

**COMMITTEE ON FOREIGN AFFAIRS
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WASHINGTON, D.C. 20515**

**STATEMENT OF
THE HONORABLE ENI F.H. FALEOMAVAEGA
CHAIRMAN**

**before the
SUBCOMMITTEE ON ASIA, THE PACIFIC, AND THE
GLOBAL ENVIRONMENT**

“Cambodia’s Small Debt: When Will the U.S. Forgive?”

September 30, 2010

Between 1972 and 1975, Cambodia incurred a \$276 million debt to the United States through the provision of agricultural commodities. General Lon Nol incurred this debt to support his chaotic and dictatorial regime, which seized power through a coup, making his an illegitimate government in the eyes of many of today’s Cambodians. Lon Nol did nothing to address the debt.

The Khmer Rouge came to power in 1975. This regime also failed to service the loan. In addition, it killed or starved at least 20% of Cambodians, neglected infrastructure and factories, and reverted to ancient agricultural techniques, all of which decimated the Cambodian economy and any ability to repay debt. Vietnam occupied Cambodia for 10 years after the Khmer Rouge lost control of Cambodia and also ignored the debt. Consequently, Cambodia now owes the US \$444.4 million including interest as of December 31, 2009.

Cambodia has asked the US to forgive its debt or use a portion of the payments towards US assistance programs which include health care, economic competitiveness, civil society, and land mine removal, among others. However, the U.S. Treasury and Department of State have shown remarkable inflexibility and lack of cooperation.

Why does the US insist on squeezing \$444.4 million out of Cambodia? Why is debt forgiveness not an option? Why do we not consider recycling debt payments for environmental conservation efforts or swapping the debt for a much needed educational exchange fund, similar to the Vietnam Education Fund created by Congress in 2000?

This is the second in a series of hearings I have held on Cambodia’s debt since becoming Chairman of this Subcommittee. During the last hearing held on February 12, 2008, the U.S. State Department testified that debt forgiveness or recycling for Cambodia would set a pattern of forgiveness for other nations indebted to the US. However, a precedent has already been established-- in November 2004, the US forgave \$4.1 billion of Iraqi debt accumulated under

Saddam Hussein's leadership so as not to cripple the new government. Bosnia-Herzegovina's debt of \$24 million and Yugoslavia's \$538.4 million debt, both likely incurred under the dictator Josip Tito, were forgiven in 1999 and 2002 respectively.

We must also consider the impact of U.S. activities in Cambodia during the Vietnam War era. From 1969 to 1973, the U.S. held large-scale bombing campaigns in parts of Cambodia, which still prevents farming in certain regions and which some experts claim drove many Cambodians to the Khmer Rouge.

The legacy of losses inflicted by the Khmer Rouge continues today. The average Cambodian earns a mere \$5.50 a day, an amount comparable to Mauritania, Cameroon, and several other countries classified by the International Monetary Fund as Highly Indebted Poor Countries worthy of debt reduction. But far worse living standards face 30% of Cambodians who live on less than 60 cents per day according to a 2009 United Nations Development Programme report.

Given Cambodia's status as a least developed country and acknowledging that the Khmer Rouge's brutal genocide continues to economically afflict the country today, other nations and organizations have shown considerably more flexibility in addressing Cambodia's debt. Hungary forgave Cambodia's debt of \$216 million in 2009. Russia forgave approximately \$1 billion of Cambodian debt in 2008; in 1995, Japan forgave all claims against Cambodia incurred before 1975 which totaled \$270 million. Additionally, the International Monetary Fund granted Cambodia \$82 million in debt relief in 2005, acknowledging that Cambodia needed the funding to reach its Millennium Development Goals.

Should the U.S. fail to forgive or recycle Cambodia's debt, Cambodia may turn to other countries for financial assistance. Already, China has forgiven at least \$60 million of debt and extended loans to Cambodia for infrastructure and historical preservation. Such Chinese assistance often comes without conditions for political, economic, or environmental reform, weakening the position of the U.S. and other democracies to influence Cambodia.

Greater engagement with Cambodia would help the U.S. achieve our foreign policy goals in the region and counter adverse influences. Requiring payment of a debt incurred by an illegitimate government more than three decades ago, without consideration of Cambodia's historical trauma, runs counter to the need for greater engagement.

This is why I ask the Departments of State and Treasury to end their opposition to Cambodian debt forgiveness and support my efforts to give this country a brighter economic future. The Department of Treasury could begin by taking this issue seriously enough to send a witness to testify before this Subcommittee. In 2008 and again for this hearing, the U.S. Treasury refused to send a witness which in and of itself speaks volumes about its lack of commitment for advancing American interests in Southeast Asia.

Finally, for the record, I want to express my opposition to H.R. 5349, the Cambodian Trade Act of 2010 which would prevent any forgiveness of Cambodia's debt currently owed to the United States and would ensure that no textiles or apparel produced in Cambodia would be given duty-free treatment within the U.S.

While I have the utmost respect for the two Members of Congress who introduced this legislation, as Chairman of the Foreign Affairs' Subcommittee on Asia, the Pacific and the Global Environment I am deeply concerned that a trade bill like this was introduced in response to Cambodia's deportation of 20 Uighurs who entered Cambodia illegally.

Although the bill was introduced without serious consultation with the subcommittee but given that it is highly unlikely that it will ever be passed, I intended not to publicly comment. However, because today's hearing is directly related, I want to be on record in opposition to H.R. 5349.

Prior to the introduction of H.R. 5349, I was in Cambodia and met with Prime Minister Hun Sen, Deputy Prime Minister Hor Namhong, and Minister of Finance Cham Prasidh at which time we discussed the deportation of Uighurs who were returned to China in December 2009.

The Royal Government of Cambodia provided me with the following account of events which transpired. Three groups for a total of 22 Uighurs entered Cambodia in June, October and November 2009 but the UN High Commissioner for Refugees (UNHCR) failed to determine their status and failed to provide the Royal Government of Cambodia with any information relating to the Uighurs' entry until November 2009. Two Uighurs fled the Headquarters without reporting to the Ministry of Foreign Affairs and International Cooperation. Consequently, 20 Uighurs were returned in December because they had entered Cambodia illegally.

The Royal Government of Cambodia has firmly stated that it adheres to the principles of the rule of law and respects the International Convention on Refugees. The Royal Government of Cambodia also believes, and correctly so, that the UNHCR should do its part by acting in accordance with its mandate to coordinate the protection of refugees in a transparent and expeditious manner.

While I fully support the rights of international refugees and the mission of the UNHCR, the Uighurs are a minority population residing in China, not Cambodia. Therefore, if the intent of H.R. 5349 is to champion the cause of the Uighurs, it should not offer up a superficial fix which pits Cambodia against China in a match-up that should be between the U.S. and China. Simply put, H.R. 5349 should not use trade or debt as means to address the repatriation of Uighurs.

I remain firm in my position that the U.S. should forgive or recycle Cambodia's debt given that there is historical precedent for either option, and I commend Cambodia's Ambassador to the United States, His Excellency Hem Heng, for tirelessly working on behalf of the Royal Kingdom of Cambodia to bring these serious matters to the attention of the U.S. Congress. The Kingdom of Cambodia's statement regarding the pre-1975 loans will be made part of the record.

I now recognize our Ranking Member, my good friend from Illinois, for his opening remarks.