

# Japanese Economic Cooperation with Indochinese Countries

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This report is not an analysis of the economy of the three Indochinese countries, but it discusses some considerations required for Japan's cooperation for their economic revival.

## I. Economic Revival of Three Indochinese Countries

To the three Indochinese countries and even to the adjacent countries, the termination of the Cambodian conflict means the arrival of an opportunity to start efforts for their economic development. Therefore, cooperation is needed not only for Cambodia's economic revival, but also for Vietnam's and Laos's economic development. Vietnam and Laos have been unable to exert themselves for economic construction because of an ideological reason and because of their involvement in the Cambodian conflict. At present, the two countries are participating in the efforts to settle the Cambodian conflict and, at the same time, changing their policy. They are requesting cooperation from the West.

### *Cambodia*

Immeasurable economic and social damages befell to Cambodia where a proxy war of big powers took place during the last 20 years. Khmer Rouge and Lon Nol's government army fought with each other for 5 years after the deportation of Prince Sihanouk from the head of the country. The U.S. Army, and South Vietnam's army, which supported Lon Nol's army, and North Vietnam's army, which supported Khmer Rouge, took part in the Cambodian civil war. In addition, the U.S. Air Force gave a serious destruction by bombing. According to William Shawcross, the U.S. Air Force dropped 539,129 tons of bombs in the Cambodian terri-

tory until August 15, 1973. It should be noted that 257,465 tons, accounting for a half of the total bombs, were dropped during the last 6 months.<sup>1</sup> Michael Vickery quotes the following figures presented by CIA to show the casualties during this period. CIA estimated that the Cambodian population was 7 million in 1970 and 7.3 million as of April 17, 1975 and that 500 thousand human lives were lost during this period. This is because the population in 1975 should be 7.8 million if the rate of population increase is assumed as 2.2%.<sup>2</sup> This means that 6 to 7% of the total population were lost.

Cambodia was ruled by the Khmer Rouge from 1975 through 1979. People's life in cities was destroyed, forced labor, mass execution, sickness, hunger and fatigue resulted in a great many deaths. Social, cultural and psychological shocks which Cambodia suffered during this period are immeasurable.

Let's study the human loss. Frightened by Khmer Rouge's victory, a great number of Vietnamese people who had lived in Cambodia for many years and people who supported the Lon Nol government left the country. If the number of these people is assumed to be 200 thousands, the population within Cambodia in April, 1975, should be 7.1 million.<sup>3</sup> If the rate of population increase is assumed as 2.2%, the population in 1979 should be 7.745 million. According to a certain estimate, the population was 6.22 million at the beginning of 1979 when the Khmer Rouge collapsed and the PRK government was established.<sup>4</sup> If 200 thousand Cambodian refugees who escaped from Khmer Rouge's oppression and went to Vietnam and 300 thousand refugees living at the bordering area with Thailand are added to this population, the number of survivors is 6.72 million. This is smaller than 1.025 million compared with the population (7.745 million) which is estimated on the basis of the population in 1975 (7.1 million). It cannot be concluded that all of them were killed by Khmer Rouge. However, it can be said that Khmer Rouge is responsible for the large population decrease (14%) under his rule.

And, the war lasted for 12 years after the establishment of the PRK government in January, 1979. It should not be forgot that the Cambodians' sufferings have lasted not for 12 years, but for 20 years.

It goes without saying that the international society should assist the Cambodians' efforts for reconstructing their country from the humanitarian standpoint. The international society is asked to decide how and what to do to help Cambodia.

### *Vietnam*

It cannot be denied that Vietnam was one of the countries who took part in the Cambodian conflict with military forces. For this reason, Japan, the U.K. and Australia and others suspended new aid to Vietnam. As a result, the aids from the DAC countries and international organizations decreased suddenly from 353.6 million dollars in 1979 to 221.2 million dollars in 1980 and to 102.3 million dollars in 1983.<sup>5</sup> In addition, the U.S.-Vietnam negotiation in Paris which aimed to normalize the relation between the countries was discontinued because the Vietnamese army invaded Cambodia. As a result, Vietnam was imposed on an economic sanction by the international society.

Vietnam began to depend on aids from COMECON countries, such as U.S.S.R.,

but these countries have recently become unable to bear this burden. Furthermore, they lost enthusiasm for aids because the aids which Vietnam received were not used efficiently.

Vietnam adopted the *doi moi* policy at the 6th Communist Party Congress, in December, 1986. In the economic field, the *doi moi* adopts a liberalization policy and an open door policy as the two major principles. In other words, Vietnam is seeking for aids and investments from the West. The Vietnamese army stationed in Cambodia withdrew at the end of September, 1989. Although this withdrawal was not carried out under international supervision, it probably made the largest contribution to the process toward the Cambodian peace. It is also a contribution to the safety and peace in South East Asia as well in the sense that it decreased threats to nearby countries, especially to Thailand.

The Vietnamese army's withdrawal from Cambodia led to a great reduction (500 thousand soldiers) of the Vietnamese army within the country. This was done within only 2 years. The national defense expenses in 1989 were reduced to 67% of the planned allotment.<sup>6</sup> In other words, Vietnam's peace policy and strategy of giving high priority to economic development are proved by their actions. It can be said that Vietnam also became able to concentrate full-scale efforts in economic development along with the progress of the Cambodian peace. The international society should give assistance to them.

## *Laos*

Until recently, Laos's domestic policy and foreign policy were restricted by the framework of the Indochinese bloc<sup>7</sup> controlled mainly by Vietnam. The Lao People's Revolutionary Party which is in power shares the same ideology with the Vietnamese Communist Party. The two parties have close organizational and personal relations.

It is true that Laos has promoted their economic reform and open door policy since the 4th National Congress of the Lao People's Revolutionary Party which was held in November, 1986. In 1988, Prime Minister Chatichai Choonhawan of Thailand visited Laos. In 1989, Prime Minister Kaysone visited China, Japan and France. Laos was able to improve their relations with the adjacent countries and the developed countries in the West through their efforts. However, Laos's open door policy and economic reform were heavily restricted because the war in Cambodia continued and the regional confrontation remained unsolved. Laos had to wait for the Cambodian peace for starting full-scale economic construction.

## **II. Economic Aid from International Society**

### *A. Aid from the U.S.S.R.*

The economy of the three Indochinese countries has been supported by assistance and cooperation from the U.S.S.R. and East European countries.

According to the Phnom-Penh Government's announcement, the U.S.S.R. gave

aids amounting to 244.0 million roubles to Cambodia between 1979 and 1985.<sup>8</sup> The Soviet Ambassador in Phnom-Penh said that the aids between 1986 and 1990 amounted to 166.0 million roubles.<sup>9</sup> *Time* magazine reported that the U.S.S.R.'s aids amounted to 58 million dollars per year.<sup>10</sup> According to *Time*, the U.S.S.R. supplies 100% of gasoline, 90% of medical and pharmaceutical supplies and 80% of cloth. From 1986 through 1989, Cambodia's average annual export to the U.S.S.R. amounted to 17.8 million dollars (about 74% of the whole), while the average annual import from the U.S.S.R. amountd to 184.2 million dollars (about 57% of the whole). The export is only 9% of the import.<sup>11</sup> The balance, namely, 166.4 million dollars, can be regarded totally as aids. However, the difference from the above values is too large. The author thinks that the former includes grants only, while the latter includes both grants and loans. According to DAC's materials, the average amount of aids to Cambodia (including the refugees at the Thai border ) from the DAC countries and international organizations is 17.6 million dollars from 1986 through 1989.<sup>12</sup>

According to Phao Bounnaphon, Minister of Foreign Economic Relations, Laos, Laos received foreign aids amounting to 1,528 million dollars during the 14 years from 1976 through 1989. Grants account for 47.4%, while loans account for 52.6%. The aids from socialist countries, such as the U.S.S.R. and Vietnam, account for 55% of the total aids.<sup>13</sup> According to KPL (Laos News Service), the aids from socialist countries to Laos from 1986 through 1990 amounted to 571.74 roubles, including loans amounting to 474.8 million roubles.<sup>14</sup> Laos is attaining economic independence from the U.S.S.R. more quickly than Cambodia and Vietnam. Laos's export to the U.S.S.R. accounted for 56% of the export to the Western countries in 1986. However, it declined to 25% of the export to the Western countries and to 20% of the total export in 1989. In 1986, the import from the U.S.S.R. and that from the Western countries amounted to 88.6 million dollars and 56 million dollars, respectively. In 1989, the import from the Western countries and that from the U.S.S.R. amounted to 122 million dollars and 116.9 million dollars, respectively. In other words, the West's share finally exceeded the U.S.S.R.'s.

Aids from the DAC countries and international organizations are increasing gradually from 48.4 million dollars in 1986 to 77.3 million dollars in 1988. They increased suddenly to 137.8 million dollars in 1989. The West's share is increasing in aids as well.<sup>15</sup>

The Soviet Ambassador in Hanoi said that the U.S.S.R.'s aids to Vietnam amounted to 8.7 billion roubles from 1986 through 1990. (Y. Ligachev, a Politburo member promised aids of 8–9 billion roubles in December, 1986.)<sup>16</sup> The annual amount of aids is 1.74 billion roubles, which is equivalent to 2.806 billion dollars if the rate is assumed as 1 dollar = 0.62 roubles. Of the export total on the bare of one rouble equivalent with one dollar, Vietnam's export in rouble accounted for 53% in 1986, but fell down to 46% in 1990. The share of export in dollar began to increase in 1989. Vietnam's import in rouble accounted for 76% in 1986, but only 52% in 1990.<sup>17</sup> The ODA from the West amounted to 533.9 million dollars from 1986 through 1989. The average annual amount is 133.2 million dollars. (Table 1) These figures indicate the seriousness of the West's economic sanction to Vietnam.

On July 24, 1990, the U.S.S.R. announced a Presidential decree indicating a policy to adopt hard currency settlement for the trading with the COMECON countries and a policy to reduce aids to developing countries.<sup>18</sup> This was applied to all of the three Indochinese countries. At the end of January, 1991, the U.S.S.R. and Vietnam signed the 1991 trade cooperation agreement. In this agreement, the U.S.S.R. promised a credit extension amounting to 100 million dollars and a grant amounting to 10 million dollars.<sup>19</sup>

On February 6, 1991, Laos and the U.S.S.R. signed agreements related to the adoption of a new scheme for mutual trading and economic cooperation and related to economy and cooperation in 1991. At that time, the U.S.S.R. promised grants, but the amount is unknown.<sup>20</sup>

On December 11, 1990, the U.S.S.R. and Cambodia signed an agreement on a new scheme of mutual trading and economic cooperation. The entire texts of the U.S.S.R.'s agreements with Cambodia and Laos are given in the appendix at the end of this report for reference. The agreement says that the trading between the two countries will be settled in hard currency and will be based on current world prices starting on January 1, 1991. In addition, Cambodia's debts in rubles will be evaluated in U.S. dollars.<sup>21</sup> According to Foreign Minister Hor Namhong of Cambodia, the U.S.S.R. promised a credit extension of 21 million dollars to Cambodia.<sup>22</sup>

It is anticipated that the importance of the U.S.S.R. for the three Indochinese countries will diminish in both aids and foreign trading.

## B. *Japan's Aids*

Table 1 shows the amount of ODA received by Asian countries from 1983 through 1989. The per capita GNP in 1989 is 800 dollars in Mongolia (in 1986), 700 dollars in the Philippines, 490 dollars in Indonesia, 360 dollars in China, 200 dollars in Vietnam, 200 dollars in Myanmar, 180 dollars in Bangladesh, 180 dollars in Laos, 160 dollars in Cambodia (in 1986).<sup>23</sup> It is not clear what principle was applied to the distribution of ODA. However, the amount of per capita aids to Cambodia and Vietnam is small. These two countries shifted to the open door policy in 1986. China, which is a socialist country like Cambodia and Laos, has been receiving a large amount of ODA during the recent years. This indicates the economic sanction to the Cambodian conflict and Vietnam's involvement in it.

In the 1970s, the U.S. was the largest ODA granting country, accounting for about 60% of the bilateral ODA to East Asia. However, the U.S.'s ODA began to decrease suddenly in 1975. Of the DAC countries's bilateral ODA in 1988, the ODA to East Asia amounted to 4 billion 696.14 million dollars, accounting for 14.2% of the whole. In terms of the breakdown by country, Japan accounts for 62.21% (2 billion 921.24 million dollars). Japan is followed by West Germany (6.0%), Netherlands (5.0%), France (5.0%) and Australia (4%). In other words, Japan has an overwhelming share.<sup>24</sup> In terms of loans, Japan accounts for 81.79% (2 billion 88.22 million dollars) of the whole. In terms of grants, Japan has the largest share (38.87%, 833.03 million dollars). Japan is followed by West Germany (11.6%), Australia (10.0%) and the U.S. (9.9%) in this sequence.<sup>25</sup> Loans ac-

Table 1

NET DISBURSEMENTS OF ODA FROM ALL SOURCES  
COMBINED TO INDIVIDUAL RECIPIENTS

(Unit: million dollars)

	1986	1987	1988	1989
Bangladesh	1455.7	1635.7	1591.7	1801.5
Myanmar	415.7	367.7	450.9	183.8
Nepal	300.9	346.8	399.0	493.3
China	1133.9	1461.7	1988.9	2156.9
Indonesia	710.9	1245.9	1631.8	1838.7
Cambodia	13.2	14.2	18.5	24.5
Laos	48.2	58.3	77.0	137.2
Mongolia	4.6	3.0	3.1	6.4
Philippines	955.8	770.2	854.3	844.5
Vietnam	146.5	110.0	147.8	128.6

Source: OECD, *Geographical Distribution of Financial Flows to Developing Countries 1986/1989*, p.21

count for a large percentage of Japan's ODA to East Asia as well.

Of the total Japanese ODA, the amount to East Asia accounted for 45.5% in 1988. As these figures indicate, East Asia occupies an important position for Japan's ODA policy both objectively and subjectively.

Table 2 shows Japan's yearly bilateral ODA to East Asian countries and the cumulative totals from the 1960s through the end of 1989. The figures in this table indicate the total of loans, grants and technical cooperation. Mongolia and the three Indochinese countries are far below the others in the cumulative total.

Overseas Economic Cooperation Fund announced the cumulative totals of direct loans to East Asian countries as of March 31, 1990 in its annual report. The amounts are as follows. Thailand 755.0 billion yen, the Philippines 829.2 billion yen, Indonesia 1 trillion 706.9 billion yen, China 870.9 billion yen, Myanmar 403 billion yen; Vietnam 26.6 billion yen, Laos 5.2 billion yen, Cambodia 1.3 billion yen. The three Indochinese countries are far below the others. According to the same report, each country's share is as follows. Bangladesh 4.5%, China 10%, Indonesia 19.7%, the Philippines 9.6%, Thailand 8.7%, Myanmar 4.6%; Cambodia 0%, Laos 0.1%, Vietnam 0.3%.<sup>26</sup> In the Asian area, only the three Indochinese countries are below 1%. Even a distant country like Zambia in Africa accounts for 0.4%.

Until now, the three Indochinese countries were unable to receive Japan's ODA because they belonged to the East bloc and opposed to the Western countries in the cold war between the East and the West and because they took part in the Cambodian conflict.

However, these three countries have opened the door to the West and are making efforts to introduce the market economy. They cooperated for the settlement

Table 2

## RECORDS OF JAPAN'S ODA

(Unit: billion yen)

Fiscal Year	1987	1988	1989	Cumulative Total
Bangladesh	38.2	62.4	45.1	599.9
Myanmar	43.7	4.5	0.1	511.8
Nepal	27.8	7.5	6.3	123.1
China	98.2	175.6	106.9	961.8
Indonesia	104.3	214.8	196.2	2003.7
Cambodia	—	—	0.025	1.7
Laos	1.7	2.1	2.6	25.0
Mongolia	0.068	0.031	0.133	5.4
Philippines	136.6	147.7	135.2	1022.5
Vietnam	0.067	0.049	0.054	33.6

Note: Fiscal year (April–March)

Source: Economic Cooperation Bureau of Ministry of Foreign Affairs, *Japan's ODA* Volume 2, Tokyo, 1990, p.9, p.152

of the Cambodian problem. A political settlement of the Cambodian problem is necessary for starting economic assistance. The problem is when to start it, that is, whether to start it when the international conference in Paris ends in success or when a new government is formed after an election.

Japan's ODA is based on two basic principles, namely, the humanitarian considerations and the recognition of interdependence. During the World War II, the Japanese army invaded or advanced to Asian countries. For this reason, the Japanese have a special feeling to Asian countries. It should not be forgot that the deep recognition of mutual dependence with Asian countries is accounted not only by economic relations through trading and investments, but also by such a psychological factor. Mutual dependence not only existed in the past, but also exists at present and will exist in future. The economic dynamism of East Asia is attributable to the fact that the ASEAN countries are gradually succeeding in industrialization after Japan's and NIEs's success and that China has started industrialization. In order to maintain the dynamism of this area, the three Indochinese countries, Myanmar and China must follow the ASEAN countries. It probably is Japan's duty as a forerunner to initiate the economic development of the three Indochinese countries and Myanmar. The three Indochinese countries have low incomes. Now, they are trying to grasp a chance for economic development. Japan should increase the ODA to the three Indochinese countries in view of its basic principles.

### III. Considerations Required for Economic Cooperation

The considerations required for the cooperation for the Indochinese countries' economic revival are itemized below.

(1) It is said that 50,000 Cambodians of the total population of 8.5 million were physically disabled by high explosive shells.<sup>27</sup> The number of deaths may be twice as large. It is necessary to supply artificial legs, but it is more important to manufacture simple explosive shell detectors. I propose that Japan should supply activity funds to NGOs engaged in the removal of high explosive shells, ask to dispatch Chinese specialists to remove Chinese T-69 shells and bear the expenses for it for the time being. It is necessary to dispatch a medical team for the prevention and treatment of malaria. The removal of high explosive shells and the prevention of malaria should be carried out before executing the plan of moving refugees to the country.

(2) Japan should support NGOs' activities not only in Cambodia, but also in Laos and Vietnam. At the same time, the talents of Cambodians, Laotians and Vietnamese living in overseas countries as refugees should be utilized for the reconstruction of their countries. They have no language and custom barrier. When they engage themselves in education, medical care, guidance in agricultural and industrial production, Japan should bear expenses for their temporary return, activities and accommodations.

(3) Foresty destruction is going on in the three Indochinese countries at present. This is causing the drying of water resources, floods and is also shortening the service life of water dams. The development plan of the Mekong River influences not just one country or one district, but other countries and districts as well. Therefore, it is necessary to study the natural environment and resources and to conduct an anthropological survey covering the entire Indochinese area. These studies are a prerequisite for formulating a development plan covering the three Indochinese countries. The Japanese Government will be able to organize an international study team for such fundamental investigations by means of ODA.

(4) Cambodia has a problem related to the expenses required for maintaining the government organization. Japan should help with the maintenance expenses of the government organization under SNC for a fixed period in addition to emergency relief of food and medical and pharmaceutical supplies. This is because the Cambodian Government will be responsible for education, health care and social security. The government will be the largest employer, excluding agriculture, for the time being.

Let's put the domestic private saving as  $S_p$ , the domestic private investment as  $I_p$ , the governmental expenditure as  $G$ , the tax revenue as  $T$ , the export as  $X$  and import as  $M$ . The following can be obtained from Keynes's income determination model.<sup>28</sup>

$$S_p = (G - T) + I_p + (X - M) \quad (1)$$

In Cambodia,  $S_p$  and  $I_p$  are nearly 0 at present. Therefore, the following equation can be obtained.

$$G - T = M - X \quad (2)$$

In the equation (2),  $T$  should be regarded almost 0. The governmental expenditure is equal to the trade balance ( $M - X$ ). According to *Annual Report of Asian Trends*, ( $M - X$ ) is 191.4 million dollars in 1988 and 208.3 million dollars in 1989. The international society must yearly provide approximately 200 million dollars as the governmental maintenance expenses for a fixed period.

According to Asia Development Bank, the investment ratio ( $I_p/GDP$ ) is declining from 8.6% in 1988 to 8.0% in 1990 in Vietnam.<sup>29</sup> The growth rate that can be expected with an investment ratio of about 8% is only 2 to 3%. It is ODA that stimulates the inflow of foreign funds, specially private funds. At the same time, ODA should be used for infrastructure improvement and for stable energy supply.

Laos needs the inflow of private funds in addition to ODA. Education and training are necessary for this purpose. "Technical cooperation" plays an important role in this respect.

Thus, ODA for Cambodia, Laos and Vietnam should be planned not uniformly, but according to the current needs of each country.

## Notes

- 1 William Shawcross, *Sideshow*, New York, 1979, p.297.
- 2 Michael Vickery, *Cambodia 1975-1982*, Boston, 1984, p.185.
- 3 *ibid.* p.186.
- 4 The U.N. and FAO announced that the population at the end of 1980 was 6.5 million. The population at the beginning of 1979 is estimated as 6.22 million if the rate of population increase is assumed as 2.2%.
- 5 OECD, *Geographical Distribution of Financial Flows 1982/85*, p.21.
- 6 Tsutomu Murano, "Vietnam in 1989" *Annual Report of Asian Trends*, 1990, p.237.
- 7 Political reports for the party meetings of the three countries say that Vietnam, Laos and Cambodia have special relations.
- 8 Tetsusaburo Kimura, "Cambodia and Laos in 1987" *Annual Report of Asian Trends*, 1988, p.260.
- 9 *Annual Report of Asian Trends*, 1989, p.262.
- 10 *Time*, August 1, 1988.
- 11 The exchange rate of rouble to dollar announced by the Foreign Trade Ministry of the U.S.S.R. was used. *Annual Report of Asian Trends*, 1991, p.270.
- 12 OECD, *Geographical Distribution of Financial Flows*, 1986/1989, p.29.
- 13 *Annual Report of Asian Trends*, 1991, p.278.
- 14 *ibid.* p.282.
- 15 OECD, *Geographical Distribution of Financial Flows*, 1986/1989.
- 16 *The Nation*, Jan. 2, 1991.
- 17 *Nihon Keizai Shinbun*, Dec. 19, 1986.
- 18 JETRO, *Indochina Information*, June, 1991, p.22.
- 19 Leonard Geron, *Soviet Foreign Economic Policy under Perestroika*, London, 1990, p.102.
- 19 FBIS-EAS-91-025 (Feb. 6, 1991) p.50.

- 20 *Annual Report of South East Asia*, Feb. 1991 Issue, p.19.
- 21 Soviet Foreign Trade Ministry, *Foreign Trade*, 1991. 1. p.46
- 22 FBIS-EAS-91-086 May. 3, 1991. p.22–23.
- 23 ADB, *Asian Development Outlook*, 1991, p.279.  
Data of Mongol and Cambodia are from the DAC documents and *Japan's ODA* (1990), vol.2, edited by the Economic Cooperation Department of Foreign Ministry.
- 24 The Economic Cooperation Department of Foreign Ministry, *Japan's ODA* (1990), vol.1, p.12.
- 25 *ibid.*
- 26 OECF, *Annual Report*, 1990, p.126.
- 27 *Far Eastern Economic Review*, Oct. 10, 1991. p.2.  
*Bangkok Post*, Oct. 1, 1991.
- 28 Eprine Eshag, *Fiscal and Monetary Policies and Problems in Developing Countries*, London, 1983, p.36–37.
- 29 ADB, *Asian Development Outlook*, 1991, p.122.

# Agreement

## Between the Government of the Union of Soviet Socialist Republics and the Government of the Lao People's Democratic Republic ON THE TRANSFER TO A NEW MECHANISM OF MUTUAL ECONOMIC TIES

The Government of the Union of Soviet Socialist Republics and the Government of the Lao People's Democratic Republic, relying on the provisions of the Agreement on Trade Between the Union of Soviet Socialist Republics and the Lao People's Democratic Republic of April 22, 1976,

proceeding from the necessity of improving the mechanism of mutual trade and economic ties and bringing it closer to the world economic processes, as well as international practice,

desirous of strengthening mutually beneficial economic ties on the principle of equality of rights, have agreed as follows:

### Article 1

From January 1, 1991, the Soviet and Laotian participants in foreign economic ties shall transfer to settlements and payments in freely convertible currency and trade at current world prices over the whole complex of trade and economic ties between the Union of Soviet Socialist Republics and the Lao People's Democratic Republic. Such trade and economic ties shall be realized on terms accepted in international trade, on a basis of contracts, including long-term ones concluded by participants in foreign economic ties of both countries interested in them.

### Article 2

To maintain during the transition period (1991) existing trade and economic ties vital for the two countries' economies a portion of the total volume and range of goods and services in a form of indicative lists (centralized trade turnover) shall be agreed upon and a corresponding document drawn up by the Contracting Parties.

This principle of regulating a portion of goods' and services' reciprocal deliveries may be applied in future by mutual consent of the Contracting Parties.

### Article 3

The Contracting Parties shall create necessary economic, financial, juridical and other conditions conducive to preserving and promoting various forms of trade and economic ties between the Soviet and Laotian participants in foreign economic relations including direct ties, establishment of joint ventures, development of production specialization and cooperation and other forms.

The Soviet and Laotian participants in foreign economic ties shall conclude various annual or long-term agreements, as well as other agreements on the delivery of goods and services on their own responsibility with due regard for current international practice.

### Article 4

The Contracting Parties shall not later than November 1, 1991 discuss and agree upon all questions concerning settlement of the Laotian Party's debt of credits granted by the Soviet Party, as well as settlement of balances as on December 31, 1990 on special accounts in rubles, keeping in accordance with the Agreement Between the Bank for Foreign Trade of the USSR and the Bank for Foreign Trade of the LPDR on the Order of Settlements on Trade and Other Transactions of July 8, 1983 and a corresponding intergovernmental document on the reached arrangement drawn up.

The above-mentioned settlement shall be made by evaluating the actual debt in rubles in freely convertible currency according to the agreed exchange rate.

### Article 5

The Contracting Parties, their competent organs and participants in foreign economic ties of both countries shall conduct negotiations for specifying mutual commitments envisaged in intergovernmental and interdepartmental agreements on issues of foreign economic cooperation in different areas and in contracts, and make corresponding amendments to the said agreements and contracts or agree upon their termination.

### Article 6

All uncompleted settlements on contracts, signed with the terms of delivery in 1990 under the Protocol of December 1, 1989 Between the Government of the Union of Soviet Socialist Republics and the Government of the Lao People's Democratic Republic on Trade Turnover and Payments in 1990 and not fulfilled by December 31, 1990 shall be made on special accounts in rubles not later than March 31, 1991.

Settlement of the balance as agreed by the authorized Banks of the Parties as on March 31, 1991 shall be made in the manner stated in Article 4 of the present Agreement.

### Article 7

Settlements and payments on all types of non trade transactions between the Soviet and Laotian Parties shall be made in freely convertible currency from January 1, 1991

### Article 8

The USSR Bank for Foreign Economic Affairs and the LPDR Bank shall coordinate and establish the necessary technical procedure for assuring bank operations stemming from this Agreement.

### Article 9

The representatives of the both countries' competent organs shall by turns meet in Moscow and Vientiane not less than once a year to discuss the course of implementation of the present Agreement and elaborate corresponding recommendations if necessary.

### Article 10

The present Agreement shall enter into force from the date of its signing and shall remain valid unless either of the two Parties informs in writing of its intention to terminate the Agreement not less than six months prior to the beginning of each calendar year.

After the present Agreement's termination its provisions shall be applied to all contracts and commitments which have been arisen within the period of its validity and not fulfilled before its termination.

Done at Vientiane on February 6, 1991 in two originals, each in the Russian and Laotian languages, both texts being equally authentic.

For the Government  
of the Union of Soviet  
Socialist Republics  
E.OSADCHUK

For the Government  
of the Lao People's  
Democratic Republic  
K.PHOLSENA

# AGREEMENT

## Between the Government of the Union of Soviet Socialist Republics and the Government of the State of Cambodia ON THE TRANSFER TO A NEW MECHANISM OF MUTUAL TRADE AND ECONOMIC TIES

The Government of the Union of Soviet Socialist Republics and the Government of the State of Cambodia,

guided by the Trade Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the People's Republic of Kampuchea of February 5, 1980,

proceeding from the necessity to improve the mechanism of mutual trade and economic ties and bring them closer to the process of the world's economy and international practice,

desirous of realizing the mutual trade and economic ties on the principles of equality and mutual benefit,

have agreed as follows:

### Article 1

From January 1, 1991, Soviet and Cambodian participants in foreign economic ties shall transfer to settlements and payments in freely convertible currency and trade at current world prices over the whole complex of trade and economic ties between the Union of Soviet Socialist Republics and the State of Cambodia. These trade and economic ties shall be realized on conditions accepted in international trade and according to the contracts, including the long-term ones, concluded between the two countries' participants in foreign economic ties.

### Article 2

To realize the established trade and economic ties necessary for the two countries' economies during the transition period (1991) the Sides shall coordinate a portion of the total volume and range of goods and services in the form of indicative lists (a centralized trade turnover) and formulate this portion in a corresponding document.

The said principle of regulating a portion of mutual deliveries and services can be used in future by agreement of the Sides.

### Article 3

The Sides shall create the necessary economic, financial, legal and other conditions for promoting the development of various forms of trade and economic ties between the Soviet and Cambodian participants in foreign economic ties, including direct ones, setting up joint ventures, developing specialization and cooperation in production and other forms.

The Soviet and Cambodian participants in foreign economic ties may conclude frame annual, long-term and other agreements on the delivery of goods and services on their own responsibility with account of international practice.

### Article 4

Cambodia's debts on credits which the USSR granted in rubles shall be evaluated in US dollars according to an agreed exchange rate.

The said exchange rate and the order of evaluating in US dollars the balance in rubles as on December 31, 1990, in special accounts at banks

in accordance with the Agreement between the USSR Foreign Trade Bank and Cambodia's Foreign Trade Bank of July 2, 1980, on the order of settlements and clearing accounts, as well as Cambodia's debts on credits shall be determined by the Sides within three months from the date of the signing of this Agreement and formulated in a relevant document.

The procedure for regulating Cambodia's debts on credits shall be considered by the Sides additionally and formulated in a relevant document.

### Article 5

The Sides shall conduct negotiations to specify the commitments stemming from previous Soviet-Cambodian agreements on trade and economic cooperation in various spheres and introduce amendments necessary to comply with this Agreement.

### Article 6

All non-completed settlements under contracts with deliveries to be made in 1990 signed within the framework of the Protocol of November 24, 1989, On Trade Turnover and Payments between the Union of Soviet Socialist Republics and the State of Cambodia in 1990 and not realized by December 31, 1990, shall be performed in rubles up to March 31, 1991. The settlement balance shall be evaluated in US dollars similar to that of the balance and debts as on December 31, 1990.

### Article 7

The USSR Bank for Foreign Economic Affairs and Cambodia's Foreign Trade Bank shall agree upon and establish a technical order of bank assurance of operations resulting from this Agreement.

### Article 8

Representatives of the two countries' competent bodies shall alternately meet in Moscow and Phnompenh at least once a year to discuss realization of this Agreement and elaborate relevant recommendations if necessary.

### Article 9

This Agreement shall enter into force on the day of its signing. It shall remain valid unless either of the two Sides informs in writing of its intention to terminate its validity, not less than six months prior to the beginning of the calendar year from which it is intended.

After termination of this Agreement its provisions shall be applicable to all contracts under which commitments were undertaken in the period of its validity and not realized by the date of its termination.

Done at Phnompenh on December 11, 1990, in two originals, each in the Russian and Khmer languages, both texts being equally authentic.

For the Government  
of the Union of Soviet Socialist  
Republics  
YU.MYAKOTNYKH

For the Government  
of the State of Cambodia  
NIM VANDA