk's lack of knowledge or comprehension of the U.S. aid program.

On November 19, an extraordinary meeting of the National Congress was called and Prince Sihanouk produced two Cambodians alleged to be Khmer Serei. Testimony was elicited from them, during over three hours of emotionally charged proceedings, which Prince Sihanouk claimed proved U.S. involvement with the Khmer Serei. Prince Sihanouk stated the complicity of the U.S. was now clear and with the approval of the people he would ask the Government to tell the Americans that all their aid must go immediately. A resolution ending all American aid was presented and approved by the National Congress.

The American Ambassador was called to the Foreign Office November 20, and handed a Foreign Office note requesting the cessation of all American aid due to the revelation by an emissary of the Khmer Serei of American involvement in that movement. The note went on to state

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that "The Royal Government considers that the most elementary dignity prevents Cambodia from accepting the continuation of any form of American aid, however small." The note requested "the initiation without delay of bilateral conversations on the liquidation of current programs in accordance with the existing agreements."

In a speech the same day to high level RKG officials, Prince Sihanouk stated "... that despite the very hard terms in which I have criticized the Free World, and particularly the U.S., the United States has not cut off its aid." and in a radio broadcast on the 21st he wondered aloud why the MAAG and USAID were still in Cambodia.

3. AID Response

On November 7, the USAID had notified Washington that due to the political situation the USAID was considering delaying the arrival of the Nottingham A & E contract group and requested advice as to how such a delay would affect the costs of the contract. On succeeding days the USAID requested the departure of personnel scheduled to travel to Cambodia be delayed.

AID/W requested current fiscal information on November 9 and on November 12 notified the USAID it was suspending travel of all AID financed personnel to Cambodia, excepting the Deputy Director who was already enroute. All other travel would have to be authorized on a case by case basis. Several cases were discussed and authorized but no AID personnel other than the Deputy Director travelled to the Mission after this date until well after the termination notice.

By November 16, the USAID had begun putting restraints on the implementation of the program, examining all actions involving funds,

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either dollar or local currency, on a case by case basis and making no new commitments. On November 16, the USAID reported the strong possibility of the RKG terminating the aid program, the actions already being taken by the USAID and requested AID/W's comments on a series of suspension actions to be taken both in Washington and Phnom Penh. On the same day, (the messages crossed) AID/W came forward with instructions to the USAID on a series of suspension actions and requested the USAID's comments on others. While there were some differences, by and large the USAID and AID/W were in agreement as to what should be done and the following suspension actions were effected by the Mission and Washington by November 19:

- Departure or processing of new participants suspended.
- Recruitment requests withheld.
- No Project Agreements or PIO/P's executed or issued.
- No PIO/C's issued.
- Procurement and/or delivery of project commodities under existing PIO/C's suspended.
- Issuance of PAA's against the unobligated non-project allotments withheld.
- Procurement of goods and services held to an absolute minimum required for Mission support.
- Negotiations underway in Phnom Penh on a proposed PL 480 sales agreement suspended, except to answer RKG inquiries.
- Silence maintained on the Prekh Thnot Dam proposal with the intention, if asked, to discontinue U.S. participation in any discussions.

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- Allotment of additional non-project funds suspended.
- Allotment of additional project funds limited to amounts requested by the USAID as needed for payroll and other minimum essential support costs.
- Travel of personnel being delayed except as approved for individual cases.
- EOD of newly recruited personnel delayed.
- Banks holding AID Letter of Commitment were temporarily and unofficially delaying the issuance of additional letters of credit pending instructions from AID/W.

In addition, the Mission and AID/W had agreed through messages on November 19 (again crossing) on further actions to be taken following receipt of the expected notification of termination from the RKG. These included halting shipments and officially stopping the opening of letter of credit.

On November 20, the Mission brought the program to a complete halt with three exceptions: 1) the Khmer American Highway, 2) the English language training program and 3) Military Construction. Steps were taken to close down the highway rehabilitation program beginning November 21. USAID participation in the English language program and military construction contracts were suspended November 22.

On November 25, Washington transmitted instructions and guidelines for "phasing-out" the aid program. The USAID responded on November 27, pointing out that, in view of the existing political situation wherein Prince Sihanouk was already wondering aloud why USAID personnel were still in Cambodia and had stated that in spite of his insults and requests the U.S. had not stopped its aid, "phasing-out" the program was no longer possible and that the program had, in

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effect, already been terminated.

4. Termination Negotiation Proceedings

The basic existing agreement was the bilateral agreement between the U.S. and Cambodian governments. This agreement provided a three month termination period in the event of a request from either party for termination. The USG interpreted this clause as protection for the party against whom the termination notice was given, not as a period during which the U.S. was required to continue economic assistance. Despite the statements of Prince Sihanouk, continuing after November 20, calling for rapid withdrawal of U.S. personnel, the worthlessness of aid to date, and the indignities caused by its acceptance, the Cambodian negotiators considered the three months period as one in which aid should be continued.

Upon receipt of the November 20 note, the USAID took the steps listed below to effectively halt further assistance. None of them, however, were initially irreversible if the RKG had wished to negotiate a continuance of aid.

- Stopped releases of all counterpart funds.
- Stopped all USAID approvals for loans from Small Industry Loan Fund.
- Instructed all U.S. technicians to cease further project activities.
- Canceled the recruitment of all new technicians for existing vacancies.
- Requested Washington to cancel the travel arrangements for all technicians assigned to Cambodia now in the U.S.

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- Canceled the procurement of all commodities for projects and stopped or diverted shipment of all commodities already en route wherever possible.
- Instructed all shipping agents not to unload project commodities which might arrive in Cambodia in the event they were not diverted by Washington.
- Canceled all new letters of commitment and letters of credit or amendments thereto for procurement authorizations, i.e., money authorizations for the commodity import program.
- Stopped or diverted the shipment of all commodities already procured through letters of credit under the commodity import program.
- Instructed shipping agents not to unload commodities being imported into Cambodia under the USAID commodity import program in the event they were not diverted by Washington.
- Ordered all Cambodian contractors to cease work on construction projects and stopped all further payments to Cambodian contractors. (As noted above this order was not given to contractors working on military construction projects until November 22.)
- Requested cancellation of all AID financed American architecture and engineering and technical assistance contracts in effect in Cambodia.
- Took measures to stop work on Khmer-American Highway rehabilitation under contract with Vinnell Corporation.
- Terminated PL 480 negotiations.

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- Canceled all departures of USAID-financed participants for U.S. and third countries.

On November 29, the first and only plenary session of the termination negotiations was held. The Ambassador, accompanied by the Deputy Chief of Mission, the Director, Deputy Director, and Chief Engineer, of USAID, and the Chief of MAAG, represented the U.S. The Minister of Plan, Mau Say, served as the Chief Negotiator for the RKG. He was accompanied by the Director General of Plan, Phlek Chhat, as his deputy and representatives of the Foreign Ministry and the Technical Ministries concerned with military and economic aid.

Upon being informed of the steps taken to halt economic and military aid, the RKG's reaction was that the US actions were unilateral, arbitrary and not in accordance with the economic and military aid bilateral agreements. They argued that they had a vested interest or acquired right (droit acquis) in projects already underway as well as commodities on order and the termination request only referred to "new aid", not to the current programs, which had already been granted. They argued that the note called for bilateral discussions for the orderly liquidation of the current program according to existing agreements and that the U.S. had broken these agreements by its unilateral termination action. They maintained this position despite the seemingly clearcut language of the RKG note of November 20, and after it was explained that in fact there were no new projects contemplated at the time of the termination request and that the completion of existing economic and project aid would require two years or more. This obviously would have extended past the three months period provided

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in the bilateral agreement when USAID would have ceased to exist. Their informal answer to the latter point was that a technical office could be set up within the Embassy to handle the administration of this aid.

With regard to what they considered the unilateral and arbitrary nature of the USG response to the RKG note, taken without prior consultation with them, they offered no rebuttal to the fact that the US Ambassador, upon requesting clarification from the Foreign Minister, November 18, had been told that none was necessary and that the USAID Director had been unable during the entire period since the November 5 speech to see and discuss the matter with the Minister of Plan or others, despite repeated attempts to do so.

The RKG negotiators were informed that if the RKG wished the continuation of certain activities, specifically the rehabilitation of the Khmer-American Highway, the USG would give serious consideration to such a request. In the case of the highway they subsequently were informed unofficially that the consideration would be favorable. The Cambodian response was that the continuation of projects already underway on the basis of previous agreements was theirs by right and a request for continuation was inappropriate. It was due to this difference of concept that no agreement was reached for a more orderly phase-out of the various projects and commodity assistance in accordance with Cambodia's ability to assume these responsibilities. The final pronouncement on this issue was not made, however, until February 20, when the RKG, in a Foreign Office note, indicated they would repair

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the Khmer-American Highway with their own resources and technicians.

At the plenary negotiation meeting of November 29, it was agreed to establish four sub-committees to assemble and present the data necessary for the liquidation of military and economic aid. These were:

1. Military aid
2. Commercial aid (Commodity Import Program)
3. Construction
4. Direct aid (all other)

The military aid was handled between the MAAG and the FARK. The commercial and construction aid sub-committees met and each prepared a report of the data available which was then submitted to the sub-committee on direct aid jointly chaired by the Director General of Plan and the Deputy Director of USAID. It was this last group that undertook the responsibility for the liquidation of all the remaining aspects of the USAID program. While no additional formal sessions of the plenary committee were held, the Ambassador and the USAID Director continued to have informal discussions with the Minister of Plan. The basic position of the two governments remained unchanged and no agreement was reached.

Shortly thereafter the incidents resulting from Cambodia's celebration of the death of the Prime Minister of Thailand, and by implication, that of President Kennedy, occurred, further aggravating the situation and inflaming Prince Sihanouk.

On December 14, the RKG, in a Foreign Office Note, informed the USG that due to the "unilateral" and abrupt action on the part of the

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USG to "brutally" stop aid and the inability to agree on basic concepts the termination proceedings were terminated and that the RKG could not guarantee the safety of USAID and MAAG personnel beyond January 15.

On the basis of this note the sub-committee on direct aid was formally dissolved but the participants continued to meet on an informal basis to resolve the outstanding issues.

Prior to the formal dissolution of the sub-committees it had been agreed that the direct aid sub-committee would prepare a joint report to the plenary committee, which would incorporate the reports of the two other economic aid committees. The initial draft of this joint report was to be prepared by the USAID representatives. It was to contain both the factual data on the status of the program and such recommendations as seemed appropriate. With the formal termination of the sub-committees the report became a submission of the factual status of the program by the USAID to the Ministry of Plan. This was submitted on March 28, 1964.

In addition to the physical problems of the movement of personnel and property (discussed below in Section III-D) the issues that required resolution between the USAID and the various Ministries of the RKG were:

1. Disposal of the equipment, supplies, materials and spare parts of the Vinnell Corporation and USAID (including amounts purchased for use of the BPR) being employed on the rehabilitation of the Khmer-American Highway.

2. Settlement of the Counterpart Special Account (CPSA), the Technical Assistance Trust Fund, the unutilized balance of the Small

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Industry Loan Fund, and the unpaid balances on the local currency loans to the Cambodian Railroad and the Office of Dredging.

3. Settlement of the Status of the Commodity Import Program in order to ascertain amounts to be deposited by the National Bank to the GPSA and amounts of deposits or full payments made by importers on diverted goods that should be returned to the importers.

A discussion of the disposal of the Vinnell, USAID and BPR assets in use on the Khmer-American Highway project and an account of the discussions concerning the possible completion of that project by the USAID are found below in section III-C. Discussion of the other issues follow immediately.

5. Counterpart and Other Accounts

It was agreed early in the negotiations that the counterpart funds would be released to pay all bills for services rendered and commodities delivered for USAID projects prior to November 20. For military construction a date of November 22, was established to conform to the date when notice was given to terminate. After some discussion it was further agreed that March 1, would be established as the cutoff date for the submission of bills by private suppliers and the technical ministries to the Ministry of Plan for payment. Three USAID local employees (Cambodians) were assigned to the Bureau of American Aid of the Ministry of Plan to assist in the computation and verification of these data. Supervision was provided by the Acting USAID Controller and his Senior Administrative Assistant on their regular trips to Phnom Penh from Saigon. In the case of construction, the USAID Public Works Division and the U.S. Navy Bureau of Yards and Docks Engineering

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Officer, detailed to MAAG, inspected all projects within their respective areas of responsibility to ascertain work done and materials on site.

Closing these accounts has been a slow process due both to inefficiencies with the Ministry of Plan and possibly the fact that the Bureau of American Aid will largely go out of business when the job is done (they also handle Japanese and Colombo Plan aid but these programs are small). The USAID has provided constant urging in an attempt to complete the task as early as possible.

There were also some delays in obtaining bills and final settlements of obligations to be paid from the trust fund. Not only were bills outstanding from prior activities but the movement of personnel and equipment on a crash basis involved considerable trust fund expenditures, particularly for the packing and crating of USG property and personnel household effects. The termination of leases required no negotiations of all settlements for damages beyond normal wear and tear, which required time. There has been a continuing requirement for trust fund expenditures to meet the costs of supporting the remaining small staff.

On February 17, the USAID received instruction from AID/W to obtain agreement from the RKG as to the general terms of the final settlement of the counterpart and other accounts prior to February 20, the end of the three-month termination period provided for in the bilateral agreement. Previous instructions from AID/W had been to delay pressing for agreement until after the results of the "Filippine Mediations". While the Filippine Mediation was not intended to cover

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AID matters, there was some thought that a successful political negotiation would lead to an RKG request for the US to continue the rehabilitation of the Khmer-American Highway. Had such a request been forthcoming and favorably received, the balance of the Counterpart Account could have been utilized for the local currency expense of that effort.

On February 18, the Acting Director of USAID sent a letter to the Director General of Plan indicating the need for agreement and suggesting that after settlement of all outstanding and verified accounts, the unused or unpaid balances of the trust fund, Small Industry loan fund, railroad and dredging loans be repaid to the Counterpart Special Account and that the balance in that account be used to offset the FARK pay and allowances that would have been met from the Counterpart Special Account had the program not been terminated. It was pointed out that the USAID was making this proposal not out of any obligation to meet these pay and allowances but rather as a mutually agreeable basis for disposing of the counterpart balance. The last Counterpart release for FARK pay and allowances had been made October 29, 1963, covering the period through May, 1963. The USAID had taken the position that the U.S. obligation had been to provide commodity imports to generate this budgetary support, that this obligation had been terminated as of November 20, and hence the US commitments had been met by continuing to make releases for pay and allowances through November. In the case of project bills these were largely due local private suppliers for goods and services rendered on the basis of joint RKG-USAID approvals. In addition there were ample funds to meet the

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project bills but not the entire pay and allowance amount from June through November. The USAID would have had to import additional commodities after November 20, to have generated sufficient local currency to cover these releases in their entirety.

On February 19, the Acting USAID Director received verbal agreement from the Director General of Plan to the principle of utilizing the remaining funds to offset FARK pay and allowances but was told additional study was required to ascertain whether the unused and unpaid balances of the Small Industry Loan Fund, and the railroad and dredging loans would be redeposited. It was then agreed in accordance with supplementary AID/W instructions of February 19, that if this were not feasible these fund and loan balances could remain with the RKG agencies that hold them if applied to further realize the objectives established when the funds were initially provided. An official letter was received from the RKG Director General of Plan dated February 19, 1964, confirming this agreement. As of May 15, 1964 settlement of the project and final accounting had been made for all the major outstanding bills due for payment under the agreement. There remain a large number of small bills that had not been settled. In order to disengage from the continuing review of the accounts of the Ministry of Plan the Acting Director agreed in writing to the release by the Ministry of Plan of the balance of the unexpended amounts in the open project accounts (approximately \$200,000 equivalent) provided the payments were for goods and services rendered prior to November 20, 1963 and after these payments the remaining balance would

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revert to the CPSA for use in meeting FARK pay and allowances. The RKG agreed to provide an accounting of these releases after they had been made. Under this arrangement the USAID withdrew and terminated the three local employees who had been working at the Ministry of Plan.

6. Commodity Import Program (CIP)

As indicated in Section III-D that follows AID/W was considerably delayed in identifying the commodities under the CIP program that had been diverted in the U.S. or enroute to Cambodia. A complete list is still not available seven months after the diversion of the goods. Hence the major negotiations of the USAID with the RKG, the commercial banks and the importers were to hold them off while attempting to secure information from AID/W which would provide the National Banks the basis to refund deposits made for diverted goods. In fact, the information that payment had been made to suppliers including settlement costs for diverted goods continued to be forwarded by AID/W and the New York letter of commitment banks as though the goods in question had arrived or were arriving in Cambodia. Since many of the specific inquiries made by the Mission to AID/W regarding these transactions were not answered, it was difficult for the USAID to conduct satisfactory and efficient negotiations for the termination of this phase of the program.

In May, 1964 the first partial list of diverted commodities was forwarded to the National Bank. In a separate communication that apparently crossed in transmittal the National Bank provided a list of goods which they believe were diverted. If AID/W can expeditiously confirm or correct this list a substantial part of the problem will be resolved.

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There were a few cases where the RKG requested the USAID to permit the diverted commodities to proceed to Cambodia on the basis that the RKG would make foreign exchange available to the suppliers for payment in dollars. The major instance in which this occurred was the POL products. Under regulation one the USG took title to the goods at the time they were diverted. In disposing of these goods the USG maintained the position that diverted goods could be sold to importers intending to transport these goods to Cambodia. Hence the USG dealt solely with the private importers (for cash) and was not involved in the importers negotiations with the RKG to obtain foreign exchange. This arrangement proved entirely satisfactory.

There were several instances in which official but informal special pleas were made to permit certain diverted goods to proceed to Cambodia without RKG payment in dollars because of the strong desire for the goods by the recipient RKG agency (for example the Royal Office of Cooperatives) or to equip two factories for which the buildings had already been constructed (tire recapping and shirt making). In both cases the requests were forwarded to AID/W with the recommendation that they not be granted and AID/W concurred.

The Acting Director departed Phnom Penh on May 19, 1964, and informed the National Bank in writing that continued negotiations regarding questions concerning the CIP would be handled by the Residual Controller located in Saigon. The Economic Section of the U.S. Embassy in Phnom Penh agreed to transmit enquiries to Saigon.

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C. SALE OF VINNELL CORPORATION ASSETS

Introduction and Summary

The RKG request for termination of the USAID program immediately raised the question of the status of the rehabilitation of the Khmer-American Highway. Given the importance of this project to the Cambodian economy, the involvement of U.S. engineering prestige as a result of the failures of the original construction, and the investment and effort that had been made to establish the rehabilitation program, there was some inclination on both the U.S. and Cambodian sides to look for ways that this project might be made an exception and allowed to continue to completion.

At the same time that the possibility of continuing the rehabilitation existed, both the U.S. and Cambodian Governments had to consider the alternative of how to dispose of the Vinnell Corporation equipment, spare parts, supplies and materials in the event the USAID program termination did include the rehabilitation program. In this latter event two alternatives were available; either transfer these assets to the RKG or undertake the lengthy and difficult task of shipping them from Cambodia.

In fact, it was soon recognized by responsible Cambodian officials that the equipment would be needed in order to continue the rehabilitation under RKG auspices. In addition, removal of the equipment would have precluded any effective rehabilitation efforts during a four to five months period during which the installations would have been dismantled and prepared for shipment. This would have meant the total loss of the remaining dry season.

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Hence, almost immediately after the termination notice the RKG Ministry of Public Works attempted to arrange for the purchase of the equipment at the same time that negotiations were undertaken to permit the rehabilitation program to continue under U.S. financing. The efforts of the RKG to have the USG offer to continue the program without formal request from the RKG were not successful. This issue was finally settled in a Foreign Office note of February 14, 1964. On the same date the final RKG signature was affixed to the sales agreement by which the Winnell Corporation sold its assets in Cambodia for \$1,778,871 and the USAID provided certain BPR equipment and other materials on a grant-in-aid basis. Final payment, however, was not effected until March 26, 1964.

Status of the Rehabilitation on November 20, 1963

As of November 20, the BPR reported the work on the rehabilitation as being 33 per cent complete. This percentage related only to the work done and did not include the considerable effort made in building and construction camps and assembling the equipment and personnel. The main construction camp had been built at Km 153 with subsidiary camps at Kms. 76, 110, and 224. It was estimated that the rehabilitation program would have been completed by June, 1964. The contractor had completed 46 per cent of the required grading; 60 per cent of the culverts; 42 per cent of the base course; 36 per cent of the bituminous concrete pavement; and 26 per cent of the shoulder aggregate had been placed. Shoulder surface treatment had not been started. The bituminous binder course and the base course had been placed in certain sections only.

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As of November 20, the Vinnell Corporation had a staff of 35 Americans, 33 third country nationals (30 Filipinos and 3 others) and 600 local hire employees (Cambodians). Approximately \$2.1 million of Vinnell equipment and spare parts plus \$722,000 of asphalt was in Cambodia. Crushed stone valued at \$332 thousand had been processed.

Sequence of Events Leading to the Decision to Purchase  
the Vinnell Assets

The Cambodian Government decision of November 19, to terminate aid was officially communicated to the U.S. Embassy on November 20. The same date the USAID undertook to suspend or terminate all USAID activities in Cambodia except the highway rehabilitation. However, Prince Sihanouk in a radio address on the morning of November 21, criticized the continuation of the highway program and on November 21, BPR/C informed the local Vinnell representative to take the necessary actions to suspend operations in an orderly fashion. This decision was communicated to the Secretary of State for Public Works, who indicated understanding and comprehension of the USG actions in light of the situation. He agreed to arrange for police protection in case any difficulties should arise due to the discharging of local employees. The two alternatives of dismantling and shipping the Vinnell and BPR equipment or of arranging the sale of the equipment to the RKG were discussed with the Secretary. He was also fully briefed on the condition of the road and the work that would be required to maintain the road through the succeeding rainy season. The Secretary reported that he had discussed the rehabilitation program with the Council of Ministers on November 20, and was instructed to recommend a plan for the continuation of the road repair by the RKG on the basis of the

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RKG assumption of the foreign currency costs including the purchase of equipment. This was taken by the Embassy and the USAID as confirmation that the USG was not expected to continue the rehabilitation. While it was believed at the time that it might be advantageous for the US to continue the rehabilitation, further discussion at the technical level was delayed pending the formal convening of the bipartite negotiating committee.

The contractor scheduled an orderly shutdown of the construction operations over a ten-day period. During this period the various construction operations were closed down and employees were laid off. The debarreled asphalt in Vinnell Tanks was used to produce additional pavement in Section I and patch deteriorated areas in Section II. Also, the important work of sodding the Pech Nil Slide area was continued; however, only approximately 25 per cent of the sodding had been completed at the time of complete shutdown. The last work which was done on the rehabilitation contract was the watering of the newly sodded areas on December 5 and 6 which was done by BPR personnel using Vinnell controlled equipment.

As discussed above the first and only plenary session of the AID termination negotiations was held on November 29. As a result of this meeting a joint subcommittee on construction was established which included the highway rehabilitation program within its purview. The first meeting was held on November 30, at which time the RKG was provided with detailed information regarding the Vinnell and BPR equipment, cost information and payrolls. The point was again raised with the RKG that they might purchase the Vinnell assets. It was

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emphasized that they should reach a decision promptly before Vinnell was required to begin dismantling their installations. This last meeting was followed by a second on December 3, at which additional information was provided regarding cost factors and the state of the Vinnell equipment.

During this period, while cost factors were being discussed and the RKG was considering the purchase of the Vinnell assets, the USAID was placed in the position of wishing to reduce the American, Filipino and local hire BPR and Vinnell staff and make arrangements preparatory to shipment but without going past the point where the equipment could be delivered intact to the RKG if they agreed to purchase or past the point where operations could be restarted if an agreement were made for the U.S. to continue the rehabilitation work. On December 4, Vinnell was instructed to keep construction operations suspended rather than to terminate for a period of 30 days from November 20, U.S. and Filipino personnel not needed for dismantling, packing and moving out Vinnell property but required for a resumption of work to be released to Bangkok or other standby locations.

Another problem arose during this period when the RKG police, assigned to provide protection to the construction camps, began to deny access to BPR and Vinnell personnel and to prevent them from utilizing RKG, BPR and Vinnell equipment and supplies. This action was taken without prior notice. In addition there was pilfering of small items, presumably by the police themselves who were able to intimidate the Cambodian guards hired by Vinnell. The first such action was taken at the Km. 76 camp and on November 28, followed by similar actions

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at the camps at Km 110 and Km. 224. The police also controlled the movement of equipment and supplies at the main camp at Km 153 but did not deny access to the camp to BPR and Vinnell employees. The police moved into some of the quarters intended for the American employees and expected to be fed from the Vinnell mess.

This action was protested to the Secretary of State for Public Works by the Mission Director and the technical subcommittee on construction by the Deputy Director. They were informed that these actions were undertaken at the direction of the Minister of Plan in his role as President of the RKG Committee on the liquidation of U.S. aid. On December 5, the Mission Director delivered a letter to the Minister of Plan requesting clarification, protesting these actions and requested return of these assets to Vinnell's control. On December 6, the Ambassador and the Mission Director delivered a similar note to the Secretary of State for Foreign Affairs. The Secretary of State agreed to seek clarification from the appropriate technical ministries. The Minister of Plan informed the Mission Director that he had taken this action as a temporary measure to maintain the status quo on the highway pending the outcome of the bilateral negotiations and to prevent trouble between the Vinnell and discharged Cambodian employees. He gave assurances that this did not constitute expropriation and reimbursement would be made for any property removed from the Camps by the Police. He did not, however, agree to return control. The Mission Director warned him that these actions might be construed by the contractor as a breach of contract and lead to an abandonment of the equipment and a withdrawal of their personnel. On the basis of these

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actions the Vinnell Corporation by December 9, shut down all operations at the Camps at Kms. 76, 110 and 224.

On December 7, the Secretary of State for Public Works informed the Mission Director that Prince Sihanouk had ordered a temporary surfacing within a two-week period of a 14-kilometer stretch between Km 163 and 176. The Secretary requested that either Vinnell make available to the RKG the required equipment or Vinnell undertake the job on a riel reimbursement basis. He was informed that the work would require three weeks and before any agreement could be made Cambodian Police would have to return the confiscated equipment to Vinnell. In addition, a request from the Ministry of Plan would be required. The Secretary of State for Public Works attempted to see the Minister of Plan on this matter, as did the Mission Director, but he was unavailable. As a result, on December 8, the RKG undertook the 14-kilometer rehabilitation job with their own insufficient resources. The resultant temporary surfacing was of very poor quality.

While the question of the control of the Vinnell assets was being debated but not resolved, simultaneous and related discussions continued in regard to both purchase of the Vinnell assets by the RKG and the possibility that the USG would carry the highway rehabilitation project through to completion.

Agreement for continuation of the rehabilitation was not achieved due to the inability to secure a meeting of the minds on the issue of a Cambodian request. The USG believed that an official written request was necessary in order to protect the U.S. from any future charges that the U.S. forced its aid on Cambodia and did not terminate

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its programs even when officially requested to do so. The RKG position was that they were entitled to aid committed prior to the termination (droit acquis) and any new request for what was theirs by right, was inappropriate.

At the time of the initial meeting of the bipartite negotiating committee for the termination of aid, the Ambassador indicated to the Minister of Plan that the U.S. would give serious consideration to an RKG request for the continuation of any specific activities desired by the RKG. It was assumed on the basis of the RKG interest evidenced in the highway rehabilitation that this project would be included in any such request. Subsequently, upon Washington's instructions of December 17, it was made known on various occasions to the Prime Minister, the Minister of Plan, the Director General of Plan and the Secretaries of State for Foreign Affairs and Public Works that the USG would give favorable consideration to a request for a continuation of the highway rehabilitation. These conversations were undoubtedly reported to Prince Sihanouk. The Ambassador reported to the Department in January that the RKG, specifically the Council of Ministers and Prince Sihanouk, were aware of this offer beyond a "shadow of a doubt".

On December 13, the Minister of Plan informed the Ambassador and the Mission Director that, due to the unproductive nature of the negotiations to date, the RKG was terminating the negotiations and that control of the Vinnell assets would be returned to Vinnell after delivery of the Foreign Office note officially terminating the negotiations. He requested that U.S. personnel depart Cambodia no later than the month of January. He expressed regret that the highway could not be

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continued and was again reminded by the Ambassador that serious consideration would be given to an official RKG request. He indicated that the reply might not be favorable and was assured by the Ambassador that the request would be forwarded to Washington for full consideration. The Minister of Plan also indicated that the remaining administrative matters should be settled with the appropriate technical Ministries. He indicated that the question of the RKG purchase of the Vinnell assets was an administrative matter to be handled through the Ministry of Public Works.

On December 14, a note was received from the Foreign Office confirming the termination of the negotiations and requesting the departure of U.S. personnel by January 15. The RKG agreed to insure police protection up to that date.

On the basis of the Minister of Plan's statement that the sale of the Vinnell assets was a matter to be taken up with the Ministry of Public Works, a series of discussions were held beginning on December 14, with the Secretary of State for Public Works and other officials of the Ministry. On December 17, the Secretary informed the USAID that the Cambodian Ambassador to Washington had secured agreement from the Under Secretary of State for Political Affairs for the U.S. to complete the highway rehabilitation. This was reported to Washington and the Department clarified that the Cambodian Ambassador had been told that the U.S. would complete the highway if satisfactory arrangements could be made which would include an expression of RKG desire that the U.S. do so and if agreement could be reached with the contractor. At this

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point Washington rejected the field proposal that U.S. agreement to continue the rehabilitation be contingent upon the RKG purchase of the Vinnell equipment.

On December 18, the Ambassador informed the Secretary of State for Public Works that Washington had instructed him to say that if the RKG desires the USG to complete the rehabilitation and if the RKG could address a note to the U.S. in this sense, the USG would give a favorable response though naturally a mutually satisfactory agreement for the details of the operation would be required.

Given this continuing possibility of the resumption of work the USAID was instructed to direct Vinnell to continue the suspension in lieu of termination through January 4, which meant the BPR personnel on relocation had to be kept there.

In continuing meetings with the Secretary of State for Public Works the latter informed the Mission Director that the clarification of the Under Secretary for Political Affairs statements had been transmitted to the Prime Minister but that he (the secretary) doubted that an RKG request would be forthcoming. He was also pessimistic that the RKG would purchase the Vinnell equipment. He gave assurances, however, that police protection would be extended past January 15, if required in writing by the USAID.

Also on December 18, Prince Sihanouk indicated in a U.S.-baiting speech that the U.S., specifically the Under Secretary for Political Affairs wanted to finish the road. Prince Sihanouk allowed he would agree to let the U.S. do so if three conditions were met relating to the Khmer Serei radio and the U.S. reactions to the celebrations over

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Marshall Sarit's and, by implication, President Kennedy's deaths. The same conditions were posed as requirements for a visit by Dean Acheson to discuss and improve U.S.-RKG relations. While this speech was objectionable in tone it did indicate continuing special interest in the U.S. continuation of rehabilitation and the possibility that the RKG would reverse itself and make an official request.

This uncertainty was also reflected in the RKG. On December 23, the Secretary of State for Public Works informed the mission that the decision to purchase the Vinnell assets was delayed pending word from the USG regarding Prince Sihanouk's three conditions. Despite repeated assurances to the contrary the RKG continued to believe that the U.S. requirement for a written request was negotiable. On this same day the Country Team recommended to Washington that termination notice be given to Vinnell and dismantling operations commence if the RKG decision to purchase Vinnell assets was not made by January 1.

On December 26, the Secretary of State for Public Works informed the Mission Director that on December 24, the Council of Ministers had created a commission composed of several Ministry of Public Works engineers and the Director General of Plan (also an engineer) to officially open discussions for RKG purchase of the Vinnell assets. At the Secretary's suggestion a technical subcommittee was established including both Ministry and USAID personnel to physically inspect the equipment and arrive at agreed cost lists. The question was raised if the ODEM equipment being held in conjunction with the Vinnell and BPR equipment could be returned to the RKG. It was agreed that this could be done after the notice of termination was given to Vinnell. The Secretary concurred that termination notice be given.

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Washington concurred in the issuance of the termination notice though prior to doing so requested an evaluation of the RKG's ability to utilize the equipment to successfully complete the rehabilitation. The field responded that the work would be completed though not on the basis of the same standards being followed by BPR and Vinnell. Washington also proposed a payment procedure which would have related the payment for the equipment to existing refund claims, and the final disposition of the Counterpart Special Account. The field objected that this ingeniously complex arrangement while desirable from the point of view of settling a number of fiscal issues, would have been incomprehensible to the RKG and would jeopardize the sale of the Vinnell assets. Washington agreed that the sale should be handled as a separate issue. On December 31, BPR/W with AID/W concurrence informed the Vinnell Corporation that the contract was terminated. The field was notified of this action on January 2, and was instructed to inform the RKG that the termination of the Vinnell contract and the sale of the equipment did not mean withdrawal of the U.S. offer to respond favorably to an RKG request to complete the highway if mutually satisfactory arrangements could be made. The Mission Director so informed the Secretary of State for Public Works on January 2. On January 3, the USAID was informed that the Council of Ministers, after extended debate, had approved the purchase of the Vinnell assets for dollars on the basis of the agreed cost figures.

Determination of Sale Price

As discussed above, the Council of Ministers indicated as early as November 20, a possible interest in purchasing the Vinnell assets

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and authorized the Secretary of State for Public Works to recommend a plan whereby the RKG could continue the rehabilitation of the highway. The Mission Director suggested in his first meeting with the Secretary after the RKG notice of the termination of aid that RKG purchase of the Vinnell assets was one alternative course to complete the rehabilitation. On the same date the local Vinnell representative was requested to secure price data from his home office. It was agreed that the price quotation should represent the depreciated value of the equipment.

The question of the purchase of the assets was raised at the first meeting of the technical subcommittee on construction on November 30. This subcommittee had been established by bipartite plenary committee charged with the liquidation of US aid activities. At this meeting a tentative estimate was presented to the RKG of \$2.1 million for Vinnell assets based on the listings then available. At the second meeting of the subcommittee on December 3, the USAID was asked if the BPR equipment would be provided on a grant-in-aid basis. The RKG was told that this was subject to negotiation.

The issue remained under consideration until the official termination of the termination negotiations and this issue was turned over to the Secretary of State for Public Works for resolution. On December 14, the Mission Director confirmed to the Secretary that the approximate depreciated value of Vinnell equipment and spare parts was \$2.1 million plus \$722,000 for the asphalt stored at Km. 224. The Secretary requested that payment be accepted in riels. It was explained that this was not possible since it would constitute a grant as the USAID had no use for the riels other than to deposit them to the Counterpart

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Account for RKG use while the USAID was obligated to pay Vinnell in dollars. The mission offered to sell both the Vinnell equipment and the asphalt for a total of \$2.1 million. This offer to include the asphalt as a grant as an inducement for the sale, was considered to be in the interest of the USG since the costs of shipping the equipment was estimated at \$750,000 and the asphalt at \$350,000 with substantial loss of the asphalt anticipated during shipment. These estimates of shipping costs assumed a waiver on the AID requirement to use U.S. bottoms.

These cost figures were further refined by the technical sub-committee of USAID and Ministry of Public Works officials established on December 26, to inspect, verify and compile inventories of the Vinnell, USAID, and RKG equipment. The equipment was inspected on the site on December 27, and inventories were made and approved indicating the presence and value of the various categories of equipment and supplies. An original \$2.1 million estimate of the Vinnell assets to be purchased by the RKG was derived as follows:

Equipment	\$ 1,385,758
Spare Parts and Supplies	500,000
Camps and Furnishings	125,000
Parts and Supplies en route	55,000
Parts and Supplies, on order from Hong Kong	10,000
Groceries	<u>8,000</u>
Total	\$ 2,083,758

On the basis of discussions held with Ministry of Public Works Vinnell and BPR agreed to the following prices for the Vinnell assets:

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Equipment	\$ 1,374,408
Spare Parts and Supplies (including those en route)	<u>458,000</u>
Subtotal	1,832,408
Less 2% cash discount for prompt payment	<u>36,648</u>
Total	\$ 1,795,760

The goods on order from Hong Kong were canceled and the USAID Director agreed to exclude the cost of the camps since they were largely built with local materials and labor. This decision was made on the spot since the reductions were well within the savings to the USG in shipping the equipment and the fact that the Council of Ministers was expected to make its decision the following day. Vinnell agreed that the salvage value of the camps was only \$45,000 which they will include in their settlement claim. The Secretary of State for Public Works indicated that the RKG definitely would not purchase the camps. The RKG indicated they had no interest in purchasing the groceries which were subsequently sold in part to the U.S. Mission's Commissary. The point was clearly made that in regard to the Vinnell equipment and spare parts the sale was on an all-or-nothing basis and the RKG could not pick and choose the items they wished to purchase.

The sales contract also listed the items being supplied to the RKG at no charge. Those items under Vinnell control included:

## 1. Materials:

Asphalt	\$ 722,223.65
Aggregates	322,327.25
FOL products	13,286.20
Total	\$ 1,057,837.10

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Those items considered as RKG property in the same manner as all other project commodities already in Cambodia at the time of the program termination included:

1. Equipment imported prior to the Vinnell contract for the force account group and subsequently made available for Vinnell use \$ 409,740.00
  2. Spare parts for this equipment 306,396.38
  3. Equipment for use of the BPR 115,198.10
- Total \$ 831,334.48

On December 31, AID/W agreed to the above terms. On January 2, the Mission Director reached agreement with the Secretary of State for Public Works and, as noted above, on January 3, the Council of Ministers approved the sale.

Negotiations and Sequence of Events Leading to RKG Payment for the Vinnell Assets

During the period between January 3, and January 7, the USAID and the Vinnell Corporation with RKG concurrence prepared the sales agreement. The contract in addition to containing the above cost figures provided that an official report would be prepared presenting the inventories of the purchased and acquired items. The RKG committed itself to pay the Vinnell Corporation 62,260,485.00 riels and authorized the transfer of this sum in dollars (\$1,778,871) at the official rate for deposit in Vinnell's account in the Bank of America in California.

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Title to the equipment and parts was only to pass to the RKG after the dollar payment was made. The payment was excluded from all duties, taxes and other levies. The contract price included the two per cent discount for prompt payment but the definition of "prompt" (10 days), initially suggested, was not included.

The contract was signed by the Mission Director and the Vinnell Project Manager on January 7. The Secretary of State for Public Works signed on January 8. Within several days thereafter the Deputy Director of the National Bank and Minister of Finance (the same man) signed for these two agencies. The Director of the Office of Foreign Exchange also gave his written approval.

The only remaining signature required was that of the Minister of Plan. As this was anticipated momentarily the Mission Director and the USAID Chief Engineer departed Phnom Penh on January 11, and the Deputy Mission Director, who assumed the function of Acting Director, undertook the responsibility of obtaining the final signature and payment.

On January 10, the Embassy received a note for the Foreign Office stating that as a result of the Philippine Mediation effort the terminal date of January 15 for the departure of USAID personnel was postponed to an unspecified date. On January 15 the Embassy sent a note to the Foreign Office indicating the USAID personnel remaining for the close out operations after the official closing of the USAID offices. On January 23, a supplementary note listed two BPR and seven Vinnell remaining to arrange the sale of the Vinnell equipment.

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Initially, seemingly legitimate pretexts were given by the Minister of Plan for his failure to sign immediately. After a period when he continued to hold the unsigned contract and then refused to see the Acting Mission Director it became obvious that he was withholding his signature in anticipation that it still might be possible that the USG would continue to complete the rehabilitation at no expense to the RKG. It seemed fairly obvious that the Minister was operating upon instructions from Prince Sihanouk.

One factor that had encouraged Prince Sihanouk to believe that the U.S. might offer to complete the highway was the "Philippine Mediation". The offer of Philippine good offices as initially presented specifically excluded AID matters and was limited to the improvement of political relations between the two countries resulting from the Khmer Serei radio and the events and comments following Marshal Sarit's death. Contrary to this understanding the Philippine Ambassador to Cambodia did introduce the question of the completion of the road and, it appears, indicated to Prince Sihanouk that he could obtain U.S. agreement to complete the highway. The continued belief that the U.S. could be induced to offer to complete the rehabilitation was reflected in Prince Sihanouk's speeches. On one occasion, after pointing up the importance to Cambodia of the port highway, he specifically drew a distinction between the USAID and the Vinnell Corporation and allowed that even though the USAID had left Vinnell might stay.

Since at that point, as a result of the Philippine Mediation, the U.S. Ambassador was scheduled to have an interview with Prince Sihanouk, the Embassy believed it highly desirable that Prince Sihanouk know in

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advance that the USG still required a written request expressing RKG desire for this project before the USG could agree. The Acting Mission Director restated the unchanged U.S. position to the Secretary of State for Public Works and the Private Secretary of Minister of Plan in the absence of an appointment with the Minister. The Minister of Plan then sent word that the Acting Director should see the Prime Minister. On January 27, the Ambassador and the Acting Director saw the Prime Minister. On each occasion the point was made that the Vinnell contract was terminated and their equipment had to be disposed of regardless of whether or not the USG and the RKG came to an agreement to finish the highway. The contractor considered the obligation made when the Secretary of Public Works signed the agreement and was becoming concerned over the lack of prompt payment and the continuing costs of the small group of U.S. and local hire employees remaining in Phnom Penh and the camp at Km 153.

The Ambassador did not see Prince Sihanouk but did have interviews with the Secretary of State for Foreign Affairs and the Vice President to the High Council to the Throne, Prince Sihanouk's most senior advisor. In these interviews the U.S. position and concern over the situation were again stated.

On February 4, the Embassy received a note from the Foreign Office authorizing the U.S. to complete the rehabilitation if the U.S. so desired. After consultation with Washington it was agreed that this note did not constitute a request and an expression of desire on the part of the RKG. In reply sent on February 14, the RKG was informed that the U.S. would require assurances that the RKG desires and requests

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that the rehabilitation be undertaken before considerations could be given to the practical problems of reaching a new basis for continuing the rehabilitation. Almost simultaneously with the receipt of this note the Minister of Plan signed the sales agreement for the Vinnell equipment. On February 20, a note was received from the Foreign Office in reply to the U.S. note stating that the RKG did not intend to make a request and would complete the highway with its own resources and own technicians.

Despite the assurances from various officials that the RKG would return the control of the Vinnell and USAID assets to the Vinnell and BPR, this was never done. Though on specific occasions individual items of equipment were released or moved within the camps to permit segregation of Vinnell, BPR and ODEM equipment. Once agreement was reached for the RKG to purchase these assets the issue lost its significance as long as USAID and Vinnell were not held responsible for the items that disappeared while under police control. In fact, after the initial signature on the sales agreement and pending the final signature the USAID and Vinnell took the position that it would be preferable for the RKG to take formal custody, not title, of the items already under their control as well as the entire camp at Km. 153. This was considered desirable since the nominal control that remained with Vinnell and USAID could not be enforced due to the small staff that remained and the intimidation by the police of the local guards hired by Vinnell. In addition there was a continued expense by Vinnell, and ultimately the USG, of maintaining three American employees at Km. 153 plus a small local staff. Local utilities required for the operation of the camp were paid by Vinnell.

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Another reason advanced for the transfer of custody of the equipment and camps to the RKG was that the RKG customs had informed the Esso Standard Company in Cambodia that subsequent to January 15, the Vinnell corporation would be liable to various taxes for POL products previously exempted under the Project Agreement. With the transfer of custody Vinnell would have no need to make further POL purchases. After the receipt of payment for the Vinnell equipment by the RKG the USAID protested in writing the attempt to impose their taxes on the amounts of POL purchased subsequent to January 15. The Secretary of State for Public Works had advised informally that they not be paid. No response has yet been received from the RKG.

The Secretary of State for Public Works was hesitant to accept custody of the equipment prior to the signature of the Minister of Plan on the sales agreement. However, once the agreement was signed and the issue finally settled that the RKG would complete the rehabilitation, and he was then under pressure to recommence the rehabilitation program, he readily agreed. Beginning on February 24, a new on-the-site inspection of the Vinnell and BPR equipment and materials was made by the USAID, Vinnell, BPR and Ministry officials and written acceptance of the turn-over of custody obtained. On the basis of this agreement Vinnell removed all local employees from the camp at Km. 153 by February 29. In February the Secretary of State for Public Works requested that two Vinnell employees remain in Cambodia for a period not to exceed ten days to provide further demonstration in the use of the Vinnell equipment. This was agreed and the employees remained in Cambodia from March 1 to March 7 at camp 153. In fact, the Ministry

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official at the working level made little use of the services of these two technicians.

The initial listing of USAID equipment to be provided to the RKG included a nuclear density testing device. Given the fact that this device was potentially dangerous if not properly handled and also that its utilization requires delicate calibration, the Ministry of Public Works was asked if they wished this item to be removed from the list. Or in the event they wished to retain the device as provided in the sales agreement, written assurance was desired that proper precautions would be taken in the storage, handling and utilization of the device. The RKG chose the latter alternative and an appropriate letter was provided the USAID.

After the Minister of Plan signed the sales agreement, it was returned to the Ministry of Public Works for review by the Technical divisions. The USAID was informed at this point that the riel funds which were to be utilized to make the riel payment were included in the 1964 five year plan budget which had not yet been passed by the National Assembly and approved by the Chief of State. The technical departments of the Ministry of Public Works were asked to review the agreement and to approve the release of unexpended 1963 funds with reimbursement from the 1964 budget when passed. This was a time-consuming process requiring constant pressure from the USAID and Vinnell and the contract was not returned to the Ministry of Plan until March 9. Despite this agreement to release 1963 funds there was disagreement within the various offices of the Ministry of Plan as to whether 1963 funds should be used or an advance on the 1964 budget.

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should be requested from the Ministry of Finance. Since in the interim the 1964 budget had been passed but not allocated the latter alternative was tried. The Ministry of Finance, however, instructed the Ministry of Plan to use 1963 funds and the riel check was finally presented to Vinnell on March 24. Contrary to expectations the conversion to dollars was handled expeditiously by the Foreign Exchange Office and the National Bank and the instructions to New York correspondent bank of National Bank to deposit the amount to Vinnell's Bank of America account was made on March 26. Confirmation of the deposit was received in Phnom Penh on March 27. With the payment, title to the Vinnell assets automatically passed to the RKG. On March 28, the Acting Director delivered the grant-in-aid documents for the USAID equipment, parts and supplies to the Secretary of State for Public Works. The remaining two Vinnell employees closed their office and local bank account and departed Phnom Penh by April 3.

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D. USAID PHASE-OUT OPERATIONS

1. Evacuation and Reassignment of Personnel

a) USAID and Participating Agency U.S. Direct Hire Personnel

On November 20, 1963, there were 109 U.S. direct hire USAID and participating agency personnel and 168 dependents in Phnom Penh. The return of the Deputy Director and his family from home leave on November 23 augmented this number to 110 and 170 respectively.

Upon notice of termination, schedules were made to indicate the employees required to conduct phase-out negotiations with the RKG, settle project, non-project and trust fund fiscal accounts, terminate leases and other contractual arrangements, prepare USG personal property for shipment, prepare personnel actions and compile termination reports for AID/W. The balance of the employees were considered available for immediate reassignment though all technicians were asked to prepare project completion reports. In preparing these schedules a number of employees were given special assignments which differed from their normal activities in order to meet these emergency requirements.

During the period following the notice of termination Prince Sihanouk, continuing his anti-American tirades, made reference to the fact that large numbers of USAID and MAAG employees were still in Phnom Penh. On December 14, a note was received from the Foreign Office indicating that the security of USAID and MAAG personnel could only be assured through January 15, 1964.

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On the basis of this situation and in order to reduce the likelihood of any overt actions against USAID personnel, the USAID requested and received from AID/W authority to relocate employees and dependents in Hong Kong and Bangkok. On December 14, a USAID officer was sent on TDY to Hong Kong, where the majority of the people to be relocated were to be sent, to secure hotel accommodations, make administrative arrangements with the U.S. Consulate and arrange for chartered aircraft if sufficient space could not be obtained on scheduled commercial flights. As events turned out, sufficient space was available in regular carriers and no chartered flights were required.

It was decided to relocate all the BPR employees and two USAID personnel assigned to that division to Bangkok since it appeared likely that a number of the BPR personnel would subsequently be re-assigned to Laos.

Given the expressed desire of the RKG for the departure of all USAID personnel by January 15, it was decided to establish a USAID/Cambodia phase-out group in USOM/Vietnam to handle the remaining property, fiscal, personnel and reporting matters. Saigon was chosen since it was the trans-shipment point for most USG and personnel property being evacuated from Cambodia and also because the USOM/Controller was to be designated as the residual controller for USAID/Cambodia once the bulk of the fiscal matters was settled.

On January 10, a note was received from the Foreign Office indicating that as a result of the "Philippine Mediation" effort the January 15, date for the departure of USAID personnel was extended

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for an indefinite period. By that date, however, the necessary working files had been shipped to Saigon and all other arrangements made to reduce the remaining USAID to a minimum. Prior to the receipt of the January 10, note it had been planned to attach four USAID employees to the Embassy to handle the remaining property and contract matters. In fact a larger group remained in Phnom Penh including the Acting Director due to the delays in obtaining payment from the RKG for the Vinnell equipment.

The first dependents left Phnom Penh for relocation to Hong Kong December 14. On December 18, the first large group of employees (9) and dependents (14) were relocated to Hong Kong. Prior to that date 8 employees and 15 dependents had departed the post on home leave and/or reassignment orders. The first group of 3 employees and 11 dependents departed for Bangkok on December 23. From the period November 25 - December 31, a total of 71 employees and 165 dependents departed Phnom Penh leaving a total of 39 employees and only 5 dependents at post, approximately six weeks after receipt of the termination notice from the RKG.

On January 11, the last large contingent of USAID employees (8), including the Mission Director, departed Phnom Penh for relocation or reassignment. On January 12, 7 U.S. employees departed for Saigon to establish the phase-out office. On January 17, a second group of 1 American and 11 local and third nationals proceeded to Saigon, completing the staffing of the offices there. This left a total of 5 USAID and 6 BPR employees in Phnom Penh who were gradually reduced in number as various tasks were completed and personnel were

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released or transferred to Saigon in connection with the phase-out work there. On February first there were four USAID and one BPR employees remaining. On March first only two USAID employees and by March 6, only the Deputy Director who had been designated as Acting Director remained in Phnom Penh. He departed on March 28, on TDY to AID/W and returned for a final visit from April 25 to May 19. Members of the Saigon phase-out group, particularly the Acting Controller, made occasional trips to Phnom Penh and the Acting Director made trips to Saigon to supervise the operations there. Until his departure on March 2, the Assistant Executive Officer was in charge of the Saigon group in the absence of the Acting Director.

A similar arrangement was established for the BPR group relocated in Bangkok. The Chief of the BPR/Cambodia organization was in charge in Bangkok until his departure for Laos February 28, 1964. During the entire time certain administrative personnel traveled to and from Phnom Penh as required. The Chief of Cambodia/BPR remained technically responsible after his move to Laos, and until the final disposition of the Vinnell and BPR equipment. He was kept informed of events by the Acting Director in Phnom Penh and the BPR administrative officer in Bangkok.

Hong Kong Relocation Center

A total of 28 employees and 78 dependents were relocated to Hong Kong. The maximum number of 93 persons was reached on December 28. The entire group, with the exception of one family, was housed in the new President Hotel on the Kowloon side.

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Beginning January 2, the personnel relocated in Hong Kong began to depart on reassignment. By January 15, the number had been reduced to 17 employees and 39 dependents. These numbers were reduced to one and six respectively by February 16. The last employee departed Hong Kong on March 1, and the last three dependents on March 16.

Bangkok Relocation Center

A total number of 9 employees and 32 dependents had been relocated to Bangkok by December 28. As of January 31, there were 13 employees and 30 dependents. The first departures from Bangkok began January 8. By February 29 this figure had been reduced to 12 and 29 respectively. As of March 31, 8 employees and 22 dependents remained on relocation in Bangkok.

Saigon Phase-Out Group

A total of 13 employees and 12 dependents were on TDY or relocation to Saigon, including one family of five on medical evacuation. Beginning in February a number of these employees were released to their subsequent assignments. On February 29, 9 employees and 7 dependents remained in Saigon. The Acting Program Officer departed Saigon March 29, on TDY assignments to AID/W, leaving 4 employees and 5 dependents in Saigon on March 31. These numbers were reduced to 1 and 5 respectively April 5. The one remaining family of four (the Acting Controller) in Saigon departed May 14, approximately six months after receipt of the RKG termination request on November 20, 1963.

A list of all USAID and participating agency U.S. direct hire personnel giving names, positions, movement from Phnom Penh and

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relocation center, and subsequent reassignment is included in the statistical summary to this section along with other personnel statistics.

b) Corporate Contract Personnel

Vinnell Corporation

The Vinnell Corporation had 35 American, 30 Filipino (and three other third country nationals) and 600 local hire employees on its payroll November 20, 1963. As stated above, Vinnell was instructed on November 21, to suspend work on the highway pending termination notice. On receipt of the suspension order, Vinnell began releasing all personnel not needed for dismantling and shipping equipment with the understanding that they could be recalled should the decision be made for Vinnell to complete the road. The first large group to leave Phnom Penh were 20 Filipinos on December 3. The first local hire were released by January 6. By December 31, the Vinnell Staff in Cambodia had been reduced to 13 Americans, 9 Filipinos, 1 other third country employee and 125 Cambodians.

Termination notice was given Vinnell December 31, and the RKG Council of Ministers approved the purchase of the road equipment January 3. Following these determinations, Vinnell reduced its staff which by January 8, totaled 8 Americans, 8 Filipino and 64 Cambodians, to those few needed to receive payment for the equipment. Dollar payment was confirmed March 26, and the last Vinnell American employee left Cambodia April 2, 1964. The last Cambodian employee was payrolled through April 30, to receive mail and other communications.

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c) Local Personnel and Third Country Nationals -  
Direct Hire and Contract

On November 20, 1963, the USAID employed 308 Cambodians and third country nationals on a direct hire basis. Efforts were made to release these employees as rapidly as their services could be spared. By December 31, the total number of local hire had been reduced to 198. Further terminations reduced the number to 127 by January 31, 49 by February 29, and 20 by March 31. All local employees located in Phnom Penh were terminated by April 25.

A total of 10 local hire were moved on January 17, to Saigon to assist in the Mission phase out. Of this total 8 were attached to the Controller's Office, one in the Program Office, and one in the General Services Office. As of April 30, all but one of these local employees stationed in Saigon remained on the USAID rolls. It is anticipated that five will be hired by USOM/Vietnam by June and the remaining five will continue as Residual Controller staff to be funded from TATF.

d) Individual Contract Personnel

As of November 20, there were five American and 36 third country national employees on personal service contracts with the USAID. Filipinos accounted for 33 of the total number of third country nationals. In addition, there were one French and one Canadian. Twenty-two of these contractors were terminated prior to December 31, six more by January 15 and the last two on January 31. A list of these contractors indicating their contract number, the scope of their work and the USAID division to which assigned, and their termination date is included in the statistical summary to this section.

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Summary

The movement of such a large number of people in so short a time (236 in one six-week period) required a major administrative effort not completely foreseen by existing regulations and standard procedures. Problems arose although not to the extent one might have expected. One difficulty not foreseen by existing regulations, and requiring special authorization from AID/W, concerned the amount of baggage employees and dependents were permitted to carry in the various categories of surface and air freight and unaccompanied and excess accompanied luggage. The initial weight allowance provided by the relocation orders conformed with travel regulations, i.e. 22 pounds of accompanied excess and 100 pounds of air freight. As the general evacuation plan began, the Cambodian customs officials began insisting that all air freight be opened and submitted to a full inspection prior to release. The result was a potentially serious delay in the evacuation. They were not, however, insisting on an inspection of accompanied or unaccompanied baggage. The Mission requested permission of AID/W to authorize a total of 100 pounds of air freight, which personnel would be allowed to combine with their surface baggage. Permission was granted by AID/W December 13, and in response to a request from the USAID, AID/W confirmed that the authority was for travel to the relocation center and on to the employee's new assignment. On January 10, however, after 248 employees and dependents had departed Phnom Penh, and 30 Hong Kong, AID/W advised the Mission that the 100 pounds excess accompanied baggage was not authorized from the relocation point to the employee's next post.

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Another, more serious, problem associated with the movement of personnel was that of the appropriate per diem rate to be paid. Since the vast majority of the people relocated to any of the three locations were in no position to arrange for other than transient quarters their costs remained at the same level throughout their stay on relocation. The assumption, by the Mission, therefore, was that the per diem rate would also be maintained at the initial, full rate. This was particularly true in Hong Kong where the American consul placed no limit on the amount of funds that could be drawn for expenses. Consequently, a ruling by AID/W that the per diem rate should be reduced according to the regulations would result in considerable repayment by many employees (all but 102 employees and dependents of the total of 159 relocated remained more than 30 days). As a result of discussions in AID/W, the decision was made to review this problem on a case by case basis to determine actual costs of living in the respective centers after the initial 30 days. Actual costs as reported by the individuals will determine the amount of per diem to be paid, again on an individual basis. This review is in process. It is recommended that, in the event of similar evacuations, appropriate living quarters be established in the relocation center as government housing, thereby simplifying the per diem question.

Additional problems that had to be resolved with AID/W included that of employees being over their weight allowances due to the short notification which left no time to dispose of items which they normally would have sold; and that of shipping foreign made automobiles bought

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by employees at post with the intention of re-selling them at the end of their tours. In the event of any re-draft of the Manual Order covering Mission phase-outs on other than a normal basis, it is suggested that either provisions covering the above types of problems be specifically included, or flexibility with regard to them be given the Mission. It is also suggested that the M.O. make clear whether or not employees must pay their own way back to the U.S. if they do not accept another assignment.

It is recommended that the existing Manual Order covering Mission phase-outs, M.O. 391.2 be reviewed to make it more practical where possible. The premise of the M.O. sections covering emergency phase-outs or evacuation, that AID/W will come forward with the phase-out instructions never materialized, nor is it considered reasonable nor necessarily desirable that they do so.

2. Termination of U.S. Contracts

In addition to the local commercial and individual contracts discussed above, there were five contracts for services, including personnel, negotiated and signed by AID/W for the USAID, and requiring termination by AID/W, in effect November 20, 1963. These contracts were with the following institutions and corporations:

The University of Georgia

The University of Oregon

International Voluntary Services, Inc.

Los Angeles and Long Beach State Colleges (Joint)

H.D. Nottingham and Associates, Inc.

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The Nottingham Contract was suspended November 15, and terminated December 10. The University of Oregon Contract was terminated January 31. The Oregon contract has not been settled.

There was a possibility that the RKG desired the IVS to remain and the U.S. had decided to respond affirmatively to any request from the RKG for the continuation of the contract. Consequently the contract was kept in force until it was determined such a request would not be forthcoming. The contract was terminated effective December 20, 1963. It has not been settled.

With regard to the Los Angeles and Long Beach State College contracts, a review was made by AID/W to determine the desirability of continuing them in connection with the continuing participant program and the decision was made to keep them in force. A review of the UGA contract was also made and the decision has been made to terminate it.

There were a total of four people from the University of Georgia and Oregon in Phnom Penh when the Program was terminated. They had all returned to the U.S. by December, 1963. There were no Los Angeles or Long Beach State College personnel in Cambodia, and the departure from the U.S. of Nottingham personnel was stopped by the termination of the Program.

There were 24 IVS volunteers in Cambodia at the time of termination. Their evacuation was integrated with that of USAID personnel with their reassignment determined by IVS. The Party Chief of the IVS group visited Saigon and Vientiane to arrange reassignments. The first of the 24 volunteers departed Phnom Penh normally November 23.

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used by the USAID and for maintenance and servicing generators for the Pochentong Apartment Complex held by the USAID under agreement with the RKG. These last three were terminated or allowed to expire in January 1964.

In addition, the USAID had a contract with Air America, Inc., for air transportation, which provided a four-seated aircraft for 500 flying hours per contract year. The Mission was liable only for the number of hours used to the date of termination of the contract, which was January 15, 1964.

b. Leases

On November 20, the USAID had 35 separate lease arrangements in effect for housing and office space in Phnom Penh, including properties held under agreement with the RKG (CAM's). The first lease termination was December 17, 1963. The last housing lease was terminated January 25, 1964. The USAID Office Building was the last lease to be terminated, February 21, 1964.

In terminating these leases the Mission negotiated settlement agreements, some involving claims for damages and six involving restitution of rental advances made by the USAID. The signature of each lessor was obtained on formal releases of liability as settlement agreement was reached. A list of all leases with the settlement amount agreed to is included in the statistical summary to this section.

4. Movement of U.S. Government and Personal Property

With the official announcement of the termination of the USAID program to Cambodia in mid-November of 1963, the transfer and

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disposition of all U.S. Government-owned property became necessary. The actual disposition and physical relocation was effected between December 14, 1963 and January 9, 1964, guided by the policies and procedures as outlined in M.O. 391.2 and 543.2.

Because of the short period of time in which to accomplish this task and the lack of sufficient commercial facilities available to meet transportation requirements, the transfer and removal of all U.S. Government-owned property, valued at over \$1 million, and personally-owned property and vehicles was accomplished through the offices of the Military Assistance Advisory Group (MAAG) in Cambodia with a request for LST type U.S. Navy ships from Saigon, Vietnam. Two such ships were made available and called at the Fort of Phnom Penh on four (4) separate occasions, operating on a shuttle service basis after traversing 360 miles of the Mekong River.

In addition, requests were sent to the AID missions in Bangkok and Vientiane for airlift assistance in removing commodities being transferred to those missions. Those missions responded with seven and 17 airlifts respectively.

Disposition of all property was initiated with the preparation of AID Form 5-71 "Property Disposal Authorization" upon which all required signatures and clearances were obtained. AID Form 5-73 "Excess Property Disposal Record" was then prepared and distributed to all AID missions in the geographical vicinity after concurrence by AID/W (M.O. 543.2 III. B. 1.). Representatives of five AID missions (Bangkok, Djakarta, Saigon, Vientiane, Manila) and two U.S. Embassys

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(Djakarta, Saigon) arrived in Phnom Penh to bid on items of property. Requests were on an equal basis and preparations initiated for the removal of all property from living quarters and the office building.

All personally-owned effects and vehicles and approximately eighty-five per cent of the U.S. Government-owned property in Cambodia were evacuated. The remaining fifteen per cent of the total Government property inventory was disposed by Grant-in-Aid procedures to the Cambodian Government, transfer procedures to the U.S. Embassy, or through donation procedures to worthy causes.

All Cambodian Government property in possession of the USAID, including items bought with Trust Funds, was returned to the Cambodian Government.

This included (a) the commodities being held in the American Economic AID warehouse for which the Bons de Livraison had been delivered to the Ministry of Plan; (b) the RKG property that was in the custody of the USAID technical divisions and was returned to the appropriate Ministries; and (c) those items of household and office furniture bought from Trust Funds for use by the USAID.

Although some furniture was loose packed and shipped to Saigon prior to January when the January 15 deadline was lifted by the RKG, the major portion of the furniture was not relocated in Saigon under the above transportation methods because of the lack of available commercial packing facilities and the possible damage to the property which would result if shipped loosely. Household furniture was packed for commercial shipment after January 15 when packing facilities became available. The largest shipment prepared after that date contained

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thirty complete sets of furniture for transfer to the U.S. Embassy and USAID in Djakarta. They were forwarded in a total of twenty-four vans and shipped on February 11, 1964. An additional twelve sets of furniture were packed for commercial shipment and consigned to the USOM in Vietnam. Additional pieces of furniture which will complete this transfer to make a total of 20 sets is already located in Saigon where it was shipped via LST, having been crated during the phase-out period. A remaining amount of household furniture, crated for eventual transfer to USOM/Laos and comprising approximately twenty sets, was shipped in late February. The remaining property located in the USAID warehouse was turned over to the host government. This was household furniture designated for eventual disposal had not the phase-out action occurred.

Throughout the phase-out operations ten commercially owned trucks and twenty-five contract laborers, in addition to direct-hire employees, were needed daily to accomplish the removal of property. During days of loading for both ship and plane, these requirements were doubled.

All property airlifted to Bangkok and Vientiane was transferred to those missions. The property forwarded to Saigon via LST was distributed as previously agreed between Saigon, Djakarta and Manila. Property excess to the needs of those missions and commercially warehoused in Saigon was transferred to USOM/Saigon for eventual utilization or disposition according to the requirements of that mission.

Property and personal effects arriving in Saigon were handled by the Vietnam Travel Agency under the terms of their contract with the U.S. Embassy, Saigon. All off-loading, trucking, warehousing, and

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deliveries were consummated under the terms of that contract and were supervised and coordinated by two USAID/Cambodia technicians temporarily assigned to this duty in Saigon.

With the completion of the removal of all property in Cambodia, AID Forms 5-74 "Shipping and Receiving" documents were distributed to missions in Bangkok and Vientiane for signatures of receipt and a complete on-sight physical inventory made of all property forwarded and warehoused in Saigon. Further disposition is now being made from Saigon to AID missions and Embassys in this geographical area. Final accounting and reconciliation is being made in Saigon and will be forwarded to AID/W when complete.

5. The Participant Program

There were approximately 200 Cambodian participants in the U.S. November 20, most in the midst of 4-year undergraduate college training courses. The courses of nearly all were funded through FY 1964, in some cases through the summer of 1964 and in a few cases to mid-winter 1964.

Throughout the termination negotiations, the Cambodians took the position that the participant program should be considered a scholarship program and as such separate from the aid program being terminated. At the final meeting of the termination negotiations on December 13, the Cambodian Minister of Plan reiterated this thinking. The U.S. agreed and informed the RKG, both in Phnom Penh and Washington that funds would definitely be provided to continue all students already in the U.S. through June, 1964, and that every effort would be made to find sufficient funds to finance those students wishing to

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remain to the completion of their studies. The Cambodian Embassy in Washington, in instructions from the Cambodian Ministry of Foreign Affairs, sent a letter to all the participants stating that those students who wished to return to Cambodia could do so and enter schools there, but "those who wish to remain in the U.S. can do so, and the U.S. should continue to give them scholarship support until the end of their studies, and expenses of the return voyage should also be borne by the U.S.

Only about ten of the 200 Cambodian participants chose to cancel their academic program and return home ahead of schedule. An additional twenty were in the U.S. on short term non-academic programs and returned to Cambodia during the winter and spring of 1964.

Approximately ten more are finishing their academic programs at the end of the 1963-1964 school year and receiving their degree. A total of 162 participants remain for one, two or three more years of study. A total of \$1.9 was obligated on June 24, 1964 from FY 1964 AID DG funds.

The administration of the participant program in Phnom Penh was officially transferred from USAID to USIS in a memorandum from the Ambassador to the Public Affairs Officer and the Acting Director of USAID on January 13, 1964.

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6. Project Commodities

When it became apparent that the RKG was likely to request a cessation of U.S. economic aid to Cambodia, the USAID, in anticipation of various actions that would be necessary to effect immediate and orderly stoppage of commodity procurement proceeded as follows:

- a. Effected an immediate and complete review and analysis of the status of all procurement.
- b. Tabulated all in-process procurement actions in which the USAID was authorized agent for direct procurement and excess property procurement and for which AID/W did not have data upon which to effect stop actions. Lists of all such (stateside) in process procurements along with copies of all pertinent Purchase Orders were prepared and forwarded to AID/W by Airgram in order that AID/W could take immediate action when and if requested to do so. This precaution enabled the Mission, when the decision to terminate aid was subsequently reached, to minimize the number and content of priority and immediate cables to AID/W relative to stopping stateside procurement.
- c. Alerted various offshore (direct) procurement from sources other than U.S. to halt all in-process procurement actions.
- d. In anticipation of a decision to effect a 100% stoppage of those commodities enroute to Cambodia and already

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on the high seas the USAID obtained agreements from all shipping agents in Cambodia to inform the Mission immediately of the receipt of any shipping documents indicating aid cargo enroute to Cambodian Ports and further to accept and act upon formal requests from the Mission to intercept and divert such cargoes. In this respect several agents were initially reluctant to cooperate with the Mission for fear of retaliation from the Cambodian Government but after several days of persistent and exhaustive negotiations with each agent individually, all finally agreed. The subsequent interception and diversion actions were successful and to our knowledge no project commodities were offloaded in Cambodian Ports after aid was terminated

Subsequent to termination of aid the following actions were taken:

a. As a result of the interception of commodities enroute to Cambodia cargoes were diverted at the ports of Hong Kong, Saigon and Singapore, with over one hundred different items being temporarily located at each of these ports. The remaining procurement activities at the Mission were closed and in order to facilitate redistribution of the intercepted commodities the Supply Advisor proceeded to Hong Kong on Temporary Duty to locate, identify, consolidate documentation and tabulate essential data relative to all shipments offloaded there.

Liaison was effected with the Office of the American Consul

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General and a general plan worked out for the eventual onward shipment of these commodities to other Missions.

b. A list of diverted goods identified in the Hong Kong list was circulated to all Missions in the Far East Region. Response from Missions was excellent and resulted in placing 13 of the 17 shipments listed.

c. Action was then initiated to identify and tabulate project commodities offloaded in Saigon. This list, consisting of 60 shipments was circulated within the USOM Vietnam on March 21st. USOM/VN requested 17 shipments. Tabulations of the remaining 43 shipments were circulated to other Far East Missions and placement of a majority of these items is anticipated.

d. Project commodities offloaded in Singapore were circulated to Far East Missions on April 14, and as of the same date one of the nine items listed had already been requested by USOM/VN.

Mission records available as of March 31, 1964, indicated that as of that date there were a total of 208 PIO/C's covering 25 projects with unliquidated balances. The total amount approved for these PIO/C's was \$4,936,560.03 of which \$2,998,286.80 was liquidated and \$1,938,281.23 was unliquidated. Of this total \$1,356,827.06 or 80 per cent of the total was accounted for by four projects, Civil Police (\$646,094.65), Village Wells (\$355,397.04), School of Arts and Trades (\$273,002.71), and the Rehabilitation of the Khmer-American Highway (\$112,332.66).

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At the time of writing this report precise data are not available to the writers regarding the amount of the unliquidated balance that represents actual procurement and of the amount procured how much was actually shipped from the U.S. and diverted on route to various Far Eastern ports. It was estimated that diverted shipments totaled approximately \$100,000, of which the lists compiled by the USAID indicate commodities valued at \$55,170.36 were off-loaded in Hong Kong, \$7,933.59 in Saigon and \$10,448.94 in Singapore.

It is understood that the AID/W Office of Material Resources (MR) will prepare a final report of the disposition of both the project and non-project commodities diverted from the Cambodia program. A staff officer was sent from this office on June 26, to visit various areas of the Far East to arrange for final disposition of the remaining items. It is understood that all diverted project commodities have now been placed.

7. Disposition of Commodity Import Program Commodities (CIP)

It is estimated that at the time of the USAID program termination on November 20, 1963 there was a pipeline of \$20.2 million dollars in the CIP. Included in this figure is the entire range of situations from authorizations (obligations) against which no licenses had been issued by the RKG, licenses issued against which orders had not been placed, goods in process of delivery from the manufacturer, goods ready to be shipped from the U.S., goods on the high seas and goods in transshipment points such as Saigon, Hong Kong and Singapore and goods enroute from transshipment points to Cambodia. Approximately \$11.5

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million represent goods for which firm orders had been placed and of this amount approximately \$3.5 million of commodities had been shipped from the U.S. and were diverted at various transshipment points.

For all those goods for which licenses were issued and orders placed, Cambodian importers through their local banks had made deposits to the National Bank of Cambodia which were held in a "suspense account" pending full collection and deposit in the Counterpart Special Account (CPSA). In addition, there were situations where full payment had been made to the supplier though the goods had not arrived in Cambodia. As these payments were reflected in the "run 13" then the National Bank called for the full payment from the importers on their banks for deposit in the CPSA irrespective of whether or not the goods had arrived or were diverted.

On November 20, instructions were given to stop procurement and shipment on all orders and to off-load all shipments at the nearest point. Instructions were given in Phnom Penh to all shipping companies not to off-load AID shipments but rather return them to the transshipment point. Goods already in customs were allowed to remain in Cambodia. These instructions proved to be effective and only a negligible quantity of AID goods were imported into Cambodia after November 20.

It was agreed that AID/W would assume the responsibility for the deposition of the CIP commodities and take the appropriate fiscal actions required to clear and finalize the CPSA.

It appears that additional priority could have been assigned to this task by AID/W. Someone with a sufficient level of authority and priority should have been designated to coordinate and direct the required

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actions in order that one office in AID/W become familiar with the overall problem and requirements of solution. The Office of Material Resources (MR) did assign one staff officer and several persons on TDY from USAID/Cambodia to assemble the existing documents in order to dispose of the goods, but experience proved that despite the considerable efforts of the people involved these documents were insufficient to provide adequate control of the goods diverted to five Far Eastern ports or on order from foreign suppliers (Indian). In addition, this group was not given the responsibility to take the appropriate actions to clear the CPSA. In fact the opposite occurred. Payments made to suppliers continued to be reflected in the "run 13" forwarded to the National Bank of Cambodia. Since it was not clear to the Bank which entries represented goods delivered to Cambodia prior to November 20, and which represented settlements for diverted goods, the Bank continued to follow its existing procedures and to call forward the local currency equivalent of the value of these goods from the importers through their banks. In the case of one importer, Shell, payment was called forward twice since the RKG made available its own foreign exchange to import diverted CIP POL products. Shell, therefore, provided the full local currency cost for the repurchased POL in addition to the deposit they had made for the diverted CIP shipment. It would have been extremely useful if someone with the procedures and practices involved had been designated to contact the Letter of Commitment Banks to insure that procedures were adopted designed to facilitate the clearing of these accounts. Unfortunately the AID/W Office of the Controller was not involved early in the process. It was not until April that the need to coordinate the disposal of the

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commodities with the "run 13" was fully recognized.

What was needed from the beginning was an accurate list of the commodities in sufficient detail to identify them for the "run 13" or a substitute comparable document and to permit other missions to decide if they can be utilized in their programs. The only checks were the spot lists that were made by the Inspector General's Office, and these were both partial and too general to be useful in disposing of the goods. The Office of Material Resources (MR) had continually promised since early 1964 to have such a list prepared and if necessary to send a staff member to the ports in question and dispose of the goods in whatever terms are necessary to protect the interest of the USG. On June 26, seven months after the termination of the program, an MR Staff Member did depart for the Far East with authority to dispose of the remaining goods and to settle the outstanding issues with foreign suppliers of diverted goods (principally terms of payment). In the meantime arrangements were being made for USOM/Saigon to take possession of the majority of the distressed commodities for use on joint GVN/USOM projects or, where the commodities were not suitable for use on existing projects, for turn-over to the GVN for its sale on a sales proceeds basis. The proceeds of such sales would be used for pre-determined, agreed upon projects. The remainder were being diverted to other Missions for their use in various programs.

This action was overdue both because the diverted goods incurred escalating demurrage charges at the diversion points and because it placed the U.S. in the position of not adhering to its commitment to settle the CPSA.

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At AID/W's insistant instructions the Acting Director reached an agreement with the RKG regarding the settlement of the CPSA on February 19. This agreement cannot be fully effected until these long overdue CIP accounts are settled. In addition the burden of cost is placed not on the National Bank of Cambodia but rather on the importers and commercial banks, a number of whom are concerns doing business with AID on a world-wide basis (Esso, Caltex, Shell, Chartered Bank, Hong Kong and Shanghai Bank, etc.).

In June an initial partial list of settled accounts was compiled and forwarded to the National Bank of Cambodia. At the same time the National Bank independently forwarded a list of the goods which it believes were diverted and for which refunds of deposits can be made. The latter list has been received and has been reviewed and appropriate additions and subtractions made to reconcile the two lists and the information returned to the residual controller in Saigon for use in clearing the CPSA and thereby terminating all outstanding AID problems with the RKG.

It is strongly recommended that AID/W review this entire situation and prepare the appropriate procedures to be incorporated in this manual order in order to meet this situation in an orderly and expeditious fashion should it ever arise again. As a guide in preparing these procedures a full report should be prepared by MR in conjunction with the Controller's Office on the disposition of the Cambodia project and non-project commodities.

At the time of this writing the Material Resources Division of AID/W is preparing a final report which will reflect the ultimate disposition of the commodities in the Cambodia pipeline at the time of termination

8. Statistical summary of the USAID Phase-out operation

Following are the various statistics referred to in the subsection above including:

a. Personnel statistics

- 1) Personnel on Relocation and Phase-out Centers-Summary
- 2) Daily schedule of Personnel in Phnom Penh, Saigon, Hong Kong and Bangkok
- 3) Summary of Personnel Actions
- 4) History of movement and reassignment as of April 20, 1964, of each employee in Phnom Penh November 20, 1963.

b. Individual Services Contracts

c. Commercial Contracts Data

d. USAID leases and settlement amounts

a. Personnel Statistics

1) Summary of Personnel on Relocation and Phase-Out Centers:

	Number of Days									
	1-15	16-30	31-45	46-60	61-75	76-90	91-105	106-120	120-	
Relocation:										
Hong Kong:										
27 Employees	7	9	9	2	0	0	0	0	0	0
72 Dependents	23	15	20	11	0	3	0	0	0	0
Bangkok: <u>1/</u>										
15 Employees	2	0	2	0	0	0	2	1	8	
31 Dependents	1	0	0	0	1	0	1	5	23	
Saigon:										
13 Employees TDY	0	0	2	3	3	3	0	<u>11/2/</u>	<u>11/2/</u>	
14 Dependents - Relocation	0	0	0	<u>1 2/</u>	<u>8 2/</u>	0	0	0	<u>5 1/2/</u>	

1/ As of 4/20/64: Employee and dependents in Saigon so marked ETD 5/7/64.

2/ Two families (4 dependents) were on relocation in Hong Kong and TDY Saigon. Time on relocation and TDY for these people are included in the Saigon figures only in order to reflect total time on relocation and TDY.

2) Daily Schedule of Employees and Dependents Assigned Phnom Penh on TDY Saigon for USAID/Cambodia Phase-Out or on Relocation Hong Kong, Bangkok and Saigon to 4/20/64

Date	Phnom Penh			Hong Kong			Bangkok			Saigon			Total
	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	
11-20	109	170	279	0	0	0	0	0	0	0	0	0	279
11-23	110	172	282	0	0	0	0	0	0	0	0	0	282
11-25	109	172	281	0	0	0	0	0	0	0	0	0	281
11-26	108	171	279	0	0	0	0	0	0	0	0	0	279
12-6	107	169	276	0	0	0	0	0	0	0	0	0	276
12-9	106	168	274	0	0	0	0	0	0	0	0	0	274
12-14	102	150	252	0	3	3	0	0	0	0	0	0	255
12-15	100	150	250	0	3	3	0	0	0	0	0	0	253
12-17	97	146	243	0	4	4	0	0	0	1	1	2	249
12-18	85	125	210	7	14	21	0	0	0	1	1	2	233
12-19	83	120	203	7	14	21	0	0	0	1	1	2	226
12-20	75	98	173	13	34	47	0	0	0	1	1	2	222
12-21	69	77	146	19	54	73	0	0	0	1	1	2	221
12-22	66	73	139	19	54	73	0	0	0	1	1	2	214
12-23	62	60	122	19	54	73	3	11	14	1	1	2	211
12-24	61	57	118	19	54	73	3	11	14	1	1	2	207
12-25	60	56	116	19	54	73	3	11	14	1	1	2	205
12-26	58	56	114	19	54	73	3	11	14	1	1	2	203
12-27	54	39	93	19	59	78	3	11	14	2	4	6	191
12-28	44	1	45	22	71	93	8	31	29	2	4	6	183
12-30	43	1	44	21	70	91	8	31	39	2	4	6	180
1-2	43	1	44	19	67	86	8	31	39	2	4	6	175
1-3	42	1	43	20	63	83	8	31	39	2	4	6	171

Date	Phnom Penh			Hong Kong			Bangkok			Saigon			Total
	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	
1-4	37	0	37	22	63	85	8	31	39	2	4	6	167
1-5	37	0	37	19	54	73	8	31	39	2	4	6	155
1-7	36	0	36	18	52	70	8	31	39	2	4	6	151
1-8	34	0	34	17	49	66	7	30	37	2	4	6	143
1-9	33	0	33	11	49	66	7	30	37	2	4	6	142
1-10	31	0	31	17	46	63	7	30	37	2	4	6	137
1-11	24	0	24	18	41	59	7	30	37	2	4	6	126
1-12	14	0	14	17	40	57	7	30	37	10	4	14	122
1-13	13	0	13	17	40	57	8	30	38	10	4	14	122
1-15	12	0	12	17	39	56	9	30	39	10	4	14	121
1-17	10	0	10	17	39	56	9	30	39	11	4	15	120
1-18	10	0	10	17	38	55	9	30	39	11	5	16	120
1-22	8	0	8	17	38	55	11	30	41	11	5	16	120
1-23	7	0	7	17	38	55	12	30	42	11	5	16	120
1-24	7	0	7	16	34	50	12	30	42	11	5	16	115
1-25	6	0	6	15	31	46	13	30	43	11	8	19	114
1-26	6	0	6	14	26	40	13	30	43	11	8	19	108
1-28	5	0	5	12	25	37	13	30	43	12	8	20	105
1-29	5	0	5	11	24	35	13	30	43	12	8	20	103
1-30	5	0	5	10	22	32	13	30	43	12	8	20	100
2-1	4	0	4	9	22	31	14	30	44	12	8	20	99
2-2	4	0	4	8	22	30	14	30	44	12	8	20	98
2-3	4	0	4	7	19	26	14	30	44	12	8	20	94
2-4	4	0	4	6	18	24	14	30	44	12	8	20	92
2-8	3	0	3	4	16	20	13	30	43	12	8	20	86

Date	Phnom Penh			Hong Kong			Bangkok			Saigon			Total
	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	Emp	Dep	Total	
2-9	3	0	3	4	10	14	13	30	43	12	10	22	82
2-11	3	0	3	2	9	11	13	30	43	13	10	23	80
2-13	3	0	3	2	9	11	13	30	43	12	10	22	79
2-16	3	0	3	1	6	7	13	30	43	12	10	22	75
2-20	3	0	3	1	6	7	13	30	43	11	9	20	73
2-21	2	3	5	1	4	5	13	30	43	9	5	14	67
2-24	2	3	5	1	4	5	13	30	43	8	5	13	66
2-28	2	3	5	1	4	5	12	29	41	8	5	13	64
3-1	2	3	5	0	3	3	12	29	41	8	5	13	62
3-2	2	3	5	0	3	3	12	29	41	6	5	11	60
3-3	2	3	5	0	3	3	11	29	40	6	5	11	59
3-6	1	3	4	0	3	3	11	29	40	6	5	11	58
3-16	1	3	4	0	0	0	11	29	40	5	5	10	54
3-20	1	0	1	0	0	0	11	29	40	5	5	10	51
3-28	0	0	0	0	0	0	11	29	40	5	5	10	50
3-29	0	0	0	0	0	0	11	29	40	4	5	9	49
4-3	0	0	0	0	0	0	11	29	40	2	5	7	47
4-5	0	0	0	0	0	0	11	29	40	1	5	6	46
4-10	0	0	0	0	0	0	9	23	31	1	5	6	37
4-20	0	0	0	0	0	0	9	23	31	1	5	6	37
4-30	1	0	1	0	0	0	4	15	19	1	3	4	24
5-20	0	0	0	0	0	0	2	8	10	0	0	0	10
6-30	0	0	0	0	0	0	1	6	7	0	0	0	7
7-4	0	0	0	0	0	0	0	0	0	0	0	0	0

### 3) Summary of Personnel Actions

Assigned to other Missions, total 81

#### Far East:

USOM/Vietnam	25
USAID/Laos	16
USAID/Thailand	6
USAID/Indonesia	3
USAID/Philippines	3
USAID/Burma	<u>1</u>
Total	54

#### Near East, South Asia:

USAID/Pakistan	3
USAID/Afghanistan	1
USAID/Turkey	1
USAID/Iran	2
USAID/Jordan	<u>1</u>
Total	8

#### Africa:

USAID/Guinea	5
USAID/Morocco	1
USAID/Somalia	1
USAID/Liberia	1
USAID/Congo	1
USAID/Nigeria	1
USAID/Central African Republic	1
USAID/Algeria	1
USAID/Ethiopia	2
USAID/Sudan	<u>1</u>
Total	15

#### Latin America:

USAID/Bolivia	2
USAID/Peru	1
ROCAP Guatemala	<u>1</u>
Total	4

Permanently assigned AID/W 4

Separations, Resignations and RIFs 15

Unassigned and Unknown 3

Total 22

4) History of Movement and Reassignment of each U.S. Employee in Phnom Penh November 20, 1963.

Office of the Director

1. Campaigne, Curtis - Mission Director

Dependent departed Phnom Penh on relocation Hong Kong 1/4.  
Employee departed Phnom Penh via Hong Kong and USA on mid-tour to USAID/Guinea 1/11

2. Cody, Peter M. - Deputy Director

Employee and two dependents returned to Phnom Penh from Home Leave 11/23.  
Two dependents departed Phnom Penh on relocation Hong Kong 12/20, joined by third dependent from USA 12/20.  
Three dependents shifted relocation Hong Kong to Saigon 1/25.  
Three dependents returned Phnom Penh 2/21, and departed for USA 3/20.  
Employee departed Phnom Penh for USA on TDY AID/W. May 19, 1964 reassigned AID/W.

3. Smith, D.B. - Chief Engineer

Four dependents departed Phnom Penh on relocation Hong Kong 12/28.  
Employee departed Phnom Penh on reassignment AID/W via Hong Kong 1/11.

4. Hinson, Frances M. - Director's Secretary

Employee departed Phnom Penh on relocation Hong Kong 1/7.  
Employee departed Hong Kong on mid-tour USAID/Guinea 1/11.

5. Hoffman, Phyllis C. - Deputy Director's Secretary

Employee departed Phnom Penh on mid-tour USOM/Thailand 12/29.

Executive Office

6. Reed, G. Reece - Assistant Executive Officer

Employee departed Phnom Penh for Saigon, Phase out group Saigon, 1/12.  
Employee departed Saigon on mid-tour USAID/Liberia 3/2.

7. Sultan, Herbert L, - Contracts Officer

Four dependents departed Phnom Penh for relocation Hong Kong 12/28.  
Employee departed Phnom Penh on mid-tour USAID/Laos 2/9.  
Dependents departed Hong Kong via Bangkok for Laos 2/9.

18. Davis, Joan M. - Personnel Assistant

Employee departed Phnom Penh for Saigon Phase-out Group 1/12.  
Employee transferred USOM/Vietnam 3/2/64.

19. Ely, Julian B. - Acting Chief Com. Media Branch

Employee and two dependents departed Phnom Penh on Home Leave  
12/6 and subsequent RIF if assignment not found. On TDY to  
Africa as of 4/20.

20. Zarba, William P. - Com. Media Adv-Graphics

Employee and three dependents departed Phnom Penh for USA via  
Hong Kong on RIF orders 12/27, subsequently reassigned  
USOM/Vietnam.

21. Tucker, Joe L. - Records Clerk

Employee departed Phnom Penh on mid-tour USAID/Laos 1/12.

22. Lewis, Mary Ellen - Records Clerk

Employee departed Phnom Penh for Home Leave and transfer to  
USAID/Pakistan 12/14.

23. Curtis, Michael M. - Records Clerk

Dependent departed Phnom Penh on relocation Hong Kong 12/27.  
Employee departed Phnom Penh on relocation Hong Kong 1/11.  
Employee and dependent departed Hong Kong for TDY USA 2/8 to  
be followed by mid-tour USAID/Sudan.

24. Eflis, Suzanne - Translation Supervisor

Employee departed Phnom Penh for mid-tour USAID/Laos 1/11.

Office of the Controller

25. Kraichman, Samuel - Deputy Controller

Employee and two dependents departed Phnom Penh for Hong Kong  
as Liaison Officer relocation center 12/18.  
Employee and dependents departed Hong Kong on mid-tour USAID/  
Bolivia 1/7.

26. Sindelar, Daisy M. - Secretary

Employee departed Phnom Penh on mid-tour USOM/Thailand 1/11.

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27. Garufi, Remo Ray - Chief Accountant

Three dependents departed Phnom Penh for Saigon to accompany medically evacuated Spencer family and relocation 12/27.  
Employee departed Phnom Penh for Saigon Phase-out Group 1/17/64.  
Employee and dependents departed Saigon on mid-tour USAID/Guinea May 14.

28. Hickson, Donald E. - Accountant

Employee and five dependents departed Phnom Penh on mid-tour to USOM/Vietnam 12/19.

29. Spencer, Robert S. - Chief Auditor

Employee and wife medically evacuated from Phnom Penh to Saigon 12/25.  
Three children departed Phnom Penh for Saigon 12/27.  
Employee and dependents departed Saigon on mid-tour USAID/Laos 3/4.  
Subsequently reassigned to USAID/Philippines.

30. Groll, Theodore J., Jr. - Auditor

Employee and two dependents departed Phnom Penh on mid-tour USOM/Vietnam 12/27.

31. Reynolds, Benjamin - Auditor

Employee departed Phnom Penh on Home Leave and reassignment USOM/Vietnam 11/25.

Program Office

32. Whelton, Joseph M. - Program Officer

Four dependents departed Phnom Penh on relocation Hong Kong 12/27.  
Employee departed Phnom Penh on reassignment AID/W via Hong Kong 12/28.

33. McManaway, Clayton E. - Acting Chief Program Development Branch

Employee departed Phnom Penh for Saigon Phase-out Group 1/12.  
Employee departed Saigon 3/29/64 for US on TDY to be followed by mid-tour USAID/Laos.

34. Forcey, Jack M. - Assistant Program Officer

Employee departed Phnom Penh on relocation Hong Kong 12/18.  
Employee departed Hong Kong on mid-tour USAID/Philippines 1/28.

35. Kulp, Earl M. - Asst. Program Officer

Employee and two dependents departed Phnom Penh on relocation Hong Kong 12/20.

Employee departed Hong Kong for TDY USOM/Vietnam pending RIF notice 2/2.

Dependents departed Hong Kong for Saigon 2/9.  
Subsequently reassigned USOM/Saigon.

36. Faulkner, William H., Jr. - Program Analyst

Three dependents departed Phnom Penh on relocation Hong Kong 12/20.

Employee departed Phnom Penh for Saigon Phase-out Group 1/12.

Employee departing Saigon and dependents Hong Kong on mid-tour USAID/Laos 3/16.

37. Alvarenga, Joyce E. - Secretary

Employee departed Phnom Penh for Saigon Phase-out Group 1/12.

Employee departed Saigon on mid-tour USAID/Laos 4/3.

38. Theibert, Henrietta - Secretary

Dependent departed Phnom Penh on relocation Hong Kong 12/21.

Employee departed Phnom Penh on relocation Hong Kong 12/28.

Employee and dependent departed Hong Kong on mid-tour USAID/Burma 1/28.

39. Smith, R. Elberton - Program Economist

Employee and three dependents departed Phnom Penh on Home Leave via Hong Kong on 12/20, and reassignment USAID/Turkey.

40. Krowitz, Edward J. - Asst. Program Economist

Employee and two dependents departed Phnom Penh on mid-tour to USAID/Pakistan 12/17.

41. Meerman, Jacob P. - Asst. Program Economist

Employee and three dependents departed Phnom Penh on relocation Hong Kong 12/20.

Employee and dependents departed Hong Kong on mid-tour USAID/Bolivia 2/3.

42. Hutchinson, Annette - Secretary

Employee departed Phnom Penh on relocation to Hong Kong 12/20.

Employee departed Hong Kong on mid-tour USOM/Vietnam 1/2.

43. Holle, Henry G. - Commodity Import Advisor

Employee departed Phnom Penh on mid-tour USAID/Laos 12/28.

44. Marble, Eugene S. - Training Officer

Four dependents departed Phnom Penh for relocation Hong Kong  
12/18.

Employee and dependents departed for mid-tour USAID/Indonesia  
1/3.

Agriculture Division

45. Van Haeften, Carl F. - Food and Agricultural Officer

Three dependents departed Phnom Penh on relocation Hong Kong  
12/14.

Employee departed Phnom Penh for Home Leave via Hong Kong and  
subsequent reassignment USAID/Morocco 12/18.

46. Cason, Raymond G. - Asst. Food and Ag. Officer

Dependent departed Phnom Penh for relocation Hong Kong 12/17.

Employee departed Phnom Penh for TDY Seoul 12/17 and arrived  
for relocation Hong Kong 12/28.

Employee and dependent departed Hong Kong for mid-tour USAID/  
Afghanistan 2/11.

47. Carruth, Paul - Livestock Advisor

Employee and dependent departed Phnom Penh on relocation Hong  
Kong 12/18.

Employee and dependent departed Hong Kong for USA on retire-  
ment orders 1/12.

48. Litzenberger, Samuel C. - Agronomy Advisor

Employee and dependent departed Phnom Penh for relocation  
Hong Kong 12/20.

Employee and dependent departed Hong Kong for mid-tour  
USAID/Guinea 2/4.

49. Crocker, Charles D. - Agricultural Advisor

Employee and three dependents departed Phnom Penh on reloca-  
tion 12/21.

Employee and dependents departed Hong Kong for US on RIF orders  
1/2. Subsequently reassigned USOM/Saigon.

50. Williams, Alva B. - Forestry Advisor

Employee and dependent departed Phnom Penh on relocation 12/20.

Employee and dependent departed Hong Kong for USA and resigna-  
tion 1/4. Returned to U.S. Forest Service.

51. Martin, Calvin L. - Agricultural Extension Advisor

Employee and three dependents departed Phnom Penh for USA on Home Leave 12/14 and subsequent reassignment USAID/Laos.

52. Clyburn, Lloyd E. - Agricultural Education Advisor

Employee and dependent departed Phnom Penh for USA on advanced Home Leave 12/18 and subsequent reassignment. Unassigned as of 4/20.

53. Nickel, John L. - Entomology Advisor

Employee and three dependents departed Phnom Penh on relocation Hong Kong 12/18.

Employee and dependents departed Hong Kong on resignation 1/8.

54. Ginnelly, Gerald D. - Fisheries Advisor

Employee and four dependents departed Phnom Penh on relocation 12/21.

Employee and dependents departed Hong Kong for New Zealand on separation orders 1/24. Accepted position as advisor to the Government of New Zealand.

55. Bryan, Cecil S. - Agricultural Engineer, Advisor

Employee and dependent departed Phnom Penh on R&R Manila 12/14.

Employee and dependents departed Manila on mid-tour USOM/Vietnam 1/9.

56. Orchard, Malcolm J. - Extension Information Advisor

Employee and two dependents departed Phnom Penh on mid-tour USOM/Vietnam 12/23.

57. Sower, Edmund J. - Water Resources Engineer

Employee medically evacuated from Phnom Penh to Philippines 12/15.

Dependent departed Phnom Penh on relocation Hong Kong 12/18.

Employee and dependent departed Hong Kong for USA on RIF orders 1/15. Subsequently separated.

58. Bomberger, Elon H. - Forestry Advisor

Employee and dependent departed Phnom Penh on mid-tour USAID/Philippines 12/9.

59. Jones, Vida M. - Agricultural Program Assistant

Employee departed Phnom Penh for Hong Kong on relocation  
12/28.

Employee departed Hong Kong for USA on RIF orders 1/25. Un-  
assigned as of 4/20. On TDY to AID/W through June 30.

60. Johnson, Norma J. - Secretary

Employee departed Phnom Penh on mid-tour USOM/Thailand 1/11.

Education Division

61. Loper, W. Harold - Chief, Education Division

Employee and dependent departed Phnom Penh for USA via Hong  
Kong on RIF orders 12/18. On TDY/Monrovia for 60 days.

62. Smail, Robert W. - Acting Deputy Chief Education Division

Three dependents departed Phnom Penh on relocation Hong Kong  
12/27.

Employee departed Phnom Penh on relocation Hong Kong 1/11.

Employee and dependents departed Hong Kong on mid-tour USAID/  
Philippines 2/16.

63. Dupuis, Bernard E. - Education Program Assistant

Employee, accompanied by two dependents medically evacuated  
Philippines 12/22.

Employee and dependents departed Philippines on mid-tour  
USAID/Congo 1/25.

64. Costantino, Richard N. - English Language Advisor

Employee departed Phnom Penh for USA via Hong Kong 1/11.  
TDY USIA/W. Reassigned to USAID/Laos.

65. Johnson, Alex R. - Agricultural Education Advisor

Employee and dependent departed Phnom Penh on relocation Hong  
Kong 12/18.

Employee and dependent departed Hong Kong on mid-tour USOM/  
Thailand 12/30.

66. Liotta, Ferdinand V. - Industrial Arts Advisor

Employee and four dependents departed Phnom Penh on relocation  
Hong Kong 12/20.

Employee and dependents departed Hong Kong on mid-tour USOM/  
Vietnam 1/5.

67. King, Kermit C - Secondary Education Advisor

Employee and dependent departed Phnom Penh for USA on Home Leave 11/26.

Reassigned ROCAP Guatemala.

68. Baldwin, M. Carolyn - Secretary

Employee departed Phnom Penh for Saigon Phase-out Group 1/12.  
Employee departed Saigon on mid-tour USAID/Laos 4/3/64.

69. Lee, Patricia M. - Secretary

Employee departed Phnom Penh on relocation Hong Kong as secretary to Liaison Officer 12/18.

Employee departed Hong Kong on midtour USOM/Vietnam 1/7.

70. Barton, Eerald H. - Industrial Trades Advisor

Employee and dependent departed Phnom Penh on relocation 12/18.

Employee and dependent departed on TDY USA 2/8. On TDY through June. Unassigned as of 4/20.

71. Liston, Thomas A. - Industrial Trade Advisor

Employee and three dependents departed Phnom Penh for USA on advanced Home Leave and training 12/14. On RIF orders and unassigned after training as of 4/20.

72. Andrews, Mark L. - Industrial Trade Advisor

Employee departed Phnom Penh on relocation Hong Kong 1/4.

Employee departed Hong Kong on mid-tour USOM/Vietnam 2/1.

Public Works Division

73. O'Neill, William J. - Chief, Public Works Division

Three dependents departed Phnom Penh on relocation Hong Kong 12/20.

Employee departed Phnom Penh on reassignment AID/W 1/10.

74. Ott, Edward C. - Dep. Chief, Public Works Division

Three dependents departed Phnom Penh for USA on Home Leave 12/14.

Employee departed Phnom Penh for Hong Kong to assume duties Liaison Officer 1/4.

Employee departed Hong Kong for TDY Saigon Phase-out Group 2/11.

Employee departed Saigon for Home Leave and subsequent reassignment USAID/Laos 2/13.

75. Silverstone, Isadore J. - Sanitary Engineer

Employee and dependent departed Phnom Penh on 12/27/63 on RIF orders. Subsequently separated.

76. Tandy, Dallas C. - Highway Engineer

Employee and dependent departed on mid-tour USOM/Vietnam 12/27.

77. Landry, Carmen L. - Secretary

Employee departed Phnom Penh on mid-tour USOM/Vietnam 1/10.

Public Health Division

78. Kennedy, John E., M.D. - Chief, Public Health Division

Five dependents departed Phnom Penh for relocation Hong Kong 12/28.

Employee departed Phnom Penh for relocation Hong Kong 1/4.

Employee and dependents departed Hong Kong for mid-tour USAID/Indonesia 1/26.

79. Wood, Bruce T. - Sanitarian

Employee and four dependents departed Phnom Penh for USA on separation orders 12/18. Returned to Public Health Service.

80. Porter, Ross F. - Health Administrative Advisor

Employee and dependent departed Phnom Penh on relocation Hong Kong 12/21.

Employee and dependent departed Hong Kong on mid-tour USAID/Iran 1/5.

81. Gordon, Arne - Secretary

Employee departed Phnom Penh in mid-tour USAID/Laos 1/17.

82. Rasmussen, William C. - Ground Water Geologist

Employee and two dependents departed for USA on separation 12/18. Subsequently reassigned USOM/Vietnam.

Public Administration Division

83. Hamilton, Arthur L - Accounting Advisor

Employee and dependent departed Phnom Penh on relocation Hong Kong 12/21.

Employee and dependent departed Hong Kong for USA on separation orders 3/1. Unassigned as of 4/20.

Civil Police Division

84. Babineau, Raymond P. - Deputy Chief Police Division

Two dependents departed Phnom Penh for relocation Hong Kong 12/28.

Employee departed Phnom Penh for relocation in Hong Kong 1/3.  
Employee and dependents departed Hong Kong on mid-tour USAID/  
Laos 1/30.

85. Willig, Richard C. - Police Advisor, Communications

Employee departed Phnom Penh on mid-tour USAID/Peru 12/20.

86. Hildenbrandt, Robert F. - Police Advisor, Identification and  
Records

Employee and four dependents departed Phnom Penh on relocation  
Hong Kong 12/21.

Employee and dependents departed Hong Kong on mid-tour USOM/  
Vietnam 1/5.

87. Radmer, Elmer C. - Public Safety Advisor, Training

Employee and three dependents departed R&R Bangkok 12/24.

Employee and dependents departed Bangkok for mid-tour USOM/  
Vietnam. Arrived Saigon 1/3/64.

88. Scott, Monroe A. - Public Safety Advisor, Logistics

Employee departed Phnom Penh on TDY Saigon for Phase-out  
Group 12/26.

Employee departed Saigon on mid-tour USAID/Indonesia 2/24.

89. Jacobs, John J. - Police Advisor, Rural

Employee departed Phnom Penh on mid-tour USOM/Vietnam 12/26.

90. Liberti, Anthony L. - Equipment Specialist

Employee and dependent departed Phnom Penh on TDY Saigon for  
Phase-out Group 12/17.

Employee and dependent departed Saigon on mid-tour USAID/Guinea  
2/20.

91. Alexander, Carl A. - Public Safety Advisor, Communications

Employee and dependent departed Phnom Penh on R&R Hong Kong  
12/22.

Employee and dependent departed Hong Kong on mid-tour USOM/  
Vietnam 1/3/64 (no relocation)

92. Beverlin, Samuel P. - Public Safety Advisor, Training

Employee and dependent departed Phnom Penh on mid-tour USOM/  
Vietnam 12/22.

93. Clark, William - Public Safety Advisor, Identification and  
Records

Employee departed Phnom Penh for USA via Bangkok 12/19 on  
rotation orders to AID/W.

94. Miller, Marijayne - Secretary

Employee departed Phnom Penh on mid-tour USOM/Thailand 1/9.

95. Campbell, Joe L. - Chief Highway Engineer - BPR

Dependent departed Phnom Penh for relocation Bangkok 12/28.

Employee departed Phnom Penh on relocation Bangkok 1/25/64.

Employee and dependent departed Bangkok for mid-tour USAID/Laos 2/28/64.

96. Schnoeker, Edmund - Administrative Officer

Six dependents departed Phnom Penh for relocation Bangkok 12/28.

Employee departed Phnom Penh on relocation Bangkok 1/22.

Employee unassigned, expected date of departure (ETD) unknown (required to close office) as of 4/20.

97. Koan, James H. - Highway Engineer, Materials

Employee and five dependents departed Phnom Penh for relocation Bangkok 12/23.

Employee remains unassigned ETD 5/2/64 as of 4/20.

98. Fisher, Carl M. - Highway Engineer, Construction

Employee and dependent departed Phnom Penh for Home Leave via Bangkok 12/28.

Transferred to Brazil - left Bangkok 1/8/64.

99. Patterson, Joseph G. - Highway Engineer, Materials

Employee and four dependents departed Phnom Penh for relocation Bangkok 12/28.

Remains unassigned, ETD 5/2/64 as of 4/20/64.

100. Thornton, Guy W. - Engineering Aide

Employee and two dependents departed Phnom Penh for relocation in Bangkok 12/28.

Reassigned to BPR/Washington, ETD 5/15/64 as of 4/20/64.

101. Scott, Everett E. - Engineering Aide

Employee departed Phnom Penh for relocation Bangkok 1/13.

Reassigned to BPR/Washington, ETD 5/15/64 as of 4/20/64.

102. Schnieder, Earl E. - Highway Engineer, Construction

Employee and five dependents departed Phnom Penh for relocation Bangkok 12/23.

Reassigned to Guatemala, departed Bangkok 4/10.

103. Barker, Joe C. - Highway Engineer, Construction

Employee and dependent departed Phnom Penh for relocation  
Bangkok 12/23.  
Reassigned Jordan; expected date of departure ETD 4/30.

104. Steear, Chester C. - Highway Equipment Specialist

Employee and dependent departed Phnom Penh for relocation  
Bangkok 12/28.  
Reassigned Costa Rica; expected date of departure ETD  
4/10/64

105. Ridgeway, Hallas H. - Highway Engineer, Construction

Employee and dependent departed Phnom Penh for relocation  
Bangkok 12/28.  
Employee and dependent departed Bangkok on mid-tour USAID/  
Laos 1/8.

106. Godfrey, J. E. - Cost Accountant

One dependent departed Phnom Penh to attend school in US 12/21.  
Two dependents departed Phnom Penh on relocation Bangkok 12/28.  
Employee departed Phnom Penh on relocation Bangkok 2/1/64.  
Reassigned Nepal, ETD unknown as of 4/20/64.

107. DeMarco, Joseph - Highway Engineer Construction

Employee and three dependents departed Phnom Penh for reloca-  
tion Bangkok 12/28.  
Reassigned to Laos, ETD 4/30.

108. Black, Robert P. - Highway Engineer, Construction

Employee departed Phnom Penh on relocation Bangkok 1/22.  
Reassigned to Laos ETD 4/30/64

109. Christian, Henrietta - Executive Assistant

Employee departed Phnom Penh on TDY Bangkok for Phase-out  
1/23.  
Employee departed Bangkok for mid-tour USAID/Laos 2/8.

110. Neuman, Carole - Secretary

Employee departed Phnom Penh on TDY Bangkok for Phase-out 1/15.  
Employee departed Bangkok for U.S. & resignation 3/3/64.

Employees on Home Leave with Orders to Return as of November 20, 1963.

111. Linnehan, Arthur - Controller

Transferred USAID/Algeria

112. Muhr, Gilbert - Soils Advisor

Transferred USOM/Vietnam

113. Engler, Leontine M. - Textbook Advisor

On separation orders, TDY AID/W through June 30. Unassigned  
as of 4/20.

114. Miller, Marvin E. - Well Drilling Advisor

Transferred USOM/Vietnam

115. Williams, Walker - Health Education Advisor

Transferred USAID/Ethiopia

116. Murphy, Marvin - Public Administrator Advisor

Transferred USAID/Iran

117. Carlson, Roy - Chief, Civil Police Division

Employee transferred USAID/Jordan

Employees Assigned USAID/Cambodia but Diverted Before Arrived

118. Kelleher, Terese R. - Secretary

Transferred - never payrolled by USOM/Cambodia

b. Individual Services Contracts  
(In Force on November 20, 1963)

Contractor	Contract No.	Scope of Work	Sponsoring Division	Termination as of
Abshire, Mrs. Mireille	AID-442-469	Translation Services	Executive Office	12-31-63
Acosta, Maximo	AID-442-294	Design Engineer (Rural Construction)	Agriculture	12-23-63
Andres, Rufo	AID-442-338	Automotive Mechanic/Instructor	Civil Police	12-23-63
Argente, Tomas V.	AID-442-467	Project Engineer	Public Works	12-23-63
Bacungan, Ricardo B.	AID-442-313	Mechanic/Instructor	Agriculture	12-23-63
Baldeo, Romeo Ona	AID-442-455	Small Arms Expert	Civil Police	12-23-63
Bambao, Onofre M.	AID-442-269	Assistant Office Engineer	Bureau of Public Roads	* 1-11-64
Banasijan, Reynaldo	ICA-42-116-T	Well Driller	Public Health	12- 7-63
Barnett, Andrew J.	AID-442-330	Heavy Construction Specialist	Public Works	12-31-63
Bartolome, Dandolo Q.	AID-442-309	Parts Controller	Agriculture	12-31-63
Bartolome, Romeo Q.	AID-442-314	Mechanic/Instructor	Agriculture	12-24-63
Blancaflor, Marianito T.	AID-442-288	Chief of Field Party	Bureau of Public Roads	* 1-11-64
Buniel, Niceforo Y.	AID-442-311	Chief of Field Party	Bureau of Public Roads	* 1-11-64
Correa, Louis F.	AID-442-328	Construction/Instructor	Public Works	**12-31-63
Delavergne, Jean	AID-442-499	Technical Specification Expert	Public Works	1-15-64
Dukeshire, Aiden G.	AID-442-335	Field Office Manager	Bureau of Public Roads	*** 1-11-64
Ferolino, Mateo	AID-442-501	Automotive Mechanic/Instructor	Civil Police	12-23-63
Honrado, Luis	AID-442-464	Radio Technician	Civil Police	12-23-63
Labarda, Eleuterio P.	AID-442-468	Project Engineer	Public Works	12-23-63
Lopes, Elias E.	AID-442-449	Project Engineer	Public Works	12-23-63
Jimenes, Tiofilio	AID-442-453	Electrical Engineer	Public Works	12-23-63
Macklin, Raleigh H., Jr.	AID-442-513	Engineering Aide	Bureau of Public Roads	12- 2-63
Macquiran, George C.	AID-442-267	Chief of Field Party	Bureau of Public Roads	* 1-14-64
Malilay, Felix C.	AID-442-310	Mechanic/Instructor	Agriculture	12-23-63
Pascual, Alejandro	AID-442-312	Mechanic/Instructor	Agriculture	12-23-63
Reroma, Enrique G.	AID-442-458	Project Engineer	Public Works	12-23-63
Pastor, Pedro B.	AID-442-511	Automotive Mechanic Instructor	Civil Police	12-23-63

\* All old EPR contracts required 30-day termination notice

\*\* PIO/T and contract expired 12-31-63; new contract, administrative-funded, to terminate 1-15-64.

\*\*\* Expired 12-31-63; extended to 1-31-64.

Individual Services Contracts (con't)  
 (in force on November 20, 1963)

Contractor	Contract No.	Scope of Work	Sponsoring Division	Terminated as of
Pineda, Vincente A.	AID-442-250	Supervisor, Material Laboratory	Bureau of Public Roads	* 1-11-64
Poblete, Seneco	AID-442-340	Automotive Mechanic/Instructor	Civil Police	12-23-63
Puno, Floriano S.	AID-442-251	Assistant Material Laboratory Supervisor	Bureau of Public Roads	* 1-11-64
Reyes, Privado B.	AID-442-460	Senior Supervisor Auditor	Controller	1-13-64
Reyes, Rufino de los	AID-442-339	Automotive Mechanic/Instructor	Civil Police	12-23-63
Smith, Stanley A.	AID-442-514	Engineering Aide	Bureau of Public Roads	12- 2-63
Vilela, Ciriaco	AID-442-463	Radio Technician	Civil Police	12-23-63
Young, Mrs. Sylvia	AID-442-454	Coordinator, English Training Program	Program (Training)	12-15-63
Sullivan, Mr. Yolande	AID-442-247	Translation Services	Agriculture	12- 2-63

c. Commercial Contracts Requiring Termination Action by AID/Cambodia

CONTRACTOR	CONTRACT NO.	SCOPE OF WORK	TERMINATION
Air American, Inc.	ICA-58-029 (dollar funded)	Air Transportation	Terminated as of January 15, 1964. While contract requires payment for minimum of 500 flying hours per contract year (running from August 11), Mission was liable only for hours used to date of termination.
Bourne Associates International, Inc.	AID-442-502 (dollars and riels)	Supervise construction of Khmer-American Friendship School	Terminated for convenience of Government December 2, 1963. Termination settlement negotiated for \$4,651 on December 27, 1963.
Kim Eng Chantarit	AID-442-457 (trust funded)	Custodial and Guard Service	Terminated January 15, 1964.
Parasitox	AID-442-470 (trust funded)	Termite eradication for buildings covered by "CAM" agreements	Terminated January 15, 1964.
J. S. Stein	ICA-42-82 (trust funded)	Maintenance and servicing of Pochentong generators	Expired January 11, 1964.

c. (Continued)

Counterpart funded contracts requiring termination action by USAID/Cambodia

CONTRACTOR	CONTRACT NO.	SCOPE OF WORK	DATE OF AWARD	TERMINATION
Le-Van-Ngot	CPF-63-5 (AID)	Construction of Health Center at Kompong Trach	6-26-63	
Chrun You Hak	GPF-63-2 (AID)	Construction of Water Treatment Plant, Kampot	6-26-63	
Chrun You Hak	GPF-63-3 (AID)	Construction of Water Treatment Plant at Kompong Thom	6-26-63	(By notice dated November 20, 1963, all contractors directed to suspend work. All contracts terminated December 26, 1963.)
Buoy-Lor	GPF-63-4	Construction of Water Treatment Plant at Siem Reap	6-26-63	
Nguyen Van Danh	CPF-64-4 (AID)	Arts & Trades Shop Bldg. (Reinforcement for ground floor and for columns placed under previous contracts.)	10-23-63	

d. USAID Leases and Settlement Amounts

<u>Lease Number</u>	<u>Name of landlord and address of premises</u>	<u>Amount Paid</u>
AID-42-LE-321	H.R.H. Sisowath Monipong, 10 Malika, no claim	
ICA-42-LE-141	Tan Pa, USAID's Office	299,115.00
ICA-42-LE-210	Mrs. Eugenie Casenaz, 9 Mat Chrouk	16,044.00
AID-42-LE-265	Mr. Neal Smouoek, no claim	
ICA-42-LE-66	Royal Khmer Government - Warehouse on Brd Norodom, no claim	
AID-42-LE-212	Royal Khmer Government - villa w/two apartments, 23 Dr. Hahn	
AID-42-LE-276	Mrs. Riel Arun	
ICA-42-LE-156	Mrs. Riel Arun	28,745.00
ICA-42-LE-28	Mrs. Lon Nol	17,500.00
ICA-42-LE-211	Mr. Ker Meas, KI2-4	
ICA-42-LE-5	Mr. Ker Meas, 15, Barang Ses	26,057.00
ICA-42-LE-86	H.R.H. Sisowath Monichivan, 3 Okhna Peich	5,500.00
ICA-42-LE-157 & 264	H.R.H. Sisowath Rotmoni, 2 & 2bis Samdech Tieng	6,000.00
ICA-42-LE-13	Mr. Camroeun Bourouen, 178 Brd Norodom	18,065.00
AID-42-LE -336	Mrs. Tan Vath Po, 29 Samdech Ponn	12,545.00
ICA-42-LE-182	Mrs. Denise Fernandez	37,200.00
AID-42-LE-446	Mr. Nguyen Huu Kinh, 68 Trasaek Paem	
AID-42-LE-447	Mr. Nguyen Huu Kinh, 75 Okhna Kheth	70,000.00
AID-42-LE-249	Mr. Yao Tche Tchen, three villas at 100 Norodom	
AID-42-LE-441	Mr. Yao Tche Tchen, six apartments in building at 100 Norodom	
ICA-42-LE-171	Mr. Yao Tche Tchen, three villas at 100 Norodom, claim on three above leases 249,441 and 171 settled for	21,220.00

<u>Lease Number</u>	<u>Name of landlord and address of premises</u>	<u>Amount Paid</u>
AID-42-LE-235	Mr. Chau Khong	16,500.00
ICA-42-LE-320	Miss Gui Hoc Sour claim	77,150.00
AID-42-LE-442	Mr. Yem Sarong Villa, villa at Tuol Kork	
AID-42-LE-462	Mr. Ing Phourin, 18 Dr. Hahn, no claim	
ICA-42-LE-138 &42	Mrs. Mimi Kim Eng, 15 & 17 Pateur (Old Okhna Men) and Wat Lankar Apartments	30,000.00
ICA-42-LE-35	Maintenance and service contract with the Societe Cambodgienne d'Hotelierie et de Tourisme claims received and settled for Apartment No. 15, 16, 17, 20, 21, 22 and 23	5,405.00
CAM-2-55	Royal Khmer Government, 1 Youthevong (Director's residence) release signed	
CAM-18, 18a, 18b and 18c	Royal Khmer Government, Kampot Road (known as Pochentong apartments. Release signed.	
CAM-1-55 and Lease ICA CA-37	Royal Khmer Government, 12 Vithei Soryavong (known as Eugene Etienne Apts.) release signed.	
ICA-42-LE-71	Tep Phan, 42 Okhna Chhun (Known as Tep Phan's apartments)	
	Total paid	<u>588,676.00</u>