

# Bush administration takes its orders on Cambodia from Beijing

by Linda de Hoyos

On Sept. 27, the Vietnamese completed their withdrawal of troops from Cambodia after nearly 11 years of occupation. Despite this concession, which was the primary demand of the Association of Southeast Asian Nations (ASEAN), the People's Republic of China, and the United States for a political settlement for Cambodia, the United States and allied nations have upped the ante against Vietnam—in service to their policy of obeisance to the largest geopolitical power in the region: Beijing. The P.R.C. continues to demand that the way be left open for the return of the murderous Khmer Rouge to the seat of power in Phnom Penh.

The current stance of the United States is to pretend that the Vietnamese withdrawal has never taken place. Economic sanctions against Vietnam will continue, Washington has indicated, until that country participates positively in creating a political settlement in Cambodia which would bring about a neutral government. Such demands, of course, are not made on the Soviet Union, Vietnam's alleged protector.

Secondarily, the United States insists, along with Cambodian leader Prince Sihanouk and Beijing, that the Khmer Rouge be included in any interim government in Phnom Penh. This policy has been vigorously asserted by Richard Solomon, Assistant Secretary of State for Far East and Pacific Affairs, a long-time associate of Henry Kissinger with a background in "China card" policy. It is "self-deluding," according to Solomon, for the United States to ignore the existence of the Khmer Rouge. "You're not going to have your hands unsullied," he said recently, according to the *Far Eastern Economic Review*. "It is built into the structure of the situation that a lot of people have blood on their hands."

The U.S. posture makes a mockery of its alleged diplomatic attempts to avert full-scale civil war in Cambodia after the Vietnamese withdrawal. In the week of the withdrawal, the three superpowers maintained steady contact with each other. Soviet diplomats in Jackson Hole, Wyoming, for the meeting between U.S. Secretary of State James Baker and Soviet Foreign Minister Eduard Shevardnadze, proposed an early arms moratorium in Cambodia. This was rejected by Baker, who said that an arms halt could only come after a full political settlement. This translates into a continuation of U.S. arming of the non-Communist resistance of Prince Sihanouk and Son Sann for military operations against the Vietnamese-backed Phnom Penh government of Hun Sen.

This, in turn, provides the cover for a Khmer Rouge offensive to attempt to fill the vacuum now left by the Vietnamese.

Soon after meeting with Shevardnadze, Baker scurried off to New York to meet with Chinese Foreign Minister Qian Qichen, despite the official U.S. ban on such high-level meetings with representatives of the Tiananmen Square butchers. Baker reportedly discussed the Cambodian situation with Qian for more than an hour.

In short, rather than taking advantage of the Vietnamese withdrawal, the superpowers who have made a murderous mess of this region for the last 25 years, above all else claim their rights to continue to do so.

## Vietnamese devastation

An apparent goal of the current U.S. policy is the continuing starvation of the Vietnamese economy. Up until mid-August, the international banking community, along with the International Monetary Fund and World Bank, were preparing to re-enter Vietnam as a new market and a new pool of extremely cheap labor. The political way would be cleared by the withdrawal of Vietnamese troops. The financial problem to clear was Vietnam's non-payment for its loans from the Fund years ago. The Banque Française du Commerce Extérieur had promised that with IMF approval, it would organize a consortium of lenders for a bridge loan of 100 million Special Drawing Rights, with which Vietnam could pay back the IMF and re-enter the world economy.

Within the last month, this plan has gone up in smoke. At the executive board meeting of the IMF on Sept. 13, the United States and Japan, the Fund's two largest donors, vetoed any re-entry of Vietnam into the Fund. The reason: Vietnam must not only withdraw, but also bring about a political settlement in Cambodia. This decision put the kibbosh on the bridge loan from the Banque Française, leaving the Vietnamese high and dry once again. Reportedly, Japan and Australia have cut off all aid programs to Vietnam in cooperation with the IMF.

There is little doubt as to where the pressure for the veto came from. At the same time, the Beijing Embassy in Tokyo had convinced the Japanese Foreign Ministry to find it inconvenient to host Vietnamese Foreign Minister Nguyen Co Thach this fall, although Thach has been in Tokyo often before. Vietnamese diplomats, of course, are still not permit-

ted to set foot in Washington, D.C.

The U.S.-Japan decision uncharacteristically contradicted the advice of IMF officials, according to the Sept. 28 *Far Eastern Economic Review*. They pointed out that Vietnam had been implementing since March 1989 exactly the type of "structural adjustment" plan required by the IMF for its seal of approval.

Ironically, the Vietnamese have reportedly gone further in their "reforms" toward a market economy than the Bush administration's favorite son, China.

However, as in all the other cases where IMF prescriptions have been followed to the letter, the result is financial rationalization with a resulting severe dislocation of the physical economy. The Fund had demanded that Vietnam reduce its state deficit from 20% of the budget down to 2-4%, expected to come from a decrease in the military budget especially pending the withdrawal, reduction in government expenditures and administrative costs, and increase in taxes.

To provide an orderly environment for looting organizations to re-enter Vietnam, the discrepancy between the official economy and black market economy had to be ended. Accordingly, the Hanoi government instituted a round of draconian deflationary measures. The Vietnamese currency, the dong, was massively devalued, and the government fixed the exchange rate at a level within 5-10% of the free-market rate. Interest rates and reserve requirements were raised. Prices were raised from controlled to market levels on most staples and services, including on rice. Subsidies to state workers were removed, with the sole exception of housing. These are measures which most underdeveloped countries dare not institute, for fear of outright insurrection.

Factories and state enterprises have been forced to take a market approach toward output, despite the fact that interest rates were hiked from 3.5% to far higher market rates. In addition, these enterprises face the problem that the purchasing power in the Vietnamese domestic market is extremely low.

The result is that factories are closing fast. Already, 18-20% of the workforce is unemployed—a percentage that will be further swelled with the return of troops from Cambodia. It is estimated that 10-15% of the country's enterprises are in the process of closing down.

In addition, wages are not being paid. Vice Premier Nguyen Co Thach said that even the most profitable factories are one month behind in paying wages and the worst off are six months behind. Nguyen Van Tu, chairman of the federation of Vietnamese workers, complained that in the first half of 1989, some 500,000 workers had been made redundant by state enterprises, and that unpaid wages amounted to 1 billion dong.

Vietnam had undertaken these measures on the assumption that desperately needed capital from Western sources would soon be coming into the country. The gap is unlikely to be filled with the Soviet Union. Even as early as July,

Moscow, which has announced that it doesn't have enough fuel for this coming winter, indicated that "ideologically motivated aid" to countries like Vietnam and Cuba was being re-examined as a luxury that the Soviet Union can no longer afford.

Even Vietnam's attempts to open up to Western looting of its economy and manpower have failed.

### **Khmer Rouge on the march**

Meanwhile, the Khmer Rouge has proceeded with its offensive against Phnom Penh. The Khmer Rouge strategy is to move into the interior from the Thai border, and attempt to take the city of Battambang. The strategy of the Hun Sen government is to stand fast, hoping that Phnom Penh can replicate the steadfastness and hence increasing credibility of the Kabul regime of Soviet puppet Dr. Najibullah. As in the case of Afghanistan, the Soviets, according to Thai intelligence, are pouring arms and matériel into the Phnom Penh government. Phnom Penh is currently equipped with 16 Soviet-made MiG aircraft, a group of helicopter gunships, over 100 tanks and armored personnel carriers, and heavy artillery. For their part, the Khmer Rouge, also according to Thai reports, have been armed and upgraded continuously over the past year in anticipation of the coming battle.

The first test was the battle over the deserted border town of Pailin. Although the town was destroyed in fighting between the Khmer Rouge and the Lon Nol government many years ago, it is the command post for Route 10, which leads to the city of Battambang and is also the center of a region rich in precious stones.

According to reports from Bangkok and acknowledged by Hun Sen, the Khmer Rouge have taken Pailin.

Apologists for the current policy of Washington claim that the Hun Sen government is composed of former members of the Khmer Rouge and is an "oppressive Communist dictatorship." However, it has shown no propensity to murder millions of its own population, the hallmark of the Pol Pot years 1975-79. Reports from aid agencies of the continuing Khmer Rouge reign of terror over refugee civilians indicate that Khmer Rouge nihilism remains intact. Pol Pot himself is now reportedly directing the bulk of the Khmer Rouge's military operations.

The only force that appears genuinely interested in trying to avert war is Thailand, whose prime minister, Chatichai Choonhavan, has been trying to arrange a new round of Paris talks among the Cambodian factions. Thailand's strongest support has come from Vietnamese Foreign Minister Thach, who stated that the fate of the area could well hinge on agreements reached between Thailand and Vietnam. This is because Thailand has been forced by China to serve as the conduit of arms to the Khmer Rouge, a position which is being attacked by various factions in Thailand itself. If such an agreement is reached, however, it will still have to contend with the geopolitical ambitions of the superpowers.