



គណបក្សជាតិខ្មែរ
KHMER NATION PARTY
PARTI DE LA NATION KHMÈRE

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**THE IMF SHOULD IGNORE HUN SEN'S BLACKMAIL
AND CONTINUE TO PRESSURE FOR GOOD GOVERNANCE**

The Khmer Nation Party (KNP) strongly condemns the irresponsible position of Second Prime Minister Hun Sen regarding the inter-related issues of illegal logging and assistance from the International Monetary Fund (IMF), as reflected in the CPP Vice-President's recent statement that the government would allow deforestation to resume [actually to continue] if the IMF continues to withhold aid to Cambodia.

Anarchic logging has intensified over the last few months as evidenced by various reports: secret logging contracts and export authorizations delivered by public authorities serving mainly private interests (we have a significant number of these official documents in our hands), press articles published in the pro-CPP newspapers, accounts by civilian and military eye witnesses, and reports by environment organizations such as Global Witness. Over the last few years, while deforestation has speeded up, the State has collected less and less revenues from timber: 35 million dollars in 1994 (for the first three months only), 20 million in 1995, 10 million in 1996. Every year, an average of approximately 2 million cubic meters of logs worth more than 200 million dollars at the border with Thailand, Laos and Vietnam, are exported from Cambodia. The numerous official cutting and export bans, as well as previous warnings by the IMF, have not changed anything to the situation. The loss of revenues for the State because of systemic corruption is colossal. As a basis for comparison, total foreign aid amounted to 195 million dollars in the actual 1996 National Budget.

Clearly speaking, Mr. Hun Sen threatens to cut more wood if the IMF cuts its assistance. This is an unacceptable blackmail from a political leader who is a master hand at public fund embezzlement. As the upcoming elections are approaching, diversion of state revenues in favor of the CPP is likely to remain on the increase. Therefore, Mr. Hun Sen – who has already donated money to build nearly 2,000 schools bearing his name and who must intensify his electoral campaign in various other conspicuous ways – will order the CPP-dominated administration to cut more and more wood, to smuggle more and more rubber, to grant more and more tax exemptions (in exchange for bribes), to sell or lease more and more state assets, to add more and more self-proclaimed Khmer Rouge defectors and newly-recruited CPP members on the State payroll (in exchange for loyalty), thus aggravating the national budget deficit.

Mr. Hun Sen needs assistance from the donor community in general and the IMF in particular, in order to conceal or minimize the inevitable and terrible impact of the above practices on the State budget and the country's overall economic and financial situation.

Finally, the dilemma for the IMF can be put as follows: will it continue to insist on the Cambodian government abiding by a minimum of basic financial rules associated with good governance, or will it accept to – indirectly but clearly – finance Mr. Hun Sen's electoral campaign?

SAM RAINSY

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