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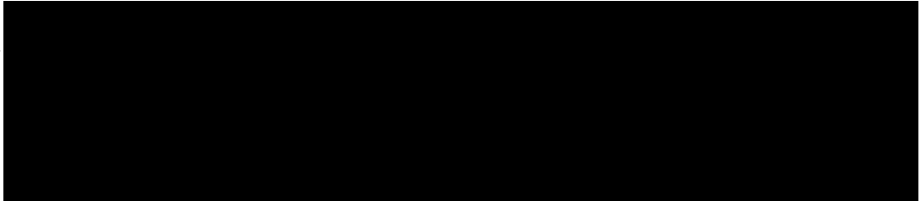
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*Submitted
19 Dec 67*

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1. Prince Sihanouk's recent revelation of a Cambodian agreement to provide rice to the Viet Cong in exchange for dollars precludes



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small amounts of rice now acquired from Cambodia. A year old government purchase program to channel the country's entire surplus of rice through government agencies has had only limited success. Rice production declined (partly due to natural causes), some illegal cross-border trade continued despite favorable government prices, and the government has been unable to obtain sufficient rice to meet the demand of a strong foreign market.

2. VC/NVA purchases have accounted for a relatively small portion -- probably less than 1 percent -- of Cambodian rice crops that have ranged from 2.1 to 2.8 million tons a year since 1960. Vietnamese communist purchases of Cambodian rice are estimated to have

* In a press conference in Phnom Penh on 26 November 1967, Sihanouk was quoted as follows:

"We have made a verbal agreement with the Viet Cong concerning trade. The Viet Cong buy our rice, medicines, and other goods and pay with dollars. There is no reason for us to refrain from trading with them, since we have commercial dealings even with the Saigon government, North Vietnam, and everybody."

The agreement referred to probably was made late in 1965. Sihanouk implies that it is still effective.

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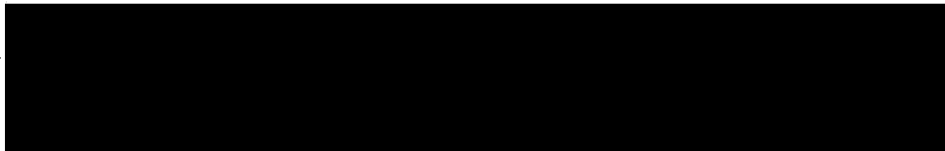
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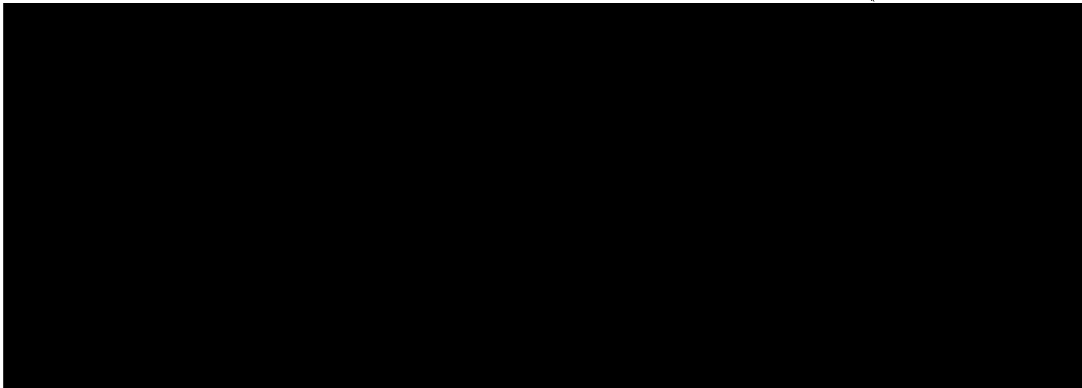
totaled about 5,000 tons in 1965 and to have reached a peak of 20,000 to 30,000 tons in 1966.* This year's total probably will not exceed 20,000 tons.* Cambodian rice markets are so fragmented, and the

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3. The current rice crop appears to be larger than that of 1966. If current expectations are realized, Cambodia's exports of rice and rice derivatives -- all government controlled -- should increase to between 300,000 and 400,000 tons in 1968, compared with an estimated volume of approximately 250,000 tons in 1967. Existing commitments to foreign buyers probably cover a large share of the crop now being harvested and Cambodian officials in all probability would feel that their best interests would lie in honoring these commitments rather than risk losing established customers in favor of short term gains.

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* In addition small volumes of rice are known to be smuggled across the border, particularly in the delta region.

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Furthermore, rice acquired on the domestic market could not be legally exported except through government channels. A significant increase in the domestic price of rice would probably have the counter-productive effect of attracting illegal rice imports from neighboring Thailand and South Vietnam.

5. Principal importers of Cambodian rice are listed in the following tabulation.

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Principal Purchasers of Cambodian Rice and its Derivatives,
1966 and January - June 1967

	Jan - Dec 1966		Jan - June 1967	
	thousand metric tons	(\$ US millions)	thousand metric tons	(\$ US millions)
Total	190	24.2	121	19.9
French Colonial Area	67	9.5	23	4.2
Singapore	44	3.7	19	2.3
Communist China	22	2.8	10	1.7
Hong Kong	14	1.7	24	4.0
Poland	12	1.7	0	0
East Germany	8	1.0	0	0
Czechoslovakia	7	1.1	9	1.7
France	4	0.5	1	0.1
Other European Countries	8	1.4	4	0.7
India	Neg.	0.1	11	1.8
Philippines	0	0	15	2.4
Indonesia	3	0.4	2	0.3
Other Countries	1	0.3	3	0.7