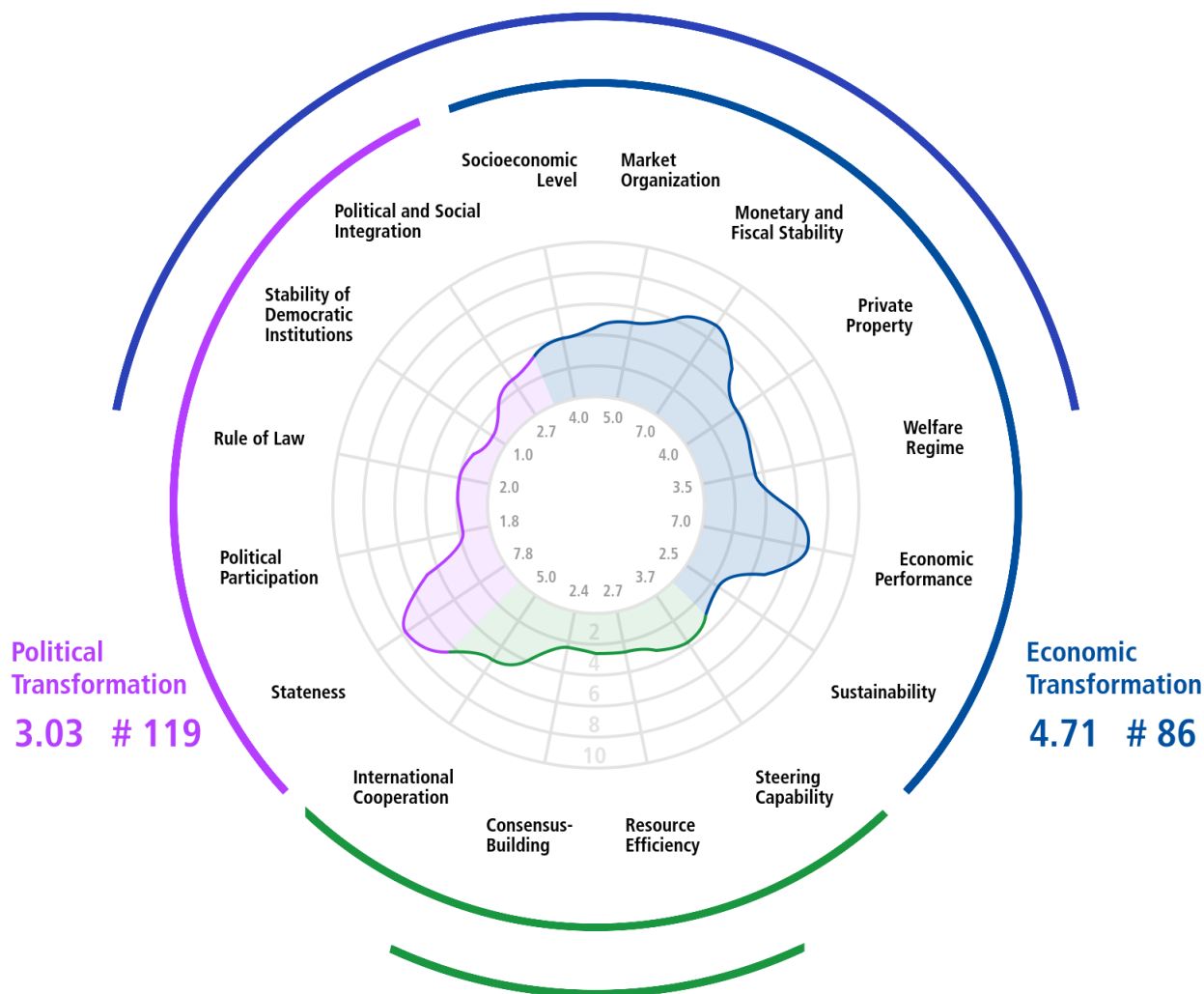


Cambodia

Status Index

3.87 # 107

on 1-10 scale out of 137



Political Transformation
3.03 # 119

Economic Transformation
4.71 # 86

Governance Index

3.21 # 113

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

| | | | | | | |
|--------------------------|--------|-------------|--------------------------------|--------------|----------------------|-------------|
| Population | M | 16.8 | HDI | 0.593 | GDP p.c., PPP \$ | 5349 |
| Pop. growth ¹ | % p.a. | 1.1 | HDI rank of 189 | 146 | Gini Index | - |
| Life expectancy | years | 69.6 | UN Education Index | 0.488 | Poverty ³ | % - |
| Urban population | % | 25.1 | Gender inequality ² | 0.461 | Aid per capita \$ | 81.9 |

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

After nearly three years, Cambodia emerged from the COVID-19 pandemic relatively unscathed. Compared to the global impact, a relatively small number of people in Cambodia became ill and died. This was thanks in large part to a successful vaccination campaign. Furthermore, despite the high level of corruption, state authorities efficiently and professionally disbursed social transfers. Following a recession in 2020, the country has resumed its path of growth with a 3.0% increase in GDP in 2021 and an estimated 4.8% increase in 2022. Additionally, the adoption of the Law on Investment and Competition in 2021 laid the groundwork for a stronger regulatory policy. Efforts to develop welfare state structures have also been intensified. However, the recent significant increases in inflation, private debt and nonperforming loans are the main short-term risks for Cambodia's economic development. Moreover, the ongoing failure of political decision-makers to prioritize ecological sustainability and environmental protection poses a persistent risk. Nonetheless, many fiscal policy and macroeconomic indicators suggest healthy long-term growth rather than fleeting success.

The constellation of power and actors in domestic politics remains largely unchanged. After Prime Minister Hun Sen announced in December 2021 that he would hand over the reins of office to his eldest son – though without naming a date – the CPP has been very busy initiating the transition behind the scenes. To secure this dynastic succession, anti-democratic tendencies have deepened. For example, the regime held five mass show trials of more than 150 former politicians and supporters of the opposition CNRP, which was dissolved in 2017. As a result, Cambodia's judiciary has once again shown itself to be a coterminous institution that is primarily exploited by the ruling party to enforce its political interests.

Moreover, constitutional amendments in 2022 could make it possible for the government to be formed by a party with a relative parliamentary majority, even if an absolute majority in the parliament opposes it. Despite the challenging political climate, the Candlelight Party (CP), a party composed of former CNRP and SRP politicians, participated in the 2022 commune elections and won 22.2% of all votes nationwide. However, this outcome has not (yet) altered the perception that Cambodia remains a de facto one-party state, although the CPP has been significantly weakened from within in recent years due to the dominance of the Hun clan and its closest allies.

In terms of foreign policy, the government surprised many observers by unequivocally condemning Russia's invasion of Ukraine. Cambodia's term as chair of the Association of Southeast Asian Nations (ASEAN) in 2022 was overshadowed by Myanmar's domestic conflicts, which Cambodia attempted to mediate but failed to resolve. This situation once again highlighted ASEAN's general ineffectiveness in addressing political issues. Despite this, Cambodia projected a more positive image during its term as chair of ASEAN compared to a decade ago, when it openly disregarded its neighboring countries, while promoting Chinese interests in the region. Nonetheless, the People's Republic of China has consistently remained the most significant political and economic ally in recent years.

History and Characteristics of Transformation

Following the 1991 Paris Peace Accords, the United Nations Transitional Authority in Cambodia (UNTAC) paved the way for the country's inaugural national election in 1993, resulting in a coalition government formed by the post-socialist Cambodian People's Party (CPP) and the royalist FUNCINPEC party. The political transition period from 1992 to 1997 was marked by instability, political conflicts, corruption, pre-electoral violence and the suppression of opposition forces.

The coalition government faced instability right from its inception. In 1997, Hun Sen (CPP) staged a bloody coup d'état, ousting co-Prime Minister Prince Norodom Ranariddh. As a consequence of the sharp criticism of Cambodian politics on the international stage and with external donors pressuring the government to restore pluralism, Cambodia's accession to ASEAN was delayed.

Some degree of stability was achieved after the official dissolution of the Khmer Rouge in 1998. However, the elections the same year were again preceded by systematic and widespread political intimidation and violence by the CPP. The Sam Rainsy Party (SRP), led by the eponymous former finance minister, emerged as a new opposition force, while the coalition government remained in power. With Hun Sen as the sole prime minister following the elections, the CPP emerged as the country's strongest political force – a trend that continued in the following elections in 2003 and 2008. Hun Sen effectively took broad control over the security apparatus, civil service, all TV stations, most radio stations, major newspapers, the electoral administration and the judiciary. His CPP remains the largest party, with a well-established patronage network.

To challenge the ruling party more effectively, the SRP and the Human Rights Party (HRP) pooled their limited resources and established the new Cambodia National Rescue Party (CNRP) in 2012, led by Sam Rainsy and Kem Sokha. In the 2013 elections, the CNRP emerged as a formidable competitor against the ruling party and won 55 out of 123 seats in parliament. Numerous national and international observers concurred that Hun Sen's slim victory relied on unfair voting conditions. As a result, the CNRP boycotted parliament for nearly a year before ultimately taking their seats after securing several concessions.

With several politically motivated trials against dissidents, the closure of the Cambodia Daily newspaper and several radio stations in 2017, and the forced involuntary change in ownership of the Phnom Penh Post, freedom of opinion has been severely curtailed. In November 2017, the CNRP was dissolved by the Supreme Court in a purely political trial after winning 43.8% of the popular vote in commune elections five months earlier. The ruling CPP assumed the majority of the CNRP's redistributed commune council seats, consequently winning all seats in indirect Senate elections in February 2018. In July 2018, the CPP won all seats in the parliamentary elections, transforming Cambodia's political system from a façade democracy into a de facto one-party state. One that is characterized by strong dynastic tendencies.

Economic liberalization had begun before political transformation accelerated in the late 1990s. Significant progress has been made in recent years. Annual growth rates have consistently been above 5% since 1991, with an annual GDP growth of around 7% between 2010 and 2019. Consequently, Cambodia has emerged as one of the fastest-growing economies in the world, which has positively impacted poverty reduction in the country. In terms of business, Cambodia has positioned itself as China's extended workbench, especially for the apparel, footwear and bag industries. This requires close integration into Chinese-dominated supply chains and access to the primary sales markets in the United States and Europe. In recent years, the successful implementation of fiscal and monetary policy reforms has been the most notable development. However, social inequalities persist, along with extensive environmental destruction. Cambodia continues to rely heavily on the apparel industry, although the government has intensified efforts to diversify the country's industrial base. The main obstacles remain a significant lack of skilled workers, affordable energy prices and adequate transportation infrastructure.

Over the past decade, Cambodia has further expanded its close partnership with the People's Republic of China, resulting in significant economic and political dependency. Concurrently, its relations with the United States and European Union have deteriorated considerably.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In general terms, the state's monopoly on the use of force over the entire Cambodian territory has greatly improved since 1991. There are no domestic actors currently forming territorial enclaves or challenging the state's control in certain regions. Previous border disputes with its immediate neighbors Thailand, Vietnam and Laos have been mitigated by the respective governments on a bilateral level. Suspicions that Cambodia had concluded an agreement with the People's Republic of China on the military use of the Ream naval base in 2019 were given new impetus by intensive construction activities at the base. According to unconfirmed reports, the Chinese navy will be allowed to use a northern section, giving it direct access to the Gulf of Thailand and, by doing so, expanding its military access in the Indo-Pacific. This would violate Article 53 of the Cambodian constitution, which specifically prohibits foreign military bases on Cambodian territory, but would not constitute an infringement on the state's monopoly on the use of force. However, in remote areas in which natural resources are extracted and land-grabbing takes place, non-state actors and members of the state security apparatus can de facto privatize the use of the state's coercive capacity for illicit economic activities.

Cambodia itself is not a young nation; its roots go back to the founding of the Khmer Empire in 802. After the country became independent from France in 1953, the concept of the nation-state increasingly lost recognition due to violence and fragility. This epoch only concluded when the Vietnamese occupation forces withdrew in 1989 and a new era began in 1993. As the current regime is now the longest-serving since World War II, national consciousness and patriotism have gained renewed importance. This is aided by Cambodia's status as the most homogeneous country in Southeast Asia in terms of ethnic, religious and language groups, which has played a vital role in reducing fundamental conflicts over national identity.

However, the lack of differentiation between ethnicity and nationality is problematic. According to a common view, ethnic Khmer are considered inherently Cambodian, while ethnic Vietnamese are not considered fully Cambodian. This is extremely concerning for the legal equality of Cambodia's Vietnamese minority. In general

Question
Score

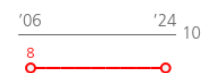
Monopoly on the
use of force

9



State identity

8

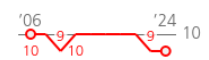


terms, naturalization is possible, while anybody born to at least one Khmer parent is entitled to citizenship, irrespective of place of birth. However, for years, ethnic Vietnamese residents in particular have been effectively excluded from this right by Cambodian authorities, despite requests by the Vietnamese government to naturalize long-term Vietnamese residents. Instead, the Cambodian government's stance has been that people of Vietnamese origin or with Vietnamese names are immigrants, irrespective of any legal entitlements they may hold under Cambodian law. Therefore, about 90% of the estimated 400,000 to 700,000 ethnic Vietnamese population in Cambodia do not have birth certificates and/or identity cards. While many Vietnamese long-term residents or their children may be entitled to Cambodian nationality, they struggle to provide the required documentary proof, as many Vietnamese communities have no effective access to birth registration, making it difficult for children to substantiate their legal status. Moreover, many children are unable to attend public schools due to their lack of a birth certificate, as schools require a birth certificate for enrollment. At the same time, authorities frequently demand that Cambodia's Vietnamese speak and write Khmer as a precondition for naturalization. In addition, ethnic Vietnamese are exposed to xenophobia, which further impedes their social integration. Other ethnicities and indigenous people do not face the same challenges as Article 31 of the constitution guarantees all citizens the same rights "regardless of race, color, sex, language, and religious belief."

In Cambodia, legal order and political institutions are largely defined without interference from religious dogmas. In general, religious beliefs and practices are seen as private matters in Cambodia, and the government does not seek to impose religious doctrine on the population. The Cambodian constitution guarantees the separation of religion and state, and the government generally respects this principle with the exception that the patriarchs of the two major monastic divisions are members of the nine-headed Throne Council, which elects the king as stated in Article 13 of the constitution of 1993. In addition, there are two other explicit references to Buddhism in the constitution, which show a certain preference over other religions. According to Article 68 of the constitution, the state shall help promote and develop Pali schools and Buddhist institutes. Article 43 of the Cambodian constitution declares that "Buddhism shall be the religion of the state," reflecting a population with about 95% Buddhist believers. While Buddhism is the dominant religion in Cambodia and the monarchy has traditionally been closely associated with the Buddhist faith, the government does not endorse any particular religion and does not allow religious beliefs to influence the legal or political systems. However, there have been instances in which the government has been accused of using religion for political purposes, such as promoting Buddhism as a means of strengthening national identity or using Buddhist teachings to justify certain policies. In such cases, there have been concerns about the potential for religious beliefs to influence the legal and political systems.

No interference of religious dogmas

9



1

Formally, basic administrative structures are present throughout the country. However, the quality and availability of these services is often lower in rural Cambodia compared to urban areas. Generally, most quantitative reference indicators indicate a steady improvement in basic public services. According to the World Bank, 68.8% of the population used (at least) basic sanitation services in 2020. Despite a huge increase from 40.9% in 2011, this was still the second-lowest percentage in the entire region. Similarly, Cambodia had the fewest people (71.2%) using (at least) basic water services in 2020, up from 65.5% nine years ago. By contrast, in the same year, only 27.8% of the population used drinking water from an improved water source, a limited increase from 22.5% in 2011. In terms of access to electricity, Cambodia is one of the fastest-developing countries in the world. While only 31.1% of all people in the country had access to electricity in 2010, the proportion rose by 55.3 percentage points to 86.4% by 2020.

Children generally have access to primary education, even if compulsory education is not enforced. Secondary schools are sometimes limited to district capitals, especially in sparsely populated areas, while tertiary education is available only in Phnom Penh and most provincial capitals. The situation is even worse when it comes to health care. With a few exceptions, health care services – even at the provincial level – are generally limited to providing the bare minimum. As a result, people often find themselves having to travel to the capital or abroad to seek emergency or specialized care. The transportation infrastructure, especially the road network, has steadily improved in recent years, with intensive construction activity even in rural areas. Nevertheless, maintenance is frequently lacking in proper planning and is often poorly executed.

The fundamental structural deficiencies of public administration are intricately linked to the ruling CPP's patronage networks, which leads to excessive red tape, inefficiency, corruption and nepotism in public administration. Civil servants owe their positions to their political loyalty to the ruling party, personal relationships with the respective decision-makers and the ability to buy their way into office. Only a few ministries and agencies rely on experts. Therefore, hiring on the basis of formal qualifications, aptitude and experience remains the exception. This systematically undermines fundamental principles such as legal binding and accountability, meaning that the judiciary functions as an arm of the executive.

In contrast, the pandemic years 2020 to 2022 showed that these structural conditions are significantly influenced by political leadership. This was evident in the overall performance of public administration during the pandemic, which across large parts of the country far surpassed expectations, especially in providing services to people living at or below the poverty line. This achievement was likely closely related to the leadership of Hun Sen, who had vigorously demanded greater professionalism at all levels of public service. This, in turn, underscores the strong personalization of the entire political-administrative system, while formal institutions with established rules and standardized procedures remain largely nonexistent.

Basic
administration

5

'06 _____ '24 10



1

2 | Political Participation

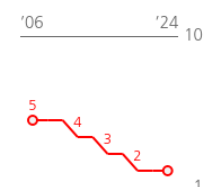
The first nationwide elections in 1993 were also the only free elections in the last 30 years, as they were conducted by the United Nations. Elections to the National Assembly (Cambodia's lower house of parliament) have been held every five years since. However, these subsequent elections have been marked by violence (although less centrally orchestrated in recent years), threats and intimidation, systematic election fraud (mainly involving the manipulation of voter lists and unfair competition), and unequal access to electronic media and state resources. The only beneficiary of these conditions has been the CPP, which has ruled Cambodia since 1979 and solidified its position as the dominant force in 1993. In addition to parliamentary elections, commune elections have been held every five years since 2002; the commune councils in turn elect the Senate, the upper house of the parliament, every six years (most recently in 2018). In Cambodia, only parties and not individuals are allowed to participate in elections. Since 2017, the administration of elections has been largely technically correct. With the exception of the opposition (regarding both followers and the respective parties), registration procedures for parties and voters were carried out without systemic issues. However, the National Election Committee and its subnational stakeholders are only formally independent, but are completely controlled by the regime in practice.

After the Cambodia National Rescue Party (CNRP), the only relevant opposition party, was dissolved by the regime in 2017 – formally by court order – due to its widespread popularity, Cambodia can no longer be called a façade democracy. Although 19 parties, in addition to the CPP, contested the last parliamentary elections in 2018, not one won a mandate – primarily because they were small and insignificant. The Candlelight Party (CP), a group formed from elements of the CNRP, participated in the 2022 commune council elections and won 22.2% of all votes nationwide. Nevertheless, it is evident that Cambodia has become a de facto one-party state in recent years, with the CPP providing all 125 members of parliament, 58 out of 62 senators and controlling a majority of 1,648 out of 1,652 communes.

Even if the CP survives to contest the parliamentary elections in July 2023, it is highly improbable that it would fundamentally alter the power dynamics in the country. This is because elections only take place under conditions that guarantee the CPP a majority.

Free and fair elections

2



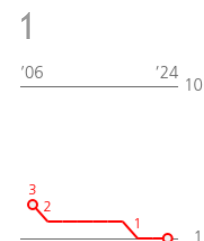
Since Hun Sen consolidated his power over the state, the security forces and the ruling CPP, there is not one relevant political decision-maker who holds a position within the regime against his will. There is nobody within the CPP who has ever publicly criticized Hun Sen during the last two decades. Hun Sen has created a political environment in which virtually all actors feel the necessity to bow to him. In practice, this gives him the opportunity to overrule any decision made by subordinates within the regime, and even to ignore existing laws and decrees. At the very least, Hun Sen has to respect the CPP's internal patronage networks, although this is related more to the overall system than to specific individuals within. Consequently, only the bodies that Hun Sen uses as his major tools to govern and control the country are influential. This includes his personal bodyguard militia and several other security forces. However, in recent years, these forces have become less visible in daily politics.

Hun Sen will probably retain his enormous influence even after he steps down as prime minister. Following a constitutional amendment in 2022, Article 119 grants the party with the largest number of seats the authority to propose a prime minister directly to the king, while simultaneously informing the president and the two deputies of the National Assembly. This means that the party with only a relative majority in the parliament is able to form the government, despite lacking an absolute majority. In addition, Article 119 now explicitly requires a vote of confidence on any prospective government for the cabinet as a whole, removing the possibility that confidence could be withheld from specific individuals, including the prime minister. The sole motivation behind this constitutional change is to facilitate the transition of power from Hun Sen to his eldest son, Manet. With this new rule, the leader of the strongest party will, in effect, decide who becomes head of government. Since Hun Sen has been elected chairman of the CPP for life, he has created an influential veto position for himself at the expense of essential democratic principles.

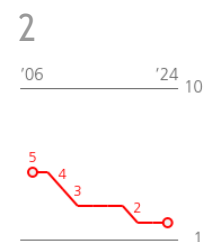
According to Article 42 of the constitution, Cambodian citizens formally have the right to form and join independent political and civil society groups. In reality, however, only those associations that pursue non-political goals or are composed of individuals whose loyalty to the government and CPP is obvious can fully exercise this right. This practice primarily benefits not only regime-aligned organizations but also micro-parties created to maintain the illusion of political competition.

In recent years, activists from various independent NGOs have faced repeated repression, which has extended beyond threats and intimidation to include arrests and imprisonment. Security forces have also responded rapidly to labor disputes, arresting and harassing participants, as seen most recently at the well-known Naga World hotel and casino complex in Phnom Penh. Above all, the Law on Associations and Non-Governmental Organizations (LANGO) demands political neutrality from civil society organizations. Because of the wide-ranging possibilities for interpretation, even minor and justified criticism of the government can be interpreted as a violation of the law and pose a fundamental threat to organizations. Therefore, many NGOs exercise restraint and self-censorship, which is a necessity for their continued existence.

Effective power to govern



Association / assembly rights



Open-air political gatherings have almost completely disappeared from Cambodia. If they occur at all, organizations use Freedom Park in Phnom Penh for such events. The regime designated the park as a decentralized area to prevent protests elsewhere. In rural areas, organized public protests are almost inconceivable, and even indoor gatherings usually require permission from the authorities. Moreover, at the beginning of the pandemic, the regime introduced additional legal measures to suppress undesirable organizations. Following the adoption of the State of Emergency Law in 2020, the government can impose restrictions on travel, meetings and gatherings, daily work and professional activities, and on people leaving their homes or using other accommodation.

Although guaranteed by the constitution, the possibilities for limiting freedom of expression are extensive because the relevant article contains the statement: “No one shall exercise these rights to infringe upon the honor of others, or to affect the good customs of society, public order and national security.” In recent years, there have been numerous instances in which expressions of opinion have led to legal repression and resulted in severe penalties. Furthermore, in 2018, the National Assembly adopted a *lèse-majesté* law that introduced fines of between \$500 and \$2,500, and prison sentences of up to five years. In practice, however, the law is hardly ever applied.

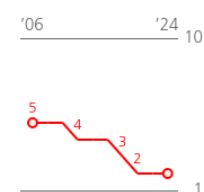
Looking at everyday political life in Cambodia, one sometimes gets the impression that freedom of expression applies only to one person – Hun Sen. Otherwise, political restraint and self-censorship dominate public discussion, and often professional and private communications. Working conditions for independent media have become much more difficult over the last six years. Journalists are poorly paid, and few graduates of internationally funded media studies programs have chosen journalism as a career in recent years. Nevertheless, a few media outlets continue to report on politically and socially sensitive topics, although with a degree of caution in their choice of language. Notable media outlets include the Southeast Asia Globe (English), Cambodianess (the English version of Thmey Thmey), Voice of Democracy (Khmer and English), Women’s Radio FM103.5 (Khmer) and Beehive Radio (Khmer).

3 | Rule of Law

The highly centralized decision-making processes within the ruling CPP and the dual function of Hun Sen as party leader and head of government provide Hun Sen with the means to eliminate both legislative chambers as independent powers. In Cambodia, therefore, the executive dominates the parliament. Moreover, subordination to the central government is a systemic principle that affects all institutions and agencies that could limit the government’s power. It encompasses the entire judiciary, the Constitutional Council, the National Election Committee, the Court of Accounts and all subnational levels. Even if, in the future, the son’s

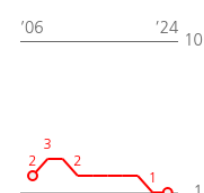
Freedom of expression

2



Separation of powers

1



leadership of the government and the father's leadership of the party were separated in terms of personnel, this principle would likely persist. Moreover, the Law on the Management of the Nation during a State of Emergency was passed in 2020, which further empowers the executive branch and completely eliminates even the formal powers of the legislative.

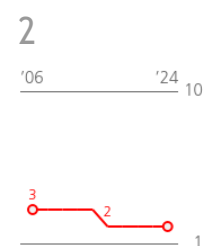
Cambodia's judiciary has been under the complete political control of the executive for years. The CPP utilizes the judiciary to eliminate actual and potential political opponents and dissidents, particularly opposition politicians, human rights activists, journalists and trade unionists. Between November 2020 and January 2023, cases were opened against more than 150 individuals, with most resulting in long-term prison sentences. Several (former) opposition politicians, such as Sam Rainsy and Mu Sochua, were convicted of multiple charges but evaded prison having emigrated several years before. In contrast, Kem Sokha, another former opposition leader, decided against emigrating. In 2017, he was arrested for alleged treason, which was later mitigated to house arrest. His trial, which began in late 2019, remains ongoing as of January 2023. He faces up to 30 years in prison if convicted.

Judges and prosecutors must be politically loyal to the CPP; otherwise, they would never have secured their positions in the first place. In non-political proceedings, jurisprudence is dominated by corruption and incompetence. Nevertheless, the number and quality of lawyers have improved in recent years, which has meant that legal arbitrariness in civil cases is no longer quite as common as it was two decades ago.

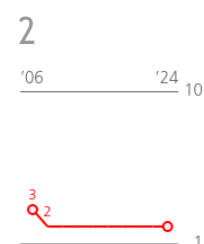
Except for rare cases where high-quality education and technical competence are deemed essential, civil servants pay substantial entry fees for middle- and high-ranking positions. Moreover, in most cases, they are also required to make regular contributions (in the form of kickbacks) to their immediate superiors and CPP officials, which far exceed their formal income. Under these conditions, corrupt practices become endemic. This system increases political loyalty in two ways. First, it establishes an effective enrichment system that benefits many individuals and makes the regime sufficiently attractive to middle and senior officials, and security forces. Second, it enforces discipline and obedience because corruption and bribery are also illegal in Cambodia, so prosecution can always be a possible sanction in individual cases. Hence, corruption is deeply ingrained in Cambodia, which makes it far more difficult to address – assuming there is any interest in doing so at all. Although the country has had an anti-corruption law since 2010, the anti-corruption unit created by the law mainly watches over the smooth functioning of the system. Only rarely are people charged with corruption; the cause is usually a violation of the unwritten rules of revenue sharing.

The extent of petty corruption has declined slightly in recent years, while grand corruption at the political level continues to flourish as it always has. In addition to the systemic causes, corruption is further fueled by minimal environmental awareness, and close ties between top politicians and private sector actors.

Independent judiciary



Prosecution of office abuse



Environmental crimes and other corruption-related scandals have rarely made it into public discourse because of the lack of both whistleblowers and independent journalism. However, the pandemic-related social transfers between 2020 and 2022 demonstrated that corruption is not inherent to the Cambodian system. While these subsidies would have been an invitation to personal enrichment for all levels of government just a few years ago, they were spared systematic skimming due to high-level political pressure from Hun Sen.

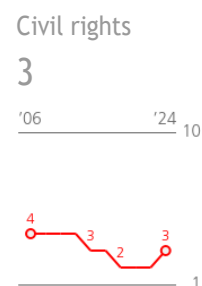
Cambodia’s constitution of 1993 enshrines fundamental human rights and the essential civil liberties of a liberal democracy. However, politically motivated violations of civil rights have occurred in waves over the past three decades, often around election periods, with the aim of intimidating larger groups by making high-profile examples of individuals and small groups. Thus, although Cambodia has experienced a relatively quieter period in this regard over the past two years, this does not necessarily indicate greater respect for civil rights overall.

An exception has been temporary restrictions on civil rights in the wake of pandemic-related measures, such as enforcing vaccinations or implementing a color-coded zoning system in the capital, where individual rights were temporarily suspended to contain COVID-19. Serious cases of civil rights violations at the local level have been more frequently punished lately in comparison to the beginning of the last decade. However, sentencing is often unduly lenient and continues to exclude security personnel personally sworn to Hun Sen. Typically, the henchmen of politically influential backers are only convicted when civil rights violations occur at the intersection of private economic and political interests to the detriment of third parties.

People living at or below the poverty line are most at risk of having their civil liberties (and human rights) violated. This includes homeless people, disabled people, workers in bonded labor and prison inmates. Intersectional patterns of discrimination continue to heighten the risk of individuals failing to fully exercise their civil rights, particularly discrimination associated with gender (female), religion (non-Buddhist) and ethnicity (non-Khmer). In contrast, Cambodia has become Southeast Asia’s leading nation-state regarding discrimination based on sexual orientation.

4 | Stability of Democratic Institutions

The formal liberal and democratic institutions of Cambodia’s political system include an upper (Senate) and a lower (National Assembly) house of parliament, vertical differentiation (provinces and districts), and regular elections to the National Assembly and commune councils. However, the CPP has undermined these institutions with its own informal authoritarian rules based on patronage and personal networks. Only when democratic procedures align with the CPP’s own interests or specific activities are the procedures recognized. Political rivalry is, therefore, only feasible when other parties are too weak to seriously oppose the ruling party. Hun Sen destroyed two main contenders with the brutal coup d’état against the



FUNCINPEC in 1997 and the dissolution of the CNRP by judicial order in 2017. There is little question that he would do so again if it were required. Hun Sen is likely to be similarly assertive with opponents within his own party who would oppose the transfer of power to his eldest son, Hun Manet. Democratization in Cambodia, therefore, requires not only the CPP to relinquish power but also the ruling party’s emancipation from Hun Sen and his family.

Cambodia’s façade democracy has become even more autocratic since the dissolution of the CNRP in 2017. The CPP and the whole apparatus remained loyal to Hun Sen, despite some indications that a small number of reform-minded technocrats in the administration did not support further democratic backsliding. As representatives of the regime, they (and their families) understandably weigh the limited prospects of success for any opposition against the prime minister’s formidable control over power and resources. Unless they stand behind their strongman with unwavering conviction, submission and self-censorship are the primary means of self-preservation for many deputies, ministers and senior civil servants. It is, therefore, highly unlikely that democratic reforms will emanate from within their ranks in the near future.

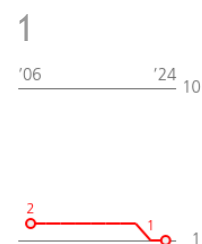
Authoritarian leadership models are not exclusive to the CPP. Most past and present opposition parties, despite projecting a democratic image, have been dominated by strong leaders and hierarchical structures. The situation is similar for most NGOs. Only a few organizations have established real opportunities for internal participation, often prioritizing the interests of their donors over their target groups. Moreover, many people who were committed to promoting democratic and liberal values in political parties, civil society organizations and journalism over the past three decades have left Cambodia. Among those who have remained, the majority have largely come to terms with the authoritarian structures of the state and society.

5 | Political and Social Integration

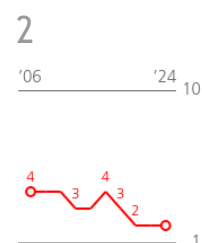
The CPP largely fails to act as a mediator between the state and society, a role often seen in consolidated democracies. Interactions between the CPP and society primarily revolve around propaganda, asserting the CPP’s comprehensive claim to power at all levels and mobilizing the CPP’s own supporters before elections. In many respects, the relationship between the party and the population corresponds strongly to a classic patron-client relationship pattern, with limited development of the concept of the citizen as a legal subject, especially in rural areas. Most other parties rarely deviate from these principles.

However, the opposition Cambodia National Rescue Party (CNRP) maintained a closer relationship with voters, a key factor behind its popularity and the regime’s decision to dissolve the CNRP in November 2017. The Candlelight Party (CP), which was reactivated in 2022 and formed from elements of the CNRP, operates under the constant threat of dissolution. Founded in 1995, the Khmer Nation Party was renamed

Commitment to democratic institutions



Party system



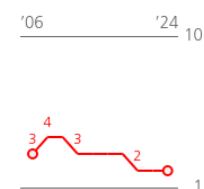
the Sam Rainsy Party (SRP) in 1998 after its founder. In 2012, the SRP and the Human Rights Party (HRP) merged to form the CNRP. The SRP was then largely inactive for about 10 years, until the CNRP was dissolved in 2022, but has since become politically active again, using the same logo but a different name. Provided the renamed SRP survives until the next parliamentary elections in July 2023, the party stands a good chance of winning several seats. However, the renamed SRP is unlikely to match the CNRP's significant successes in 2013. This is because, in the course of the CNRP's dissolution, its two wings – represented by Sam Rainsy and Kem Sokha, the former president of the HRP – have become increasingly estranged. Sam Rainsy has been living abroad since 2015 and has been sentenced in absentia to several prison terms that far exceed his life expectancy. As such, it is obvious that the regime is doing everything in its power to ensure that the country's most popular opposition leader never returns to Cambodia. Even if Sam Rainsy does not hold a formal position within the Candlelight Party, it is an open secret that he is far more than a gray eminence in the background for the party. Kem Sokha, on the other hand, has been facing a charge of alleged treason since 2017. The trial, which began in 2019, was still ongoing as of January 2023. He faces up to 30 years in prison if convicted.

As a legacy of Cambodia's socialist past, most interest groups and cooperative associations are connected to the CPP. While this link guarantees their existence, these groups are politically irrelevant because they are not sufficiently independent to address controversial issues with the regime. In contrast, exerting pressure on the government, for example, through public campaigns or demonstrations is rare and often unsuccessful, unless the regime uses these organizations to feign legitimacy for policies or mobilize its own supporters. Nevertheless, independent associations frequently serve as consultants and have the power to alter technical aspects of specific policies under the so-called advocacy approach. Similarly, NGOs support their target groups with general information and judicial support, although this can easily become risky in rural areas. Cooperation between organizations takes place through a few umbrella organizations, on special occasions (e.g., related to human rights) and informally through networking events (primarily in Phnom Penh). Out of roughly 3,000 trade unions, very few are truly independent; the rest are “yellow” unions or state-aligned. There have been no major labor disputes since 2014.

Since 2008, the Asian Barometer Survey has conducted several rounds of surveys of social and political attitudes and behavior within Cambodia. The data indicates clear approval for liberal and democratic principles. In 2015, 73.1% of 1,200 interviewees agreed with the statement “democracy is always preferable to any other kind of government,” up from 57.0% in 2012 (2008: 61.2%). Only 6.9% agreed with the statement “under some circumstances, an authoritarian government can be better than a democracy,” down from 13.0% in 2012 (2008: 8.3%). Asked whether “we should get rid of parliament and elections and have a strong leader decide things,” 77.5% disagreed or strongly disagreed (2012: 80.0%; 2008: 72.8%). Similarly, 78.5% disagreed/strongly disagreed in 2015 with the statement “only one political party

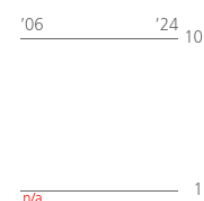
Interest groups

2



Approval of democracy

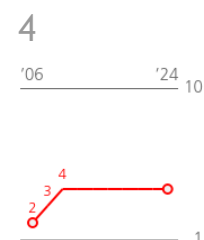
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should be allowed to stand for election and hold office,” up from 67.9% in 2012 and 67.2% in 2008. However, in 2015 a clear majority of 67.7% stated that economic development is definitely/somewhat more important than democracy (2012: 70.0%; 2008: 58.8%) while 56.9% agreed that “reducing economic inequality is definitely/somewhat more important than protecting political freedom,” up from 49.8% in 2012.

The pandemic-related economic crisis led to spontaneous cases of mutual support in many places. Nevertheless, the country continues to be marked by decades of violence and the associated erosion of social trust. Particularly in rural areas, where about 75% of people live, people’s willingness to cooperate with one another across family and village boundaries is weak. Under these conditions, even agricultural cooperatives have not been formed. Instead, many people think and act in hierarchical structures, especially in traditional patronage networks in which the main goal is to defend one’s own position against others and to advance up the social ladder. In interactions with others, gaining an advantage is often perceived as a zero-sum game. Consequently, friendships and close relationships of trust with others are very rare. The regime actively contributes to undermining social capital. For example, the regime enforces political conformity through pressure, demanding submission, intimidating dissidents and maintaining elaborate surveillance mechanisms (which include a widespread network of informants, and the monitoring of telephone conversations and social media posts).

Social capital



II. Economic Transformation

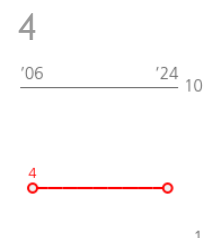
6 | Level of Socioeconomic Development

According to the Human Development Index (HDI), Cambodia has slightly improved its development status in recent years, increasing its score from 0.548 in 2011 to 0.593 in 2021. Similar to most other countries in the world, the latest score is still lower than the pre-pandemic score in 2019 (0.598). In the region, only Myanmar (149) ranks lower in the HDI than Cambodia, with Cambodia ranked 146th globally. The loss of human development due to inequality has declined in recent years and was 19.2% in 2021, compared to 23.5% 10 years prior. Approximately 18% of the population lives below the national poverty line, with a significant gap between rural and urban areas. While only 4.2% of Phnom Penh residents are statistically considered poor, the percentages in other urban (12.6%) and rural (22.8%) areas are much higher.

During the last 10 years, Cambodia’s Gender Inequality Index score has continuously declined, reaching 0.461 in 2021. In the labor market, women benefit from employment opportunities in the apparel industry, as 90% of the industry’s approximately 800,000 workers are women. The incomes of workers in the apparel

Question
Score

Socioeconomic
barriers



industry indirectly support a wide range of informal sectors, as well as hundreds of thousands of family members who mostly live on subsistence farming in rural areas. Women in agriculture represent about three-quarters of the workforce and produce 80% of Cambodia's food, according to the Asia Development Bank. However, women own less than one-sixth of the recorded agricultural land area and are estimated to receive only about 10% of all agricultural extension services. Furthermore, female-headed households on average own less land and face greater limitations in accessing farm equipment, tools and communication services.

| Economic indicators | | 2019 | 2020 | 2021 | 2022 |
|---------------------------|----------|---------|---------|----------|----------------|
| GDP | \$ M | 27089.4 | 25872.8 | 26961.1 | 29956.8 |
| GDP growth | % | 7.1 | -3.1 | 3.0 | 5.2 |
| Inflation (CPI) | % | 1.9 | 2.9 | 2.9 | 5.3 |
| Unemployment | % | 0.1 | 0.3 | 0.3 | 0.4 |
| Foreign direct investment | % of GDP | 13.5 | 14.0 | 12.9 | 11.9 |
| Export growth | % | 13.3 | -11.3 | 13.5 | 20.7 |
| Import growth | % | 11.1 | -8.9 | 23.1 | 22.3 |
| Current account balance | \$ M | -2930.6 | -881.2 | -10892.9 | -7581.5 |
| Public debt | % of GDP | 28.2 | 34.4 | 35.9 | 34.8 |
| External debt | \$ M | 15342.2 | 17568.7 | 20020.4 | - |
| Total debt service | \$ M | 1517.0 | 1556.1 | 2191.1 | - |
| Net lending/borrowing | % of GDP | 2.2 | -3.7 | -7.0 | - |
| Tax revenue | % of GDP | 19.7 | 17.9 | 16.4 | - |
| Government consumption | % of GDP | 4.8 | 5.4 | 7.6 | 8.3 |
| Public education spending | % of GDP | 2.8 | 3.0 | 1.7 | - |
| Public health spending | % of GDP | 1.7 | 2.1 | - | - |
| R&D expenditure | % of GDP | - | - | - | - |
| Military expenditure | % of GDP | 2.2 | 2.5 | 2.3 | 2.1 |

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Although Cambodia is formally organized as a market economy, the institutional framework that guarantees free and fair competition is weak. Regulatory interventions to enforce binding rules are heavily restricted by cronyism, patronage and nepotism. Across most levels, the public administration is unable to implement existing laws and decrees, while access to legal recourse is characterized by politicization and corruption.

Unfair competition mechanisms systematically favor companies with connections to the ruling CPP, government officials and the armed forces. In addition, Chinese firms have for years enjoyed freedoms that investors from other countries have not. Tax inspections have become a common method of undermining competition, as companies with political connections are effectively exempt from paying taxes. A further issue are unauthorized imports that circumvent customs and contribute to significant gray markets.

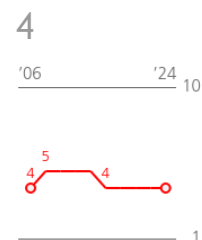
A further deficit of market organization is the existence of one of the largest informal sectors in the world. According to the International Labour Organization (ILO), the informal sector accounted for 89.4% of total employment in 2019, a reduction from 93.6% in 2012. Generally, small and micro enterprises within the informal sector are not officially registered. Therefore, their compliance with existing rules is not monitored by state agencies. As a result, they can offer goods and services at significantly lower prices.

To improve market conditions, Cambodia enacted the Law on Investment in October 2021. The new law is designed to serve as an open, transparent, predictable and favorable legal framework, with the objective of bolstering the country's appeal as an investment destination. The law seeks to accomplish this by offering a broader array of incentives, guarantees and protections for both domestic and foreign investors. Nevertheless, as of 2022, the law has not yet been put into effect due to the absence of a sub-decree that delineates the responsibilities of each ministry.

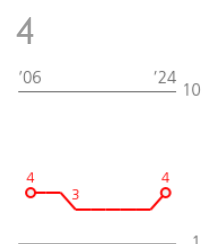
Furthermore, the National Bank does not guarantee the ability to exchange the Cambodian riel for U.S. dollars or other globally traded currencies.

Although Cambodia is not a member of the International Competition Network, Cambodia became the last ASEAN member state to adopt ASEAN's first-ever antitrust law in October 2021. The Law on Competition, which had been under development since 2006, encompasses anti-competitive agreements, abuses of dominance, merger control and potential penalties for violations. Most importantly, the law prohibits activities in Cambodia that hinder, restrict or distort market competition. These activities fall into three main categories: horizontal and vertical agreements, abuse of a dominant market position, and business combinations. To

Market organization



Competition policy



oversee the implementation of the new law, the government established the Cambodia Competition Commission (CCC) in February 2022. The CCC, chaired by the minister of commerce, consists of a minimum of 15 members and holds at least four meetings annually.

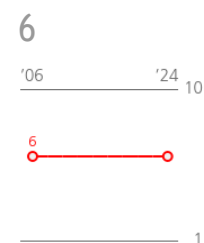
Given the challenges in other fields of Cambodian law, it remains uncertain whether and how the law will be implemented. Many politicians, as well as high-ranking civil servants and military officers, hold shares in companies or have set up businesses through family members who, in turn, derive significant benefits from their political linkages. Moreover, it is common for entrepreneurs to purchase political and legal protection through bribes and kickbacks, which undermines competition.

Cambodia has been a member of the World Trade Organization (WTO) since 2004 and was a co-founding member of the Regional Comprehensive Economic Partnership (RCEP) in 2020. Additionally, Cambodia has signed bilateral free trade agreements with the People's Republic of China and the Republic of Korea. Despite these achievements, there are still nontariff barriers that impede international trade, particularly in the agricultural sector. Cambodia applies a flat 10% value-added tax (VAT) to all imported goods, along with additional tariff rates that range from 0% to 35%. Furthermore, goods leaving the country are taxed at between 0% and 50%. However, businesses operating within Cambodia's Special Economic Zones are allowed to import raw materials and production equipment without paying import duties and are exempt from VAT on both imports and exports.

For many years, Cambodia has prohibited the commercial importation of narcotics, psychotropic substances, their precursors, toxic waste, poisonous chemicals and substances, and certain pesticides. Government regulations also prohibit the import of used computers and spare parts, as well as household and hazardous waste. Additionally, several other products are subject to quantitative import restrictions, and importers of these products are required to seek approval from the relevant government ministries or technical agencies. In addition to these formal regulations, trade is vulnerable to corruption and bribery, which are prevalent in the customs sector, fostering unofficial imports and the growth of gray markets.

As a member of the World Trade Organization (WTO), the country enjoys most-favored nation (MFN) status in international trade. The latest simple average final bound rate was 19.3%, while the simple average of the MFN applied rate was only 10.2% overall (28.0% in agriculture, 12.6% in non-agriculture). This difference is relatively small when compared to Cambodia's regional neighbors. In 2021, Cambodia's most important trade partners were the United States (which accounted for 38.8% of all Cambodian exports), Vietnam (10.3%) and China (7.8%), while China (33.7%), Singapore (17.8%) and Thailand (12.1%) were the primary sources of imports.

Liberalization of
foreign trade



In previous years, the U.S. export share was considerably lower at 21.4% in 2016 and 29.0% in 2020. Clearly, Cambodian exports to the United States have never been stimulated by the U.S. Generalized System of Preferences (GSP) scheme, which expired in January 2021. Since then, Cambodia – along with 118 other countries and territories worldwide – no longer benefits from the GSP scheme and has been subjected to the less favorable MFN tariffs. In contrast, the European Union has become much less significant as a sales market for Cambodia in recent years, possibly due to the partial suspension of trade facilitation under the Everything But Arms (EBA) scheme. Exports to the European Union declined by approximately 24% year-on-year in 2020 but rebounded by 4.6% in 2021.

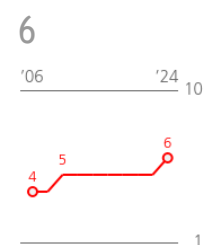
Cambodia's banking sector has grown steadily since the 1990s, even though regulatory capital standards are not in complete compliance with Basel II. However, at least until 2019, these standards incorporate elements of Basel I, Basel II and Basel III. This positive trend can be attributed to several factors, including an expanding middle-income population, a large youth demographic, new market entrants, increased competition within the banking sector, and a rise in economic activity and investments.

As of June 2022, the banking sector in Cambodia consisted of 58 commercial banks, nine specialized banks and 86 microfinance institutions. Nationwide, there were 13.2 million deposit accounts and 3.5 million credit accounts. Despite the challenges posed by the pandemic, the banking system has experienced significant growth, growing 17.2% between June 2021 and June 2022, reaching a total value of \$75.2 billion. During the same period, outstanding loans increased to \$51.5 billion, representing a growth rate of 23.4%. Additionally, customer deposits rose by a commendable 16% to reach \$42 billion.

Between 2019 and 2021, Cambodia's bank capital-to-assets ratio grew from 13.6% to 14.4%, making it one of the highest in the world. In 2021, nonperforming loans (NPLs) accounted for only 1.7% of all credit, which is the second-lowest share in the complete BTI 2024 report. However, as of June 2022, NPLs had increased to 2.6% of bank loans, to 2.3% of microfinance loans and were equivalent to nearly 4.5% of GDP. According to the Phnom Penh Post, in 2021, the agriculture, forestry and fishing sector accounted for the largest proportion of outstanding NPLs in absolute terms, followed by retail and construction. Meanwhile, the hotel and restaurant sector experienced the largest surge in NPLs, likely due to a lack of foreign visitors.

In addition to these developments, the sharp increase in over-indebted households in rural areas to microfinance institutions remains a concern. As of early 2022, Cambodian households hold nearly three million microloans, amounting to more than \$14 billion. The average debt per household increased by 85% in 2020 compared to the previous year, from approximately \$2,400 to \$4,400 (GDP per capita was \$1,552 in 2020). Often, interest rates exceed the legal maximum of 18% due to both official and unofficial fees, which leads to rapid over-indebtedness. Land titles are frequently used as collateral, which results in the loss of land for many families, with farming families in particular left facing severe existential challenges.

Banking system



8 | Monetary and fiscal stability

Whereas Cambodia greatly benefited from monetary stability before the pandemic, inflation accelerated to 7.2% in March 2022, reaching a 13-year high. This increase was primarily caused by rapidly rising prices for food and petroleum products. According to the World Bank, the contribution of the food subindex, which makes up 43.2% of Cambodia's Consumer Price Index (CPI) basket, doubled to 3.1% in March 2022, a significant increase from 1.6 percentage points during the same period last year. This rise was largely driven by higher prices for rice, beef, fish, fruits and vegetables.

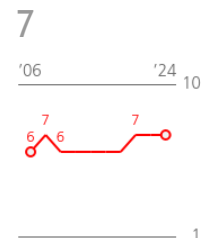
The Cambodian riel (KHR) has been fluctuating around KHR 4,150 to \$1. Although volatility has been quite low for more than 10 years, the riel's creeping depreciation against the U.S. dollar has become obvious, with the riel depreciating almost 4% between 2018 and 2022. Despite the "rielization" strategy adopted by the National Bank of Cambodia (NBC), the economy is still dominated by the U.S. dollar. While the riel is widely used as a payment method by the government, the private sector tends to use the U.S. dollar, especially in urban areas where most forms of investment, tourism and aid payments are made in U.S. dollars. Similarly, 88.6% of total lending was denominated in U.S. dollars in 2021. Most bank deposits are also denominated in U.S. dollars, with U.S. dollar deposits accounting for 91.4% of all deposits in 2021. The share of riel deposits, however, rose from 6.1% in 2018 to 8.6% in 2021.

Although the NBC is systemically embedded in Hun Sen and the ruling CPP's hold on power, it has earned a reputation for being a technically adept authority for maintaining monetary stability over the past two decades. However, the NBC lacks full independence and is unable to enact measures that contradict the immediate interests of the government.

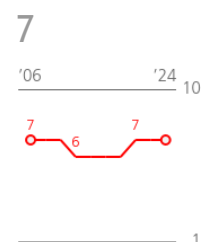
The pandemic had a fundamentally negative impact on Cambodia, as it did in many other countries. In 2021, the current account balance was -\$12.4 billion, three times higher than in 2019. Over the same period, public debt increased from 28.2% to 36.3% of GDP, although it remains the second lowest in Southeast Asia. Cambodia's public debt amounted to \$9.8 billion in the first quarter of 2022 and is held exclusively by international lenders, particularly China (40.7%) and multilateral organizations (34.3%). While total debt servicing amounted to just \$65.3 million in 2010, it skyrocketed to \$1.49 billion 10 years later. Net borrowing was equivalent to 4.7% of GDP in 2020, the highest value ever measured by the World Bank. Nevertheless, according to the Asia Development Bank, Cambodia faces a low risk of external and overall debt distress, which is consistent with the joint World Bank and IMF Debt Sustainability Analysis published in November 2021.

Government consumption increased from 4.8% of GDP in 2020 to 7.6% in 2021, although this remains one of the lowest rates worldwide. According to the draft National Budget Law 2023, the government plans to spend \$9.64 billion (29.9% of GDP). This represents a 13% budget increase compared to 2022, when the budget was equivalent to 28.0% of GDP.

Monetary stability



Fiscal stability



9 | Private Property

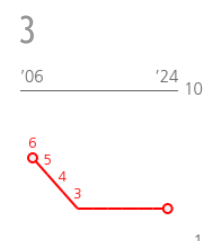
Cambodia recognizes the right to private property in principle, but legal private property guarantees are weak. Since 2020, the government has had the authority to seize and use property from legal entities under the Law on the Management of the Nation during a State of Emergency. However, this can only occur if a state of emergency has been declared, which has not happened yet. The most common property disputes involve land ownership. Although widespread land-grabbing has mostly ceased since 2012, there are still significant gaps in the protection of private land ownership. The cadastral system exists mainly on paper since “hard titles” issued by the central government can supersede the “soft titles” (or land registrations) issued by local authorities. As a result, people – including those who are already recognized as landowners – may still be at risk of losing their land, particularly to investors.

The protection of intellectual property is also a problematic issue. In 2022, Cambodia finally joined the Berne Convention for the Protection of Literary and Artistic Works after years of delays. This move aimed to safeguard copyright for various forms of creative works, including music, art and writing. Consequently, intellectual property infringement became a legal offense that could be brought before the courts. Despite this positive step, there remains uncertainty regarding the actual implementation of these new regulations in Cambodia. As a member of both the WTO and the Regional Comprehensive Economic Partnership (RECP) free trade area, Cambodia is obligated to adhere to similar international regulations concerning intellectual property rights.

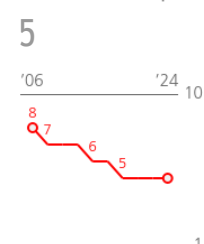
Based on the Law on the General Statute of Public Enterprises, there are two types of commercial state-owned enterprises in Cambodia. These are wholly state-owned enterprises, and public-private ventures in which the state owns a majority share and private investors hold a minority share. These enterprises are controlled by line ministries that establish a board of directors consisting of high-ranking civil servants. According to the U.S. Department of State, Cambodia had 15 state-owned enterprises in 2018. There is currently no indication that the Cambodian government plans to privatize any company.

Although the Competition Law does not explicitly address its application to state-owned enterprises, these enterprises are subject to the same taxes and value-added tax rebate policies as private sector companies. Private enterprises, including small and medium-sized enterprises, are generally allowed to compete with state-owned enterprises. However, they typically face systematic disadvantages that can only be balanced with political support. Moreover, political patrons often provide protection to private companies, which helps compensate for the lack of legal security and other structural obstructions caused by corruption and bribery. Consequently, close connections between private companies and politicians are more common than not.

Property rights



Private enterprise



10 | Welfare Regime

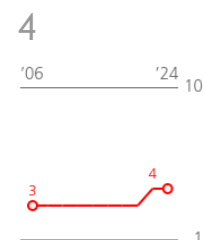
In recent years, Cambodia has taken further steps to extend welfare state structures, which had previously applied mainly to civil servants. In October 2022, a statutory pension insurance, the National Social Security Fund (NSSF), was introduced. NSSF contributions are set at 4% of an employee’s wage, half of which is paid by the employee and the other half by the employer. The NSSF applies to nearly 1.5 million employees across 13,300 registered companies. The goal is to provide more and more workers with access to welfare benefits. However, a significant challenge is the high proportion of workers in the informal sector.

The national accident insurance was introduced as early as 2008 and was followed by the health insurance scheme for employees in 2016. As the number of hospitals that can bill the NSSF for health services is currently still limited, not much has fundamentally changed in terms of care, even though government spending on health care increased from 1.2% to 1.7% of GDP between 2014 and 2019. In addition, some services, such as preventive medical care, are excluded. Consequently, on average, health care expenses accounted for 60% of out-of-pocket household spending in 2019. Despite these challenges, life expectancy increased steadily from 66.6 to 70.1 years between 2010 and 2020.

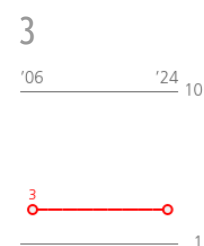
In addition to the NSSF, the Health Equity Fund (HEF) serves as the second pillar of Cambodia’s welfare state. It provides coverage for nearly three million individuals who live below the poverty line. Since June 2020, over 700,000 households have received more than \$800 million in assistance through this program. In response to rising inflation, this pandemic-related initiative was extended in 2022. There are plans to transform these occasional transfers into a more permanent, needs-based system. However, it appears that over half (53%) of Cambodia’s population lacks access to both the NSSF and the HEF, and 16% of those who are legally entitled to coverage under one of these mechanisms are not enrolled. As a result, approximately 8.7 million Cambodians still do not have access to any social health protection mechanisms. Among them, nearly five million individuals (about 31% of the population) are vulnerable, considered near-poor and are at risk of slipping back into poverty when confronted with economic or other shocks.

Article 32 of the Cambodian constitution establishes equal rights for citizens “regardless of their race, color, sex, language, belief, religion, political tendencies, birth origin, social status, resources, and any position.” However, in practice, the country faces challenges in upholding this principle. The ruling Cambodian People’s Party (CPP) and its patronage networks hold control over public resources and access to government positions. The party unofficially sets entrance fees for most public administration careers, and senior officials expect kickbacks later on. Additionally, cultural beliefs in a hierarchical social order hinder equal opportunity. With

Social safety nets



Equal opportunity



approximately 95% of the population practicing Buddhism, the concept of birth and rebirth directly influences social status and individual outcomes. Power and wealth in the present life are seen as rewards for good deeds in past lives, while poverty, illness and disability are considered punishments for past wrongdoings, leading to lower societal status.

Similarly, traditional conceptions of gender include clear role descriptions for women. Therefore, from a traditional cultural perspective, it is atypical that Cambodian women hold public positions. Specifically, women continue to be vastly underrepresented in elected offices. Nationally, 26 out of 125 members of the National Assembly are women (20.8%), while the representation of women in the Senate (17.7%) is even lower. Among Hun Sen's current 38-member cabinet, only three are women (7.9%). At the local level, 22.0% of commune councilors are women, but only 173 councils (10.5%) out of 1,652 are led by women. In the private sector and NGOs, however, women more frequently hold leadership positions, although their overall representation remains limited.

In 2021, the female labor force accounted for 48.4% of the total, the second highest percentage in Southeast Asia. However, in 2015, the literacy rate for women was significantly lower than that of men, with rates of 75.0% and 86.5%, respectively. The overall literacy rate, as reported by the World Bank, stood at 80.5%. Nevertheless, recent statistics from the Cambodian Ministry of Education, Youth and Sports indicate a notable improvement, with the literacy rate reaching 87.8% in 2020.

The situation of girls and young women in education has improved over the years, resulting in a balanced ratio of female-to-male enrollment in primary education in 2020, where both genders had an equal enrollment ratio of 1.0. In secondary education, girls were even more likely to be enrolled than boys, with a ratio of 1.1. However, tertiary education continues to present a challenge, as girls are underrepresented with a ratio of 0.9.

While access to education appears to be guaranteed in primary education, as indicated by a gross enrollment ratio of 105% in 2020, the figures differ for secondary and tertiary education. Cambodia has the lowest share of gross enrollment (54.8% in 2020) in secondary education in Southeast Asia and the second-lowest proportion (14.7% in 2019) in tertiary education.

11 | Economic Performance

The pandemic-related crisis represented only a temporary setback for Cambodia. In 2021, the country's GDP increased by 3.0% to \$26.97 billion and is expected to grow by a further 4.8% in 2022. This brings Cambodia closer to the average annual growth rates of around 7% observed over the last decade, when it ranked among the fastest-growing economies globally. In 2021, GDP per capita (PPP) reached \$4,683, surpassing the pre-crisis level of \$4,574 in 2019. Nominal GDP per capita also increased in 2021, rising by 1.6% after declining by 4.4% in 2020. Similar to many other countries, Cambodia faced a new challenge in 2022 with a significant increase in inflation. After remaining below 3% since 2016, inflation rose to over 7% in June 2022, before declining to 4.9% in Q3 2022. According to the World Bank, Cambodia's official unemployment rate was 0.6% in 2021, the second lowest globally.

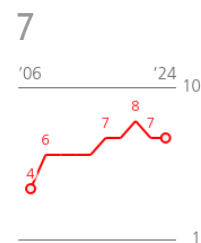
Due to the pandemic, tax revenues fell to 17.9% of GDP in 2020, down from 19.7% a year earlier. This was accompanied by a sharp rise in public debt from 28.2% of GDP in 2019 to 35.2% in 2020, before slowing somewhat to 36.3% of GDP in 2021 – only 21 countries in the BTI study had a lower ratio. The current account balance reached an all-time low of minus \$12.3 billion in 2021, exceeding the previous lowest level (2019) by a factor of four. In contrast, Cambodia recorded one of the world's highest relative increases in FDI at 14.0% of GDP in the crisis year of 2020. Net lending/borrowing reached -4.7% of GDP in 2020 – this is the lowest value ever measured by the World Bank. Despite the pandemic, gross capital formation increased from 24.2% of GDP in 2019 to 24.9% in 2020 to 26.6% in 2021.

12 | Sustainability

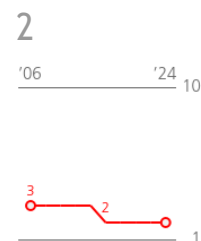
Cambodia's government committed to green economic principles in the National Strategic Plan on Green Growth 2013–2030. In July 2022, the Ministry of Environment agreed to conduct an in-depth study to develop plans and policies for implementing a green economy in Cambodia, following the agenda of the United Nations Conference on Sustainable Development 2012, also known as "Rio+20." This marks the first step in an agreement reached with the United Nations Environment Program's Partnership for Action on Green Economy (PAGE).

Prime Minister Hun Sen also committed to environmental and climate protections, at least verbally. In a speech delivered in October 2022, he said that Cambodia had adopted a long-term carbon-neutral development strategy to promote a climate-resilient green economy with low carbon emissions. Furthermore, according to Hun Sen, Cambodia has identified green development and climate change mitigation as crucial elements in establishing a resilient economy. The country aims to encourage investments in green energy, a circular economy and environmental protection. Altogether, Cambodia aims to reduce its emissions by 42% by 2030.

Output strength



Environmental policy



However, there is still a significant disparity between aspiration and reality in Cambodia. According to the International Renewable Energy Agency (IRENA), renewable energy decreased from over 60% of total final energy consumption in 2014 to 53% in 2020. In 2019, the share of renewable energy in the total energy supply was 49%, marking a decline from 62% in 2014. Renewable energy generation accounted for 4,255 out of 8,621 gigawatt hours (GWh) in 2020, primarily driven by hydro and marine power (3,860 GWh). Moreover, Cambodia continues to lack a sufficient legal framework for environmental protection. Since 2015, the Ministry of Environment has been engaged in the development of the Environmental and Natural Resources Code of Cambodia. In 2018, the ministry produced an 11th draft of the code. However, progress has since stalled and no further action has been taken to enact the law. The primary obstacle lies in conflicts of interest within the regime, as various actors have financially benefited from the exploitation of natural resources. Currently, most senior government and security forces officials partake in illegal logging and other environmental offenses. Consequently, given the prevailing political circumstances, it is unlikely that the code could ever serve as a robust legal foundation for environmental protection in Cambodia.

In the U.N. Education Index, Cambodia has stagnated since 2019, with a score of 0.488 – the second-lowest score in Southeast Asia in 2021. Education has remained the government’s largest annual expenditure for years. In 2022, the Ministry of Education, Youth and Sports received an allocation of \$802 million out of the \$8.06 billion budget. This is equal to 2.5% of GDP, an increase from 2.2% in 2018. The majority of funds are directed toward primary and secondary education, resulting in a steady increase in the literacy rate from 80.5% in 2015 to 87.8% in 2020.

However, there are still challenges to address. During sowing and harvesting seasons, which last for about five months per year, farmers often rely on assistance from their children. As a result, enrollment rates are often significantly higher than attendance rates, as compulsory schooling is not enforced by state authorities. Furthermore, most teachers are not familiar with modern teaching methods. In addition, private tuition that focuses on exam-related topics is widely available. However, the private funding required for these lessons excludes children from families living below or near the national poverty line.

Private schools and universities that prioritize profit over quality continue to dominate tertiary education. Because of a lack of a functioning accreditation system and state supervision, degrees obtained from these private institutions usually hold little significance. The presence of internationally respected research institutions is scarce due to very low public expenditure on research and development. According to the Asian Development Bank, Cambodia’s expenditure on research and development increased from 0.05% in 2002 to 0.12% in 2015, although this rate remained among the lowest in Southeast Asia. Similarly, in 2015, Cambodia had the fewest number of researchers per million inhabitants (30) of any country in the region. In the Global Innovation Index, Cambodia received the third-lowest score among Southeast Asian countries in 2021.

Education policy /
R&D

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Governance

I. Level of Difficulty

Cambodia's structural constraints have gradually become less significant in recent years. According to the World Bank, between 2009 and 2019, the share of residents living below the national poverty line decreased from 33.8% to 17.8%. The pandemic-related increase to 20.6% (2020) is unlikely to affect this long-term positive trend, as most macroeconomic data point to a rapid recovery. From a health perspective and by international standards, COVID-19 has had little long-term impact on Cambodia. The number of infections per 100,000 population was only 827 at the end of 2022. According to official (and credible) data, a total of 3,087 people had died due to COVID-19 by January 31, 2023.

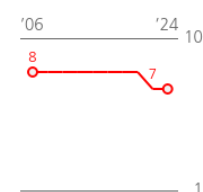
Numerous large-scale infrastructure projects have been successfully completed or started in recent years. These include the construction of several new highways, the expansion of the Sihanoukville seaport, and the construction of new international airports in Phnom Penh and Siem Reap. Cambodia has successively expanded its capacities for energy production and is focusing more on vocational training as part of its efforts to diversify its industrial base. Nevertheless, major challenges remain in meeting the growing demand. Historically, natural disasters have played a minor role in Cambodia, with the exceptions being droughts and excessive flooding.

Cambodia lacks a long-standing tradition of civil society, with the few traditions that exist less than three decades old. Under the country's various post-colonial regimes, unions, associations and federations were almost without exception the creations of the respective rulers aimed at mobilizing supporters, at least until the early 1990s. In addition, decades of violence have contributed to the emergence of a society in which interpersonal trust beyond family and kinship ties is extremely weak. In rural areas, social cooperation is largely limited to the village level. Associations and even agricultural cooperatives are scarce because, for most Cambodians, the maximization of immediate personal benefit takes precedence over sustainable cooperation for mutual benefit. As a result, culturally rooted social hierarchies continue to dominate interpersonal relationships, allowing the vertical differentiation of society to prevail over horizontal orientation.

In urban centers, especially in Phnom Penh, a vibrant NGO scene has established itself under the auspices of the 1993 constitution. However, the influence of these NGOs (as role models for the rest of the country) beyond the capital remains limited. Only a few groups truly embody the concept of a civil society organization. Many of

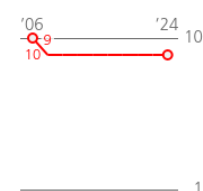
Structural
constraints

7



Civil society
traditions

9

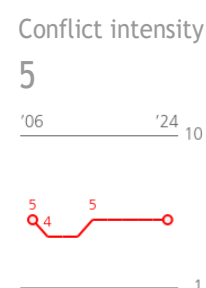


them have not emerged from grassroots initiatives and rely heavily on Western donor funding. Meanwhile, other for-profit enterprises exploit the legal status of an NGO to reduce their tax burden.

While the Cambodian government appreciates the added value of such bogus NGOs, especially in the health care and other social sectors, it acts with extreme suspicion and even open hostility toward NGOs that work on politically sensitive topics and for specific target groups. Such NGOs are often labeled “pro-opposition” by the regime in order to deny them legitimacy. Occasionally, activists – who do not want to subject themselves to self-censorship – end up in prison or are forced to flee Cambodia for political reasons. In this respect, the current regime actively contributes to preventing civil society traditions from developing in the first place.

Fundamental social conflicts that shape the state and society have relatively shallow roots in Cambodia. Such conflicts are essentially limited to the political space, which the ruling CPP has monopolized in recent years. The CPP is itself under the extensive control of Prime Minister Hun Sen, who intends to gradually transfer power to his son, Hun Manet, over the coming years, despite the reservations of some within the party. The extent and nature of potential conflicts during this transfer of power remain uncertain, although even a cautious transition of power contains more potential for conflict than any other factor in Cambodia.

After all, the country is ethnically, culturally, linguistically and religiously the most homogeneous country in Southeast Asia. Despite the extent of racially motivated violence under the Khmer Rouge – which exclusively represented the Khmer, the majority ethnic group – against the Cham and Vietnamese, this historical episode has little weight on the current coexistence of ethnic groups. Nevertheless, traditional resentments toward the Vietnamese living in the country have not completely disappeared, although racially motivated crimes have become exceedingly rare in recent years. This sentiment also extends to the increasing number of Chinese living in the country, toward whom many locals maintain a reserved attitude at best. However, it remains uncertain whether a significant potential for conflict lies beneath the fairly calm surface, as there are few actors (e.g., opposition groups, NGOs or independent media outlets) in Cambodia’s autocratic system that would address conflict issues.



II. Governance Performance

14 | Steering Capability

The strategic capacity to prioritize and organize policies is reduced to a small group, which consists of Prime Minister Hun Sen and his closest associates. The key institutions that implement their decisions are the Council of Ministers and the Ministry of Interior. In recent years, it has become apparent that, at least for Prime Minister Hun Sen, the gradual transfer of power to his eldest son Hun Manet is the top priority. As is typical of highly personalized regimes, the transition is likely to be very complex and last several years. As such, the abrupt and complete withdrawal of Hun Sen from politics is not expected. In particular, the transition will involve reorganizing processes and spheres of influence essential to the Hun clan in such a way that they can manage without the authority of the prime minister. This applies above all to the security forces loyal to Hun Sen, especially his personal bodyguard militia, which functions as a private army separate from the country's regular armed forces.

The associated patronage system is likely to undergo serious change, as it will lose its central protagonist and state structures will become stronger. During the pandemic, state agencies, rather than allocation mechanisms controlled by the ruling CPP, handled social transfers. Even though state agencies are dominated by the CPP, this development is significant in terms of the legitimacy of the current elites. These trends, albeit cautiously initiated, indicate that the exercise of power, influence and control within the regime will need to be re-evaluated.

Another accelerator of this development is the industrial diversification toward more energy-intensive, complex and value-added production. An essential prerequisite for this is efficient state structures, particularly an effective legal framework. However, this is incompatible with the dysfunctional elements of endemic corruption, bureaucratic red tape and a bloated state apparatus staffed by inadequately qualified – albeit politically loyal – officials. Notably, these factors contribute to stabilizing the regime from within.

For years, the Cambodian government has grappled with the challenge of balancing poverty reduction through steady economic growth and protecting the personalized political system that secures Hun Sen's hold on power. The systemic contradictions that arise from this process create enormous obstacles to the implementation of a robust legal framework. Some laws (e.g., the Anti-Corruption Law) are hardly worth the paper they are written on and are either ignored or applied in a manner that contradicts their intended purpose. Meanwhile, other laws (e.g., the Environmental Code) have not been adopted even after several years of drafting, as they contradict the regime's internal logic of enrichment and corruption. In recent years, many laws

Question
Score

Prioritization

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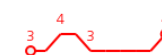


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Implementation

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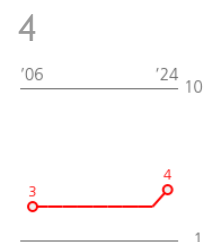
that have been passed have faced implementation challenges as civil servants are overloaded. Nevertheless, some progress has been made in recent years, as evidenced by the introduction of a personal income tax and the development of social insurance during the pandemic. Education and infrastructure policies are among the better-functioning policy areas. In addition, the instances of effective crisis management since 2020 have demonstrated Cambodia's capacity for successful implementation when there is political will.

Within Hun Sen's power apparatus, two major (though not clearly definable) groups compete for influence. On one side are hard-liners, preservers of vested interests, and hawks who stand for an autocratic state, the plundering of natural resources and personal enrichment. They are found primarily in the security apparatus and among long-serving, older cabinet members. On the other side are a number of technocratic ministers and government officials, primarily the two deputy prime ministers, Sar Kheng (minister of the interior) and Aun Porn Moniroth (minister of economy and finance). It is not yet clear which side the future head of government, Hun Manet, will lean toward. Most likely, he will use both currents to secure the Hun clan's power for another generation and to further professionalize Cambodia's government.

Cambodia has been the recipient of significant bilateral and multilateral development assistance since its constitutional reset in 1993. At times, the supply of technical cooperation has been greater than the demand, which has contributed to the country's neglect of its own efforts. Cooperation with Western partner countries proved difficult in view of their expectations regarding the rule of law, accountability and political pluralism. As a result, many partner countries and organizations have come to realize over the years that their offers were accepted and implemented selectively at best. Formats for consolidating liberal institutions have failed outright, despite the fact that the main parties to the conflict explicitly committed themselves to this in the 1991 Paris Peace Accords. In 2020, the partial suspension of trade privileges by the European Union under the Everything But Arms scheme was more a sign of disapproval of this development than a genuine attempt to encourage Hun Sen and the CPP to engage in fair party competition.

Given that some European countries have withdrawn from Cambodia over the past decade, while others have shifted their programs toward less politically sensitive issues, the willingness to learn has in turn increased. The expansion of the welfare state with considerable international input for policy development and the adoption of several ordoliberal laws in the wake of international trade commitments stand out in this regard. Along with the loss of influence of Western development partnerships, the importance of Chinese development cooperation has increased. This cooperation is mainly, but not exclusively, related to larger infrastructure projects within the framework of the Belt and Road initiative. Military and security cooperation, in particular, has become much more important in recent years. Illiberal competencies, such as the development of digital surveillance capacities, are usually adopted from the Chinese model.

Policy learning



15 | Resource Efficiency

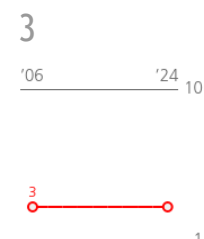
The Cambodian government's resource efficiency has slowly improved over the past three decades. The state structure remains heavily centralized, with little to no (real) decision-making power at the subnational levels. Attempts at decentralization and de-concentration have been tentative and limited to a few policy areas. Communes are primarily entrusted with implementing the administrative tasks assigned to them, and otherwise serve only for local political control and mobilization. Civil servants continue to be hired primarily on the basis of their political loyalty to the CPP and personal (especially family) relationships with decision-makers. Among civil servants, technical experts – who are urgently needed – remain a minority, with the exception of functional personnel in educational and health care institutions.

Civil servant salaries have risen sharply in recent years. Whereas the public payroll was just 4.4% of GDP in 2010, it increased to 6.7% in 2016, according to World Bank data. Further increases are expected, as the government aims to raise the minimum salary for its nearly 220,000 civil servants to \$350 per month in 2023. In comparison, the minimum salary in public administration was around \$90 per month in 2013. However, Cambodia does not appear to be as efficient as countries in a similar situation. According to the World Bank, in 2016, Cambodia spent a relatively large share (81%) of its education budget on salaries, compared to an average of 69% for low-income countries. Nevertheless, Cambodia lags behind in terms of teacher-to-student ratios.

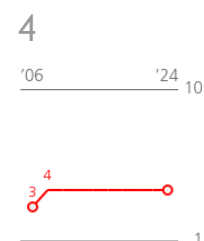
Although the revenue side of the state budget – along with spending – has risen steadily in recent years, it remains unclear how efficiently the government has managed its resources. This is primarily due to a lack of transparency and the limited oversight, for example, of legislative bodies or independent auditors. Nevertheless, national debt is rather low at an estimated 35% of GDP in 2022. Similarly, with the exception of the pandemic year 2020, additional annual borrowing has remained low.

The government's diverse measures to contain COVID-19 and to cushion the pandemic-related economic crisis – including vaccination campaigns, social transfers, and entry and quarantine regulations – were largely well coordinated. However, the extent to which this experience can serve as a positive model for future policymaking is questionable, given the personalized system of governance and prevalence of patronage-based dependencies. Due to the highly centralized decision-making processes, effective policy coordination often depends on the direct involvement of Hun Sen. In his absence, it is common for the actors involved to block each other or act inconsistently with government policies. The Ministry of Interior and the Office of the Council of Ministers are responsible for coordinating government work and have divided all of Cambodia's policy areas and subnational levels among themselves. This dual approach to governance, while not entirely free of tension, fosters a degree of coherence. Furthermore, dozens of government committees, commissions and councils ensure interministerial coordination, while simultaneously limiting the decision-making independence of line ministers.

Efficient use of assets

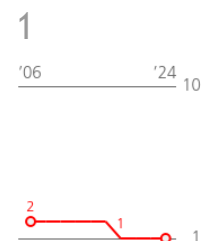


Policy coordination



Integrity mechanisms (e.g., the auditing of state spending, regulation of party financing, and oversight of officeholders and the public procurement system), if they exist, only exist formally and lack effective enforcement or judicial oversight. The main reason for this is the systemic nature of corruption in Cambodia, which serves to stabilize Hun Sen's hold on power. Hun Sen is widely regarded as the wealthiest Cambodian, and uses his wealth to finance his personal security forces and reward loyalists within the government and the CPP. Social and charitable activities also help to increase his personal legitimacy. Notably, his son and designated successor, Hun Manet, has increasingly taken over these activities from him. Corruption serves as an effective instrument of control because the vast majority of government positions are linked to an unofficial obligation to pay kickbacks to superiors and ruling CPP officials. The kickback payments expected usually exceed a civil servant's official salary many times over, which forces civil servants to find other means of financing. However, since corruption is illegal in Cambodia, all actors involved in corruption find themselves in a precarious legal position and at risk of being imprisoned. Paradoxically, this system of corruption is monitored by an anti-corruption unit that is supposed to fight corruption. Although roughly 27,000 civil servants and members of parliament are required to declare their assets to the anti-corruption unit every two years, they generally do not face any consequences for noncompliance.

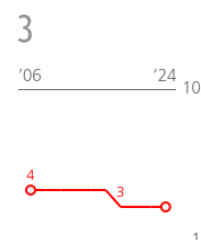
Anti-corruption policy



16 | Consensus-Building

Over the past three decades, the ruling CPP has embraced party competition only to the extent that no significant political rivals have gained a foothold in the country. During more favorable years, Cambodia was a façade democracy. However, during darker periods (most recently between 2017 and 2022), Cambodia was a de facto one-party state. The country's status could easily regress, given that Hun Sen may prevent the Candlelight Party (CP), the revived opposition party, from participating in the parliamentary elections in July 2023. Hun Sen's decision will depend on whether he perceives the CP to be a substantial threat to the gradual transfer of power to his son, Hun Manet. However, concerns surrounding specific arrangements for the succession, even within the ruling party, are likely to be so pronounced that no relevant politician is likely to be particularly interested in the fate of the CP.

Consensus on goals



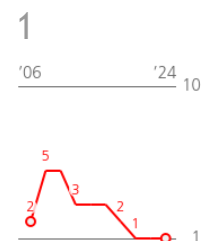
The development of a market economy based on clear rules has been half-hearted at best. The legal framework has been expanded slowly but steadily. However, many segments remain mired in inertia, relying on closed business cycles, rent-seeking based on quasi-monopolies and oligopolies, and value chains centered on the exploitation of natural resources. Nevertheless, the economic significance of these areas has been declining, while Cambodia's economic model – characterized by its role as an extended Chinese manufacturing hub – has become more and more important. However, this alone is unlikely to drive the further development of a market economy in Cambodia, given that the economy's dependence on state-capitalist Chinese companies will not decline in the coming years.

Since the elimination of the only significant opposition party in November 2017, Cambodia has been dominated by anti-democratic actors. The return of the Candlelight Party, a party committed to establishing a liberal democracy in Cambodia, will be short-lived if the party evolves into a serious challenger to the CPP before the parliamentary elections in July 2023. It would be typical of the fate of any opposition party over the last 30 years if the Candlelight Party were to become a victim of its own success (i.e., be dissolved because it gained electoral popularity). The Candlelight Party's comparatively strong performance in the 2022 commune elections was quite surprising, given the exodus of many of its former leaders, including Sam Rainsy. Indeed, numerous democratically minded actors (whether in politics, NGOs or the media) have emigrated in recent years. In addition to this liberal brain drain, those actors who have remained – as well as the entire media industry – often practice self-censorship or have come to terms with the regime's anti-democratic stance.

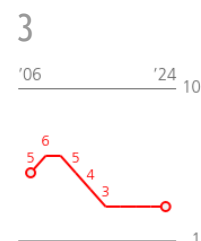
There are few profound structural conflicts and cleavages in Cambodia. This is primarily due to the country's intense ethnic-cultural homogeneity compared to other nation-states in Southeast Asia. The country's decades-long spiral of violence stemmed more from different ideologies rather than clearly defined social cleavages. Furthermore, the crimes of the Khmer Rouge did not lead to sustained (or overt) hostilities between ethnic groups, secular and religious actors, or rural peasants and urban (bourgeois or aristocratic) elites. The current autocratic regime, in turn, seeks to unilaterally define the parameters of social consensus in contemporary Cambodia without permitting any public discourse or negotiation on the matter. However, given the country's rapid development, it is unlikely that new cleavages – which could define Cambodia in the near future – have formed beneath this surface.

Civil society representatives are involved in legislative projects in many different ways, depending on the particular ministry involved. However, even in ministries led by more open-minded technocratic ministers, the focus is often on formal exchange rather than on the possibility of public consultation significantly influencing the content of laws. Politically sensitive issues such as human rights violations, abuse of power and corruption are sacrosanct to the regime and excluded from any external involvement. The law on associations and NGOs adopted in 2015 provides the regime with significant tools to crack down on NGOs deemed excessively critical. Consequently, many NGOs exercise extensive restraint and self-censorship. In less politically sensitive policy areas, where the government lacks technical expertise, there are opportunities to exert influence. The same applies to other actors, such as academics and Buddhist clergy, although this type of input is often not visible to external observers.

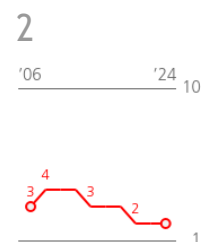
Anti-democratic actors



Cleavage / conflict management



Public consultation



The proceedings at the Extraordinary Chambers in the Courts of Cambodia (ECCC) – established as a mixed Cambodian-international criminal court in 1997 to try the senior leaders and key members of the Khmer Rouge for alleged violations of international law and serious crimes perpetrated during the Cambodian genocide – concluded in September 2022. The final verdict upheld the conviction of Khieu Samphan, the former head of state and sole living defendant, for genocide against the Cham and Vietnamese ethnic minorities, as well as other serious crimes committed between April 1975 and January 1979. While there is little doubt about legal culpability, legitimate questions about the independence and professionalism of the tribunal have been raised since the tribunal was established in 2007. Significantly, the defendant’s lawyers identified over 1,800 legal errors in the initial verdict, which ran to more than 2,200 pages. This led to an almost four-year appeal process. The most significant criticism from the international community was the lack of independence of the Cambodian judges, given the Hun Sen government’s political influence.

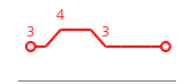
The total cost of the tribunal, which secured a total of three convictions by the end of 2022, was about \$350 million, more than three-quarters of which was contributed by international donors. Even though the actual work of the judicial review process has now been completed, historians are likely to examine the Khmer Rouge’s crimes intensively over the coming years. The independence of significance of these historical investigations remain to be seen. So far, the tribunal has not had any significant effect on social reconciliation, which is due to the substantial passage of time, the politicization of the proceedings and the resulting lack of interest among the population. Significantly, despite the immense budget, the tribunal provided minimal support for the representation of nearly 4,000 victims as civil parties. Thus, the tribunal’s substantial potential for contributing to reconciliation has been completely wasted.

Another opportunity for reconciliation may arise in the next few years when the remains of the victims are cremated. Their preservation, exemplified by the glass stupa at the Choeung Ek memorial south of Phnom Penh, was only intended to be a temporary means of illustrating the atrocities, as it contradicts Buddhist customs regarding the deceased. Very few Cambodians have visited this memorial or the Tuol Sleng Museum to date. This may be a key contributory factor to the high percentage of people who deny the crimes of the Khmer Rouge or do not want to acknowledge them. Therefore, it is crucial to avoid prematurely concluding discussions about the nation’s past, even though the vast majority of Cambodians drew a line under this conversation a long time ago. The two main commemoration days are January 7, which is linked to the liberation of Phnom Penh in 1979 and marks the formal end of the Khmer Rouge regime; and May 20, which is the National Day of Remembrance, also known as the Day of Anger. Despite having been celebrated for years, these two commemoration days have not significantly altered the views of many Cambodians.

Reconciliation

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Politically motivated crimes committed by the Khmer Rouge's successor regime have been erased from historical consciousness for understandable reasons. These crimes include the K5 plan between 1985 and 1987; killings during election campaigns in 1993, 1998, 2002 and 2003; as well as the violent incidents in 1997, which include the assault on an opposition rally and the bloody coup d'état staged by Hun Sen against his royalist coalition partner. In addition, several individuals, mainly opposition politicians and critics of the government, have been murdered since the early 1990s.

17 | International Cooperation

Regarding economic development, the Cambodian government has for many years prioritized the expansion of infrastructure. This includes the construction of roads, railway lines and the country's two largest airports (Phnom Penh and Siem Reap), as well as the expansion of Sihanoukville port. Other significant investments have primarily flowed into the energy sector in response to growing demand. Regarding political development, the focus has been on expanding the welfare state and slowly introducing ordoliberal structures into a largely unregulated market economy.

Cambodia's development strategy is essentially based on a close, multisectoral partnership with the People's Republic of China and free access to markets, especially in Europe and the United States. The importance of China to Cambodia's economic rise over the past three decades can hardly be underestimated. Around 40% of foreign direct investment (\$41 billion) between 1994 and 2021 came from China. Chinese investors predominantly invested in manufacturing, accounting for more than 30% of total capital. These investments are often backed by additional government transfers. By 2019, China had provided \$7.2 billion, or 48% of Cambodia's official development assistance (ODA). The Beijing government is also Cambodia's largest lender, with China holding 41% of Cambodia's \$9.8 billion foreign debt in mid-2022. In 2021, Chinese investments comprised 50% of all approved investments, which amounted to \$4.4 billion, with the United States accounting for 4% and Singapore for 3%. Most of China's investments were made through the Belt and Road Initiative and contributed to large-scale infrastructure projects. While these flagship bilateral cooperation projects are staged for publicity, many other projects – believed to number over 100 between 2004 and 2021 – remain shrouded in secrecy due to a lack of transparency. Therefore, it remains uncertain how much influence China has already acquired through these engagements and what long-term consequences Cambodia may face.

Due to its enormous dependence on China, Cambodia has intensified efforts to diversify its donor and investor base in recent years. In addition to Japan and South Korea, the United States could also benefit from this, although the trade privileges the United States granted to Cambodia under the Generalized System of Preferences (GSP) expired in 2021 and have not yet been renewed. However, this has not had any discernible impact on bilateral trade volumes so far.

Effective use of support

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Given the trend toward autocratization in recent years, Cambodia's government has risked its international credibility and reputation, especially in Europe and the United States. As a major signatory to the Paris Peace Accords in 1991, Cambodia committed itself to establishing a liberal democracy. The accords were also signed by 19 other countries, creating an international legal dimension that distinguished Cambodia from many other post-civil war states. By gradually allowing the Candlelight Party to return to electoral competition, the regime has at least paid implicit lip service to democratic procedures, although this is unlikely to impact the domestic balance of power.

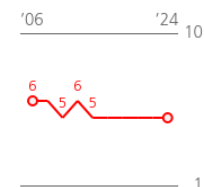
Overall, Cambodia complies with the international agreements it has signed and cooperates with international institutions in an acceptable manner. However, a major exception to this is Cambodia's (often confrontational) relationship with nearly all U.N. organizations regarding human rights. In 2022, Cambodia took a more assertive stance in the global dispute over the Ukraine war, underscoring its fundamental commitment to international laws and norms. For example, the government repeatedly condemned Russia's war of aggression against Ukraine. In October 2022, Cambodia voted in favor of the U.N. resolution against recognizing the Ukrainian territories annexed by Russia, while its immediate neighbors Laos, Thailand and Vietnam abstained. In November 2022, Cambodian Prime Minister Hun Sen even agreed to send deminers to help train Ukrainians in clearing land mines planted by Russian forces during the invasion. Cambodia is also engaged in other peacekeeping activities around the world. Since 2006, the country has dispatched more than 8,000 soldiers to join U.N. peacekeeping missions in many war-torn countries.

As the chair of the Association of Southeast Asian Nations (ASEAN) in 2022, Cambodia assumed a special role in the region. Since previously chairing the association in 2012, the country has increasingly acted as a lobbyist for Chinese interests in the region, placing Cambodia under special scrutiny this time. However, in contrast to a decade ago, the Hun Sen government adopted a more balanced and mediatory approach, as evidenced by the joint position on the visit of the former U.S. house speaker, Nancy Pelosi. This approach reflected the desire of most ASEAN members to avoid being drawn into a conflict between the two great powers.

Considering the heterogeneous preferences of ASEAN's 10 member states, this controversial visit underscored the challenges of harmonizing foreign policies within the association and projecting a unified stance on the international stage. Consequently, it was no surprise that Cambodia struggled to commit ASEAN to a common position regarding Russia's invasion of Ukraine beyond ultra-soft diplomatic phrases. Moreover, the ongoing dispute over overlapping territorial claims in the South China Sea, in which the People's Republic of China has been conspicuous for its aggressive behavior for years, continues to be largely ignored within ASEAN discussions.

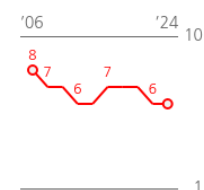
Credibility

5



Regional cooperation

6



Major differences within the bloc also emerged in deciding how to deal with the junta in Myanmar, with this issue dominating ASEAN's agenda in 2022. Cambodia's diplomatic attempts to persuade the rulers in Naypyidaw to make humanitarian and political concessions were controversial from the outset and ultimately failed. Prime Minister Hun Sen's decision to legitimize his counterpart, General Min Aung Hlaing, with a personal visit in January 2022, during the early days of Cambodia's term as chair of ASEAN, received particular criticism. Overall, 2022 showed once again that divisions in the region are increasing rather than decreasing, something that Cambodia's term as chair of ASEAN has not changed. Nevertheless, neighboring countries' trust in Cambodia seems to have increased in recent years. A key indicator of this was the election of Kao Kim Hourn as ASEAN secretary-general, with Kao Kim Hourn assuming office in January 2023. The diplomat is the first Cambodian to hold this position.

Strategic Outlook

In the coming years, Cambodia's domestic politics will be heavily influenced by the transition of power from Prime Minister Hun Sen to his eldest son, Hun Manet. Due to Cambodia's highly personalized political system, many processes focus on Hun Sen. As such, it will be almost impossible for another person, even his own son, to seamlessly take Hun Sen's place. The constitutional amendments introduced in 2022 indicate that Hun Sen aims to create a veto role for himself as the lifelong president of the ruling CPP, meaning that it is very unlikely that he will retire from politics abruptly. In turn, although Hun Manet remains deputy commander of the Cambodian armed forces as of January 31, 2023, it is highly probable that he will leave his military career behind in favor of a career as a civilian politician. It is not expected that Hun Manet will deviate significantly from his father's policy course during Hun Sen's lifetime. At present, therefore, there is little evidence that a change in the head of government will necessitate a fundamental reassessment of Cambodian politics. Hun Sen will largely withdraw from day-to-day politics, while remaining Cambodia's most powerful individual.

Nevertheless, the transition from father to son raises complex questions about the interests of many politicians and generals. For the Hun clan, it will be crucial to integrate key personalities in a way that ensures the gradual reorganization of political power in Cambodia is accepted by the CPP. Conflicts may arise in the process, but the probability of a major violent confrontation remains low. Under these conditions, all political actors outside the regime are likely to be viewed as potential disruptors. Therefore, political repression is not expected to diminish in the near future. This applies above all to the Candlelight Party. As the most relevant opposition party, though not yet a serious rival for political power, it remains uncertain whether the Candlelight Party will be allowed to participate in the parliamentary elections in July 2023.

Given this special situation, it will be important to ensure that political uncertainties do not affect assessments of Cambodia as an attractive business location. In the coming years, the well-being of the Cambodian people will continue to depend heavily on foreign direct investments, integration into international supply chains and access to global markets. Further economic diversification will only occur under these conditions. Industries requiring more energy, skilled workers and more efficient production infrastructure will continue to gain importance, while the apparel industry's economic relevance will continue to decline. Navigating this structural change will be a key task over the coming decade. It remains a compelling question whether and how the regime will strike a balance between creating an effective institutional framework given endemic corruption, a lack of transparency and accountability, and a woefully inadequate rule of law on the one hand, while preserving its political power on the other hand.